Voyage BidCo Limited

Results for the three and nine months ending 31 December 2012

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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Executive Summary

Financial highlights

The table below summarises financial information for the three and nine months ended 31 December:

	Q3 December		YTD December	
£ million	**2012**	**2011**	**2012**	**2011**
Turnover	45.9	35.3	134.5	106.5
EBITDA (before exceptional items)	10.9	9.9	32.6	27.9
Operating profit	8.2	6.6	24.0	19.6
Profit for the period	2.3	0.8	6.4	2.1
Cash flow from operating activities *	14.0	9.2	31.1	24.2

* *Excludes cash flows in relation to acquisition integration costs, funding and catch-up capex*

Pro forma financial information assumes that Solor Care was acquired on 1st January 2012 and that all synergies have been achieved:

£ million	**December 2012**
Pro forma LTM Turnover	181.9
Pro forma LTM EBITDAR (before exceptional items)	48.3
Pro forma LTM EBITDA (before exceptional items)	**44.5**
Pro forma LTM interest expenses	20.4
Pro forma Net Debt:	
Senior notes	222.0
Junior notes	50.0
Revolving credit facility	0.0
Cash at bank and in hand	(19.2)
Total	252.8
Pro forma Net Debt / LTM EBITDA (before exceptional items)	**5.68x**

Commentary on results

Excellent progress in operating performance, the key highlights of which are:

Performance during Q3 2012

- Turnover up 30.0% to £45.9 million largely driven by the Solor Care acquisition
- EBITDA before exceptional items up 10.1% to £10.9 million due to the Solor Care acquisition
- Like-for-like turnover growth of 3.7% to £36.3 million
- Quality scores maintained at 95%, 4 & 5 tick compliance
- Occupancy at 90.3%, from 91.3% due to a lower occupancy rate at the Solor Care services
- Outreach weekly invoiced hours increased by approximately 4,900 to 17,800 hours per week

Recent developments

- Acquired Independent Living Group (“ILG”) for £12.9 million including fees and working capital adjustments
- £2.6 million post synergy EBITDA
- Financed by £2.5 million new equity and balance sheet cash, no RCF drawn
- Post synergy multiple of circa 4.96x, a further de-levering transaction

Management changes

- Laurence Swarbrick, the current Chief Operating Officer, retires 31 March 2013
- Kevin Roberts joins as Chief Operating Officer 1 April 2013
- Jayne Tarbuck joined as Director of Quality & Business Improvement in February 2013

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 PCTs and therefore require on-going care services to help them look after themselves.

- We supported 2,678 people as at 31 December 2012, comprising 2,133 through our residential segment and a further 545 supported through our outreach business, with 96.9% of income being paid for by Local Authorities and PCTs.

- 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 £1,479 per person for the twelve months ended 31 December 2012.

- 95% of our beds achieved four or five ticks of compliance under the CQC system out of a maximum of five ticks, continuing on from our high level of ratings under the CQC’s former star rating system, under which 95% of our homes were rated as “good” or “excellent” before the star rating system was phased out in June 2010.

- With approximately 5,000 full time support staff, we strive to meet each individual’s requirements 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 providers operating exclusively in this sector and specialising in providing care support for people with complex, high acuity support needs. Our business is divided into four segments based on the type of setting in which care is provided. We provide care for individuals with learning disabilities and acquired brain injuries in each of our segments. Our segments consist of:

- ***Registered*****:** We provide care to individuals in our 262 registered homes as at 31 December 2012. We hold the freehold interest in 207 of our registered homes and three of our registered homes are held on a long leasehold basis (each with a lease period of over 40 years remaining), collectively representing 84.1% of our registered homes by number of beds. At 31 December 2012 we had 2,007 beds in our registered properties.
- ***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 31 December 2012, we provided services in 83 supported living locations with 358 beds.

  Together, our registered and supported living segments are known as ‘‘residential services’’. We have a strong focus on providing high quality services in a manner that replicates a normal domestic dwelling as closely as possible. Our typical residential home has an average of seven beds, providing a communal environment compared to larger facilities operated by certain of our competitors. Under our residential segment, care is provided either in care homes registered with the CQC or in communal settings generally provided by registered social landlords that are registered with the Homes and Communities Agency.
- ***Outreach*****:** We care for individuals in their own homes, helping them to more independently manage their individual support needs. The outreach segment was launched in November 2010 and by 31 December 2012 it had grown to deliver approximately 17,900 hours of care per week, providing bespoke services to approximately 545 individuals for an average of approximately 33 hours per week per person during December 2012.

- ***Day care services*****:** We currently operate 12 day care centres where we provide day time activities in communal settings for people with learning disabilities. We assist the people we support in developing daily living skills, such as cooking, using public transport and learning basic shopping skills, to help them achieve as much independence in their personal lives as possible. We also provide activities such as arts and crafts and interaction with animals.

Recent developments

Independent Living Group (ILG)

On 10 March 2013, we acquired ILG for £12.9 million including fees and working capital adjustments. Its 28 freehold homes comprise 170 beds with 92% occupancy located in Hampshire (20 homes), Sussex (5 homes) and Kent (3 homes). The business has a run rate EBITDA of £1.6 million and estimated synergies of £1.0m. The post synergy multiple is circa 4.96x, a credit enhancing acquisition. The transaction was funded by £2.5 million of new equity and the balance from existing cash resources. The RCF was not utilised.

Organisational developments

Kevin Roberts (Chief Operating Officer)

Kevin joins Voyage Care on 1 April 2013 from Four Seasons Health Care (“FSHC”) where he was Group Strategy Director. Kevin led the successful integration of 140 care homes into FSHC from Southern Cross in 2011 and has represented the sector in a number of sector wide initiatives led by the Department of Health and the Association of Directors of Adult Social Services. Prior to joining FSHC Kevin was Quality and Compliance Director at Bupa Care Services responsible for leading Bupa’s service quality strategy.

Jayne Tarbuck (Director of Quality and Business Improvement)

Jayne was appointed in February 2013 as the Group’s Director of Quality and Business Improvement. For over 10 years Jayne has held a number of senior positions both within the health and social care sector and for large corporate, quality led, service businesses. Jayne joined from Saga Healthcare where she was the Director responsible for the quality, safety and governance functions along with other key support and customer facing services.

Presentation of financial and other information

Financial data

This quarterly report includes the condensed consolidated financial information (unaudited) of Voyage BidCo Limited and its subsidiaries for the three month periods ended 31 December 2012 ("Q3 2012") and 31 December 2011 ("Q3 2011"), and the nine month periods ended 31 December 2012 ("YTD 2012") and 31 December 2011 ("YTD 2011"), prepared in accordance with UK GAAP, and accompanying notes.

