For immediate release **19 June 2017**

CareTech Holdings PLC
("CareTech" or the "Company")

Interim Results for the six months ended 31 March 2017

CareTech Holdings PLC (AIM: CTH), a pioneering provider of specialist social care services in the UK, is pleased to announce its interim results for the six months ended 31 March 2017.

Financial Highlights

- Revenue increased by 11.3% to £78.8m (H12016: £70.8m)
- Underlying EBITDA[i] increased by 8.3% to £18.3m (H12016: £16.9m)
- Underlying profit before tax[ii] increased by 13.9% to £13.1m (H12016: £11.5m)
- Underlying diluted earnings per share[ii] increased by 11% to 16.37p (H12016: 14.75p)
- Operating profit decreased by 28.5% to £10.7m (H12016: £15.0m) and profit before tax decreased by 37.5% to £7.0m (H12016: £11.2m) principally due to £5.6m profit on sale of fixed assets in 2016
- Strong operating cash inflow before non-underlying items of £15.8m (H12016: £15.6m) with net debt of £122.5m at 31 March 2017 (31 March 2016: £156.4m) [iii]
- Interim dividend increased by 10% to 3.30p (2016: 3.00p) per share
- Net assets have grown by 38.5% to £195.2m (H12016: £140.9m)
- Cash inflows from operating activities were £11.4m (H12016: £13.8m)
- Placing of 11,000,000 new shares raising £37m (net of expenses)
- Improved banking facilities with the deferral of two loan repayments

Strategic Highlights

- After the half year end there was an acquisition investment of £20.7m of placing proceeds in Beacon Reach and Selborne Care (*see separate release announced today*)
- Recent acquisitions Spark of Genius, Oakleaf Care (Hartwell) and ROC North West have continued to grow
- Further strengthening of the management team and additional I.T. infrastructure
- Overall net capacity increased since the year end by 40 places
- Improved quality ratings particularly with CQC
- Disability confident level 3 accreditation obtained and CareTech Charitable Foundation established

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

"We are pleased to report an impressive performance for the first half of 2017 which delivered year on year growth in revenue, underlying EBITDA, underlying profit before tax and underlying EPS.

"Having raised £37m of net proceeds from the share placing in March 2017, the Group has completed on two acquisitions with a total spend of £20.7m since the half year ended. A number of potential acquisition opportunities are under active consideration and in addition we have a strong organic pipeline of additional beds in reconfigured services and in new services.

"The Directors believe that this will lead to a sustained growth in capacity and revenues which will generate additional EBITDA and cash so that the Group can achieve its target of double digit growth annually in underlying diluted earnings per share.

"It is pleasing to recognise the hard work that has gone into the disability confident level 3 accreditation. Also the creation of the CareTech Charitable Foundation is an exciting initiative to make a difference to support service users and our staff and their families plus contribute to disability related causes.

"The continued provision of first-class social care which represents good value and is focused on successful service user outcomes will remain the main market driver for CareTech's continuing growth."

(i) Underlying EBITDA is operating profit stated before depreciation, share –based payments charge and non-underlying items explained in note 3.
(ii) Underlying profit before tax and underlying diluted earnings per share are stated before non-underlying items (explained in note 3).
(iii) Net debt is defined by the Group's banking facilities and comprises cash and cash equivalents net of loans and borrowings.
(iv) EBITDA is operating profit stated before depreciation, share-based payments charge and amortisation of intangible assets.

For further information, please contact:

CareTech Holdings PLC **01707 601 800**
Farouq Sheikh, Executive Chairman
Michael Hill, Group Finance Director

Buchanan (PR Adviser) **020 7466 5000**
Mark Court
Sophie Cowles
Stephanie Watson

Panmure Gordon (Nomad and Joint Broker) **020 7886 2500**
Freddy Crossley
Peter Steel
Charles Leigh-Pemberton

WH Ireland (Joint Broker) **020 7220 1666**
Adrian Hadden
James Bavister

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014

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 260 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, specialist services, young people residential services, foster care and learning services which come under the two outcome-based sectors of Adult Services and Young People 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 property portfolio comprises more than 200 properties.

For further information please visit: www.caretech-uk.com.

Chairman's Statement

The solid platform has continued to deliver strong organic growth as well as multiple acquisition opportunities planned

I am pleased to report another solid performance in the six months ended 31 March 2017. CareTech has delivered an impressive performance increasing revenue, underlying EBITDA, and underlying profit before tax compared with the comparable period in 2016. The strong performance further demonstrates the benefits of the Board's strategy over recent years, in which it has actively sought to:

- Create complementary care pathways focused on outcomes for service users
- Reconfigure the existing property portfolio to meet market demand
- Invest in people and I.T. systems
- Strengthen the balance sheet through a combination of share placements and improved banking facilities
- Accelerate organic growth complemented by bolt-on acquisitions

The growth going forward is underpinned by the strong foundation that we have built over the past few years and the Group continues to develop and grow its five operating divisions, which come under the two outcome-based sectors of Adult services and Young People services. We continue to extend both our geographic coverage and our outcome based care pathway range of services organically and through the purchase and sale of properties to meet the needs of our marketplace, specifically the requirement for greater acuity service provision. This indicates that CareTech is in a very strong position to address the demands of our evolving marketplace and the Board remains confident of the Group's performance for the remainder of the year.

Following the recent share placement and improved banking facilities plus further strengthening of the management team, the Group is ideally placed to make further bolt-on acquisitions to our existing care pathways in a market that remains very fragmented. We are also currently making good progress on a number of organic projects adding beds in reconfigured services and in new services where we have acquired properties in the North West, West of England and Scotland.

Our current initiatives and acquisition strategy give the Group the ability to achieve double digit growth annually in underlying diluted earnings per share going forwards.

Our performance during the first half of the current year has been underpinned by the strategic initiatives undertaken over recent years which have delivered a stronger performance compared with the same period last year on all of the key financial metrics.

CareTech's care pathways continue to be a key foundation to delivering positive outcomes for our service users. By helping them to live more independently, we are working in partnership with local authorities by providing them with greater value for money.

Results

Group revenue in the half year has grown by 11.3% to £78.8m (H12016: £70.8m) has delivered an underlying EBITDA [(i)] of £18.3m (H12016: £16.9m), representing growth of 8.3%. Without the effect of reconfigurations and acquisitions Group revenue and EBITDA would have grown on a like for like basis by 4.2 % and 2.6 % respectively; this constitutes an investment for the future and allows the Group to meet Commissioner demands whilst expanding our care pathways and geography.

The underlying EBITDA[(i)] margin was 23.2% (H12016: 23.8%) having made further investment in the management team and reflecting the change of mix in margins for some of the acquired businesses. Underlying margins continue to improve through reconfigurations and operational efficiencies and have grown from 20.9% in HI2013 and 22.6% in H12014 to 23.8% in H12015.

Underlying profit before tax[(ii)] increased by 13.9% to £13.1m (H12016: £11.5m) and underlying diluted earnings per share[(ii)] was 16.37p (2016: 14.75p) This increase of 11% is due to the growth in underlying earnings arising from the improved EBITDA and lower financial expenses partially offset by an increase in the number of shares issued in March 2017 as a result of the placing.

Operating profit, profit before tax and EPS are lower than the first half of 2016 principally due to the profit on sale of fixed assets as a result of the ground rent transaction.

During this period, we also maintained our strategic focus towards taking the Group's operational platform forward to the next stage of development in what is a growing market. As a consequence, we have further invested in our property estate, our IT systems and operating structure in order to provide the appropriate quality and resource to drive medium term growth organically, investing £9.2m in the period (H12016: £6.1m). Additionally, following our analysis in the past two years of demand trends, new services and new properties are being developed including further children's services in Scotland, and further homes in North West and West of England. Homes are being reconfigured to meet new demand and service requirements of Care Commissioners in the West Midlands and North West England and these are planned to be completed in the coming months.

Care commissioners continue to demand flexible high quality care solutions and favour operators able to deliver across the care pathway. Pleasingly, some of the 2016 reconfigured services that have opened are already experiencing strong levels of demand from local authorities for referrals, validating our strategy of reconfiguration focusing upon greater acuity service provision.

A key feature of this business is its strong cash generation. Operating cash inflow before non-underlying items of £15.8m represents a 86% cash conversion of underlying EBITDA(i), which demonstrates the continued strong quality of our earnings. As a result of this and the focus on organic growth as well as the net share placement monies, net debt as defined by the Group's bank facilities was £122.5m at 31 March 2017 £33.9m lower than the year end position at 30 September 2016 of £156.4m.

Net assets have increased by £43.6m in the half year to 31 March 2017 which is an increase of 30.9% compared with March 2016 due mainly to the share placement.

In the trading update issued on 27 April 2017, CareTech announced that, annual fee rate negotiations with local authorities remain at an early stage and this year are taking place against the backdrop of an increase in the Living Wage to £7.50 per hour from 1 April 2017. The Board anticipates that a more positive outcome will be achieved than in recent years and that the costs associated with the Living Wage will be fully absorbed by fee increases.

Dividend

Our policy continues to be to increase the dividend broadly in line with the movement in underlying diluted earnings per share. Given the consistent earnings growth and cash generation the Board is therefore declaring an interim dividend of 3.30p (H12016: 3.00p) per share, to be paid on 24 November 2017 to shareholders on the Register of Members on 26 October 2017 with an associated record date of 27 October 2017.

Service user capacity and occupancy

During the half year there was a total net increase of 40 residential and fostering places. There were 13 additional beds in reconfigured services and in new services there were 20 new beds in Adults and 20 new beds in Children's. These generate a higher contribution than the beds pre-configuration and are part of our ongoing strategy to enhance margins. There were 13 new beds withdrawn for reconfiguration in the half year. There was no change of capacity in fostering. The Group's net capacity at the half year was 2,359 places (2,319 places as at 30 September 2016). Once the services have been reconfigured, we expect them to contribute a higher profit margin than previously.

Compared with 30 September 2016, occupancy levels in the mature estate are unchanged at 93% and the blended occupancy is also unchanged at approximately 86%.

Share Placement

The Board decided to make further acquisitions after a number of bolt-on targets were identified which could enhance the geographic spread of services and improve the care pathways.

On 23 March 2017, CareTech announced a share placing which raised approximately £37 million (net of expenses). A number of organic growth projects and potential bolt-on acquisitions have been identified and the intention is that the placing proceeds be deployed within approximately twelve months.

We continue to make good progress with a number of these opportunities. We undertake a thorough review process of new potential targets by a small senior team and have a strong pre- and post-implementation focus. The success of recent acquisitions and their integration into our core business is the template for future projects.

On 28 March 2017, 344,305 new ordinary shares were issued as part of the arrangements for full and final settlement of the earn-out agreed with the vendors of ROC North West Limited ("ROC"), acquired by the Company in December 2015. The new ordinary shares were issued at a deemed price of 365 pence per share. The new shares were listed on AIM on 3 April 2017.

The four banks in the Group's banking syndicate agreed on 28 March 2017 to defer repayment of the loan instalments due on 1 April 2017 and on 1 October 2017 until January 2019. The Company plans to make these additional funds of £11.55m available for the purchase of more properties and bolt-on acquisitions.

Acquisitions

Since the half year ended the first £3.8m has been committed to the acquisition and development of Beacon Reach near Preston, a children's education and residential facility previously registered for 34 residential places set on 18 acres of pastureland.

The Group is also pleased to announce that it has agreed to acquire the entire issued share capital of Selborne Care Limited for a total consideration of £16.9m in cash (*see separate release announced today*).

Selborne is a high quality provider of specialist residential care, supported living and day care services for adults with learning disabilities and challenging behaviours. Selborne is based in Droitwich and operates across the Midlands and the South West.

Residential care services are provided through 8 care services with a combined capacity of 57 beds. Supported living services are provided to 30 service users. Innovative outreach and day services are also offered.

These two acquisitions utilise £20.7m of the funds raised from the share placement.

Operating review

The Group continues to benefit from the organisational improvements put in place over the past few years. In the half year, we have continued to strengthen the management structure and improve the efficiency of our processes following further investment in new systems which will continue through the second half of the year. Our recent appointments have put us in a strong position to benefit from a number of commissioning opportunities by working in partnership with the NHS and Local Authorities especially in light of Joint Commissioning currently being developed.

The Time and Attendance system, which had been implemented across residential services before the half year, provides margin improvements at homes level and it further progresses our back office centralisation which continues in the second half year with further new IT developments.

A summary outline of our divisions and sectors:

For the time being we continue to report the five operating divisions with their individual statistics and we report Adult Services which is the total of Adult Learning Disabilities and Specialist Services, and Young People Services which is the total of Young People Residential, Fostering and Learning Services.

Adult Services

The Adult Services capacity is 1,799 with Revenue growing by 14.0% to £48.0m (H12016: £42.1m) and EBITDA by 10.5% to £13.7m (H12016: £12.4m). The sector's margin has come back a little to 28.6% (HI2016 29.5%) as a result of the investment in further reconfigurations and service mix.

Adult Learning Disabilities – with a client capacity at 31 March 2017 of 1,604 places and first half revenue of £40.3m, this division represents 51% of the Group's activities. We continue to offer a flexible, person-centred approach with support being offered on an individual planned basis. Demand remains high for the support of people with learning disabilities and we recognise an increasing complexity of need for referrals to our specialist services. We have identified a small number of additional learning disability residential services to reconfigure into services that provide a greater level of acuity and these are being developed with further services opening in Supported Living in the North West and South East. A contract has been won to start in August 2017 in Supported Living in Wigan which will be for 36 beds. The focus on quality continues with the Care Quality Commission new ratings for the Group's services being rated better than the national averages.

Specialist Services – our care pathway for specialist services includes a small community based "open" hospital, residential care homes, independent supported living and community outreach. We also include all adult specialised services in this portfolio including Oakleaf with its care and rehabilitation of men with acquired brain injury. At 31 March 2017 the division had a capacity of 195 places and generated revenue of £7.7m in the first half of our financial year up 126.7% on March 2016 principally due to Oakleaf being included for the full half year rather than just March 2016 when it was acquired.

Young People Services

The Young People Services capacity is 560 with revenues growing by 7.0% to £30.8m (H12016: £28.7m) and EBITDA by 6.6% to £8.0m (H12016: £7.5m). The underlying focus of providing a complete care pathway for Young People is now coming through with much more strength and the sector also reflects the acquisition of ROC in December 2015 for the full half year with both ROC and Spark of Genius opening new services in the half year.

Young People Residential Services – provides care, support and education to young people with complex behavioural problems, physical impairments, learning disabilities and emotional behavioural disorders ('EBD'). This division generated revenue of £20.8m and had a capacity at 31 March 2017 of 259 places. We operate services that cater for local needs but also manage certain highly specialised services that have a national catchment. Since 2012 the Group gained a foothold in Scotland and this was further extended through the acquisition of Spark of Genius and with the opening of additional services in Fife and Paisley. The division focuses increasingly on those children with the most complex needs and those who require our sophisticated clinical input.

Foster Care – with a capacity of 301 children we have established ourselves as one of the largest independent fostering agencies in England and Wales. The division had turnover of £4.3m in the six months to 31 March 2017. We have observed a significantly increased demand for foster care for children who might otherwise have entered the residential care system. Foster care represents much better value for commissioners but the complexity of children being referred will often make the matching process quite complex, favouring larger agencies like CareTech with a greater range of well supported foster carers.

Learning Services – Revenue to 31 March 2017 was £5.7m in the first half of the financial year and includes Dawn Hodge Associates (DHA) which has just had an Ofsted outcome of “outstanding” as an independent learning provider. The Group has expanded the new CareTech Aspire Programme in this half year; it will ensure that all of CareTech’s care staff receive all 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 individual roles.

The Aspire programme aims to empower every member of staff to deliver high quality, personalised care and ensure there is a development pathway available to all. From November 2014, all newly hired support workers have been offered an apprenticeship as part of their induction to CareTech. To date 178 CareTech care staff have completed their apprenticeship programme and 393 are still undergoing their apprenticeship. There are also 58 CareTech managers on the Level 5 Health and Social Care Diploma which is offered, provided and supported by EQL.

This programme is one of a number of initiatives being taken on staff development and retention. There is also good progress on Pre-Employment Training Courses for Young People which are being introduced into some of our Young People Residential Services.

As an employer, CareTech is a registered apprenticeship training provider in its own right and the Board is convinced of the benefits that our apprenticeship programme has had for both our own staff and for the users of our services. The apprenticeship levy is an opportunity to continue to deliver excellence in the care sector and is a tangible example of the Group’s commitment to training and retaining its workforce. The Group is also fully committed to Disability Confident and has achieved the employer scheme accreditation to level 3.

Strategy

The specialist social care market continues to benefit from strong demographic trends and higher acuity levels across the UK. Local Authorities are faced with increasing demands and financial pressures that have led to a greater focus on value for money. CareTech’s experience has been that service commissioners recognise that the most complex people require continuing support which focuses on outcome based care pathways.

For those able to transition we provide clear outcome-based pathways from residential care, principally into various forms of supported housing or foster care for children, while residential options continue to be in demand for those with the greatest need. However, we anticipate further shifts toward more sophisticated supported living packages linked to new personalised payment methodologies.

Our diversification policy means that we are now offering the full spectrum of social care services with the exception of traditional elderly care. We believe that our strategic position is now very strong, backed by an effective organisational structure, first class quality control and developing clinical infrastructure. In the medium term we are focusing on organic growth that builds on our successful base position. However, we will undertake further strategic acquisitions that meet our key criteria by offering new expertise, geographical presence or consolidation opportunities.

People

There have been no changes to the Board, the Remuneration Committee, Care Governance and Safeguarding Committee or the Audit Committee in the half year.

As a foundation for growth the Senior Executive Team at CareTech has been further strengthened in the half year and we will continue to bring senior executives into the business to help build a strong foundation from which to drive growth and quality. The Adults Learning Disabilities Division is now managed by two managing directors having been split into two regions to enable geographic focus, and a new Children’s managing director has been appointed. A further appointment will be a Specialist Services managing director to reflect the broadening of acuity services. The Learning Division and Compliance teams have also being strengthened.

The Group is repeating the Sharesave scheme for all staff offered in 2016 and it is hoped that there will again be strong demand. The Group has also created the CareTech Charitable Foundation which is a Registered Charity with objectives to help those in need of assistance with education and provide support to disadvantaged people.

Outlook and prospects

The continued provision of first-class social care which represents good value and is focused on successful client outcomes will remain the main market driver for CareTech’s continuing growth.

The proven strategy of taking the Group from a single division to now supporting five complementary divisions has given the Group a resilient foundation from which to build.

With a strengthened management team and having undertaken the share placement and with improved banking facilities in place, the Group has a number of consolidation opportunities and property projects which are currently being progressed. The Board believes that this will lead to a growth in capacity and revenues which will generate additional

EBITDA and cash to continue organic and infrastructure improvements so the Group can achieve its target of double digit growth annually in underlying diluted earnings per share.

CareTech will continue to work in partnership with local authorities to deliver innovative services focused on delivering positive outcomes for individuals.

Farouq Sheikh
Chairman

19 June 2017

(i) Underlying EBITDA is operating profit before depreciation, share-based payments charge and non underlying items (explained in note 3);
(ii) Underlying profit before tax and underlying diluted earnings per share are stated before non underlying items (explained in note 3).

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 31 March 2017

		Six months ended 31 March 2017 unaudited		Six months ended 31 March 2016 unaudited		Year ended 30 September 2016 audited	
	Note	**Before non underlying items(i) £000**	**Total unaudited £000**	Before non underlying items(i) £000	Total unaudited £000	Before non underlying items(i) £000	Total audited £000
Revenue		78,774	78,774	70,825	70,825	148,979	148,979
Cost of sales		(50,447)	(50,447)	(45,661)	(45,661)	(94,682)	(94,682)
Gross profit		28,327	28,327	25,164	25,164	54,297	54,297
Administrative expenses		(12,634)	(17,585)	(10,683)	(10,134)	(22,328)	(23,838)
Operating profit		15,693	10,742	14,481	15,030	31,969	30,459
EBITDA	3	18,331	18,331	16,850	16,850	37,056	41,289
Depreciation		(2,608)	(2,608)	(2,344)	(2,344)	(5,026)	(5,026)
Amortisation of intangible assets	3	-	(3,363)	-	(2,865)	-	(5,743)
Share-based payments charge		(30)	(30)	(25)	(25)	(61)	(61)
Profit on sale of fixed assets	3	-	-	-	5,623	-	-
Acquisition expenses	3	-	-	-	(1,505)	-	-
Share placing costs	3	-	(348)	-	-	-	-
Integration,reorganisation and redundancy costs	3	-	(1,240)	-	(704)	-	-
Operating profit		15,693	10,742	14,481	15,030	31,969	30,459
Financial expenses	4	(2,601)	(3,729)	(3,003)	(3,834)	(5,887)	(7,924)
Profit before tax		13,092	7,013	11,478	11,196	26,082	22,535
Taxation	5	(2,547)	(1,638)	(2,295)	(2,477)	(2,035)	336
Comprehensive income for the period attributable to equity shareholders of the parent		10,545	5,375	9,183	8,719	24,047	22,871
Earnings per share							
Basic	6	16.37p	8.35p	14.75p	14.00p	38.03p	36.17p
Diluted	6	16.37p	8.35p	14.75p	14.00p	38.03p	36.17p

(i) Non underlying items are explained in note 3.

Condensed Consolidated Statement of Changes in Equity at 31 March 2017

	Six months ended 31 March 2017 unaudited £000	Six months ended 31 March 2016 unaudited £000	Year ended 30 September 2016 audited £000
Balance at start of period	151,667	133,699	133,699
Total comprehensive income	5,375	8,719	22,871
Transactions with owners recorded directly in equity:			
Issue of ordinary shares	57	214	258
Share premium on shares issued	38,749	-	-
Reduction in shares held	1,272	(43)	-
Equity settled share-based payments charge	30	25	61
Dividends	(1,925)	(1,739)	(5,222)
Balance at end of period	195,225	140,875	151,667

Condensed Consolidated Balance Sheet at 31 March 2017

	31 March 2017 unaudited £000	31 March 2016 unaudited £000	30 September 2016 audited £000
Non-current assets			
Property, plant and equipment	272,719	263,432	267,667
Other intangible assets	43,087	44,628	43,982
Goodwill	43,021	43,049	43,021
	358,827	351,109	354,670
Current assets			
Inventories	815	562	815
Trade and other receivables	17,917	14,736	18,508
Cash and cash equivalents	9,843	4,103	4,308
	28,575	19,401	23,631
Total assets	387,402	370,510	378,301
Current liabilities			
Loans and borrowings	607	1,646	6,990
Trade and other payables	15,359	18,742	17,666
Deferred and contingent consideration payable	2,270	3,925	3,850
Ground rent liabilities arising under IAS17	50	59	50
Deferred income	1,933	2,114	2,119
Corporate Tax	9,096	9,512	9,250
Derivative financial instruments	724	425	1,083
	30,039	36,423	41,008
Non-current liabilities			
Loans and borrowings	131,724	158,590	153,742
Deferred and contingent consideration payable	1,872	2,025	2,025
Ground rent liabilities arising under IAS17	7,318	7,359	7,343
Deferred tax liabilities	20,472	24,386	21,552
Derivative financial instruments	752	852	964
	162,138	193,212	185,626
Total liabilities	192,177	229,635	226,634
Net assets	195,225	140,875	151,667
Equity attributable to equity shareholders of the parent			
Share capital	378	321	321
Share premium	120,499	81,664	81,750
Shares held by Employee Benefit Trust	(4,800)	(6,072)	(6,072)
Merger reserve	9,023	9,022	9,023
Retained earnings	70,125	55,940	66,645
Total equity attributable to equity shareholders of the parent	195,225	140,875	151,667

Consolidated Cash Flow Statement for the six months ended 31 March 2017

	Six months ended 31 March 2017 unaudited £000	Six months ended 31 March 2016 unaudited £000	Year ended 30 September 2016 audited £000
Cash flows from operating activities			
Profit before tax	7,013	11,196	22,535
Financial expenses	3,729	3,834	7,924
Depreciation	2,608	2,344	5,026
Amortisation of intangible assets	3,363	2,865	5,743
Share-based payments charge	30	25	61
Acquisition transaction costs	-	1,505	660
Integration,reorganisation and redundancy costs	1,588	704	1,780
(Profit) on disposal of property, plant and equipment	-	(5,623)	(5,623)
Operating cash flows before movement in working capital and non- underlying items	18,331	16,850	38,106
(Increase) in inventory	-	-	(253)
Decrease/(Increase) in trade and other receivables	142	(342)	(3,498)
(Decrease) in trade and other payables	(2,669)	(863)	(163)
Operating cash flows before non-underlying items	15,804	15,645	34,192
Integration and restructuring costs	(1,449)	(709)	(1,780)
Payments under onerous contracts	-	-	-
Cash inflows from operating activities	14,355	14,936	32,412
Tax paid	(2,873)	(1,087)	(1,458)
Net cash from operating activities	11,482	13,849	30,954
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	125	29,726	29,854
Payments for business combinations net of cash acquired	(427)	(27,603)	(27,603)
Acquisition of intangible items	-	(1,348)	-
Acquisition of property, plant and equipment	(7,048)	(4,766)	(10,765)
Acquisition of software	(2,196)	-	(3,580)
Payment of acquisition costs	-	(2,303)	(3,654)
Payment of ground rent transaction costs	(197)	-	-
Net cash used in investing activities	(9,743)	(6,294)	(15,748)
Cash flows from financing activities			
Proceeds arising from the issue of share capital (net of costs)	37,548	75	75
Proceeds from new loan (net of costs)	9,627	27,950	-
Interest paid	(2,556)	(3,311)	(5,544)
Cash outflow arising from derivative financial instruments	(372)	(321)	(779)
Bank fees on refinancing	-	(443)	27,507
Repayment of borrowings	(37,400)	(28,377)	(28,377)
Payment of finance lease liabilities	(1,126)	(988)	(2,260)
Dividends paid	(1,925)	(1,739)	(5,222)
Net cash used in financing activities	3,796	(7,154)	(14,600)
Net change in cash and cash equivalents	5,535	401	606
Cash and cash equivalents at start of the period	4,308	3,702	3,702
Cash and cash equivalents at end of the period	9,843	4,103	4,308

Net debt as defined by the Group's banking facilities comprises:

	31 March 2017 Unaudited £000	31 March 2016 unaudited £000	30 September 2016 audited £000
Cash and cash equivalents	9,843	4,103	4,308
Bank loans and borrowings	(132,331)	(160,488)	(160,732)
Net debt at end of the period	(122,488)	(156,385)	(156,424)

Notes

1. Accounting policies

This interim report has been prepared on the basis of the accounting policies expected to be adopted for the year ending 30 September 2017. These are anticipated to be in accordance with the Group's accounting policies as set out in the latest annual financial statements for the year ended 30 September 2016.

All International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"') and interpretations currently endorsed by the International Accounting Standards Board ("IASB") and its committees as adopted by the EU and as required to be adopted by AIM-listed companies have been applied. AIM-listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption.

The financial information in this interim report does not constitute statutory accounts for the six months ended 31 March 2017 and should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2016. Financial information for the year ended 30 September 2016 has been derived from the consolidated audited accounts for that period which were unqualified.

The condensed consolidated interim financial statements for the six months to 31 March 2017 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

This unaudited interim report was approved by the Board on 6 June 2017.

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 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 turnover 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).

2. Segmental information continued

The segmental results for the six months ended 31 March 2017, six months ended 31 March 2016 and year ended 30 September 2016 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

Six months ended 31 March 2017 **Continuing Operations**	ALD	SS	**Adults**	YPR	FC	Learning	**Children**	**Total**
Client Capacity	1,604	195	**1,799**	259	301	-	**560**	**2,359**
Revenue (£'000)	40,331	7,673	**48,004**	20,772	4,328	5,670	**30,770**	**78,774**
EBITDA (£'000)	11,577	2,142	**13,719**	6,247	1,102	686	**8,035**	**21,754**

Six months ended 31 March 2016 Continuing Operations	ALD	MH	**Adults**	YPR	FC	Learning	**Children**	**Total**
Client Capacity	1,527	216	**1,743**	247	302	-	**549**	**2,292**
Revenue (£'000)	38,695	3,385	**42,080**	17,705	5,211	5,829	**28,745**	**70,825**
EBITDA (£'000)	11,315	1,090	**12,405**	5,617	1,328	536	**7,481**	**19,886**

Year ended 30 September 2016 Continuing Operations	ALD	MH	**Adults**	YPR	FC	Learning	**Children**	**Total**
Client Capacity	1,577	206	**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**
EBITDA (£'000)	26,396	1,663	**28,059**	11,806	2,187	1,013	**15,006**	**43,065**

Reconciliation of EBITDA to profit after tax:

	Six months ended 31 March 2017 unaudited £000	Six months ended 31 March 2016 unaudited £000	Year ended 30 September 2016 audited £000
Underlying EBITDA before unallocated costs	21,754	19,886	43,065
Unallocated costs	(3,423)	(3,036)	(6,009)
Underlying EBITDA	18,331	16,850	37,056
Depreciation	(2,608)	(2,344)	(5,026)
Amortisation	(3,363)	(2,865)	(5,743)
Share-based payments charge	(30)	(25)	(61)
Non underlying items	(1,588)	3,414	4,233
Operating profit	10,742	15,030	30,459
Financial expenses	(3,729)	(3,834)	(7,924)
Profit before tax	7,013	11,196	22,535
Taxation	(1,638)	(2,477)	336
Profit after tax	5,375	8,719	22,871

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 as this information is not allocated to operating segments in the regular reporting to the group's Chief Operating Decision Maker and are not measures 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 which, in the opinion of the Directors, should be disclosed separately in order to improve the readers understanding of the trading performance of the Group. Non underlying items comprise the following:

	Note	Six months ended 31 March 2017 unaudited £000	Six months ended 31 March 2016 unaudited £000	Year ended 30 September 2016 audited £000
Acquisition expenses	(i)	-	1,505	(390)
Integration, reorganisation and redundancy costs	(ii)	1,588	704	1,780
Profit arising from the ground rent transaction under IAS17		-	(5,623)	(5,623)
Amortisation of intangible assets		3,363	2,865	5,743
Included in administrative expenses		4,951	(549)	1,510
Fair value movements relating to derivative financial instruments	(iii)	(571)	488	1,258
Charges relating to derivative financial instruments	(iii)	414	322	646
IAS 17 lease imputed interest		112	21	133
Other financing costs relating to ground rent transactions		1,173	-	-
Included in financial expenses		1,128	831	2,037
Tax effect:				
Current tax	(iv)	(322)	(211)	(84)
Deferred tax	(v)	(587)	393	(2,287)
Included in taxation		(909)	182	(2,371)
Total non underlying items		5,170	464	1,176

(i) In accordance with IFRS 3 (as revised) items associated with business combinations have been taken to the income statement as incurred.

(ii) The Group incurred a number of costs relating to the integration of recent acquisitions and reorganisation of the internal operating and management structure.

(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 settlements and accrual thereof.

(iv) Represents the current tax on items (ii) and (iii) above.

(v) Deferred tax arises in respect of the following:

	Six months ended 31 March 2017 Unaudited £000	Six months ended 31 March 2016 unaudited £000	Year Ended 30 September 2016 audited £000
Derivative financial instruments (note iv)	(114)	98	190
Roll over relief arising from property disposals	-	(1,124)	1,184
Other adjustments	701	633	913
Total	587	(393)	2,287

4. Financial expenses

	Six months ended 31 March 2017 unaudited £000	Six months ended 31 March 2016 unaudited £000	Year ended 30 September 2016 audited £000
On bank loans and overdrafts	2,438	2,876	5,560
Finance charges in respect of finance leases	163	127	327
Financial expenses before adjustments	2,601	3,003	5,887
Amounts relating to derivative financial instruments (note 3)	1,016	810	1,904
IAS 17 leases imputed interest (note 3)	112	21	133
Total financial expenses	3,729	3,834	7,924

5. Taxation

	Six months ended 31 March 2017 unaudited £000	Six months ended 31 March 2016 unaudited £000	Year ended 30 September 2016 audited £000
Current tax expense			
Current period	2,553	2,300	(4,471)
Non underlying items (note 3)	(322)	(211)	84
Corporation tax overprovided in previous periods	-	-	2,281
Total current tax	2,231	2,089	(2,106)
Deferred tax expense			
Current period	(6)	(5)	(1,027)
Prior year	-	-	1,182
Deferred tax on non-underlying items (note 3)	(587)	393	2,287
Total deferred tax	(593)	388	2,442
Total tax in the consolidated statement of comprehensive income	1,638	2,477	336
Effective tax rate on profit before tax (before non underlying items)	20%	20%	8%

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6. Earnings per share

	Six months ended 31 March 2017 unaudited £000	Six months ended 31 March 2016 unaudited £000	Year ended 30 September 2016 audited £000
Profit attributable to ordinary shareholders	5,375	8,719	22,871
Non-underlying items (note 3)	5,170	464	1,176
Profit attributable to ordinary shareholders before underlying items	10,545	9,183	24,047
Weighted number of shares in issue for basic earnings per share	64,400,048	62,261,789	63,229,346
Effects of share options in issue	6,562	-	-
Weighted number of shares in issue for diluted earnings per share	64,406,610	62,261,789	63,229,346

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	8.35p	14.00p	36.17p
Diluted	8.35p	14.00p	36.17p
Earnings per share before non-underlying items (pence per share)			
Basic	16.37p	14.75p	38.03p
Diluted	16.37p	14.75p	38.03p

Directors and Advisers

Company Number
04457287

Registered Office
5th Floor, Metropolitan House
3 Darkes Lane
Potters Bar
Herts EN6 1AG

Directors

Farouq Sheikh	(Executive Chairman)
Haroon Sheikh	(Chief Executive Officer)
Michael Hill	(Group Finance Director)
Karl Monaghan	(Non-Executive Director)
Mike Adams	(Non-Executive Director)
Jamie Cumming	(Non-Executive Director)

Company Secretary
Michael Hill

Nominated Adviser and Joint Broker
Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Joint Brokers
WH Ireland
24 Martin Lane
London EC4R 0DR

Auditor
Grant Thornton UK LLP
202 Silbury Boulevard
Milton Keynes
MK9 1LW

Solicitors
Charles Russell Speechlys
6 New Street Square
London EC4A 3LX

Pinsent Masons
City Point
One Rope Maker Street
London EC2Y 9AH

Bankers
The Royal Bank of Scotland PLC
280 Bishopsgate
London EC2M 4RB

Lloyds TSB Bank PLC
Large Corporate
25 Gresham Street
London EC2V 7HN

Alliance & Leicester PLC
Santander Corporate Banking
2 Triton Square
Regents Place
London NW1 3AN

AIB Group (UK) PLC
Corporate Banking
9/10 Angle Court
London EC2R 7AB

Registrars
Capita Asset Services
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire HD8 0GA