Voyage BidCo Limited

Results for the three months ended 30 June 2016

Voyage Care BondCo PLC

£222,000,000 6.5% Senior Secured Notes due 2018

£50,000,000 11% Second Lien Notes due 2019

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Voyage Care BondCo PLC is a public limited company incorporated under the laws of England and Wales and is a direct wholly owned subsidiary of Voyage BidCo Limited and an indirect wholly owned subsidiary of Voyage Care HoldCo Limited (previously Viking HoldCo Limited). In this annual report, ''Issuer'' refers only to Voyage Care BondCo PLC. In this annual report, ''we'', ''us'', ''our'' and the ''Group'' refer to Voyage Care HoldCo Limited or Voyage BidCo Limited and their consolidated subsidiaries, unless the context otherwise requires. Our registered office is located at Wall Island, Birmingham Road, Lichfield, Staffordshire, WS14 0QP and our website is www.voyagecare.com. The information contained on our website is not part of this annual report.

Executive Summary

Financial highlights

The table below summarises financial information (unaudited) for the three months ended 30 June:

£ million	Q1 2017	Q1 2016
Turnover	52.4	51.5
EBITDA (before non-underlying items)	9.5	10.5
Operating profit	6.8	7.9
Profit for the period	0.7	1.7
Operating cash flow	7.9	8.6

Commentary on results

Operating performance in line with expectations, the key highlights of which are:

Performance during Q1 2017 vs. Q1 2016

- Turnover increased 1.7% to £52.4 million primary due to growth in our Supported Living and Outreach business
- EBITDA before non-underlying items decreased 9.5% to £9.5 million due mainly to increases in staff costs
- CQC quality scores remain very high with 91% of services achieving a Good or Outstanding score
- Occupancy at 90.4% (additional 71 places since Q1 2016)

Recent developments

- National Living Wage came into effect at £7.20 per hour on 1 April 2016

Other changes

- National Minimum Wage increases to £6.95 per hour on 1 October 2016 but will not impact Voyage as staff over the age of 18 are paid at least £7 per hour

Company Overview

We are the leading provider of care services for adults with learning disabilities and other related complex and challenging support needs across the UK, measured in terms of beds. The vast majority of people we support have life-long conditions and high acuity needs, which have been assessed as either ‘‘critical’’ or ‘‘substantial’’ by Local Authorities and the NHS and therefore require on-going care services to help them look after themselves.

- We supported 2,995 people as at 30 June 2016, comprising 2,505 through our residential segment and a further 490 supported through our outreach business.

- The typical person we support in our residential services is between the ages of 18 and 65, and we provide at least two support staff members for every three individuals. This level of support is reflected in our residential average weekly fee of £1,478 per person for the twelve months ended 30 June 2016.

- Our ‘‘person centred’’ approach to care ensures that we deliver quality, bespoke care packages tailored to the complex, high acuity care needs of the people we support. Quality scores remains high, with 91% of services inspected achieving a rating of Good or Outstanding following inspection. In Wales and Scotland, all of our services are ‘compliant’ with their respective inspection regimes.

- With approximately 8,600 staff, we strive to meet the requirements of each person we support and develop bespoke care packages tailored to their needs.

Our services

Our focus on quality of care services is core to all of our operations. The learning disability sector in which we operate is both highly regulated and fragmented. We are one of the few larger providers operating exclusively in this sector and specialising in providing care support for people with complex, high acuity support needs. Our business is aligned into two divisions based on the type of setting in which care is provided, a registered environment where the home is directly registered with CQC and Supported Living (including Outreach) where the domiciliary care office is registered with the CQC. Our business divisions complement the regulatory and delivery models of our services. Our divisions are as follows:

- ***Registered***

  We provide care to individuals in our 276 registered homes as at 30 June 2016. We hold the freehold interest in 238 of our registered homes and 2 of our registered homes are held on a long leasehold basis (each with a lease period of over 35 years remaining), collectively representing 89.7% of our registered homes by number of beds. At 30 June 2016 we had 2,087 beds in our registered properties.

- ***Supported Living (including Outreach)***

  Communal Supported Living: We provide care to individuals living in communal accommodation generally provided by registered social landlords that are registered with the Homes and Communities Agency, housing associations or private landlords. At 30 June 2016, we provided services in 193 Communal Supported Living locations with 684 beds.

  Together, our Registered and Communal Supported Living divisions are known as “residential services”. We have a strong focus on providing high quality services in a manner that replicates a domestic dwelling as closely as possible. Our residential services have a combined 2,771 beds, with an average of 6 beds per residential service, providing a personal environment compared to larger facilities operated by some of our competitors.

  Outreach: We also care for individuals in their own homes, helping them to more independently manage their individual support needs. At 30 June 2016, the outreach division delivered approximately 14,300 hours of care per week, providing bespoke services to approximately 490 individuals, with support averaging approximately 29 hours per week per person.

Presentation of financial and other information

Financial data

This Quarterly Report includes the consolidated financial information (unaudited) of Voyage BidCo Limited and its subsidiaries for the three months ended 30 June 2016 (“Q1 2017”) and 30 June 2015 (“Q1 2016”), and the financial year ending 31 March 2016 (“FYE 2016”) prepared in accordance with IFRS, and accompanying notes.

Other financial measures

In this Quarterly Report, we may present certain non-IFRS measures, including cash conversion, EBITDA, EBITDA before non-underlying items, EBITDA margin, EBITDAR, EBITDAR margin, EBITDAR before non-underlying items, Unit EBITDA before non-underlying items (each, a ‘‘Non-IFRS Metric’’), which are not required by, or presented in accordance with IFRS. In this report, where applicable, the following terms have the following meanings:

- ‘‘cash conversion’’ means EBITDA before non-underlying items less maintenance capital expenditure divided by EBITDA before non-underlying items;

- ‘‘EBITDA’’ means earnings before interest, tax, depreciation (including losses and profits on disposal of fixed assets) and amortisation;

- ‘‘EBITDA before non-underlying items’’ means EBITDA as adjusted to remove the effects of certain non-underlying charges;

- ‘‘EBITDA margin’’ means EBITDA divided by turnover;

- ‘‘EBITDAR’’ means EBITDA before rent expense;

- ‘‘EBITDAR margin’’ means EBITDA before rent expense divided by turnover;

- ‘‘EBITDAR before non-underlying items’’ means EBITDA before non-underlying items and before rent expense; and

- ‘‘Unit EBITDA before non-underlying items’’ means EBITDA before non-underlying items and before overhead expenses, which we believe is a useful indicator of EBITDA on a divisional basis.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. We believe that EBITDAR is a common measure in our industry because it allows comparability across the sector for operations regardless of whether a business leases or owns its properties. We believe that EBITDA before non-underlying items, EBITDAR before non-underlying items and Unit EBITDA before non-underlying items are relevant measures for assessing our performance because they are adjusted for certain items which, we believe, are not indicative of our underlying operating performance, and thus aid in an understanding of EBITDA and EBITDAR, respectively.