In addition, the pro forma financial information included within this Quarterly Report gives effect to the Solor Care Acquisition as if it had occurred at 1 January 2012, including the full benefit of synergy cost savings.

The comparative figures for the financial year ending 31 March 2012 ("FYE Mar 12") relate to Voyage Holdings Limited and are shown for reference purposes only.

Other financial measures

In this quarterly report, we may present certain non-IFRS and non-UK GAAP measures, including cash conversion, EBITDA, EBITDA before exceptional items, EBITDA margin, EBITDAR, EBITDAR before exceptional items, Adjusted EBITDAR before exceptional items, Unit EBITDA before exceptional items, pro forma interest expense, pro forma EBITDA before exceptional items, pro forma EBITDAR before exceptional items and pro forma turnover and similar measures (each, a ''Non-UK GAAP Metric''), which are not required by, or presented in accordance with, IFRS or UK GAAP. In this quarterly report, where applicable, the following terms have the following meanings:

- ''cash conversion'' means EBITDA before exceptional items less maintenance capital expenditure divided by EBITDA before exceptional items.
- ''EBITDA'' means earnings before interest, tax, depreciation (including losses and profits on disposal of fixed assets) and amortisation.
- ''EBITDA before exceptional items'' means EBITDA as adjusted to remove the effects of certain exceptional charges.
- ''EBITDA margin'' means EBITDA divided by turnover.
- ''EBITDAR'' means EBITDA before rent expense.
- ''EBITDAR before exceptional items'' means EBITDA before exceptional items, before rent expense.
- ''Unit EBITDA before exceptional items'' means EBITDA before exceptional items, before overhead expenses, which we believe is a useful indicator of EBITDA on a segment basis.
- ''pro forma interest expense'' means interest payable, as adjusted for the interest expense in respect of the Notes less the interest expense in respect of the Senior Facilities.
- ''pro forma EBITDA before exceptional items'' means EBITDA before exceptional items, as adjusted to give effect to the Solor Care Acquisition as if it had occurred at 1 January 2012.
- ''pro forma EBITDAR before exceptional items'' means EBITDAR before exceptional items, as adjusted to give effect to the Solor Care Acquisition as if it had occurred at 1 January 2012.
- ''pro forma turnover'' means turnover as adjusted to give effect to the Solor Care Acquisition as if it had occurred at 1 January 2012.

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 exceptional items, EBITDAR before exceptional items, Adjusted EBITDAR before exceptional items and Unit EBITDA before exceptional 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. We believe pro forma EBITDA before exceptional items, pro forma EBITDAR before exceptional items and pro forma turnover can assist investors, security analysts and other interested parties in evaluating our business by giving the full year effect of the Solor Care Acquisition and the issue of the Notes on our operating performance.

The non-UK GAAP metrics in this quarterly 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-UK GAAP metrics reported by us to such metrics or other similar metrics as reported by other companies. None of our non-UK GAAP metrics is a measurement of performance under IFRS or UK GAAP and you should not consider those measures as an alternative to net income or operating profit determined in accordance with IFRS or UK GAAP, as the case may be. The non-UK GAAP 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-UK GAAP metrics have limitations as analytical tools, and you should not consider them in isolation.

The unaudited pro forma financial information presented herein is based upon available information and assumptions that we believe are reasonable but are not necessarily indicative of the results that would actually have been achieved if the Solor Care Acquisition by the Group had been completed on the dates indicated, or that may be achieved in the future, and is provided for information purposes only.

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 supported living segment at any given time. Numbers of beds is presented in this quarterly report as at the end of the relevant period unless otherwise stated.

Outreach placements

Our results of operations are impacted by the number of outreach placements as placement capacity determines the maximum number of people that can be cared for in our outreach segment at any given time. Numbers of outreach placements is presented in this quarterly report as at the end of the relevant period unless otherwise stated.

Occupancy

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

Occupancy rates

Occupancy rates presented in this quarterly 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 quarterly report refer to average weekly fees in a given period.

Adjustments

Certain numerical information and other amounts and percentages presented in this quarterly 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 segments at any given time.

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

	Q3 December		YTD December		FYE
	2012	**2011**	**2012**	**2011**	**Mar 12**
Registered	2,016	1,585	1,987	1,599	1,597
Supported Living	353	272	350	272	272
Residential	**2,369**	**1,857**	**2,337**	**1,871**	**1,869**
Outreach placements	537	375	496	319	343
Total	**2,906**	**2,232**	**2,833**	**2,190**	**2,212**

Occupancy rate

Our occupancy rates reflect the demand for our services, which is principally driven by our relationships with Local Authorities and PCTs, 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 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:

	Q3 December		YTD December		FYE
	2012	**2011**	**2012**	**2011**	**Mar 12**
Registered	90.1%	90.9%	90.2%	90.8%	90.7%
Supported Living	91.3%	93.3%	91.6%	94.1%	94.1%
Residential	**90.3%**	**91.3%**	**90.4%**	**91.3%**	**91.2%**

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 PCTs 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 December		FYE
		2012	**2011**	**Mar 12**
Registered	£wk	1,517	1,504	1,504
Supported Living	£wk	1,268	1,229	1,228
Residential	**£wk**	**1,479**	**1,463**	**1,463**
Outreach	£hr	15.62	16.53	16.15

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 and unit managers and divisional heads and 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 for all of our employees
- increases in the national minimum wage. However, as the vast majority of our staff are paid more than the minimum wage, increases in the national minimum wage have had a limited effect on our staff costs;
- increases in wage rates for staff in other service industries
- in the future, legislation governing employee pensions, in particular legislation governing the automatic enrolment of employees into a workplace pension, will also have an effect on our staff costs as we will be required to contribute to pension schemes for qualifying employees.

