Voyage BidCo Limited

Results for year ended 31 March 2020

Voyage Care BondCo PLC

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

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

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There may be various statements contained within this document that constitute "forward-looking statements". Words like "believe," "anticipate," "should," "intend," "plan, "will," "expects," "estimates," "projects," "positioned," "think," "strategy," and similar expressions identify these forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward-looking statements. These forward-looking statements involve many risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements, including, without limitation, regulatory matters affecting our businesses and changes in law. These forward-looking statements speak only as of the date of this report, and we assume no obligation to update our forward-looking statements to reflect actual results, changes in assumptions or changes in factors affecting these statements.

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

Executive Summary

Financial highlights

The table below summarises financial information for the year ended 31 March 2020:

£ million	FYE 2020	FYE 2019
Revenue	267.0	249.8
EBITDA (before non-underlying items)	45.1	41.2
Operating profit	25.7	22.5
Profit for the period	4.9	2.2
Operating cash flow *	35.6	32.7
Net Debt:		
Senior Secured Notes	215.0	215.0
Second Lien Notes	35.0	35.0
Revolving credit facility	45.0	23.0
Unamortised original issue discount on Second Lien Notes	0.0	0.0
Gross Debt	295.0	273.0
Cash at bank and in hand	(80.1)	(18.7)
Restricted cash & deferred consideration	0.4	1.4
Total	215.2	255.7
Net Debt / EBITDA (before non-underlying items) **	4.78x	6.20x

** excludes cash flows in relation to acquisitions and maintenance capex*
*** before pro-forma adjustments, permitted by the bond documentation*

Commentary on results

Operating performance improved in FYE 2020, the key highlights of which are:

Performance during FYE 2020 vs. FYE 2019

- CQC quality scores remain very high with 96.0% of services achieving a Good or Outstanding rating.
- Revenue increased 6.9% to £267.0 million primarily due to growth in both our Registered and Community based care divisions.
- EBITDA increased 9.3% to £45.1 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 and National Living Wage increases.
- Registered closing occupancy was 94.2% compared to 93.9% in FYE 2019.
- Community based care average weekly care hours increased by 14,600 hours, closing at 106,900 hours

Recent developments

- We recently received another 2 Outstanding CQC reports bringing our total to a sector leading 16
- Supreme Court hearing on Royal Mencap and Sleep-ins took place on 12th - 13th February 2020. Judgement has not been delivered yet however nothing has come to our attention that would change our view that an adverse judgement is unlikely, and we continue to disclose a contingent liability of £16m
- We are following Government guidance in relation to COVID 19, and we are an indirect beneficiary of increased Government funding to local authorities for the sector (currently £3.8Bn). The safety of our employees and the people we support, together with associated operational impacts are being well managed

Company Overview

We are the leading provider of registered care homes, measured in terms of beds, with a growing presence in Community based care 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 3,496 people as at 31 March 2020, comprising 1,898 through our registered care division and a further 1,598 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 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 £1,736 per person for the twelve months ended 31 March 2020. Our Community based care division, as at 31 March 2020, delivered approximately 107,000 hours of care per week. The provision of support averaged approximately 67 hours per week per person at an average hourly rate of £16.92 for the last twelve months ended 31 March 2020.
- 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 remain high, with 96% 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 10,800 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 organised into two divisions based on the type of setting in which care is provided; our registered care division where the home is directly registered with CQC, and our Community based care division where the Community based care office is registered with the CQC and the care and support we provide is in the person's 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 support. Our divisions are as follows:

- ***Registered care***

  We provided care to individuals in our 263 registered homes as at 31 March 2020. We hold the freehold interest in 228 of our registered homes representing 88% by number of beds, with a further 3 of our registered homes held on a long leasehold basis (each with a lease period of over 35 years remaining), with the remaining 35 of our registered homes being Leasehold properties. At 31 March 2020 we had 2,014 beds in our registered properties with an average of 8 beds per property, providing a personal environment.

- ***Community based care***

  Our Community based care division operated out of 41 registered Domiciliary Care Agencies (DCA) as at 31 March 2020. Typically, the people we support in our Community based care 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.

Employees

Like all companies which provide care, the key to the Group's success is the skills and capabilities of the people we employ.

The Group recognises the recruitment, training and retention of skilled employees is critical to its success. As a result, we continued to invest in training, approximately £2.5 million in the year ended 31 March 2020 (2019: £2.3 million), in order to ensure that our employees are fully up-to-date in the best ways of providing care for those we support.

In addition, the Group has an in-house learning and development team which is dedicated to delivering courses on all relevant subjects, enabling the Group's employees to gain the necessary skill set, knowledge and confidence to achieve Voyage Care's high standards of care for the people we support. The Group's in-house learning and development team is also registered with Ofsted and has achieved a 'Good' rating. Recruitment from first point of contact to employment, including Disclosure and Barring Service checks, is administered by the Group's bespoke system, employee turnover is closely monitored and exit interviews performed to identify underlying trends.

The Group has a human resources department which works closely with the Group's employees to foster consultation in all matters, ensure fair pay for all and facilitate flexible working where feasible. The Group's policies ensure any discrimination will not be tolerated, either directly or indirectly, in recruitment or employment. We demonstrate the Group's commitment by promoting equal opportunities for current and potential employees, promoting an environment free from discrimination, bullying, harassment and challenging behaviour and providing support and encouragement to the employees to develop their careers and increase their contribution to the Group.

Voyage Care is committed to having a diverse workforce in terms of gender, ethnicity, background and experience at all levels within the organisation. We recognise that a diverse Senior Executive team is good for business in terms of gender and ethnicity as well as experience, background, skills and knowledge.

Insurance

We maintain insurance of the type, and in the amounts, that we believe are commercially reasonable and appropriate for our operational and risk profile. Our insurance programme includes the following coverage: medical malpractice insurance, public liability insurance and employers' liability insurance as well as coverage for property damage and business interruption risks, directors and officers liability insurance, coverage for group personal accident and professional indemnity and comprehensive insurance on motor vehicles operated by our employees.

Legal and regulatory proceedings

In the normal course of its business, we may be involved in legal proceedings. These fall broadly into the following three categories:

- Complaints and claims by the people we support, their family members or regulatory bodies in relation to our operations, which typically fall under our medical malpractice or public liability insurance policies.

- Complaints and claims by employees in relation to injuries sustained in the course of their employment.

- Complaints and claims from current or former employees in relation to alleged breaches of employment legislation, which do not fall under any of our insurance policies if resolved by an employment tribunal or settled privately.

In addition, a coroner's inquest (or the Welsh or Scottish equivalent thereof as applicable) may occasionally take place where there is a death of an individual at one of our homes. The police may be involved in these proceedings. We do not believe that the adverse resolution of any pending disputes, claims or litigation, individually or in the aggregate, would have a material adverse effect on our business, results of operations or financial condition. However, the result of any pending disputes or litigation cannot be predicted with any certainty. We are not currently subject to any legal proceedings that we believe to be material to our business as a whole.

Management

Board of Directors

The Board of Voyage Care HoldCo Limited (the ultimate parent undertaking of Voyage BidCo Limited), is composed of the following members:

Executives of the Company:

Name	Job Title
Gavin Simonds	Non-executive Chair
Andrew Cannon	Chief Executive Officer
Jayne Davey	Chief Operating Officer
Shaun Parker	Chief Financial Officer

Executives of the Investors:

Name	Job Title
Andrew Deakin	Investor Director - Partners Group
Dr Remy Hauser	Investor Director - Partners Group
Stuart McMinnies	Investor Director - Duke Street
Douglas Quinn	Investor Director - Duke Street

Summarised below is a brief description of the experience of the individuals who serve as members of the Board of Directors of Voyage Care HoldCo Limited.

Executives of the Company

Gavin Simonds (Non-executive Chair) joined the Board of the Company as Non-Executive Chairman in January 2015. In the past five years, Gavin has acted as non-executive chairman for a number of public and private companies. Within the healthcare sector these companies include Craegmoor, a provider of support to people with learning disabilities and the elderly and Classic Hospitals (now part of Spire Hospitals). Prior to his non-executive career, Gavin worked in the City of London and the hotel sector, including as joint Managing Director of InterContinental Hotels.

Andrew Cannon (Chief Executive Officer) joined as Chief Executive Officer in August 2015. Prior to joining Voyage, Andrew was the Managing Director of Bupa Care Services, leading a team of 27,000 people across 300 residential homes and five care villages and caring for 40,000 people. Prior to this, Andrew was Director of Healthcare Delivery at Bupa, responsible for service call centres, claims (UK and India), administration services and a network of treatment ''Centres of Excellence'' across the UK. A qualified accountant with an MBA in European Business (distinction) and a BA Hons, Andrew's previous experience was in a variety of sectors. He has worked for British Airways, MyTravel, Greenalls and, immediately prior to Bupa, he was the Finance Director of a private-equity backed telecommunications business.

Jayne Davey (Chief Operating Officer) was appointed to the Board of the Company on 1 October 2015 and has served as Chief Operating Officer since February 2015. Jayne had previously been our Director of Quality and Improvement since March 2013. For over eleven 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.

Shaun Parker (Chief Financial Officer) is an experienced finance professional with over 20 years in Finance Director and Chief Financial Officer roles. During this time Shaun has worked for Mars Petcare in the UK and Germany, Diageo in the USA and UK, and CPP Group in the UK. Most recently Shaun was CFO of Tunstall Healthcare Group, the leading provider of alarm equipment and response solutions to support elderly and vulnerable people in their homes. Shaun has extensive experience of finance leadership in growing businesses as well as leading corporate transactions, including numerous refinancing, an IPO, and mergers and acquisitions.

Executives of the Investors

Andrew Deakin (Investor Director – Partners Group) has been a Director of the Company since September 2014. Andrew leads Partners Group's private equity team in London and has been with Partners Group since 2013. Prior to Partners Group, Andrew worked at Phoenix Equity Partners, Deloitte Corporate Finance and PricewaterhouseCoopers. Andrew has been involved in a broad range of consumer, leisure, healthcare and financial services businesses including International Schools Partnership, Partnership Assurance, Gaucho and Weststar Holidays. He has a degree in economics from the University of Nottingham and is also a qualified Chartered Accountant.

Dr. Remy Hauser (Investor Director – Partners Group) joined the Board of the Company in October 2015. Remy is part of the industry value creation business unit, based in Zug and is globally responsible for Partners Group's Healthcare Vertical. He is a member of Partners Group's global investment committee, the private equity directs investment committee, and the private debt investment committee. He has been with Partners Group since 2001 and has 19 years of industry experience. Involved in all healthcare investments of Partners Group, he is currently also a board member of Multiplan. Prior to joining Partners Group, he worked at Credit Suisse Financial Services. He holds an MBA from the University of Chicago Booth School of Business, Illinois and a PhD in molecular biology and biochemistry from the University of Basel, Switzerland.

Stuart McMinnies (Investor Director – Duke Street) has been a director of Voyage Care HoldCo Limited since November 2018. Stuart joined Duke Street in 2015 and is a Managing Partner. At Duke Street he has worked on a number of deals, including leading the acquisition of two businesses to create Ardent Hire Solutions. Stuart joined Duke Street from 3i plc, where he had worked since 1995, becoming a Partner in 2003. While there he led some of 3i's most successful ever deals, including ABX, SR Technics and Fonecta as well as representing it on the boards of Foster & Partners and Asia Capital Reinsurance. Stuart has a degree in Mechanical Engineering from Southampton University and is a qualified Chartered Accountant

Douglas Quinn (Investor Director – Duke Street) joined the board of the Company as a non-executive director in September 2014. Douglas held executive positions with Voyage from 2002 until 2010 and was the CEO from 2006 to 2010. He has over 30 years' experience in the care sector and as well as his role on the Voyage board, Douglas is Chairman of Baywater Healthcare, another Duke Street investment and a leading respiratory services provider in the UK, Chairman of Acorn Care and Education, the UK's leading provider of education and care for vulnerable young people, and Chairman of Your Care Rating, an independent not-for-profit partnership with Ipsos Mori which surveys the views of elderly people living in care homes. Douglas is also an operating partner at Duke Street and a non-executive director and treasurer of Care England, the care sector's leading representative body.

Executive Committee

The following individuals are members of the Executive Committee:

Name	Job Title
Andrew Cannon	Chief Executive Officer
Jayne Davey	Chief Operating Officer
Shaun Parker	Chief Financial Officer
Matthew Flinton	Commercial, Development and Property Director
Amanda Griffiths	Director of Quality

Matthew Flinton (Commercial, Development and Property Director) joined in January 2015 and has fifteen years' experience in the care sector. Matthew was Legal Director for Bupa UK for two years before joining Voyage as Commercial Director. Prior to that Matthew was Legal Director for the Bupa Care Services division, which operated care homes in the UK, Spain, Australia and New Zealand for six years. While at Bupa he led mergers and acquisitions, commercial, regulatory and policy teams and projects in social care in the UK and internationally. Previous roles include being a corporate finance partner at national law firm, Addleshaw Goddard.

Amanda Griffiths (Director of Quality) joined in 2013 as Head of Quality, Safety and Governance and was made Director of Quality in March 2015. Amanda leads the Quality team and provides guidance for the wider business on all regulatory and safety matters. Amanda has a clinical nursing background with experience in the care home industry since 1988. She held multiple senior positions before starting at Voyage, including Clinical Risk and Assurance manager at BUPA Care Homes and Director of Service Improvement at MHA.

Regional Managing Directors

The following individuals are Regional Managing Directors:

Name	Job Title
Alan Marshall	Managing Director, Central West
Antonella Oliver	Managing Director, Central East
Ayesha Trott	Managing Director, South East
Brian Flynn	Managing Director, North
David Green	Managing Director, South
Ellen Poynton	Managing Director, South West
Eileen Lock	Managing Director, Focused Healthcare

Alan Marshall (Managing Director, Central West) joined in June 2015 as Director of Community Services and was appointed Managing Director, Central West in July 2016. Alan has over 30 years' experience within the health and social care sector, holding senior positions within several national care organisations. Alan joined from Affinity Trust, where he held the position of Director of Operations and Quality. Alan holds an MBA from Chester University.

Antonella Oliver (Managing Director, Central East) joined in August 2016 with nine years of social care experience at a senior level with Bupa Care Services. Antonella was previously Head of Field Operations for Eon, one of the largest energy providers in the UK. Antonella has a BTEC in Business and Finance.

Ayesha Trott (Managing Director, South East) joined in May 2015. Ayesha trained as a learning disability nurse and has worked within the social care sector for over 30 years covering a wide range of children's and adult's services. Ayesha has held a number of senior appointments across the sector and immediately prior to joining Voyage, she was the Director of Operations and Nominated Individual with both CQC and CSIW, for one of the largest domiciliary care providers across England and Wales. Ayesha has first-hand experience of care pathways and the journey through step down services as a parent of a child with complex needs.

Brian Flynn (Managing Director, North) joined in July 2016, having previously been the Managing Director of Allied Healthcare and most recently with the SAGA Group. Brian has a background in health and social care, a field he has been involved in over the last thirteen years. Prior to his involvement in the health and social care field, Brian held managing director roles with companies in varied service industries.

David Green (Managing Director, South) joined in June 2012 following 33 years in the care sector. David has social work and management qualifications. David worked in the third sector where he held regional roles across London and the south east of England and a national senior management role before joining Voyage.

Ellen Poynton (Managing Director, South West) joined Voyage in March 2017. Ellen has over 33 years' experience in the health and social care market at the executive level and brings experience in transition and the development of supported living services. Prior to joining Voyage, Ellen was a Managing Director for the Embrace Group, which specialises in mental health and learning disabilities. Ellen has a BSC in Health Studies from Glasgow Caledonian University and started her career as a nurse in the NHS before joining the independent sector.

Eileen Lock (Managing Director – Focused Healthcare) joined Focused Healthcare as Managing Director in May 2019. Eileen started her career by training as a Registered Nurse and then undertook a BA (Hons) in Healthcare Management. Eileen has over 30 years' experience in managing Healthcare in both the NHS and private sector as both a Clinician and a Manager. Eileen's most recent roles include Clinic Director for King's College Hospital which involved setting up and registering a Healthcare Clinic in Abu Dhabi and latterly working as Managing Director for Active Assistance, a provider of complex homecare for Paediatrics and Adult clients with a wide range of conditions from ABI, Spinal injuries to metabolic, Genetic and neurological diseases and conditions.

Principal shareholders

The Company is ultimately majority-owned by investors whose investments are managed by Partners Group AG and Duke Street LLP. Whilst the Company is jointly controlled by Partners Group AG and Duke Street LLP, the Directors do not consider there to be an ultimate controlling party

Certain relationships and related party transactions

In the year ended 31 March 2020, consultancy fees and expenses were paid as follows:

- Consultancy fees of £191,000 (2019: £192,000) were paid and £150,000 (2019: £Nil) were accrued and expenses of £Nil (2019: £62,000) were paid to Duke Street LLP.
- Consultancy fees of £300,000 (2019: £192,000) were accrued and expenses of £Nil (2019: £Nil) were paid to Partners Group AG.
- Voyage 1 Limited made an Advance of £295,888 (2019: £295,888) to Viking Investments LP, the Advance bears a rate of interest of 10% and interest of £46,654 (2019: £42,066) was recognised during the year. As at 31 March 2020, the amount due was £499,902 (2019: £453,637); the Advance is repayable on demand at any time together with accrued interest.
- Partners Group AG is the parent company of Chambertin (Holdings) Limited and its subsidiaries. Civica UK Limited, a subsidiary of Chambertin (Holdings) Limited supplied software solutions including licence fees to the Voyage Care Group; fees of £504,000 were paid and £121,000 was outstanding as at 31 March 2020 (2019: £268,000 and £Nil respectively).
- Duke Street LLP is a Member of PEPCO Services LLP. PEPCO Services LLP supplied services and consultancy to the Voyage Care Group; fees of £424,000 were paid and £1,000 was outstanding as at 31 March 2020 (2019: £Nil and £Nil respectively).

