Voyage BidCo Limited

Q1 2020

Results for the three month period ended 30 June 2019

Voyage Care BondCo PLC

£215,000,000 5 ⅞% Senior Secured Notes due 2023

£35,000,000 10% Second Lien Notes due 2023

Table of contents

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 report, 'Issuer' refers only to Voyage Care BondCo PLC. In this 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 report.

Executive Summary

Financial highlights

The table below summarises financial information for the year ended 30 June 2019:

£ million	**Q1 2020**	**Q1 2019**
Revenue	65.1	60.6
EBITDA (before non-underlying items)	10.4	9.3
Operating profit	7.0	5.0
Profit for the period	1.5	(0.4)
Operating cash flow	8.6	7.5

Commentary on results

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

Performance during Q1 2020 vs. Q1 2019

- Revenue increased 7.4% to £65.1 million primarily due to growth in both our registered and community based care businesses.
- EBITDA increased 11.8% to £10.4 million primarily due to growth in both our registered and community based care businesses, partially offset by increases in staff costs as a result of the impact of National Minimum Wage.
- CQC quality scores remain very high with 97% of services achieving a Good or Outstanding rating.
- Registered average occupancy was 94.1% compared to 92.8% in Q1 2019.
- Community based care average weekly care hours increased by 14,000 hours, closing at 95,000 hours

Recent developments

- Acquisition of Fox Elms Care Limited, on 2 July 2019, a specialist supported living care company in Gloucester for £2.4m. The run-rate EBITDA at acquisition was £0.5m representing an opening leverage of 4.5x. The deal has been entirely financed from the RCF.

Company Overview

We are the leading provider of registered care homes, measured in terms of beds, with a growing presence in community based care services for adults with learning disabilities and other related complex and challenging support needs across the UK. 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 3,418 people as at 30 June 2019, comprising 1,929 through our registered care home division and a further 1,489 through our growing community based care service division.

- The typical person we support in each of our divisions is between the ages of 18 and 65 and has high dependency needs. Our registered care home division typically provides at least two support staff members for every three individuals. This level of support is reflected in our average weekly fee of £1,709 per person for the three months ended 30 June 2019. Our community based care services division, as at 30 June 2019, delivered approximately 96,000 hours of care per week. The provision of support averaged approximately 64 hours per week per person at an average hourly rate of £17.34 for the last three months ended 30 June 2019.

- 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 97% 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 11,000 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; our registered care home division where the home is directly registered with CQC, and our community based care services division where the community based care office is registered with the CQC and the care and support we provide is in the persons own home. Our business divisions complement the regulatory and delivery models of our services and provide flexibility to suit the needs of the people we care for. Our divisions are as follows:

- ***Registered care homes***

  We provide care to individuals in our 268 registered homes as at 30 June 2019. We hold the freehold interest in 229 of our registered homes and 4 of our registered homes are held on a long leasehold basis (each with a lease period of over 35 years remaining), collectively representing 89% of our registered homes by number of beds. At 30 June 2019 we had 2,054 beds in our registered properties with an average of 8 beds per property, providing a personal environment.

- ***Community based care services***

  Our community based care services division operates out of 37 registered Domiciliary Care Agencies (DCA) as at 30 June 2019. Typically the people we support in our community based care services division live in individual or communal accommodation provided by government agencies or registered social landlords that are registered with the Homes and Communities Agency. Included within Community based care is Focused Healthcare (unless otherwise stated within this report), which supports young individuals living with their families who require specialist care or nursing.

Presentation of financial and other information

Financial data

This report includes the consolidated financial information (audited) of Voyage BidCo Limited and its subsidiaries for the three month period ended 30 June 2019 (“Q1 2020”) and 30 June 2018 (“Q1 2019”).

The consolidated financial statements consolidate those of the Company and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs), and the Company financial statements have been prepared in accordance with Financial Reporting Standards 101 (FRS101) ‘Reduced Disclosure Framework’ and the Companies Act 2006.

Other financial measures

In this report, we may present certain non-IFRS measures, including cash conversion, EBITDA, EBITDA after non-underlying items, EBITDA margin, EBITDAR, EBITDAR margin, EBITDAR after non-underlying items, Unit EBITDA (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 less maintenance capital expenditure divided by EBITDA;
- ‘EBITDA’ means earnings before non-underlying items, interest, tax, depreciation (including profit and loss on disposal of non-current assets) and amortisation;
- ‘EBITDA margin’ means EBITDA divided by revenue;
- ‘EBITDA after non-underlying items’ means EBITDA adjusted by the effects of certain non-underlying charges
- ‘EBITDAR’ means EBITDA before rent expense;
- ‘EBITDAR margin’ means EBITDA before rent expense divided by revenue;
- ‘EBITDAR after non-underlying items’ means EBITDA after non-underlying items and before rent expense; and
- ‘Unit EBITDA’ means EBITDA before overhead expenses, which we believe is a useful indicator of EBITDA on a divisional basis.

We believe that EBITDA, EBITDAR and Unit EBITDA 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 profitability.

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.

The Non-IFRS Metrics in this 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 care home division at any given time. Numbers of beds is presented in this report as at the end of the relevant period unless otherwise stated.

Occupancy

Occupancy presented in this report represents the total number of beds occupied in our registered division as at the end of the relevant period unless otherwise stated.

Occupancy rates

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

Community based care services

Our results of operations are impacted by the number of people supported in our community based care services division at any given time. The number of people supported in our community based care services division is presented in this report 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 for our registered care home division refer to the average weekly fees in a given period. The fee rates for our community based care services division refer to average hourly rates charged to a funder per carer 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

Revenue

Revenue in our registered care home division is primarily driven by the number of beds occupied at any given time, together with the fee rates charged for occupancy of such beds. Revenue in our community based care services division is primarily driven by the number of placements at any given time, together with the fee rates charged per hour for the delivery of care and support to those whom we support.

Registered available beds and community based care placements

Changes in the number of our available beds and community based care placements can have a significant effect on our results because our capacity determines the maximum number of individuals that we can provide care to at any given time and the number of placements determines the number of care hours that we are asked to provide at any given time.