The Non IFRS Metrics in this annual report are used by different companies for differing purposes and are often calculated in ways that reflect the particular circumstances of those companies. You should exercise caution in comparing the Non IFRS Metrics reported by us to such metrics or other similar metrics as reported by other companies. None of our Non IFRS Metrics is a measurement of performance under IFRS and you should not consider those measures as an alternative to net income or operating profit determined in accordance with IFRS, as the case may be. The Non IFRS Metrics do not necessarily indicate whether cash flow will be sufficient or available to meet our cash requirement and may not be indicative of our historical operating results, nor are such measures meant to be predictive of our future results. Our Non IFRS Metrics have limitations as analytical tools, and you should not consider them in isolation.

Other data

Available beds

Our results of operations are impacted by the number of beds at certain locations as bed capacity determines the maximum number of people that can be cared for in our registered and communal supported living divisions at any given time. Numbers of beds is presented in this annual report as at the end of the relevant period unless otherwise stated.

Outreach placements

Outreach placements are presented in this annual report as at the end of the relevant period unless otherwise stated.

Occupancy

Occupancy presented in this annual report represents the total number of beds occupied in our registered and communal supported living divisions as at the end of the relevant period unless otherwise stated.

Occupancy rates

Occupancy rates presented in this annual report represent the percentage of the total number of beds occupied as at the end of the relevant period unless otherwise stated.

Fee rates

Fee rates depend on the service that is being provided and the funder that is paying for the care package and is dependent on the nature of the pricing agreement in place. The fee rates in this report refer to average weekly fees in a given period.

Adjustments

Certain numerical information and other amounts and percentages presented in this report have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

The abbreviation “nm” is used in this report in certain instances when a percentage variance produces an erroneous or non-meaningful result.

Management's discussion and analysis of financial condition and results of operations

Key factors affecting our results of operations

Turnover

Our turnover is primarily driven by the number of beds occupied at any given time, together with the fee rates charged for occupancy of such beds.

Available beds and Outreach placements

Changes in the number of our available beds and Outreach placements can have a significant effect on our results of operations because our capacity determines the maximum number of individuals that we can provide care to in our Residential and Outreach divisions at any given time.

The average available beds and Outreach placements for the given periods are stated below:

	Q1 2017	Q1 2016	FYE 2016
Registered	2,084	2,141	2,101
Communal Supported Living	679	550	615
Residential	**2,763**	**2,691**	**2,716**
Outreach placements	500	652	557
Total	**3,263**	**3,343**	**3,273**

Occupancy rate

Our occupancy rates reflect the demand for our services, which is principally driven by our relationships with Local Authorities and NHS, reputation for quality, the ability to offer bespoke and complex care packages and flexibility to adapt the environment of our registered homes to suit the individual needs of the people we support and our ability to deregister a registered care home and operate it as a communal supported living service to meet demand. In addition to occupancy rates, we formally monitor admissions, leavers and the progress of referrals for vacancies on a weekly basis in order to ensure that we efficiently manage our vacancies and maximise our earnings.

The average occupancy rates for the given periods are stated below:

	Q1 2017	Q1 2016	FYE 2016
Registered	90.5%	90.0%	89.8%
Communal Supported Living	90.4%	91.2%	89.9%
Residential	**90.4%**	**90.2%**	**89.8%**

Fee rates

Fee rates depend on the individual needs of the people we support, the complexity of care required and the type of accommodation needed. The majority of our contracts are spot contracts and fees are agreed with Local Authorities and the NHS on an individual basis for each person we support.

Average weekly fees for residential placements and the average hourly rate for Outreach placements for the LTM are stated below:

		LTM June		FYE
		2016	2015	2016
Registered	£wk	1,561	1,542	1,558
Communal Supported Living	£wk	1,208	1,227	1,202
Residential	**£wk**	**1,478**	**1,481**	**1,477**
Outreach	£hr	15.61	14.97	15.48

Key operating expenses

Staff costs

Staff costs are our most significant expense and include wages and salaries, social security costs and other pension costs and cover the cost of support staff, senior support staff, service managers, regional management teams and central overhead staff costs comprising of our head office support functions. Our staff costs are affected by:

- our discretionary pay awards, which are periodic salary increases;
- increases in the national minimum wage and national living wage (both to be increased together from April 2017);
- increases in wage rates for staff in other service industries (with which we compete for staff);
- legislation governing employee pensions, in particular legislation governing the automatic enrolment of employees into a workplace pension, also impacts on our staff costs as we are required to contribute to pension schemes for qualifying employees; and
- bonus schemes, being annual and other schemes operating at any one time.

		Q1 2017	Q1 2016	FYE 2016
Staff Costs *	£m	34.0	31.9	127.2
% Turnover		64.9%	61.9%	62.4%
% Operating costs **		79.3%	77.8%	78.2%

		Q1 2017	Q1 2016	FYE 2016
Staff Costs (excluding central overheads) *	£m	31.1	29.3	116.2
% Turnover		59.4%	56.9%	57.0%
% Operating costs **		72.5%	71.5%	71.5%

** Staff costs stated before non-underlying items*
*** Excludes depreciation and impairment of fixed assets, profit/loss on disposals of fixed assets, goodwill amortisation, interest, and taxation*

Other operating costs (in addition to staff costs)

Our other operating costs are principally comprised of operating costs to support our care homes. Key items of expenditure are agency costs, occupancy-related costs such as food and consumables, and non-occupancy-related costs such as rent, council tax, utilities (gas, electricity and water), property maintenance, insurance, vehicle rental and running costs.