Description of other indebtedness

Revolving Credit Facility

On 8 May 2017, Voyage, together with the Guarantors (Commerzbank Aktiengesellschaft, Lloyds Bank PLC and The Royal Bank of Scotland PLC), entered into a new £45 million super senior RCF Agreement (RCF). The RCF provides that we may elect to request additional facilities either as a new facility or as additional tranches of the RCF. The maximum aggregate principal amount of indebtedness outstanding under the RCF and all additional facility commitments shall not exceed an amount equal to the amount of consolidated EBITDA.

The RCF also contains a ‘‘notes purchase condition’’ covenant. Subject to certain exceptions set out in the RCF Agreement, we may not, and shall procure that no other member of the Group will, repay, prepay, purchase, defease, redeem or otherwise acquire or retire the principal amount of the Notes (Senior Secured Notes and Second Lien Notes) or any indebtedness ranking pari passu with the Notes (or any replacement or refinancing thereof as permitted under the RCF from time to time) prior to its scheduled repayment date in any manner which involves the payment of cash consideration of the Group to a person which is not a member of the Group. The exceptions to such covenant include (among other things) payments that do not exceed 50% of the aggregate original principal amount of the Senior Secured Debt in existence.

The parent under the RCF is Voyage BidCo Limited, which is also an original borrower along with Voyage Limited, Voyage 1 Limited and Voyage Care Limited (each a ‘‘Borrower’’, together the ‘‘Borrowers’’). The RCF is guaranteed by the Guarantors and the Issuer. The facility agent (the ‘‘Agent’’) under the RCF is Lloyds TSB Bank plc.

Intercreditor Agreement

In connection with the entry into the RCF and the Indentures, the Issuer, the Guarantors and certain other subsidiaries of Voyage BidCo Limited (the ‘‘Parent’’) entered into the Intercreditor Agreement to govern the relationships and relative priorities among: (i) the lenders under the RCF; (ii) any persons that accede to the Intercreditor Agreement as counterparties to certain hedging agreements (collectively, the ‘‘Hedging Agreements’’, the liabilities under such Hedging Agreements, the ‘‘Hedging Liabilities’’ and any persons that accede to the Intercreditor Agreement as counterparties to such Hedging Agreements being referred to in such capacity as the ‘‘Hedge Counterparties’’); (iii) the Senior Secured Notes Trustee, on its own behalf and on behalf of the holders of the Senior Secured Notes (the ‘‘Senior Secured Noteholders’’); (iv) the Second Lien Notes Trustee on its own behalf and on behalf of the holders of the Second Lien Notes (the ‘‘Second Lien Noteholders’’); (v) intragroup creditors and debtors; and (vi) certain direct or indirect shareholders of the Parent in respect of certain structural debt that the Parent or another member of the Group has incurred or may incur in the future (including any subordinated shareholder loans).

A copy of the agreement is available from the Issuer.

Presentation of financial and other information

Financial data

This Annual Report includes the consolidated financial information (audited) of Voyage BidCo Limited and its subsidiaries for the financial year ended 31 March 2020 ("FYE 2020") and 31 March 2019 ("FYE 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 Standard 101 (FRS101) 'Reduced Disclosure Framework' and the Companies Act 2006.

Other financial measures

In this Annual 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 expressed as a percentage;
- '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 expressed as a percentage;
- '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 Annual Report are used by different companies for differing purposes and are often calculated in ways that reflect the particular circumstances of those companies. Caution should be exercised 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 those measures should not be considered as an alternative to net income or operating profit determined in accordance with IFRS. 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 should not be considered 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 division at any given time. Numbers of beds is presented in this Annual Report as at the end of the relevant period unless otherwise stated.

Occupancy

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

Occupancy rates

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

Community based care

Our results of operations are impacted by the number of people supported in our Community based care division at any given time. The number of people supported in our Community based care division is presented in this Annual 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 division refer to the average weekly fees in a given period. The fee rates for our Community based care 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

Key factors affecting our results

Revenue

Revenue in our registered care 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 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:

	FYE 2020	FYE 2019
Registered beds	2,032	2,038
Community based care placements	1,719	1,550
Total	3,752	3,588

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:

	FYE 2020	FYE 2019
Registered	94.3%	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 March	
		2020	2019
Registered	£wk	1,736	1,699
Community based care	£hr	16.92	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 and minimum employer contribution rates; and
- bonus schemes, being annual and other schemes operating at any one time.

		FYE 2020	FYE 2019
Staff Costs *	£m	184.4	170.5
% Revenue		69.1%	68.3%
% Operating costs **		83.1%	80.3%

		FYE 2020	FYE 2019
Staff Costs (excluding central overheads) *	£m	167.8	155.4
% Revenue		62.8%	62.2%
% Operating costs **		75.6%	73.2%

* *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	FYE 2020	FYE 2019	% Change
Revenue	**267.0**	**249.8**	**6.9%**
Staff costs	(184.4)	(170.5)	(8.1%)
Agency Costs	(7.6)	(8.3)	7.6%
Direct expenses & consumables	(7.7)	(7.7)	(0.3%)
Property lease rentals	(0.6)	(0.5)	(4.6%)
Other lease rentals	(1.1)	(1.4)	25.3%
Other external charges	(20.6)	(20.2)	(2.2%)
EBITDA	**45.1**	**41.2**	**9.3%**
Non-underlying items	(1.6)	(1.3)	(21.4%)
EBITDA after non-underlying items	43.5	39.9	8.9%
Depreciation & impairment	(15.9)	(15.3)	(4.0%)
Profit on disposal of non-current assets	0.5	0.3	(93.7%)
Amortisation of intangible assets	(2.4)	(2.3)	(0.9%)
Operating profit	**25.7**	**22.5**	**14.1%**
Finance income	0.1	0.1	(79.4%)
Finance expense	(19.4)	(19.5)	0.4%
Profit/(Loss) before taxation	**6.4**	**3.1**	**nm**
Taxation	(1.5)	(0.9)	(63.8%)
Profit/(Loss) for the period	**4.9**	**2.2**	**nm**
Other financial metrics			
Staff costs (excluding central overheads)	167.8	155.4	(8.0%)
Overhead expenses & bonus	22.5	20.7	(8.5%)
Unit EBITDA	67.5	61.9	9.1%
Unit EBITDA margin %	25.3%	24.8%	0.5%
EBITDA margin %	16.9%	16.5%	0.4%
EBITDAR	45.6	41.7	9.3%
EBITDAR margin %	17.1%	16.7%	0.4%
EBITDAR after non-underlying items	44.0	40.4	8.9%
EBITDAR after non-underlying items margin %	16.5%	16.2%	0.3%

Revenue

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

- FYE 2020 revenue increased by £17.2 million, or 6.9% to £267.0 million from £249.8 million for FYE 2019, primarily due to like-for-like growth (£11.5 million or 4.6%) and fee increases (£5.7 million or 2.3%).

Staff costs

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

- Staff costs (excluding overheads) for FYE 2020 increased by £12.4 million, or 8.0% to £167.8 million (which represented 62.9% of revenue) from £155.4 million (which represented 62.2% of revenue) for FYE 2019, primarily due to staff required to support the growth in our business (£8.9 million) and increases in staff costs as a result of National Minimum Wage increase (£6.0 million), partially offset by lower sleep-in costs (£2.5million).

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 FYE 2020 reduced by £0.7million, or 7.6% to £7.6million from £8.3million for FYE 2019. This is primarily due to negotiating lower rates with our suppliers.

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.

- FYE 2020 direct expenses and consumables remained consistent with FYE 2019, at £7.7 million.

Property lease rentals

Property lease rentals consist primarily of low-value leases, leases expiring within one month and lease payments for irrecoverable VAT that are out of scope under IFRS 16 and as such their cost remains within operating expenditure.

- FYE 2020 property lease rentals increased by £0.1 million, to £0.6 million from £0.5 million for FYE 2019.

Other lease rentals

Other lease rentals consist primarily of motor vehicle leases. We currently lease approximately 248 vehicles, which are primarily used to transport the people we support.

- FYE 2020 other lease rentals reduced by £0.3 million to £1.1 million from £1.4 million for FYE 2019.

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.

- FYE 2020 other external charges increased by £0.4 million, or 2.2%, to £20.6 million from £20.2 million for FYE 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.

- FYE 2020 EBITDA increased by £3.9 million, or 9.3% to £45.1 million from £41.2 million for FYE 2019. This increase is due to the extra contribution generated from the growth in our business, along with fee increases, partially offset by increases in staff costs as a result of certain inflationary pay rises, National Minimum Wage, and other external charges.

Non-underlying items

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

- FYE 2020 non-underlying items were £1.6 million (FYE 2019: £1.3 million). Non-underlying items for FYE 2020 were primarily driven by the costs of preparing for the impact of COVID 19 (e.g. building stocks of personal protective equipment) and one-off project costs to invest in head office and operational functions.

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.

- FYE 2020 EBITDA after non-underlying items increased by £3.6 million, or 8.9% to £43.5 million from £39.9 million for FYE 2019.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment 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.

- FYE 2020 depreciation and impairment of property plant and equipment increased by £0.6 million, or 4.0% to £15.9 million from £15.3 million for FYE 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.

- FYE 2020 the profit on the disposal of non-current assets was £0.5 million (FYE 2019: £0.3 million).

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.

- FYE 2020 amortisation of intangible assets increased by £0.1 million to £2.4 million from £2.3 million for FYE 2019.

Operating profit

Operating profit consists of earnings before interest and taxation.

- FYE 2020 operating profit increased by £3.2 million to £25.7 million from £22.5 million for FYE 2019.

Finance income

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

- FYE 2020 interest receivable and other income remained constant at £0.1 million when compared to FYE 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 RCF.

- FYE 2020 interest payable and similar charges on bank loans reduced by £0.1 million to £19.4.

Profit before taxation

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

- FYE 2020 profit before taxation increased by £3.3 million to £6.4 million from £3.1 million for FYE 2019, the increase is primarily due to an increase in EBITDA.

Taxation

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

- For FYE 2020 a taxation charge of £1.5 million was recognised compared to £0.9 million for FYE 2019.

Profit for the year

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

- FYE 2020 profit for the year increased by £2.7 million to £4.9 million from £2.2 million for FYE 2019 the increase is primarily due to an increase in EBITDA compared to prior year.

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

At 31 March 2020 and 31 March 2019, our cash balances were £80.1 million and £18.7 million, respectively. This increase is due to utilising £45m of the RCF facility, along with cash generated from the Supporting Living Freehold Sale, improved working capital and EBITDA.

Net bank debt as at 31 March 2020 was £215.2 million, comprising £250.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £45.0 million borrowing under the RCF, partially offset by £80.1 million of cash. Within the £80.1 million cash balance is £0.4 million of restricted cash which is excluded from cash for the purposes of calculating the net debt. We are fully drawn on our £45.0 million RCF. The resulting leverage was 4.78x.

Net bank debt as at 31 March 2019 was £255.7 million, comprising £250.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £23.0 million borrowing under the RCF, partially offset by £18.7 million of cash. Within the £18.7 million cash balance is £1.4 million of restricted cash which is excluded from cash for the purposes of calculating the net debt. We have undrawn committed facilities of £22.0 million in the RCF of £45.0 million. The resulting leverage was 6.20x.

Leverage as at 31 March 2020 (calculated as defined in the legal financing documentation) was 4.78x. With the inclusion of IFRS16 lease liability, the leverage increases to 5.30x.

Consolidated statement of cash flow

£ million	FYE 2020	FYE 2019	% Change
EBITDA before non-underlying items	45.1	41.2	9.5%
Maintenance capex	(9.5)	(8.5)	11.8%
Operating cash flow	**35.6**	**32.7**	**8.9%**
Cash conversion %	*79.0%*	*79.4%*	*(0.4%)*
Non-underlying items [(1)]	(1.6)	(1.3)	23.1%
Working capital	5.7	(1.1)	nm
Interest	(16.9)	(17.2)	1.7%
Taxation	(0.8)	(1.0)	20.0%
FCF before Dev. Capex, Acquisitions and Financing	**21.9**	**12.1**	**81.0%**
Development capex [(2)]	(3.0)	(14.5)	79.3%
Acquisition [(3)]	(3.2)	(2.3)	(39.1%)
Proceeds from sale	27.6	2.4	nm
FCF before Financing	**43.2**	**(2.2)**	**nm**
Property and vehicle lease payments (IFRS16)	(3.8)	(4.0)	5.0%
Net cash flow used in financing activities	22.0	8.0	nm
Movement in cash for the period	**61.5**	**1.8**	**nm**
Opening cash and cash equivalents	18.7	16.9	(10.7%)
Closing cash and cash equivalents	**80.1**	**18.7**	**nm**
Other financial metrics			
Maintenance capex, ex. IT spend (£m)	7.0	7.0	(0.5%)
Maintenance capex, ex. IT spend (% revenue)	2.6%	2.8%	(0.2%)
Maintenance capex, ex. IT spend (£k pa per bed)	3.7	3.7	0.2%

(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

- FYE 2020 operating cash flow increased by £2.9 million, or 8.9% to £35.6 million from £32.7 million for FYE 2019. The increase is primarily due to a £3.8 million increase in EBITDA.

Non-underlying items

- FYE 2020 non-underlying items increased by £0.3 million to an outflow of £1.6 million from £1.3 million when compared with FYE 2019. The increase is primarily driven by costs incurred relating to preparation for the impact of Covid 19.

Working capital

- FYE 2020 working capital reduced by £6.8 million to an inflow of £5.7 million from an outflow of £1.1 million for FYE 2019. Primarily due to a reduction in Trade Debtors.

Interest

- FYE 2020 interest payable reduced by £0.3 million to £16.9 million from £17.2 million when compared to FYE 2019.

Taxation

- For FYE 2020 we paid £0.8 million in relation to corporation tax payments on account for the financial year 31 March 2019 (FYE 2019: £1.0 million).

Free Cash Flow before Development Capex, Acquisitions and Financing

- FYE 2020 Free Cash Flow before Development Capex, Acquisitions and Financing increased by £9.8 million to £21.9 million from £12.1 million in FYE 2019, primarily due to increase in EBITDA and Working Capital reduction.

Capital expenditure

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 RCF where necessary.

- FYE 2020 capital reduced by £11.5 million to £3.0 million from £14.5 million for FYE 2019, primarily due to the completion of freehold purchase of the Hindhead site in FYE 2019.

Acquisition

- For FYE 2020 there was £3.2 million outflow on acquisitions, this related to the acquisition of Fox Elms Care Limited on 2nd Jul 2019 and the remaining 6% share capital of Focused Healthcare on 31st May 2019 (FYE 2019: £2.3 million for Project Regal).

Proceeds from sale

- For FYE 2020 there was £27.6 million cash inflow, which was primarily from the sale of a portfolio of 40 Freehold properties on 9th September 2019. This is an increase of £25.1 million compared to FYE 2019 which was £2.4 million.

Property and vehicle lease payments

- During FYE 2020 we made £3.8 million of total lease payments under IFRS16 which is £0.2 million lower than FYE 2019.

Net cash flow used in financing activities

- FYE 2020 net cash flow used in financing activities was a £22.0 million inflow compared to a £8.0 million inflow for FYE 2019. The £22.0m in FYE 2020 is due to drawdowns on our RCF Facility.

Contractual obligations

The following table summarises our material contractual obligations at 31 March 2020, showing the total principal amount payable and excluding any future interest payments.

£ 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
RCF	45.0			45.0
Total	**45.0**	**0.0**	**250.0**	**295.0**

(1) Represents the aggregate principal amount of the existing Senior Secured Notes
(2) Represents the aggregate principal amount of the existing Second Lien Notes

Consolidated statement of financial position

£ million	Mar-20	Mar-19	% Change
Non-Current Assets	411.1	435.7	(5.6%)
Current Assets			
Trade and Other Receivables, Prepayments (1)	27.1	26.2	3.2%
Cash at bank and in hand	80.1	18.7	nm
Assets classified as held for sale	1.0	2.8	(63.0%)
Total Assets	**519.3**	**483.3**	**(7.4%)**
Non-current liabilities			
Loan Notes (2)	264.5	263.6	(0.3%)
Tax Liabilities	11.6	10.9	(6.1%)
Accruals and Deferred Income	0.0	0.0	nm
Employee benefits	0.2	0.3	23.3%
Provisions for liabilities and charges	1.0	0.5	(96.3%)
Current Liabilities	104.4	74.6	(39.9%)
Equity	137.5	133.4	(3.1%)
Total Equity and Liabilities	**519.3**	**483.3**	**(7.4%)**

(1) Receivables in March 2020 include £1.1 million of intercompany loans (March 2019: £1.0 million), and current liabilities in March 2020 include £2.1 million of intercompany loans (March 2019: £2.1 million).
(2) Loan notes include unamortised issue costs of £5.3 million (March 2019: £6.7 million).

Key Business Divisions

£ million	Revenue FYE 2020	FYE 2019	% Change
Registered	172.8	167.7	3.0%
Community Based Care	84.2	71.9	17.1%
Focused Healthcare	10.0	10.1	(1.0%)
Total	**267.0**	**249.8**	**6.9%**

£ million	EBITDA FYE 2020	FYE 2019	% Change
Registered	33.8	32.5	4.0%
Community Based Care	8.8	6.2	40.4%
Focused Healthcare	2.5	2.5	0.9%
Total	**45.1**	**41.2**	**9.3%**

Other financial metrics	**FYE 2020**	**FYE 2019**	**Change**
Average Registered occupancy	1,916	1,903	13
Average Registered occupancy %	94.3%	93.5%	0.8%
Average Weekly Community Based hours	102,700	86,700	16,000
Closing Registered occupancy	1,898	1,927	(29)
Closing Registered occupancy %	94.2%	93.9%	0.4%
Closing Weekly Community Based hours	106,200	91,300	14,900

Property Analysis

At the 31 March 2020 the number of freehold properties held was 257, a reduction of 39 properties as at 31 March 2019. The net book value of the freehold properties was £314.4 million.