The average available beds and average community based care placements for the given periods are stated below:

	Q1 2020	Q1 2019	YTD 2020	YTD 2019	FYE Mar 2019
Registered	2,050	2,034	2,050	2,034	2,036
Community based Care	1,654	1,458	1,654	1,458	1,553
Total	**3,704**	**3,492**	**3,704**	**3,492**	**3,589**

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. 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 2020	Q1 2019	YTD 2020	YTD 2019	FYE Mar 2019
Registered	94.1%	92.8%	94.1%	92.8%	93.5%

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 registered beds and the average hourly rate for community based placements for the LTM are stated below:

		LTM June		FYE
		2019	2018	2019
Registered	£wk	1,709	1,658	1,699
Community based Care	£hr	17.34	16.95	17.30

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 increased in April 2019);
- increases in national insurance rates;
- 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 2020	**Q1 2019**	**YTD 2020**	**YTD 2019**
Staff Costs *	£m	45.2	41.8	45.2	41.8
% Revenue		69.4%	69.0%	69.4%	66.6%
% Operating costs **		82.8%	81.5%	82.8%	81.5%

		Q1 2020	**Q1 2019**	**YTD 2020**	**YTD 2019**
Staff Costs (excluding central overheads) *	£m	41.3	38.1	41.3	38.1
% Revenue		63.4%	62.9%	63.4%	62.9%
% Operating costs **		75.6%	74.3%	75.6%	74.3%

* *Staff costs stated before non-underlying items*
** *Excludes depreciation and impairment of property, plant and equipment, profit/(loss) on disposals of non-current 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 2020	Q1 2019	% Change	YTD 2020	YTD 2019	% Change
Revenue	**65.1**	**60.6**	**7.4%**	**65.1**	**60.6**	**7.4%**
Staff costs	(45.2)	(41.8)	(8.1%)	(45.2)	(41.8)	(8.1%)
Agency Costs	(1.6)	(2.0)	20.0%	(1.6)	(2.0)	20.0%
Direct expenses & consumables	(1.9)	(1.9)	(0.0%)	(1.9)	(1.9)	(0.0%)
Property lease rentals	(0.2)	(0.1)	(100.0%)	(0.2)	(0.1)	(100.0%)
Other lease rentals	(0.1)	(0.1)	(0.0%)	(0.1)	(0.1)	(0.0%)
Other external charges	(5.6)	(5.5)	(1.8%)	(5.6)	(5.5)	(1.8%)
EBITDA	**10.4**	**9.3**	**11.8%**	**10.4**	**9.3**	**11.8%**
Non-underlying items	(0.4)	0.1	nm	(0.4)	0.1	nm
EBITDA after non-underlying items	10.1	9.4	7.4%	10.1	9.4	7.4%
Depreciation & impairment	(3.7)	(3.8)	2.6%	(3.7)	(3.8)	2.6%
Profit on disposal of non-current assets	1.2	(0.0)	nm	1.2	(0.0)	nm
Amortisation of intangible assets	(0.6)	(0.6)	(0.0%)	(0.6)	(0.6)	(0.0%)
Operating profit	**7.0**	**5.0**	**40.0%**	**7.0**	**5.0**	**40.0%**
Finance income	0.0	0.0	nm	0.0	0.0	nm
Finance expense	(4.9)	(4.8)	(2.1%)	(4.9)	(4.8)	(2.1%)
Profit before taxation	**2.1**	**0.2**	**nm**	**2.1**	**0.2**	**nm**
Taxation	(0.6)	(0.5)	(20.0%)	(0.6)	(0.5)	(20.0%)
Profit/(Loss) for the period	**1.5**	**(0.4)**	**nm**	**1.5**	**(0.4)**	**nm**
Other financial metrics						
Staff costs (excluding central overheads)	41.3	38.1	(8.4%)	41.3	38.1	(8.4%)
Overhead expenses & bonus	5.4	5.3	(1.9%)	5.4	5.3	(1.9%)
Unit EBITDA	15.8	14.6	8.2%	15.8	14.6	8.2%
Unit EBITDA margin %	24.3%	24.1%	0.2%	24.3%	24.1%	0.2%
EBITDA margin %	16.0%	15.3%	0.7%	16.0%	15.3%	0.7%
EBITDAR	10.6	9.4	12.8%	10.6	9.4	12.8%
EBITDAR margin %	16.3%	15.5%	0.8%	16.3%	15.5%	0.8%
EBITDAR after non-underlying items	10.3	9.5	8.4%	10.3	9.5	8.4%
EBITDAR after non-underlying items margin %	15.8%	15.7%	0.1%	15.8%	15.7%	0.1%

** Amounts stated above are unaudited*

Revenue

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

- Q1 2020 revenue increased by £4.5 million, or 7.4% to £65.1 million from £60.6 million for Q1 2019, primarily due to organic growth in the business and fee increases.

Staff costs

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

- Staff costs (excluding overheads) for Q1 2020 increased by £3.2 million, or 8.4% to £41.3 million (which represented 63.4% of revenue) from £38.1 million (which represented 62.9% of revenue) for Q1 2019, primarily due to staff required to support the growth in our business (£11.0 million), increases in staff costs as a result of National Minimum Wage increase (£5.9 million), partially offset by lower sleep-in costs

Agency costs

Agency costs consist of expenditure on third party suppliers who provide Voyage with staff to carry out the day to day operations of the business.

- Agency costs for Q1 2020 reduced by £0.4m, or 20% to £1.6m from £2.0m for Q1 2019.

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.

- Q1 2020 direct expenses and consumables remained consistent with Q1 2019 at £1.9 million.

Property lease rentals

Property lease rentals consist primarily of leases on registered care homes and community based care services. At 30 June 2019, we had 47 short-term leases, consisting of 35 registered care homes, 12 registered community based care offices. In addition, 4 of our registered care homes were held on a long leasehold basis (each with a lease period of over 35 years remaining). At 30 June 2019, 14.5% of our registered care homes were held under operating leases. Low-value leases, leases expiring within one month and lease payments for irrecoverable VAT are out of scope under IFRS 16 and as such their cost remains within operating expenditure.

- Q1 2020 property lease rentals increased by £0.1 million to £0.2 million, from £0.1 million for Q1 2019.

Other lease rentals

Other lease rentals consist primarily of motor vehicle leases. We currently lease approximately 190 vehicles, which are primarily used to transport the people we support. Low-value leases, leases expiring within one month and lease payments for irrecoverable VAT are out of scope under IFRS 16 and as such their cost remains within operating expenditure.

- Q1 2020 other lease rentals remained consistent with Q1 2019 at £0.1 million.

Other external charges

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

- Q1 2020 other external charges increased by £0.1 million, or 1.8%, to £5.6 million from £5.5 million for Q1 2019

EBITDA

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 non-underlying items, interest, tax, depreciation, impairment, profit/(loss) on disposal of assets and amortisation. We believe EBITDA provides additional useful information on the underlying performance of our business. This measure is consistent with how business performance is monitored internally.