Consolidated Statement of Profit & loss

£ million	Q1 2017	Q1 2016	% Change	FYE 2016
Turnover	**52.4**	**51.5**	**1.7%**	**203.9**
Staff costs	(34.0)	(31.9)	(6.6%)	(127.2)
Direct expenses & consumables	(1.8)	(2.0)	10.0%	(7.7)
Property lease rentals	(0.9)	(0.8)	(12.5%)	(3.3)
Other lease rentals	(0.4)	(0.5)	20.0%	(1.9)
Other external charges	(5.7)	(5.8)	1.7%	(22.5)
EBITDA before non-underlying items	**9.5**	**10.5**	**(9.5%)**	**41.3**
Non-underlying items	(0.1)	(0.1)	(0.0%)	(4.5)
EBITDA	9.4	10.3	(8.7%)	36.7
Depreciation & impairment of fixed assets	(2.5)	(2.3)	(8.7%)	(10.8)
Profit on disposal of fixed assets	0.1	0.0	nm	0.3
Impairment of goodwill	0.0	0.0	nm	(8.6)
Amortisation of intangible assets	(0.2)	(0.3)	33.3%	(1.0)
Operating profit	**6.8**	**7.9**	**(13.9%)**	**16.7**
Finance income	0.0	0.0	nm	0.1
Finance expense	(5.9)	(5.9)	(0.0%)	(24.2)
Profit before taxation	**0.9**	**2.0**	**(55.0%)**	**(7.5)**
Taxation	(0.2)	(0.3)	33.3%	2.6
Profit for the period	**0.7**	**1.7**	**(58.8%)**	**(4.9)**
Other financial metrics				
Staff costs (excluding central overheads)	31.1	29.3	(6.1%)	116.2
Overhead expenses including bonus payments	4.2	3.6	(16.7%)	16.1
Unit EBITDA before non-underlying items	13.7	14.1	(2.8%)	57.4
EBITDA before non-underlying items margin %	18.1%	20.4%	(2.3%)	20.3%
EBITDA margin %	17.9%	20.0%	(2.1%)	18.0%
EBITDAR	10.3	11.2	(8.0%)	40.1
EBITDAR margin %	19.7%	21.7%	(2.0%)	19.7%
EBITDAR before non-underlying items	10.4	11.3	(8.0%)	44.6
EBITDAR before non-underlying items margin %	19.8%	21.9%	(2.1%)	21.9%

* Amounts stated in Q1 2017 and Q1 2016 above are unaudited.

Turnover

Turnover represents total fees receivable from Local Authorities and NHS for services provided to the people we support.

- For Q1 2017 turnover increased by £0.9 million, or 1.7% to £52.4 million from £51.5 million for Q1 2016, primarily due to both the growth in our Supporting Living and Outreach business, fee inflation received, partially offset by the turnover in relation to services that have now closed.

Staff costs

Staff costs consist of wages and salaries, social security costs and other pension costs.

- Staff costs (excluding overheads) for Q1 2017 increased by £1.8 million, or 6.1% to £31.1 million (which represented 59.4% of turnover) from £29.3 million (which represented 56.9% of turnover) for Q1 2016, primarily due to increases in staff costs as a result of National Minimum Wage (October 2015), National Living Wage (April 2016) and certain discretionary pay rises.

Direct expenses and consumables

Direct expenses and consumables include direct costs incurred in operating services on a day-to-day basis, including home provisions (e.g. food, etc.), day care activities, registration fees and therapists particularly for those people we support with acquired brain injuries.

- For Q1 2017 direct expenses and consumables reduced by £0.2 million, or 10.0% to £1.8 million from £2.0 million for Q1 2016.

Property lease rentals

Property lease rentals consist primarily of leases on registered and communal supported living care homes. At 30 June 2016, we had 41 short-term leases, consisting of 33 registered care homes and 8 communal supported living properties. In addition, 2 of our registered homes were held on a long leasehold basis (each with a lease period of over 35 years remaining). At 30 June 2016, 12.7% of our registered care homes and 4.1% of our communal supported living care homes were held under operating leases.

- For Q1 2017 property lease rentals increased by £0.1 million to £0.9 million from £0.8 million for Q1 2016.

Other lease rentals

Other lease rentals consist primarily of motor vehicle leases. We currently lease approximately 300 vehicles, which are primarily used to transport the people we support.

- For Q1 2017 other lease rentals reduced by £0.1 million to £0.4 million from £0.5 million for Q1 2016, primarily due to the replacement of leased vehicles at the end of the agreements with purchased vehicles.

Other external charges

Other external charges consist of agency costs, indirect costs incurred in running and maintaining services, Local Authority rates, council tax, repairs, utilities, training and professional fees.

- For Q1 2017 other external charges reduced by £0.1 million to £5.7 million from £5.8 million for Q1 2016.

EBITDA and EBITDA before non-underlying items

EBITDA is not a recognised performance measure under IFRS and may not be directly comparable with similar measures used by other companies. We define EBITDA as earnings before interest, tax, depreciation and amortisation. We believe that EBITDA provides additional useful information on the underlying performance of our business. This measure is consistent with how business performance is monitored internally.

EBITDA before non-underlying items

EBITDA before non-underlying items consists of EBITDA as adjusted to remove the effects of certain non-underlying charges.

- For Q1 2017 EBITDA before non-underlying items reduced by £1.0 million, or 9.5% to £9.5 million from £10.5 million for Q1 2016. This reduction is primarily attributable to an increase in staff costs as a result of National Minimum Wage (October 2015), National Living Wage (April 2016) and certain discretionary pay rises, partially offset by fee inflation received.

Non-underlying items

Non-underlying items include certain one-off cash and non-cash, non-recurring or exceptional charges.

- For Q1 2017 non-underlying items remained consistent at £0.1 million for both Q1 2017 and Q1 2016.

EBITDA

- For Q1 2017 EBITDA reduced by £0.9 million, or 8.7% to £9.4 million from £10.3 million for Q1 2016. This reduction is attributable to the reduction in EBITDA before non-underlying items.

Depreciation and impairment of fixed assets

Depreciation and impairment of fixed assets comprises the write off of the cost of fixed assets to their residual value over their estimated useful life. Non-current assets once classified as held for sale are not depreciated or amortised, and are stated at the lower of previous carrying value and fair value.

- For Q1 2017 depreciation and impairment of assets increased by £0.2 million to £2.5 million from £2.3 million for Q1 2016.

Profit / loss on disposal of fixed assets

Profit / loss on disposal of fixed assets represents the difference between the net disposal proceeds received and the net book value of a fixed asset at the time of disposal.

- For Q1 2017 the profit on the disposal of fixed assets was £0.1 million. We recorded a profit on disposal of £15,000 in Q1 2016.

Impairment of goodwill

Goodwill is reviewed for impairment on an annual basis or more frequently if there are indications that goodwill might be impaired. Goodwill acquired in a business combination is allocated to cash generating units (CGUs) that are expected to benefit from that business combination.

