2012 Interim Results

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CareTech Holdings PLC
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For Immediate Release **14 June 2012**

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

Interim Results for the six months ended 31 March 2012

CareTech Holdings PLC (AIM: CTH), a leading UK provider of specialist social care services, is pleased to announce its interim results for the six months ended 31 March 2012.

Highlights

- Revenue increased by 7% to £56.1m (2011: £52.2m)
- Underlying EBITDA(i) increased by 13% to 11.5m (2011: £10.2m)
- Underlying profit before tax(ii) increased by 10% to £7.4m (2011: £6.7m)
- Underlying diluted earnings per share(ii) increased by 10% to 11.88p (2011: 10.76p)
- Strong operating cash inflow before non-underlying items of £11.5m, with net debt of £131.5m at 31 March 2012
- Overall capacity increased by 60 places to 2,116
- Close to reaching an agreement on the early re-financing of bank debt
- Property portfolio independently valued at £225m
- Interim dividend increased by 11% to 2.21p (2011: 2.00p) per share

Statutory Financial Highlights

- EBITDA(iii) increased by 20% to £10.2m (2011: £8.5m)
- Profit before tax unchanged at £4.0m (2011: £4.0m)
- Diluted earnings per share increased by 55% to 9.01p (2011: 5.82p)
- Cash inflows from operating activities were £10.5m (2011: £8.3m)

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

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

"I am pleased to report a solid performance in the six months ended 31 March 2012. CareTech has delivered increased turnover, EBITDA and PBT on the comparable period in 2011 in line with the Board's expectations through anticipating and responding to more sophisticated demand side trends. During the period the Group continued to develop and grow its four operating divisions from the strong platform we have created over the last few years. We extended both our geographic coverage and our care pathway range of services both organically and through an acquisition to address the needs of our marketplace. We are well positioned to address the demands of our growing marketplace and the Board remain confident of the Group's performance for the remainder of the year."

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Chairman's Statement

Results

Group revenue of £56.1m (2011: £52.2m) is 7% higher than the corresponding period last year and has delivered an underlying EBITDA(i) of £11.5m (2011: £10.2m), representing growth of 13%.

During the first half of 2012 we have continued to direct our strategic focus on preparing the Group's operational platform for the next stage of growth. As a consequence, we have invested further in our systems and operating structure in order to provide the appropriate quality and resource to drive medium term growth organically. Additionally, following our analysis of demand trends last year, we have 5 homes which are being reconfigured to meet new demand and service requirements of care commissioners and these are planned to be completed in the second half of the year. The underlying EBITDA(i) margin of 20.4% (2011: 19.5%) has improved on last year.

Underlying profit before tax(ii) increased by 10% to £7.4m (2011: £6.7m) and underlying diluted earnings per share(ii) increased by 10% to 11.88p (2010: 10.76p).

During the past twelve months we have invested £4.3m (previous 12 months: £39.5m) in acquisitions following the Board's decision to focus on organic growth rather than acquisitions. This included £0.6m during the first half of this year (2011: £6.9m), at an overall consideration multiple of around 4 times EBITDA.

Operating cash inflow before non-underlying items of £11.5m represents a 100% cash conversion of underlying EBITDA(i), which demonstrates the strong quality of our earnings. As a result of this and the focus on organic growth, the net debt of £131.5m at 31 March 2012 was better than the Board's expectations.

At the AGM the Company announced that it had commenced discussions with Bankers on the refinancing of its present banking arrangements. It is pleasing to report that these discussions with our current Bankers and new potential participants, which are taking place well ahead of the existing facility's expiry of April 2013, are making good progress and are close to reaching an agreement. An announcement will be made as appropriate.

As part of the refinancing we had an independent valuation of the Group's 135 freehold properties. The property portfolio has been independently valued at £225m which underlines the strong asset backing within the business.

Dividend

Our policy continues to be that of increasing the dividend broadly in line with the movement in earnings. The Board therefore is declaring an interim dividend of 2.21p (2011: 2.00p) per share representing an increase of 10.5%, to be paid on 6 August 2012 to shareholders on the Register of Members on 6 July 2012.

Client capacity and occupancy

During the first six months of our financial year we have increased capacity by 60 places to 2,116 with occupancy levels of approximately 92% in established services and around 87% including facilities being developed.

