Voyage BidCo Limited

Results for the three and nine month periods ended 31 December 2017

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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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. 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 quarterly report.

Forward Looking Statements
Various statements contained in this document 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 presentation, 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.

Executive Summary

Financial highlights

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

£ million	**Q3 2018**	**Q3 2017**
Revenue	59.0	54.1
EBITDA (before non-underlying items)	9.2	9.6
Operating profit	5.4	5.3
Profit for the period	(0.1)	(0.5)
Operating cash flow	7.2	7.6

Commentary on results

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

Performance during Q3 2018 vs. Q3 2017

- Revenue increased 9.0% to £59.0 million primarily due to growth in our community based care business including the Focused Healthcare acquisition.
- EBITDA before non-underlying items decreased 4.2% to £9.2 million primarily due to increases in staff costs as a result of the impact of National Minimum Wage (including sleep-ins) and National Living Wage.
- CQC quality scores remain very high with 94.6% of services achieving a Good or Outstanding score.
- Registered average occupancy increased to 92.0% from 90.4%.
- Community Based Care average weekly care hours increased by 8,700 hours to 77,700.

Recent developments

- On December 28th 2017 Voyage Care voluntarily joined the HMRC Social Care Compliance Scheme in line with many companies in our sector. This scheme which has been set up to deal with the historic sleep ins position, provides for a 12 month period of self-review of our historical payments practices, compared to the requirements of the NMW/NLW legislation. Following this period of review our conclusions regarding sleep-ins will be reported to HMRC by 31st December 2018, and should there be a requirement to make backdated payments to staff then they will need to be made by March 31st 2019. Part of our review will include a legal analysis of our position, which will also potentially be informed by the outcome of the Court of Appeal hearing which is expected in the spring.

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 3,218 people as at 31 December 2017, comprising 1,884 through our registered care home division and a further 1,334 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 £1,626 per person for the twelve months ended 31 December 2017. Our community based care services division, as at 31 December 2017, delivered approximately 77,700 hours of care per week with the provision of support averaging approximately 58 hours per week per person at an average hourly rate of £15.91 for the last twelve months ended 31 December 2017.

- 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 94.6% 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 9,700 staff, we strive to meet the requirements of each person we support and develop bespoke care packages tailored to their needs.

Our services

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

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

- ***Registered care homes***

  We provide care to individuals in our 273 registered homes as at 31 December 2017. We hold the freehold interest in 232 of our registered homes and 3 of our registered homes are held on a long leasehold basis (each with a lease period of over 35 years remaining), collectively representing 87.5% of our registered homes by number of beds. At 31 December 2017 we had 2,057 beds in our registered properties with an average of 8 beds per property, providing a personal environment compared to larger facilities operated by some of our competitors.

- ***Community based care services***

  Our community based care services division operates out of 39 registered community care offices as at 31 December 2017. 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 2017 ('Q3 2018' and 'YTD 2018'), 31 December 2016 ('Q3 2017' and 'YTD 2017'), and the financial year ending 31st March 2017 ('FYE 2017'), prepared in accordance with IFRS, and accompanying notes.

Other financial measures

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

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

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

The Non-IFRS Metrics in this 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 2018	Q3 2017	YTD 2018	YTD 2017	FYE 2017
Registered	2,048	2,092	2,055	2,079	2,086
Community based Care	1,417	1,233	1,329	1,213	1,220
Total	**3,465**	**3,325**	**3,384**	**3,292**	**3,306**

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 2018	Q3 2017	YTD 2018	YTD 2017	FYE 2017
Registered	92.0%	90.1%	91.1%	90.3%	90.4%

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		
		2017	2016	FYE 2017
Registered	£wk	1,626	1,583	1,590
Community based Care	£hr	15.91	14.96	14.99

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 together April 2017);
- 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 2018	**Q3 2017**	**YTD 2018**	**YTD 2017**
Staff Costs *	£m	39.3	34.8	112.4	102.9
% Revenue		66.6%	64.3%	66.3%	64.4%
% Operating costs **		78.9%	78.2%	78.9%	78.8%

		Q3 2018	**Q3 2017**	**YTD 2018**	**YTD 2017**
Staff Costs (excluding central overheads) *	£m	35.6	31.7	102.4	94.1
% Revenue		60.3%	58.6%	60.4%	58.9%
% Operating costs **		71.5%	71.2%	71.9%	72.1%

* *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.

Income Statement

£ million	Q3 2018	Q3 2017	% Change	YTD 2018	YTD 2017	% Change
Revenue	**59.0**	**54.1**	**9.0%**	**169.6**	**159.7**	**6.2%**
Staff costs	(39.3)	(34.8)	(12.9%)	(112.4)	(102.9)	(9.2%)
Agency Costs	(2.2)	(2.0)	(10.0%)	(6.3)	(5.4)	(16.7%)
Direct expenses & consumables	(1.8)	(1.9)	5.3%	(5.6)	(5.7)	1.8%
Property lease rentals	(1.0)	(0.9)	(11.1%)	(2.8)	(2.5)	(12.0%)
Other lease rentals	(0.2)	(0.4)	50.0%	(0.9)	(1.2)	25.0%
Other external charges	(5.3)	(4.7)	(12.8%)	(14.4)	(12.9)	(11.6%)
EBITDA before non-underlying items	**9.2**	**9.6**	**(4.2%)**	**27.1**	**29.2**	**(7.2%)**
Non-underlying items	(0.2)	(0.2)	(0.0%)	0.4	(0.6)	nm
EBITDA	9.0	9.4	(4.3%)	27.5	28.5	(3.5%)
Depreciation & impairment of property, plant and equipment	(3.1)	(3.9)	20.5%	(8.7)	(12.1)	28.1%
Profit on disposal of non-current assets	(0.0)	(0.0)	nm	0.0	0.2	100.0%
Amortisation of intangible assets	(0.4)	(0.2)	(100.0%)	(1.0)	(0.6)	(66.7%)
Operating profit	**5.4**	**5.3**	**1.9%**	**17.8**	**15.9**	**11.9%**
Finance income	0.0	(0.0)	nm	0.0	0.0	nm
Finance expense	(4.7)	(5.9)	20.3%	(23.5)	(17.7)	(32.8%)
Profit/(Loss) before taxation	**0.8**	**(0.7)**	**nm**	**(5.7)**	**(1.7)**	**nm**
Taxation	(0.9)	0.2	nm	(1.3)	2.1	nm
Profit/(Loss) for the period	**(0.1)**	**(0.5)**	**(80.0%)**	**(7.0)**	**0.3**	**nm**
Other financial metrics						
Staff costs (excluding central overheads)	35.6	31.7	(12.3%)	102.4	94.1	(8.8%)
Overhead expenses & bonus	5.2	4.6	(13.0%)	14.0	12.9	(8.5%)
Unit EBITDA before non-underlying items	14.4	14.2	1.4%	41.0	42.0	(2.4%)
EBITDA before non-underlying items margin %	15.6%	17.7%	(2.1%)	16.0%	18.3%	(2.3%)
EBITDA margin %	15.3%	17.4%	(2.1%)	16.2%	17.8%	(1.6%)
EBITDAR	10.0	10.2	(2.0%)	30.3	31.1	(2.6%)
EBITDAR margin %	16.9%	18.9%	(2.0%)	17.9%	19.5%	(1.6%)
EBITDAR before non-underlying items	10.1	10.4	(2.9%)	29.9	31.7	(5.7%)
EBITDAR before non-underlying items margin %	17.1%	19.2%	(2.1%)	17.6%	19.8%	(2.2%)