- There was no impairment of goodwill in either Q1 2017 or Q1 2016.

Amortisation of intangible assets

Intangible assets arose as a result of a number of acquisitions in the year ending 31 March 2015 and have been calculated on the basis of multiple excess earnings, estimated avoided loss of profits and relief royalty. Intangible assets with finite useful lives that are acquired separately or in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The carrying amounts of intangible assets are reviewed annually to determine whether the assets have suffered an impairment loss.

- For Q1 2017 amortisation of intangible assets reduced by £0.1 million to £0.2 million from £0.3 million for Q1 2016.

Operating profit

Operating profit consists of earnings before interest and taxation.

- For Q1 2017 operating profit reduced by £1.1 million, or 13.9% to £6.8 million from £7.9 million for Q1 2016. This reduction is primarily due to a reduction in EBITDA of £0.9 million.

Finance income

Finance income consists of interest received on current account and deposit account balances.

- For Q1 2017 interest receivable and other income increased by £2,000 to £21,000 from £19,000 for Q1 2016.

Finance expenses

Finance expenses on bank loans primarily consist of interest payable and fees relating to the Senior Secured Notes and Second Lien Notes (the “Senior Facilities”), as well as other finance costs including the interest on the Revolving Credit Facility.

- For Q1 2017 interest payable and similar charges on bank loans remained consistent at £5.9 million when compared to Q1 2016.

Profit before taxation

Profit before taxation represents the result of the profit and loss account before provision for taxation.

- For Q1 2017 profit before taxation reduced by £1.1 million to £0.9 million from £2.0 million for Q1 2016. This reduction is primarily due to a reduction in EBITDA of £0.9 million.

Taxation

Taxation is based on the profit for the year and takes into account deferred taxation movements.

- For Q1 2017 the taxation charge was £0.2 million compared to taxation charge of £0.3 million for Q1 2016.

Profit for the period

Profit for the period represents the result of the profit and loss account after provision for taxation.

- For Q1 2017 the result for the period reduced by £1.0 million to £0.7 million from £1.7 million profit for Q1 2016. This reduction is primarily due to a reduction in EBITDA of £0.9 million.

Liquidity and capital resources

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations and any borrowings under our Revolving Credit Facility. Our principal uses of cash are to fund capital expenditures, provide working capital, meet debt service requirements and finance our strategic plans, including possible acquisitions. We believe that our operating cash flows and borrowing capacity under the Revolving Credit Facility is sufficient to meet our requirements and commitments for the coming year.

At 30 June 2016 and 30 June 2015, our cash balances were £21.9 million and £14.1 million, respectively.

Net bank debt as at 30 June 2016 was £250.9 million, comprising £272.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, no borrowings under the Revolving Credit Facility, £21.9 million of cash and £0.3 million of unamortised original issue discount on the Second Lien Notes. Within the £21.9 million cash balance is £1.1 million of restricted cash and deferred consideration which is excluded from cash for the purposes of calculating the net debt.

Net bank debt as at 30 June 2015 was £259.2 million, comprising £272.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, no borrowings under the Revolving Credit Facility, £14.1 million of cash and £0.4 million of unamortised original issue discount on the Second Lien Notes. Within the £14.1 million cash balance is £1.7 million of restricted cash and deferred consideration which is excluded from cash for the purposes of calculating the net debt.

Consolidated Statement of Cash flow

£ million	**Q1 2017**	**Q1 2016**	**% Change**	**FYE 2016**
EBITDA before non-underlying items	9.5	10.5	(9.5%)	41.3
Maintenance capex	(1.7)	(1.8)	(5.6%)	(7.5)
Operating cash flow	**7.9**	**8.6**	**(8.1%)**	**33.8**
Cash conversion %	*82.7%*	*82.5%*	*0.2%*	*81.8%*
Non-underlying items (1)	(0.1)	(0.1)	nm	(4.5)
Working capital	(2.7)	(2.0)	35.0%	5.2
Capital expenditure (2)	(0.4)	(2.6)	(84.6%)	(5.1)
Interest	(0.2)	(0.2)	nm	(20.9)
Taxation	0.0	(0.1)	nm	(0.4)
FCF before acquisitions and financing	**4.4**	**3.7**	**18.9%**	**8.1**
Acquisition (3)	(0.2)	0.0	nm	(0.9)
Acquisition integration costs	0.0	0.0	nm	(0.1)
FCF before financing	**4.2**	**3.7**	**15.1%**	**7.2**
Net cash flow used in financing activities	(0.0)	(5.0)	nm	(5.0)
Movement in cash for the period	**4.2**	**(1.3)**	**nm**	**2.2**
Opening cash and cash equivalents	17.7	15.5	14.2%	15.5
Closing cash and cash equivalents	**21.9**	**14.1**	**55.3%**	**17.7**
Other financial metrics				
Development capex (£m)	0.4	0.4	2.0%	1.8
Maintenance capex, excluding IT spend (£m)	1.5	1.5	(1.6%)	6.9
Maintenance capex, excluding IT spend (% turnover)	2.9%	3.0%	(0.1%)	3.4%
Maintenance capex, excluding IT spend (£k pa per residential bed)	2.4	2.5	(4.4%)	2.8

* Amounts stated in Q1 2017 and Q1 2016 above are unaudited.

(1) Excludes cash flows in relation to acquisition integration costs
(2) Net of disposal proceeds and includes development capital expenditure and capital expenditure with respect to supporting our head office function. Excludes cash flows in relation to acquisition capital expenditure
(3) Includes net overdraft acquired with subsidiaries

Operating cash flow

- For Q1 2017 our operating cash flow reduced by £0.7 million, or 8.8% to £7.9 million from £8.6 million for Q1 2016. The reduction is as a result of a £1.0 million reduction in EBITDA before non-underlying items, partially offset by a £0.1m reduction in maintenance capex.

Non-underlying items

- For Q1 2017 non-underlying items remained consistent at £0.1 million when compared to Q1 2016.

Working capital

- For Q1 2017 our working capital outflow increased by £0.7 million to £2.7 million from £2.0 million for Q1 2016. The movement in working capital is primarily unfavourable movements in trade debtors, partially offset by favourable movements in trade creditors, accruals and deferred income.

Capital expenditure

- For Q1 2017 our capital expenditure reduced by £2.2 million, to £0.4 million from £2.6 million for Q1 2016. The movement in spend is primarily due to Q1 2016 including £1.1m in relation to the freehold purchase of a site, with Q1 2017 benefiting from £0.7m disposal proceeds.