		Q3 December		**YTD December**		**FYE**
		2012	**2011**	**2012**	**2011**	**Mar 12**
Staff Costs *	£m	27.4	21.0	80.4	63.6	84.7
% Turnover		59.7%	59.5%	59.8%	59.7%	59.6%
% pre exceptional operating costs **		78.3%	83.0%	78.9%	80.9%	80.7%

		Q3 December		**YTD December**		**FYE**
		2012	**2011**	**2012**	**2011**	**Mar 12**
Staff Costs (excluding overheads) *	£m	25.0	19.1	73.4	58.3	77.5
% Turnover		54.5%	54.1%	54.6%	54.7%	54.5%
% pre exceptional operating costs **		71.4%	75.5%	72.0%	74.2%	73.9%

* *Staff costs stated before exceptional items*
** *Excludes depreciation and impairment of fixed assets, profit/loss on disposals of fixed assets, and goodwill amortisation.*

Other operating costs

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

Consolidated Profit & loss Account

£ million	Q3 December 2012 (unaudited)	Q3 December 2011 (unaudited)	% Change	YTD December 2012 (unaudited)	YTD December 2011 (unaudited)	% Change	FYE Mar 12 (audited)
Turnover	**45.9**	**35.3**	**30.0%**	**134.5**	**106.5**	**26.3%**	**142.2**
Staff costs	(27.4)	(21.0)	(30.5%)	(80.4)	(63.6)	(26.4%)	(84.7)
Direct expenses & consumables	(1.8)	(1.3)	(38.5%)	(5.2)	(4.1)	(26.8%)	(5.4)
Other lease rentals	(1.1)	(0.3)	nm	(2.9)	(0.8)	nm	(1.0)
Plant & machinery	(0.6)	(0.6)	(0.0%)	(1.9)	(1.8)	(5.6%)	(2.4)
Other external charges	(4.1)	(2.1)	(95.2%)	(11.5)	(8.4)	(36.9%)	(11.3)
EBITDA before exceptional items	**10.9**	**9.9**	**10.1%**	**32.6**	**27.9**	**16.8%**	**37.4**
Exceptional items	(0.2)	(0.5)	60.0%	(0.6)	(1.7)	64.7%	(2.3)
EBITDA	10.7	9.4	13.8%	32.0	26.2	22.1%	35.1
Depreciation & impairment of fixed assets	(1.6)	(1.9)	15.8%	(4.1)	(4.0)	(2.5%)	(5.1)
Profit/(loss) on disposal of fixed assets	0.0	0.0	nm	(1.1)	(0.0)	nm	0.1
Goodwill amortisation	(0.9)	(0.8)	(12.5%)	(2.6)	(2.5)	(4.0%)	(3.4)
Operating profit	**8.2**	**6.6**	**24.2%**	**24.0**	**19.6**	**22.4%**	**26.7**
Interest receivable & similar income	0.0	0.0	nm	0.0	0.1	100.0%	0.1
Interest payable on bank loans	(5.6)	(5.7)	1.8%	(16.5)	(16.9)	2.4%	(22.3)
Profit before taxation	**2.6**	**0.9**	**188.9%**	**7.6**	**2.7**	**181.5%**	**4.5**
Taxation	(0.3)	(0.2)	(50.0%)	(1.2)	(0.6)	(100.0%)	(2.5)
Profit for the period	**2.3**	**0.8**	**187.5%**	**6.4**	**2.1**	**204.8%**	**2.0**
Other financial metrics							
Staff costs (excluding overheads)	25.0	19.1	(30.9%)	73.4	58.3	(25.9%)	77.5
Overhead expenses & bonus	3.3	2.7	(22.2%)	9.9	8.3	(19.3%)	11.3
Unit EBITDA before exceptional items	14.2	12.7	11.8%	42.5	36.2	17.4%	48.7
EBITDA before exceptional items margin %	23.7%	28.0%	(4.3%)	24.2%	26.2%	(2.0%)	26.3%
EBITDA margin %	23.3%	26.6%	(3.3%)	23.8%	24.6%	(0.8%)	24.7%
EBITDAR	11.8	9.7	21.6%	34.9	26.9	29.7%	36.1
EBITDAR before exceptional items	12.0	10.2	17.6%	35.5	28.7	23.7%	38.4
EBITDAR before exceptional items margin %	26.1%	28.9%	(2.8%)	26.4%	26.9%	(0.5%)	27.0%

* *The amounts stated in the March 2012 column relate to Voyage Holdings Limited and exclude the £39.0m interest payable on shareholder loans*

Turnover

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

- For Q3 2012 turnover increased by £10.6 million, or 30.0% to £45.9 million from £35.3 million for Q3 2011, primarily due to the acquisition of Solor Care on 20 April 2012. The amount of turnover attributable to the Solor Care business for Q3 2012 was £9.3 million.

- For YTD 2012 turnover increased by £28.0 million, or 26.3% to £134.5 million from £106.5 million for YTD 2011, primarily due to the factor discussed above. The amount of turnover attributable to the Solor Care business for YTD 2012 was £26.5 million.

The Solor Care Acquisition added 507 beds, contributing to an increase in average residential occupancy from 1,695 to 2,139 for Q3 2011 and 2012 respectively and from 1,707 to 2,113 for YTD 2011 to 2012 respectively. The Solor Care acquisition has also contributed to the increase in residential average weekly fees from £1,463 in Dec 2011 LTM to £1,479 in Dec 2012 LTM.

Staff costs

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

- For Q3 2012 staff costs increased by £6.4 million, or 30.5% to £27.4 million (which represented 59.7% of turnover) from £21.0 million (which represented 59.5% of turnover) for Q3 2011, primarily due to the acquisition of Solor Care on 20 April 2012.

- For YTD 2012 staff costs increased by £16.8 million, or 26.4% to £80.4 million (which represented 59.8% of turnover) from £63.6 million (which represented 59.7% of turnover) for YTD 2011, primarily due to the factor discussed above.

- Staff costs (excluding overheads) for Q3 2012 increased by £5.9 million, or 30.9% to £25.0 million (which represented 54.5% of turnover) from £19.1 million (which represented 54.1% of turnover) for Q3 2011, primarily due to the factor discussed above.

- Staff costs (excluding overheads) for YTD 2012 increased by £15.1 million, or 25.9% to £73.4 million (which represented 54.6% of turnover) from £58.3 million (which represented 54.7% of turnover) for YTD 2011, primarily due to the factor discussed above.

Direct expenses and consumables

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

- For Q3 2012 direct expenses and consumables increased by £0.5 million, or 38.5% to £1.8 million from £1.3 million for Q3 2011, primarily due to the acquisition of Solor Care on 20 April 2012.

- For YTD 2012 direct expenses and consumables increased by £1.1 million, or 26.8% to £5.2 million from £4.1 million for YTD 2011, primarily due to the factor discussed above.

Other lease rentals

Other lease rentals consist primarily of leases on registered and supported living care homes. At 31 December 2012, we had 60 short-term leases, consisting of 51 registered care homes and nine supported living care homes. In addition, three of our registered homes were held on a long leasehold basis (each with a lease period of over 40 years remaining). At 31 December 2012, 20.6% of our registered care homes and 10.8% of our supported living care homes were held under operating leases.

- For Q3 2012 other lease rentals increased by £0.8 million to £1.1 million from £0.3 million for Q3 2011. The increase in our operating lease rentals during this period is principally due to the acquisition of Solor Care, which has a higher proportion of leased properties compared to the rest of the Group.

- For YTD 2012 other lease rentals increased by £2.1 million to £2.9 million from £0.8 million for nine months ended 31 December 2011. The increase in our operating lease rentals during this period is principally due to the factor discussed above.