On annual fee rate negotiations, our experience to date indicates that the overall average fee change this year is likely to be close to a neutral position, in line with our expectations.

Operating review

The Group is now realising the benefit of organisational improvements that were put in place in the last few years. We strengthened the management structure and further improved professional leadership. Our clinical expertise benefited from new appointments in child care, mental health and learning disability.

A summary outline of each of our divisions is as follows:

Adult learning disabilities - with a client capacity at 31 March 2012 of 1,417 places and first half revenue of £37.9m this division represents approximately 68% of the Group's activities. We offer a flexible, person centred approach with support being offered on an individual planned basis. Services include residential care, nursing care, individual and group supported living schemes and domiciliary care services. We also offer day opportunity programmes on an individual 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 are actively reconfiguring a small number of learning disability residential services in line with market demand.

Young people residential services - providing 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 £7.6m and had a capacity at 31 March 2012 of 125 places. We operate services that cater for local needs but also manage certain highly specialised services that have a national catchment. The division focuses increasingly on those children with the most complex needs and those who require our sophisticated clinical input.

Foster care and family services - with a capacity of 442 children we have established ourselves as one of the largest independent fostering agencies in England and Wales. Family assessments are also provided for the courts and local authorities through our residential assessment service and through placement with highly trained foster carers. The division had turnover of £7.7m in the six months to 31 March 2012. 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.

Mental Health - our care pathway for mental health includes a small community based "open" hospital, residential care homes, independent supported living and community outreach. We also include certain specialised services in this portfolio. At 31 March 2012 the division had a capacity of 132 places and generated revenue of £2.9m in the first half of our financial year. We work in partnership with the NHS rather than competing against them. Our objective is to encourage and support community discharge, enabling the Trusts to work more efficiently and providing a route back to community life for people who have suffered a debilitating mental illness.

Acquisitions

Strategic and bolt-on acquisitions made during the past twelve months have been successfully integrated into our divisional management structure and have performed favourably compared to our original expectations.

In February 2012 we acquired Applied Care and Development Limited ('ACAD') for a consideration of £1m. ACAD is based in Dumfries and with a capacity of 18 provides support to children with a wide range of issues including EBD, sexualised behaviour and learning disabilities. It also has a family centre and provides education to all of the children.

We have consolidated our position in Scotland and will now push forward organic growth in line with our market analysis and understanding of the political and demographic drivers.

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 that focuses on care pathways and successful outcomes.

Commissioners also seek best value and we have responded by refining our range of service offerings, refocusing certain areas of provision and driving organic developments that deliver what commissioners want.

For those able to transition we provide clear pathways from residential care, principally into various forms of supported housing, 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.

Demand for the residential care of children and adults with complex needs will benefit from an overall increase in the demographic profile. However, commissioners will expect even more focused service plans with defined outcomes and the opportunity for those people to move into supported living wherever this is feasible. CareTech already has sound clinical and social care expertise but we plan to strengthen this further during the coming year, especially in the areas of specialist adult care.

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.

Board changes and advisors

As previously announced, Christa Echtle has decided to step down as a Director and has resigned from the Board to pursue a new business opportunity within the sector. The Board is in the process of looking for a new Non-Executive Director. We would like to take this opportunity to thank Christa for the valuable contribution that she has made to the business since she joined the Board in 2008 and wish her well for the future.

We are sensitive to the public's increased awareness and anxiety about safeguarding and care governance. CareTech has always been regarded as a careful and thoughtful provider of care and we have reinforced this by creating a Board level Care Governance and Safeguarding subcommittee chaired by Non-Executive Director Mike Adams that will closely examine and pursue improvement to all matters relating to care governance and the safeguarding of those we support.

The Company has undertaken a review of its auditors and are pleased to announce that at the Board Meeting on 11 June 2012 Grant Thornton were formally appointed as the Group's auditors. We are grateful to the support of KPMG since the Company's IPO in 2005.

In April 2012 we took soundings from key shareholders and implemented a new share based incentive plan. It is pleasing to note that all the Company's senior executives have shown a long term commitment to the Group by their investment in this new Share Scheme.

Outlook and Prospects

First class social care that represents good value and is outcomes focused will remain the main driver for CareTech's continuing growth.

