For immediate release **8 December 2016**

CareTech Holdings PLC

("CareTech" or "the Group")

Preliminary Results for the year ended 30 September 2016

CareTech Holdings PLC (AIM: CTH), a leading UK provider of specialist social care services, is pleased to announce its unaudited preliminary results for the year ended 30 September 2016.

Highlights

- Revenue increased by 19.9% to £149.0m (2015: £124.3m)
- Underlying EBITDA(i) increased by 14.2% to £37.1m (2015: £32.5m)
- Underlying profit before tax(ii) increased by 18.6% to £26.1m (2015: £22.0m)
- Underlying diluted earnings per share(ii) increased by 19.6% to 38.03p (2015: 31.79p)
- Cash inflows from operating activities before non-underlying items of £34.2m (2015: £30.8m) with net debt (iii) of £156.4m (2015: £158.5m)
- Overall capacity increased by 203 places(v) to 2,319 (2015: 2,116)
- Property portfolio independently valued at £304m
- Final dividend of 6.25p increased by 11.6% (2015: 5.60p per share) and the full year dividend is 9.25p increased by 10.1% (2015: 8.40p) per share

Statutory Financial Highlights

- Ground rent transaction raised £30m
- Two acquisitions completed in the year
- EBITDA(iv) increased by 54.1% to £41.3m (2015: £26.8m)
- Operating profit increased by 71.3% to £34.2m (2015: £17.8m)

(i) Underlying EBITDA is operating profit stated before depreciation, share-based payments charge and non-underlying items

(ii) Underlying profit before tax and underlying diluted earnings per share are stated before non-underlying items.

(iii) Net Debt as defined by the Group's Banking facilities and comprises cash and cash equivalents net of all Loans and Borrowings due to the Group's Bankers.

(iv) EBITDA is operating profit stated before depreciation, share-based payments charge and amortisation of intangible assets.

(v) Overall capacity has increased by 203 reflecting the net increase of 74 beds in reconfigured services and new services, 41 beds from the acquisition of ROC North West, 102 beds from the acquisition of Oakleaf Care (Hartwell) less 20 beds withdrawn for reconfiguration, 2 additional beds in small supported living packages and 4 beds added in other services.

Commenting on the results, Farouq Sheikh, Executive Chairman, said:

"CareTech joined AIM in 2005 and we are therefore celebrating our 11th year in the public markets. During this time, the business has transformed from being very focused on supporting adults with a learning disability through residential and day care settings to one where today we cater for young people and children with complex needs across a range of settings, be it residential, supported living or community support. We focus on the most complex and vulnerable young people and the market for this client group stands at over £10bn. There is currently an undersupply of specialist beds in this niche area and the market is growing by almost 3% per annum.

"On joining AIM the Group had a capacity of 435 places, an underlying EBITDA of £2.4m with an underlying diluted EPS of 4.1p. Today our capacity has increased almost five fold to 2,319, our underlying EBITDA has grown significantly to £37.1m today whilst underlying diluted EPS has risen to 38.03p pence per share. Underlying EBITDA and diluted EPS have grown by an impressive CAGR of 30% and 25% respectively since IPO.

"With the money raised from shareholders last year, from the ground rent transaction this year and our own free cash flow generated from the business, we have major investment plans for 2017 and beyond with key new organic developments and bolt-on acquisitions. Importantly, we have also, and continue to, further strengthen our management team, offering a forceful blend of experience, commercial wisdom and dedication to care. I have no doubt that the next few years will see continuing growth and care excellence which will help deliver our target of double digit growth in underlying EPS."

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About CareTech

CareTech Holdings plc is a leading provider of specialist social care services, supporting adults and children with a wide range of complex needs in more than 250 specialist services around the UK.

Committed to the highest standards of care and care governance, CareTech provides its innovative care pathways through five divisions covering adult learning disabilities, mental health, young people residential services, foster care and learning services.

CareTech, which was founded in 1993, began trading on the AIM market of the London Stock Exchange in October 2005 under the ticker symbol CTH. Its freehold portfolio comprises more than 160 properties.

Chairman's Statement

I am pleased to present our results for the year ended 30 September 2016. This has been another successful and exceptionally busy year with the key highlights being:

- Ground rent transaction raised £30m
- Increased organic initiatives including reconfigurations and property purchases
- Completion of two acquisitions during the year which add to our geography and service offering
- Further strengthening of management team and investment in I.T. systems
- Benefit from the improved terms of the new banking facilities completed in July 2015

It is really pleasing to note that we have continued to maintain our position as a leading care provider with our good quality ratings across the Group. Moreover, we have extended our care pathways through successful outcomes for the people we support. As a result we have improved our capacity during the year which has led to an increase in all of our financial KPIs and our underlying EBITDA.

This has produced an impressive set of financial results where:

- Revenue has increased by 19.9% to £149m
- Underlying EBITDA has increased by 14.2% to £37.1m
- EBITDA has increased by 54.1% to 41.3m
- Underlying PBT has increased by 18.6% to £26.1m
- PBT has increased by 139.8% to £22.5m
- Underlying diluted EPS has increased by 19.6% to 38.03p
- Diluted EPS has increased by 162.1% to 36.17p
- Improved cash inflows from operating activities by 11.0% to £34.2m
- Full year dividend increased by 11.6% to 6.25p

All of the above mentioned initiatives demonstrate a solid performance on delivery of both the key financial and non-financial metrics and put the Group in the strong position to target further underlying EPS growth going forward.

The Group has stood out from its peer group of providers as a company that can successfully combine quality, integrity and sound financial acumen and has consistently achieved good care quality ratings. Our credibility as the provider of choice has never been stronger and we continue our successful growth strategy with a confident outlook.

In December 2015 the Group announced the acquisition of ROC Northwest for an initial cash payment of £8.7m. This purchase utilised the remainder of the net proceeds from the Group's share placement in March 2015. The whole of the £21m gross placing was spent on the earnings enhancing acquisitions of Spark of Genius, Dawn Hodge Associates and ROC Northwest within a 9 month period.

In February 2016 the Company announced a ground rent transaction which raised £30m in cash to support its growth strategy. The innovative ground rent agreement is with the funds managed by Alpha Real Capital at a net initial yield of 3.4%. Under the terms of the agreement, the freehold to 41 CareTech properties were transferred to Alpha's managed funds in exchange for a cash sum of £30 million and security of tenure with a 150 year term. The commencing rent will be £1.07m per annum, which will rise with the Retail Price Index on a five yearly compound basis at between 0% and 5% per annum.

The transaction releases a significant amount of cash for reinvestment in growth opportunities whilst maintaining a virtual freehold interest in the properties, which are located mainly in the South East and represent less than a quarter of the Company's freehold portfolio. This further highlights the extent to which the valuation of our freehold portfolio is in excess of our book cost due to the profit created by the transaction.

A month later in March 2016 the Company announced the acquisition of Oakleaf Care (Hartwell) for an initial cash payment of £18.3m, thus utilising 60% of the ground rent money raised. Oakleaf offers both highly specialised rehabilitation beds for men with acquired brain injury as well as community based stepdown provision, a service that reflects the Group's care pathway in Adult high acuity care.

During 2016 we again closed several services for reconfiguration which impacted the growth in revenue. Offsetting this there are better fees following our reconfiguration plus the impact of cost saving initiatives and the time and attendance system has further improved underlying EBITDA. The Group's organic development programme will continue with further reconfigurations and for 2017 we have a strong pipeline of development opportunities with two property purchases soon after the year end.

In the 11 years since joining AIM, the business has transformed from being very focused on supporting adults with a learning disability through residential and day care settings to one where today we cater for young people and children with complex needs across a range of settings, be it residential, supported living or community support. We focus on the most complex and vulnerable young people and the market for this client group stands at over £10bn. There is currently an undersupply of specialist beds in this niche area and the market is growing by almost 3% per annum.

Over the years we have developed a range of care pathways and helped many that we support to live more independently. This is a fantastic outcome for the individuals that we support and for us and it also helps local authorities meet the ever increasing cost of social care provision.