Plant and machinery

Plant and machinery operating lease rentals consist primarily of motor vehicle leases. We currently lease approximately 500 vehicles, which are primarily used to transport the people we support.

- For Q3 2012 plant and machinery lease rentals remained stable at £0.6 million compared to Q3 2011.

- For YTD 2012 plant and machinery lease rentals increased by £0.1 million to £1.9 million from £1.8 million for nine months ended 31 December 2011.

Other external charges

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

- For Q3 2012 other external charges increased by £2.0 million, or 95.2% to £4.1 million from £2.1 million for Q3 2011. This increase is primarily attributable to the acquisition of Solor Care.

- For YTD 2012 other external charges increased by £3.1 million, or 36.9% to £11.5 million from £8.4 million for YTD 2011. This increase is primarily attributable to the acquisition of Solor Care, which was partially offset by a reduction of £0.7 million in legal and professional fees.

EBITDA before exceptional items

EBITDA before exceptional items consists of EBITDA as adjusted to remove the effects of certain exceptional charges.

- For Q3 2012 EBITDA before exceptional items increased by £1.0 million, or 10.1% to £10.9 million from £9.9 million for Q3 2011. This increase is primarily attributable to the acquisition of Solor Care.

- For YTD 2012 EBITDA before exceptional items increased by £4.7 million, or 16.8% to £32.6 million from £27.9 million for YTD 2011. This increase is primarily attributable to the acquisition of Solor Care.

Exceptional items

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

- For Q3 2012 exceptional items decreased by £0.3 million to £0.2 million from £0.5 million for Q3 2011. Exceptional items for Q3 2012 related to reorganisation costs incurred as a result of the Solor Care Acquisition and exceptional items for Q3 2011 related to costs incurred in connection with an aborted debt refinancing transaction.

- For YTD 2012 exceptional items decreased by £1.1 million to £0.6 million from £1.7 million for YTD 2011. Exceptional items for YTD 2012 related to reorganisation costs incurred as a result of the Solor Care Acquisition and exceptional items for YTD 2011 related to costs incurred in connection with an aborted debt refinancing transaction.

EBITDA

EBITDA is not a recognised performance measure under UK GAAP 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.

- For Q3 2012 EBITDA increased by £1.3 million, or 13.8% to £10.7 million from £9.4 million for Q3 2011, primarily due to the acquisition of Solor Care on 20 April 2012, cost savings on legal and professional fees and debt refinancing costs, which were treated as exceptional items.

- For YTD 2012 EBITDA increased by £5.8 million, or 22.1% to £32.0 million from £26.2 million for YTD 2011, primarily due to the acquisition of Solor Care on 20 April 2012, cost savings on legal and professional fees and debt refinancing costs, which were treated as exceptional items.

Depreciation and impairment of fixed assets

Depreciation and impairment of fixed assets consists of the write off of the cost of fixed assets to their residual value over their estimated useful life.

- For Q3 2012 depreciation and impairment of assets decreased by £0.3 million to £1.6 million from £1.9 million for Q3 2011, primarily due the depreciation expense attributable to the Solor Care business, offset by the impairment of New House, which was written down by £0.9 million to its expected net realisable value in December 2011.

- For YTD 2012 depreciation and impairment of assets increased by £0.1 million to £4.1 million from £4.0 million for Q3 2011, primarily due to the factor discussed above.

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 Q3 2012 we did not dispose of any fixed assets and therefore we did not record a profit or loss on disposal of fixed assets during this period. We recorded a profit on disposal of £3,000 for Q3 2011.

- For YTD 2012 we recorded a loss on disposal of £1.1m due to the disposal of Lynwood House Annexe in September 2012. We recorded a loss on disposal of £5,000 for YTD 2011.

Goodwill amortisation charge

Goodwill amortisation charge consists of the write off of purchased positive goodwill over its estimated useful economic life of 20 years. Negative goodwill is included within fixed assets and released to the profit and loss account for the periods in which the fair values of non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

- For Q3 2012 goodwill amortisation expense increased by £0.1 million to £0.9 million from £0.8 million for Q3 2011, primarily due to amortisation of goodwill in connection with the acquisition of Solor Care.

- For YTD 2012 goodwill amortisation expense increased by £0.1 million to £2.6 million from £2.5 million for YTD 2011, primarily due to the factor described above.

Operating profit

Operating profit consists of earnings before interest and taxation.

- For Q3 2012 operating profit increased by £1.6 million, or 24.2% to £8.2 million from £6.6 million for Q3 2011 primarily due to the acquisition of Solor Care on 20 April 2012. The remaining increase in operating profit was principally attributable to a decrease in exceptional and impairment charges compared to the prior period.

- For YTD 2012 operating profit increased by £4.4 million, or 22.4% to £24.0 million from £19.6 million for YTD 2011 primarily due to the acquisition of Solor Care on 20 April 2012. The remaining increase in operating profit was principally attributable to a decrease in exceptional and impairment charges compared to the prior period, which was partially offset by the disposal of Lynwood House Annexe in September 2012.

Interest receivable and similar income

Interest receivable and similar income consists of interest received on current account and deposit account balances.

- For Q3 2012 interest receivable and other income increased by £3,000 to £17,000 from £14,000 for Q3 2011.

- For YTD 2012 interest receivable and other income decreased by £10,000 to £45,000 from £55,000 for Q3 2011.

Interest payable and similar charges on bank loans

Interest payable and similar charges on bank loans primarily consist of interest payable and fees on our indebtedness under the Senior Facilities existing at 31 December 2012 (which comprises debt under the term loan facility, capital expenditure facility and revolving credit facility) as well as other finance costs including pension scheme costs accounted for under FRS17 under UK GAAP. In addition, this includes amounts payable under our Interest Rate Swap.

- For Q3 2012 interest payable and similar charges on bank loans decreased by £0.1 million to £5.6 million from £5.7 million for Q3 2011.

- For YTD 2012 interest payable and similar charges on bank loans decreased by £0.4 million to £16.5 million from £16.9 million for YTD 2011, primarily due to a reduction in the principal amount of our bank loans upon which interest is charged, as repayments of principal were made out of excess cash flows.

Profit before taxation

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

- For Q3 2012 profit before taxation increased by £1.7 million to £2.6 million from £0.9 million for Q3 2011 primarily due to the acquisition of Solor Care on 20 April 2012. The remaining increase was principally attributable to a decrease in exceptional and impairment charges compared to the prior period.