* 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 2018 revenue increased by £4.9 million, or 9.1% to £59.0 million from £54.1 million for Q3 2017, primarily due to the purchase of Focused Healthcare, organic growth in our community based care business and fee inflation.

  The amount of turnover attributable in Q3 2018 for Focused Healthcare was £2.6 million.

- For YTD 2018 revenue increased by £9.9 million, or 6.2% to £169.6 million from £159.7 million for YTD 2017, primarily due to the transfer and operation of 7 new registered services from 1 November 2016, organic growth in our community based care business, fee inflation, purchase of Focused Healthcare and favourable occupancy movements.

  The amount of turnover attributable in YTD 2018 for Focused Healthcare was £3.6 million.

Staff costs

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

- Staff costs (excluding overheads) for Q3 2018 increased by £3.9 million, or 12.3% to £35.6 million (which represented 60.4% of revenue) from £31.7 million (which represented 58.6% of revenue) for Q3 2017, primarily due to increases in staff costs as a result of National Living Wage (April 2017), sleep-ins, certain discretionary pay rises, and associated staff costs due to the growth in our community based care business and control of new services.

- Staff costs (excluding overheads) for YTD 2018 increased by £8.3 million, or 8.8% to £102.4 million (which represented 60.4% of revenue) from £94.1 million (which represented 58.9% of revenue) for YTD 2017, primarily due to increases in staff costs as a result of National Minimum Wage (October 2016), National Living Wage (April 2017), sleep-ins, certain discretionary pay rises and associated staff costs due to the growth in our Supported Living and Outreach business.

Agency Costs

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

- Agency Costs for Q3 2018 increased by £0.2 million, or 10.0% to £2.2 million from £2.0 million for Q3 2017

- Agency costs for YTD 2018 increased by £0.9 million, or 16.7% to £6.3 million from £5.4 million for YTD 2017

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 2018 direct expenses and consumables reduced by £0.1 million, or 5.3% to £1.8 million from £1.9 million when compared to Q3 2017.

- For YTD 2018 direct expenses and consumables reduced by £0.1 million, or 1.8% to £5.6 million from £5.7 million for YTD 2017.

Property lease rentals

Property lease rentals consist primarily of leases on registered care homes and community based care services. At 31 December 2017, we had 60 short-term leases, consisting of 40 registered care homes and 20 registered Domiciliary Care Agency offices. In addition, 3 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 2017, 15.0% of our registered care homes were held under operating leases.

- For Q3 2018 property lease rentals increased by £0.1 million or 11.1% to £1.0 million when compared to £0.9 million in Q3 2017.

- For YTD 2018 property lease rentals increased by £0.3 million or 12.0% to £2.8 million when compared to £2.5 million YTD 2017.

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 2018 other lease rentals reduced by £0.2 million to £0.2 million from £0.4 million for Q3 2017 primarily due to the replacement of leased vehicles at the end of the agreements with purchased vehicles.

- For YTD 2018 other lease rentals reduced by £0.3 million to £0.9 million from £1.2 million for YTD 2017, primarily due to the replacement of leased vehicles at the end of the agreements with purchased vehicles.

Other external charges

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

- For Q3 2018 other external charges increased by £0.6 million, or 12.8%, to £5.3 million from £4.7 million for Q3 2017, primarily due to increased spend on professional fees and repairs.

- For YTD 2018 other external charges increased by £1.5 million, or 11.6% to £14.4 million from £12.9 million for YTD 2017, primarily due to increased spend on professional fees.

EBITDA and EBITDA before non-underlying items

EBITDA is not a recognised performance measure under IFRS and may not be directly comparable with similar measures used by other companies. We define EBITDA as earnings before interest, tax, depreciation, 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.

EBITDA before non-underlying items

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

- For Q3 2018 EBITDA before non-underlying items reduced by £0.4 million, or 4.2% to £9.2 million from £9.6 million for Q3 2017. This reduction is primarily attributable to increases in staff costs as a result of certain discretionary pay rises, National Living Wage including sleep-ins (April 2017), certain discretionary pay rises and increased spend on external agency and professional fees. This has been partially offset by the extra contribution generated from the growth in our community based care business, including Focused Healthcare.

- For YTD 2018 EBITDA before non-underlying items reduced by £2.1 million, or 7.2% to £27.1 million from £29.2 million for YTD 2017. This reduction is primarily attributable to an increase in staff costs as a result of National Minimum Wage (October 2016), National Living Wage including sleep-ins (April 2017), certain discretionary pay rises and increased spend on external agency. This reduction was partially offset by the extra contribution generated from the growth in our community based care business, including Focused Healthcare.

Non-underlying items

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

- For Q3 2018 non-underlying items were £0.2 million (Q3 2017: £0.2 million). Non-underlying items for Q3 2018 primarily relate to receipts in respect to VAT on our Day Care business offset by restructuring costs, non-underlying items for Q3 2017 primarily related to the group incurring costs in relation to restructuring its workforce.

- For YTD 2018 non-underlying items reduced by £1.0 million to £0.4 million benefit from £0.6 million cost for YTD 2017, primarily due to the receipts in respect to VAT on our Day Care Business, non-underlying items for YTD 2017 primarily related to the group incurring costs in relation to restructuring its workforce.

EBITDA

- For Q3 2018 EBITDA reduced by £0.4 million, or 4.3% to £9.0 million from £9.4 million for Q3 2017. This reduction is attributable to the reduction in EBITDA before non-underlying items.

- For YTD 2018 EBITDA reduced by £1.0 million, or 3.5% to £27.5 million from £28.5 million for YTD 2017. This reduction is primarily attributable to the reduction in EBITDA before non-underlying items and partially offset by reduced expenditure on non-underlying items.