- Q1 2020 EBITDA increased by £1.1 million, or 11.8% to £10.4 million from £9.3 million for Q1 2019. This increase is due to the extra contribution generated from the growth in our business, operational efficiency and lower sleep-in costs, partially offset by certain inflationary pay rises and National Minimum Wage.

Non-underlying items

Non-underlying items include certain one-off cash and non-cash charges which are non-recurring.

- Q1 2020 non-underlying items were £0.4 million (Q1 2019: £0.1 million benefit). The increase is primarily due to restructuring costs.

EBITDA after non-underlying items

EBITDA after non-underlying items is not a recognised performance measure under IFRS and may not be directly comparable with similar measures used by other companies.

- Q1 2020 EBITDA after non-underlying items increased by £0.7 million, or 7.4% to £10.1 million from £9.4 million for Q1 2019.

Depreciation & impairment

Depreciation & impairment comprises the write off of the cost of property, plant and equipment 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.

- Q1 2020 depreciation and impairment of property plant and equipment decreased by £0.1 million, or 2.6% to £3.7 million from £3.8 million for Q1 2019.

Profit on disposal of non-current assets

Profit on disposal of non-current assets represents the difference between the net disposal proceeds received and the net book value of non-current assets at the time of disposal.

- Q1 2020 the profit on the disposal of non-current assets was £1.2 million (Q1 2019: £nil), primarily due to the termination of lease obligations.

Amortisation of 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.

- Q1 2020 amortisation of intangible assets remained constant at £0.6 million compared to Q1 2019.

Operating Profit

Operating Profit consists of earnings before interest and taxation.

- Q1 2020 operating profit increased by £2.0 million to £7.0 million from £5.0 million for Q1 2019.

Finance income

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

- Q1 2020 interest receivable and other income remained constant at £nil when compared to Q1 2019.

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.

- Q1 2020 interest payable and similar charges on bank loans increased by £0.1 million to £4.9 million from £4.8m for Q1 2019.

Profit before taxation

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

- Q1 2020 profit before taxation increased by £1.9 million to £2.1 million from £0.2 million for Q1 2019

Taxation

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

- For Q1 2020 a taxation charge of £0.6 million was recognised compared to taxation charge of £0.5 million for Q1 2019.

Profit / (Loss) for the period

Profit / (Loss) for the period represents the result of the statement of profit and loss after provision for taxation.

- Q1 2020 profit for the year increased by £1.9 million to £1.5 million from a loss of £0.4 million for Q1 2019.

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 are sufficient to meet our requirements and commitments for the coming year.

At 30 June 2019 and 30 June 2018, our cash balances were £12.5 million and £12.4 million, respectively.

Net bank debt as at 30 June 2019 was £262.1 million (30 June 2018: £257.8 million), comprising £250.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £22.7 million borrowing under the Revolving Credit Facility (30 June 2018: £19.0 million), and £10.7 million of cash (30 June 2018: £12.4 million). Within the £12.5 million cash balance is £1.9 million of restricted cash (30 June 2018: £1.2 million) which is excluded from cash for the purposes of calculating the net debt. We have undrawn committed facilities of £22.3 million in the RCF of £45m.

Leverage as at 30 June 2019 (calculated as defined in the legal financing documentation) was 6.19x (30 June 2018: 6.99x). With the inclusion of IFRS16 lease liability, the leverage would have increased to 6.68x (30 June 2018: 7.58x).

Consolidated statement of cash flow

£ million	**Q1 2020**	**Q1 2019**	**% Change**	**YTD 2020**	**YTD 2019**	**% Change**
EBITDA before non-underlying items	10.4	9.3	11.8%	10.4	9.3	11.8%
Maintenance capex	(1.8)	(1.8)	0.0%	(1.8)	(1.8)	0.0%
Operating cash flow	**8.6**	**7.5**	**14.7%**	**8.6**	**7.5**	**14.7%**
Cash conversion %	*82.3%*	*80.7%*	*1.6%*	*82.3%*	*80.7%*	*1.6%*
Non-underlying items (1)	(0.4)	0.1	nm	(0.4)	0.1	nm
Working capital	(0.8)	(6.1)	(86.9%)	(0.8)	(6.1)	(86.9%)
Interest	(8.4)	(8.3)	1.2%	(8.4)	(8.3)	(1.2%)
Taxation	(0.6)	0.0	nm	(0.6)	0.0	nm
FCF before Dev. Capex, Acquisitions and Financing	**(1.6)**	**(6.8)**	**(76.5%)**	**(1.6)**	**(6.8)**	**(76.5%)**
Development capex (2)	(2.3)	(0.7)	nm	(2.3)	(0.7)	nm
Acquisition (3)	(1.0)	0.0	nm	(1.0)	0.0	nm
Acquisition integration costs	0.0	0.0	nm	0.0	0.0	nm
FCF before Financing	**(4.8)**	**(7.5)**	**(36.0%)**	**(4.8)**	**(7.5)**	**(36.0%)**
Property and vehicle lease payments (IFRS16)	(1.1)	(1.0)	10.0%	(1.1)	(1.0)	(10.0%)
Net cash flow used in financing activities	(0.3)	4.0	nm	(0.3)	4.0	nm
Movement in cash for the period	**(6.2)**	**(4.5)**	**37.8%**	**(6.2)**	**(4.5)**	**37.8%**
Opening cash and cash equivalents	18.7	16.9	10.7%	18.7	16.9	(10.7%)
Closing cash and cash equivalents	**12.5**	**12.4**	**0.8%**	**12.5**	**12.4**	**0.8%**
Other financial metrics						
Maintenance capex, ex. IT spend (£m)	1.3	1.5	(10.6%)	1.3	1.5	10.6%
Maintenance capex, ex. IT spend (% revenue)	2.1%	2.5%	(0.4%)	2.1%	2.5%	(0.4%)
Maintenance capex, ex. IT spend (£k pa per bed)	2.8	3.2	(12.5%)	2.8	3.2	12.5%

(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

- Q1 2020 operating cash flow increased by £1.1 million, or 14.7% to £8.6 million from £7.5 million for Q1 2019. The increase is primarily due to a £1.1 million increase in EBITDA.

Non-underlying items

- Q1 2020 non-underlying items increased by £0.5 million to an outflow of £0.4 million from an inflow of £0.1 million when compared with Q1 2019. The increase is primarily due to restructuring costs.

Working capital

- Q1 2020 working capital outflow reduced by £5.3 million to £0.8 million from an outflow of £6.1 million for Q1 2019. The movement is primarily due to lower trade and other debtors.

Interest

- Q1 2020 interest payable increased by £0.1 million to £8.4 million from £8.3 million when compared to Q1 2019 due higher interest payments on the RCF facility.