- For YTD 2012 profit before taxation increased by £4.9 million to £7.6 million from £2.7 million for YTD 2011 primarily due to the acquisition of Solor Care on 20 April 2012. The remaining increase in operating profit was principally attributable to a decrease in exceptional and impairment charges compared to the prior period, which was partially offset by the disposal of Lynwood House Annexe in September 2012.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

- For Q3 2012 the taxation expense was £0.3 million compared to £0.2 million for Q3 2011. This increase in taxes payable is primarily due to increased profits generated as a result of the Solor Care acquisition partially offset by the reduction in costs incurred in connection with a terminated debt refinancing transaction.

- For YTD 2012 the taxation expense was £1.2 million compared to £0.6 million for YTD 2011. This increase in taxes payable is primarily due to the factors described above.

Profit for the period

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

- For Q3 2012 profit for the period increased by £1.5 million to £2.3 million from £0.8 million for Q3 2011 primarily due to the acquisition of Solor Care on 20 April 2012. The remaining increase was principally attributable to a decrease in exceptional and impairment charges compared to the prior period.

- For YTD 2012 profit for the period increased by £4.3 million to £6.4 million from £2.1 million for YTD 2011 primarily due to the acquisition of Solor Care on 20 April 2012. The remaining increase in operating profit was principally attributable to a decrease in exceptional and impairment charges compared to the prior period, partially offset by the loss on disposal of Lynwood House Annexe in September 2012 and an increase in taxes payable.

Consolidated Cash flow statement

£ million	Q3 December 2012 (unaudited)	Q3 December 2011 (unaudited)	% Change	YTD December 2012 (unaudited)	YTD December 2011 (unaudited)	% Change	FYE * Mar 12 (audited)
Net cash flow from operating activities **	14.0	9.2	52.7%	31.1	24.2	28.4%	34.1
Capital expenditure and financial investment **	(1.2)	(2.2)	45.4%	(4.1)	(3.3)	(25.1%)	(4.7)
Returns on investment and servicing of finance	(6.1)	(6.2)	1.8%	(17.9)	(18.3)	2.4%	(24.2)
Taxation	(0.4)	0.0	nm	(0.4)	0.0	nm	(1.1)
Cash inflow before acquisitions and financing	**6.3**	**0.8**	**nm**	**8.7**	**2.6**	**nm**	**4.2**
Acquisition	0.0	0.0	nm	(28.2)	0.0	nm	0.0
Acquisition funding	0.0	0.0	nm	18.1	0.0	nm	0.0
Acquisition integration costs	(0.2)	0.0	nm	(0.6)	0.0	nm	0.0
Acquisition catch-up capex	(0.4)	0.0	nm	(0.7)	0.0	nm	0.0
Cash inflow / (outflow) before financing	**5.7**	**0.8**	**nm**	**(2.7)**	**2.6**	**nm**	**4.2**
Net cash flow used in financing activities	(0.0)	0.0	nm	(3.0)	(8.1)	63.2%	(8.1)
Increase / (decrease) in cash for the period	**5.7**	**0.8**	**nm**	**(5.7)**	**(5.5)**	**4.5%**	**(3.9)**
Other financial metrics							
Development capex (£m)	0.2	1.7	91.0%	1.2	1.8	36.9%	2.6
Maintenance capex (£m)	1.3	0.5	(158.8%)	3.2	1.6	(104.1%)	2.3
Maintenance capex (% turnover)	2.9%	1.4%	1.4%	2.4%	1.5%	0.9%	1.6%
Maintenance capex (£k pa per residential bed)	2.5	1.2	(105.0%)	2.0	1.2	(64.9%)	1.3
Cash conversion %	88.0%	94.9%	(6.9%)	90.2%	94.4%	(4.4%)	93.9%

* *The amounts stated in the March 2012 column relate to Voyage Holdings Limited and are shown for reference purposes only.*
** *Excludes cash flows in relation to acquisition integration costs, funding and catch-up capex*

Net cash flow from operating activities

- For YTD 2012 our net cash flow from operating activities increased by £6.9 million, or 28.4% to £31.1 million from £24.2 million for YTD 2011. The primary reasons for the increase resulted from an increase in operating profit of £4.4 million, a loss on disposal of £1.1 million, with the remainder due to an improvement in working capital.

Capital expenditure and financial investment

- For YTD 2012 our net cash flow used in investing activities increased by £0.8 million, or 25.1% to £4.1 million from £3.3 million for YTD 2011. The increase in spend is primarily due to the purchase of tangible fixed assets in YTD 2012 of £4.3 million compared to £3.4 million for YTD 2011.

Net cash flow used in financing activities

- For YTD 2012 our net cash flow used in financing activities decreased by £5.1 million, or 63.2% to £3.0 million from £8.1 million for YTD 2011. The decrease in spend is primarily due to a reduced repayment of £2.9 million of our Existing Senior Facilities out of excess cash flow, compared to a repayment of £8.1 million during nine months ended 31 December 2011

Consolidated Balance sheet

£ million	YTD December 2012 (unaudited)	YTD December 2011 (unaudited)	% Change	FYE * Mar 12 (audited)
Fixed Assets	385.3	354.7	8.6%	353.7
Debtors	111.6	93.1	19.9%	6.9
Cash at bank and in hand	17.6	21.9	(19.4%)	25.0
Creditors <1 yr				
Bank loans	(255.9)	(2.0)	nm	(4.5)
Other	(330.7)	(271.8)	21.7%	(15.9)
Creditors >1 yr				
Senior secured notes	0.0	0.0	nm	0.0
Second lien notes	0.0	0.0	nm	0.0
Revolving credit facility	0.0	0.0	nm	0.0
Bank loans	0.0	(259.4)	(100.0%)	(256.4)
Other	0.0	0.0	nm	(261.3)
Deferred Taxation	0.0	0.0	nm	(0.3)
Pension surplus	0.0	0.2	(89.9%)	0.0
Net Liabilities	**(72.1)**	**(63.4)**	**13.8%**	**(152.9)**

** The amounts stated in the March 2012 column relate to Voyage Holdings Limited and are shown for reference purposes only.*
*** Other creditors include intercompany loans which have since been eliminated as part of the refinancing (£304.3 million and £256.4 million in Dec 2012 and December 2011 respectively). The key difference between the Voyage Holding Limited and the Voyage Bidco Limited is the PIK Notes issues by Voyage Mezzco Limited.*

Key Business Segments

£ million	Turnover		
	Q3 2012	Q3 2011	% Change
Registered	36.1	28.0	28.9%
Supported Living	5.4	4.0	35.0%
Residential	41.5	32.0	29.7%
Outreach	3.7	2.7	37.0%
Total *	**45.9**	**35.3**	**30.0%**