Depreciation and impairment of property, plant and equipment

Depreciation and impairment 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 2018 depreciation and impairment of property plant and equipment reduced by £0.8 million to £3.1 million from £3.9 million for Q3 2017, the reduction was primarily attributable to the impairment of two properties as a result of our decision to close such properties in Q2 and into Q3 2017.

- For YTD 2018 depreciation and impairment of property plant and equipment reduced by £3.4 million to £8.7 million from £12.1 million for YTD 2017, the reduction was primarily attributable to the impairment of two properties as a result of our decision to close such properties in Q2 and into Q3 2017.

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 2018 the profit on the disposal of non-current assets was £Nil (Q3 2017: £0.0 million).

- For YTD 2018 the profit on the disposal of non-current assets was £Nil (YTD 2017: £0.2 million).

Impairment of goodwill

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

- There was no impairment of goodwill in either Q3 2018 or Q3 2017.
- There was no impairment of goodwill in either YTD 2018 or YTD 2017.

Amortisation of intangible assets

Intangible assets arose as a result of a number of acquisitions. 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 2018 amortisation of intangible assets increased by £0.2 million to £0.4 million compared to £0.2 million in Q3 2017, this is in relation to the purchase of Focused Healthcare.
- For YTD 2018 amortisation of intangible assets increased by £0.4 million to £1.0 million from £0.6 million for YTD 2017, 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 2018 operating profit increased by £0.1 million or 1.9% to £5.4 million from £5.3 million in Q2 2017.
- For YTD 2018 operating profit increased by £1.9 million, or 11.9% to £17.8 million from £15.9 million for YTD 2017. This increase is primarily due to the impairment of two properties as a result of our decision to close such properties and a reduction in EBITDA in Q2 2017.

Finance income

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

- For Q3 2018 interest receivable and other income remained the same at £nil when compared to £nil in Q3 2017.
- For YTD 2018 interest receivable and other income remained the same at £nil when compared to YTD 2017.

Finance expenses

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

- For Q3 2018 interest payable and similar charges on bank loans reduced by £1.2 million, or 20.3% to £4.7 million from £5.9 million in Q3 2017, this is due to the refinancing in May which has resulted in lower interest payments.
- For YTD 2018 interest payable and similar charges on bank loans increased by £5.8 million to £23.5 million when compared to YTD 2017 of £17.7 million, this is mainly due to the refinancing costs in May of £8.8 million partially offset by lower interest payments

Profit / (Loss) before taxation

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

- For Q3 2018 profit before taxation increased by £1.5 million to £0.8 million from a loss of £0.7 million for Q3 2017 this increase is primarily due to the reduction in finance expenses in Q3 2018.
- For YTD 2018 profit before taxation reduced by £4.0 million to a loss of £5.7 million from a loss of £1.7 million for YTD 2017. This reduction is primarily due to the refinancing costs in May of £8.8 million.

Taxation

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

- For Q3 2018 a taxation charge of £0.9 million was recognised compared to taxation credit of £0.2 million for Q3 2017.
- For YTD 2018 a taxation charge of £1.3 million was recognised compared to taxation credit of £2.1 million for YTD 2017.

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 2018 the loss for the period reduced by £0.4 million to £0.1 million from a loss of £0.5 for Q3 2017 this increase is primarily due to the reduction in finance expenses in Q3 2018.
- For YTD 2018 the profit for the period reduced by £7.3 million to loss of £7.0 million from a profit of £0.3 million for YTD 2017, this reduction is primarily due to the refinancing costs in May.

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 2017 and 31 December 2016, our cash balances were £15.7 million and £21.0 million, respectively.

Net bank debt as at 30 December 2017 was £258.0 million, comprising £250.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, £22.5 million borrowings under the Revolving Credit Facility and £15.7 million of cash. Within the £15.7 million cash balance is £1.2 million of restricted cash which is excluded from cash for the purposes of calculating the net debt.

Net bank debt as at 30 December 2016 was £254.4 million, comprising £272.0 million of borrowings under the Senior Secured Notes and Second Lien Notes, no borrowings under the Revolving Credit Facility, £21.0 million of cash and £0.3 million of unamortised original issue discount on the Second Lien Notes. Within the £21.0 million cash balance is £1.6 million of restricted cash which is excluded from cash for the purposes of calculating the net debt.

Consolidated statement of cash flow

£ million	Q3 2018	Q3 2017	% Change	YTD 2018	YTD 2017	% Change
EBITDA before non-underlying items	9.2	9.6	(4.2%)	27.1	29.2	(7.2%)
Maintenance capex	(2.0)	(2.0)	0.0%	(5.6)	(5.7)	(1.8%)
Operating cash flow	**7.2**	**7.6**	**(5.3%)**	**21.4**	**23.4**	**(8.5%)**
Cash conversion %	*78.1%*	*79.2%*	*(1.2%)*	*79.1%*	*80.3%*	*(1.2%)*
Non-underlying items (1)	(0.1)	(0.2)	(50.0%)	1.1	(0.6)	nm
Working capital	(2.3)	(4.0)	(42.5%)	(5.9)	(7.1)	(16.9%)
Capital expenditure (2)	(2.5)	(0.5)	nm	(5.0)	(1.8)	nm
Interest	(7.9)	(0.1)	nm	(13.9)	(10.4)	(33.7%)
Taxation	(0.4)	(0.2)	nm	(0.2)	0.0	nm
FCF before acquisitions and financing	**(6.1)**	**2.5**	**nm**	**(2.5)**	**3.5**	**nm**
Acquisition (3)	0.0	0.0	nm	(17.8)	(0.2)	nm
Acquisition integration costs	(0.1)	0.0	nm	(0.7)	0.0	nm
Acquisition capex	0.0	0.0	nm	0.0	0.0	nm
FCF before financing	**(6.1)**	**2.5**	**nm**	**(21.0)**	**3.3**	**nm**
Net cash flow used in financing activities	5.5	0.0	nm	15.7	0.0	nm
Movement in cash for the period	**(0.6)**	**2.5**	**nm**	**(5.3)**	**3.3**	**nm**
Opening cash and cash equivalents	16.4	18.4	(10.9%)	21.0	17.7	(18.6%)
Closing cash and cash equivalents	**15.7**	**21.0**	**(25.2%)**	**15.7**	**21.0**	**(25.2%)**
Other financial metrics						
Development capex (£m)	1.8	0.2	nm	3.9	1.4	nm
Maintenance capex, excluding IT spend (£m)	1.4	1.8	(20.1%)	4.0	5.0	21.1%
Maintenance capex, excluding IT spend (% revenue)	2.4%	3.3%	(0.9%)	2.3%	3.2%	(0.8%)
Maintenance capex, excluding IT spend (£k pa per registered bed)	3.0	3.7	(20.0%)	2.8	3.6	21.0%

* 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, excludes deferred consideration

Operating cash flow

- For Q3 2018 our operating cash flow reduced by £0.4 million, or 5.3% to £7.2 million from £7.6 million for Q3 2017. The reduction is primarily due to a £0.4 million reduction in EBITDA before non-underlying items.
- For YTD 2018 our operating cash flow reduced by £2.0 million, or 8.5% to £21.4 million from £23.4 million for YTD 2017. The reduction is as a result of a £2.1 million reduction in EBITDA before non-underlying items and a £0.1 million reduction in spend on maintenance capex.