Capital expenditure primarily comprises build costs and other professional expenses in connection with new builds, conversions of existing properties, and the purchase of motor vehicles. Maintenance capital expenditure (which is recorded separately) primarily comprises purchases of new replacement equipment and fixtures. Our future capital (development) expenditure amounts will be discretionary, and we may adjust in any period according to our strategy to continue to selectively expand capacity and evaluate opportunities that enhance our profitability. We intend to finance all of our projected capital expenditure through a combination of cash flows from operations and borrowings under our Revolving Credit Facility where necessary.

Interest

- For Q1 2017 our interest costs remained consistent at £0.2 million when compared to Q1 2016.

Taxation

- For Q1 2017 there was no taxation spend compared to a spend of £0.1 million when compared to Q1 2016.

Acquisition

- For Q1 2017 our spend on acquisitions was by £0.2 million to £0.0 million when compared to Q1 2016. In Q1 2017 there was £0.2m deferred consideration paid in relation Primary Care (June 2014).

Net cash flow used in financing activities

- For Q1 2017 our net cash flow used in financing activities was £0.0 million compared to £5.0 million outflow Q1 2016 due to movements on the RCF facility.

Consolidated Statement of Financial Position

£ million	Jun-16	Jun-15	% Change
	(unaudited)		
Non-current assets	400.8	409.3	(2.1%)
Current assets			
Trade debtors, other debtors, prepayments **	20.0	18.0	11.2%
Cash at bank and in hand	21.9	14.1	55.0%
Assets classified as held for sale	2.4	3.2	(23.6%)
Total assets	**445.2**	**444.6**	**(0.1%)**
Non-current liabilities			
Loan notes ***	265.8	264.0	(0.7%)
Tax liabilities	14.1	16.4	14.3%
Provisions for liabilities and charges	7.0	2.4	(188.7%)
Current liabilities **	47.7	49.2	3.1%
Equity	110.7	112.5	1.6%
Total equity and liabilities	**445.2**	**444.6**	**(0.1%)**

* Amounts stated in June 2016 and June 2015 above are unaudited.

*** Debtors in June 2016 include £0.6 million of intercompany loans (June 2015: £0.3 million), and current liabilities in June 2016 include £2.0 million of intercompany loans (June 2015: £2.1 million).*

**** Loan notes include unamortised issue costs and original issue discount of £6.2 million (June 2015: £8 million).*

Key Business Divisions

£ million	Turnover Q1 2017	Q1 2016	% Change
Registered	38.5	38.6	(0.3%)
Communal Supported Living	10.0	7.9	26.6%
Residential	48.5	46.5	4.3%
Outreach	2.9	3.9	(25.6%)
Daycare	1.1	1.1	(9.5%)
Total	**52.4**	**51.5**	**1.7%**

Other financial metrics	**Q1 2017**	**Q1 2016**	**Change**
Average residential occupancy	2,499	2,428	71
Average residential occupancy %	90.4%	90.2%	0.2%
Average weekly outreach invoiced hours (before reclassification)*	14,600	19,700	(5,100)
Average weekly outreach invoiced hours (after reclassification)**	14,300	15,900	(1,600)

** The amounts stated are before any reclassification between Outreach (weekly invoiced hours) and Supporting Living (occupancy)*
*** The amounts stated are after any reclassification between Outreach (weekly invoiced hours) and Supported Living (occupancy)*

Voyage BidCo Limited

Condensed consolidated
financial statements (unaudited)

Registered number 05752534

For the 3 month period ended 30 June 2016

Voyage BidCo Limited
Condensed consolidated financial statements (unaudited)
for the 3 month period ended 30 June 2016

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Voyage BidCo Limited
Condensed consolidated statement of profit and loss (unaudited)
for the 3 month period ended 30 June 2016

	Notes	3 months ended 30 June 2016			3 months ended 30 June 2015		
		Underlying items	Non-underlying items (3)	Total	Underlying items	Non-underlying items (3)	Total
		£000	£000	£000	£000	£000	£000
Continuing operations							
Revenue		52,378	-	52,378	51,476	-	51,476
Operating expenses	5	(45,479)	(84)	(45,563)	(43,527)	(77)	(43,604)
EBITDA (2)		9,527	(84)	9,443	10,462	(123)	10,339
Depreciation of property, plant and equipment		(2,493)	-	(2,493)	(2,254)	-	(2,254)
Profit on disposal of non-current assets		99	-	99	9	-	9
Release of negative goodwill		-	-	-	-	46	46
Amortisation of intangible assets		(234)	-	(234)	(268)	-	(268)
Operating profit		6,899	(84)	6,815	7,949	(77)	7,872
Finance income	6	21	-	21	19	-	19
Finance expense	7	(5,878)	-	(5,878)	(5,933)	-	(5,933)
Profit before taxation		1,042	(84)	958	2,035	(77)	1,958
Taxation	8	(220)	-	(220)	(253)	-	(253)
Profit for the period from continuing operations		822	(84)	738	1,782	(77)	1,705
Profit attributable to equity holders of the parent		822	(84)	738	1,782	(77)	1,705

(1) Total figures for the 3 month period represents year to date figures as this is the first quarter of the financial year.

(2) EBITDA represents earnings before interest, tax, depreciation and amortisation.

(3) Further breakdown of non-underlying items analysed in note 4.

Voyage BidCo Limited
Condensed consolidated statement of other comprehensive income (unaudited)
for the 3 month period ended 30 June 2016

	3 months ended 30 June 2016 £000	3 months ended 30 June 2015 £000
Profit attributable to equity holders of the parent	738	1,705
Items that will not be reclassified to profit and loss		
Remeasurements of the defined benefit liability	-	-
Total comprehensive income attributable to equity holders of the parent for the financial period	738	1,705

Voyage BidCo Limited
Condensed consolidated statement of financial position (unaudited)
at 30 June 2016