Other financial metrics	Q3 2012	Q3 2011	Change
Average occupancy	2,139	1,695	444
Average occupancy %	90.3%	91.3%	(1.0%)
Average weekly invoiced hours	17,800	12,900	4,900
Period end occupancy	2,133	1,699	434
Period end occupancy %	90.2%	91.3%	(1.1%)
Period end weekly invoiced hours	17,900	12,800	5,100

** The amounts stated on the total line also include the turnover for day care services*

Voyage BidCo Limited

Condensed consolidated financial statements (unaudited)

Registered number 05752534

For the three and nine month periods ended 31 December 2012

Voyage BidCo Limited
Condensed consolidated financial statements (unaudited)
for the three and nine month periods ended 31 December 2012

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Voyage BidCo Limited
Condensed consolidated profit and loss account (unaudited)
for the three and nine month periods ended 31 December 2012

	Notes	3 months ended 31 Dec 2012			3 months ended 31 Dec 2011		
		Before exceptional items	Exceptional items (1)	Total	Before exceptional items	Exceptional items (2)	Total
		£000	£000	£000	£000	£000	£000
Turnover		45,894	-	45,894	35,258	-	35,258
Operating expenses	2	(37,483)	(238)	(37,721)	(27,164)	(1,463)	(28,627)
EBITDA (5)		10,900	(238)	10,662	9,941	(546)	9,395
Depreciation		(1,607)	-	(1,607)	(1,003)	(917)	(1,920)
(Loss)/Profit on disposal of fixed assets		-	-	-	3	-	3
Goodwill amortisation		(882)	-	(882)	(847)	-	(847)
Operating profit		8,411	(238)	8,173	8,094	(1,463)	6,631
Interest receivable	3	17	-	17	14	-	14
Interest payable on bank loans	4	(5,617)	-	(5,617)	(5,710)	-	(5,710)
Profit before taxation		2,811	(238)	2,573	2,398	(1,463)	935
Tax (charge)/credit	5	(313)	-	(313)	(169)	-	(169)
Profit for the period		2,498	(238)	2,260	2,229	(1,463)	766

	Notes	9 months ended 31 Dec 2012			9 months ended 31 Dec 2011		
		Before exceptional items	Exceptional items (3)	Total	Before exceptional items	Exceptional items (4)	Total
		£000	£000	£000	£000	£000	£000
Turnover		134,458	-	134,458	106,508	-	106,508
Operating expenses	2	(108,689)	(1,732)	(110,421)	(84,252)	(2,650)	(86,902)
EBITDA (5)		32,561	(591)	31,970	27,891	(1,733)	26,158
Depreciation		(4,146)	-	(4,146)	(3,092)	(917)	(4,009)
(Loss)/Profit on disposal of fixed assets		-	(1,141)	(1,141)	(5)	-	(5)
Goodwill amortisation		(2,646)	-	(2,646)	(2,538)	-	(2,538)
Operating profit		25,769	(1,732)	24,037	22,256	(2,650)	19,606
Interest receivable	3	45	-	45	55	-	55
Interest payable on bank loans	4	(16,468)	-	(16,468)	(16,922)	-	(16,922)
Profit before taxation		9,346	(1,732)	7,614	5,389	(2,650)	2,739
Tax (charge)/credit	5	(1,198)	-	(1,198)	(601)	-	(601)
Profit for the period		8,148	(1,732)	6,416	4,788	(2,650)	2,138

(1) Exceptional items relate to restructuring costs following the Solor Care acquisition of £238,000.
(2) Exceptional items relate to abortive refinance costs of £546,000 incurred in the period and impairment of freehold land and buildings of £917,000.
(3) Exceptional items relate to restructuring costs following the Solor Care acquisition of £591,000 and impairment to freehold land and buildings of £1,141,000.
(4) Exceptional items relate to abortive refinance costs of £1,733,000 incurred in the period and impairment of freehold land and buildings of £917,000.
(5) EBITDA represents earnings before interest, tax, depreciation and amortisation.

All results are derived from continuing operations.

Voyage BidCo Limited
Condensed consolidated statement of total recognised gains and losses (unaudited)
for the three and nine month periods ended 31 December 2012

	Notes	3 months ended 31 Dec 2012 £000	3 months ended 31 Dec 2011 £000
Profit for the period		2,260	766
Actuarial gain recognised for the pension scheme		-	-
Total gains and losses related to the financial period		2,260	766

	9 months ended 31 Dec 2012 £000	9 months ended 31 Dec 2011 £000
Profit for the period	6,416	2,138
Actuarial gain recognised for the pension scheme	-	-
Total gains and losses related to the financial period	6,416	2,138

Voyage BidCo Limited
Condensed consolidated balance sheet (unaudited)
at 31 December 2012

	Notes	31 December 2012		31 December 2011	
		£000	£000	£000	£000
Fixed assets					
Intangible assets			47,568		48,168
Tangible assets			337,686		306,495
			385,254		**354,663**
Current assets					
Debtors	6	111,595		93,070	
Cash at bank and in hand		17,635		21,884	
		129,230		114,954	
Creditors: amounts falling due within one year	7	(586,653)		(273,848)	
Net current liabilities			**(457,423)**		**(158,894)**
Total assets less current liabilities			**(72,169)**		**195,769**
Creditors: amounts falling due after more than one year	8	-		(259,420)	
Provisions for liabilities					
Deferred taxation			-		-
Net liabilities excluding pension surplus			**(72,169)**		**(63,651)**
Pension surplus			23		227
Net liabilities including pension surplus			**(72,146)**		**(63,424)**
Capital and reserves					
Called up share capital			-		-
Profit and loss account			(72,146)		(63,424)
Equity shareholders' deficit			**(72,146)**		**(63,424)**

Voyage BidCo Limited

Condensed consolidated cash flow statement and reconciliation of net cash flow to movement in net debt (unaudited) for the three and nine month periods ended 31 December 2012

	Notes	3 months ended 31 Dec 2012 £000	3 months ended 31 Dec 2011 £000
CASH FLOW STATEMENT			
Cash flow from operating activities	**9a**	13,805	9,194
Returns on investments and servicing of finance	**9b**	(6,089)	(6,199)
Taxation		(442)	-
Capital expenditure and financial investment	**9b**	(1,597)	(2,176)
Acquisitions	**9b**	-	-
Cash inflow before financing		5,677	819
Financing	**9b**	(14)	-
Increase in cash in the period		5,663	819
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase in cash in the period		5,663	819
Net cash flow from decrease in bank loans and finance leases		14	-
Non-cash movements		490	502
Finance leases acquired with subsidiary		-	-
Movement in net debt in the period		6,167	1,321
Net debt at start of period		(244,524)	(240,818)
Net debt at end of period	**9c**	(238,357)	(239,497)