Non-underlying items

- For Q3 2018 non-underlying items reduced by £0.1 million to an outflow £0.1 million from an outflow £0.2 million when compared with Q3 2017, the increase is primarily due to the VAT receipted on our day-care services.
- For YTD 2018 non-underlying items increased by £1.7 million to £1.1 million inflow from £0.6 million outflow in Q3 2017, the increase is primarily due to the VAT receipted on our day-care services.

Working capital

- For Q3 2018 our working capital outflow reduced by £1.8 million to £2.3 million from an outflow of £4.0 million for Q3 2017. The movement in this is primarily due to positive movement in accruals and deferred income due to changes in our billing system meaning we no longer raise invoices in advance so there is no need to defer income.
- For YTD 2018 our working capital outflow reduced by £1.2 million to £5.9 million from £7.1 million for YTD 2017. The movement in this is primarily due to adverse movement in trade receivables (£3.1 million), partially offset by a favourable movement in accruals (£4.3 million) due to changes in our billing system meaning we no longer raise invoices in advance so there is no need to defer income.

Capital expenditure

- For Q3 2018 our capital expenditure increased by £2.0 million to £2.5 million from £0.5 million for Q2 2017.
- For YTD 2018 our capital expenditure increased by £3.2 million, to £5.0 million from £1.8 million for YTD 2017.

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 2018 our interest payable increased by £7.8 million to £7.9 million from £0.1 million when compared to Q3 2017, this is primarily due to a change in payments dates on interest charges.
- For YTD 2018 interest costs increased by £3.5 million to £13.9 million from £10.4 million when compared to YTD 2017, this is primarily due to the refinancing in May.

Taxation

- For Q3 2018 paid £0.4 million in relation to corporation tax payments made on account for the financial year 31 March 2017 (Q3 2017: £0.2 million).
- For YTD 2018 we paid £0.2 million in relation to corporation tax payments made on account for the financial year 31 March 2017 (YTD 2017: £0.0 million).

Acquisition

- For Q3 2018 there was £nil outlay (Q3 2017: £0.0million).
- For YTD 2018 we paid £17.8 million on the acquisition of Focused Healthcare, YTD 2017 included a deferred consideration in relation to Primary Care acquired in June 2014 (YTD 2017: £0.2 million).

Acquisition Integration

- For Q3 2018 there were costs of £0.1 million in regards to the acquisition of Focused Healthcare (Q3 2017: £nil million)

- For YTD 2018 there were costs of £0.7 million in regards to the acquisition of Focused Healthcare (YTD 2017: £nil million)

Net cash flow used in financing activities

- For Q3 2018 our net cash flow used in financing activities was £5.5 million compared to a £nil million outflow for Q3 2017 due to movement on the RCF Facility.

- For YTD 2018 our net cash flow used in financing activities was £15.7 million compared to a £nil million outflow for YTD 2017 due to movement on the RCF Facility and the refinancing activity.

Consolidated statement of financial position

£ million	**Dec-17**	**Dec-16** (unaudited)	**% Change**
Non-current assets	416.3	396.1	5.1%
Current assets			
Trade receivables, other receivables, prepayments *	21.8	20.3	7.6%
Cash at bank and in hand	15.7	21.0	(25.0%)
Assets classified as held for sale	0.9	1.8	(51.3%)
Total assets	**454.7**	**439.1**	**(3.6%)**
Non-current liabilities			
Loan notes	241.8	267.1	9.5%
Tax liabilities	11.6	11.9	2.6%
Accruals and deferred income	3.3	3.4	2.3%
Provisions for liabilities and charges	2.7	3.1	11.0%
Current liabilities *	62.3	43.4	(43.5%)
Equity	133.0	110.2	(20.7%)
Total equity and liabilities	**454.7**	**439.1**	**(3.5%)**

** Receivables in December 2017 include £0.7 million of intercompany loans (December 2016: £0.7 million), and current liabilities in December 2017 include £2.1 million of intercompany loans (December 2016: £2.1 million).*

*** Loan notes include unamortised issue costs of £8.2 million (December 2016: £4.9 million).*

Key Business Divisions

£ million	Revenue Q3 2018	Revenue Q3 2017	Revenue % Change
Registered	40.3	39.2	2.8%
Community based Care	17.5	13.7	27.7%
Daycare	1.2	1.2	0.3%
Total	**59.0**	**54.1**	**9.1%**

Other financial metrics	**Q3 2018**	**Q3 2017**	**Change**
Average Registered occupancy	1,884	1,885	(2)
Average Registered occupancy %	92.0%	90.1%	1.8%
Average Weekly Community Based hours	77,700	69,000	8,700

Voyage BidCo Limited

Condensed Consolidated
Financial Statements (unaudited)

Registered number 05752534

For the 3 and 9 month period ended 31 December 2017

Voyage BidCo Limited
Condensed Consolidated Financial Statements (unaudited)
For the 3 and 9 month period ended 31 December 2017

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Voyage BidCo Limited
Condensed Consolidated Statement of Profit and Loss (unaudited)
For the 3 and 9 month period ended 31 December 2017

	Notes	3 months ended 31 December 2017			3 months ended 31 December 2016		
		Underlying items	Non-underlying items (2)	Total	Underlying items	Non-underlying items (2)	Total
		£000	£000	£000	£000	£000	£000
Continuing operations							
Revenue		58,985	-	58,985	54,095	-	54,095
Operating expenses	5	(53,375)	(182)	(53,557)	(47,358)	(1,462)	(48,820)
Adjusted EBITDA (1)		9,163	(182)	8,981	9,560	(167)	9,393
Depreciation of property, plant and equipment		(3,071)	-	(3,071)	(2,602)	(1,295)	(3,897)
Loss on disposal of non-current assets		(1)	-	(1)	(6)	-	(6)
Amortisation of intangible assets		(481)	-	(481)	(215)	-	(215)
Operating profit / (loss)		5,610	(182)	5,428	6,737	(1,462)	5,275
Finance income	6	15	-	15	-	-	-
Finance expense	7	(4,640)	-	(4,640)	(5,973)	-	(5,973)
Profit / (loss) before taxation		985	(182)	803	764	(1,462)	(698)
Taxation	8	(851)	-	(851)	146	74	220
Profit / (loss) for the period from continuing operations		134	(182)	(48)	910	(1,388)	(478)
Profit / (loss) attributable to equity holders of the parent		134	(182)	(48)	910	(1,388)	(478)