We have increased our provision of properties supporting the Community division by 41, with capacity increasing by 154 since31 March 2019.

In our Registered care division at 31st March 2020, freehold properties made up 88.2% of capacity whereas in Community based care, freehold properties made up 5.8% of capacity. This in line with our strategy to utilise 3rd party capital to invest in property and capacity to drive Community based care growth.

31 March 2020	Registered		Community		Daycare	DCA	Total	
	#	Capacity	#	Capacity	#	#	#	Capacity
Freehold	228	1,776	20	70	4	5	257	1,846
Leasehold/Rental (1)	35	238	3	10	9	32	79	248
3rd Party Owned (2)	0	0	292	1,134	1	4	297	1,134
Totals	**263**	**2,014**	**315**	**1,214**	**14**	**41**	**633**	**3,228**
Freehold NBV (£m) (3)	**305.7**		**6.7**		**2.0**		**314.4**	

31 March 2019	Registered		Community		Daycare	DCA	Total	
	#	Capacity	#	Capacity	#	#	#	Capacity
Freehold	229	1,800	55	274	4	8	296	2,074
Leasehold/Rental (1)	39	258	12	79	10	22	83	337
3rd Party Owned (2)	0	0	207	707	2	7	216	707
Totals	**268**	**2,058**	**274**	**1,060**	**16**	**37**	**595**	**3,118**

Movement	Registered		Community		Daycare	DCA	Total	
	#	Capacity	#	Capacity	#	#	#	Capacity
Freehold (4)	(1)	(24)	(35)	(204)	0	(3)	(39)	(228)
Leasehold/Rental (1)	(4)	(20)	(9)	(69)	(1)	10	(4)	(89)
3rd Party Owned (2)	0	0	85	427	(1)	(3)	81	427
Totals	**(5)**	**(44)**	**41**	**154**	**(2)**	**4**	**38**	**110**

(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.

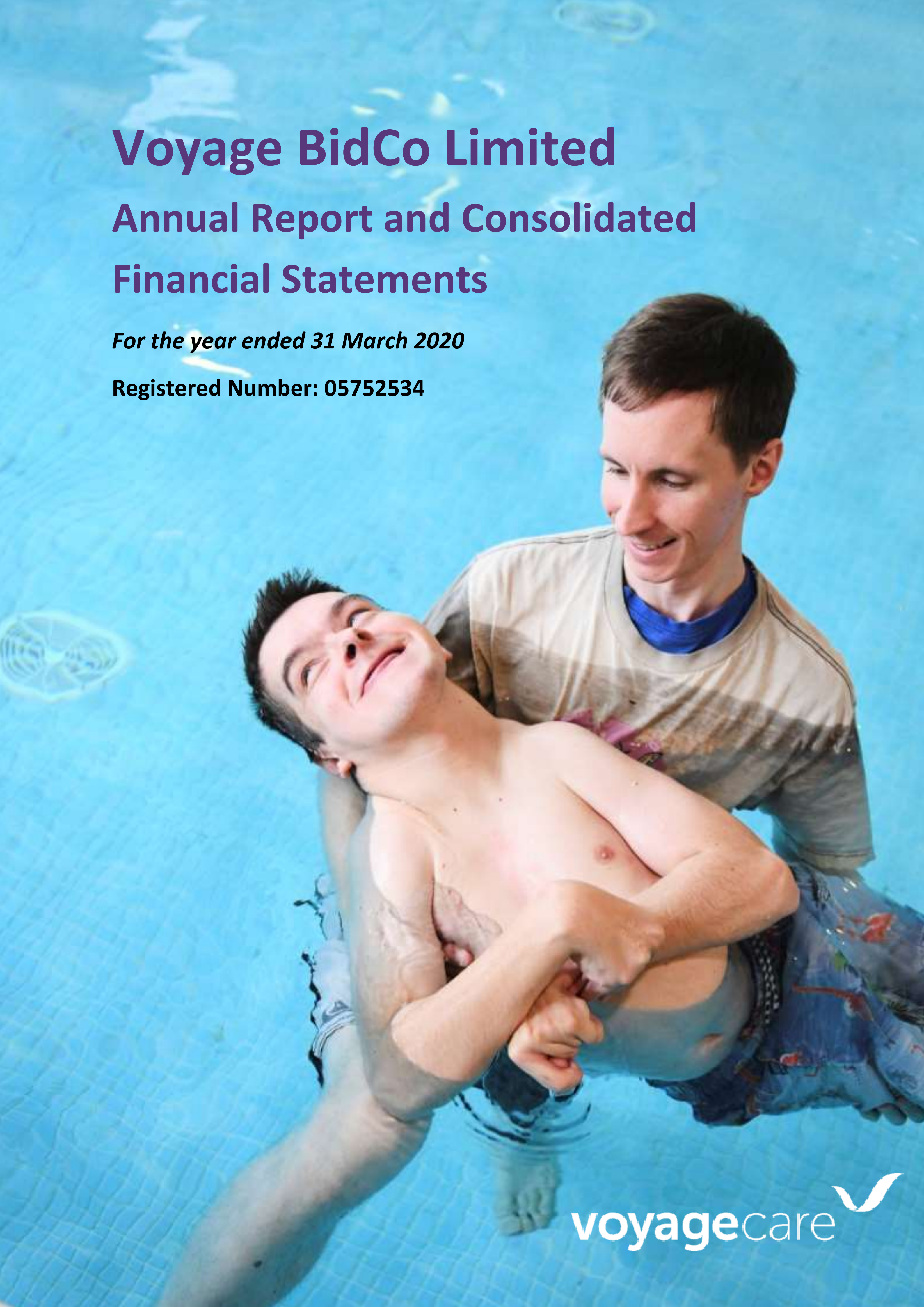
(4) Freehold reduction is due to the sale of a portfolio of 40 properties, partially offset by new service openings and de-registrations from Registered Properties.

Voyage BidCo Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2020

Registered Number: 05752534



Voyage BidCo Limited
Annual Report and Consolidated Financial Statements
For the year ended 31 March 2020

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The Directors present their Strategic Report for the year ended 31 March 2020.

Principal activity

Voyage Care provides a range of services for individuals with learning disabilities, autism, acquired brain injuries and other related complex needs in the UK. The care solutions provided range from Registered Care in specially adapted homes to Community Based Care, where support is provided in a person's own home. The Group's focus is on the needs of the people we support.

The global pandemic caused by the virus outbreak of COVID 19 and that led the UK to enter a lockdown phase on 23 March 2020 resulted in a relatively minor impact on the Group for the year ended 31 March 2020. Given the inherent uncertainty about the timing and effect of the pandemic, the Directors have given appropriate consideration to these issues in preparing the Strategic Report.

Strategy and business model

Voyage Care's purpose is to deliver great quality care underpinned by commercial success. The year under review has seen further progress towards our aim of strengthening our position as a market leader in all relevant areas of high quality care services for the people we support.

Great quality care

To deliver the Group's strategy, the quality of care provided to the people we support is at the heart of everything we do. The continuing drive to maintain high quality standards will strengthen the Group's ability to retain existing business and grow by winning tenders, increase the number of people we support within framework agreements, attract individual clients with personal budgets and place the Group in a favourable position to take over underperforming services.

During the year under review, the Group maintained a market leading quality score with 96% of services in England holding a rating of Good or Outstanding as at 31 March 2020 following inspection from the Care Quality Commission (CQC) (31 March 2019: 96%). Thirteen locations held an Outstanding rating from CQC as at 31 March 2020 (31 March 2019: Seven). Additionally, 100% of homes and services registered in Scotland and Wales were found to be compliant when inspected by their regulators (2019: 100%). Some of the ways in which we have achieved this are outlined below:

- The breadth of service capability, from domiciliary to various types of residential care, ensures that we can always offer a care pathway tailored to the specific needs of the individual, thereby helping to achieve a better outcome for both the people we support and for funders;
- Individual care and support plans are reviewed and amended on a regular basis to address changing support needs and to ensure that an appropriate level of personalised care is provided for each person we support;
- Typically, a considerable amount of care is provided to each person we support due to their high acuity care needs;
- The Group operates its own quality assurance function to ensure that quality standards are continually driven forward; and

Strategy and business model *continued*

Great quality care *continued*

- The Group's learning and development functions ensure staff are equipped with the necessary skill set, knowledge and confidence to achieve Voyage Care's high standards of care for the people we support.

By developing expertise in specialist areas such as Autism and Specialist Behavioural Support Services, the Group continues to build a platform to cater for a broad range of conditions whilst offering individuals the highest quality of care and harnessing growth from initiatives such as Transforming Care and the NHS Long Term Plan. Sector leading quality ratings and clearly articulated specialisms underpin our ability to evidence good value to customers and lead to organic growth.

Since 2017-18, to demonstrate the Group's commitment to provide high quality care services, the Group has decided to mirror the requirements on NHS healthcare providers to produce an annual Quality Account. The Quality Account provides an honest, open and authentic view of the Group's achievements and its key priorities for the following year. The latest Quality Account can be found at: https://www.voyagecare.com/our-approach/commitment-to-quality.

Quality is monitored by the Board and through the Group's Quality, Safety and Risk Committee which is discussed further in the Directors' Report.

Commercial Success

The Group's relentless pursuit of the delivery of great quality care is enabled by our commercial success. Profitable growth underpins our ability to invest in training, develop the services we offer, maintain our property estate to a high standard, introduce new and improved services and extend our footprint to care for more vulnerable people. All of this is critical in the regulated sector within which we operate, to ensure we meet or exceed the regulatory requirements, at the same time as delivering a return to our shareholders.

The Group operates from two business divisions: Registered Care and Community Based Care.

- Registered Care is delivered in specially adapted homes which the Group provides in its portfolio of freehold and leasehold properties. Growth in this area is driven through increasing capacity, occupancy and the average weekly fee.
- Community Based Care is provided in people's own homes and the Group partners with registered housing providers to identify suitable accommodation. In this sector, properties are mainly owned by third party investors. It is the Group's strategy to grow its services by working with these third-party investors and registered housing providers to provide more accommodation to support more people.

Underpinning the strength of the business are the contracts with care commissioners. For Registered Care they take the form of spot, block and respite contracts and for Community Based Care they are based on framework contracts or those acquired through tendering processes.

Business review

Voyage Care continues to be a leading UK provider of specialist Registered Care services by revenue and by placements and has a well-established presence in specialist Community Based Care services. The Group supported 3,496 (2019: 3,393) people as at 31 March 2020, comprising 1,898 (2019: 1,927) through its Registered Care services and a further 1,598 (2019: 1,466) supported through its Community Based Care services.

As at the year end the Group's Registered Care services' occupancy had increased 0.3% to 94.2% (2019: 93.9%) and the Group's Community Based Care services delivered approximately 15,000 additional weekly hours of care to 106,200 weekly hours of care (2019: 91,300). The average weekly fee for Registered Care services increased by £37 to £1,736 (2019: £1,699) per person and Community Based Care services average revenue per hour decreased by £0.14 to £16.92 (2019: £17.06) for the year ended 31 March 2020.

Approximately 67% (2019: 68%) of the people we support in the Registered Care services had been in the Group's care for more than five years and some of the people we support have been with Voyage Care for more than 20 years. Providing stable environments for people we support improves the likelihood of positive outcomes and their quality of life.

Whilst individuals with acquired brain injuries will remain with Voyage Care for varying lengths of time according to their needs, progress, long term plans or personal preferences, individuals with learning disabilities have a lifelong condition and require ongoing support. Approximately 32% (2019: 34%) of the people we support in the Registered Care services division were 40 years of age or younger, and 77% (2019: 78%) were 60 years of age or younger, which contributes to a long average length of stay in those services. Approximately 41% (2019: 39%) of the people we support in the Community Based Care services were 40 years of age or younger, and 82% (2019: 81%) were 60 years of age or younger, which contributes to a long average length of stay in those services.

Of the care we provide, over 95% is paid for by Local Authorities and Clinical Commissioning Groups (''CCGs'') and, during the year ended 31 March 2020, we generated revenue from over 250 of these publicly funded purchasers across the UK. The Group's long-standing relationships with Local Authorities and CCGs are built on a strong reputation for providing quality services to the people we support.

Market environment and outlook

National policy has created a clear framework for growth of services which enable people with disabilities to live an ordinary life in the community. Local Authorities and CCG's continue to re-balance care towards community-based support as the primary service model, with residential care providing a valuable contribution for those with the most complex of needs.

Local Authority and NHS customers prioritise developing relationships with high quality stable providers, such as Voyage Care who can offer solutions to their key challenges:

Market environment and outlook *continued*

Increasing volume of people requiring care:

- Research indicates that there will be an estimated 25.5% growth in social care services over the next decade for an increasing number of adults with learning disabilities.
- Projections in demand indicate sustained growth in both community-based support and care homes services to meet the needs of younger adults with disabilities; a clear growth opportunity for Voyage Care as we now have a well-established pathway of specialist care and support solutions.

The rising cost of providing care:

- Annual increases to the National Living Wage, workplace pension auto enrolment charges, and the apprenticeship levy, alongside other inflationary pressures, impacted the Group's cost base. However, by operating efficiently and with scale, the Group can help to mitigate some of the adverse impact on our customers.

Budget restrictions arising from austerity:

- The CQC State of Care report notes the sustained pressure on the social care sector: the government has now made one-off additional budget available for social care in each of the last four years, however it continues to delay publication of its promised reforms to the long-term funding of social care.
- For the three financial years up to and including the financial year 2019-20 the Council Tax Precept offered Local Authorities the option of charging up to an additional 6% ringfenced for social care. 148 of 151 Local Authorities utilised the precept in 2019-20.

The 'Improved Better Care Fund' additional grant funding, amounting to £2.1 billion for 2020-21, is integrating NHS and social care through a single local pooled budget so that people can manage their own health and wellbeing, and live independently in their communities for as long as possible.

In reaction to the global outbreak of COVID-19, the UK Government acknowledged the critical role that the social care sector has in society and accordingly promptly increased funding by £1.6 billion to local authorities to pass to social care providers, including Voyage Care. This has subsequently doubled to £3.2 billion with a further £600 million identified as an "Infection Control" fund also specifically ringfenced for Social Care. The additional funding is intended to support the cash flow of care providers and adjust fees to meet additional and new costs arising from the pandemic. The length of the outbreak and its economic impact is unknown however the additional financial support provided by the UK Government demonstrates the paramount role that the sector has to society and the support that will be offered.

> ***"Having come from a school situation where [my son] had lost all of his confidence, this has been the making of him."***
>
> ***Parent of a person we support***

Principal risks and uncertainties

The table below presents the principal risks facing the business and the controls in place to mitigate these, with measurement against the assessment made at March 2019 using the following key:

⬆ Risk assessed to have increased
➡ Risk assessed to have stayed the same
⬇ Risk assessed to have decreased

Risk	Mitigation	Change
Local authority funding		
The continuing financial austerity within Government increases social care funding pressures for Local Authorities. As staffing costs continue to rise through National Living Wage, workplace pension auto enrolment charges and apprenticeship levy there is a risk that the increased funding is not available to compensate for the increased costs which erodes Group profitability.	For the financial year 2019-20, 148 out of 151 Local Authorities have taken the option of charging up to an additional 6% council tax precept. The 'Improved Better Care Fund' additional grant funding, amounting to £2.1 billion a year in 2019–20, has been introduced to integrate NHS and social care through a single local pooled budget so that people can manage their own health and wellbeing, and live independently in their communities for as long as possible.	➡
Recruitment and retention of skilled care workers		
The key to the Group's success is the quality of the people we employ. Losing key employees inhibits the strength of delivering consistently high-quality care.	The Group has a bespoke system to deal with recruitment from first point of contact to employment, including Disclosure and Barring Service checks. Employee turnover is closely monitored through KPIs and exit interviews are performed to identify underlying trends impacting retention. Additionally, significant emphasis is placed on promoting employee retention. This is explained further in the Employees section on page 17.	➡

Principal risks and uncertainties *continued*

Ensuring the provision of high quality care to the people we support		
The Voyage Care business is built on the reputation of the high-quality care consistently delivered. A reduction in quality would harm the Group's reputation and have a negative impact on the lives of people we support.	An appropriate balance is maintained between care fees and payroll costs. Fees are always agreed with funders to reflect the care needs of the people we support to ensure that the appropriate level of care is provided. Payroll costs are controlled by regular review of weekly care hours, through an in-house management system. A dedicated Quality department regularly updates Group policies in line with changing regulations and standards and manages the internal quality audit process. A Quality, Safety and Risk Committee, as explained on page 24 provide oversight of the area to the Board of Directors. Close control of agency usage is in place including weekly reporting to senior management. The Group invested £2.5m in training expenditure to ensure employees are fully up-to-date in the best ways of providing care for people we support (2019: £2.3m).	➡
Reduced financial performance		
To achieve the Group's strategy to deliver great quality care with commercial success the Group must have a robust financial performance. The Group's finance facility contains a covenant such that the Group must exceed minimum profit levels.	The Group sets annual financial budgets to appraise the financial performance and has a dedicated Commercial team to identify opportunities and work with customers to agree on sustainably funded care packages.	➡

Principal risks and uncertainties *continued*

COVID-19/globally transmitted diseases		
The global outbreak of COVID-19 put significant strain on the business to maintain the high level of care for the people we support during unprecedented times. Future global pandemics could require the business to quickly adapt to operate within the limitations of the pandemic whilst minimising the impact to the people we support.	The business has clear and effective business continuity plans that can be quickly enacted to react to severe threats to the business. The granularity of the business continuity plans and the strength of local management teams allow the executive management team to react to the changes in the situation presented and to disseminate appropriate actions throughout the Group.	⬆
Brexit		
Britain's decision to leave the European Union may lead to more challenging employee recruitment and retention environment. The Group has a relatively low proportion of non-UK EU employees at 4% and therefore the direct impact could be low, however the indirect impact resulting from general tightening of employment markets could affect the Group's ability to recruit.	The Group monitors local employment markets across the UK and where necessary will implement measures to recruit the required employees. For example, we have introduced localised pay increases in certain employment hot spots. We continue to diligently monitor the terms of Brexit negotiations to scrutinise any potential further impact for the Group during this time of uncertainty.	➡

The Group's financial risks and the controls in place to mitigate them are presented in more detail on page 15.