Taxation

- For Q1 2020 we paid £0.6 million in relation to corporation tax payments made on account (Q1 2019: £nil).

Free Cash Flow before Development Capex, Acquisitions and Financing

- Q1 2020 Free Cash Flow before Development Capex, Acquisitions and Financing improved to £1.6 million outflow for Q1 2020 from £6.8 million outflow for Q1 2019.

Capital expenditure

Development 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.

- Q1 2020 capital expenditure increased by £1.6 million to £2.3 million from £0.7 million for Q1 2019, primarily due to the freehold purchase of an existing leasehold property and the purchase of a development site.

Acquisition

- For Q1 2020 there was £1.0 million outflow on acquisitions, this relates to the acquisition of the remaining 6% share capital of Focused Healthcare, which we now wholly own.

Acquisition Integration

- For Q1 2020 there was £nil outlay on acquisition integration (Q1 2019: £nil).

Free Cash Flow before Financing

- Q1 2020 free cash flow before financing was £4.8 million outflow compared to a £7.5 million outflow for Q1 2019.

Property and vehicle lease payments

- During Q1 2020 we made £1.1 million of lease payments under IFRS16 compared to £1.0m for Q1 2019.

Contractual obligations

The following table summarises our material contractual obligations at 30 June 2019. The following table shows the total amount payable and excludes any future interest payments that we would be required to make. The table also excludes any amount that is available under the Revolving Credit Facility and any interest payable.

£ million	0-1 year	1-2 years	2 years or more	Total
Senior Secured Notes (1)	-	-	215.0	215.0
Second Lien Notes (2)	-	-	35.0	35.0
Revolving Credit Facility (3)	22.7			22.7
Total	**22.7**	**0.0**	**250.0**	**272.7**

(1) Represents the aggregate principal amount of the existing Senior Secured Notes
(2) Represents the aggregate principal amount of the existing Second Lien Notes
(3) The Revolving Credit Facility was partially drawn over a term of less than 1 year

Consolidated statement of financial position

£ million	Jun-19	Jun-18	% Change
Non-Current Assets	435.6	426.8	2.1%
Current Assets			
Trade and Other Receivables, Prepayments	25.6	26.0	(1.6%)
Cash at bank and in hand	12.5	12.4	0.9%
Assets classified as held for sale	3.1	1.6	97.9%
Total Assets	**476.7**	**466.7**	**(2.2%)**
Non-current liabilities			
Loan Notes	262.2	261.6	(0.2%)
Tax Liabilities	10.9	10.8	(1.0%)
Accruals and Deferred Income	0.0	0.0	nm
Provisions for liabilities and charges	0.8	1.0	12.3%
Current Liabilities	67.9	62.4	(8.8%)
Equity	134.9	131.0	(3.0%)
Total Equity and Liabilities	**476.7**	**466.7**	**(2.2%)**

** Receivables in June 2019 include £1.0 million of intercompany loans (June 2018: £1.0 million), and current liabilities in June 2019 include £2.1 million of intercompany loans (June 2018: £2.1 million).*

*** Loan notes include unamortised issue costs of £6.3 million (June 2018: £7.7 million).*

Key Business Divisions

£ million	Revenue Q1 2020	Revenue Q1 2019	Revenue % Change	Revenue YTD 2020	Revenue YTD 2019	Revenue % Change
Registered	42.8	41.1	4.1%	42.8	41.1	4.1%
Community Based Care	19.6	16.9	16.0%	19.6	16.9	16.0%
Focused Healthcare	2.6	2.6	0.0%	2.6	2.6	0.0%
Total	**65.1**	**60.6**	**7.4%**	**65.1**	**60.6**	**7.4%**

£ million	EBITDA Q1 2020	EBITDA Q1 2019	EBITDA % Change	EBITDA YTD 2020	EBITDA YTD 2019	EBITDA % Change
Registered	7.8	7.2	8.3%	7.8	7.2	8.3%
Community Based Care	1.9	1.3	46.2%	1.9	1.3	46.2%
Focused Healthcare	0.7	0.7	0.0%	0.7	0.7	0.0%
Total	**10.4**	**9.3**	**11.8%**	**10.4**	**9.3**	**11.8%**

Other financial metrics	Q1 2020	Q1 2019	Change	YTD 2020	YTD 2019	Change
Average Registered occupancy	1,929	1,888	41	1,929	1,888	41
Average Registered occupancy %	94.1%	92.8%	1.3%	94.1%	92.8%	1.3%
Average Weekly Community Based hours	95,000	81,000	14,000	95,000	81,000	14,000
Closing Registered occupancy	1,921	1,884	37	1,921	1,884	37
Closing Registered occupancy %	94.0%	93.3%	0.7%	94.0%	93.3%	0.7%
Closing Weekly Community Based hours	95,700	81,700	14,000	95,700	81,700	14,000

Property Analysis

At the 30 June 2019 the number of freehold properties held was 297, a net increase of 8 properties since 30 June 2018. The net book value of the freehold properties was £340.3 million.

We have increased our provision of properties supporting the Community division by 34, with capacity increasing by 177 since 30 June 2018.

Of our freehold properties, 87.4% of capacity is Registered whereas 25.2% of capacity is Community, which is in line with our strategy to utilise 3rd Party Capital to drive Community based care growth.

30 June 2019	**Registered**		**Community**		**Daycare**	**DCA**	**Total**	
	#	**Capacity**	**#**	**Capacity**	**#**	**#**	**#**	**Capacity**
Freehold	229	1,796	56	276	4	8	297	2,072
Leasehold/Rental [1]	39	258	12	79	10	22	83	337
3rd Party Owned [2]	0	0	213	739	2	7	222	739
Totals	**268**	**2,054**	**281**	**1,094**	**16**	**37**	**602**	**3,148**
Freehold NBV (£m) [3]	**306.3**		**32.0**		**2.0**		**340.3**	

30 June 2018	**Registered**		**Community**		**Daycare**	**DCA**	**Total**	
	#	**Capacity**	**#**	**Capacity**	**#**	**#**	**#**	**Capacity**
Freehold	227	1,772	50	259	4	8	289	2,031
Leasehold/Rental [1]	40	255	11	64	10	22	83	319
3rd Party Owned [2]	0	0	186	594	2	7	195	594
Totals	**267**	**2,027**	**247**	**917**	**16**	**37**	**567**	**2,944**

Movement	**Registered**		**Community**		**Daycare**	**DCA**	**Total**	
	#	**Capacity**	**#**	**Capacity**	**#**	**#**	**#**	**Capacity**
Freehold	2	24	6	17	0	0	8	41
Leasehold/Rental [1]	(1)	3	1	15	0	0	0	18
3rd Party Owned [2]	0	0	27	145	0	0	27	145
Totals	**1**	**27**	**34**	**177**	**0**	**0**	**35**	**204**

[1] Leasehold/Rental includes properties which are on a long term lease and properties on short term rental which have been obtained to support immediate commissioner requirements.