	Notes	9 months ended 31 Dec 2012 £000	9 months ended 31 Dec 2011 £000
CASH FLOW STATEMENT			
Cash flow from operating activities	**9a**	48,545	24,209
Returns on investments and servicing of finance	**9b**	(17,900)	(18,345)
Taxation		(385)	1
Capital expenditure and financial investment	**9b**	(4,761)	(3,264)
Acquisitions	**9b**	(28,243)	-
Cash (outflow)/inflow before financing		(2,744)	2,601
Financing	**9b**	(2,968)	(8,066)
Decrease in cash in the period		(5,712)	(5,465)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Decrease in cash in the period		(5,712)	(5,465)
Net cash flow from decrease in bank loans and finance leases		2,968	8,066
Non-cash movements		2,007	1,473
Finance leases acquired with subsidiary		(70)	-
Movement in net debt in the period		(807)	4,074
Net debt at start of period		(237,550)	(243,571)
Net debt at end of period	**9c**	(238,357)	(239,497)

1 Accounting policies

Basis of preparation

Voyage BidCo Limited (the Company) is a company incorporated in England and Wales. The condensed consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group). They have been prepared and approved by the Directors in accordance with the recognition and measurement requirements of UK Generally Accepted Accounting Practice.

They do not include all of the financial information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Voyage Holdings Limited for the year ended 31 March 2012. The condensed consolidated financial information has been prepared applying the accounting policies and presentation that were applied in the preparation of the Voyage Holdings Limited consolidated financial statements for the year ended 31 March 2012, except as noted below.

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 period ended 31 December 2011 and 31 March 2012 are not the company's statutory accounts for those financial periods. The statutory accounts for the Company and the Group to which it belongs for year ended 31 March 2012 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 on a going concern basis, based on the Directors' opinion, after making reasonable enquiries, that the Group has adequate resources to continue in operational existence for the foreseeable future.

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

Going concern

The Group, of which the company and its subsidiaries are members, is funded through a combination of shareholder's funds, unsecured PIK notes and bank loans. These include a £262.6 million bank loan facility comprising a £196.2 million term loan facility, a £61.0 million capex facility and a £5.0 million revolving credit facility. The term loan and capex facility are fully drawn and, prior to the issue of the Notes on 25 January 2013 (see note 12), were due to be repaid on 3 April 2014.

Following the issue of the Notes on 25 January 2013 (see note 12) the existing bank loans and all swap costs were repaid in full with the funding provided by the Notes, secured for a minimum of five and a half years.

The Group's trading cash forecasts, which take into account reasonably possible changes in trading activities, show that the Group should 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. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1 Accounting policies (continued)

Goodwill and negative goodwill

Purchased goodwill representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets of the businesses acquired is capitalised and amortised over its estimated useful economic life of 20 years.

Negative goodwill is included within fixed assets and released to the profit and loss account in the periods in which the fair values of non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

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 profit and loss account on a straight line basis over the lease term.

Taxation including deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. 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%

Pension costs

The Group contributes to two government sponsored defined benefit schemes and a number of individual pension schemes.

The assets of all schemes are held separately from those of the Group in separately administered funds.

Contributions to the government sponsored defined benefit schemes and the individual pension schemes charged to the profit and loss account represent the contributions payable to the schemes in respect of the accounting period.

The Group also contributes to an employer sponsored defined benefit scheme. The assets of the scheme are held separately from those of the Group.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus is split between operating charges, finance items and in the statement of total recognised gains and losses, actuarial gains and losses.

Segmental reporting

The Group operates a single business segment providing care home and support services across the United Kingdom. The Group's results and financial position are attributable to this one activity.

2 Operating expenses

	3 months ended 31 Dec 2012 £000	3 months ended 31 Dec 2011 £000	9 months ended 31 Dec 2012 £000	9 months ended 31 Dec 2011 £000
Operating expenses are stated after charging				
Direct expenses and consumables	1,778	1,339	5,187	4,106
Staff costs:				
Wages and salaries	25,569	19,550	74,988	59,061
Social security costs	1,845	1,422	5,429	4,307
Other pension costs	63	62	211	222
Operating lease rentals:				
Other lease rentals	1,122	263	2,933	779
Plant and machinery	639	611	1,919	1,782
Depreciation	1,607	1,003	4,146	3,092
Impairment of fixed assets	-	917	-	917
Loss on disposal of fixed assets	-	(3)	1,141	5
Goodwill amortisation charge	882	847	2,646	2,538
Other external charges	4,216	2,070	11,821	8,360
Abortive refinance costs	-	546	-	1,733
	37,721	28,627	110,421	86,902

3 Interest receivable and similar income

	3 months ended 31 Dec 2012 £000	3 months ended 31 Dec 2011 £000	9 months ended 31 Dec 2012 £000	9 months ended 31 Dec 2011 £000
Bank interest receivable	17	14	45	55

4 Interest payable and similar charges

	3 months ended 31 Dec 2012 £000	3 months ended 31 Dec 2011 £000	9 months ended 31 Dec 2012 £000	9 months ended 31 Dec 2011 £000
Bank loans	5,617	5,710	16,468	16,922

5 Taxation

The total effective tax rate for the 9 months ended 31 December 2012 is 15.7% (9 months ended 31 December 2011: 21.9%).

6 Debtors

	31 Dec 2012 £000	31 Dec 2011 £000
Trade debtors	7,328	4,242
Amounts owed by group undertakings	100,763	85,980
Other debtors	1,309	1,793
Prepayments and accrued income	2,195	1,055
	111,595	93,070

7	**Creditors: amounts falling due within one year**	**31 Dec 2012 £000**	**31 Dec 2011 £000**
	Bank loans and overdrafts	255,943	1,961
	Obligations under finance lease and hire purchase contracts	50	-
	Trade creditors	1,910	518
	Amounts owed to group undertakings	304,276	256,437
	Corporation tax	828	853
	Other taxes and social security costs	1,948	1,571
	Other creditors	7,193	3,782
	Accruals and deferred income	10,305	6,532
	Fees billed in advance	4,200	2,194
		586,653	273,848

Bank loans comprise debt amortisation of £2,185,000 (31 December 2011: £1,742,000), part repayment of the term loan of £Nil (31 December 2011: £Nil) (see note 8) and a swap interest accrual of £926,000 (31 December 2011: £3,703,000)

Accruals and deferred income includes a swap accrual of £1,838,000 (31 December 2011: £1,586,000), being the net of swap interest receivable of £368,000 (31 December 2011: £620,000) and swap interest payable of £2,206,000 (31 December 2011: £2,206,000) which will be settled in a net payment.