"The care and support people received is exceptional. The registered manager leads by example and the other staff follow. They are brilliant."

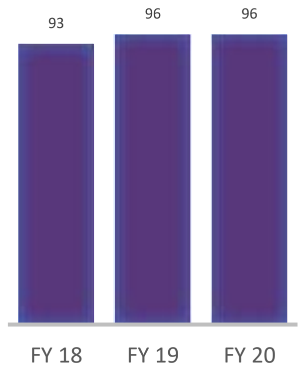
CQC report for The Woodlands

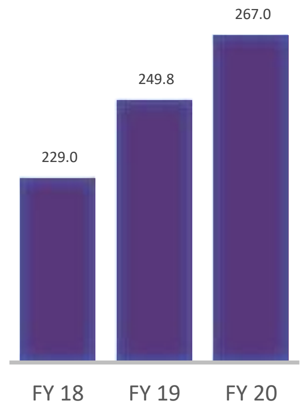
Financial review

The Group has maintained a strong financial performance for the year ended 31 March 2020, despite external unavoidable cost increases driven largely by a 4.85% (2019: 4.40%) increase in the National Living Wage for workers aged 25 years and over.

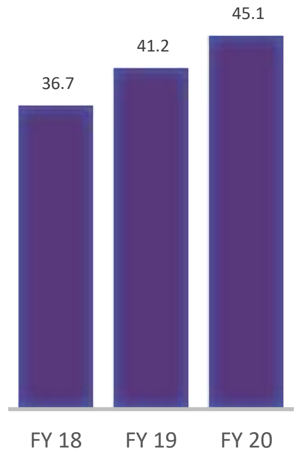
Key performance indicators

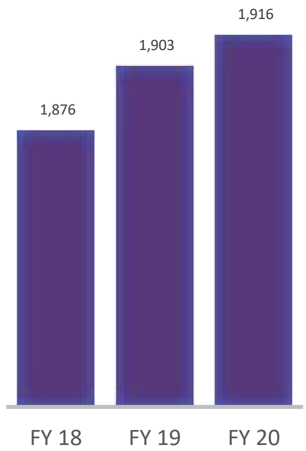
The financial and non-financial KPIs set out below focus on the drivers of value that will enable the Group to achieve its strategic aims and objectives.

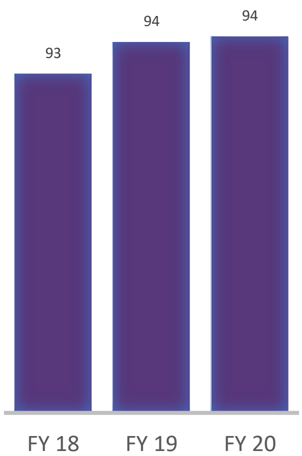
Good or Outstanding services (%)	**96% (2019: 96%)**
Definition: The percentage of total services that are rated as either good or outstanding at the last inspection by CQC as at 31 March 2020.	
Performance: This is a direct measure of the Group's performance against the strategic aim of delivery great quality care and during the year the Group maintained its market leading quality standards with 96% of services rated as either good or outstanding at its last inspection by CQC.	

Revenue	**£267.0 million (2019: £249.8 million)**
Definition: The fair value of fee income receivable for the provision of care services provided in the period.	
Performance: Group revenue increased by 6.9% to £267.0m. This was split between an increase of 3.0% in Registered income to £172.8m and an increase of 17.1% in Community Based Care income to £84.2m. As explained in other key performance indicators, the increases in occupancy, Community Based Care weekly care hours, average weekly fees and average hourly fees have all contributed to an increase in total revenue.	

Financial review *continued*

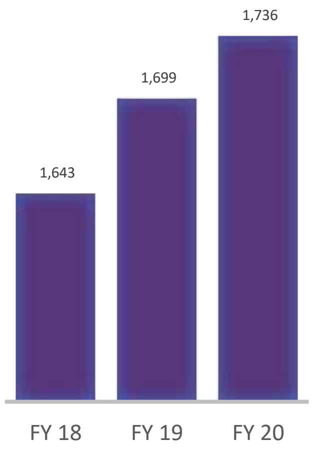
Adjusted EBITDA (before non-underlying items)	**£45.1 million (2019: £41.2 million)**
Definition: Operating profit adding back depreciation, impairment, amortisation and profit or loss on disposal of property, plant and equipment, and before non-underlying items.	
Performance: Group adjusted EBITDA (before non-underlying) increased by 9.3% to £45.1m. This was split between an increase of 4.0% in Registered income to £33.8m and an increase of 40.5% in Community Based Care to £8.8m. The Group has seen strong performance in key performance indicators that drive revenue growth whilst maintaining a strong focus on cost control.	

Registered occupancy	**1,916 (2019: 1,903)**
Definition: The monthly average number of individuals that the Group provides care to in a Registered setting across the period.	
Performance: The average Registered occupancy increased by 13 to 1,916. This was primarily due to the full year impact of a completed development and a trade and asset acquisition during 2019. The Group continues to review its portfolio and transition services from Registered to Community Based Care Services which has partially offset the increase.	

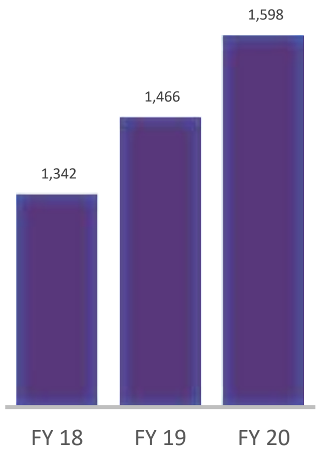
Registered occupancy as a percentage of capacity	**94% (2019: 94%)**
Definition: The percentage of Registered capacity that is occupied.	
Performance: Registered occupancy as a percentage of capacity was maintained at 94%. Maintaining high occupancy is important for the strategic objectives of the business to recover services' fixed costs across more people we support in turn driving commercial success.	

Financial review *continued*

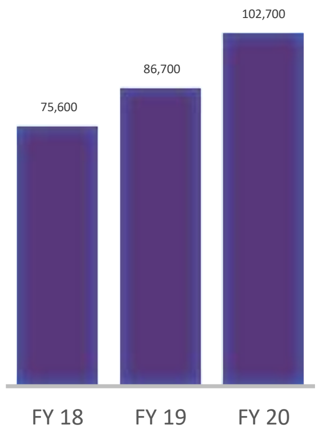
Registered average weekly fee	**£1,736 (2019: £1,699)**
Definition: The mean weekly fee receivable for care provided to people we support in a Registered setting.	
Performance: The average weekly fee increased by 2.2% to £1,736 which drives the Group's revenue growth. The year on year increase is primarily the result of active negotiations with commissioners to award inflationary fee increases.	



Community Based Care places	**1,598 (2019: 1,466)**
Definition: The number of places available in Community Based Care, including Supported Living, Focused Healthcare and Outreach placements, as at the end of the financial year.	
Performance: The average number of available places increased by 9.0% to 1,598. The KPI is important as it measures the capacity within the Group to deliver care to additional people. The year on year growth has been driven through building relationship with registered social landlords to accommodate additional demand through winning commissioning tenders.	

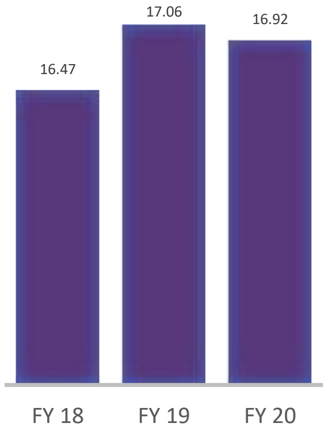


Community Based Care average weekly care hours	**102,700 (2019: 86,700)**
Definition: The monthly average weekly care hours delivered in Community Based Care, including Supported Living, Focused Healthcare and Outreach placements, across the period.	
Performance: The average weekly care hours delivered in Community settings increased by 18.5% to 102,700. The growth was driven by winning tenders with commissioners coupled with working with registered social landlords to identify suitable properties.	



Financial review *continued*

Community Based Care average revenue per hour	**£16.92 per hour (2019: £17.06 per hour)**
Definition: The mean weekly fee receivable for care provided to people we support in a Community Based Care, including Supported Living, Focused Healthcare and Outreach placements.	
Performance: The average weekly fee receivable for care provide in Community settings decreased by 0.8% to £16.92 per hour. The KPI is an important metric for measuring the Group's commercial success in the Community Based Care division. The reduction was driven by package rotation and an increase in regional support hours that are not directly funded offset by inflationary fee rises awarded by local commissioners.	



Consolidated Statement of Profit and Loss

	2020	2019	Change	
	£000	£000	£000	%
Revenue	267,006	249,798	17,208	6.9
Adjusted EBITDA (before non-underlying)	45,053	41,205	3,848	9.3
Non-underlying items	(1,601)	(1,319)	(282)	21.4
Depreciation and impairment of Property, Plant and Equipment	(15,876)	(15,264)	(612)	4.0
Profit on disposal of assets	490	253	237	93.7
Amortisation of intangible assets	(2,371)	(2,350)	(21)	0.9
Operating profit	25,695	22,525	3,170	14.1
Net finance expense	(19,292)	(19,440)	148	(0.8)
Profit before taxation	6,403	3,085	3,318	107.6

Revenue

Revenue for the Group was £267,006k, an increase of 6.9% from 2019. This was primarily driven by increases in average weekly care hours delivered in Community Based Care and average weekly fees in the Registered division.

Adjusted EBITDA (before non-underlying items)

Adjusted EBITDA before non-underlying items was £45,053k, an increase of £3,848k from 2019. This was a result of increased revenue offset by mandatory increases in staff costs due to the increase in National Living Wage and National Minimum Wage rates.

Financial review *continued*

Non-underlying items

Non-underlying items was a cost of £1,601k, an increase of £282k from 2019. This was predominately driven by costs incurred in respect of the impact of COVID-19 (2020: £765k; 2019: £Nil) and one-off project costs to invest in head office and operational functions (see note 6).

Operating profit

Operating profit was £25,695k, an increase of £3,170k from 2019. This was primarily a result of increased revenue offset by mandatory increases in staff costs due to the increase in National Living Wage and National Minimum Wage rates.

Net finance expense

Net finance expenses of £19,292k primarily relates to interest and finance charges on loan notes of £17,567k, RCF interest payable of £869k and the unwinding of lease liabilities of £822k.

Consolidated Statement of Financial Position

	2020	2019	Change
	£000	£000	£000
Goodwill and intangible assets	52,299	51,698	601
Property, plant and equipment	358,771	383,959	(25,188)
Current assets	108,230	47,690	60,540
Current liabilities	(104,424)	(74,632)	(29,792)
Non-current loans and borrowings	(264,536)	(263,634)	(902)
Other non-current liabilities	(12,121)	(11,718)	(403)
Equity	138,219	133,363	4,856
Net debt *	215,239	255,676	(40,437)
Leverage *	4.78x	6.20x	1.42x

* Net debt is calculated by adding Senior Secured Loan Notes, Second Lien Notes and amounts utilised under the RCF and deducting unrestricted cash balances. Leverage is calculated as the multiple of adjusted EBITDA (before non-underlying items) to net debt. Management believe net debt and leverage are important metrics to monitor the Group’s gearing.

Goodwill

Goodwill and intangible assets totalled £52,299k, an increase of £601k from 2019. This is predominantly due to the goodwill arising on the acquisition of Fox Elms Community Care Limited and its subsidiary offset by the amortisation of intangible assets (see note 29).

Financial review *continued*

Property, plant and equipment

Property, plant and equipment totalled £358,771k a reduction of £25,188k from 2019 predominantly due to the disposal of 40 properties from the freehold property portfolio of the Community Based Care business with a net book value of £28,675k. This strategic decision generated initial proceeds of £23,341k without affecting the quality of care provided nor impacting the lives of the people we support.

Net current assets

The Group has net current assets of £3,806k as at 31 March 2020 (2019: £26,942k liability) an increase of £30,748k predominantly due to the proceeds received from the disposal of the freehold property portfolio of the Community Based Care business and improvements in working capital.

Loans, borrowings, net debt and leverage

Non-current loans and borrowings was £264,536k, an increase of £902k from 2019 predominantly due to the increase in lease liabilities recognised under IFRS 16.

Net debt was £215,239k a reduction of £40,437k as a result of the disposal of freehold property, an improved working capital position and operating cash flow performance. Additionally, as a result of an increase in adjusted EBITDA before non-underlying items, leverage reduced to 4.78 times adjusted EBITDA.

	2020	**2019**	**Interest rate**	**Repayment terms**
	£000	**£000**		
Senior Secured Loan Notes	215,000	215,000	5.875%	May-23
Second Lien Notes	35,000	35,000	10%	Nov-23
Revolving Credit Facility:				
Utilised	45,000	23,000	LIBOR + 3.25%	Feb-23
Non-utilised	-	22,000	1.1%	Feb-23
Gross debt	**295,000**	**273,000**		
Cash and cash equivalents	(80,139)	(18,686)		
Restricted cash and cash equivalents	378	1,362		
Net debt	**215,239**	**255,676**		

The Group's RCF is subject to a financial covenant when it is more than 35% utilised. The Group operated within its covenant and actively monitors its compliance using financial forecasts.

Financial review *continued*

Consolidated Statement of Cash Flow

	2020	2019	Change
	£000	£000	£000
Cash and cash equivalents	80,139	18,686	61,453
Net cash flows from operating activities before interest and tax	49,183	38,821	10,362
Interest paid	(17,007)	(17,227)	220
Tax paid	(840)	(1,017)	177
Net cash flows from investing activities	11,887	(22,817)	34,704
Net cash flows from financing activities	18,230	4,002	14,228
Net increase in cash and cash equivalents	61,453	1,762	59,691

The Group generated net cash inflows from operating activities before interest and tax payments of £49,183k, an increase of £10,362k from 2019. From net cash flows generated from operating activities, £17,007k of interest was paid (2019: £17,227k) and Corporation tax of £840k was paid (2019: £1,017k).

£11,887k was generated from investing activities (2019: £22,817k used in) including £12,536k paid to acquire freehold properties, improve the existing portfolio or invest in activities to support the growth and development of the Group. £27,565k was received from proceeds in disposing freehold property of which £23,341k was received from the disposal of the freehold property portfolio in the Community Based Care business. £3,220k was paid on acquisitions (2019: £2,250k).

£18,230k was generated from financing activities (2019: £4,002k) with a net £22,000k drawn down on the Group's Revolving Credit Facility and payments of £3,770k were made for property and vehicle leases.

Accordingly, the Group increased its cash and cash equivalents during the year by £61,453k (2019: increase by £1,762k) of which £22,000k resulted from additional drawings on the Group's Revolving Credit Facility and as a result it was fully drawn at £45,000k (2019: £23,000k) at the year end. The Group drew down its Revolving Credit Facility in full to strengthen liquidity in response to the uncertainty presented by the COVID-19 pandemic.

"As parents we feel Voyage Care has taken on board what we've said is important for our son, we feel listened to and that it is a real partnership."

Kyle's parents

Financial review *continued*

Financial risk management

Interest rate risk

At 31 March 2020, the Group had £215 million of 5.875% Senior Secured Notes due May 2023 and £35 million of 10% Second Lien Notes due November 2023 in issue. These Notes are fixed interest rate instruments and as such are not exposed to fluctuations in interest rates. A significant change in interest rates could have a material adverse or favourable impact on the fair value of the Group's borrowings. However, the Group measures these Notes at the amortised cost and therefore the Group's future performance would not be impacted by any future rate changes.

In addition, the Group had access to a £45 million Revolving Credit Facility (RCF) which expires February 2023. The RCF bears interest on non-utilised balances at a fixed rate of 1.1% and bears interest on utilised balances at LIBOR plus 3.25%. The Group has £45 million drawn under the RCF and accepts the interest rate risk of a material change in LIBOR rates.

To maximise interest receivable surplus cash is deposited on a daily basis in a flexible interest bearing current account which is linked to LIBOR.

Price risk

Voyage Care is not exposed to commodity price risk but as a provider of services the Group is subject to both general and industry specific wage pressures, including legislative changes concerning the National Living Wage and National Minimum Wage levels.

Contracts with Local Authorities and CCGs account for almost all of revenue. There is a risk that budget constraints, public spending cuts and other financial pressures could cause such publicly funded purchasers to spend less money on the type of service that we provide. We continue to diligently monitor any impact for the Group in our negotiations with publicly funded purchasers.

Credit risk

Credit risk arises from cash and cash equivalents and trade receivables. Credit exposures in relation to customers is very low given that the majority of the Group's revenue is attributable to publicly funded bodies. Voyage Care has no significant concentrations of credit risk, with the exposure spread over many Local Authorities and CCGs.

Liquidity risk

Voyage Care's operational cash flow is largely stable and predictable given the contractual and recurring nature of the core business activity. Voyage Care manages its exposure to liquidity risk by preparing short term and long-term cash flow forecasts reflecting known commitments and anticipated projects.