[2] 3rd Party owned Supported Living properties are leased to a Registered Provider such as a Housing Association and then rented to the people we support. Rent and maintenance are usually covered by Housing Benefit claimed by the people we support.

[3] Freehold NBV is not separately shown under DCA, as the Freehold 'DCA' offices operate from Freehold 'Community' Properties. Freehold NBV excludes assets held for sale and leasehold, encumbered and third party properties.

Voyage BidCo Limited

Condensed Consolidated
Financial Statements (unaudited)

Registered number 05752534

For the 3 month period ended 30 June 2019

Voyage BidCo Limited
Condensed Consolidated Financial Statements (unaudited)
For the 3 month period ended 30 June 2019

Contents	**Page**

Voyage BidCo Limited
Condensed Consolidated Statement of Profit and Loss (unaudited)
For the 3 month period ended 30 June 2019

	Notes	3 months ended 30 June 2019			3 months ended 30 June 2018 (4)		
		Underlying items	Non-underlying items (3)	Total	Underlying items	Non-underlying items (3)	Total
		£000	£000	£000	£000	£000	£000
Continuing operations							
Revenue		65,053	-	65,053	60,604	-	60,604
Operating expenses	5	(58,726)	700	(58,026)	(55,759)	113	(55,646)
Adjusted EBITDA (2)		10,432	(368)	10,064	9,268	113	9,381
Depreciation and impairment of property, plant and equipment		(3,541)	(137)	(3,678)	(3,797)	-	(3,797)
Profit/(loss) on disposal of non-current assets		42	-	42	(49)	-	(49)
Profit on terminating lease obligation		-	1,205	1,205	-	-	-
Amortisation of intangible assets		(606)	-	(606)	(577)	-	(577)
Operating profit		6,327	700	7,027	4,845	113	4,958
Finance income	6	11	-	11	18	-	18
Finance expense	7	(4,933)	-	(4,933)	(4,835)	-	(4,835)
Profit before taxation		1,405	700	2,105	28	113	141
Taxation	8	(601)	-	(601)	(528)	-	(528)
Profit / (loss) for the period from continuing operations		804	700	1,504	(500)	113	(387)
Profit / (loss) attributable to equity holders of the parent		804	700	1,504	(500)	113	(387)

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

(2) Adjusted EBITDA represents earnings before interest, tax, depreciation, impairment, profit / (loss) on disposal of assets and amortisation.

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

(4) Restated due to the transition to IFRS 16 - Refer to accounting policies.

Voyage BidCo Limited
Condensed Consolidated Statement of Other Comprehensive Income (unaudited)
For the 3 month period ended 30 June 2019

	3 months ended 30 June 2019 £000	3 months ended 30 June 2018 (1) £000
Profit / (loss) attributable to equity holders of the parent	1,504	(387)
Items that will not be reclassified to profit and loss		
Remeasurements of the defined benefit liability	-	-
Total comprehensive income / (expense) attributable to equity holders of the parent for the financial period	1,504	(387)

(1) Restated due to the transition to IFRS 16 - Refer to accounting policies.

Voyage BidCo Limited
Condensed Consolidated Statement of Financial Position (unaudited)
At 30 June 2019

	Notes	30 June 2019		30 June 2018 (1)		31 March 2019	
		£000	£000	£000	£000	£000	£000
Assets							
Non-current assets							
Goodwill	9	45,452		44,236		45,452	
Intangible assets	10	5,661		7,440		6,246	
Property, plant and equipment	11	384,449		375,076		383,959	
			435,562		**426,752**		**435,657**
Current assets							
Trade and other receivables		25,032		25,106		25,612	
Corporation tax		565		23		590	
Cash and cash equivalents		12,504		12,388		18,686	
Employee benefit pension assets		-		879		-	
		38,101		38,396		44,888	
Assets classified as held for sale	12	3,072		1,552		2,802	
			41,173		**39,948**		**47,690**
Total assets			**476,735**		**466,700**		**483,347**
Liabilities							
Current liabilities							
Loans and borrowings	13	25,130		21,592		25,663	
Trade and other payables		26,102		22,978		28,926	
Accruals and deferred income		16,157		15,378		18,355	
Provisions	14	483		422		548	
Other financial liabilities	15	-		1,140		1,140	
Employee benefit pension liability		-		879		-	
			67,872		**62,389**		**74,632**
Non-current liabilities							
Loans and borrowings	13	262,212		261,571		263,634	
Deferred tax liabilities		10,946		10,833		10,945	
Provisions	14	555		607		490	
Employee benefits		283		348		283	
			273,996		**273,359**		**275,352**
Total liabilities			**341,868**		**335,748**		**349,984**
Net assets			**134,867**		**130,952**		**133,363**
Equity							
Capital and reserves							
Issued share capital		-		-		-	
Share premium		252,872		252,872		252,872	
Retained earnings		(118,005)		(121,920)		(119,509)	
Total equity attributable to equity holders of the parent			**134,867**		**130,952**		**133,363**

Company registered number: 05752534

(1) Restated due to the transition to IFRS 16- Refer to accounting policies.

Voyage BidCo Limited
Condensed Consolidated Statement of Changes in Equity (unaudited)
For the 3 month period ended 30 June 2019

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 2019	-	252,872	(119,509)	133,363
Total comprehensive income for the period				
Profit for the period	-	-	1,504	1,504
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	1,504	1,504
At 30 June 2019	**-**	**252,872**	**(118,005)**	**134,867**

For the 3 month period ended 30 June 2018 (1)

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 2018	-	252,872	(122,287)	130,585
Adjustment on initial application of IFRS 16 (net of tax)	-	-	754	754
	-	252,872	(121,533)	131,339
Total comprehensive expense for the period				
Loss for the period	-	-	(387)	(387)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the period	-	-	(387)	(387)
At 30 June 2018	**-**	**252,872**	**(121,920)**	**130,952**

(1) Restated due to the transition to IFRS 16- Refer to accounting policies.