The investment made over that last few years in developing CareTech's strong operating platform with the range of care pathways is beginning to pay dividends as local authorities look to work in partnership with CareTech to deliver outcomes for individuals at a price they can afford. Coupled with strong operating cash flow and the focus on organic initiatives, we look forward with confidence to be able to grow earnings whilst reducing debt over the coming years.

Farouq Sheikh
Chairman
14 June 2012

(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 6 months ended 31 March 2012

		6 months ended 31 March 2012 unaudited		6 months ended 31 March 2011 unaudited		Year ended 30 September 2011 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		**56,140**	**56,140**	52,203	52,203	109,150	109,150
Cost of sales		**(34,849)**	**(34,849)**	(32,554)	(32,554)	(66,487)	(66,487)
Gross profit		**21,291**	**21,291**	19,649	19,649	42,663	42,663
Administrative expenses	3	**(11,501)**	**(14,914)**	(10,872)	(14,088)	(22,312)	(30,417)
Operating profit		**9,790**	**6,377**	8,777	5,561	20,351	12,246
EBITDA	3	**11,457**	**10,171**	10,180	8,460	23,209	18,688
Depreciation		**(1,529)**	**(1,529)**	(1,268)	(1,268)	(2,680)	(2,680)
Amortisation of intangible fixed assets	3	**-**	**(2,127)**	-	(1,496)	-	(3,584)
Share-based payments charge		**(138)**	**(138)**	(135)	(135)	(178)	(178)
Operating profit		**9,790**	**6,377**	8,777	5,561	20,351	12,246
Financial income		**16**	**16**	-	-	32	32
Financial expenses	3,4	**(2,417)**	**(2,395)**	(2,036)	(1,594)	(4,512)	(4,862)

Profit before tax		**7,389**	**3,998**	6,741	3,967	15,871	7,416
Taxation	3,5	**(1,499)**	**469**	(1,389)	(1,073)	(3,274)	(1,604)
Comprehensive income for the period attributable to equity shareholders of the parent		**5,890**	**4,467**	5,352	2,894	12,597	5,812
Earnings per share							
Basic	6		**9.01p**		5.84p		11.72p
Diluted	6		**9.01p**		5.82p		11.70p

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

Condensed Consolidated Statement of Changes in Equity
at 31 March 2012

	6 months ended 31 March 2012 unaudited £000	6 months ended 31 March 2011 unaudited £000	Year ended 30 September 2011 audited £000
Balance at start of period	**73,214**	70,026	70,026
Total comprehensive income	**4,467**	2,894	5,812
Transactions with owners recorded directly in equity:			
Equity settled share-based payments charge	**138**	135	178
Dividends	**(1,980)**	(1,813)	(2,802)
Balance at end of period	**75,839**	71,242	73,214

Condensed Consolidated Balance Sheet
at 31 March 2012

	31 March 2012 unaudited £000	31 March 2011 unaudited £000	30 September 2011 audited £000
Non-current assets			
Property, plant and equipment	**191,212**	187,556	189,504
Other intangible assets	**35,187**	32,539	36,483
Goodwill	**30,225**	28,840	30,059
	256,624	248,935	256,046
Current assets			
Inventories	**465**	152	315
Trade and other receivables	**8,366**	11,094	10,066
Cash and cash equivalents	**9,453**	11,938	13,414
	18,284	23,184	23,795
Total assets	**274,908**	272,119	279,841
Current liabilities			
Loans and borrowings	**7,844**	7,020	7,460
Trade and other payables	**11,084**	13,037	11,691
Tax payable	**3,945**	3,654	4,139
Deferred and contingent consideration payable (note 7c)	**2,245**	7,374	6,596
Deferred income	**2,087**	3,427	2,772
Derivative financial instruments	**2,498**	2,446	2,921
	29,703	36,958	35,579
Non-current liabilities			
Loans and borrowings	**133,145**	126,861	133,271
Deferred tax liabilities	**22,255**	23,235	23,633
Minimum future lease payments	**13,285**	11,821	12,553
Onerous lease provision	**614**	-	646
Derivative financial instruments	**67**	2,002	945
	169,366	163,919	171,048
Total liabilities	**199,069**	200,877	206,627
Net assets	**75,839**	71,242	73,214
Equity attributable to equity shareholders of the parent			
Share capital	**248**	248	248
Share premium	**53,515**	53,515	53,515
Merger reserve	**8,498**	8,498	8,498
Retained earnings	**13,578**	8,981	10,953
Total equity attributable to equity shareholders of the parent	**75,839**	71,242	73,214