	Note	30 June 2016		30 June 2015		31 March 2016	
		£000	£000	£000	£000	£000	£000
Assets							
Non-current assets							
Goodwill	9	32,770		41,325		32,770	
Property, plant and equipment	10	365,428		364,464		365,459	
Intangible assets	11	2,640		3,488		2,841	
Employee benefits		-		10		-	
			400,838		**409,287**		**401,070**
Current assets							
Trade and other receivables		17,327		15,143		14,972	
Prepayments		2,679		2,845		1,062	
Tax assets		-		-		302	
Cash at bank and in hand		21,903		14,127		17,695	
		41,909		32,115		34,031	
Assets classified as held for sale	12	2,435		3,188		2,435	
			44,344		**35,303**		**36,466**
Total assets			**445,182**		**444,590**		**437,536**
Liabilities							
Current liabilities							
Loans and borrowings	13	26		30		27	
Trade and other payables		22,379		16,449		22,317	
Accruals and deferred income		24,955		26,623		18,682	
Tax liabilities		36		4,106		-	
Provisions		286		955		286	
Other financial liabilities	14	-		1,044		220	
			47,682		**49,207**		**41,532**
Non-current liabilities							
Loans and borrowings	13	265,765		264,037		265,135	
Tax liabilities		14,071		16,424		14,189	
Provisions		2,819		2,416		2,833	
Employee benefits		211		-		211	
Accruals and deferred income		3,945		-		3,685	
			286,811		**282,877**		**286,053**
Total liabilities			**334,493**		**332,084**		**327,585**
Net assets			**110,689**		**112,506**		**109,951**
Equity							
Capital and reserves							
Issued share capital		-		-		-	
Share premium		224,872		224,872		224,872	
Retained earnings		(114,183)		(112,366)		(114,921)	
Total equity attributable to equity holders of the parent			**110,689**		**112,506**		**109,951**

Company registered number: 05752534

Voyage BidCo Limited
Condensed consolidated statement of changes in equity (unaudited)

For the 3 month period ended 30 June 2016

Group	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
	Attributable to equity holders of the parent			
At 1 April 2016	-	224,872	(114,921)	109,951
Total comprehensive income for the period				
Profit for the period	-	-	738	738
Other comprehensive income	-	-	-	-
Deferred tax movement for the period	-	-	-	-
Total comprehensive income for the period	-	-	738	738
At 30 June 2016	**-**	**224,872**	**(114,183)**	**110,689**

For the 3 month period ended 30 June 2015

Group	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
	Attributable to equity holders of the parent			
At 1 April 2015	-	224,872	(114,572)	110,300
Total comprehensive income for the period				
Profit for the period	-	-	1,705	1,705
Other comprehensive income	-	-	-	-
Deferred tax movement for the period	-	-	501	501
Total comprehensive income for the period	-	-	2,206	2,206
At 30 June 2015	**-**	**224,872**	**(112,366)**	**112,506**

Voyage BidCo Limited
Condensed consolidated statement of cash flow (unaudited)
for the 3 month period ended 30 June 2016

	3 months ended 30 June 2016 £000	3 months ended 30 June 2015 £000
Cash flows from operating activities		
Profit for the period	738	1,705
Adjustments for:		
Depreciation of property, plant and equipment	2,493	2,254
Profit on disposal of non-current assets	(99)	(9)
Release of negative goodwill	-	(46)
Amortisation of intangible assets	234	268
Finance income	(21)	(19)
Finance expense	5,878	5,933
Tax expense	220	253
Movements in working capital:		
Increase in trade and other receivables	(3,957)	(2,456)
Increase / (decrease) in trade and other payables	62	(305)
Increase in accruals and deferred income	1,210	819
Decrease in provisions, employee benefits and other financial liabilities	(64)	(23)
Cash generated from operating activities	6,694	8,374
Interest paid	(205)	(206)
Tax paid	-	(119)
Net cash generated from operating activities	6,489	8,049
Cash flows from investing activities		
Interest received	6	3
Payments to acquire property, plant and equipment	(2,755)	(4,388)
Payments to acquire intangible assets	(33)	(15)
Proceeds from sales of property, plant and equipment	722	14
Net cash outflow on acquisition of subsidiaries	(220)	-
Net cash used in investing activities	(2,280)	(4,386)
Cash flows from financing activities		
Repayment of loans and borrowings	-	(5,000)
Payment of finance lease liabilities	(1)	(5)
Net cash used in financing activities	(1)	(5,005)
Net increase / (decrease) in cash and cash equivalents in the period	4,208	(1,342)
Cash and cash equivalents at the beginning of the period	17,695	15,469
Cash and cash equivalents at the end of the period	**21,903**	**14,127**

1 Reporting entity

Voyage BidCo Limited (the Company) is a company incorporated in England and Wales. Its parent and ultimate holding company is Voyage Care HoldCo Limited. The condensed consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). The principal activity of the Group is the provision of the high quality care and support services for people with learning disabilities, acquired brain injuries and other complex needs.

2 Accounting policies

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* . They do not include all of the financial information required for full annual financial statements.

The Group has prepared the condensed consolidated financial statements in accordance with IFRS applicable for the 3 month period ending 30 June 2016, together with comparative period data for the 3 month period ending 30 June 2015.

For all periods up to and including the year ended 31 March 2015, the Group prepared its financial statements in accordance with previous UK GAAP therefore the consolidated financial statements of Voyage Care HoldCo Limited and Voyage BidCo Limited for the year ended 31 March 2015 should not be referred to in conjunction with these condensed consolidated financial statements. The condensed consolidated financial statements for the 3 month period ended 30 June 2015 was prepared in accordance with IFRSs and IFRS 1 First-time Adoption of IFRS was applied.

The financial information contained herein is unaudited and does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006.

The comparative figures for the 3 month period ended 30 June 2015 are not the company's statutory accounts for those financial periods. The statutory accounts for the Company and the Group for the year ended 31 March 2015 (prepared in accordance with previous UK GAAP) have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial instruments which are stated at fair value through the statement of profit and loss. Non-current assets held for sale are stated at the lower of previous carrying value and fair value.

In preparing these condensed consolidated financial statements, management have made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to these estimates are recognised in the period in which the estimates are revised and in any future period affected.

The following accounting policies have been applied consistently dealing with items which are considered material in relation to the companies financial statements.

Business combinations and goodwill

Acquisitions are accounted for using the acquisition method and costs incurred in relation to the acquisition are expensed and included within operating expenses.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. If the contingent consideration is not classified as equity, changes to fair value are recognised in the statement of profit and loss.

Any deferred consideration payable is recognised at fair value at the acquisition date and changes to fair value are recognised in the statement of profit and loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment annually. If the consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in statement of profit and loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets

Intangible assets with finite useful lives that are acquired separately or in a business combination are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The carrying amounts of intangible assets are reviewed annually to determine whether the assets have suffered an impairment loss.

Non-current assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered primarily through a sale transaction rather than through continuing operational use. Reclassification will only take place if (i) the asset is available for immediate sale in its present condition; (ii) the asset will be subject to terms for a normal sale of such asset; and (iii) management are commited to the sale and expect the sale to be completed within one year from the date of classification.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

In the consolidated statement of profit and loss for the period, and for the comparable period of the previous year, revenue and expenses for discontinued operations are reported separately from revenue and expenses from continuing operations, down to the level of profit after taxes. There were no discontinued operations during the 3 month period ended 30 June 2016 (3 month period ended 30 June 2015: £Nil).