	Notes	9 months ended 31 December 2017			9 months ended 31 December 2016		
		Underlying items	Non-underlying items (2)	Total	Underlying items	Non-underlying items (2)	Total
		£000	£000	£000	£000	£000	£000
Continuing operations							
Revenue		169,564	-	169,564	159,722	-	159,722
Operating expenses	5	(152,146)	389	(151,757)	(138,700)	(5,143)	(143,843)
Adjusted EBITDA (1)		27,092	389	27,481	29,155	(643)	28,512
Depreciation and impairment of property, plant and equipment		(8,676)	-	(8,676)	(7,648)	(4,500)	(12,148)
Profit on disposal of non-current assets		10	-	10	179	-	179
Amortisation of intangible assets		(1,008)	-	(1,008)	(664)	-	(664)
Operating profit / (loss)		17,418	389	17,807	21,022	(5,143)	15,879
Finance income	6	44	-	44	71	-	71
Finance expense	7	(14,710)	(8,845)	(23,555)	(17,730)	-	(17,730)
Profit / (loss) before taxation		2,752	(8,456)	(5,704)	3,363	(5,143)	(1,780)
Taxation	8	(1,291)	-	(1,291)	1,501	558	2,059
Profit / (loss) for the period from continuing operations		1,461	(8,456)	(6,995)	4,864	(4,585)	279
Profit / (loss) attributable to equity holders of the parent		1,461	(8,456)	(6,995)	4,864	(4,585)	279

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

(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 2017

	3 months ended 31 December 2017 £000	**3 months ended 31 December 2016 £000**
Loss attributable to equity holders of the parent	(48)	(478)
Items that will not be reclassified to profit and loss		
Remeasurements of the defined benefit liability	-	-
Total comprehensive expense attributable to equity holders of the parent for the financial period	(48)	(478)

	9 months ended 31 December 2017 £000	**9 months ended 31 December 2016 £000**
(Loss) / profit attributable to equity holders of the parent	(6,995)	279
Items that will not be reclassified to profit and loss		
Remeasurements of the defined benefit liability	-	-
Total comprehensive (expense) / income attributable to equity holders of the parent for the financial period	(6,995)	279

Voyage BidCo Limited
Condensed Consolidated Statement of Financial Position (unaudited)
At 31 December 2017

	Notes	31 December 2017		31 December 2016		31 March 2017	
		£000	£000	£000	£000	£000	£000
Assets							
Non-current assets							
Goodwill	9	47,174		32,770		32,770	
Intangible assets	10	5,059		2,336		2,207	
Property, plant and equipment	11	364,070		360,965		363,630	
			416,303		**396,071**		**398,607**
Current assets							
Trade and other recievables		21,798		20,162		18,497	
Corporation tax		-		98		433	
Cash at bank and in hand		15,738		20,974		21,040	
		37,536		41,234		39,970	
Assets classified as held for sale	12	883		1,813		1,040	
			38,419		**43,047**		**41,010**
Total assets			**454,722**		**439,118**		**439,617**
Liabilities							
Current liabilities							
Loans and borrowings	13	22,500		25		-	
Trade and other payables		22,579		23,284		24,465	
Accruals and deferred income		14,766		19,849		17,587	
Corporation tax		1,066		-		-	
Provisions	14	277		225		420	
Other financial liabilities	15	1,140		-		-	
			62,328		**43,383**		**42,472**
Non-current liabilities							
Loans and borrowings	13	241,763		267,143		267,796	
Deferred tax liabilities		11,625		11,939		11,209	
Provisions	14	2,569		2,840		2,539	
Employee benefits		145		211		145	
Accruals and deferred income		3,295		3,372		3,464	
			259,397		**285,505**		**285,153**
Total liabilities			**321,725**		**328,888**		**327,625**
Net assets			**132,997**		**110,230**		**111,992**
Equity							
Capital and reserves							
Issued share capital		-		-		-	
Share premium		252,872		224,872		224,872	
Retained earnings		(119,875)		(114,642)		(112,880)	
Total equity attributable to equity holders of the parent			**132,997**		**110,230**		**111,992**

Company registered number: 05752534

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

For the 3 month period ended 31 December 2017

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

For the 3 month period ended 31 December 2016

Group	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
	Attributable to equity holders of the parent			
At 1 October 2016	-	224,872	(114,164)	110,708
Total comprehensive income for the period				
Loss for the period	-	-	(478)	(478)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the period	-	-	(478)	(478)
At 31 December 2016	**-**	**224,872**	**(114,642)**	**110,230**

For the 9 month period ended 31 December 2017

Group	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
	Attributable to equity holders of the parent			
At 1 April 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 ordinary shares	-	28,000	-	28,000
At 31 December 2017	**-**	**252,872**	**(119,875)**	**132,997**

For the 9 month period ended 31 December 2016

Group	Issued share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
	Attributable to equity holders of the parent			
At 1 April 2016	-	224,872	(114,921)	109,951
Total comprehensive income for the period				
Profit for the period	-	-	279	279
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	279	279
At 31 December 2016	**-**	**224,872**	**(114,642)**	**110,230**

Voyage BidCo Limited
Condensed Consolidated Statement of Cash Flow (unaudited)
For the 3 and 9 month period ended 31 December 2017