Voyage BidCo Limited
Condensed Consolidated Statement of Cash Flow (unaudited)
For the 3 month period ended 30 June 2019

	3 months ended 30 June 2019 £000	**3 months ended 30 June 2018 (1) £000**
Cash flows from operating activities		
Profit / (loss) for the period	1,504	(387)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	3,678	3,797
(Profit) / loss on disposal of non-current assets	(42)	49
Profit on terminating lease obligation	(1,205)	-
Amortisation of intangible assets	606	577
Finance income	(11)	(18)
Finance expense	4,933	4,835
Taxation	601	528
Movements in working capital:		
Increase / (decrease) in trade and other receivables	581	(3,554)
Decrease in trade and other payables	(2,824)	(3,776)
Increase in accruals and deferred income	1,414	1,271
Cash generated from operating activities	9,235	3,322
Interest paid	(8,408)	(8,345)
Tax paid	(575)	-
Net cash generated from / (used in) operating activities	**252**	**(5,023)**
Cash flows from investing activities		
Interest received	11	8
Payments to acquire property, plant and equipment	(4,189)	(2,730)
Payments to acquire intangible assets	(21)	(57)
Proceeds from sales of property, plant and equipment	103	304
Net cash outflow on acquisition of subsidiaries	(974)	-
Net cash used in investing activities	**(5,070)**	**(2,475)**
Cash flows from financing activities		
Property and vehicle lease payments	(1,064)	(1,038)
Proceeds from loans and borrowings	(300)	4,000
Net cash (used in) / generated from financing activities	**(1,364)**	**2,962**
Net decrease in cash and cash equivalents in the period	**(6,182)**	**(4,536)**
Cash and cash equivalents at the beginning of the period	18,686	16,924
Cash and cash equivalents at the end of the period	**12,504**	**12,388**

(1) Restated due to the transition to IFRS 16- Refer to accounting policies.

Voyage BidCo Limited
Notes to the Condensed Consolidated Financial Statements (unaudited)
For the 3 month period ended 30 June 2019

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 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, brain injury rehabilitation 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 ended 30 June 2019, together with comparative period data for the 3 month period ended 30 June 2018.

The comparative data for the 3 month period ended 30 June 2018 has been restated to reflect IFRS 16 which was not adopted until year end. The impact of the transition is summarised below:

Statement of Financial Position	**30 June 2018** **£'000**
Right-of-use asset presented in property, plant and equipment	15,977
Other debtors	(326)
Other creditors	9
Accruals	4,270
Provisions and liabilities	2,652
Lease liability	(21,855)
Retained earnings	(727)

As a result of applying IFRS16, the Group has recognised depreciation and interest costs, instead of an operating lease expense. During the 3 month period ended 30 June 2018, the Group recognised £864k of depreciation charges and £158k of interest costs from those leases. Operating lease charges that would have been previously recognised under the previous accounting policy would have been £995k as a result there has been a net decrease in profit before taxation.

The financial information contained herein is unaudited and does not constitute statutory accounts as defined by Section 435 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 on-going 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 accounting policies applied in these condensed consolidated financial statements is consistent with the statutory accounts for the Company and the Group for the year ended 31 March 2019. In addition, the risks and risk management techniques identified in the statutory accounts for the Company and the Group for the year ended 31 March 2019 should be referred to in connection with these condensed consolidated financial statements as they remain applicable.

Adopted IFRS not yet applied

The following amended standards and interpretations have been endorsed by the EU but are not yet effective:

• IFRIC 23 Uncertainty over Tax Treatments (effective for reporting periods beginning on or after 1 January 2019);

• Prepayment Features with Negative Compensation (Amendments to IFRS 9) (effective for reporting periods beginning on or after 1 January 2019);

• Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (effective for reporting periods beginning on or after 1 January 2019);

• Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (effective for reporting periods beginning on or after 1 January 2019); and

• Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards (effective for reporting periods beginning on or after 1 January 2019).

The above standards and interpretations are not expected to have a significant impact on the Group’s consolidated financial statements.

Going concern

The Group, of which the Company is a member, is funded through a combination of Shareholders' Funds, Unsecured Shareholders Loans, Senior Secured Notes and Second Lien Notes.

£215 million of 5.875% Senior Secured Notes and £35 million of 10% Second Lien Notes are due in 2023 and a Revolving Credit Facility of £45.0 million due 2023 was £22.7 million drawn at 30 June 2019. The Directors are mindful of the due date of the external financing arrangements and recognise the need to review refinancing or capital structure options at the appropriate time. The Investor and Management Fixed Rate Unsecured Loan Notes are payable at the earlier of an exit or September 2024.

The Group's trading cash forecasts, which take into account reasonably possible changes in trading activities, show that the Group will be in compliance with all covenants and will have adequate funds to meet its liabilities, including debt servicing costs, for the foreseeable future.

The Directors therefore believe it remains appropriate to prepare the financial statements on a going concern basis.

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;
- Community Based Care: supporting individuals in their own home promoting independence; and
- Focused Healthcare: supporting young individuals living with their families who require specialist care or nursing.

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

The reported segmental information represents income and expenditure generated from external customers and external suppliers only. There were no inter-segment transactions reported during the current period (2018: £Nil).

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

	Continuing Operations			
For the 3 month period ended 30 June 2019	**Registered £000**	**Community Based Care £000**	**Focused Healthcare £000**	**Group £000**
Revenue	42,783	19,627	2,643	**65,053**
Adjusted EBITDA (before non-underlying items)	**7,791**	**1,943**	**698**	**10,432**
Non-underlying items				(368)
Adjusted EBITDA (after non-underlying items)				**10,064**
Depreciation and impairment of property, plant and equipment				(3,678)
Profit on disposal of non-current assets and lease obligations				1,247
Amortisation of intangible assets				(606)
Net finance expense				(4,922)
Taxation				(601)
Profit for the period				**1,504**

	Continuing Operations			
For the 3 month period ended 30 June 2018 (1)	**Registered £000**	**Community Based Care £000**	**Focused Healthcare £000**	**Group £000**
Revenue	41,077	16,938	2,589	**60,604**
Adjusted EBITDA (before non-underlying items)	**7,247**	**1,274**	**747**	**9,268**
Non-underlying items				113
Adjusted EBITDA (after non-underlying items)				**9,381**
Depreciation of property, plant and equipment				(3,797)
Loss on disposal of non-current assets				(49)
Amortisation of intangible assets				(577)
Net finance expense				(4,817)
Taxation				(528)
Loss for the period				**(387)**

(1) Restated due to the transition to IFRS 16 - Refer to accounting policies.

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 underlying 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 2019 £000	3 months ended 30 June 2018 £000
Continuing operations	**Notes**		
Non-underlying items:			
Restructuring costs	a	206	-
Day Care income	b	-	(221)
Project costs	c	162	108
Impairment of property, plant and equipment	d	137	-
Purchase of long-term lease	e	(1,205)	-
		(700)	(113)

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

(a) *Restructuring costs*
For the 3 month period ended 30 June 2019, the Group incurred costs in relation to restructuring its workforce and as a result remuneration costs of £206,000 were incurred (3 month period ended 30 June 2018: £Nil).

(b) *Day Care Income*
For the 3 month period ended 30 June 2019, the Group was in receipt of funds in relation to backdated VAT on its Day Care business of £Nil (3 month period to 30 June 2018: £221,000).

(c) *Project costs*
The Group is undertaking a programme to improve the quality, accuracy and support for its customers by investing in its head office and operational functions, as a result for the 3 month period ended 30 June 2019 fees of £162,000 were incurred (3 month period ended 30 June 2018: £108,000).

(d) Impairment of property, plant and equipment
For the 3 month period ended 30 June 2019, the Group recognised an impairment charge due to the carrying amount of an asset exceeding its recoverable amount. As a result an impairment charge of £137,000 was incurred (3 month period ended 30 June 2018: £Nil).

(e) Purchase of long-term lease
For the 3 month period ended 30 June 2019, the Group acquired the freehold of a leasehold property and as a result of disposing a right of use asset and derecognising a lease liability a profit of £1,205,000 was generated (30 June 2018: £Nil).

5 Operating profit before taxation

Operating profit before taxation is stated after charging / (crediting):

	3 months ended 30 June 2019 £000	3 months ended 30 June 2018 (1) £000
Continuing operations		
Direct expenses and consumables	1,901	1,877
Staff costs:		
Wages and salaries	41,958	38,755
Social security costs	2,707	2,532
Other pension costs	789	535
Operating lease rentals:		
Other lease rentals	200	117
Plant and machinery	83	65
Depreciation and impairment of property, plant and equipment	3,678	3,797
(Profit) / loss on disposal of non-current	(42)	49
Profit on terminating lease obligation	(1,205)	-
Amortisation of intangible assets	606	577
Other external charges	7,351	7,563
Receipts in respect of VAT on the Group's Day Care activities	-	(221)
	58,026	55,646

(1) Restated due to the transition to IFRS 16 - Refer to accounting policies.

6 Finance income

	3 months ended 30 June 2019 £000	3 months ended 30 June 2018 £000
Continuing operations		
Bank interest receivable	11	18

7 Finance expense

	3 months ended 30 June 2019 £000	3 months ended 30 June 2018 (1) £000
Continuing operations		
Bank interest including RCF non-utilisation fees	279	248
Loan notes interest	4,392	4,368
Unwinding of lease liabilities	206	205
Unwinding of discount on onerous lease provision	-	5
Other finance costs	56	9
	4,933	4,835

Loan notes interest comprises loan notes interest of £4,033,000 for the 3 month period ended 30 June 2019 (£4,033,000 for the 3 month period ended 30 June 2018) and amortisation of issue costs and original issue discount of £359,000 for the 3 month period ended 30 June 2019 (£335,000 for the 3 month period ended 30 June 2018).

8 Taxation

The Group's underlying consolidated effective tax rate in respect of continuing operations for the 3 month period ended 30 June 2019 is 42.8% (3 month period ended 30 June 2018: 1,885.7% (restated)).

The Group's consolidated total effective tax rate in respect of continuing operations for the 3 month period ended 30 June 2019 is 28.6% (3 month period ended 30 June 2018: 374.5% (restated)).

The taxation is recognised based on management's best estimate of the weighted-average annual tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

9 Goodwill

	30 June 2019 £000	30 June 2018 £000	31 March 2019 £000
Cost			
Opening cost	54,008	52,792	52,792
Acquisitions	-	-	1,216
Opening and closing cost	54,008	52,792	54,008
Accumulated impairment charge			
Opening and closing impairment	8,556	8,556	8,556
Net book value			
Closing net book value	45,452	44,236	45,452
Opening net book value	45,452	44,236	44,236

10 Intangible assets

	30 June 2019 £000	30 June 2018 £000	31 March 2019 £000
Cost			
Opening cost	13,193	12,557	12,557
Acquisitions	-	-	161
Additions	21	57	475
Closing cost	13,214	12,614	13,193
Amortisation			
Opening amortisation	6,947	4,597	4,597
Provided during the period	606	577	2,350
Closing amortisation	7,553	5,174	6,947
Net book value			
Closing net book value	5,661	7,440	6,246
Opening net book value	6,246	7,960	7,960

(1) Restated due to the transition to IFRS 16 - Refer to accounting policies.

11 Property, plant and equipment

	30 June 2019 £000	30 June 2018 (1) £000	31 March 2019 £000
Cost			
Opening cost	514,305	479,787	479,787
Adjustment on initial application of IFRS 16	-	16,234	16,234
Adjusted Balance as at 1 April 2018	-	496,021	496,021
Acquisitions	-	-	900
Additions	4,499	3,561	26,079
Transfer from assets held for sale	-	-	53
Assets classified as held for sale	(270)	-	(4,674)
Disposals	(248)	(2,195)	(4,074)
Closing cost	518,286	497,387	514,305
Depreciation			
Opening depreciation	130,346	120,634	120,634
Charge for the period	3,541	3,797	14,818
Impairment	137	-	746
Assets classified as held for sale	-	-	(3,080)
Disposals	(187)	(2,120)	(2,772)
Closing depreciation	133,837	122,311	130,346
Net book value			
Closing net book value	384,449	375,076	383,959
Opening net book value	383,959	359,153	359,153

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 2019, the assets classified as held for sale are £3,072,000 (30 June 2018: £1,552,000 and 31 March 2019: £2,802,000).

13 Loans and borrowings

	30 June 2019 £000	30 June 2018 (1) £000	31 March 2019 £000
Bank loans	22,700	19,000	23,000
Loan notes	243,671	242,308	243,312
Lease Liability	20,971	21,855	22,985
	287,342	283,163	289,297

Loan notes include unamortised issue costs and original issue discount of £6,329,000 (30 June 2018: £7,692,000 and 31 March 2019: £6,688,000) which after deducting from the loan note balance due of £250,000,000 results in a net loan note liability of £243,671,000 (30 June 2018: £242,308,000 and 31 March 2019: £243,312,000).