2 Accounting policies (continued)

Revenue

Revenue in respect of the provision of care services represents the fair value of fee income receivable for the period and is recognised in respect of the care that has been provided in the relevant period. Revenue invoiced in advance is included in deferred income, until the service is provided, whilst revenue billed in arrears is included in accrued income until billed.

Leases

Assets obtained under finance lease and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Rentals under operating leases are charged to the statement of profit and loss on a straight line basis over the lease term. Lease incentives received are recognised in the statement of profit and loss as an integral part of the total lease expense.

The Group is required to perform dilapidation repairs on certain leased properties prior to the properties being vacated at the end of their lease term. Provision for such costs is made where legal obligation is identified and the liability can be reasonable quantified.

Taxation including deferred taxation

The charge for taxation is based on the profit or loss for the period and comprises current and deferred taxation. Income tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Tax currently payable is based on the taxable profit for the period. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Tax is calculated using tax rates enacted or substantively enacted at the date of the statement of financial position.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure incurred in bringing the asset into working condition for its intended use.

Depreciation is provided on a straight line basis at rates calculated to write off the cost of each asset to its residual value over its estimated useful life. The depreciation rates in use are:

Freehold land	Nil
Freehold buildings	2%
Motor vehicles	25%
Fixtures, fittings and equipment	20%
Computers	33%

Gains and losses of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and are recognised net within the statement of profit and loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are stated at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

2 Accounting policies (continued)

Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and other receivables
Trade and other receivables are recognised at fair value less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost less any impairment losses.

Trade and other payables
Trade and other payables are stated at cost.

Employee benefits
The assets of all pension plans are held separately from those of the Group, in separately administered funds.

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss in the period during which services are rendered by employees.

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group’s net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The Group determines the net interest on the net defined benefit liability/asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Group’s obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets and the effect of the asset ceiling. The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the statement of profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Segment reporting
Segment results that are reported to the Group's board of directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, finance costs and tax assets and liabilities.

3 Operating segments

Information reported to senior management for the purposes of resource allocation and assessment of performance of each segment focuses on the type of care services provided by the Group. The Voyage Care Group operates solely within the UK therefore no geographical segment reporting has been disclosed. The primary business segments stated below are based on the group's management and internal reporting structure.

- Registered: supporting individuals in our specially adapted homes; and
- Supporting living: supporting individuals in their own home promoting independence.

Other revenue and expenditure relates to those items not directly attributable to an operating segment.

The reported segmental information represents revenue and expenditure generated from external customers and external suppliers only. There were no inter-segment transactions reported during the 3 month period ended 30 June 2016 (3 month period ended 30 June 2015: £Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profits represents EBITDA earned by each segment without allocation of non-underlying items as well as finance costs which is in conjunction with the information reported to the senior management.

	Continuing Operations				
For the 3 month period ended 30 June 2016	**Registered £000**	**Supported Living £000**	**Total £000**	**Other £000**	**Group £000**
Revenue	38,634	12,777	**51,411**	967	**52,378**
EBITDA (before non-underlying items)	**7,948**	**1,633**	**9,581**	**(54)**	**9,527**
Non-underlying items					(84)
EBITDA (after non-underlying items)					**9,443**
Depreciation of property, plant and equipment					(2,493)
Profit on disposal of non-current assets					99
Amortisation of intangible assets					(234)
Net finance expense					(5,857)
Taxation					(220)
Profit for the period					**738**

	Continuing Operations				
For the 3 month period ended 30 June 2015	**Registered £000**	**Supported Living £000**	**Total £000**	**Other £000**	**Group £000**
Revenue	38,398	12,339	**50,737**	739	**51,476**
EBITDA (before non-underlying items)	**8,618**	**2,280**	**10,898**	(436)	**10,462**
Non-underlying items					(123)
EBITDA (after non-underlying items)					**10,339**
Depreciation of property, plant and equipment					(2,254)
Profit on disposal of non-current assets					9
Release of negative goodwill					46
Amortisation of intangible assets					(268)
Net finance expense					(5,914)
Taxation					(253)
Profit for the period					**1,705**

4 Non-underlying items

The Group separately identifies and discloses certain items, referred to as non-underlying items, by virtue of size, nature and occurrence. This is consistent with the way that financial performance is measured by senior management and assists in providing a meaningful analysis of operating results by excluding items that may not be part of the ordinary activity of the business.

The following table details the non-underlying items that have been incurred in the reporting periods:

		3 months ended 30 June 2016 £000	3 months ended 30 June 2015 £000
Continuing operations			
Non-underlying items:	**Note**		
Restructuring costs	a	5	19
Acquisition and integration costs	b	3	95
Consultancy fees	c	76	-
Negative goodwill	d	-	(46)
Other		-	9
		84	77

The key elements of the expenditure for both periods are set out below:

(a) *Restructuring costs*
For the 3 month period ended 30 June 2016 the Group incurred costs with regards to simplifying the group structure and as a result £5,000 professional fees were incurred (3 month period ended 30 June 2015: £19,000).

(b) *Acquisition and integration costs*
For the 3 month period ended 30 June 2016 and 30 June 2015, the Group incurred costs in relation to a number of acquisitions. In accordance with IFRS 3 such costs cannot be included in the business combination and therefore cannot be capitalised. The total transaction and integration costs amounted to £3,000 for the 3 month period to 30 June 2016 and £95,000 for the 3 month period to 30 June 2015.

(c) *Consultancy fees*
For the 3 month period ended 30 June 2016, the Group incurred costs in relation to professional advice and as a result £76,000 consultancy fees were incurred (3 month period ended 30 June 2015 £Nil).

(d) *Negative goodwill*
The acquisition of the Redcliffe group resulted in negative goodwill due to the consideration being lower than the fair value of net assets. In accordance with IFRS 3, negative goodwill has been recognised in the statement of profit and loss.