Borrowing facilities are arranged as necessary to finance projected requirements, including capital expenditure and acquisitions. Adequate headroom is maintained for general corporate purposes including working capital. Interest on the Group's shareholder loans is not immediately cash settled.

Financial review *continued*

Taxation policy

The Group has developed a taxation strategy that is reviewed by the Directors annually. The taxation strategy can be accessed from: www.voyagecare.com/about-voyage-care/legal-information/

The key drivers to the overall effective tax rate are: the change in tax rate on the recognition of deferred tax assets and liabilities from 17% to 19%, as a result of the Finance Bill 2020; and secondly movements on deferred tax on properties that have been historically revalued on consolidation.

The key drivers to the current tax rate are: interest deductions restricted on shareholder debt under the UK's corporate interest restriction regime; and depreciation and amortisation in excess of capital allowances.

Corporate Social Responsibility

Stakeholder engagement and section 172(1) statement

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long term; the interests of the company's employees; the need to foster the company's business relationships with suppliers, customers and others; the impact of the company's operations on the community and the environment; the desirability of the company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the company.

The Directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are the Group's employees, the people we support and their families, Local Authorities and CCGs that commission the care that we provide, our suppliers, the industry regulators, those that live in the societies that we provide care in and HMRC. The Board recognises that building strong relationships with our stakeholders will help us to deliver our strategy in line with our long-term values and operate the business in a sustainable way.

Wates Corporate Governance Principles for Large Private Companies

The Group are committed to abide by the laws and regulations of every jurisdiction in which we operate. For the year ended 31 March 2020, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has formally decided not to apply the Wates Corporate Governance Principles for Large Private Companies.

The Directors are aware of the Wates Principles and believe that the Company's existing corporate Governance code, including compliance with all aspects of Walker Guidelines for Disclosure and Transparency in Private Equity, substantially meets the requirements of the regulations and have set out within the Strategic Report and Directors Report the application of existing principles over the past year throughout the company's dealings.

Corporate Social Responsibility continued

Employees

The key to the Group's success is the skills and capabilities of the people we employ and it is recognised that engaged employees provide better outcomes for the people we support.
The Group's human resources department works closely with the Group's employees to foster consultation in all matters, ensure fair pay for all and facilitate flexible working where feasible. The Group's policies ensure any discrimination will not be tolerated, either directly or indirectly, in recruitment or employment. We demonstrate the Group's commitment by promoting equal opportunities for current and potential employees, promoting an environment free from discrimination, bullying, harassment and challenging behaviour and providing support and encouragement to the Group's employees to develop their careers and increase their contribution to Voyage Care.

To enhance engagement with staff at all levels, a People Strategy has been developed to execute over the next three years. The initial phase of reviewing existing policies and processes in Recruitment, Reward and Recognition, Employee Wellbeing, Induction and Onboarding is underway by conducting employee surveys with the intention of optimising engagement and employee retention.

The Group recognises the recruitment, training and retention of skilled employees is critical to its success. As a result we have continued to invest in training, £2.5 million in the year ended 31 March 2020 (2019: £2.3 million), to ensure that employees are fully up-to-date in the best ways of providing care for those we support.

In addition, the Group has an in-house learning and development team which is dedicated to delivering courses on all relevant subjects, enabling the Group's employees to gain the necessary skill set, knowledge and confidence to achieve Voyage Care's high standards of care for the people we support. Furthermore, the company have a dedicated qualifications department that delivers professional development at all levels through the government apprenticeship schemes. The Group's education system is subject to Ofsted inspection and the last review achieved a 'Good' rating. Recruitment from first point of contact to employment, including Disclosure and Barring Service checks, is administered by the Group's bespoke system; employee turnover is closely monitored and exit interviews performed to identify underlying trends.

Voyage Care is committed to having a diverse workforce in terms of gender, background, experience and nationality at all levels within the organisation. We recognise that a diverse Senior Executive team is good for business and remain committed to having a diverse team in terms of gender as well as diversity and experience, background, skills and knowledge.

Corporate Social Responsibility continued

Employees continued

A summary of the gender diversity throughout the Group is as follows:

	2020			2019		
	Female	**Male**	**Total**	**Female**	**Male**	**Total**
Director	1	7	**8**	1	7	**8**
Senior Executive	8	6	**14**	8	7	**15**
Employee	8,324	2,465	**10,789**	7,726	2,500	**10,226**
Total	**8,333**	**2,478**	**10,811**	**7,735**	**2,514**	**10,249**

We are committed to the development of our people and ensuring gender equality by design. As at April 2019, Voyage Care's overall median gender pay gap was 1.2% (2018: 0.0%), with a mean figure of 4.9% (2018: 4.3%). The Group's most recent gender pay gap report can be accessed at: www.voyagecare.com/about-voyage-care/legal-information/

Social, community and human right issues

Voyage Care takes active steps that seek to integrate the people we support into the community and as a result they have developed strong bonds with their surrounding communities. The Group has direct involvement in a number of community based programmes such as fundraising. Employees are recruited locally and services use local shops for food and provisions rather than national suppliers directly delivering to the Group's services. This is both good for the community and good for the environment. These activities have helped improve the understanding in the community of what we do whilst further improving the Group's service reputation and strengthening relationships with Local Authorities.

During the COVID-19 pandemic the Group has taken the appropriate social distancing precautions to protect the people we support, our employees and members of the public. This includes the provision of personal protective equipment in accordance with national guidelines and undertaking risk assessments appropriate to specific care activities. Accordingly, day to day activities that help to integrate the people we support into the community have been curtailed and steps to reintroduce these activities are analysed by the Group's Quality department against the appropriate guidelines before proceeding.

Voyage Care has initiated a volunteering programme which allows the people we support to gain valuable work experience by assisting a number of teams within the Group's head office and by acting as quality checkers at our services. We are keen to encourage the people we support to gain skills, experience and knowledge to fulfil their potential and where possible to secure work opportunities and live as independent a life as they are able to.

The Group ensures business activities are conducted in such a way that we are not complicit in the abuse of fundamental human rights. These principles are reflected in all that we do and are essential to the practices of an ethical company. Voyage Care is committed to supporting human rights through compliance with laws and regulations in all aspects and geographies of the Group's operations.

Corporate Social Responsibility *continued*

Environmental

Voyage Care recognise that businesses have a critical role to play in the transition to a low-carbon future and that the Group has an opportunity to be a leader in the field. Accordingly, the Group has set an objective of becoming carbon positive by 2025. During the year, the Group formed an Environment and Sustainability Committee, chaired by the Group's CEO, consisting of employees and people we support, with the objective of continuing to identify opportunities to reduce the Group's environmental impact, whilst contributing to the delivery of the Group's overall strategy.

In accordance with streamlined energy and carbon reporting requirements, during the year ended 31 March 2020, the Group's energy usage was as follows:

	2020	
	Global tonnes of CO_2e	MwH
Combustion of fuel and operation of facilities (Scope 1)	6,785	34,098
Electricity, heat, steam and cooling purchased for own use (Scope 2)	2,129	8,329
Business travel where the Group is responsible for purchasing fuel (Scope 3)	1,160	3,594
Total	**10,074**	**46,021**
Emissions intensity (Scope 1 and 2) per employee (tCO_2e/number of employees)	**0.85**	

Some of the initiatives that the Group has deployed to achieve its commitment of being carbon positive by 2025 are:

- All electricity is now provided from renewable sources;
- Electric vehicles are being introduced in to the service vehicle and company car fleet;
- Encouraging the reduction, reuse of or recycling of waste created at our services; and
- Independent assessment of current energy usage and developing strategy to reduce this usage.

The Group's energy consumption calculations are based on GHG Protocol Accounting and Reporting Standard (revised edition).

Anti-corruption and anti-bribery matters

We operate a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships and implementing and enforcing effective systems to counter bribery. We have an anti-bribery and corruption policy to inform of responsibilities throughout the organisation and is in a mandatory read format for all employees.

Uncertainties facing the business

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 of the regulations.

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 was heard in February 2020 and a ruling is expected in the Summer of 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 (2019: £16m) should continue to be disclosed in line with the prior year.

Future prospects

The Group's philosophy places the people in our care at the heart of what we do - we recognise that our reputation and success are based upon their happiness and wellbeing and that the quality of care we provide is paramount.

Over the coming years, we anticipate growing demand for high quality care services which meet the needs of those who require support, care managers and families as the population of people requiring support continues to grow.

The Directors consider the annual report and financial statements to comply with all aspects of the Walker Guidelines for Disclosure and Transparency in Private Equity.

By order of the Board

A Cannon
Director

Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP
9 July 2020

The Directors present their annual report and the audited financial statements for the year ended 31 March 2020.

In accordance with section 414C(11) of the Companies Act, information that is required to be contained in the Directors' Report has been included in the Strategic Report, specifically in respect of the future prospects of the business.

Principal activities

The principal activity of the Company is to act as a holding company. The principal activity of the Group is the provision of high quality care and support services for people with learning disabilities, brain injuries and other complex needs.

Results and dividends

The results for the year are set out in detail on page 31.

The Directors do not recommend the payment of a dividend (2019: £Nil).

Going concern

Notwithstanding the net liabilities of £99m at the 31 March 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The Group, of which the Company is a member, is funded through a combination of Shareholders' Funds, Unsecured Shareholders Loans, Senior Secured Notes, Second Lien Notes and cash generated through operating profits. These comprised £215 million of 5.875% Senior Secured Notes and £35 million of 10% Second Lien Notes, due in 2023, and a Revolving Credit Facility of £45.0 million, due 2023, of which £45.0 million was drawn at 31 March 2020. 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 an appropriate time. The Investor and Management Fixed Rate Unsecured Loan Notes are payable at the earlier of an exit or September 2024.

The Directors have prepared a 5-year budget from April 2020, together with detailed 'worse case' cash flow forecasts through to 31 March 2022, which reflect severe but plausible downsides. This indicates that, the group will have sufficient funds to meet its liabilities as they fall due for that period. Whilst the UK's economic outlook resulting from the global COVID-19 pandemic remains uncertain, the Directors have considered the impact to the Group by conducting extensive scenario analysis on the Group's profitability, the availability of cash to meet liabilities as they fall due and its compliance with the debt covenant. Additionally, the Directors continue to assess the ability to refinance in each scenario.

Taking the above into consideration, the impact of the contingent liability set out in Note 31 and the principal risks identified on page 5 the Directors believe that there are no material uncertainties to the Group's ability to operate as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business. Therefore it is 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.

Financial risk management

Refer to the Strategic Report for details of the Group's financial risk management policies and procedures.

Employee involvement

The Group has formal employee policies and procedures which are regularly reviewed and updated on matters of direct concern to employees.

The Group offers an Employee Assistance Programme to enable staff to seek support on work, home and life issues to allow the Group to offer improved support to staff working in challenging environments.

Disabled persons

Full and fair consideration is given to applications for employment from disabled persons and to continuing the employment of those who become disabled while employed. The policy is to give equal opportunity for training, career development and promotion.

Streamlined energy and carbon reporting

In accordance with streamlined energy and carbon reporting requirements, the Group's energy usage has been reported in the Strategic Report on page 19.

Private equity investors

The Group was established in 1988 to provide long-term care for people with learning disabilities as a result of the UK Government's introduction of its ''Care in the Community'' policy, aimed at moving people with learning disabilities from long-term institutions, especially hospitals, into care facilities that replicate a normal domestic dwelling. In September 2001, Duke Street, a private equity firm, acquired the business. In April 2006, the Group was acquired by HgCapital and SL Capital Partners and in November 2007, the business was rebranded under the Voyage Care name. Most recently, in August 2014, the Group were acquired by investment funds managed by Partners Group and Duke Street.

Partners Group is a global private markets investment manager, serving over 850 institutional investors worldwide. Partners Group has approximately USD 94 billion in assets under management across four asset classes - Private Equity, Private Real Estate, Private Debt and Private Infrastructure. Partners Group is listed on the SIX Swiss Exchange and had a market capitalisation of CHF23.7 billion as of 31 December 2019. It employs more than 1,400 professionals across 20 offices worldwide. In Private Equity, Partners Group manages assets of USD 45 billion and has on behalf of its clients directly invested in more than 240 companies since inception. The investment focus in Private Equity is on platform companies in fragmented markets, niche businesses with potential to gain market share in sub-segments of industries experiencing tailwinds and franchise companies with strong defensive capabilities and high cash flow generation. Partners Group pursues a diversified and global relative value approach across sectors, geographies and industries.

Private equity investors *continued*

Duke Street has an investment strategy based on supporting the long-term growth of portfolio companies through investment and operational improvement initiatives. The Group was previously owned by Duke Street from 2001 to 2006. Duke Street has invested in mature, mid-market West European businesses for over 25 years and has a long and successful track record of investing in the healthcare sector.

The Company is ultimately majority-owned by investment funds which are managed by Duke Street LLP and Partners Group AG. As the Company is jointly controlled by Duke Street LLP and Partners Group AG, the Directors do not consider there to be an ultimate controlling party.

"The staff here are great and can't do enough for you and are always around if you need to talk about anything that's worrying you."
CQC report for Chard Manor, rated Outstanding

Directors

The Directors that served during the year were:

Andrew Cannon
Shaun Parker

The Directors benefited from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

Committees of the Board

The Board has established a Quality, Safety and Risk Committee, an Audit Committee, a Remuneration Committee and an Investment Committee. The membership, purpose and responsibilities of each committee are summarised below:

Quality, Safety and Risk Committee

Voyage Care's purpose is to deliver great quality care and support, and we are privileged to support over 3,400 adults and children, enabling them to live the life they want to lead and achieve their personal goals. We are proud of the quality of the care and support we provide; Voyage Care has more services rated Good and Outstanding (or equivalent) by the regulators than any other adult social care provider. However, as a learning organisation we recognise there are always opportunities to improve further.

The Quality, Safety and Risk Committee (QSR) provides independent challenge and review which drives quality improvements and the performance of best practice throughout the organisation. The QSR uses appropriate metrics about how Voyage Care is fulfilling its purpose and aims to continually improve feedback loops and delivery. In addition, the QSR provides an independent review of

Committees of the Board *continued*

Quality, Safety and Risk Committee *continued*

serious care, support and clinical incidents to ensure that, in all cases referred to the Committee, compliance with the relevant standards and regulations has been achieved, or exceptions reported. The Committee will also support and advise the Group to help provide a safe and secure care, support and clinical environment in the services, so to maximise the prospects of successful outcomes for all people we support. The Quality, Safety and Risk Committee is chaired by Alan Rosenbach (a former senior officer at the CQC) and, in addition comprises the Chief Executive, together with the Chief Operating Officer and Quality Director.

The Group also continues to operate its own quality assurance function to ensure that quality standards are continually driven forward. This well established in-house team regularly reviews each service to ensure all statutory and national guideline obligations are met and ensure delivery of continually improving care and quality standards.

Audit Committee

The purpose of the Audit Committee is to review the financial statements and controls of the Group on behalf of the Board. The Committee is responsible for being assured that the principles and policies comply with statutory requirements and with the best practices in accounting standards. The Committee will also consult with the external auditors reviewing key risk areas, seeking to satisfy itself that the internal control and compliance environment is adequate and effective and recommending to the Board the appointment and level of remuneration of the external auditors.

The Audit Committee is chaired by the Group's non-executive chairman and, in addition comprises a representative of Partners Group and Duke Street, being Andrew Deakin and Stuart McMinnies respectively. The Chief Executive Officer and Chief Financial Officer attend meetings but are not members of the Audit Committee. The Group's Senior Statutory Auditor is also invited to Audit Committee meetings and on each occasion spends time with the Committee without executive management being present.

Remuneration Committee

The function of the Remuneration Committee is to provide oversight of the terms and conditions of senior employees on behalf of the Board. The Committee is responsible for making determinations on all matters concerning the remuneration of the senior managers, amending terms of the senior managers service contract and approving, if appropriate, all proposed appointments of new senior managers. The Remuneration Committee is chaired by the Group's non-executive chairman and, in addition comprises the Chief Executive Officer and a representative of Partners Group and Duke Street, being Remy Hauser and Stuart McMinnies respectively.

Investment Committee

The purpose of the Investment Committee is to review all significant investment proposals and according to their size and the judgement of the Committee, either to decide on whether they should be pursued or to make recommendations to the Board in that respect. The Committee is responsible for ensuring that the Board is informed on the status of proposals pending and

Committees of the Board *continued*

Investment Committee continued

approved, reviewing selected prior investments made to evaluate returns against those anticipated and annually reviewing investment strategy and considering the best use of funds against that strategy and the returns available. The Investment Committee is chaired by the Company's Chief Financial Officer and, in addition comprises the Group's non-executive chairman, Chief Executive Officer, Chief Operating Officer, Commercial Director and a representative of Partners Group and Duke Street, being Andrew Deakin and Stuart McMinnies respectively.

Statement of disclosures to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office.

By order of the Board

S Parker
Director

Wall Island
Birmingham Road
Lichfield
Staffordshire
WS14 0QP
9 July 2020

A relative told us, "They fully understand [person's] behaviour and allow them as much time as they need. It's the best care they've ever had. It's just so wonderful and lovely. I would rate it outstanding." CQC report for Redbank House, rated Outstanding

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Voyage BidCo Limited

Opinion

We have audited the financial statements of Voyage BidCo Limited ("the company") for the year ended 31 March 2020 which comprise the Consolidated Statement of Profit and Loss, Consolidated Statement of Other Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flow and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 27, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Ward

Stephen Ward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Date: 9 July 2020

Voyage BidCo Limited
Consolidated Statement of Profit and Loss
For the year ended 31 March 2020

	Notes	2020 Underlying £000	2020 Non-underlying items (2) £000	2020 Total £000	2019 Underlying £000	2019 Non-underlying items (2) £000	2019 Total £000
Continuing operations							
Revenue		267,006	-	267,006	249,798	-	249,798
Operating expenses	10	(237,530)	(3,781)	(241,311)	(225,508)	(1,765)	(227,273)
Adjusted EBITDA (1)		45,053	(1,601)	43,452	41,205	(1,319)	39,886
Depreciation and impairment of property, plant and equipment	10	(13,696)	(2,180)	(15,876)	(14,818)	(446)	(15,264)
Profit on disposal of assets	10	490	-	490	253	-	253
Amortisation of intangible assets	10	(2,371)	-	(2,371)	(2,350)	-	(2,350)
Operating profit		**29,476**	**(3,781)**	**25,695**	**24,290**	**(1,765)**	**22,525**
Finance income	11	139	-	139	77	-	77
Finance expense	12	(19,431)	-	(19,431)	(19,517)	-	(19,517)
Profit before taxation		**10,184**	**(3,781)**	**6,403**	**4,850**	**(1,765)**	**3,085**
Taxation	13	(2,045)	514	(1,531)	(1,218)	286	(932)
Profit for the year from continuing operations		**8,139**	**(3,267)**	**4,872**	**3,632**	**(1,479)**	**2,153**
Profit attributable to equity holders of the parent		**8,139**	**(3,267)**	**4,872**	**3,632**	**(1,479)**	**2,153**

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

(2) Further breakdown of non-underlying items analysed in note 6.

Voyage BidCo Limited
Consolidated Statement of Other Comprehensive Income
For the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Profit for the year		4,872	2,153
Items that will not be reclassified to profit and loss			
Remeasurements of the defined benefit liability	28	(2)	(1)
Deferred tax movement for the year	23	(14)	(128)
		(16)	(129)
Total comprehensive income attributable to equity holders of the parent for the financial year		**4,856**	**2,024**

Voyage BidCo Limited
Consolidated Statement of Financial Position
At 31 March 2020

	Notes	2020		2019	
		£000	£000	£000	£000
Non-current assets					
Goodwill	14	46,581		45,452	
Intangible assets	15	5,718		6,246	
Property, plant and equipment	16	358,771		383,959	
			411,070		**435,657**
Current assets					
Trade and other receivables	18	27,053		25,612	
Corporation tax receivable		-		590	
Cash and cash equivalents	19	80,139		18,686	
		107,192		44,888	
Assets classified as held for sale	20	1,038		2,802	
			108,230		**47,690**
Total assets			**519,300**		**483,347**
Current liabilities					
Loans and borrowings	21	48,892		25,663	
Trade and other payables	22	30,626		28,926	
Accruals and deferred income		24,136		18,355	
Corporation tax payable		503		-	
Provisions	24	267		548	
Other financial liabilities	26	-		1,140	
			104,424		**74,632**
Non-current liabilities					
Loans and borrowings	21	264,536		263,634	
Tax liabilities	23	10,942		10,945	
Provisions	24	962		490	
Employee benefits	28	217		283	
			276,657		**275,352**
Total liabilities			**381,081**		**349,984**
Net assets			**138,219**		**133,363**

Voyage BidCo Limited
Consolidated Statement of Financial Position continued
At 31 March 2020

	Notes	2020		2019	
		£000	£000	£000	£000
Equity					
Capital and reserves					
Issued share capital	25	-		-	
Share premium		252,872		252,872	
Retained earnings		(114,653)		(119,509)	
Total equity attributable to equity holders of the parent			**138,219**		**133,363**

These financial statements were approved by the Board of Directors on 9 July 2020 and were signed on its behalf by:

S Parker
Director

Company registered no. 05752534

Voyage BidCo Limited
Company Statement of Financial Position
At 31 March 2020

	Notes	2020 £000	2019 £000
Assets			
Non-current assets			
Investments	*17*	130,874	130,874
Total non-current assets		130,874	130,874
Current assets			
Trade and other receivables	*18*	459,298	440,085
Total current assets		459,298	440,085
Total assets		**590,172**	**570,959**
Liabilities			
Current liabilities			
Trade and other payables	*22*	617,776	572,781
Total current liabilities being total liabilities		617,776	572,781
Net liabilities		**(27,604)**	**(1,822)**
Equity			
Capital and reserves			
Called up share capital	*25*	-	-
Share premium		252,872	252,872
Profit and loss account		(280,476)	(254,694)
Equity shareholders' deficit		**(27,604)**	**(1,822)**

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own Statement of Profit and Loss and related notes that form part of these approved financial statements. The amount of loss after taxation for the financial year for the Company is £25,782,000 (2019: £52,212,000).

These financial statements were approved by the Board of Directors on 9 July 2020 and were signed on its behalf by:

S Parker
Director

Company registered number 05752534

Voyage BidCo Limited
Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

Group	**Issued share capital £000**	**Share premium £000**	**Retained earnings £000**	**Total parent equity £000**
At 1 April 2019	-	252,872	(119,509)	133,363
Total comprehensive income for the year				
Profit for the year	-	-	4,872	4,872
Other comprehensive income	-	-	(16)	(16)
Total comprehensive income for the year	-	-	4,856	4,856
At 31 March 2020	**-**	**252,872**	**(114,653)**	**138,219**

For the year ended 31 March 2019

Group	**Issued share capital £000**	**Share premium £000**	**Retained earnings £000**	**Total parent equity £000**
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 income for the year				
Profit for the year	-	-	2,153	2,153
Other comprehensive income	-	-	(129)	(129)
Total comprehensive income for the year	-	-	2,024	2,024
At 31 March 2019	**-**	**252,872**	**(119,509)**	**133,363**

Voyage BidCo Limited
Company Statement of Changes in Equity

For the year ended 31 March 2020

Company	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2019	-	252,872	(254,694)	(1,822)
Total comprehensive income for the year				
Loss for the year	-	-	(25,782)	(25,782)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the year	-	-	(25,782)	(25,782)
At 31 March 2020	**-**	**252,872**	**(280,476)**	**(27,604)**

For the year ended 31 March 2019

Company	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
At 1 April 2018	-	252,872	(202,482)	50,390
Total comprehensive income for the year				
Loss for the year	-	-	(52,212)	(52,212)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the year	-	-	(52,212)	(52,212)
At 31 March 2019	**-**	**252,872**	**(254,694)**	**(1,822)**

Voyage BidCo Limited
Consolidated Statement of Cash Flow
For the year ended 31 March 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Profit for the year	4,872	2,153
Adjustments for:		
Depreciation and impairment of property, plant and equipment	15,876	15,264
Profit on disposal of non-current assets	(490)	(253)
Amortisation of intangible assets	2,371	2,350
Finance income	(139)	(77)
Finance expense	19,431	19,517
Taxation	1,531	932
Movements in working capital:		
Decrease / (increase) in trade and other receivables	1,236	(4,177)
Increase in trade and other payables	1,161	2,120
Increase in accruals and deferred income	3,226	1,044
Increase / (decrease) in provisions and employee benefits	108	(52)
Cash generated from operating activities	49,183	38,821
Interest paid	(17,007)	(17,227)
Tax paid	(840)	(1,017)
Net cash generated from operating activities	31,336	20,577
Cash flows from investing activities		
Interest received	73	35
Payments to acquire property, plant and equipment	(12,032)	(22,544)
Payments to acquire intangible assets	(504)	(475)
Proceeds from sales of property, plant and equipment	27,565	2,417
Net cash outflow on acquisition of subsidiaries	(3,220)	(2,250)
Net cash inflow on acquisition of subsidiaries	5	-
Net cash generated from / (used in) investing activities	11,887	(22,817)
Cash flows from financing activities		
Proceeds from loans and borrowings	22,000	8,000
Property and vehicle lease payments	(3,770)	(3,998)
Net cash generated from financing activities	18,230	4,002
Net increase in cash and cash equivalents in the period	61,453	1,762
Cash and cash equivalents at the beginning of the period	18,686	16,924
Cash and cash equivalents at the end of the period	**80,139**	**18,686**

1 Reporting entity

Voyage BidCo Limited (the Company) is a company incorporated in England and Wales. 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 high quality care and support services for people with learning disabilities, brain injuries and other complex needs.

2 Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs).

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' and the Companies Act 2006.

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own Statement of Profit and Loss and related notes that form part of these approved financial statements. The amount of loss after taxation for the financial year for the Company is £25,782,000 (2019: £52,212,000).

The Group and Company 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.

Revenue and expenses arising on trading between group companies are eliminated on consolidation.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The Group, of which the Company is a member, is funded through a combination of Shareholders' Funds, Unsecured Shareholders Loans, Senior Secured Notes, Second Lien Notes and cash generated through operating profits. These comprised £215 million of 5.875% Senior Secured Notes and £35 million of 10% Second Lien Notes, due in 2023, and a Revolving Credit Facility of £45.0 million, due 2023, of which £45.0 million was drawn at 31 March 2020. 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 an appropriate time. The Investor and Management Fixed Rate Unsecured Loan Notes are payable at the earlier of an exit or September 2024.

2 Basis of preparation *continued*

Going concern *continued*

The Directors have prepared a 5-year budget from April 2020, together with detailed 'worse case' cash flow forecasts through to 31 March 2022, which reflect severe but plausible downsides. This indicates that, the group will have sufficient funds to meet its liabilities as they fall due for that period. Whilst the UK's economic outlook resulting from the global COVID-19 pandemic remains uncertain, the Directors have considered the impact to the Group by conducting extensive scenario analysis on the Group's profitability, the availability of cash to meet liabilities as they fall due and its compliance with the debt covenant. Additionally, the Directors continue to assess the ability to refinance in each scenario.

Taking the above into consideration, the impact of the contingent liability set out in Note 31 and the principal risks identified on page 5 the Directors believe that there are no material uncertainties to the Group's ability to operate as a going concern and to continue realising its assets and discharging its liabilities in the normal course of business. Therefore it is 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.

3 Accounting policies

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

Change in accounting policy

Following the IFRS Interpretations Committee Paper (29 April 2020) - Multiple Tax Consequences of Recovering an Asset (IAS 12 Income Taxes), the group has changed its accounting of deferred tax related to the fair value of property, plant and equipment.

Following the issue of further guidance concerning recognition of deferred tax on Corporate Interest Restriction dis-allowances, the group has changed its accounting policy to reflect the new accounting requirements. As the impact of these changes was not material to the financial statements, prior year comparatives have not been restated.

3 Accounting policies *continued*

Business combinations and goodwill

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

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

Any deferred consideration payable is recognised at fair value at the acquisition date and changes to fair value are recognised in the Statement of Profit and Loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the fair value of net identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment annually.

If the consideration is lower than the fair value of the net assets of the acquired subsidiary, the difference is recognised in Statement of Profit and Loss.

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

Intangible assets

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

Customer relationships	2 - 8 years
Non-compete	2 - 3 years
Brands	2 - 4 years

Purchased software that is not integral to the functionality of the related equipment is capitalised and amortised on a straight-line basis over its estimated useful life. The estimated useful life are as follows:

Computers not integral	3 years

3 Accounting policies *continued*

Non-current assets held for sale and discontinued operations

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

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

In the consolidated Statement of Profit and Loss for the year, and for the comparable period of the previous year, revenue and expenses for discontinued operations are reported separately from revenue and expenses from continuing operations, down to the level of profit / (loss) after taxes. There were no discontinued operations during the year (2019: £Nil).

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure incurred in bringing the asset into working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation is charged to the statement of profit and loss 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 integral	33%
Right-of-use assets	Duration of lease

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

3 Accounting policies *continued*

Impairment of goodwill and property, plant and equipment

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

Calculation of recoverable amount

The recoverable amount of property, plant and equipment is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating operating segment exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit and Loss unless it arises on previously revalued property, plant and equipment. An impairment loss on revalued property, plant and equipment is recognised in the Statement of Profit and Loss if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the Statement of Other Comprehensive Income until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating operating segments are allocated first to reduce the carrying amount of any goodwill allocated to income-generating operating segments, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the operating segment on a pro rata or more appropriate basis. An income generating operating segment is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or group of assets.

Provisions

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

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

3 Accounting policies *continued*

Non-derivative financial instruments

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

Trade and other receivables

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

Cash and cash equivalents

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

Interest-bearing borrowings

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

Trade and other payables

Trade and other payables are stated at cost.

Revenue

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

Non-underlying items

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

Operating 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.

The Group has elected not to recognise Right of Use assets and Lease Liabilities for low value leases and as a result the lease payments associated with these leases are recognised as an expense on a straight-line basis over the term of the lease.

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

3 Accounting policies *continued*

Financing income and expense

Interest income and interest payable is recognised in the consolidated Statement of Profit and Loss as it accrues, using the effective interest method.

Financing expenses comprise interest payable on Loan Notes and other third party borrowings and unwinding of the discount on provisions and lease liabilities. In addition, transaction costs that are directly attributable to the arrangement of borrowings are capitalised and recognised in the consolidated Statement of Profit and Loss using the effective interest method.

Taxation including deferred taxation

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

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

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

Government grants

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in the statement of profit and loss on a systematic basis over the periods in which the Group recognises the expenditure for which the grants are intended to compensate.

3 Accounting policies *continued*

Employee benefits

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

Defined contribution plans

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

Defined benefit

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

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

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

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

Investment in subsidiaries

Investments in subsidiaries are stated at fair value less provisions for impairment.

Segment reporting

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

FRS 101 disclosure exemptions

As the consolidated financial statements of the Group include the equivalent disclosures, the Company has taken the exemption under FRS 101 available in respect of the following disclosures:

- a cash flow statement;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of transactions with wholly owned subsidiaries.

3 Accounting policies *continued*

IFRS 16 *Leases*

A. Definition of a lease

The Group assesses whether a contract is or contains a lease based on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

B. As a lessee

As a lessee, the Group recognises right-of-use assets and lease liabilities for most leases. The Group has elected not to recognise right-of-use assets and lease liabilties for some leases of low-value (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

i. Significant accounting policies

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgements to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Adopted IFRS not yet applied

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

- IFRS 17 Insurance Contracts (effective date to be confirmed);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective date 1 January 2020);
- Amendments to IFRS 3: Definition of a Business (effective date to be confirmed);
- Amendments to IAS 1 and IAS 8: Definition of Material (effective date 1 January 2020); and
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective date to be confirmed).

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

4 Accounting estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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 key assumptions which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Impairment of goodwill

Determining whether goodwill is impaired requires judgement as to the determination of the CGUs and an estimation of the value in use of the cash generating units (CGUs) to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the CGUs, and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at 31 March 2020 was £46,581,000 (2019: £45,452,000) (see note 14).

Customer relationships, Non-compete agreements and Brands

Management assess each acquisition to identify intangible assets that were acquired as part of the transaction. The estimation of future economic benefits generated from acquired customer relationships, non-compete agreements and brands, and the determination of the related amortisation profile, involves a significant degree of judgement based on managements estimation of future revenue, profit, customer attrition rates, and the useful lives of the assets. Changes in the estimates made by management could result in a large, but not material, reclassification between intangible assets and goodwill. The valuation methods used to value each identifiable intangible asset is multiple excess earnings, estimated avoided loss on profits and relief royalty. The useful economic life estimate ranges from 2 to 8 years and annual reviews are performed to ensure the recoverability of the intangible assets (see note 15).

Impairment of trade receivables

Determining the extent of the impairment requires judgement as to whether certain trade debtors are deemed doubtful although not definitely irrecoverable. The Group presents trade receivable net of allowances for impairment. The Group measures allowances at an amount equal to the lifetime expected credit loss using both quantitative and qualitative information and analysis based on the Group's historical experience and forward looking information.

4 Accounting estimates and judgements *continued*

Assets held for sale

Determining whether an asset is classified as held for sale requires management to determine whether the conditions identified in '*IFRS 5 Non-current assets held for sale*' are met. Management believe a significant degree of judgement is required to determine whether the sale is highly probable and whether the sale will be completed within 12 months of the classification as held for sale. In addition, management are required to estimate the expected net realisable value of the assets held for sale. As at 31 March 2020, the assets classified as held for sale are £1,038,000 (2019: £2,802,000) (see note 20).

Dilapidations provision

Determining the extent of the provision requires an estimation of future lease & dilapidation costs and a discount rate in order to calculate the present value. The carrying amount of provision at 31 March 2020 was £1,229,000 (2019: £1,038,000) (see note 24).

Valuation of lease liabilities and right of use assets

The application of IFRS 16 requires management to make judgements that impact the valuation of lease liabilities and the valuation of right of use assets. The following critical judgements relating to leases have been considered:

- Assessing whether a contract is or contains a lease - At the inception of a contract, management determine whether the contract is or contains a lease. Management assess whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration;

- Discount rate - Determining the incremental borrowing rate requires management to consider how much the Group would have to pay to borrow over a similar term, with a similar security, and the funds necessary to obtain an asset of a similar value to the right of use asset in a similar environment; and

- Lease term - Determining the lease term requires management to consider all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

5 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 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.

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 (2019: £Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profits represents adjusted EBITDA earned by each segment without allocation of non-underlying items as well as finance costs which is in conjunction with the information reported to senior management.