	3 months ended 31 December 2017 £000	3 months ended 31 December 2016 £000	9 months ended 31 December 2017 £000	9 months ended 31 December 2016 £000
Cash flows from operating activities				
(Loss) / profit for the period	(48)	(478)	(6,995)	279
Adjustments for:				
Depreciation and impairment of property, plant and equipment	3,071	3,897	8,676	12,148
Profit / (loss) on disposal of non-current assets	1	6	(10)	(179)
Amortisation of intangible assets	481	215	1,008	664
Finance income	(15)	-	(44)	(71)
Finance expense	4,640	5,973	23,555	17,730
Taxation	851	(220)	1,291	(2,059)
Movements in working capital:				
Increase in trade and other receivables	(305)	(2,113)	(3,729)	(4,131)
(Decrease) / increase in trade and other payables	(974)	1,474	(2,478)	967
(Decrease) / increase in accruals and deferrred income	(863)	(3,436)	454	(3,863)
(Decrease) / increase in provisions, employee benefits and other financial liabilities	(113)	38	(113)	(45)
Cash generated from operating activities	6,726	5,356	21,615	21,440
Interest paid	(7,929)	(151)	(13,954)	(10,482)
Tax (paid) / received	(428)	(150)	(202)	14
Net cash (used in) / generated from operating activities	**(1,631)**	**5,055**	**7,459**	**10,972**
Cash flows from investing activities				
Interest received	4	4	15	44
Payments to acquire property, plant and equipment	(4,621)	(2,486)	(10,757)	(8,202)
Payments to acquire intangible assets	(24)	(34)	(89)	(161)
Proceeds from sales of property, plant and equipment	-	1	23	56
Proceeds from sales of assets classified as held for sale	155	-	155	792
Net cash outflow on acquisition of subsidiaries	-	-	(17,768)	(220)
Net cash used in investing activities	**(4,486)**	**(2,515)**	**(28,421)**	**(7,691)**
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	5,500	-	22,500	-
Payment of finance lease liabilities	-	-	-	(2)
Net cash generated from financing activities	**5,500**	**-**	**15,660**	**(2)**
Net (decrease) / increase in cash and cash equivalents in the period	**(616)**	**2,540**	**(5,302)**	**3,279**
Cash and cash equivalents at the beginning of the period	16,354	18,434	21,040	17,695
Cash and cash equivalents at the end of the period	**15,738**	**20,974**	**15,738**	**20,974**

1 Reporting entity

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

2 Accounting policies

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

The Group has prepared the condensed consolidated financial statements in accordance with IFRS applicable for the 3 and 9 month period ended 31 December 2017, together with comparative period data for the 3 and 9 month period ended 31 December 2016.

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

The comparative figures for the year ended 31 March 2017 are not the Company's statutory accounts for that financial period. The statutory accounts for the Company and the Group for the year ended 31 March 2017 have been reported on by the Company's auditors. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

In preparing these condensed consolidated financial statements, management have made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, revenue and expenses. Estimates and underlying assumptions are reviewed on an 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 2017. 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 2017 should be referred to in connection with these condensed consolidated financial statements as they remain applicable.

Going concern

The Voyage Care HoldCo Group, of which the Company is a member, is funded through a combination of Shareholders' Funds, Unsecured Shareholder Loans, Senior Secured Notes and Second Lien Notes. The Group has issued £215 million of 5 7/8% Senior Secured Notes due 2023 and £35 million of 10% Second Lien Notes due 2023. The Group has a £45.0 million Revolving Credit Facility; the Revolving Credit Facility was drawn at 31 December 2017 (see note 13).

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 Services: supporting individuals in our specially adapted homes; and
- Community based Care Services: supporting individuals in their own home promoting independence.

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

The reported segmental information represents revenue and expenditure generated from external customers and external suppliers only. There were no inter-segment transactions reported during the 3 and 9 month period ended 31 December 2017 (3 and 9 month period ended 31 December 2016: £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.

3 Operating segments (continued)

For the 3 month period ended 31 December 2017	*Continuing Operations* Registered £000	Community based Care £000	Total £000	Other £000	Group £000
Revenue	40,473	17,498	**57,971**	1,014	**58,985**
Adjusted EBITDA (before non-underlying items)	**7,415**	**1,753**	**9,168**	**(5)**	**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)**

For the 3 month period ended 31 December 2016	*Continuing Operations* Registered £000	Community based Care £000	Total £000	Other £000	Group £000
Revenue	39,002	13,696	**52,698**	1,397	**54,095**
Adjusted EBITDA (before non-underlying items)	**7,737**	**1,542**	**9,279**	281	**9,560**
Non-underlying items					(167)
Adjusted EBITDA (after non-underlying items)					**9,393**
Depreciation and impairment of property, plant and equipment					(3,897)
Loss on disposal of non-current assets					(6)
Amortisation of intangible assets					(215)
Net finance expense					(5,973)
Taxation					220
Loss for the period					**(478)**

For the 9 month period ended 31 December 2017	*Continuing Operations* Registered £000	Community based Care £000	Total £000	Other £000	Group £000
Revenue	119,474	47,048	**166,522**	3,042	**169,564**
Adjusted EBITDA (before non-underlying items)	**22,706**	**4,264**	**26,970**	**122**	**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)**

For the 9 month period ended 31 December 2016	*Continuing Operations* Registered £000	Community based Care £000	Total £000	Other £000	Group £000
Revenue	116,430	39,754	**156,184**	3,538	**159,722**
Adjusted EBITDA (before non-underlying items)	**24,274**	**4,323**	**28,597**	**558**	**29,155**
Non-underlying items					(643)
Adjusted EBITDA (after non-underlying items)					**28,512**
Depreciation and impairment of property, plant and equipment					(12,148)
Profit on disposal of non-current assets					179
Release of negative goodwill					-
Amortisation of intangible assets					(664)
Net finance expense					(17,659)
Taxation					2,059
Profit for the period					**279**

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 2017 £000	3 months ended 31 December 2016 £000	9 months ended 31 December 2017 £000	9 months ended 31 December 2016 £000
Continuing operations	**Notes**				
Non-underlying items:					
Restructuring costs	a	409	58	429	412
Acquisition and integration costs	b	32	7	337	51
Consultancy fees	c	-	102	-	180
Day Care Costs	d	(317)	-	(1,359)	-
Impairment of property, plant and equipment	e	-	1,295	-	4,500
Project costs	f	58	-	204	-
Refinancing transaction	g	-	-	8,845	-
Taxation	h	-	(74)	-	(558)
		182	1,388	8,456	4,585

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 2017, the Group incurred costs in relation to restructuring its workforce and as a result remuneration costs of £409,000 and £429,000, respectively, were incurred (3 and 9 month period ended 31 December 2016: £58,000 and £412,000, 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 2016: £7,000 and £51,000, respectively).

(c) *Consultancy fees*
For the 3 and 9 month period ended 31 December 2016, the Group incurred costs in relation to professional advice and as a result £102,000 and £180,000 consultancy fees were incurred (3 and 9 month period ended 31 December 2017: £Nil and £Nil, respectively).

(d) *Day Care Costs*
For the 3 and 9 month period ended 31 December 2017, the Group was in receipt of income in relation to backdated VAT on its Day Care business of £317,000 and £1,359,000, respectively (3 and 9 month period ended 31 December 2016: £Nil and £Nil, respectively).