8	**Creditors: amounts falling due after one year**	**31 Dec 2012 £000**	**31 Dec 2011 £000**
	Bank loans	-	259,420

Total debt can be analysed as falling due:

	31 Dec 2012 £000	**31 Dec 2011 £000**
In one year or less	255,943	1,961
Between one and two years (see note below)	-	259,420
Between two and five years	-	-
After five years	-	-
	255,943	261,381

Bank loans

The group is party to a £262.6 million loan facility comprising a £196.2 million term loan facility, a £61.0 million capex facility and a £5.0 million revolving credit facility.

Part repayment of the term loan is required if certain events and cash flows occur prior to April 2014.

Bank loans comprise term loans of £194,894,000 and a capex facility loan of £61,049,000.

Debt instrument	**Loan balance £000**	**Interest rate**	**Repayment terms**
Term Loan	194,894	LIBOR +6.00%*	Apr-14
Capex Facility Loan	61,049	LIBOR +5.75%*	Apr-14
Revolving Credit Facility	-	LIBOR +5.75%*	-

* the margin includes an "additional margin" of 1% in accordance with the loan agreement

The group has entered into an interest rate swap arrangement which fixes the rates payable on part of the bank loans at 3.4047%.

9 Notes to the cash flow statement

a Reconciliation of operating profit to net cash inflow from operating activities

	3 months ended 31 Dec 2012 £000	3 months ended 31 Dec 2011 £000	9 months ended 31 Dec 2012 £000	9 months ended 31 Dec 2011 £000
Operating profit	8,173	6,631	24,037	19,606
Depreciation and impairment charges	1,607	1,920	4,146	4,009
Loss on disposal of fixed assets	-	-	1,141	5
Goodwill amortisation	882	847	2,646	2,538
(Increase) / decrease in debtors (including intercompany)	1,954	1,544	(1,108)	820
Increase / (decrease) in creditors (including intercompany)	1,189	(1,748)	17,683	(2,769)
Net cash flow from operating activities	13,805	9,194	48,545	24,209

b Reconciliation of other items in the cash flow statement

	3 months ended 31 Dec 2012 £000	3 months ended 31 Dec 2011 £000	9 months ended 31 Dec 2012 £000	9 months ended 31 Dec 2011 £000
Returns on investments and servicing of finance				
Interest received	17	14	45	55
Interest paid	(6,106)	(6,213)	(17,945)	(18,400)
	(6,089)	(6,199)	(17,900)	(18,345)
Capital expenditure				
Payments to acquire tangible fixed assets	(1,870)	(2,176)	(5,034)	(3,404)
Receipts from sales of tangible fixed assets	273	-	273	140
	(1,597)	(2,176)	(4,761)	(3,264)
Acquisitions				
Acquisition	-	-	(27,784)	-
Net overdraft acquired with subsidiaries	-	-	(459)	-
	-	-	(28,243)	-
Financing				
Repayment of loans	-	-	(2,948)	(8,066)
Finance lease payments	(14)	-	(20)	-
	(14)	-	(2,968)	(8,066)

9 Notes to the cash flow statement (*continued)*

c Analysis of changes in net debt

	At 1 Oct 2012	Cash flows	Acquisition	Non-cash changes	At 31 Dec 2012
	£000	£000	£000	£000	£000
Cash at bank and in hand	11,973	5,663			17,636
Bank loans:					
Debt due within 1 year	(109)	-		(255,834)	(255,943)
Debt due after 1 year	(256,324)	-		256,324	-
Finance leases	(64)	14			(50)
Net debt	(244,524)	5,677	-	490	(238,357)

Analysis of changes in net debt

	At 1 Oct 2011	Cash flows	Acquisition	Non-cash changes	At 31 Dec 2011
	£000	£000	£000	£000	£000
Cash at bank and in hand	21,065	819	-	-	21,884
Bank loans:					
Debt due within 1 year	(4,461)	-	-		(4,461)
Debt due after 1 year	(257,422)	-	-	502	(256,920)
Finance leases	-	-	-	-	-
Net debt	(240,818)	819	-	502	(239,497)

Analysis of changes in net debt

	At 1 Apr 2012	Cash flows	Acquisition	Non-cash changes	At 31 Dec 2012
	£000	£000	£000	£000	£000
Cash at bank and in hand	23,348	(5,712)	-	-	17,636
Bank loans:					
Debt due within 1 year	(4,461)	2,948	-	(254,430)	(255,943)
Debt due after 1 year	(256,437)	-	-	256,437	-
Finance leases	-	20	(70)	-	(50)
Net debt	(237,550)	(2,744)	(70)	2,007	(238,357)

Analysis of changes in net debt

	At 1 Apr 2011	Cash flows	Acquisition	Non-cash changes	At 31 Dec 2011
	£000	£000	£000	£000	£000
Cash at bank and in hand	27,349	(5,465)	-	-	21,884
Bank loans:					
Debt due within 1 year	(7,861)	3,400	-		(4,461)
Debt due after 1 year	(263,059)	4,666	-	1,473	(256,920)
Finance leases	-	-	-	-	-
Net debt	(243,571)	2,601	-	1,473	(239,497)

10 Solor acquisition

On 20 April 2012, the Group acquired Solor Care Holdings Limited. The fair value of the assets acquired and the resulting goodwill is set out below:

	Book value	Fair value adjustment	Fair value
	£000	£000	£000
Fixed assets	21,256	8,667	29,923
Debtors	1,951	-	1,951
Deferred tax asset	926	-	926
Creditors	(6,398)	(1,861)	(8,259)
Bank overdraft	(459)	-	(459)
Finance leases	(70)	-	(70)
	17,206	6,806	24,012
Goodwill			3,772
			27,784
Satisfied by:			
Cash			26,584
Costs associated with acquisition			1,200
Deferred cash consideration			-
Total costs of acquisition			27,784

11 Controlling party

Voyage BidCo Limited is a subsidiary of Voyage Holdings Limited. Voyage Holdings Limited is ultimately majority-owned by investors whose investments are managed by Hg Capital. The directors do not consider there to be an ultimate controlling party.

12 Post balance sheet events

On 25 January 2013, the Group issued £222 million of 6.5% Senior Secured Notes due 2018 and £50 million 11% Second Lien Notes due 2019. As part of the transaction the Group also secured a £30 million Revolving Credit Facility.

The proceeds from the issue of the Notes were used to fully repay the outstanding bank loan of £257.2 million under its existing senior facility, £1.9 million in interest swap liabilities along with certain fees, commissions and other expenses incurred as part of the transaction.

On 10 March 2013, the Group acquired ILG Limited. ILG's 28 residential services provide high quality support to adults with learning disabilities, Huntington's Disease, acquired brain injuries, communication difficulties and additional complex needs.