	Segment results			
For the year ended 31 March 2020	**Registered**	**Community Based Care**	**Focused Healthcare**	**Group**
	£000	**£000**	**£000**	**£000**
Revenue	172,796	84,240	9,970	**267,006**
Adjusted EBITDA (before non-underlying items)	**33,756**	**8,775**	**2,522**	**45,053**
Non-underlying items				(1,601)
Adjusted EBITDA (after non-underlying items)				**43,452**
Depreciation and impairment of property, plant and equipment				(15,876)
Profit on disposal of assets				490
Amortisation of intangible assets				(2,371)
Net finance expense				(19,292)
Taxation				(1,531)
Profit for the period				**4,872**

5 Operating segments *continued*

For the year ended 31 March 2019	***Segment results*** **Registered**	**Community Based Care**	**Focused Healthcare**	**Group**
	£000	**£000**	**£000**	**£000**
Revenue	167,713	71,942	10,143	**249,798**
Adjusted EBITDA (before non-underlying items)	**32,458**	**6,248**	**2,499**	**41,205**
Non-underlying items				(1,319)
Adjusted EBITDA (after non-underlying items)				**39,886**
Depreciation and impairment of property, plant and equipment				(15,264)
Profit on disposal of assets				253
Amortisation of intangible assets				(2,350)
Net finance expense				(19,440)
Taxation				(932)
Profit for the period				**2,153**

6 Non-underlying items

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

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

		2020	**2019**
		£000	**£000**
Non-underlying items:	**Note**		
Restructuring costs	a	383	147
Integration and acquisition costs	b	72	155
Consultancy fees	c	185	106
Impairment of property, plant and equipment	d	2,180	446
Project costs	e	446	716
Day Care income	f	(138)	(287)
COVID-19 related expenditure	g	765	-
Issue of loan notes	h	(112)	482
Taxation impact of above items	i	(514)	(286)
		3,267	1,479

6 Non-underlying items *continued*

The key elements of the expenditure for both years is set out below:

(a) *Restructuring costs*

For the year ended 31 March 2020, the Group incurred remuneration costs of £383,000 in relation to restructuring its workforce (2019: £147,000).

(b) *Integration and acquisition costs*

For the year ended 31 March 2020, the Group incurred transaction costs of £72,000 in relation to the acquisition of Fox Elms Community Care Limited and its subsidiary (see note 29). For the year ended 31 March 2019, the Group incurred transaction costs of £155,000 in relation to the acquisition of three services in the North East of England.

(c) *Consultancy fees*

For the year ended 31 March 2020, the Group incurred costs of £185,000 in relation to professional advice and consultancy (2019: £106,000).

(d) *Impairment of property, plant and equipment*

For the year ended 31 March 2020, the Group recognised an impairment charge for certain property, plant and equipment due to the carrying amount of assets exceeding its recoverable amount. As a result an impairment charge of £2,180,000 was incurred. For the year ended 31 March 2019 the Group recognised an impairment of £958,000 and reversed certain impairment charges for specified property, plant and equipment as the recoverable amount exceeded its carrying value, as a result an impairment reversal of £512,000 was recognised (2020: £Nil).

(e) *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 function including the implementation of an operational ERP system, as a result fees of £446,000 were incurred (2019: £716,000).

(f) *Day Care income*

For the year ended 31 March 2020, the Group was in receipt of funds in relation to backdated VAT on its Day Care business of £138,000 (2019: £287,000).

(g) *COVID-19 related expenditure*

For the year ended 31 March 2020, the Group incurred additional costs of £765,000 in relation to dealing with the impact of the global pandemic caused by the COVID-19 outbreak (2019: £Nil).

(h) *Issue of loan notes*

During the year ended 31 March 2019, existing Investor and Management Fixed Rate Unsecured Loan Notes held by Voyage Care MidCo Limited and Voyage Care BidCo Limited, intermediate holding companies in the Voyage Care HoldCo Limited group, were reclassified and as a result the Group incurred professional fees of £482,000. During the year ended 31 March 2020, a release of an accrual in relation to the Loan Notes resulted in income of £112,000.

(i) *Taxation*

During the year ended 31 March 2020, a taxation credit of £514,000 arose as a result of certain non-underlying items stated in the above table (2019: £286,000).

7 Staff numbers

The average number of persons employed by the Group (including Directors) during the year were as follows:

	Number of employees 2020	2019
Administration	432	419
Care staff	10,375	9,830
	10,807	10,249

8 Directors' remuneration

Remuneration paid to the Directors in respect of their services to the Company and other member companies of the Group:

	2020 £000	2019 £000
Remuneration	666	639
Pension contributions	100	79
	766	718

The remuneration of the highest paid director was £366,000 (2019: £352,000) and pension contributions of £77,000 (2019: £60,000) were made to a money purchase scheme on their behalf.

One of the Directors active in the year accrued benefits under money purchase pension schemes (2019: three Directors).

9 Auditor's remuneration

	2020 £000	2019 £000
Audit of the Group financial statements	15	11
Audit of financial statements of subsidiaries	205	174
Audit related fees	220	185
Taxation compliance services	-	12
Other tax advisory services	7	118
Corporate finance services	-	-
Other services	2	6
Non-audit fees	9	136
Total audit and non-audit fees	229	321

10 Operating profit before taxation

	2020 £000	2019 £000
Operating profit before taxation is stated after charging:		
Continuing operations		
Direct expenses and consumables	7,865	7,662
Staff costs:		
Wages and salaries	171,184	157,944
Social security costs	11,336	10,658
Other pension costs	3,189	2,289
Operating lease rentals:		
Other lease rentals (see note 27)	561	536
Plant and machinery (see note 27)	320	487
Depreciation	13,696	14,818
Impairment of property, plant and equipment	2,180	446
(Profit) / loss on disposal of assets	(490)	(253)
Amortisation of intangible assets	2,371	2,350
Other external charges	29,237	30,623
Receipts in respect of VAT on the Group's Day Care activities (see note 6)	(138)	(287)
	241,311	227,273

11 Finance income

	2020 £000	2019 £000
Continuing operations		
Bank interest receivable	139	77

12 Finance expense

	2020 £000	2019 £000
Continuing operations		
Bank interest including RCF non-utilisation fees	869	1,123
Loan notes interest	17,567	17,470
Unwinding of discount on provisions	8	55
Unwinding of lease liabilities	822	827
Other finance costs	165	42
	19,431	19,517

Loan notes interest comprises interest on loan notes of £16,131,000 (2019: £16,131,000) and amortisation of issue costs and original issue discount on new and previous loan notes of £1,436,000 (2019: £1,339,000).

13 Taxation

Recognised in the Statement of Profit and Loss	**2020 £000**	**2019 £000**
Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the period	1,816	1,024
Adjustments in respect of previous periods	(14)	(62)
	1,802	962
Deferred tax:		
Origination and reversal of timing differences	(1,373)	(69)
Adjust opening deferred tax to average rate	(729)	-
Adjustments in respect of prior periods	1,831	39
	(271)	(30)
Tax on profit on ordinary activities	1,531	932

Recognised directly in the Statement of Other Comprehensive Income	**2020 £000**	**2019 £000**
Deferred tax recognised directly in other comprehensive income	14	128
	14	128

Factors affecting tax charge for period
The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2020 £000	**2019 £000**
Profit on ordinary activities before taxation	6,403	3,085
Current tax at 19% (2019: 19%)	1,217	586
Effects of:		
Income not taxable for tax purposes	(29)	-
Expenses not deductible for tax purposes	106	3,708
Fixed asset depreciation / impairment charges in excess of allowances	(1,603)	493
Transfer pricing adjustment	(15)	(15)
Group relief received at no cost	(1,589)	(3,544)
Adjustments in respect of prior periods	1,817	(23)
Adjust opening deferred tax to average rate	1,497	8
Deferred tax not recognised	130	(281)
Total tax charge (see above)	1,531	932

Factors that may affect future tax charges
A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. Further reduction to 18% (effective 1 April 2020) was also substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax asset/liability at 31 March 2020 has been calculated based on these rates.

14 Goodwill

	Goodwill £000
Cost	
At 1 April 2019	54,008
Acquisitions (see note 29)	1,129
At 31 March 2020	55,137
Accumulated impairment charge	
At 1 April 2019 and 31 March 2020	8,556
At 31 March 2020	46,581
At 31 March 2019 and 1 April 2019	45,452

On 2 July 2019, the Group acquired 100% of the issued share capital of Fox Elms Community Care Limited and its one subsidiary. The principal activities of the company and its subsidiary are to provide similar high quality services to that of the Voyage Care Group with the aim to further increase Voyage's presence in the market place. Goodwill of £1,129,000 has been capitalised in relation to the acquisition (see note 29).

The Group review goodwill for impairment on an annual basis or more frequently if there are indications that goodwill might be impaired.

A goodwill impairment charge of £Nil occurred during the year ended 31 March 2020 (2019: £Nil).

Impairment testing
Goodwill acquired in a business combination is allocated to cash generating units (CGUs) that are expected to benefit from that business combination.

Goodwill has been allocated to three identifiable CGUs, Registered services, Community Based Care services and Focused Healthcare. The CGUs to which goodwill is allocated are presented below:

	Goodwill	
	2020 £000	2019 £000
Registered	17,460	17,460
Community Based Care	17,655	16,526
Focused Healthcare	11,466	11,466
	46,581	45,452

The recoverable amount was determined by the greater of net realisable value and value in use. In assessing value in use, the expected future cash flows were discounted to their present value using a pre-tax discount rate of 7.98% for the Registered CGU, 8.83% for the Community Based Care CGU and 9.95% for the Focused Healthcare CGU (2019: 8.18%, 8.93% and 10.18% respectively). The pre-tax discount rates reflect current market assessments of the rate of return expected on equally risky investments.

14 Goodwill *continued*

Key assumptions for the value in use calculations are those regarding level of occupancy, weekly fees, volume of chargeable hours, costs, discount rates, growth rates and period on which forecasts are based. The cash flow projections were based on financial budgets approved by the Board of Directors for the forthcoming year and management's forecasts for up to five years which are based on assumptions of the business, industry and economic growth. A terminal value is placed on the value of the annual cash flows in year five.

Registered

The recoverable amount of this CGU was based on value in use using the assumptions stated above and a terminal growth rate of 1.50% (2019: 1.00%). The recoverable amount of £441.4 million (2019: £417.5 million) exceeded its carrying amount by approximately £98.9 million (2019: £83.6 million) and no impairment was required (2019: no impairment).

Community Based Care

The recoverable amount of this CGU was based on value in use using the assumptions stated above and a terminal growth rate of 2.00% (2019: 2.50%). The recoverable amount of £182.8 million (2019: £82.8 million) exceeded its carrying amount by approximately £154.2 million (2019: £33.2 million) and no impairment was required (2019: no impairment).

Focused Healthcare

The recoverable amount of this CGU was based on value in use using the assumptions stated above and a terminal growth rate of 2.00% (2019: 3.00%). The recoverable amount of £45.1 million (2019: £70.6 million) exceeded its carrying amount by approximately £31.5 million (2019: £54.0 million) and no impairment was required (2019: no impairment).

Sensitivities

Whilst the impairment testing did not give rise to an impairment, management note that the calculations are sensitive to certain assumptions. The below table sets out each assumption and states the increase in percentage points each assumption requires before the carrying amount equals its recoverable.

Changes required for carrying amount to equal recoverable amount (percentage points movement):

	2020	**2019**
Registered		
Discount rate	+2.01%	+1.88%
Budgeted revenue growth per year	(3.29%)	(3.13%)
Budgeted staff costs per year	+5.48%	+5.51%
Community Based Care		
Discount rate	+33.95%	+5.24%
Budgeted revenue growth per year	(11.19%)	(2.83%)
Budgeted staff costs per year	+14.43%	+3.51%
Focused Healthcare		
Discount rate	+18.61%	+22.05%
Budgeted revenue growth per year	(23.23%)	(31.17%)
Budgeted staff costs per year	+36.75%	+53.02%

Management are confident that the assumptions used for assessing goodwill are appropriate at the time of the review but acknowledge it is possible circumstances may change in the future.

15 Intangible assets

	Software costs	Customer relationships	Non-compete agreements	Brands	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2018	1,613	9,527	1,117	300	12,557
Acquisitions	-	161	-	-	161
Additions	475	-	-	-	475
Disposals	-	-	-	-	-
At 31 March 2019	2,088	9,688	1,117	300	13,193
At 1 April 2019	2,088	9,688	1,117	300	13,193
Acquisition (see note 29)	-	1,122	201	18	1,341
Additions	520	-	-	-	520
Disposals	(588)	-	-	-	(588)
At 31 March 2020	2,020	10,810	1,318	318	14,466
Amortisation					
At 1 April 2018	1,376	2,491	662	68	4,597
Provided during the year	181	1,774	327	68	2,350
On disposals	-	-	-	-	-
At 31 March 2019	1,557	4,265	989	136	6,947
At 1 April 2019	1,557	4,265	989	136	6,947
Provided during the year	294	1,823	178	76	2,371
Amortisation on disposal	(570)	-	-	-	(570)
At 31 March 2020	1,281	6,088	1,167	212	8,748
Net book value					
At 31 March 2020	739	4,722	151	106	5,718
At 31 March 2019 and 1 April 2019	531	5,423	128	164	6,246
At 1 April 2018	237	7,036	455	232	7,960

On 2 July 2019, the Group acquired 100% of the issued share capital of Fox Elms Community Care Limited and its one subsidiary. The principal activities of the company and its subsidiary is to provide similar high quality services to that of the Voyage Care Group with the aim to further increase Voyage's presence in the market place. Intangible assets of £1,341,000 have been capitalised in relation to the acquisition (see note 29).

Intangible assets have been calculated on the basis of multiple excess earnings, estimated avoided loss of profits and relief royalty. The amortisation charge is recognised in the Statement of Profit and Loss.

16 Property, plant and equipment

	Freehold land and buildings £000	Fixtures, fittings and equipment £000	Motor vehicles £000	Right-of-use asset £000	Total £000
Cost					
At 31 March 2018	388,923	82,123	8,741	-	479,787
Adjustment on initial application of IFRS 16	-	-	-	16,234	16,234
Adjusted balance as at 1 April 2018	388,923	82,123	8,741	16,234	496,021
Acquisitions	900	-	-	-	900
Additions	12,383	8,033	1,434	4,229	26,079
Transfer from assets held for sale	53	-	-	-	53
Assets classified as held for sale	(4,674)	-	-	-	(4,674)
Disposals	(1,583)	(1,760)	(731)	-	(4,074)
At 31 March 2019	396,002	88,396	9,444	20,463	514,305
At 1 April 2019	396,002	88,396	9,444	20,463	514,305
Acquisitions (see note 29)	6	12	2	-	20
Additions	1,907	10,835	768	5,677	19,187
Assets classified as held for sale	(5,945)	-	-	-	(5,945)
Disposals	(29,602)	(7,574)	(2,372)	(1,113)	(40,661)
At 31 March 2020	362,368	91,669	7,842	25,027	486,906
Depreciation and impairment					
At 1 April 2018	55,485	59,971	5,178	-	120,634
Charge for the year	1,332	8,429	1,768	3,289	14,818
Impairment	746	-	-	-	746
Assets classified as held for sale	(3,080)	-	-	-	(3,080)
Depreciation on disposals	(615)	(1,556)	(601)	-	(2,772)
At 31 March 2019	53,868	66,844	6,345	3,289	130,346
At 1 April 2019	53,868	66,844	6,345	3,289	130,346
Charge for the year	1,142	7,841	1,499	3,214	13,696
Impairment	1,723	-	-	457	2,180
Assets classified as held for sale	(2,885)	-	-	-	(2,885)
Depreciation on disposals	(5,982)	(5,983)	(2,221)	(1,016)	(15,202)
At 31 March 2020	47,866	68,702	5,623	5,944	128,135
Net book value					
At 31 March 2020	314,502	22,967	2,219	19,083	358,771
At 31 March 2019	342,134	21,552	3,099	17,174	383,959
At 1 April 2018 (adjustment on initial application of IFRS 16)	335,055	15,279	2,396	12,945	365,675
At 31 March 2018	333,438	22,152	3,563	-	359,153

16 Property, plant and equipment *continued*

An impairment charge of £1,723,000 relates to eight freehold properties of which two meet the definition of an asset held for sale and have been transferred to assets held for sale and six were disposed in the period (2019: impairment charge of £746,000 relating to one freehold property which was identified for disposal but did not meet the criteria for transfer to assets held for sale). Freehold property identified as requiring impairment during the year has been written down to its respective net realisable value.

An impairment charge of £457,000 relates to one right of use asset which was written down to its respective net realisable value (2019: £Nil).

Included within freehold land and buildings is freehold land totalling £64,721,000 (2019: £70,175,000) which is not depreciated and costs of £3,856,000 (2019: £7,695,000) in respect of properties in the course of being converted into care homes which are not depreciated until the properties in question are brought into use.

During the year, the Group disposed of 40 properties from the freehold property portfolio of the Community Based Care business with a net book value of £28.4 million. The disposal generated proceeds of £25.9 million without impacting the quality of care provided for the lives of the people we support.

The properties reported in the above table are subject to a registered debenture that forms security related to the Group's loans and borrowings.

17 Investments

Company	**Investments in subsidiary undertakings £000**
As at 31 March 2019	130,874
Impairment charge	-
As at 31 March 2020	130,874

The recoverable amount of the Group was based on value in use using the assumptions stated in note 14. The carrying amount of the Company was determined to be lower than the recoverable amount and as a result no impairment charge was recognised (2019: impairment of £42.7 million). The impairment charge in 2019 was fully allocated against investments.

17 Investments *continued*

The subsidiary undertakings of the Company, all of which are registered in Great Britain, are summarised as follows:

Subsidiary	**Nature of business**	**Country of incorporation**	**Holding**	**Proportion held %**
Voyage Healthcare Group Limited	Intermediate holding company	England	Ordinary	100
Voyage Care Limited *	Intermediate holding company	England	Ordinary	100
Voyage 1 Limited *	Community care	England	Ordinary	100
Voyage 2 Unlimited *	Community care	England	Ordinary	100
Voyage Limited *	Community care	England	Ordinary	100
Voyage Specialist Healthcare Limited *	Community care	England	Ordinary	100
Voyage Care BondCo PLC *	Investment company	England	Ordinary	100
Solor Care (South West) Limited *	Community care	England	Ordinary	100
Solor Care London Limited *	Community care	England	Ordinary	100
Solor Care South East (2) Limited *	Community care	England	Ordinary	100
Solor Care West Midlands Limited *	Community care	England	Ordinary	100
Solor Care Holdings (2) Limited *	Intermediate holding company	England	Ordinary	100
Solor Care Limited *	Community care	England	Ordinary	100
Solor Care South East Limited *	Community care	England	Ordinary	100
Solor Care Holdings (3) Limited *	Intermediate holding company	England	Ordinary	100
Solor Care Group Limited *	Community care	England	Ordinary	100
Evesleigh (East Sussex) Limited *	Community care	England	Ordinary	100
Evesleigh Care Homes Limited *	Community care	England	Ordinary	100
Primary Care UK Limited *	Community care	England	Ordinary	100
Skills for Living Limited *	Community care	England	Ordinary	100
Redcliffe House Limited *	Community care	England	Ordinary	100
The Cedars (Mansfield) Limited *	Community care	England	Ordinary	100
Focused Healthcare Limited *	Community care	England	Ordinary	100
Fox Elms Community Care Limited *	Intermediate holding company	England	Ordinary	100
Fox Elms Care Limited *	Community care	England	Ordinary	100

* Held by a subsidiary undertaking

The registered address of the Company and its subsidiary undertakings stated above is Wall Island, Birmingham Road, Lichfield, Staffordshire, WS14 0QP.

18 Trade and other receivables

	2020		2019	
	Group	**Company**	**Group**	**Company**
	£000	**£000**	**£000**	**£000**
Trade receivables	23,859	-	24,816	-
Impairment of receivables	(1,761)	-	(1,926)	-
Trade receivables (net)	22,098	-	22,890	-
Other receivables	3,169	-	645	-
Prepayments	842	45	1,127	-
Intercompany receivables	944	459,253	950	440,085
	27,053	459,298	25,612	440,085

Intercompany receivables have no fixed repayment date, but are classified as short term loans.

Credit risk exposures in relation to customers is limited given that the majority of the Group's revenue is attributable to publicly funded local purchasers. The Group has no significant concentrations of credit risk, with the exposure spread over a large number of Local Authorities and CCGs.

The Group presents trade receivables net of allowances for impairment. The Group measures allowances at an amount equal to the lifetime expected credit loss using both quantitative and qualitative information and analysis based on the Group's historical experience and forward looking information. During the year there was a credit to the consolidated Income Statement of £165,000 (2019: £607,000).

The Group has £302,000 (2019: £1,851,000) trade receivables that are past due but not impaired. This balance is deemed recoverable as it primarily relates to publicly funded local purchasers as mentioned above for whom the Group have strong relations and there is no history of default.

The ageing analysis of these receivables is as follows:

	2020	2019
	£000	**£000**
Between 91 - 120 days	57	712
Between 121 - 150 days	15	313
Greater than 150 days	230	826
	302	1,851

Movement in the provision for impaired receivables:

	2020	2019
	£000	**£000**
At 1 April	(1,926)	(2,533)
Decrease in provision for impaired receivables	165	607
At 31 March	(1,761)	(1,926)

19 Cash and cash equivalents

	2020 £000	2019 £000
Cash and cash in hand	79,761	17,324
Cash held on behalf of people we support	219	171
Other restricted cash	159	1,191
	80,139	18,686

Cash and cash equivalents includes cash held on behalf of people we support. All interest earned on these funds is returned back to the people we support and are not included in the Statement of Profit and Loss. An equivalent liability of £219,000 (2019: £171,000) exists for this amount and is included in note 22.

20 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 31 March 2020, the assets classified as held for sale are £1,038,000 (2019: £2,802,000).

21 Loans and borrowings

	2020 £000	2019 £000
Obligations under finance lease and hire purchase contracts	-	-
Bank loans	45,000	23,000
Loan notes	244,748	243,312
Lease liability	23,680	22,985
	313,428	289,297

Loan notes include unamortised issue costs and original issue discount of £5,252,000 (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 £244,748,000 (2019: £243,312,000).

As at 31 March 2020 there was accrued interest of £6,721,000 (2019: £6,721,000) included within accruals disclosed within current liabilities in the Statement of Financial Position but excluded from this note.

21 Loans and borrowings *continued*

Total debt can be analysed as falling due:

	2020 £000	2019 £000
In one year or less	48,892	25,663
Between one and five years	254,596	251,982
After five years	9,940	11,652
	313,428	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. The Notes are listed on the Channel Island Stock Exchange. In addition, the Group is party to a £45 million Revolving Credit Facility.

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	5.875%	May-23
Second Lien Notes	GBP	35,000	10.00%	Nov-23
Revolving Credit Facility				
Utilised	GBP	45,000	LIBOR +3.25%	Feb-23
Non utilised	GBP	-	1.1%	Feb-23

22 Trade and other payables

	2020		2019	
	Group £000	Company £000	Group £000	Company £000
Trade payables	8,003	-	7,470	-
Other taxes and social security costs	5,987	-	5,475	-
Other payables	14,361	-	13,753	-
Amounts due to related parties	2,056	617,776	2,057	572,781
Client money payable (see note 19)	219	-	171	-
	30,626	617,776	28,926	572,781

Amounts due to related parties have no fixed repayment date, but are classified as short term loans.

The Group has policies in place to ensure all payables are paid within the agreed credit terms.

23 Deferred tax assets and liabilities

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019: 17%).

Group
Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	2,723	2,241	(21,583)	(16,207)	(18,860)	(13,966)
Intangible assets	220	212	(946)	(971)	(726)	(759)
Employee benefits	41	48	-	-	41	48
Un-utilised losses	3,784	3,502	-	-	3,784	3,502
Other	4,914	230	(95)	-	4,819	230
Deferred tax assets / (liabilities)	11,682	6,233	(22,624)	(17,178)	(10,942)	(10,945)
Offset of tax	(11,682)	(6,233)	11,682	6,233	-	-
Net deferred tax liabilities	-	-	(10,942)	(10,945)	(10,942)	(10,945)

Movements in deferred tax during the year:

		Recognised in:			
	At 1 April 2019	**Profit and loss**	**Changes in OCI**	**Acquisition of subsidiaries**	**At 31 March 2020**
	£000	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	(13,966)	(4,880)	(14)	-	(18,860)
Intangible assets	(759)	287	-	(254)	(726)
Employee benefits	48	(7)	-	-	41
Un-utilised losses	3,502	282	-	-	3,784
Other	230	4,589	-	-	4,819
Deferred tax liabilities	(10,945)	271	(14)	(254)	(10,942)

Movements in deferred tax during the prior year:

		Recognised in:			
	At 1 April 2018	**Profit and loss**	**Changes in OCI**	**Acquisition of subsidiaries**	**At 31 March 2019**
	£000	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	(13,757)	(81)	(128)	-	(13,966)
Intangible assets	(1,071)	339	-	(27)	(759)
Employee benefits	59	(11)	-	-	48
Un-utilised losses	3,687	(185)	-	-	3,502
Other	262	(32)	-	-	230
Deferred tax liabilities	(10,820)	30	(128)	(27)	(10,945)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where management believe it is probable that these assets will be recovered.

Deferred tax assets totalling £806,977 (2019: £826,348) have not been recognised as it is improbable that sufficient taxable profits will arise in the related entities against which the assets can be utilised.

24 Provisions

Group	**2020 £000**	**2019 £000**
Current dilapidations	267	548
Non-current dilapidations	962	490
Dilapidations	1,229	1,038

The movement in provisions were:	**Dilapidations £000**
At 1 April 2019	1,038
Amounts recognised / (reversed) during the year	204
Provision used during the year	(10)
Discount rate change	(11)
Unwinding of discounted amount (see note 12)	8
At 31 March 2020	1,229

The Group's onerous leases and dilapidations provision are determined by discounting expected cash outflows at a pre-tax rate that reflects current market assessments of the time value of money. As at 31 March 2020, a pre-tax discount rate of 1.75% was applied which is equal to the Government's risk free rate (2019: 1.50%). The provisions recognised will unwind over the term of each lease.

25 Share capital

Group and Company	**2020 £000**	**2019 £000**
Allotted, called up and fully paid:		
4 ordinary shares of £1.00 each	-	-
	-	-

The ordinary shares entitle the holders to vote at general meetings of the Company, and to receive by way of dividend any profits of the Company available for distribution. On winding up of the Company the balance of assets, subject to special rights attached to any other class of shares, will be distributed among the ordinary shareholders.

26 Financial instruments

The fair values of all assets and liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount				**Fair value**
	Financial Liabilities at FV	**Loans and receivables**	**Other financial assets**	**Total**	**Total**
For the year ended 31 March 2020	**£000**	**£000**	**£000**	**£000**	**£000**
Financial assets measured at fair value					
Contingent consideration	-	-	-	-	-
Trade and other receivables	-	26,211	-	26,211	26,211
Cash and cash equivalents	-	80,139	-	80,139	80,139
	-	106,350	-	106,350	106,350
Financial liabilities measured at fair value					
Deferred consideration	-	-	-	-	-
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	-	-	210,562	210,562	199,322
Second Lien Loan Notes	-	-	34,186	34,186	29,750
Revolving Credit Facility	-	-	45,000	45,000	45,000
Trade and other payables	-	-	30,626	30,626	30,626
Lease liabilities	-	-	23,680	23,680	23,680
	-	-	344,054	344,054	328,378
For the year ended 31 March 2019					
Financial assets 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

Loan notes include unamortised issue costs and original issue discount of £5,252,000 (2019: £6,688,000).

26 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 31 March 2020

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

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

During the year, deferred consideration relating to the acquisition of Focused Healthcare Limited was fully settled.

27 Commitments

The Group had commitments under non-cancellable operating leases as follows:

	2020		2019	
	Land and buildings	Other assets	Land and buildings	Other assets
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	5	3	32	32
Between two and five years	-	-	-	-
Five years	-	-	-	-
	5	3	32	32

During the year £881,000 was recognised as an expense in the Statement of Profit and Loss in respect of operating leases (2019: £1,023,000).

28 Pension schemes

The Group contributes to a number of pension schemes for its employees. Details of these schemes are as follows:

The Group contributes on a defined contribution basis to the Peoples Pension under Auto-enrolment, a Group Personal Pension Plan and personal pension plans for certain managers.

The Group contributes to the National Health Service pension scheme and a Local Government Scheme for certain employees, whereby the Group is required to make contributions into these schemes at a percentage, as notified by the NHS pension scheme administrator and Local Government Scheme administrator, of the relevant employees' salary. The assets and liabilities of these pension schemes are managed independently of the Group. Employer contribution rates are 14.4% and 19% of pensionable salaries respectively. The Group have no ongoing liabilities in relation to these schemes.

The Group also participates in a group funded defined benefit scheme, the Voyage Retirement Benefit Scheme, for past employees. Contributions into this scheme are made in accordance with the advice of the Royal London Group, independent actuaries. The latest triennial actuarial valuation was performed on 1 April 2017 using the projected unit method. The principal assumptions adopted in the valuation were that the discount factor would be 2.3% per annum compound and the real rate of investment over salary growth would be 0.00% per annum compound. At the date of the latest triennial actuarial valuation at 1 April 2017, the market value of the assets of the scheme was £1,407,000 and the actuarial value of the assets was sufficient to cover 78% of the benefits that had accrued to members, after allowing for expected future increase in earnings.

The Defined Contribution pension cost for the Group in 2020 was £3,189,000 (2019: £2,289,000). An amount of £941,000 (2019: £821,000) is included in accruals which represents the excess accumulated pension cost over the payment of contributions to the various Defined Contribution schemes.

28 Pension schemes *continued*

IAS 19 valuation

The pension valuation for the Voyage Retirement Benefit Scheme at 1 April 2017 has been updated by the actuary on an IAS 19 basis as at 31 March 2020. The scheme has no active members (2019: one) and 14 deferreds (2019: 14). The major assumptions used in this valuation were:

	2020	**2019**
	%	**%**
Rate of increase in salaries	0.0	0.0
Rate of increase in pensions in payment	2.9	3.2
Discount rate	2.3	2.4
Inflation assumption	2.9	3.2

The assumptions relating to longevity underlying the pension liabilities at the Statement of Financial Position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 19.3 years (male), 21.5 years (female).

Future retiree upon reaching 65: 20.6 years (male), 22.9 years (female).

The assumptions used by the actuary are the best estimate chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets / (liabilities)

The fair value of the scheme's assets / (liabilities), which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 31 March 2020	**Value at 31 March 2019**
	£000	**£000**
Fair value of plan assets		
Fair value of plan assets	1,889	2,154
Present value of scheme liabilities	(1,720)	(1,985)
Net defined benefit asset	169	169
Effect of asset ceiling / minimum funding requirement	(386)	(452)
Net recognised defined benefit liability	**(217)**	**(283)**

28 Pension schemes *continued*

Movements in present value of defined benefit obligation:	**2020 £000**	**2019 £000**
At 1 April	1,985	1,132
Current service cost	-	3
Interest expense	27	27
Remeasurement arising from:		
Financial	(17)	-
Demographic	(45)	(6)
Experience	(230)	891
Benefits paid	-	(62)
At 31 March	1,720	1,985

Movements in fair value of plan assets:	**2020 £000**	**2019 £000**
At 1 April	2,154	1,206
Interest income	31	29
Actual return on plan assets, excluding interest income	(371)	903
Contributions:		
By employer	75	78
By members	-	-
Benefits paid	-	(62)
At 31 March	1,889	2,154

Analysis of amounts recognised in the Statement of Profit and Loss:	**2020 £000**	**2019 £000**
Current service cost	-	3
Interest on present value of defined benefit obligation	27	27
Interest on fair value of plan assets	(31)	(29)
	(4)	1

Analysis of amounts recognised in Other Comprehensive Income:	**2020 £000**	**2019 £000**
Remeasurement of defined benefit obligation	(292)	885
Return on plan assets, excluding amounts included in net interest	371	(903)
Change in effect of the asset ceiling, excluding amounts included in net interest	(77)	19
	2	1

History of plans
The history of the plans for the current and prior periods is as follows:

Statement of Financial Position	**2020 £000**	**2019 £000**	**2018 £000**	**2017 £000**	**2016 £000**
Present value of scheme liabilities	(1,720)	(1,985)	(1,132)	(1,259)	(982)
Fair value of scheme assets	1,889	2,154	1,206	1,407	1,133
Surplus / (deficit)	169	169	74	148	151

The Company expects to contribute approximately £75,000 (2019: £78,000) to its defined benefit plans in the next financial year.

29 Fox Elms acquisition

On 2 July 2019, the Group acquired 100% of the issued share capital of Fox Elms Community Care Limited and its one subsidiary. The principal activities of the company and its subsidiary is to provide similar high quality services to that of the Voyage Care Group with the aim to further increase Voyage's presence in the market place.

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**
Property, plant and equipment	20	-	20
Trade and other receivables	844	-	844
Directors loan account	3,702	-	3,702
Cash in hand, bank	5	-	5
Deferred tax	(254)	-	(254)
Trade and other payables	(61)	-	(61)
Accruals and deferred income	(193)	-	(193)
Corporation tax	(131)	-	(131)
Net assets	3,932	-	**3,932**
Brands			18
Non-compete agreement			201
Customer relationships			1,122
Goodwill			1,129
			6,402
Satisfied by:			
Cash			2,246
Settlement of directors loan accounts and other outstanding balances			4,156
Total cost of acquisition			**6,402**

The acquisition cost comprises cash consideration of £2,246,000, of which £400,000 related to deferred consideration which was fully settled prior to 31 March 2020.

From acquisition on 2 July 2019 to 31 March 2020 the business contributed revenue of £2,185,000 and a profit after tax of £456,000. The revenue and profit after tax is reported within the Group's results for the year ended 31 March 2020. If acquired on 1 April 2019 the business contributions to revenue for the year to 31 March 2020 would have been £2,919,000 and a profit after tax of £609,000.

The Group incurred acquisition costs of £72,000 which have been expensed as a non-underlying item in the Statement of Profit and Loss.

30 Related party transactions

As permitted by IAS 24 "Related party disclosures", the Company has taken advantage of the exemption for wholly owned subsidiaries not to disclose related party transactions with Group entities.

During the year, the following transactions took place between the Group and its other related parties:

- Consultancy fees of £150,000 (2019: £192,000) were paid and £150,000 (2019: £Nil) was accrued and expenses of £Nil (2019: £62,000) were paid to Duke Street LLP.
- Consultancy fees of £300,000 (2019: £192,000) were accrued and expenses of £Nil (2019: £Nil) were paid to Partners Group AG.
- Voyage 1 Limited made an Advance of £295,888 (2019: £295,888) to Viking Investments LP, the Advance bears a rate of interest of 10% and interest of £46,654 (2019: £42,066) was recognised during the year. As at 31 March 2020, the amount due was £499,902 (2019: £453,637); the Advance is repayable on demand at any time together with accrued interest.
- Partners Group AG is the parent company of Chambertin (Holdings) Limited and its subsidiaries. Civica UK Limited, a subsidiary of Chambertin (Holdings) Limited supplied software solutions including licence fees to the Voyage Care Group; fees of £504,000 were paid and £121,000 was outstanding as at 31 March 2020 (2019: £268,000 and £Nil respectively).
- Duke Street LLP is a Member of PEPCO Services LLP. PEPCO Services LLP supplied services and consultancy to the Voyage Care Group; fees of £424,000 were paid and £1,000 was outstanding as at 31 March 2020 (2019: £Nil and £Nil respectively).

31 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 of the regulations.

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 and a ruling expected in the Summer of 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 £16 million (2019: £16 million) should continue to be disclosed in line with the prior year.

32 Controlling party

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

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

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

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