(e) *Impairment of property, plant and equipment*
For the 3 and 6 month period ended 31 December 2016, the Group elected to close certain care homes and as a result an impairment charge of £1,295,000 and £4,500,000 was recognised (3 and 6 month period ended 31 December 2017: £Nil).

(f) *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 2017 fees of £58,000 and £204,000, respectively, were incurred (3 and 6 month period ended 31 December 2016: £Nil and £Nil, respectively).

(g) *Refinancing transaction*
During the 3 and 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 £Nil and £4,983,000, respectively, was incurred and unamortised transaction costs of £Nil and £3,862,000, respectively, were expensed, both impacting the Statement of Profit and Loss (3 and 9 month period ended 31 December 2016: £Nil and £Nil, respectively).

(h) *Taxation*
For the 3 and 9 month period ended 31 December 2016, a deferred tax liability of £74,000 and £558,000 was released to the Statement of Profit and Loss due to an impairment of property, plant and equipment, stated above (3 and 6 month period ended 31 December 2017: £Nil and £Nil, respectively).

5 Operating profit before taxation

Operating profit before taxation is stated after charging:

	3 months ended 31 December 2017 £000	3 months ended 31 December 2016 £000	9 months ended 31 December 2017 £000	9 months ended 31 December 2016 £000
Continuing operations				
Direct expenses and consumables	1,839	1,919	5,587	5,687
Staff costs:				
Wages and salaries	36,717	32,238	104,753	95,837
Social security costs	2,564	2,205	7,061	6,434
Other pension costs	395	334	1,082	973
Operating lease rentals:				
Other lease rentals	983	854	2,800	2,549
Plant and machinery	241	362	917	1,152
Depreciation and impairment of property, plant and equipment	3,071	3,897	8,676	12,148
Loss/(profit) on disposal of non-current assets	1	6	(10)	(179)
Amortisation of intangible assets	481	215	1,008	664
Other external charges	7,582	6,790	21,242	18,578
Reciepts in respect of VAT on the Group's Day Care activities	(317)	-	(1,359)	-
	53,557	48,820	151,757	143,843

Voyage BidCo Limited
Notes to the Condensed Consolidated Financial Statements (unaudited) continued
For the 3 and 9 month period ended 31 December 2017

6 Finance income	3 months ended 31 December 2017 £000	3 months ended 31 December 2016 £000	9 months ended 31 December 2017 £000	9 months ended 31 December 2016 £000
Continuing operations				
Bank interest receivable	15	-	44	71

7 Finance expense	3 months ended 31 December 2017 £000	3 months ended 31 December 2016 £000	9 months ended 31 December 2017 £000	9 months ended 31 December 2016 £000
Continuing operations				
Bank interest including RCF non-utilisation fees	224	161	626	502
Loan notes interest	4,315	5,660	13,849	16,955
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	52	52	155	148
Other finance costs	49	100	80	125
	4,640	5,973	23,555	17,730

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 2017 is 86.4% and 46.9% respectively (3 and 9 month period ended 31 December 2016: (19.1%) and (44.6%) respectively).

The Group's consolidated total effective tax rate in respect of continuing operations for the 3 and 9 month period ended 31 December 2017 is 105.9% and (22.6%) respectively (3 and 9 month period ended 31 December 2016: 31.5% and 115.6% respectively. The movement between current and comparative tax rates is primarily attributable to a new tax rate of 20%, substantively enacted on 26 September 2017, which has been applied to deferred tax balances (2016: 17%) and a tax impact in relation to non-underlying items described in note 4.

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 2017 £000	31 December 2016 £000	31 March 2017 £000
Cost			
Opening Cost	41,326	41,326	41,326
Acquisitions	14,404	-	-
Closing cost	55,730	41,326	41,326
Accumulated impairment charge			
Opening impairment	8,556	8,556	8,556
Closing impairment	8,556	8,556	8,556
Net book value			
Closing net book value	47,174	32,770	32,770
Opening net book value	32,770	32,770	32,770

10 Intangible assets	31 December 2017 £000	31 December 2016 £000	31 March 2017 £000
Cost			
Opening cost	5,053	4,816	4,816
Acquisitions	3,771	-	-
Additions	89	159	237
Closing cost	8,913	4,975	5,053
Amortisation			
Opening amortisation	2,846	1,975	1,975
Provided during the period	1,008	664	871
Closing amortisation	3,854	2,639	2,846
Net book value			
Closing net book value	5,059	2,336	2,207
Opening net book value	2,207	2,841	2,841

11 Property, plant and equipment

	31 December 2017 £000	31 December 2016 £000	31 March 2017 £000
Cost			
Opening cost	472,222	457,112	457,112
Acquisitions	33	-	-
Additions	9,094	7,701	12,488
Transfer from assets held for sale	-	-	6,561
Assets classified as held for sale	-	-	(3,428)
Disposals	(33)	(255)	(511)
Closing cost	481,316	464,558	472,222
Depreciation			
Opening depreciation	108,592	91,653	91,653
Charge for the period	8,676	7,648	10,377
Impairment	-	4,500	4,661
Transfer from assets held for sale	-	-	5,118
Assets classified as held for sale	-	-	(2,807)
Disposals	(22)	(208)	(410)
Closing depreciation	117,246	103,593	108,592
Net book value			
Closing net book value	364,070	360,965	363,630
Opening net book value	363,630	365,459	365,459

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 2017, the assets classified as held for sale are £883,000 (31 December 2016: £1,813,000 and 31 March 2017: £1,040,000).

13 Loans and borrowings

	31 December 2017 £000	31 December 2016 £000	31 March 2017 £000
Obligations under finance lease and hire purchase contracts	-	25	-
Bank loans	22,500	-	-
Loan notes	241,763	267,143	267,796
	264,263	267,168	267,796

Loan notes include unamortised issue costs and original issue discount of £8,237,000 (31 December 2016: £4,857,000 and 31 March 2017: £4,204,000).

As at 31 December 2017 there was accrued interest of £2,689,000 (31 December 2016: £8,294,000 and 31 March 2016: £3,312,000) included within accruals disclosed within current liabilities in the statement of financial position but excluded from this note.

Total debt can be analysed as falling due:

	31 December 2017 £000	31 December 2016 £000	31 March 2017 £000
In one year or less	22,500	25	-
Between one and five years	241,763	267,143	267,796
	264,263	267,168	267,796

Loan notes

On 8 May 2017, the Group issued £250 million of Loan Notes comprising £215 million Senior Secured Notes due 2023 and £35 million Second Lien Notes due 2023. In addition, the Group is party to a £45 million Revolving Credit Facility. The notes are listed on the Channel Island Stock Exchange. The interest rate and repayment terms of these loan notes are as follows:

Debt instrument	Currency	Loan balance £000	Interest rate	Repayment terms
Senior Secured Loan Notes	GBP	215,000	5 7/8%	May-23
Second Lien Notes	GBP	35,000	10.00%	Nov-23
Revolving Credit Facility				
Utilised	GBP	22,500	LIBOR +3.25%	Feb-23
Non utilised	GBP	22,500	1.14%	Feb-23

14 Provisions

Onerous lease provisions recognised will unwind over the term of the leases, the commitments are due to expire in March 2029. 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
	Non-current liabilities	Current liabilities			
	Loans and borrowings £000	Loans and borrowings £000	Other financial liabilities £000	Total £000	Total £000
At 31 December 2017					
Financial liabilities measured at fair value					
Deferred consideration	-	-	1,140	1,140	1,140
Revolving Credit Facility	-	22,500	-	22,500	22,500
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
Finance lease liabilities	-	-	-	-	-
	241,763	22,500	1,140	265,403	274,178
At 31 December 2016					
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	218,467	-	-	218,467	219,809
Second Lien Loan Notes	48,676	-	-	48,676	49,575
Finance lease liabilities	-	25	-	25	25
	267,143	25	-	267,168	269,409
At 31 March 2017					
Financial liabilities not measured at fair value					
Senior Secured Loan Notes	218,981	-	-	218,981	220,046
Second Lien Loan Notes	48,815	-	-	48,815	49,205
	267,796	-	-	267,796	269,251

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 2017	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deferred consideration	-	1,140	-	1,140
	-	1,140	-	1,140

At 31 December 2016
There were no financial instruments carried at fair value as at 31 December 2016.

At 31 March 2017
There were no financial instruments carried at fair value as at 31 March 2017.

16 Focused Healthcare acquisition

On 22 August 2017, the Group acquired 94% of the issued share capital of Focused Healthcare Limited. The Company is a London based care provider for children and young people with acute care requirements and complex, life-limiting health conditions.

The provisional fair value of the assets acquired and the resulting goodwill is set out below:

	Book value	Fair value adjustment	Fair value
	£000	£000	£000
Intangible assets	-	3,771	3,771
Property, plant and equipment	33	-	33
Trade and other receivables	1,763	-	1,763
Cash in hand, bank	2,299	-	2,299
Deferred tax	(7)	(641)	(648)
Trade and other payables	(16)	-	(16)
Accruals and deferred income	(220)	-	(220)
Corporation tax	(179)	-	(179)
	3,673	3,130	
Net assets			**6,803**
Goodwill			14,404
			21,207
Satisfied by:			
Cash			21,207
Total cost of acquisition			**21,207**

The acquisition cost comprises initial cash consideration of £18,914,000 contingent consideration of £1,153,000 which is linked to the future trading performance of the business and a put and call option of £1,140,000 for the remaining 6% of the issued share capital which is linked to the market value of the Focused Healthcare Limited at the exercise date.

For the period to 31 December 2017 the business contributed revenue of £484,000 and a profit after tax of £262,000. The revenue and profit after tax is reported within the Group's results for the 3 and 9 month period ended 31 December 2017.

The Group incurred acquisition costs of £305,000 which have been expensed as a non-underlying item in the Statement of Profit and Loss.

17 Contingent liability

Potential liability in relation to Sleep In

The Group operates a number of sites where individuals “sleep-in” overnight and are paid an allowance for doing so. HMRC guidance on National Minimum Wage (NMW) and sleep-ins has been clear in the past that it does not consider sleep-ins to be working time for the purposes of NMW. However, the Directors are aware that more recently the NMW regulations have been interpreted differently by the Government and HMRC in relation to sleep-in shifts and the application of NMW regulations has been the subject of further legal decisions by the Employment Appeal Tribunal. The latest Employment Appeal Tribunal decision on the matter is being appealed and this will be heard before the Court of Appeal in March 2018.

HMRC wrote to Voyage Care in December 2015 and reiterated its stance from its own guidance that only time awake and working during a sleep-in shift counts as working time for the purposes of NMW compliance. HMRC consulted with a small number of Voyage Care employees and, following this, confirmed in March 2016 that it was satisfied that such employees had been paid the NMW and no evidence of non-compliance was found at the time.

Since then HMRC have made further enquiries of Voyage Care and it is not yet possible to determine what the result of these further enquiries may be. However, on 26 July 2017 the Government announced a temporary suspension of HMRC enforcement with regards to sleep-in investigations and waived all financial penalties faced by employers who are found to have underpaid their workers for sleep-ins before 26 July 2017. The Government also confirmed that it expects all employers to pay their workers as set out in the guidance of the department of Business, Energy & Industrial Strategy (“BEIS”) which states that a person may be found to be working whilst asleep if there is a statutory requirement for them to be present at the workplace, or they would be disciplined if they left the workplace. Any employer underpaying their staff for sleep-in shifts after 26 July 2017 will be liable to pay HMRC financial penalties. As a result, with effect from 1 July 2017, Voyage Care has changed its pay arrangements with respect to sleep-ins. If Voyage Care is required to provide back-pay (prior to 1 July) to individuals engaged in sleep-ins an amount by reference to NMW regulations, the amount may be material.

The government announced details of a compliance scheme for the payment of back pay for failure to pay NLW/NMW for sleep-in shifts in the social care sector on 1 November 2017, Voyage Care joined the scheme on 28 December 2017. The scheme provides for a one year period of self review of compliance with NLW/NMW regulations and in particular how sleep-ins were paid. Voyage Care will report to HMRC on the findings of its self review by 31 December 2018. If there is a requirement to make backdated payments to present or past employees, then these must be made by the end of March 2019. In any event, the Directors currently believe, based on external legal advice and past communication with HMRC, that prior to 26 July 2017 paying staff an allowance for sleep-in shifts is not in breach of the National Minimum Wage Act 1998 or the National Minimum Wage Regulations 2015 (as amended and in force). Whilst there has been no change to the NMW legislation (this will be tested in the court of appeal in March 2018), following the announcement on 26 July 2017, the Government's and HMRC's interpretation of the law has changed and they are now insisting that sleeping time is working time.

However, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, no provision has been recognised in these accounts for backdated liabilities. Furthermore as the exact nature or extent of HMRC’s further enquiries are still not known, in the Directors’ opinion the value of the potential Contingent Liability is very uncertain.

18 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 2017 may be obtained from:

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