As at 30 June 2019 there was accrued interest of £2,689,000 (30 June 2018: £2,689,000 and 31 March 2019: £6,721,000) 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 2019 £000	30 June 2018 (1) £000	31 March 2019 £000
In one year or less	25,130	21,532	25,663
Between one and five years	251,581	250,552	251,982
After five years	10,631	11,079	11,652
	287,342	283,163	289,297

Loan notes

The Group issued £250 million of Loan Notes comprising £215 million Senior Secured Notes due 2023 and £35 million Second Lien Notes due 2023. In addition, the Group is party to a £45 million Revolving Credit Facility. The notes are listed on the Channel Island 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	215,000	5 7/8%	May-23
Second Lien Notes	GBP	35,000	10.00%	Nov-23
Revolving Credit Facility				
Utilised	GBP	22,700	LIBOR +3.25%	Feb-23
Non utilised	GBP	22,300	1.10%	Feb-23

(1) Restated due to the transition to IFRS 16 - Refer to accounting policies.

14 Provisions

Onerous lease provisions recognised will unwind over the term of the leases. Determining the extent of the provision requires an estimation of future lease costs, future expected sale proceeds and a discount rate in order to calculate present value.

15 Financial instruments

	Carrying amount				Fair value
	Financial liabilities at FV	**Loans and recievables**	**Other financial**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
At 30 June 2019					
Financial liabilities not measured at fair value					
Trade and other receivables	-	23,120	-	23,120	23,120
Cash and cash equivalents	-	12,504	-	12,504	12,504
	-	35,624	-	35,624	35,624
Financial liabilities measured at fair value					
Deferred consideration	-	-	-	-	-
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	-	-	209,619	209,619	207,475
Second Lien Loan Notes	-	-	34,052	34,052	32,200
Revolving Credit Facility	-	-	22,700	22,700	22,700
Trade and other payables	-	-	26,102	26,102	26,102
Lease liabilities	-	-	22,985	22,985	22,985
	-	-	315,458	315,458	311,462
At 30 June 2018 (1)					
Financial liabilities not measured at fair value					
Trade and other receivables	-	23,059	-	23,059	23,059
Cash and cash equivalents	-	12,388	-	12,388	12,388
	-	35,447	-	35,447	35,447
Financial liabilities measured at fair value					
Deferred consideration	1,140	-	-	1,140	1,140
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	-	-	208,420	208,420	215,194
Second Lien Loan Notes	-	-	33,888	33,888	34,904
Revolving Credit Facility	-	-	19,000	19,000	19,000
Trade and other payables	-	-	22,978	22,978	22,978
Lease liabilities	-	-	21,855	21,855	21,855
	1,140	-	306,141	307,281	315,071
At 31 March 2019					
Financial liabilities not measured at fair value					
Trade and other receivables	-	24,485	-	24,485	24,485
Cash and cash equivalents	-	18,686	-	18,686	18,686
	-	43,171	-	43,171	43,171
Financial liabilities measured at fair value					
Deferred consideration	1,140	-	-	1,140	1,140
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	-	-	209,304	209,304	237,153
Second Lien Loan Notes	-	-	34,008	34,008	32,025
Revolving Credit Facility	-	-	23,000	23,000	23,000
Trade and other payables	-	-	28,926	28,926	28,926
Lease liabilities	-	-	22,985	22,985	22,985
	1,140	-	318,223	319,363	345,229

(1) Restated due to the transition to IFRS 16 - Refer to accounting policies.

15 Financial instruments - continued

Fair value hierarchy
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

• Level 1: unadjusted quoted prices in active markets for identical assets or liabilities.

• Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either as a direct price or indirectly derived from prices.

• Level 3: inputs for the asset or liability that are not based on observable market data.

Financial liabilities measured as fair value

At 30 June 2019

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deferred consideration	-	-	-	-
	-	-	-	-

At 30 June 2018

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deferred consideration	-	-	1,140	1,140
	-	-	1,140	1,140

At 31 March 2019

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deferred consideration	-	-	1,140	1,140
	-	-	1,140	1,140

16 Events subsequent to the balance sheet date

On 2 July 2019, the Group acquired 100% of the issued share capital of Fox Elms Community Care Limited, a Gloucestershire based Community Based Care provider supporting individuals with learning disabilities in the Community.

17 Contingent liability

Security granted on the Senior Secured Notes, the Second Lien Notes and the Revolving Credit Facility
The Company has guaranteed the amounts due under the Senior Secured Notes, the Second Lien Notes and the Revolving Credit Facility held in Voyage Care BondCo PLC. Security has been granted over all freehold and long leasehold property.

Potential liability in relation to sleep in shifts
In keeping with widespread practice in the social care sector, the Group operates at a number of sites where individual employees "sleep-in" overnight and are paid an allowance to do so.

In the past HMRC gave clear guidance that it did not consider sleep-ins to constitute "time work" for the purposes of NMW. However, the correct application of NMW regulations to sleep-ins was the subject of several legal decisions including that of the Employment Appeal Tribunal (EAT) in Royal Mencap Society v Tomlinson-Blake. From 1 July 2017 the government (BEIS) and HMRC changed their interpretation of the NMW regulations in relation to sleep-ins, and began to insist that sleeping time is "time work" for NMW purposes. The Group increased the allowance paid for a sleep-in shift from July 2017 to reflect this new interpretation

The Tomlinson-Blake decision, in which the Group was not directly involved, was appealed in the Court of Appeal in March 2018. Local authorities and other providers were also represented. In a major decision, the Court of Appeal ruled that for the purposes of the regulations on NMW, time spent on a sleep-in shift does not count as "time work" for NMW purposes. As a consequence of this, official guidance was again changed. Accordingly, in February 2019, consistently with the Court of Appeal ruling and the official guidance, the Group reduced the allowance paid for a sleep-in.

The Court of Appeal refused permission to appeal against its decision but a panel of Supreme Court judges subsequently granted Mrs Tomlinson-Blake permission to appeal. The Supreme Court gives such permission only in cases of public importance which it considers justify its attention. The appeal is listed to be heard in February 2020.

Notwithstanding that permission to appeal was granted, our legal advice is that it is unlikely that the Court of Appeal ruling will be overturned.

Given the grant of permission to appeal, the Board has decided that it is appropriate to make a contingent liability disclosure. Should the Court of Appeal ruling be overturned by the Supreme Court it is possible that the Group would be required to make backdated payments to its employees for a period of up to 6 years.

In the light of knowledge of how HMRC has dealt with these issues in the past (in particular, in introducing a non-statutory Scheme for resolution of issues in this area) the Board's judgment is that there is only a remote possibility that penalties would be imposed in those circumstances and therefore nothing has been included in this respect.

On this basis the Board estimates that a contingent liability up to a maximum of £16m should continue to be disclosed, consistent with the contingent liability disclosure made in the financial statements for the year ended 31 March 2019.

17 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 for the year ended 31 March 2019 may be obtained from:

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