Consolidated Cash Flow Statement
for the 6 months ended 31 March 2012

	6 months ended 31 March 2012	6 months ended 31 March 2011	Year ended 30 September 2011

	unaudited £000	unaudited £000	audited £000
Cash flows from operating activities			
Profit before tax	**3,998**	3,967	7,416
Financial income	**(16)**	-	(32)
Financial expenses	**2,395**	1,594	4,862
Minimum future lease payment uplifts (i)	**731**	732	1,463
Onerous lease provision (i)	**-**	-	646
Depreciation	**1,529**	1,268	2,680
Amortisation of intangible assets (i)	**2,127**	1,496	3,584
Share-based payments charge	**138**	135	178
Acquisition transaction costs (i)	**120**	745	1,310
Post acquisition integration and reorganisation costs (i)	**321**	546	1,474
Plant and equipment items written off(i)	**-**	144	219
Profit on disposal of freehold property	**-**	-	(144)
Fair value adjustments in respect of prior years acquisitions (i)	**114**	-	230
Bargain purchase credit (i)	**-**	(447)	(821)
Operating cash flows before movement in working capital and non underlying items	**11,457**	10,180	23,065
Increase in inventories	**(150)**	-	(163)
Decrease in trade and other receivables	**1,510**	1,106	879
Decrease in trade and other payables	**(1,350)**	(51)	(1,559)
Operating cash flows before non underlying items	**11,467**	11,235	22,222
Non underlying items paid (i)	**(935)**	(2,971)	(3,990)
Cash inflows from operating activities	**10,532**	8,264	18,232
Interest received	**16**	-	32
Tax paid	**(1,360)**	(183)	(1,297)
Net cash from operating activities	**9,188**	8,081	16,967
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**225**	57	1,007
Acquisition of subsidiaries, net of cash acquired (note 7b)	**(4,671)**	(8,218)	(13,625)
Acquisition of property, plant and equipment	**(2,754)**	(2,135)	(6,365)
Acquisition of intangible assets	**-**	-	(50)
Acquisition of software	**(87)**	(313)	(342)
Net cash used in investing activities	**(7,287)**	(10,609)	(19,375)
Cash flows from financing activities			
Proceeds from new loan (net of costs)	**3,748**	12,237	22,249
Interest paid	**(2,633)**	(2,045)	(4,794)
Cash outflow from ineffective derivative financial instruments (i)	**(1,319)**	(1,460)	(2,797)
Repayment of borrowings	**(3,138)**	(2,000)	(5,000)
Payment of finance lease liabilities	**(540)**	(461)	(1,042)
Dividends paid	**(1,980)**	(1,813)	(2,802)
Net cash from financing activities	**(5,862)**	4,458	5,814
Net (decrease)/increase in cash and cash equivalents	**(3,961)**	1,930	3,406
Cash and cash equivalents at start of the period	**13,414**	10,008	10,008
Cash and cash equivalents at end of the period	**9,453**	11,938	13,414

Net debt in the balance sheet comprises:

	31 March 2012 unaudited £000	31 March 2011 unaudited £000	30 September 2011 audited £000
Cash at bank and in hand	**9,453**	**11,938**	13,414
Bank loans	**(139,098)**	**(131,269)**	(138,350)
Finance lease and hire purchase contracts	**(1,891)**	**(2,612)**	(2,381)
Net debt at end of the period	**(131,536)**	**(121,943)**	(127,317)

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

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 2012. 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 2011.

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 6 months ended 31 March 2012 and should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2011. Financial information for the year ended 30 September 2011 has been derived from the consolidated audited accounts for that period which were unqualified.

The condensed consolidated interim financial statements for the 6 months to 31 March 2012 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 14 June 2012.

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.

The Group has four segments, namely, Adult Learning Disabilities ('ALD'), Young People Residential Services ('YPR'), Foster Care and Family Services ('FFS') and Mental Health ('MH'). There has been no aggregation of the operating segments in arriving at these reportable segments.

The segmental results for the 6 months ended 31 March 2012, 6 months ended 31 March 2011 and year ended 30 September 2011 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

6 months ended 31 March 2012
Continuing Operations

	ALD	YPR	FFS	MH	Total
Client Capacity	1,417	125	442	132	2,116
Revenue (£'000)	37,871	7,607	7,710	2,952	56,140
EBITDA (£'000)	8,430	2,482	1,927	904	13,743

6 months ended 31 March 2011
Continuing Operations

	ALD	YPR	FFS	MH	Total
Client Capacity	1,421	104	269	136	1,930
Revenue (£'000)	36,704	6,877	5,572	3,050	52,203
EBITDA (£'000)	8,200	2,127	1,170	852	12,349

Year ended 30 September 2011
Continuing Operations

	ALD	YPR	FFS	MH	Total
Client Capacity	1,413	108	401	134	2,056
Revenue (£'000)	75,738	14,158	13,045	6,209	109,150
EBITDA (£'000)	17,992	4,528	3,238	1,911	27,669

Reconciliation of EBITDA to profit before tax;

	6 months ended 31 March 2012 unaudited £000	6 months ended 31 March 2011 unaudited £000	Year ended 30 September 2011 audited £000
Underlying EBITDA before unallocated costs	**13,743**	12,349	27,669
Unallocated costs	**(2,286)**	(2,169)	(4,460)
Underlying EBITDA	**11,457**	10,180	23,209
Depreciation	**(1,529)**	(1,268)	(2,680)
Amortisation	**(2,127)**	(1,496)	(3,584)
Share based payments charge	**(138)**	(135)	(178)
Non underlying items	**(1,286)**	(1,720)	(4,521)
Operating profit	**6,377**	5,561	12,246
Financial income	**16**	-	32
Financial expenses	**(2,395)**	(1,594)	(4,862)
Profit before tax	**3,998**	3,967	7,416

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 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	**6 months ended 31 March 2012 unaudited £000**	6 months ended 31 March 2011 unaudited £000	Year ended 30 September 2011 audited £000
Acquisition expenses	(i)	**120**	**745**	1,310
Post acquisition integration and reorganisation costs	(ii)	**321**	**690**	1,693
Fair value adjustments in respect of prior year acquisitions	(iii)	**114**	**-**	230
Acquisition and development costs		**555**	**1,435**	3,233
Bargain purchase credit		**-**	**(447)**	(821)
Adjustments for minimum future lease payment uplifts	(iv)	**731**	**732**	1,463
Onerous lease provision	(v)	**-**	**-**	646
Included in EBITDA		**1,286**	**1,720**	4,521
Amortisation of intangible assets		**2,127**	**1,496**	3,584
Included in administrative expenses		**3,413**	**3,216**	8,105
Revaluation movements relating to derivative financial instruments	(vi)	**(1,302)**	**(1,866)**	(2,447)
Charges relating to derivative financial instruments	(vi)	**1,280**	**1,424**	2,797
Included in financial expenses		**(22)**	**(442)**	350
Tax effect:				
Current tax	(vii)	**(562)**	**(743)**	(1,387)

Deferred tax	(viii)	**(1,406)**	**427**	(283)
Included in taxation		**(1,968)**	**(316)**	(1,670)
Total non underlying items		**1,423**	**2,458**	6,785

(i) In accordance with IFRS 3 (as revised) items associated with business combinations have been taken to the income statement as incurred. Acquisition expenses have been incurred with external parties.
(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) In accordance with IFRS 3 (as revised) adjustments to the fair value of acquisitions completed in previous financial years are recognised in the income statement. These adjustments relate to final completion account agreements with vendors.
(iv) Adjustments relate to non-cash additional charges under IAS 17 which incorporates recognising the effect of future minimum lease payment uplifts on a straight-line basis.
(v) The present value of the future cash flows receivable from the operation of a leased asset has been assessed as being lower than the present value of the rental payments to which the Group is committed. Therefore during the year ended 30 September 2011 the Group provided for £646,000 being the present value of any onerous element of the remaining lease life.
(vi) 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.
(vii)Represents the current tax on items (i) to (vi) above.
(viii)A deferred tax charge of £326,000 (31 March 2011: £652,000 and 30 September 2011: £803,000) arises in respect of a charge relating to derivative financial instruments in (vi) above. In addition, a credit of £1,818,000 (31 March 2011: £816,000 and 30 September 2011: £775,000) arises in respect of changes in future corporation tax rates, together with a charge from the effects of full provision for deferred tax under IAS 12 amounting to £86,000 (31 March 2011: £591,000 and 30 September 2011 £311,000 credit).