Even with the significant growth we have achieved to date we still have less than 2% of this very large and fragmented market. With the increasing regulatory burden, the opportunity for further consolidation is even more attractive.

Dividend

The Group policy has been to increase the total dividend per year broadly in line with the movement in underlying diluted earnings per share.

That growth in 2016 was 19.6% so the Board has proposed a final dividend of 6.25p (2015:5.60p) per share bringing the total dividend for the year to 9.25p (2015:8.40p) per share. This represents a full year increase of 10.1% year on year. The final dividend will be paid, subject to shareholder approval, on 8 May 2017, with an ex-dividend date of 9 March 2017 and an associated record date of 10 March 2017.

Our Board

There have been no changes to the Board during the year. As a foundation for growth the Senior Executive Team at CareTech has been further strengthened following the appointment of John Ivers as Chief Operating Officer in 2015 and several senior appointments since, with more planned, thus underpinning the growth of the business.

During the year the Remuneration Committee, the Audit Committee and the Care Governance and Safeguarding Committee were unchanged.

Our People

We have completed our planned evolution into two well defined operating divisions, Children Services and Adult Services, and this has generated organisational efficiencies. Simplifying the structure has also supported planning and service delivery with a more powerful approach to development.

Our continuing growth, measurable success and forward-looking approach are a reflection of the hard work and dedication of staff and managers throughout the organisation. I am always drawn to the achievements of our excellent front line staff, which is inevitable as we are first and foremost a care organisation. Their care and commitment would be much less without the dedicated support of our administrators and support teams whose hard work and energy is critical to the success of our company and the care we provide.

In March 2016 the Company announced the creation of the CareTech Sharesave Scheme which represents a Government supported method for any of our staff to have the opportunity to participate in the Company's equity. Over 200 members of staff chose to join this new savings scheme and we plan to have a second CareTech Sharesave Scheme in 2017 as this is one part of our staff retention strategy.

Outlook and Prospects

We understand the market and have anticipated shifts in social and health policy. Our understanding of the social care environment remains strong and we are positioned to meet market changes and have an improved platform for growth.

With the money raised from shareholders last year, from the ground rent transaction this year and our own free cash flow generated from the business, we have major investment plans for 2017 and beyond with key new organic developments and bolt-on acquisitions. Importantly, we have also, and continue to, further strengthen our management team, offering a forceful blend of experience, commercial wisdom and dedication to care. I have no doubt that the next few years will see continuing growth and care excellence which will help deliver our target of double digit growth in underlying EPS.

Farouq Sheikh
Chairman
8 December 2016

Chief Executive's Statement and Performance Review

A Solid Foundation for Growth

Overview

It gives me great pleasure to report again on a successful year that reflects the hard work of all our management team, the enthusiasm of our staff and the support of our Board.

The Group has continued to build upon its solid foundations and remains in a strong position to continue as a leading provider of high quality specialist social care services in a large and growing UK market which remains fragmented.

The Group has continued to develop through organic growth and reconfigurations and with the acquisitions in December 2015 and March 2016 it has gained experienced management teams with skilled leaders. The new businesses have integrated and settled well, and our focus on organic growth also remains strong.

A key recent strategy has been the development of the Learning Services Division which continues to have a positive impact on gaining new staff, their training and retention. There have also been a number of other initiatives like the ExSOP, Sharesave Scheme and Level 5 in Care Management training scheme for managers.

Consolidation and creating new opportunities

CareTech remains at the forefront of social care outsourcing in the UK across both Children and Adult Services and in the year there has been a further increase in working closely with commissioners and regulators.

National public policy continues to be a significant driver of local authority commissioning intentions and behaviour. For a number of years public policy has encouraged greater personalisation of health and social care for adults. Commissioners and leading providers are driving change that will mean offering people more choice and control over the care, treatment and support they receive while at the same time maintaining the quality and safety of those services.

Our care priorities drive successful outcomes for our service users and follow closely the guidance from central government.

Our key focus for delivering quality services and positive outcomes is supported by the following key factors:

Communication

- We have open and frank dialogue with our service users, their families and social workers, as well as the Regulators.

Independence

- In our social care and health contracts we aim to help our service users to return to an ordinary independent life. It may be children who can return to their birth families or live independently. It may be adults who we can help on the pathway to recovery following a mental health breakdown, or acquired brain injury or people with learning disability who we can support towards independent living.

Housing care and support

- We know that most people aspire to have a place of their own, employment and ongoing support. We have structured our services, developing new provision and creative partnerships with housing providers to enable these aspirations to be achieved whenever possible and we are tailoring training to assist young people and adults leaving our services to gain employment.

Self-directed support

- It is pivotal to government policy that adults and children receiving social care are fully engaged in the support that they require. With some adults this extends to the provision of a cash sum enabling them to purchase their care and support directly. CareTech managers have been further reviewing our systems and delivering training throughout the organisation to ensure that we are able to deliver the requirements of self-directed support.

Quality and dignity

- CareTech has always delivered high quality care in well maintained premises. However, we have never been complacent about this and have undertaken reviews to ensure that we deliver the right quality at a reasonable price. We have also learned a great deal from the experience of our NHS colleagues and developed a Dignity Test to ensure that our front line and administrative staff treat all our clients in ways that promote dignity.

Progress in the year

The year has seen continued progress as the Group concentrates on the introduction of innovative new services developed in partnership with local authority commissioners reconfigured from within our existing portfolio of properties or through new properties either purchased or rented for service users for supported living.

In December 2015 the Group acquired ROC Northwest and in March 2016 Oakleaf Care (Hartwell), so the progress has been a mixture of organic development and acquisitions.

ROC Northwest is based in Lancashire and is a provider of residential care and education for young people with complex needs. Oakleaf Care (Hartwell) is based in Northamptonshire and is a specialist in the care and rehabilitation of men with acquired brain injury.

Our Adult Services have added 70 beds in the year, being 63 in Supported Living and 7 in Residential.

Children Services have added 31 beds in the year in 3 services.

The Group also continues to realise the benefit of organisational improvements that were put in place over the past few years. We have continued to strengthen the management structure with further senior appointments planned and to improve the efficiency of our processes following further investment in new systems which have gone live or we are working on now. We are seeing the benefits of new executive appointments which continue to have a positive impact across the services.

New systems were procured during the year for the Group’s training solutions including e-learning with standard automated reports as well as for maintenance, hosting, data analytics and e-compliance in order to benefit from cutting edge technology.

These improvements have put us in a strong position to benefit from a number of the commissioning opportunities by working in partnership with the NHS and Local Authorities.

Care Pathway Range and Services

The Group’s focus remains the provision of specialist social care through its five divisions. This is underpinned by a well-defined range of provisions which meet the commissioner requirements. These services are now even more extensive and focused on providing high quality care and positive outcomes for all of our service users.

The Group has continued to develop and grow its existing four operating divisions, which come under the two outcome-based sectors of Adult services and Children services. We continue to extend both our geographic coverage and our outcome based Care Pathway range of services organically and by acquisition and through the purchase of properties to meet the needs of our marketplace, specifically the requirement for greater acuity service provision for both Children and Young People and Adults. This ensures that CareTech is in a very strong position to address the demands of our evolving marketplace.

The Learning Services division was expanded by the acquisition of Dawn Hodge Associates (DHA) late in 2015, and I am particularly delighted to report on the integration and development of our apprenticeship model in 2016. The team has already completed pioneering work by developing the apprenticeship model in social care, and the CareTech Aspire Programme which takes CareTech's care staff from the foundations of mandatory and statutory training to offer the opportunity to complete a Level 2 or Level 3 apprenticeship. At the year end, this programme had 359 CareTech apprentices undertaking the qualifications and 123 of our support staff had already completed a Level 2 or Level 3 apprenticeship. There are also 64 staff members benefiting from Level 5, Team Leader, Business Administration or Customer Services.