5 Operating profit before taxation

Operating profit before taxation is stated after charging:

	3 months ended 30 June 2016 £000	3 months ended 30 June 2015 £000
Continuing operations		
Direct expenses and consumables	1,897	2,010
Staff costs:		
Wages and salaries	31,628	29,683
Social security costs	2,059	1,957
Other pension costs	332	239
Operating lease rentals:		
Other lease rentals	851	819
Plant and machinery	424	530
Depreciation of property, plant and equipment	2,493	2,254
Profit on disposal of non-current assets	(99)	(9)
Release of negative goodwill	-	(46)
Amortisation of intangible assets	234	268
Other external charges	5,744	5,899
	45,563	43,604

6 Finance income

	3 months ended 30 June 2016 £000	3 months ended 30 June 2015 £000
Continuing operations		
Bank interest receivable	21	19

7 Finance expense

	3 months ended 30 June 2016 £000	3 months ended 30 June 2015 £000
Continuing operations		
Bank interest including RCF non-utilisation fees	190	203
Loan notes interest	5,612	5,612
Unwinding of discount on onerous lease provision	51	74
Other finance costs	25	44
	5,878	5,933

Loan notes interest comprises loan notes interest of £4,982,000 for the 3 month period ended 30 June 2016 (£4,982,000 for the 3 month period ended 30 June 2015) and amortisation of issue costs and original issue discount of £630,000 for the 3 month period ended 30 June 2016 (£630,000 for the 3 month period ended 30 June 2015).

8 Taxation

The Group's consolidated total effective tax rate in respect of continuing operations for the 3 month period ended 30 June 2016 is 23.0% (3 month period ended 30 June 2015: 12.9%). The tax expense is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

9 Goodwill

	30 June 2016 £000	30 June 2015 £000	31 March 2016 £000
Cost			
Opening cost	32,770	41,325	39,785
Acquisitions	-	-	1,541
Impairment charge	-	-	(8,556)
Closing cost	32,770	41,325	32,770

10 Property, plant and equipment

	30 June 2016 £000	30 June 2015 £000	31 March 2016 £000
Cost			
Opening cost	457,112	453,855	453,515
Acquisitions	-	-	-
Additions	3,085	4,386	14,021
Assets classified as held for sale	-	(2,018)	(7,379)
Disposals	(1,952)	(9)	(3,045)
Closing cost	458,245	456,214	457,112
Depreciation			
Opening depreciation	91,653	90,607	89,093
Charge for the period	2,493	2,254	9,644
Impairment	-	-	1,199
Assets classified as held for sale	-	(1,107)	(6,046)
Disposals	(1,329)	(4)	(2,237)
Closing depreciation	92,817	91,750	91,653
Net book value			
Closing net book value	365,428	364,464	365,459
Opening net book value	365,459	363,248	364,422

11 Intangible assets

	30 June 2016 £000	30 June 2015 £000	31 March 2016 £000
Cost			
Opening cost	4,816	4,995	4,980
Additions	33	15	111
Disposals	-	-	(275)
Closing cost	4,849	5,010	4,816
Amortisation			
Opening amortisation	1,975	1,254	1,238
Provided during the period	234	268	1,012
On disposals	-	-	(275)
Closing amortisation	2,209	1,522	1,975
Net book value			
Closing net book value	2,640	3,488	2,841
Opening net book value	2,841	3,741	3,742

12 Non-current assets classified as held for sale

Management have committed to a plan to sell a number of properties through a sale transaction rather than through continuing operational use. Accordingly, the properties are being presented as assets held for sale. Efforts to sell the non-current assets have started and a sale is expected to be completed within one year from the date of classification.

As at 30 June 2016, the assets classified as held for sale are £2,435,000 (30 June 2015: £3,188,000 and 31 March 2016: £2,435,000).

13 Loans and borrowings

	30 June 2016 £000	30 June 2015 £000	31 March 2016 £000
Obligations under finance lease and hire purchase contracts	26	30	27
Loan notes	265,765	264,037	265,135
Bank loans	-	-	-
	265,791	264,067	265,162

Loan notes include unamortised issue costs and original issue discount of £6,235,000 (30 June 2015: £7,963,000 and 31 March 2016: £6,865,000).

As at 30 June 2016 there was accrued interest of £8,294,000 (30 June 2015: £8,294,000 and 31 March 2016: £3,312,000) included within accruals disclosed within current liabilities in the statement of financial position but excluded from this note.

Total debt can be analysed as falling due:

	30 June 2016 £000	30 June 2015 £000	31 March 2016 £000
In one year or less	26	30	27
Between one and five years	265,765	264,037	265,135
	265,791	264,067	265,162

Loan notes

On 25 January 2013, the group issued £272 million of loan notes comprising £222 million Senior Secured Notes due 2018 and £50 million Second Lien Notes due 2019. In addition, the group is party to a £37.5 million Revolving Credit Facility. The notes are listed on the Luxembourg Stock Exchange.

The interest rate and repayment terms of these loan notes are as follows:

Debt instrument	Currency	Loan balance £000	Interest rate	Repayment terms
Senior Secured Loan Notes	GBP	222,000	6.50%	Aug-18
Second Lien Notes	GBP	50,000	11.00%	Feb-19
Revolving Credit Facility				
Utilised	GBP	-	LIBOR +4.00%	Feb-18
Non utilised	GBP	37,500	1.6%	Feb-18

14 Financial instruments

	Carrying amount				Fair value
	Non-current liabilities	Current liabilities			
	Loans and borrowings £000	Loans and borrowings £000	Other financial liabilities £000	Total £000	Total £000
At 30 June 2016					
Financial liabilities measured at fair value					
Finance lease liabilities	-	26	-	26	26
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	217,380	-	-	217,380	214,405
Second Lien Loan Notes	48,385	-	-	48,385	48,476
	265,765	26	-	265,791	262,907
At 30 June 2015					
Financial liabilities measured at fair value					
Contingent consideration	-	-	220	220	220
Deferred consideration	-	-	824	824	824
Finance lease liabilities	-	30	-	30	30
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	216,046	-	-	216,046	231,435
Second Lien Loan Notes	47,991	-	-	47,991	52,915
	264,037	30	1,044	265,111	285,424
At 31 March 2016					
Financial liabilities measured at fair value					
Contingent consideration	-	-	220	220	220
Finance lease liabilities	-	27	-	27	27
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	216,885	-	-	216,885	219,365
Second Lien Loan Notes	48,250	-	-	48,250	50,282
	265,135	27	220	265,382	269,894

15 Controlling party

The company's immediate parent undertaking is Voyage HoldCo 2 Limited which is registered in England and Wales.

The company's ultimate parent undertaking is Voyage Care HoldCo Limited which is registered in England and Wales.

Copies of the group financial statements of Voyage Care HoldCo Limited may be obtained from:

The Company Secretary
Voyage Care HoldCo Limited
Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP