Voyage BidCo Limited

Q3 2019

Results for the three month period ended 31 December 2018

<u>Erratum</u>
This report has been updated and re-issued to correct an allocation error in Note 3 Operating Segments on schedule F9. This allocation does not impact the overall result of the Group.

Original issue date: February 26th 2019
Re-issue date: March 7th 2019

Voyage Care BondCo PLC

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

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

Table of contents

	Page
Executive summary	2
Company overview	3
Presentation of financial and other information	4
Management's discussion and analysis of financial condition and results of operations	6
Liquidity and capital resources	11
Key business divisions	15
Property analysis	16
Condensed consolidated financial statements (unaudited)	F
Voyage BidCo Limited (three and nine month periods ended 31 December 2018)	F1

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

Executive Summary

Financial highlights

The table below summarises financial information (unaudited) for the three months ended 31 December 2018:

£ million	**Q3 2019**	**Q3 2018**
Revenue	63.4	59.0
EBITDA	9.8	9.2
Operating profit	6.2	5.4
Profit for the period	0.5	(0.1)
Operating cash flow	7.8	7.2

Commentary on results

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

Performance during Q3 2019 vs. Q3 2018

- Revenue increased 7.4% to £63.4 million primarily due to growth in both our registered and community based care businesses.
- EBITDA increased 6.5% to £9.8 million primarily due to growth in our registered care homes business, partially offset by increases in staff costs as a result of the impact of National Minimum Wage.
- CQC quality scores remain very high with 95% of services achieving a Good or Outstanding rating.
- Registered average occupancy was 93.6% compared to 92.0% in Q3 2018.
- Community based care average weekly care hours increased by 8,900 hours to 86,600

Recent developments

- Sleep-in payment reduction implemented on 1st February as planned. Estimated annual impact of £2.5m to £3.0m. Specific wage increases introduced 1st February in challenging recruitment markets to improve staff attraction and retention and reduce agency usage.
- Court of Appeal ruled in favour of Royal Mencap on 13th July 2018. Supreme Court on 13th February permitted an appeal against last year's court ruling.
- Our legal advice regarding the Court of Appeal ruling being overturned by the Supreme Court is that it is unlikely. Nonetheless, given inter alia that the Appeal is now to be heard, the Board has decided that it is appropriate at this stage to make a contingent liability disclosure.
- We continue to grow our supported living capacity in conjunction with 3rd party property investors and registered social landlords.

Company Overview

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

- We supported 3,396 people as at 31 December 2018, comprising 1,944 through our registered care home division and a further 1,452 through our growing community based care service division.

- The typical person we support in each of our divisions is between the ages of 18 and 65 and has high dependency needs. Our registered care home division typically provides at least two support staff members for every three individuals. This level of support is reflected in our average weekly fee of £1,687 per person for the twelve months ended 31 December 2018. Our community based care services division, as at 31 December 2018, delivered approximately 87,000 hours of care per week. The provision of support averaged approximately 60 hours per week per person at an average hourly rate of £17.29 for the last twelve months ended 31 December 2018.

- Our 'person centred' approach to care ensures that we deliver quality, bespoke care packages tailored to the complex, high acuity care needs of the people we support. Quality scores remains high, with 95% 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 10,500 staff, we strive to meet the requirements of each person we support and develop bespoke care packages tailored to their needs.

Our services

Our focus on quality of care services is core to all of our operations. The learning disability sector in which we operate is both highly regulated and fragmented. We are one of the few larger providers operating exclusively in this sector and specialising in providing care support for people with complex, high acuity support needs.

Our business is aligned into two divisions based on the type of setting in which care is provided; our registered care home division where the home is directly registered with CQC, and our community based care services division where the community based care office is registered with the CQC and the care and support we provide is in the persons own home. Our business divisions complement the regulatory and delivery models of our services and provide flexibility to suit the needs of the people we care for. Our divisions are as follows:

- ***Registered care home***

  We provide care to individuals in our 270 registered homes as at 31 December 2018. We hold the freehold interest in 230 of our registered homes and 4 of our registered homes are held on a long leasehold basis (each with a lease period of over 35 years remaining), collectively representing 87% of our registered homes by number of beds. At 31 December 2018 we had 2,072 beds in our registered properties with an average of 8 beds per property, providing a personal environment.

- ***Community based care services***

  Our community based care services division operates out of 37 registered Domiciliary Care Agencies (DCA) as at 31 December 2018. Typically the people we support in our community based care services division live in individual or communal accommodation provided by government agencies or registered social landlords that are registered with the Homes and Communities Agency.

Presentation of financial and other information

Financial data

This Quarterly Report includes the condensed consolidated financial information (unaudited) of Voyage BidCo Limited and its subsidiaries for the three and nine month periods ended 31 December 2018 (‘Q3 2019’ and ‘YTD 2019’) and 31 December 2017 (‘Q3 2018’ and ‘YTD 2018’), and the financial year ending 31st March 2018 (‘FYE 2018’), prepared in accordance with IFRS, and accompanying notes.

Other financial measures

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

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

We believe that EBITDA, EBITDAR and Unit EBITDA are relevant measures for assessing our performance because they are adjusted for certain items which, we believe, are not indicative of our underlying operating performance, and thus aid in an understanding of profitability.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. We believe that EBITDAR is a common measure in our industry because it allows comparability across the sector for operations regardless of whether a business leases or owns its properties.

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

Other data

Available beds

Our results of operations are impacted by the number of beds at certain locations as bed capacity determines the maximum number of people that can be cared for in our registered care home division at any given time. Numbers of beds is presented in this Quarterly Report as at the end of the relevant period unless otherwise stated.

Occupancy

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

Occupancy rates

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

Community based care services

Our results of operations are impacted by the number of people supported in our community based care services division at any given time. The number of people supported in our community based care services division is presented in this Quarterly Report as at the end of the relevant period unless otherwise stated.

Fee rates

Fee rates depend on the service that is being provided and the funder that is paying for the care package and is dependent on the nature of the pricing agreement in place. The fee rates for our registered care home division refer to the average weekly fees in a given period. The fee rates for our community based care services division refer to average hourly rates charged to a funder per carer in a given period.

Adjustments

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

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

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

Key factors affecting our results of operations

Revenue

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

Registered available beds and community based care placements

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

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

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FYE 2018
Registered	2,074	2,048	2,048	2,076	2,056
Community based Care	1,565	1,417	1,512	1,281	1,353
Total	**3,639**	**3,465**	**3,560**	**3,357**	**3,409**

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:

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FYE 2018
Registered	93.6%	92.0%	93.2%	91.2%	91.4%

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 December		
			2018	2017	FYE 2018
Registered	£wk	£wk	1,687	1,624	1,643
Community based Care	£hr	£hr	17.29	15.91	16.47

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 April 2018);
- increases in national insurance rates;
- increases in wage rates for staff in other service industries (with which we compete for staff);
- legislation governing employee pensions, in particular legislation governing the automatic enrolment of employees into a workplace pension, also impacts on our staff costs as we are required to contribute to pension schemes for qualifying employees; and
- bonus schemes, being annual and other schemes operating at any one time.

		Q3 2019	Q3 2018	YTD 2019	YTD 2018
Staff Costs *	£m	43.1	39.3	127.1	112.4
% Revenue		68.0%	66.6%	68.3%	66.2%
% Operating costs **		80.4%	78.9%	80.1%	78.5%

		Q3 2019	Q3 2018	YTD 2019	YTD 2018
Staff Costs (excluding central overheads) *	£m	39.3	35.5	115.9	102.4
% Revenue		62.0%	60.2%	62.2%	60.3%
% Operating costs **		73.3%	71.3%	73.0%	71.8%

* *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	Q3 2019	Q3 2018	% Change	YTD 2019	YTD 2018	% Change
Revenue	**63.4**	**59.0**	**7.4%**	**186.2**	**169.6**	**9.8%**
Staff costs	(43.1)	(39.3)	(9.7%)	(127.1)	(112.4)	(13.1%)
Agency Costs	(2.1)	(2.2)	4.5%	(6.3)	(6.3)	(0.0%)
Direct expenses & consumables	(2.0)	(1.8)	(11.1%)	(5.8)	(5.6)	(3.6%)
Property lease rentals	(1.0)	(1.0)	(0.0%)	(3.1)	(2.8)	(10.7%)
Other lease rentals	(0.2)	(0.2)	(0.0%)	(0.5)	(0.9)	44.4%
Other external charges	(5.2)	(5.3)	1.9%	(15.9)	(14.4)	(10.4%)
EBITDA	**9.8**	**9.2**	**6.5%**	**27.5**	**27.1**	**1.5%**
Non-underlying items	(0.4)	(0.2)	nm	(0.3)	0.4	nm
EBITDA after non-underlying items	9.4	9.0	4.4%	27.2	27.5	(1.1%)
Depreciation & impairment of property, plant and equipment	(2.9)	(3.1)	6.5%	(8.7)	(8.7)	(0.0%)
Profit on disposal of non-current assets	0.3	(0.0)	nm	0.5	0.0	nm
Amortisation of intangible assets	(0.6)	(0.4)	(50.0%)	(1.7)	(1.0)	(70.0%)
Operating profit	**6.2**	**5.4**	**14.8%**	**17.2**	**17.8**	**(3.4%)**
Finance income	0.0	0.0	nm	0.1	0.0	nm
Finance expense	(4.7)	(4.7)	(0.0%)	(14.1)	(23.5)	40.0%
Profit/(Loss) before taxation	**1.5**	**0.8**	**87.5%**	**3.2**	**(5.7)**	**nm**
Taxation	(1.0)	(0.9)	(11.1%)	(2.5)	(1.3)	nm
Profit/(Loss) for the period	**0.5**	**(0.1)**	**nm**	**0.7**	**(7.0)**	**nm**
Other financial metrics						
Staff costs (excluding central overheads)	39.3	35.5	(10.7%)	115.9	102.3	(13.3%)
Overhead expenses & bonus	5.3	5.2	(1.9%)	16.0	14.0	(14.3%)
Unit EBITDA	15.1	14.4	4.9%	43.5	41.0	6.1%
Unit EBITDA margin %	23.8%	24.4%	(0.6%)	23.4%	24.2%	(0.8%)
EBITDA margin %	15.5%	15.6%	(0.1%)	14.8%	16.0%	(1.2%)
EBITDAR	10.8	10.1	6.9%	30.6	29.9	2.3%
EBITDAR margin %	17.0%	17.1%	(0.1%)	16.4%	17.6%	(1.2%)
EBITDAR after non-underlying items	10.4	10.0	4.0%	30.3	30.3	0.0%
EBITDAR after non-underlying items margin %	16.4%	16.9%	(0.5%)	16.3%	17.9%	(1.6%)

* Amounts stated above are unaudited.

Revenue

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

- For Q3 2019 revenue increased by £4.4 million, or 7.5% to £63.4 million from £59.0 million for Q3 2018, primarily due to like for like growth in the business (£3.3 million or 5.6%), and fee increases (£1.1 million or 1.9%).

- For YTD 2019 revenue increased by £16.6 million, or 9.8% to £186.2 million from £169.6 million for YTD 2018, primarily due to like for like growth in the business (£10.4 million or 5.4%), the purchase of Focused Healthcare (£4.2 million or 2.5%) and fee increases (£2.0 million or 1.2%).

Staff costs

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

- Staff costs (excluding overheads) for Q3 2019 increased by £3.8 million, or 10.7% to £39.3 million (which represented 62.0% of revenue) from £35.5 million (which represented 60.2% of revenue) for Q3 2018, primarily due to staff required to support the growth in our business (£2.4 million or 6.1%) and increases in staff costs as a result of National Minimum Wage increase (£1.4 million or 3.6%).

- Staff costs (excluding overheads) for YTD 2019 increased by £13.5 million, or 13.2% to £115.9 million (which represented 62.3% of revenue) from £102.4 million (which represented 60.3% of revenue) for YTD 2018, primarily due to staff required to support the growth in our business (£6.8 million or 6.6%), the purchase of Focused Healthcare (£2.5 million or 2.4%) and increases in staff costs as a result of National Minimum Wage increases (£4.2 million or 4.1%).

Direct expenses and consumables

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

- For Q3 2019 direct expenses and consumables increased by £0.2 million, or 11.1% to £2.0 million when compared to Q3 2018.

- For YTD 2019 direct expenses and consumables increased by £0.2 million, or 3.6% to £5.8 million from £5.6 million for YTD 2018.

Property lease rentals

Property lease rentals consist primarily of leases on registered care homes and community based care services. At 31 December 2018, we had 65 short-term leases, consisting of 36 registered care homes, 22 registered community care offices and 7 registered community care offices. In addition, 4 of our registered care homes were held on a long leasehold basis (each with a lease period of over 35 years remaining). At 31 December 2018, 14.8% of our registered care homes were held under operating leases.

- For Q3 2019 property lease rentals remained constant at £1.0 million when compared to Q3 2018.

- For YTD 2019 property lease rentals increased by £0.3million, or 10.7% to £3.1 million from £2.8 million for YTD 2018.

Other lease rentals

Other lease rentals consist primarily of motor vehicle leases. We currently lease approximately 150 vehicles, which are primarily used to transport the people we support.

- For Q3 2019 other lease rentals remained constant at £0.2 million when compared to Q3 2018.

- For YTD 2019 other lease rentals decreased by £0.4 million, or 44.4%, to £0.5 million from £0.9 million for YTD 2018, due to purchasing fleet vehicles.

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.

- For Q3 2019 other external charges decreased by £0.1 million, or 1.9%, to £5.2 million from £5.3 million for Q3 2018.

- For YTD 2019 other external charges increased by £1.5 million, or 10.4%, to £15.9 million from £14.4 million for YTD 2018, primarily due to investment in IT and professional fees (£1.2 million) and short term vehicle leases (£0.2 million).

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.

- For Q3 2019 EBITDA increased by £0.6 million, or 6.5% to £9.8 million from £9.2 million for Q3 2018. 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 increased spend on professional fees.

- For YTD 2019 EBITDA increased by £0.4 million, or 1.5% to £27.5 million from £27.1 million for YTD 2018. This increase is due to the extra contribution generated from the growth in our business, the purchase of Focused Healthcare along with fee increases, partially offset by increases in staff costs as a result of certain inflationary pay rises, National Minimum Wage, and increased spend on professional fees.

Non-underlying items

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

- For Q3 2019 non-underlying items were £0.4 million (Q3 2018: £0.2 million outflow). Non-underlying items for Q3 2018 primarily related to project costs, restructuring costs and legal fees, partially offset by receipts in respect to backdated VAT on our Day Care business.

- For YTD 2019 non-underlying items were £0.3 million (YTD 2018: £0.4 million inflow). Non-underlying items for YTD 2019 and 2018 primarily related to project costs, restructuring costs and legal fees partially offset by receipts in respect to backdated VAT on our Day Care business.

EBITDA after non-underlying items

- For Q3 2019 EBITDA after non-underlying items increased by £0.4 million, or 4.4% to £9.4 million from £9.0 million for Q3 2018.

- For YTD 2019 EBITDA after non-underlying items decreased by £0.3 million, or 1.1% to £27.2 million from £27.5 million for YTD 2018.

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.

- For Q3 2019 depreciation and impairment of property plant and equipment decreased by £0.2 million when compared to Q3 2018.

- For YTD 2019 depreciation and impairment of property plant and equipment remained constant at £8.7 million when compared to YTD 2018.

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.

- For Q3 2019 the profit on the disposal of non-current assets was £0.3 million (Q3 2018: £Nil).

- For YTD 2019 the profit on the disposal of non-current assets was £0.5 million (YTD 2018: £Nil).

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.

- For Q3 2019 amortisation of intangible assets increased by £0.2 million to £0.6 million from £0.4 million when compared to Q3 2018, this is in relation to the purchase of Focused Healthcare.

- For YTD 2019 amortisation of intangible assets increased by £0.7 million to £1.7 million from £1.0 million when compared to YTD 2018, this is in relation to the purchase of Focused Healthcare.

Operating (loss) / profit

Operating (loss) / profit consists of earnings before interest and taxation.

- For Q3 2019 operating profit increased by £0.8 million to £6.2 million from £5.4 million for Q3 2018.

- For YTD 2019 operating profit reduced by £0.6 million to £17.2 million from £17.8 million for YTD 2018.

Finance income

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

- For Q3 2019 interest receivable and other income remained constant at £Nil when compared to Q3 2018.

- For YTD 2019 interest receivable and other income increased by £0.1 million from £0.0 million when compared to YTD 2018.

Finance expenses

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

- For Q3 2019 interest payable and similar charges on bank loans remained constant at £4.7 million when compared to Q3 2018.

- For YTD 2019 interest payable and similar charges on bank loans reduced by £9.4 million to £14.1 million primarily due to one off costs of £8.8 million in relation to the refinancing transaction completed in May 2017, and lower interest payments as a result of the refinancing transaction.

Profit/Loss before taxation

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

- For Q3 2019 profit before taxation increased by £0.7 million to £1.5 million profit from a profit of £0.8 million for Q3 2018, the increase is primarily due to an increase in EBITDA.

- For YTD 2019 profit before taxation increased by £8.9 million to £3.2 million profit from a loss of £5.7 million for YTD 2018, the increase is primarily due to the refinancing activity costs in Q1 2018.

Taxation

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

- For Q3 2019 a taxation charge of £1.0 million was recognised compared to taxation charge of £0.9 million for Q3 2018.

- For YTD 2019 a taxation charge of £2.5 million was recognised compared to taxation charge of £1.3 million for YTD 2018.

Profit/Loss for the period

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

- For Q3 2019 the profit for the period increased by £0.6 million to £0.5 million from a loss of £0.1 million for Q3 2018. This increase is primarily due to the increased EBITDA for the period, partially offset by the increased taxation charge.

- For YTD 2019 the profit for the period increased by £7.6 million to £0.7 million from a loss of £6.9 million for YTD 2018. This increase is primarily due to the refinancing activity costs in Q1 2018.

Liquidity and capital resources

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

At 31 December 2018 and 31 December 2017, our cash balances were £10.0 million and £15.7 million, respectively.

Net bank debt as at 31 December 2018 was £266.0 million, comprising £250.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £24.5 million borrowing under the Revolving Credit Facility and £10.0 million of cash. Within the £10.0 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 £20.5 million in the RCF of £45m.

Net bank debt as at 31 December 2017 was £258.1 million, comprising £250.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £22.5 million of borrowings under the Revolving Credit Facility and £15.7 million of cash. Within the £15.7 million cash balance is £1.3 million of restricted cash which is excluded from cash for the purposes of calculating the net debt.

Consolidated statement of cash flow

£ million	**Q3 2019**	**Q3 2018**	**% Change**	**YTD 2019**	**YTD 2018**	**% Change**
EBITDA	9.8	9.2	6.5%	27.5	27.1	1.5%
Maintenance capex	(2.0)	(2.0)	0.0%	(5.8)	(5.6)	3.6%
Operating cash flow	**7.8**	**7.2**	**8.3%**	**21.8**	**21.4**	**1.9%**
Cash conversion %	*79.3%*	*78.1%*	*1.2%*	*79.1%*	*79.2%*	*(0.1%)*
Non-underlying items (1)	(0.4)	(0.1)	nm	(0.3)	0.7	Nm
Working capital	(1.1)	(2.3)	(52.2%)	(7.5)	(5.9)	27.1%
Capital expenditure (2)	(8.1)	(2.5)	nm	(10.9)	(5.0)	Nm
Interest	(8.4)	(7.9)	6.3%	(16.9)	(13.9)	(21.6%)
Taxation	(0.4)	(0.4)	0.0%	(0.4)	(0.2)	Nm
FCF before acquisitions and financing	**(10.6)**	**(6.1)**	**73.8%**	**(14.0)**	**(2.9)**	**Nm**
Acquisition (3)	0.3	0.0	nm	(2.1)	(17.8)	88.2%
Acquisition integration costs	0.0	0.0	nm	0.0	(0.3)	Nm
Acquisition capex	0.0	0.0	nm	0.0	0.0	nm
FCF before financing	**(10.3)**	**(6.1)**	**68.9%**	**(16.5)**	**(21.0)**	**(21.4%)**
Net cash flow used in financing activities	13.3	5.5	nm	9.5	15.7	39.5%
Movement in cash for the period	**3.0**	**(0.6)**	**nm**	**(7.0)**	**(5.3)**	**32.1%**
Opening cash and cash equivalents	7.0	16.4	(57.3%)	16.9	21.0	19.5%
Closing cash and cash equivalents	**10.0**	**15.7**	**(36.3%)**	**10.0**	**15.7**	**(36.3%)**
Other financial metrics						
Development capex (£m)	9.2	1.8	nm	11.7	3.9	nm
Maintenance capex, excluding IT spend (£m)	1.8	1.4	25.9%	5.0	4.0	(24.8%)
Maintenance capex, excluding IT spend (% revenue)	2.8%	2.4%	0.4%	2.7%	2.3%	0.3%
Maintenance capex, excluding IT spend (£k pa per registered bed)	3.6	3.0	22.2%	3.5	2.8	(23.3%)

* Amounts stated above are unaudited.

(1) Excludes cash flows in relation to acquisition integration costs

(2) Net of disposal proceeds and includes development capital expenditure and capital expenditure with respect to supporting our head office function. Excludes cash flows in relation to acquisition capital expenditure

(3) Includes net overdraft acquired with subsidiaries

Operating cash flow

- For Q3 2019 our operating cash flow increased by £0.6 million, or 8.3% to £7.8 million from £7.2 million for Q3 2018. The increase is primarily due to a £0.6 million increase in EBITDA.
- For YTD 2019 our operating cash flow increased by £0.3 million, or 1.9% to £21.8 million from £21.4 million for YTD 2018. The increase is primarily due to a £0.4 million increase in EBITDA.

Non-underlying items

- For Q3 2019 non-underlying items increased by £0.3 million to an outflow of £0.4 million from an outflow of £0.1 million when compared with Q3 2018, the increase is primarily due to a reduction in the VAT receipted on our day-care services.
- For YTD 2019 non-underlying items decreased by £1.0 million to an outflow of £0.3 million from an inflow of £0.7 million when compared with YTD 2018, the reduction is primarily due to a reduction in the VAT receipted on our day-care services.

Working capital

- For Q3 2019 our working capital outflow decreased by £1.2 million to £1.1 million from an outflow of £2.3 million for Q3 2018.
- For YTD 2019 our working capital outflow increased by £1.6 million to £7.5 million from an outflow of £5.9 million for YTD 2018.

Capital expenditure

- For Q3 2019 our capital expenditure increased by £5.5 million to £8.1 million from £2.6 million for Q3 2018, primarily due to the freehold purchase of the Hindhead site.
- For YTD 2019 our capital expenditure increased by £5.7 million to £10.9 million from £5.2 million for YTD 2018, primarily due to the freehold purchase of the Hindhead site.

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

Interest

- For Q3 2019 our interest payable increased by £0.5 million from £7.9 million when compared to Q3 2018.
- For YTD 2019 our interest payable increased by £3.0 million to £16.9 million from £13.9 million when compared to YTD 2018 due to change in timing of interest payments and draw downs on the RCF facility.

Taxation

- For Q3 2019 we paid £0.4 in relation to corporation tax payments made on account for the financial year 31 March 2018 (Q3 2018: £0.4 million outflow).
- For YTD 2019 we paid £0.4 million in relation to corporation tax payments made on account for the financial year 31 March 2018 (YTD 2018: £0.2 million outflow).

Acquisition

- For Q3 2019 there was £0.3 million inflow on acquisitions (Q3 2018: £Nil).
- For YTD 2019 there was £2.1 million outflow on acquisitions, this relates to purchasing three registered services in the North of England, Project Regal (YTD 2018: £17.8 million for Focused Healthcare).

Acquisition Integration

- For Q3 2019 there was £Nil outlay on acquisition integration (Q3 2018: £Nil).
- For YTD 2019 there was £Nil outlay on acquisition integration (YTD 2018: £0.3 million for Focused Healthcare).

Net cash flow used in financing activities

- For Q3 2019 our net cash flow used in financing activities was £13.3 million inflow compared to a £5.5 million inflow for Q3 2018 due to draw down on the RCF facility.
- For YTD 2019 our net cash flow used in financing activities was £9.5 million inflow compared to a £15.7 million inflow for YTD 2018 due to draw downs on the RCF facility.

Consolidated statement of financial position

£m	**31st December 2019**	**31st December 2018**	**Variance %**
Non-Current Assets	420.8	416.3	1.1%
Current Assets			
Trade and Other Receivables, Prepayments	27.5	21.8	26.1%
Cash at bank and in hand	10.0	15.7	(36.7%)
Assets classified as held for sale	0.9	0.9	(0.3%)
Total Assets	**459.1**	**454.7**	**(1.0%)**
Non-current liabilities			
Loan Notes	243.0	241.8	(0.5%)
Tax Liabilities	10.7	11.6	8.0%
Accruals and Deferred Income	3.8	3.3	(15.2%)
Provisions for liabilities and charges	3.4	2.7	(23.9%)
Current Liabilities	67.0	62.3	(7.5%)
Equity	131.3	133.0	1.3%
Total Equity and Liabilities	**459.1**	**454.7**	**(1.0%)**

** Receivables in December 2018 include £1.0 million of intercompany loans (December 2017: £0.7 million), and current liabilities in December 2018 include £2.1 million of intercompany loans (December 2017: £2.1 million).*

*** Loan notes include unamortised issue costs of £7.0 million (December 2017: £8.2 million).*

Key Business Divisions

£ million	Revenue			Revenue		
	Q3 2019	**Q3 2018**	**% Change**	**YTD 2019**	**YTD 2018**	**% Change**
Registered	42.7	40.1	6.5%	126.0	118.3	6.5%
Community Based Care (inc. Daycare)	20.6	18.9	9.0%	60.1	51.3	17.2%
Total	**63.4**	**59.0**	**7.5%**	**186.2**	**169.6**	**9.8%**
Community Based Care:						
Community Based Care (exc. Daycare)	19.6	17.7	10.7%	56.7	47.7	18.9%
Community Based Care (Daycare)	1.0	1.2	(16.7%)	3.4	3.6	(5.6%)
Community Based Care (inc. Daycare)	**20.6**	**18.9**	**9.0%**	**60.1**	**51.3**	**17.2%**

Other financial metrics	**Q3 2019**	**Q3 2018**	**Change**	**YTD 2019**	**YTD 2018**	**Change**
Average Registered occupancy	1,942	1,884	58	1,909	1,885	24
Average Registered occupancy %	93.6%	92.0%	1.6%	93.2%	91.2%	2.0%
Average Weekly Community Based hours (exc. Daycare)	86,600	78,800	7,800	84,200	75,500	8,700

Property Analysis

- At the end of December 2018 the number of freehold properties held was 297, an increase of 1 property as at September 2018. The net book value of the freehold properties was £334m.
- Community - The number of properties has increased by 11 and capacity increased by 59 since September 2018.
- 87.1% of registered capacity is in freehold properties, whereas 27.2% of Community capacity is in freehold properties which is in line with our strategy to utilise 3rd Party Capital to drive Community based care growth.

Properties as at 31 December 2018

	Registered		Community		Daycare	DCA	Total	
	#	Capacity	#	Capacity	#	#	#	Capacity
Freehold	230	1,805	55	274	4	8	297	2,079
Leasehold/Rental [(1)]	40	267	10	64	11	22	83	331
3rd Party Owned [(2)]	0	0	201	670	2	7	210	670
Totals	**270**	**2,072**	**266**	**1,008**	**17**	**37**	**590**	**3,080**
Freehold Net Book Value as at Dec 2018 (£m) [(3)]	**301.0**		**32.2**		**0.7**		**333.9**	

Properties as at 30 September 2018

	Registered		Community		Daycare	DCA	Total	
	#	Capacity	#	Capacity	#	#	#	Capacity
Freehold	230	1,808	54	272	4	8	296	2,080
Leasehold/Rental [(1)]	41	270	10	64	10	22	83	334
3rd Party Owned [(2)]	0	0	191	607	2	7	200	607
Total	**271**	**2,078**	**255**	**943**	**16**	**37**	**579**	**3,021**

Movement

	Registered		Community		Daycare	DCA	Total	
	#	Capacity	#	Capacity	#	#	#	Capacity
Freehold	0	(3)	1	2	0	0	1	(1)
Leasehold/Rental [(1)]	(1)	(3)	0	0	1	0	0	(3)
3rd Party Owned [(2)]	0	0	10	63	0	0	10	63
Total	**(1)**	**(6)**	**11**	**65**	**1**	**0**	**11**	**59**

[(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 Net Book Value is not shown under DCA, due to the DCA offices being part of our other Freehold Properties.

Voyage BidCo Limited

Condensed Consolidated
Financial Statements (unaudited)

Registered number 05752534

For the 3 and 9 month period ended 31 December 2018

Voyage BidCo Limited
Condensed Consolidated Financial Statements (unaudited)
For the 3 and 9 month period ended 31 December 2018

Contents	**Page**
Condensed Consolidated Statement of Profit and Loss (unaudited)	F3
Condensed Consolidated Statement of Other Comprehensive Income (unaudited)	F4
Condensed Consolidated Statement of Financial Position (unaudited)	F5
Condensed Consolidated Statement of Changes in Equity (unaudited)	F6
Condensed Consolidated Statement of Cash Flow (unaudited)	F7
Notes to the Condensed Consolidated Financial Statements (unaudited)	F8

Voyage BidCo Limited
Condensed Consolidated Statement of Profit and Loss (unaudited)
For the 3 and 9 month period ended 31 December 2018

	Notes	3 months ended 31 December 2018			3 months ended 31 December 2017		
		Underlying items	Non-underlying items (2)	Total	Underlying items	Non-underlying items (2)	Total
		£000	£000	£000	£000	£000	£000
Continuing operations							
Revenue	3	63,372	-	63,372	58,985	-	58,985
Operating expenses	5	(56,729)	(412)	(57,141)	(53,375)	(182)	(53,557)
Adjusted EBITDA (1)		9,792	(412)	9,380	9,163	(182)	8,981
Depreciation of property, plant and equipment		(2,852)	-	(2,852)	(3,071)	-	(3,071)
Profit / (loss) on disposal of non-current assets		285	-	285	(1)	-	(1)
Amortisation of intangible assets		(582)	-	(582)	(481)	-	(481)
Operating profit		6,643	(412)	6,231	5,610	(182)	5,428
Finance income	6	20	-	20	15	-	15
Finance expense	7	(4,696)	-	(4,696)	(4,640)	-	(4,640)
Profit before taxation		1,967	(412)	1,555	985	(182)	803
Taxation	8	(1,044)	-	(1,044)	(851)	-	(851)
Profit / (loss) for the period from continuing operations		923	(412)	511	134	(182)	(48)
Profit / (loss) attributable to equity holders of the parent		923	(412)	511	134	(182)	(48)

	Notes	9 months ended 31 December 2018			9 months ended 31 December 2017		
		Underlying items	Non-underlying items (2)	Total	Underlying items	Non-underlying items (2)	Total
		£000	£000	£000	£000	£000	£000
Continuing operations							
Revenue	3	186,173	-	186,173	169,564	-	169,564
Operating expenses	5	(168,620)	(315)	(168,935)	(152,146)	389	(151,757)
Adjusted EBITDA (1)		27,504	(315)	27,189	27,092	389	27,481
Depreciation of property, plant and equipment		(8,676)	-	(8,676)	(8,676)	-	(8,676)
Profit on disposal of non-current assets		468	-	468	10	-	10
Amortisation of intangible assets		(1,743)	-	(1,743)	(1,008)	-	(1,008)
Operating profit		17,553	(315)	17,238	17,418	389	17,807
Finance income	6	57	-	57	44	-	44
Finance expense	7	(14,061)	-	(14,061)	(14,710)	(8,845)	(23,555)
Profit / (loss) before taxation		3,549	(315)	3,234	2,752	(8,456)	(5,704)
Taxation	8	(2,554)	-	(2,554)	(1,291)	-	(1,291)
Profit / (loss) for the period from continuing operations		995	(315)	680	1,461	(8,456)	(6,995)
Profit / (loss) attributable to equity holders of the parent		995	(315)	680	1,461	(8,456)	(6,995)

(1) Adjusted EBITDA represents earnings before interest, tax, depreciation, impairment, profit / (loss) on disposal of assets and amortisation.
(2) Further breakdown of non-underlying items analysed in note 4.

Voyage BidCo Limited
Condensed Consolidated Statement of Other Comprehensive Income (unaudited)
For the 3 and 9 month period ended 31 December 2018

	3 months ended 31 December 2018 £000	3 months ended 30 December 2017 £000
Profit / (loss) attributable to equity holders of the parent	511	(48)
Other Comprehensive Income	-	-
Total comprehensive income / (expense) attributable to equity holders of the parent for the financial period	511	(48)

	9 months ended 31 December 2018 £000	9 months ended 30 December 2017 £000
Profit / (loss) attributable to equity holders of the parent	680	(5,995)
Other Comprehensive Income	-	-
Total comprehensive income / (expense) attributable to equity holders of the parent for the financial period	680	(5,995)

Voyage BidCo Limited
Condensed Consolidated Statement of Financial Position (unaudited)
At 31 December 2018

	Notes	31 December 2018		31 December 2017		31 March 2018	
		£000	£000	£000	£000	£000	£000
Assets							
Non-current assets							
Goodwill	9	44,236		47,174		44,236	
Intangible assets	10	6,377		5,059		7,960	
Property, plant and equipment	11	370,149		364,070		359,153	
			420,762		**416,303**		**411,349**
Current assets							
Trade and other receivables		27,479		21,798		21,864	
Corporation tax		-		-		538	
Cash at bank and in hand		9,960		15,738		16,924	
		37,439		37,536		39,326	
Assets classified as held for sale	12	880		883		1,832	
			38,319		**38,419**		**41,158**
Total assets			**459,081**		**454,722**		**452,507**
Liabilities							
Current liabilities							
Loans and borrowings	13	24,500		22,500		15,000	
Trade and other payables		23,593		22,579		26,806	
Accruals and deferred income		15,414		14,766		18,337	
Corporation tax		1,697		1,066		-	
Provisions	14	639		277		634	
Other financial liabilities	15	1,140		1,140		1,140	
			66,983		**62,328**		**61,917**
Non-current liabilities							
Loans and borrowings	13	242,977		241,763		241,973	
Deferred tax liabilities		10,697		11,625		10,820	
Provisions	14	3,015		2,569		3,046	
Employee benefits		348		145		348	
Accruals and deferred income		3,796		3,295		3,818	
			260,833		**259,397**		**260,005**
Total liabilities			**327,816**		**321,725**		**321,922**
Net assets			**131,265**		**132,997**		**130,585**
Equity							
Capital and reserves							
Issued share capital		-		-		-	
Share premium		252,872		252,872		252,872	
Retained earnings		(121,607)		(119,875)		(122,287)	
Total equity attributable to equity holders of the parent			**131,265**		**132,997**		**130,585**

Company registered number: 05752534

Voyage BidCo Limited
Condensed Consolidated Statement of Changes in Equity (unaudited)

For the 3 month period ended 31 December 2018

	Attributable to equity holders of the parent			
Group	**Issued share capital £000**	**Share premium £000**	**Retained earnings £000**	**Total parent equity £000**
At 1 October 2018	-	252,872	(122,118)	130,754
Total comprehensive income for the period				
Profit for the period	-	-	511	511
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	511	511
At 31 December 2018	**-**	**252,872**	**(121,607)**	**131,265**

For the 3 month period ended 31 December 2017

	Attributable to equity holders of the parent			
Group	**Issued share capital £000**	**Share premium £000**	**Retained earnings £000**	**Total parent equity £000**
At 1 October 2017	-	252,872	(119,827)	133,045
Total comprehensive income for the period				
Loss for the period	-	-	(48)	(48)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the period	-	-	(48)	(48)
At 31 December 2017	**-**	**252,872**	**(119,875)**	**132,997**

For the 9 month period ended 31 December 2018

	Attributable to equity holders of the parent			
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
Total comprehensive income for the period				
Profit for the period	-	-	680	680
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	680	680
At 31 December 2018	**-**	**252,872**	**(121,607)**	**131,265**

For the 9 month period ended 31 December 2017

	Attributable to equity holders of the parent			
Group	**Issued share capital £000**	**Share premium £000**	**Retained earnings £000**	**Total parent equity £000**
At 1 April 2017	-	224,872	(112,880)	111,992
Total comprehensive income for the period				
Loss for the period	-	-	(6,995)	(6,995)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the period	-	-	(6,995)	(6,995)
Transactions with owners				
Issue of ordinary shares	-	28,000	-	28,000
Total comprehensive expense for the period	-	28,000	-	28,000
At 31 December 2017	**-**	**252,872**	**(119,875)**	**132,997**

Voyage BidCo Limited
Condensed Consolidated Statement of Cash Flow (unaudited)
For the 3 and 9 month period ended 31 December 2018

	3 months ended 31 December 2018 £000	3 months ended 31 December 2017 £000	9 months ended 31 December 2018 £000	9 months ended 31 December 2017 £000
Cash flows from operating activities				
Profit / (loss) for the period	511	(48)	680	(6,995)
Adjustments for:				
Depreciation of property, plant and equipment	2,852	3,071	8,676	8,676
(Profit) / loss on disposal of non-current assets	(285)	1	(468)	(10)
Amortisation of intangible assets	582	481	1,743	1,008
Finance income	(20)	(15)	(57)	(44)
Finance expense	4,696	4,640	14,061	23,555
Taxation	1,044	851	2,554	1,291
Movements in working capital:				
Increase in trade and other receivables	(2,303)	(305)	(5,338)	(3,729)
Increase / (decrease) in trade and other payables	352	(974)	(3,213)	(2,478)
Increase / (decrease) in accruals and deferred income	889	(863)	1,041	454
Decrease in provisions, employee benefits and other financial liabilities	(14)	(113)	(26)	(113)
Cash generated from operating activities	8,304	6,726	19,653	21,615
Interest paid	(8,360)	(7,929)	(16,929)	(13,954)
Tax paid	(442)	(428)	(442)	(202)
Net cash (used in) / generated from operating activities	**(498)**	**(1,631)**	**2,282**	**7,459**
Cash flows from investing activities				
Interest received	8	4	25	15
Payments to acquire property, plant and equipment	(11,566)	(4,621)	(18,852)	(10,757)
Payments to acquire intangible assets	(51)	(24)	(160)	(89)
Proceeds from sales of property, plant and equipment	1,189	-	1,306	23
Proceeds from sales of assets classified as held for sale	319	155	1,025	155
Receipts / (payments) to acquire a business combination	251	-	(2,090)	-
Net cash outflow on acquisition of subsidiaries	-	-	-	(17,768)
Net cash used in investing activities	**(9,850)**	**(4,486)**	**(18,746)**	**(28,421)**
Cash flows from financing activities				
Issue of share capital	-	-	-	28,000
Issue of new Loan Notes	-	-	-	250,000
Payment of transaction costs on new loans and borrowings	-	-	-	(12,840)
Repayment of existing Loan Notes	-	-	-	(272,000)
Proceeds from loans and borrowings	13,300	5,500	9,500	22,500
Net cash generated from financing activities	**13,300**	**5,500**	**9,500**	**15,660**
Net increase / (decrease) in cash and cash equivalents in the period	**2,952**	**(616)**	**(6,964)**	**(5,302)**
Cash and cash equivalents at the beginning of the period	7,008	16,354	16,924	21,040
Cash and cash equivalents at the end of the period	**9,960**	**15,738**	**9,960**	**15,738**

1 Reporting entity

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

2 Accounting policies

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

The Group has prepared the condensed consolidated financial statements in accordance with IFRS applicable for the 3 and 9 month period ended 31 December 2018, together with comparative period data for the 3 and 9 month period ended 31 December 2017.

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

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

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

The accounting policies applied in these condensed consolidated financial statements is consistent with the statutory accounts for the Company and the Group for the year ended 31 March 2018. In addition, the risks and risk management techniques identified in the statutory accounts for the Company and the Group for the year ended 31 March 2018 should be referred to in connection with these condensed consolidated financial statements as they remain applicable.

Adopted IFRS not yet applied

The following standards and interpretations have been published, endorsed by the EU, and are available for early adoption, but have not yet been applied by the Group in these financial statements.

- IFRS 9 ‘Financial instruments’ effective for accounting periods commencing on or after 1 January 2018. The Group has initiated an assessment of the impact of IFRS 9 but it is expected the adoption will not materially impact the Group's results or financial position. Management have formed this opinion with reference to the Group's current financial instruments;

- IFRS 15 ‘Revenue from contracts with customers’ effective for accounting periods commencing on or after 1 January 2018. The Group has initiated an assessment of the impact of IFRS 15 but it is expected the option will not materially impact the Group's results or financial position. Management have formed this opinion as the majority of the Group's revenue is recognised in respect of care that has been provided in the relevant period; and

- IFRS 16 'Leases' effective for accounting periods commencing on or after 1 January 2019. The Group has initiated an assessment of the impact of IFRS 16 and expect the adoption will have a material impact on the Group's results and financial position. The exact financial impact of IFRS 16 is not yet known, management are continuing to assess the impact and are considering the processes, systems and procedures which will be required to successfully implement the new standard.

Going concern

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

The Group has issued £215 million of 5.875% Senior Secured Notes due 2023, £35 million of 10% Second Lien Notes due 2023 and committed to a Revolving Credit Facility of £45.0 million due 2023 which was £24.5 million drawn at 31 December 2018.

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

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

3 Operating segments

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

- Registered: supporting individuals in our specially adapted homes;
- Community Based Care: supporting individuals in their own home promoting independence.

On 22 August 2017, the Group acquired the majority of the share capital of Focused Healthcare Limited. Focused Healthcare forms part of Voyage Care's Community Based Care operating segment.

The reported segmental information represents income and expenditure generated from external customers and external suppliers only. There were no inter-segment transactions reported during the current period (2017: £Nil).

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

Voyage BidCo Limited
Notes to the Condensed Consolidated Financial Statements (unaudited) continued
For the 3 and 9 month period ended 31 December 2018

3 Operating segments - continued

	Continuing Operations			
		Community Based Care		
For the 3 month period ended 31 December 2018	**Registered**	**Voyage**	**Focused Healthcare**	**Group**
	£000	**£000**	**£000**	**£000**
Revenue	42,755	18,033	2,584	**63,372**
Adjusted EBITDA (before non-underlying items)	**7,843**	**1,372**	**577**	**9,792**
Non-underlying items				(412)
Adjusted EBITDA (after non-underlying items)				**9,380**
Depreciation of property, plant and equipment				(2,852)
Profit on disposal of non-current assets				285
Amortisation of intangible assets				(582)
Net finance expense				(4,676)
Taxation				(1,044)
Profit for the period				**511**

	Continuing Operations			
		Community Based Care		
For the 3 month period ended 31 December 2017	**Registered**	**Voyage**	**Focused Healthcare**	**Group**
	£000	**£000**	**£000**	**£000**
Revenue	40,332	16,005	2,648	**58,985**
Adjusted EBITDA (before non-underlying items)	**6,943**	**1,291**	**929**	**9,163**
Non-underlying items				(182)
Adjusted EBITDA (after non-underlying items)				**8,981**
Depreciation of property, plant and equipment				(3,071)
Loss on disposal of non-current assets				(1)
Amortisation of intangible assets				(481)
Net finance expense				(4,625)
Taxation				(851)
Loss for the period				**(48)**

	Continuing Operations			
		Community Based Care		
For the 9 month period ended 31 December 2018	**Registered**	**Voyage**	**Focused Healthcare**	**Group**
	£000	**£000**	**£000**	**£000**
Revenue	126,070	52,282	7,821	**186,173**
Adjusted EBITDA (before non-underlying items)	**21,923**	**3,598**	**1,983**	**27,504**
Non-underlying items				(315)
Adjusted EBITDA (after non-underlying items)				**27,189**
Depreciation of property, plant and equipment				(8,676)
Profit on disposal of non-current assets				468
Amortisation of intangible assets				(1,743)
Net finance expense				(14,004)
Taxation				(2,554)
Profit for the period				**680**

	Continuing Operations			
		Community Based Care		
For the 9 month period ended 31 December 2017	**Registered**	**Voyage**	**Focused Healthcare**	**Group**
	£000	**£000**	**£000**	**£000**
Revenue	119,076	46,911	3,577	**169,564**
Adjusted EBITDA (before non-underlying items)	**21,454**	**4,427**	**1,211**	**27,092**
Non-underlying items				389
Adjusted EBITDA (after non-underlying items)				**27,481**
Depreciation of property, plant and equipment				(8,676)
Profit on disposal of non-current assets				10
Amortisation of intangible assets				(1,008)
Net finance expense				(23,511)
Taxation				(1,291)
Loss for the period				**(6,995)**

4 Non-underlying items

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

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

		3 months ended 31 December 2018 £000	3 months ended 31 December 2017 £000	9 months ended 31 December 2018 £000	9 months ended 31 December 2017 £000
Continuing operations	**Notes**				
Non-underlying items:					
Restructuring costs	a	120	409	120	429
Acquisition and integration costs	b	-	32	-	337
Day Care costs	c	(6)	(317)	(334)	(1,359)
Project costs	d	298	58	529	204
Refinancing transaction	e	-	-	-	8,845
		412	182	315	8,456

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

(a) *Restructuring costs*
For the 3 and 9 month period ended 31 December 2018, the Group incurred costs in relation to restructuring its workforce and as a result remuneration costs of £120,000 were incurred (3 and 9 month period ended 31 December 2017: £409,000 and £429,000 respectively).

(b) *Acquisition and integration costs*
For the 3 and 9 month period ended 31 December 2017, the Group incurred transaction and integration costs of £32,000 and 337,000, respectively, in relation to the acquisition of Focused Healthcare Limited (3 and 9 month period ended 31 December 2018: £Nil and £Nil, respectively).

(c) *Day Care Costs*
For the 3 and 9 month period ended 31 December 2018, the Group was in receipt of funds in relation to backdated VAT on its Day Care business of £6,000 and £334,000, respectively (3 and 9 month period ended 31 December 2017: £317,000 and £1,359,000, respectively).

(d) *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, as a result for the 3 and 9 month period ended 31 December 2018 fees of £298,000 and £529,000, respectively, were incurred (3 and 9 month period ended 31 December 2017: £58,000 and £204,000, respectively).

(e) *Refinancing transaction*
During the 9 month period ended 31 December 2017, the Group completed a refinancing transaction to redeem its existing Senior Secured Notes and Second Lien Notes, as a result a redemption penalty of £4,983,000 was incurred and unamortised transaction costs of £3,862,000 were expensed, both impacting the Statement of Profit and Loss (9 month period ended 31 December 2018: £Nil).

5 Operating profit before taxation

Operating profit before taxation is stated after charging:

	3 months ended 31 December 2018 £000	3 months ended 31 December 2017 £000	9 months ended 31 December 2018 £000	9 months ended 31 December 2017 £000
Continuing operations				
Direct expenses and consumables	1,977	1,839	5,774	5,587
Staff costs:				
Wages and salaries	39,964	36,717	117,716	104,753
Social security costs	2,740	2,564	7,964	7,061
Other pension costs	572	395	1,662	1,082
Operating lease rentals:				
Property related lease rentals	984	983	3,088	2,800
Plant and machinery	198	241	516	917
Depreciation of property, plant and equipment	2,852	3,071	8,676	8,676
(Profit) / loss on disposal of non-current	(285)	1	(468)	(10)
Amortisation of intangible assets	582	481	1,743	1,008
Other external charges	7,563	7,582	22,598	21,242
Receipts in respect of VAT on the Group's Day Care activities	(6)	(317)	(334)	(1,359)
	57,141	53,557	168,935	151,757

6 Finance income	3 months ended 31 December 2018 £000	3 months ended 31 December 2017 £000	9 months ended 31 December 2018 £000	9 months ended 31 December 2017 £000
Continuing operations				
Bank interest receivable	20	15	57	44

7 Finance expense	3 months ended 31 December 2018 £000	3 months ended 31 December 2017 £000	9 months ended 31 December 2018 £000	9 months ended 31 December 2017 £000
Continuing operations				
Bank interest including RCF non-utilisation fees	270	224	775	626
Loan notes interest	4,368	4,315	13,103	13,849
Redemption penalty in respect of the Group's refinancing transaction	-	-	-	4,983
Unamortised transaction costs in relation to the Group's existing Loan Notes	-	-	-	3,862
Unwinding of discount on onerous lease provision	40	52	143	155
Other finance costs	18	49	40	80
	4,696	4,640	14,061	23,555

Loan notes interest comprises loan notes interest of £4,033,000 and £12,098,000 for the 3 and 9 month period ended 31 December 2018, respectively (£4,033,000 and £12,775,000 for the 3 and 9 month period ended 31 December 2017, respectively) and amortisation of issue costs and original issue discount of £335,000 and £1,005,000 for the 3 and 9 month period ended 31 December 2018, respectively (£282,000 and £1,074,000 for the 3 and 9 month period ended 31 December 2017, respectively).

8 Taxation

The Group's underlying consolidated effective tax rate in respect of continuing operations for the 3 and 9 month period ended 31 December 2018 is 53.1% and 71.2% respectively (3 and 9 month period ended 31 December 2017: 86.4% and 46.9% respectively).

The Group's consolidated total effective tax rate in respect of continuing operations for the 3 and 9 month period ended 31 December 2018 is 67.1% and 79.0% respectively (3 and 9 month period ended 31 December 2017: 106.0% and (22.6%) respectively.

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

9 Goodwill	31 December 2018 £000	31 December 2017 £000	31 March 2018 £000
Cost			
Opening cost	52,792	41,326	41,326
Acquisitions	-	14,404	11,466
Closing cost	52,792	55,730	52,792
Accumulated impairment charge			
Opening and closing impairment charge	8,556	8,556	8,556
Net book value			
Closing net book value	44,236	47,174	44,236
Opening net book value	44,236	32,770	32,770

10 Intangible assets	31 December 2018 £000	31 December 2017 £000	31 March 2018 £000
Cost			
Opening cost	12,557	5,053	5,053
Acquisitions	-	3,771	7,392
Additions	160	89	112
Closing cost	12,717	8,913	12,557
Amortisation			
Opening amortisation	4,597	2,846	2,846
Provided during the period	1,743	1,008	1,751
Closing amortisation	6,340	3,854	4,597
Net book value			
Closing net book value	6,377	5,059	7,960
Opening net book value	7,960	2,207	2,207

11 Property, plant and equipment

	31 December 2018 £000	31 December 2017 £000	31 March 2018 £000
Cost			
Opening cost	479,787	472,222	472,222
Acquisitions *	2,090	33	33
Additions	18,487	9,094	12,670
Assets classified as held for sale	-	-	(4,159)
Disposals	(1,680)	(33)	(979)
Closing cost	498,684	481,316	479,787
Depreciation			
Opening depreciation	120,634	108,592	108,592
Charge for the period	8,676	8,676	11,384
Impairment	-	-	4,728
Assets classified as held for sale	-	-	(3,200)
Disposals	(775)	(22)	(870)
Closing depreciation	128,535	117,246	120,634
Net book value			
Closing net book value	370,149	364,070	359,153
Opening net book value	359,153	363,630	363,630

* During the 9 month period ending 31 December 2018, the Group acquired the trade and assets of a company based in the North East of England. The Group has applied IFRS 3 'Business Combinations' and provisional amounts have been recognised. Subsequent adjustments to these provisional amounts may be made to reflect the facts and circumstances that were in existence at the acquisition date.

12 Non-current assets classified as held for sale

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

As at 31 December 2018, the assets classified as held for sale are £880,000 (31 December 2017: £883,000 and 31 March 2018: £1,832,000).

13 Loans and borrowings

	31 December 2018 £000	31 December 2017 £000	31 March 2018 £000
Bank loans	24,500	22,500	15,000
Loan notes	242,977	241,763	241,973
	267,477	264,263	256,973

Loan notes include unamortised issue costs and original issue discount of £7,023,000 (31 December 2017: £8,237,000 and 31 March 2018: £8,027,000).

As at 31 December 2018 there was accrued interest of £2,796,000 (31 December 2017: £2,689,000 and 31 March 2018: £6,721,000) included within accruals disclosed within current liabilities in the Statement of Financial Position but excluded from this note.

Total debt can be analysed as falling due:

	31 December 2018 £000	31 December 2017 £000	31 March 2018 £000
In one year or less	24,500	22,500	15,000
Between one and five years	242,977	241,763	241,973
	267,477	264,263	256,973

Loan notes

The Group issued £250 million of Loan Notes comprising £215 million Senior Secured Notes due 2023 and £35 million Second Lien Notes due 2023. In addition, the Group is party to a £45.0 million Revolving Credit Facility. The Notes are listed on the Channel Island Stock Exchange. The interest rate and repayment terms of these loan notes are as follows:

Debt instrument	Currency	Loan balance £000	Interest rate	Repayment terms
Senior Secured Loan Notes	GBP	215,000	5 7/8%	May-23
Second Lien Notes	GBP	35,000	10.00%	Nov-23
Revolving Credit Facility				
Utilised	GBP	24,500	LIBOR +3.25%	Feb-23
Non utilised	GBP	20,500	1.14%	Feb-23

14 Provisions

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

15 Financial instruments

	Carrying amount				Fair value
	Financial liabilities at FV	**Loans and recievables**	**Other financial**	**Total**	**Total**
At 31 December 2018					
Financial assets measured at fair value					
Trade and other receivables	-	25,613	-	25,613	25,613
Cash and cash equivalents	-	9,960	-	9,960	9,960
	-	35,573	-	35,573	35,573
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	-	-	209,008	209,008	199,972
Second Lien Loan Notes	-	-	33,969	33,969	32,284
Revolving Credit Facility	-	-	24,500	24,500	24,500
Trade and other payables	-	-	23,593	23,593	23,593
	1,140	-	291,070	292,210	281,489
At 31 December 2017					
Financial assets measured at fair value					
Trade and other receivables	-	19,994	-	19,994	19,994
Cash and cash equivalents	-	15,738	-	15,738	15,738
	-	35,732	-	35,732	35,732
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	-	-	207,923	207,923	215,538
Second Lien Loan Notes	-	-	33,840	33,840	35,000
Revolving Credit Facility	-	-	22,500	22,500	22,500
Trade and other payables	-	-	22,579	22,579	22,579
	1,140	-	286,842	287,982	296,757
At 31 March 2018					
Financial assets measured at fair value					
Trade and other receivables	-	20,925	-	20,925	20,925
Cash and cash equivalents	-	16,924	-	16,924	16,924
	-	37,849	-	37,849	37,849
Financial liabilities measured at fair value					
Deferred consideration	1,140	-	-	1,140	1,140
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	-	-	208,125	208,125	215,886
Second Lien Loan Notes	-	-	33,848	33,848	34,869
Revolving Credit Facility	-	-	15,000	15,000	15,000
Trade and other payables	-	-	26,806	26,806	26,806
	1,140	-	283,779	284,919	293,701

15 Financial instruments - continued

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

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

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

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

Financial liabilities measured as fair value

At 31 December 2018

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

At 31 December 2017

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

At 31 March 2018

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

16 Controlling party

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

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

Copies of the Group financial statements of Voyage Care HoldCo Limited for the year ended 31 March 2018 may be obtained from:

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