We remain committed to the growth of residential care solutions for adults and children with the most complex needs and the CareTech Group has embraced the development of home based solutions including foster care where demand for more specialist services remain strong. Our residential care services for children cater for young people with particularly difficult issues and offer a national service; with strong growth seen in the North of England with the addition of ROC Northwest which has care and educational services. Since that acquisition we have purchased properties in Scotland and North West England for both Spark of Genius and ROC Northwest to develop into new services. Our adult services offer a solid and reliable provision across the whole spectrum of service offerings which now includes acquired brain injuries and we see a particular volume demand in the area of supported living, balanced by renewed demand for more specialised residential care solutions.

Our strategy is to offer a bespoke range of options so that we can maintain the Care Pathways that distinguish us from other providers.

Overview of progress

Our focus during the past year has continued to be further building on the businesses which established the Care Pathways whilst introducing innovative new solutions to meet the challenges faced by care commissioners and then adding newly acquired businesses with complementary skills.

Capacity has increased by 203 places principally because we have continued to reconfigure services and acquired ROC Northwest and Oakfleaf Care (Hartwell). Occupancy levels within our mature services remain at a creditable 93%, or 86% when taking into account our services under development and transition.

Much has been written about personalisation and I felt it would be useful to set out our own understanding and commitment to personalisation.

Personalisation to us means recognising people as individuals who have strengths and preferences and putting them at the centre of their own care and support.

The traditional service-led approach has often meant that people have not been able to procure the kind of support they need, or receive tailored care assistance. Personalised approaches such as self-directed support and personal budgets involve enabling people to identify their own needs and make choices about how and when they are supported to live their lives.

Our two business divisions of Adult Services and Children Services comprise the following four Care Pathways and our Learning Services division.

1. Adult Learning Disabilities

Revenue	£84.4m (2015: £75.7m)
Underlying EBITDA before unallocated costs	£26.4m (2015: £24.5m)
Capacity	1,669 (2015: 1,496)

Adult Learning Disabilities provides individually tailor-made solutions for people living in their own homes, residential care or independent supported living schemes. We can work with clients to deliver self-directed support packages.

For some people residential care will continue as the preferred option and we increasingly offer several types of supported living and packages of individualised self-directed support to people in their own homes.

This includes adult residential care homes, independent supported living and community support services.

In March 2016 Oakleaf Care (Hartwell) was acquired and added its range of pathways from rehabilitation through to long term and end of life care for men with acquired brain injury. This acquisition builds on the Group's existing neurological services and represents a further regional growth platform for the Group.

The principal reason for the increase in underlying EBITDA of £1.9m was the acquisition of Oakleaf Care (Hartwell) and reconfiguration of homes from Mental Health and their reopening late in the current financial year.

We have continued to work closely with Local Authority and NHS commissioners and this has helped us to achieve our growth through the past year. We take a long-term view, recognising that change will continue and with this in mind I am pleased to report that redevelopment of some of our long stay residential provision has been a great success over the past year and will continue to meet the changing requirements of commissioners and families.

The market for high acuity care and the support of people with learning disability is growing year on year. Demand for low-level support has been impacted by the cuts in local authority expenditure but this is not an area of activity in which CareTech operates. Conversely, resources for those with the highest level of need are being maintained and increased in some local authorities.

During the past year we have developed 74 beds through reconfiguration of existing residential services.

Further new provision is under development.

2. Mental Health

Revenue	£5.7m (2015: £6.4m)
Underlying EBITDA before unallocated costs	£1.7m (2015: £1.9m)
Capacity	114 (2015: 114)

The reduction in revenue in Mental Health arises because there have been a number of services reconfigured and transferred to Adult Learning Disabilities.

Mental Health works in partnerships with the NHS to ensure a successful transition out of acute care, delivering pathways to independence. We have an outstanding track record for helping people away from acute care and supporting them in their own homes.

The adult services for this Care Pathway include a community based hospital, adult residential care homes, independent supported living and community outreach with some transitional services transferred within the Group.

Community Mental Health has always been a critical but relatively neglected area of social care. However, this is changing as the NHS drives to lower bed capacity and accelerated early discharge from acute psychiatric hospital care.

The growth of social care is certain and the response by Government to one of the key difficulties is progressing. There has been some progress in the removal of large numbers of learning disabled people from the controversial "Treatment and Assessment Centres" operating at various locations throughout the UK. CareTech has never operated any centres of this type but we understand that the CEO of NHS England has been tasked with ensuring that these centres are re-provided as a matter of urgency. CareTech is seeking opportunities to support the project and to offer a comprehensive solution within its community homes.

We are well positioned for expansion in Mental Health and have a sustainable infrastructure to deliver growth.

3. Foster Care

Revenue	£8.7m (2015: £9.8m)
Underlying EBITDA before unallocated costs	£2.2m (2015: £2.5m)
Capacity	301 (2015: 301)

Foster Care provide for both mainstream and specialist foster care in small supportive groups across England and Wales for children with disabilities. We also provide foster care family assessments in the home rather than in a residential setting.

The unchanged capacity, and fall in revenue and underlying EBITDA in Foster Care arises due to the competitive nature of the market as well the change to family assessments in the home. It is also due to capacity being reported on the new basis of children that carers are able to look after rather than the number they are approved for.

"Foster Care is on a rising trend in terms of both numbers placed in foster care and expenditure by local authorities." Laing and Buisson 2013.

This trend is driven by cost considerations, where fostering is considerably less expensive than residential care and by perceived quality care factors. It is generally held that fostering in an ordinary family home delivers better quality than any residential setting. However, the rising tide of fostering has been constrained by the challenge of finding foster carers with the right skill and motivation alongside preference by social workers to place within local authority services rather than the independent sector.

In 2013, 46% of children placed in foster homes were outsourced to the independent sector. This compares with 67% placed in residential homes operated by independent providers.

Our Foster Care teams and Young People Residential teams are working alongside each other to offer the best outcomes for Young People.

Our market intelligence suggests that most, if not all, independent sector fostering agencies are still experiencing some degree of “hold back” at present. However, the consensus view is that this will not last long and local authorities will inevitably return to progressive outsourcing of foster care provision.

Outsourcing is well established in the culture of most local authorities, but the current austerity measures have led a small number of authorities to reflect on the 50% fee premium paid for independent fostering. This disparity of cost can be attributed in part to the fact that the most complex and therefore high cost cases are placed in the care of independent providers. However, it is also clear that local authorities fail to undertake a full cost analysis of their in-house provision. Wherever this has been done, outsourcing is demonstrably much better value.

Demand for foster care has increased overall but we have noted an increasing trend among some local authorities to make provision in-house for all but the most complex children. In our view this is an expensive and unsustainable approach that exposes local authority commissioners to risk. Our own services are being maintained at an acceptable level.

Looking forward we are training our foster carers with the skills required to manage more complex work and have linked the fostering division with our residential team for children so that we can maintain an effective care pathway.

4. Young People Residential Services

Revenue	£39.0m (2015: £22.4m)
Underlying EBITDA before unallocated costs	£11.8m (2015: £8.2m)
Capacity	235 (2015: 205)

A number of children and young people need to live in specialised residential services and receive education. As far as practicable we aim to help these children move into a more normalised family style environment.

This segment contains children residential care homes, which includes facilities for children with learning difficulties and emotional behavioural disorders (“EBD”), and small specialist schools.

In December 2015 ROC Northwest was added and gave a further geographic spread to fit between the current Childrens residential services in Scotland (Spark of Genius and ACAD) and North Wales (Branas Isaf) and services in Staffordshire and Yorkshire. It also strengthened the residential care and education services for young people with complex needs, especially EBD.

In the year this segment benefited from new services which have added 30 beds. In 2015 we also acquired Spark of Genius which provides significant benefits across the divisions due to their well established education facilities across Scotland and North East England.

Children residential services have been growing as our reputation for quality care and support spreads. We are currently developing new beds and places that have been commissioned during the past year.

5. Learning Services

Revenue	£11.2m (2015: £10.0m)
Underlying EBITDA before unallocated costs	£1.0m (2015: £0.9m)

Learning Services comprises EQL Solutions which was acquired in 2013 and is a national provider specialising in employment and training services to young people and adults and Dawn Hodge

Associates, a regional provider specialising in the social care sector which was acquired in 2015.

Their intensive pre-employment, development and apprenticeship programmes use public funds from the Skills Funding Agency to lay the foundations for individuals to achieve their career goals while helping to provide businesses with the vital skills they need in their workforce.

As well as supporting the workforce, EQL Solutions has also developed programmes for service users by enhancing the pathways to independent living and employment. Young People leaving care, for example, often do not know where to find the right job opportunities or have the opportunity to access employer-focused training. We can now bridge that gap by supporting young people as they make the transition to adult life. We are also exploring how best to help individuals return to employment after mental illness and to give people with learning disabilities the skills and confidence to gain employment so that they are able to live more independently.

Early mapping with CareTech's core business has gone well. Good progress has been made in identifying the potential for EQL Solutions to add value to CareTech's attraction and recruitment of staff and their retention, helping new employees gain the skills and qualifications to grow a successful career in care through an Apprenticeship.

I am pleased to confirm that we have made good progress with Learning Services and the team are strongly motivated to develop their initiatives in the world of social care through the Aspire Programme and the Team Leader programme.

Aspire has been developed as a unique and innovative scheme that will ensure all CareTech's support workers receive mandatory and statutory training to the highest standard whilst also being offered the opportunity to complete a Level 2 or Level 3 Apprenticeship which has been carefully tailored to suit their role and 123 completed this apprenticeship.

CareTech apprentices have now begun their training with 359 CareTech support workers undertaking the apprenticeship programme.

The Team Leader programme has 64 staff members on Level 5 programmes.

In early 2016 Dawn Hodge Associates retained its Ofsted "Outstanding" which is an achievement that we are very pleased to report.

In 2017 with the introduction of the Apprenticeship Levy there will be significant changes to the sector, but we believe that we are well placed to take advantage of the new market conditions.

The services of EQL Solutions and Dawn Hodge Associates complement each other and provide the foundations for a strong learning division within the group.

Corporate Social Responsibility

We have continued to strive for long-lasting improvements in our services in a way that is consistent with the interests and concerns of our stakeholder community. As always, the driving force underpinning

CareTech's operation continues to be the provision of the highest quality of care to our service users.

We care about our service users

Service users are the reason for our existence and satisfying their needs remains our key objective.

As our organisation grows, we strive to maintain a culture which never forgets the important relationship we have with our service users. We seek to nurture these relationships and see them as partnerships of mutual interest and respect, with our person-centred approach ensuring service user interests are safeguarded and vulnerabilities minimised.
The further expansion of our Care Pathway strategy seeks to provide our service users with "whole of life" solutions to their needs, maximising independence where possible by encouraging education, promoting choice, being proactive with family members, providing training for employment where feasible and nurturing personal ambition where helpful. In the year we have been celebrating the achievements of our service users across the country, they have been busy creating art pieces for an Art Competition and the finalists are having another awards presentation in early December 2016 following the success in December 2015.

We are determined to preserve the dignity of those we care for and fully support Government initiatives to this end. We see making each day as fulfilled as possible for our service users as a vital ingredient to their, and our, success.

We care about the environment

We seek to maximise environmental standards in all areas of our organisation. Energy costs are now more closely monitored centrally and with the installation of smart meters being rolled out across our services we are seeking to encourage more efficient consumption of energy, without compromising service user care.

Clinical waste management has an environmental impact and we are focussed on ways to make this more effective whilst still adhering to statutory requirements.

We aim for minimal waste production and waste-free processes. Encouraging the involvement of our workforce in seeking new ways to "be green" is important and we are striving to reduce our carbon footprint in all commercial areas including promoting recycling initiatives, developing a carbon offset scheme for paper usage, using public transport where feasible and improving our energy efficiency.

We care about our staff

We remain committed to ensuring employees share in the success of the Group and fully appreciate that Group performance is affected by the relationship we have with them.

Sustaining the retention and development of employees is also critical to our continued success and we remain of the belief that fostering a positive workplace culture is the best way for our employees to thrive. Supporting them with regular supervision, training and clear career development programmes promotes staff continuity and leads to improved standards of care quality.

In early December 2015 we held our first staff awards ceremony with 10 categories for staff and staff teams across each Division. A larger event was held in December 2016.

Out of a total of 4,440 staff at the end of September 2016 69% are female and equal opportunity for all remains at the heart of our recruitment policies and the diversity of our workforce bears this out. We value our staff at all levels and work closely with them through our robust human resources department to foster consultation in all matters, ensure fair pay for all, maximise conditions of service and facilitate flexible working where feasible.

During the year we undertook a Staff Engagement Survey which involved all staff and looked at values and questions across five engagement drivers. The feedback has led to a Communication Plan that will lead to improved communication across the Group.

We have a team of in-house training staff delivering courses on all relevant subjects, enabling our workforce to gain the skills, knowledge and confidence to provide the care and support to our service users on a daily basis.

Our sharesave share option scheme has been re-launched in March 2016 to offer new invitations regularly and will be available to all our employees. This participation, along with regular senior management share option awards, contributes to the fulfilment of our desire to reward staff for loyalty, diligence and commitment to high standards of service.

We are planning to repeat both share schemes in 2017.

We care about quality and safety

As a Group, our aim is to provide a safe working environment for service users, staff and visitors. We value the well-being of all stakeholders and develop policies to this end.

Maintaining workplace infrastructures is a core objective and sustained investment in Information Technology, furniture, facilities and equipment enable working environments, be they operational or administrative, to be safe and productive.

Regulation is vigorously applied with routine and regular inspections being made by the Care Quality Commission ("CQC") and Ofsted in England and the services are regulated by the Care and Social Services Inspectorate Wales (CSSIW) in Wales and by the Care Inspectorate for Scotland.

We continue to resource our own highly experienced internal quality and compliance teams which undertake a programme of regular inspection and assessment and give constructive feedback backed by training and supervision if the requirement is there. We engage the services of outsourced expert advisers ensuring best practice and procedures are maintained.

We care about our communities

Doing business the right way is of fundamental importance to us. A successful business needs to operate in healthy, thriving communities and needs to be seen as a good neighbour to those communities.

We have direct involvement in a variety of community-based programmes further improving our service reputation and helping to foster a strengthened relationship with local authorities.

Being a socially responsible organisation with a focus on developing our ethical standards aligned with our economic objectives remains a core aim and we strive to identify the real value of our organisation, beyond its financial bottom line. Considering non-financial values such as reputation, employee commitment and service user fulfilment helps us develop longer-term opportunities, ultimately adding to the financial bottom line.

Behaving responsibly and maximising the benefits of a strong relationship with our stakeholders is an integral part of a continuing process of building long-term value.

Outlook

The coming year shows every sign of being good for health and social care providers and especially for those with an established reputation for quality and innovation.

This year there has been significant policy development and we see some indicators that local authorities have recognised the need to maintain, or grow their social care budgets.

In our view we are in a period in which consolidation will again feature strongly within the corporate sector and we are alert to quality opportunities that may arise. However, we are mindful about acquisition and have robust criteria which must be satisfied to ensure that any acquired business fits our long term strategic objectives.

This has been another progressive year for CareTech and I am indebted to the strong management team who have overseen the provision of diligent and tailored services in what has been a challenging environment for the care sector.

CareTech provides high quality care, support and outcomes to our service users. I remain proud to lead the Group, delivering a quality of care that makes a difference to so many lives.

Haroon Sheikh
Chief Executive Officer
8 December 2016

Financial Review

The Group has made further good progress and has made two acquisitions in the year plus the Ground Rent fundraising so has a platform for further acquisitions and growth.

Results

The underlying operating profit improved by 11.1% at £32.0m compared with £28.8m last year. Up to 2013 the Group had been making strategic acquisitions to gain market share and extend the care pathway range of services. Since 2013 the focus had been on organic development and cost efficiencies, but with the Share Placement and improved banking facilities the Group made two acquisitions last year and a further two acquisitions this year and continues to be well placed to make further acquisitions.

Underlying diluted earnings per share increased by 19.6% to 38.03p (2015: 31.79p) per share and underlying profit after tax has risen by 31.1% to £24.0m (2015: £18.3m). Basic and diluted earnings per share increased by 162.1% to 36.17p respectively (2015: 13.80p) and profit after tax increased by 186.3% to £22.9m (2015: £8.0m).

Cash inflows from operating activities before tax and non-underlying items paid were £34.2m (2015: £30.8m), an increase of 11.0%. Net debt to the Group's bankers at the year end of £156.4m has reduced by £2.1m for the year (2015: £158.5m).

The Condensed Income Statement before non-underlying items for the year is summarised in table 1 below.

Table 1 –Condensed Income Statement before non-underlying items

	2016 £m	2015 £m	Growth
Revenue	149.0	124.3	19.9%
Gross profit	54.3	47.7	
Administrative expenses excluding depreciation and share based payments	(17.2)	(15.2)	
Underlying EBITDA	37.1	32.5	14.2%
Underlying EBITDA margin	24.9%	26.1%	
Depreciation	(5.0)	(3.6)	
Share-based payments charge	(0.1)	(0.1)	
Underlying operating profit	32.0	28.8	11.1%
Net financial expenses	(5.9)	(6.8)	
Underlying profit before tax	26.1	22.0	
Underlying taxation	(2.1)	(3.6)	
Underlying effective tax rate	7.8%	16.4%	
Underlying profit for the year	24.0	18.4	
Weighted average number of diluted shares (millions)	63.2	57.7	
Underlying diluted earnings per share	38.03p	31.79p	
Full year dividend per share	9.25p	8.40p	

Revenue

Revenue of £149.0m (2015: £124.3m) was 19.9% higher than in 2015.

In the year there were 2 Acquisitions, ROC Northwest and Oakleaf Care (Hartwell), and revenue includes £12.0m from these acquisitions.

In the established Adult Learning Disabilities segment we continued to experience high levels of occupancy and reported 93% occupancy at 30 September 2016. When this is blended with the facilities that are being reconfigured and so are under development, the overall occupancy level during the second half of the year and at 30 September 2016 was 86% of capacity (September 2015: 86%). As in recent years the demand for residential services continues to be encouraging for high acuity users.

As set out in the Chief Executive's statement and note 2 to the preliminary announcement, we are again reporting segmental information for the financial year and last year which includes information on client capacity and revenue for each segment.

The continued development of our care pathways and a growing range of service options has led to the proportion of Adult Learning Disabilities revenue moving from 60.9% in 2015 to 56.6% in 2016 and EBITDA before Group costs from 64.6% in 2015 to 61.3% in 2016.

The Young People Residential services total revenue has risen by 74% with Mental Health falling by 11%, Foster Care falling by 11% and Learning Services rising by 12%. Their total proportion of the EBITDA before Group costs has increased from 33% in 2015 to 36.4% in 2016 due mainly to a slight margin reduction in the Adult Learning Disabilities Division Services.

Table 2 - Revenue

	2016 Revenue £m	2016 Underlying EBITDA £m	2015 Revenue £m	2015 Underlying EBITDA £m
Adult Learning Disabilities	84.4	26.4	75.7	24.5
Mental Health	5.7	1.7	6.4	1.9
Adults Residential Services	**90.1**	**28.1**	**82.1**	**26.4**
Young People Residential	39.0	11.8	22.4	8.2
Services	8.7	2.2	9.8	2.4
Foster Care				
Learning Services	11.2	1.0	10.0	0.9
Childrens Services	**58.9**	**15.0**	**42.2**	**11.5**
Less unallocated Group costs	-	(6.0)	-	(5.4)
	149.0	37.1	124.3	32.5

Underlying EBITDA and total EBITDA

Underlying EBITDA has grown by 14.2% from £32.5m in 2015 to £37.1m in 2016. In the year there were 2 Acquisitions, ROC Northwest and Oakleaf Care (Hartwell), and the underlying EBITDA includes £3.1m from these acquisitions. Underlying EBITDA margin has decreased from 26.1% to 24.9% mainly due to the margin in the total of the acquired businesses being at a lower rate than the other businesses, and the growth in services businesses that require little capital expenditure like Foster Care and the Learning Division.

The Adult Learning Disabilities, Mental Health and Young People Residential Services segments have higher margins but normally require considerable capital expenditure to increase capacity, whilst Supported Living, Foster Care and Learning Services operate at a lower margin in part because they do not require capital expenditure to increase capacity and are not reliant on the Group's properties.

Administrative expenses, before depreciation and share-based payments charges were £17.2m (2015: £15.2m) and increased by £2.0m during the year. In 2015 they represented 12.2% of Group revenue and in 2016 this further improved to 11.5% of Group revenue.

There has been a further considerable effort in the year to reduce administrative expenses with further back office systems centralisation and procurement successes for the Group.

The reconfiguration of services is a central part of the Board's strategy to grow organically. It enhances average fee rates and maintains the Group's reputation as a provider of highest quality of care.

In the year there has also been a greater focus on purchasing properties which are then converted to new services.

The number of employees in management and administration has increased by 74 as a result of both the acquisitions in the year as well as organic growth. The Time and Attendance system has been implemented across all of the residential services in the year which will further our back office centralisation and ensure that staff are paid more accurately and quickly, as well as giving reliable data on staff rotas and attendance in each service.

Total EBITDA has increased from £26.8m in 2015 to £41.3m in 2016.

Operating profit and profit before tax

The depreciation charge is £5.0m (2015: £3.7m) and reflects the investment in land and buildings, motor vehicles and fixtures, fittings and equipment.

After this charge and the share-based payments, underlying operating profit grew 11.1% to £32.0m (2015: £28.8m).

Total operating profit increased by 71.3% to £34.2m (2015: £17.8m).

Net underlying financial expenses of £5.9m (2015: £6.8m) decreased again over the previous year due to the effects of the ground rent transaction monies and the new banking facilities, though there were additional finance leases taken out on new home vehicles during the year.

Underlying profit before tax was £26.1m (2015: £22.0m) which is an increase of 18.6%.

Total profit before tax increased by 139.4% to £22.5m (2015: £9.4m).

Taxation and diluted earnings per share

The effective underlying tax rate was 7.8% (2015: 16.4%) and reflects management's expectations of future capital investment through organic developments and reconfigurations relative to available capital allowances, the impact of the reduction in the main rate of corporation tax in the year and also the release of a provision for tax no longer required.

The weighted average number of shares in issue rose by 9.6% mainly due to the share placement from March 2015. The underlying diluted earnings per share rose by 19.6% to 38.03p in 2016 from 31.79p in 2015.

Basic and diluted earnings per share increased by 162.1% to 36.17p (2015: 13.80p)

Dividends

Our policy has been to increase the total dividend per year broadly in line with the movement in underlying diluted earnings per share. The final dividend will therefore increase to 6.25p per share (2015: 5.60p), bringing the total dividend for the year to 9.25p (2015: 8.40p), a growth of 10.1%. Dividend cover for 2016, based upon diluted earnings per share before non-underlying items is 4.11 times (2015: 3.78 times).

Non-underlying items

As more fully explained on the face of the Consolidated Statement of Comprehensive Income and in note 3 to the preliminary announcement, the Directors have separately disclosed a number of non-underlying items in order to improve understanding of the underlying trading performance achieved by the Group. Total non-underlying items represent a charge of £1.5m at operating level (2015: £10.9m) and the principal items are the amortisation of intangible assets, integration and reorganisation costs plus costs of the acquisitions net of the IAS 17 profit arising from the ground rent transaction.

Cash flow and net debt

The cash flow statement and movement in net debt to the Group's bankers for the year is summarised below:

	2016	2015
	£m	£m
Underlying EBITDA	37.1	32.5
(Increase) in working capital	(2.9)	(1.7)
Cash inflows from operating activities before non underlying items	34.2	30.8
Tax paid	(1.5)	(1.3)
Interest paid	(5.5)	(6.7)
Dividends paid	(5.2)	(4.2)
Acquisitions and capital expenditure	(41.9)	(16.6)
Share Placement	-	19.8
Ground rent transaction	29.9	-
Cash flow before adjustments	10.0	21.8
Non underlying cashflows including derivative financial instruments	(7.9)	(14.2)
Movement in net debt to the Group's bankers	2.1	7.6
Opening net debt to the Group's bankers	(158.5)	(166.1)
Closing net debt to the Group's bankers	(156.4)	(158.5)

Net debt to the Group's bankers at 30 September 2016 of £156.4m (2015: £158.5m) has decreased by £2.1m during the financial year, with an investment of £41.9m in acquisitions and capital improvements during the year.

Operating cash flows before non underlying items

The £34.2m (2015: £30.8m) cash inflow from operating activities, before non-underlying items, represents a 92% (2015: 95%) underlying EBITDA cash conversion ratio.

Interest and dividend cash flows

Interest paid of £5.5m (2015: £6.7m) is reflective of the financial expenses per the Consolidated Statement of Comprehensive Income, whilst dividends paid are consistent with the relevant section earlier in the review.

Ground rent transaction

In February 2016 the Company announced the ground rent transaction which raised £30m in cash to support its growth strategy. The innovative ground rent agreement is with the funds managed by Alpha Real Capital at a net initial yield of 3.4%. Under the terms of the agreement, the freehold to 41 CareTech properties are transferred to Alpha's managed funds in exchange for a cash sum of £30 million and security of tenure with a 150 year term. The commencing rent will be £1.07m per annum, which will rise with the Retail Price Index on a five yearly compound basis at between 0% and 5% per annum.

Under IAS 17, the transaction has been accounted for as a sale and leaseback transaction. We have ascertained the fair value of the land and buildings separately and treated the accounting for land on an operating lease basis and buildings on a finance lease basis. Accordingly, the sale of the land resulted in a profit of £5.6m and has created a ground rent liability amounting to £7.4m which is payable over a 150 year period.

Acquisitions and capital expenditure

During the year we invested total funds of £41.9m (2015: £16.6m). The Group acquired ROC Northwest for a total consideration which may rise to £11.4m comprising an initial payment of £8.7m in cash and an earn out of up to £2.7m. Of the consideration payable under the earn out, £250,000 was settled on completion of the acquisition through the issue of 100,000 ordinary shares in the capital of the Company ("Ordinary Shares") at a price of 250 pence per Ordinary Share. The remainder of the consideration under the earn out of up to £2.425m will be determined with reference to ROC's EBITDA performance over the period to July 2016 and will be funded from current cash reserves

The Group also acquired Oakleaf Care (Hartwell) for a total consideration which may rise to £20.3m comprising an initial payment of £18.3m in cash and an earn out of up to £2.0m. The consideration payable under the earn out of up to £2.0m will be determined with reference to Oakleaf's EBITDA performance over the 2 years to 31 March 2018.

Further details of the acquisitions are explained in the Chief Executive's Statement and Performance Review as well as in the notes to the financial statements.

The acquisition of ROC Northwest in December 2015 was financed from the existing resources of the Group and utilised the remainder of the £21.0m gross proceeds from the Group's Share Placement in March 2015.

The acquisition of Oakleaf Care (Hartwell) in March 2016 was financed from the existing resources of the Group and utlised about 60% of the net proceeds from the Ground Rent transaction. Some of the remaining proceeds were used to purchase freehold properties to be converted to new services.

Capital expenditure of £14.3m (2015: £9.9m) includes £6.4m to update our portfolio of assets.

Banking arrangements

The Group is pleased to have continued its strong relationships with Royal Bank of Scotland, Lloyds TSB, Santander and Allied Irish following the last refinancing in July 2015 when the Group agreed improvements to its banking facilities. The facility was extended to January 2019 and the cost of borrowing was reduced through a reduction to the interest rate and four loan repayments, which were due between 2015 and October 2016 amounting to £21.6m, have been deferred. In addition, there is an uncommitted accordion facility of up to £30m which, together with the deferral of loan repayments, give further support to the Group's acquisition strategy.

The total of the Group's current freehold property portfolio is £304m as at 30 September 2016. There was an independent valuation by Christie & Co of the Group's property portfolio following the ground rent transaction of £284m plus the cost price of the freehold properties purchased in the 2 acquisitions, plus other freehold properties purchased in the year.

At 30 September 2016 the Group has available bank facilities totaling £195m which are sufficient, with cash flow from operating activities, to fund present commitments.

Outlook

The Group is now in a better position to continue as a pioneering provider of specialist social care services in a UK market that is continuing to grow yet remains fragmented.

Michael Hill
Group Finance Director
8 December 2016

Unaudited Consolidated Statement of Comprehensive Income

for the year ended 30 September 2016

		2016			2015		
	Note	Underlying £000	Non underlying [i] £000	**Total £000**	Underlying £000	Non underlying [i] £000	**Total £000**
Revenue	2	148,979	-	**148,979**	124,271	-	**124,271**
Cost of sales		(94,682)	-	**(94,682)**	(76,571)	-	**(76,571)**
Gross profit		54,297	-	**54,297**	47,700	-	**47,700**
Administrative expenses		(22,328)	(1,510)	**(23,838)**	(18,947)	(10,938)	**(29,885)**
Operating profit		31,969	(1,510)	**30,459**	28,753	(10,938)	**17,815**
EBITDA [ii]		37,056	4,233	**41,289**	32,496	(5,707)	**26,789**
Depreciation		(5,026)	-	**(5,026)**	(3,683)	-	**(3,683)**
Amortisation of intangible assets		-	(5,743)	**(5,743)**	-	(5,231)	**(5,231)**
Share-based payments charge		(61)	-	**(61)**	(60)	-	**(60)**
Operating profit		31,969	(1,510)	**30,459**	28,753	(10,938)	**17,815**
Financial expenses		(5,887)	(2,037)	**(7,924)**	(6,797)	(1,621)	**(8,418)**
Profit before tax		26,082	(3,547)	**22,535**	21,956	(12,559)	**9,397**
Taxation	3,4	(2,035)	2,371	**336**	(3,623)	2,184	**(1,439)**
Profit and comprehensive income for the year attributable to equity shareholders of the parent		24,047	(1,176)	**22,871**	18,333	(10,375)	**7,958**
Earnings per share							
Basic	5,6	38.03p		**36.17p**	31.80p		**13.80p**
Diluted	5,6	38.03p		**36.17p**	31.79p		**13.80p**

(i) Non underlying items comprise: amortisation of intangibles, acquisition expenses, fair value adjustments on acquisitions, changes in value and additional finance payments in respect of derivative financial instruments, integration, reorganisation and redundancy costs and provision for onerous leases and the profit arising from the treatment of the ground rent transaction under IAS 17 (note 3).

(ii) EBITDA is operating profit stated before depreciation, amortisation of intangible assets, and share-based payments charge.

Unaudited Consolidated Statement of Financial Position

as at 30 September 2016

	2016	2015
	£000	£000
Non-current assets		
Property, plant and equipment	267,667	256,552
Other intangible assets	43,982	34,251
Goodwill	43,021	38,651
	354,670	329,454
Current assets		
Inventories	815	515
Trade and other receivables	18,508	12,981
Cash and cash equivalents	4,308	3,702
	23,631	17,198
Total assets	378,301	346,652
Equity		
Share capital	321	311
Share premium	81,750	76,985
Shares held by Executive Shared Ownership Plan	(6,072)	(1,280)
Merger reserve	9,023	8,748
Retained earnings	66,645	48,935
Total equity	151,667	133,699
Liabilities		
Non-current liabilities		
Loans and borrowings	153,742	160,303
Ground rent liabilities arsing under IAS17	7,343	-
Deferred tax liabilities	21,552	21,066
Deferred and contingent consideration payable	2,025	-
Derivative financial instruments	964	227
	185,626	181,596
Current liabilities		
Loans and borrowings	6,990	1,927
Trade and other payables	17,666	16,920
Ground rent liabilities arsing under IAS17	50	-
Deferred and contingent consideration payable	3,850	1,500
Deferred income	2,119	2,142
Corporation tax	9,250	8,306
Derivative financial instruments	1,083	562
	41,008	31,357
Total liabilities	226,634	212,953
Total equity and liabilities	378,301	346,652

Unaudited Consolidated Statement of Changes in Equity

as at 30 September 2016

	Share capital	Share premium	Shares held by Executive Shared Ownership Plan	Merger reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000
At 1 October 2014	260	57,221	(1,890)	8,498	45,070	109,159
Profit for the year	-	-	-	-	7,958	7,958
Total comprehensive income	-	-	-	-	7,958	7,958
Issue of ordinary shares	51	19,764	-	250	-	20,065
Reduction in shares held	-	-	610	-	-	610
Equity settled share-based payments charge	-	-	-	-	60	60
Dividends	-	-	-	-	(4,153)	(4,153)
Transactions with owners recorded directly in equity	51	19,764	610	250	(4,093)	16,582
At 30 September 2015	311	76,985	(1,280)	8,748	48,935	133,699
At 1 October 2015	311	76,985	(1,280)	8,748	48,935	133,699
Profit for the year	-	-	-	-	22,871	22,871
Total comprehensive income	-	-	-	-	22,871	22,871
Issue of ordinary shares	10	4,765	(4,792)	275	-	258
Equity settled share-based payments charge	-	-	-	-	61	61
Dividends	-	-	-	-	(5,222)	(5,222)
Transactions with owners recorded directly in equity	10	4,765	(4,792)	275	(5,161)	(4,903)
At 30 September 2016	321	81,750	(6,072)	9,023	66,645	151,667

Unaudited Consolidated Statement of Cash Flow

Consolidated Statement of Cash Flow

for the year ended 30 September 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Profit before tax	22,535	9,397
Adjustments for:		
Financial expenses	7,924	8,418
Onerous lease provision charge	-	304
Depreciation	5,026	3,683
Amortisation	5,743	5,231
Share-based payments charge	61	60
Acquisition transaction cost	660	1,000
Integration and restructuring costs	1,780	4,403
Profit on disposal of property, plant and equipment	(5,623)	(134)
Operating cash flows before movement in working capital	38,106	32,362
Increase in inventory	(253)	-
Increase in trade and other receivables	(3,498)	(3,669)
Increase in trade and other payables	(163)	1,985
Operating cash flows before non underlying items	34,192	30,678
Integration and restructuring costs	(1,780)	(1,604)
Payments made under onerous contracts	-	(725)
Cash inflows from operating activities	32,412	28,349
Tax paid	(1,458)	(1,339)
Net cash from operating activities	30,954	27,010
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	29,854	1,051
Payments for business combinations net of cash acquired	(27,603)	(6,591)
Acquisition of property, plant and equipment	(10,765)	(5,976)
Acquisition of software	(3,580)	(3,893)
Payment of acquisition costs	(3,654)	(1,182)
Net cash used in investing activities	(15,748)	(16,591)

(continued)

for the year ended 30 September 2016

Cash flows from financing activities			
Proceeds from the issue of share capital (net of costs)		75	19,815
Proceeds from new loan (net of costs)		-	158,525
Interest paid		(5,544)	(6,694)
Cash outflow arising from derivative financial instruments		(779)	(675)
Bank fees on refinancing		27,507	(1,169)
Repayment of borrowings		(28,377)	(173,556)
Payment of finance lease liabilities		(2,260)	(2,710)
Dividends paid	7	(5,222)	(4,153)
Net cash (used in) financing activities		(14,600)	(10,617)
Net increase/(decrease) in cash and cash equivalents		606	(198)
Cash and cash equivalents at 1 October		3,702	3,900
Cash and cash equivalents at 30 September		4,308	3,702

Notes to the Financial Statements

1 Background and basis of preparation

CareTech Holdings PLC (the 'Company') is a company registered and domiciled in England and Wales. The consolidated financial statements of the Company for the year ended 30 September 2016 comprise the Company and its subsidiaries (together referred to as the 'Group').

The unaudited summary financial information set out in this announcement does not constitute the Company's consolidated statutory accounts for the years ended 30 September 2016 or 30 September 2015. The results for the year ended 30 September 2016 are unaudited. The statutory accounts for the year ended 30 September 2016 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement, and will be delivered to the Registrar of Companies in due course. The statutory accounts are subject to completion of the audit and may change should a significant adjusting event occur before the approval of the Annual Report.

The statutory accounts for the year ended 30 September 2015 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditors report on those accounts was unqualified and did not include references to any matter which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The preliminary announcement for the year ended 30 September 2016 was approved by the Board for release on 8 December 2016.

2 Segmental information

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Chief Executive Officer as he is primarily responsible for the allocation of resources to segments and the assessment of the performance of each of the segments.

The CODM uses underlying EBITDA as reviewed at monthly Executive Committee and Performance meetings as the key measure of the segments' results as it reflects the segments' underlying trading performance for the period under evaluation. Underlying EBITDA is a consistent measure within the Group.

Inter-segment revenue between the operating segments is not material.

Our two key segments are Adult Services (Adult) and Children Services (Children). Adult Services comprises the Adult Learning Disabilities (ALD) and Mental Health (MH) divisions and the Children Services comprises Young People Residential Services (YPR), Foster Care (FC) and Learning Services (Learning).

There has been no aggregation of the operating segments in arriving at these reportable segments.

The segment results for the year ended 30 September 2016, for the year ended 30 September 2015 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

Year ended 30 September 2016

Continuing Operations	ALD	MH	**Adult**	YPR	FC	Learning	**Children**	**Total**
Client Capacity	1,669	114	**1,783**	235	301	-	**536**	**2,319**
Revenue (£'000)	84,351	5,748	**90,099**	38,980	8,714	11,186	**58,880**	**148,979**
Underlying EBITDA (£'000)	26,396	1,663	**28,059**	11,806	2,187	1,013	**15,006**	**43,065**
Before allocated cost								

Continuing Operations	ALD	MH	**Adult**	YPR	FC	Learning	**Children**	**Total**
Client Capacity	1,496	114	**1,610**	205	301	-	**506**	**2,116**
Revenue £'000)	75,704	6,436	**82,140**	22,364	9,761	10,006	**42,131**	**124,271**
Underlying EBITDA (£'000)	24,460	1,890	**26,350**	8,230	2,453	935	**11,618**	**37,968**
Before unallocated cost								

Reconciliation of EBITDA to profit after tax:	**2016** **£000**	**2015** **£000**
Underlying EBITDA before unallocated costs	43,065	37,968
Unallocated costs	(6,009)	(5,472)
Underlying EBITDA	37,056	32,496
Depreciation	(5,026)	(3,683)
Amortisation	(5,743)	(5,231)
Share based payments charge	(61)	(60)
Non underlying items	4,233	(5,707)
Operating profit	30,459	17,815
Financial expenses	(7,924)	(8,418)
Profit before tax	22,535	9,397
Taxation	336	(1,439)
Profit after tax	22,871	7,958

All operations of the Group are carried out in the UK, the Company's country of domicile. All revenues therefore arise within the UK and all non-current assets are likewise located in the UK. No single external customer amounts to 10% or more of the Group's revenues.

No asset and liability information is presented above as this information is not allocated to operating segments in the regular reporting to the Group's Chief Operating Decision Maker and is not a measure used by the CODM to assess performance and to make resource allocation decisions.

3 Non underlying items

Non underlying items are those items of financial performance that, in the opinion of the Directors, should be disclosed separately in order to improve a reader's understanding of the underlying trading performance achieved by the Group as these are one off significant costs which are not part of the ordinary course of the business. Non underlying items comprise the following:

	Note	2016 £000	2015 £000
Acquisition expenses	(i)	(390)	1,000
Integration and restructuring costs	(i)	1,780	4,403
Profit arising from the ground rent transaction under IAS 17		(5,623)	-
Acquisition and development costs		(4,223)	5,403
Onerous lease provision	(ii)	-	304
Included in EBITDA		(4,223)	5,707
Amortisation of intangible assets		5,743	5,231
Included in administrative expenses		1,510	10,938
Fair value movements relating to derivative financial instruments	(iii)	1,258	946
Charges relating to derivative financial instruments		646	675
IAS 17 lease imputed interest		133	-
Included in financial expenses		2,037	1,621
Tax on non underlying items			
Current		(84)	(1,320)

Deferred tax	(2,287)	(864)
Included in taxation	(2,371)	(2,184)
Total non underlying items	1,176	10,375

(i) The Group incurred a number of exceptional costs relating to the integration of recent acquisitions and the reorganisation of the internal operating and management structure and redundancy costs totalling £1,780,000 (2015: £4,403,000). Included in the cash flow statement are acquisition expenses of £660,000 (2015: £1,000,000) and integration and reorganisation costs of £1,780,000 (2015: £1,604,000), which were paid in the year.

(ii) The present value of the future cash flows receivable from the operation of certain leased assets has been assessed as being lower than the present value of the rental payments to which the Group is committed. Therefore the Group has provided for £nil (2015: £304,000) being the present value of any onerous element of the remaining lease life.

(iii) Non underlying items relating to derivative financial instruments include the movements during the year in the fair value of the Group's interest rate swaps which are not designated as hedging instruments and therefore do not qualify for hedge accounting, together with the quarterly cash settlement, and accrual thereof.

4 Taxation

(a) Recognised in the consolidated statements of comprehensive income

	2016	2015
	£000	£000
Current tax expense		

Current year	(4,471)	(3,837)
Current tax on non underlying items (note 3)	84	1,320
Corporation tax overprovided in previous periods	2,281	-
Total current tax	(2,106)	(2,517)
Deferred tax expense		
Current year	(1,027)	214
Prior year	1,182	-
Deferred tax on non underlying items (note 3)	2,287	864
Total deferred tax	2,442	1,078
Total tax in the consolidated statement of comprehensive income	336	(1,439)

(b) Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit before tax for the year	22,535	9,397
Tax using the UK corporation tax rate of 20% (2015: 20.5%)	4,507	1,926
Non-deductible expenses	(820)	1,334
Other tax adjustments	(612)	(1,267)
Corporation and deferrred tax overprovided in previous periods	(2,692)	(554)
Utilisation of brought forward losses	(47)	-
Total tax in the consolidated statement of comprehensive income	336	1,439

The main rate of corporation tax is set to reduce from 20% to 17% by 2020/2021. Deferred tax balances have been recognised at a corporation tax rate of 17%.

5 Earnings per share

	2016 £000	2015 £000
Profit attributable to ordinary shareholders	22,871	7,958
Weighted number of shares in issue for basic earnings per share	63,229,346	57,653,019
Effects of share options in issue	-	17,804
Weighted number of shares for diluted earnings per share	63,229,346	57,670,823

Diluted earnings per share is the basic earnings per share adjusted for the dilutive effect of the conversion into fully paid shares of the weighted average number of share options outstanding during the period.

Earnings per share (pence per share)		
Basic	36.17p	13.80p
Diluted	36.17p	13.80p

6 Underlying earnings per share

A measure of underlying earnings and underlying earnings per share has been presented in order to present the earnings of the Group after adjusting for non-underlying items which are not considered to reflect the underlying trading performance of the Group.

	2016	2015
	£000	£000
Profit attributable to ordinary shareholders	22,871	7,958
Non underlying items	1,176	10,375
Underlying profit attributable to ordinary shareholders	24,047	18,333
Underlying earnings per share (pence per share)		
Basic	38.03p	31.80p
Diluted	38.03p	31.79p

7 Dividends

The aggregate amount of dividends comprises:

	2016	2015
	£000	£000
Interim dividend paid in respect of prior year but not recognised as liabilities in that year (3.00p per share (2015: 2.80p per share))	1,739	1,350
Final dividend paid in respect of the prior year (5.60p per share (2015: 5.60p per share))	3,483	2,803
Aggregate amount of dividends paid in the financial year (8.40p per share (2015: 8.00p per share))	5,222	4,153

8 Business Combinations

(a) Acquisitions 2016

The Group made two acquisitions in the year which have been accounted for as business combinations under IFRS3 (revised).

The following table of fair values summarises the acquisitions made during the financial year:

OAKLEAF	Book values	Fair value adjustment	Total
	£000	£000	£000
Intangible assets	-	7,915	7,915
Property, plant and equipment	11,875	-	11,875
Other fixed assets	27	-	27
Inventories	46	-	46
Trade and other receivables	2,077	(500)	1,577
Cash	30	-	30
Trade and other payables	(437)	(171)	(608)
Deferred income	(178)	(210)	(388)
Deferred tax	(34)	(1,583)	(1,617)
Net assets on acquisition	13,406	5,451	18,857
Satisfied as follows:			
Cash			18,809
Shares			-
Deferred consideration due after one year			2,025
			20,834
Goodwill			1,977

ROC NORTH WEST

	Book values	Fair value adjustment	Total
	£000	£000	£000
Intangible assets	221	3,758	3,979
Property, plant and equipment	3,835	2,373	6,208
Other fixed assets	629	-	629
Trade and other receivables	502	(250)	252
Cash	903	-	903
Trade and other payables	(298)	(150)	(448)
Corporation tax	(201)	-	(201)
Deferred tax	(90)	(1,226)	(1,316)
Net assets on acquisition	5,501	4,505	10,006
Satisfied as follows:			
Cash			9,727
Shares			275
Deferred consideration due after one year			2,425
			12,427

Goodwill	2,421

TOTAL

	Book values £000	Fair value adjustment £000	Total £000
Intangible assets	221	11,673	11,894
Property, plant and equipment	15,710	2,373	18,083
Other fixed assets	656	-	656
Inventories	46	-	46
Trade and other receivables	2,579	(750)	1,829
Cash	933	-	933
Trade and other payables	(735)	(321)	(1,056)
Corporation tax	(201)	-	(201)
Deferred income	(178)	(210)	(388)
Deferred tax	(124)	(2,809)	(2,933)
Net assets on acquisition	18,907	9,956	28,863

Satisfied as follows:	
Cash	28,536
Shares	275
Deferred consideration due within one year	2,025
Deferred consideration due after one year	3,450
	33,261
Goodwill	4,398

Each acquisition was undertaken to enhance the Group's position in the respective industries. In each case control was obtained through the acquisition of share capital.

The book values of the assets and liabilities were extracted from the underlying accounting records of the acquired entities on the date of acquisition. The book value of receivables represents the gross contractual amounts receivable, all of which are considered recoverable. The fair value adjustments made to intangible assets and creditors are to reflect their value on a going concern market value basis. The fair value adjustment to deferred tax arises due to the requirement to recognise deferred tax and goodwill on the fair value uplifts to intangible assets and property, plant and equipment. The remaining goodwill of £4,398,000 relates to the assembled workforce acquired on acquisition.

Goodwill which is not expected to be tax deductible arises due to the requirement to recognise deferred tax in respect of the fair value adjustments to intangible assets and property, plant and equipment, together with synergies expected to arise from combining operations, workforce in place and other intangible assets which do not qualify for separate recognition.

(b) Reconciliation to Group Cash Flow

	2016	2015

	£000	£000
Cash consideration paid on acquisitions in the year	28,536	6,591
	28,536	6,591

Deferred and contingent consideration payable is analysed as follows:-

	2016 £000	2015 £000
Contingent consideration		
Due within one year	3,850	1,500
Due over one year	2,025	-
	5,875	1,500

(c) Proforma results

The underlying result for the combined entity for the year as though the acquisition date for all business combinations had been the beginning of the year is as follows:

	2016 £000	2015 £000
Revenue	154,583	133,986
Operating profit	29,852	18,919

9 Copies of the Annual Report and Accounts

Copies of the Annual Report and Accounts will be sent to Shareholders in due course and will be available to members of the public from the Company's registered office located at 5th Floor, Metropolitan House, 3 Darkes Lane, Potters Bar, Herts, EN6 1AG and on the Company's website: www.caretech-uk.com.