4. Financial expenses

	6 months ended 31 March 2012 unaudited £000	6 months ended 31 March 2011 unaudited £000	Year ended 30 September 2011 audited £000
On bank loans and overdrafts	**2,309**	1,918	4,280
Finance charges in respect of finance leases	**108**	118	232
Financial expenses before adjustments	**2,417**	2,036	4,512
Amounts relating to derivative financial instruments (note 3)	**(22)**	(442)	350
Total financial expenses	**2,395**	1,594	4,862

5. Taxation

	6 months ended 31 March 2012 unaudited £000	6 months ended 31 March 2011 unaudited £000	Year ended 30 September 2011 audited £000
Current tax expense			
Current period	**1,637**	1,566	3,502
Non underlying items (note 3)	**(562)**	(743)	(1,387)
Total current tax	**1,075**	823	2,115
Deferred tax expense			
Current period	**(138)**	(177)	(228)
Non underlying items (note 3)	**(1,406)**	427	(283)
Total deferred tax	**(1,544)**	250	(511)
Total tax expense			
Current period	**1,499**	1,389	3,274
Non underlying items (note 3)	**(1,968)**	(316)	(1,670)
Total tax	**(469)**	1,073	1,604
Effective tax rate on profit before tax (before non underlying items)	**20.3%**	20.6%	20.6%

In the 2012 Budget, it was announced that the main rate of corporation tax would reduce to 24% with effect from 1 April 2012 falling by a further percentage point in each of the subsequent 2 years. The 24% rate was substantively enacted on 26 March 2012 and has resulted in a deferred tax credit in the 6 months ended 31 March 2012 of £1,818,000. A rate of 23% is expected to be substantively enacted during July 2012 and if so, deferred tax amounts as at 30 September 2012 will need to be calculated at 23%, which will result in a further credit to the income statement based on deferred tax balances in place at 31 March 2012.

6. Earnings per share

	6 months ended 31 March 2012 unaudited £000	6 months ended 31 March 2011 unaudited £000	Year ended 30 September 2011 audited £000
Profit attributable to ordinary shareholders	**4,467**	2,894	5,812
Non underlying items (note 3)	**1,423**	2,458	6,785
Profit attributable to ordinary shareholders before non underlying items	**5,890**	5,352	12,597
Weighted number of shares in issue for basic earnings per share	**49,586,905**	49,586,406	49,586,656
Effects of share options in issue	**-**	143,660	106,227
Weighted number of shares in issue for diluted earnings per share	**49,586,905**	49,730,066	49,692,883

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	**9.01p**	5.84p	11.72p
Diluted	**9.01p**	5.82p	11.70p

Earnings per share before non underlying items (pence per share)			
Basic	**11.88p**	10.79p	25.40p
Diluted	**11.88p**	10.76p	25.35p

7. Acquisitions

(a) Acquisitions during the period ended 31 March 2012

The following provisional fair value table summaries the acquisitions made during the 6 months ended 31 March 2012:

	Book values £000	Fair value adjustments £000	Fair value £000
Intangible assets	-	828	828
Property plant and equipment	203	-	203
Trade and other receivables	365	-	365
Cash	391	-	391
Creditors:			
Bank loan	(138)	-	(138)
Trade and other payables	(14)	-	(14)
Corporation tax	(31)	-	(31)
Accruals and other creditors	(351)	(50)	(401)
Deferred tax	-	(166)	(166)
	425	612	1,037
Satisfied by:			
Cash paid			1,037
			1,037

(b) Reconciliation to Consolidated Cash Flow Statement

	6 months ended 31 March 2012 unaudited £000
Cash consideration paid on acquisitions in the period	1,037
Cash consideration paid on previous years' acquisitions	4,025
Cash acquired	(391)
Cash outflow	4,671

(c) Deferred and contingent consideration payable

	31 March 2012 unaudited £000	31 March 2011 unaudited £000	30 September 2011 audited £000
Deferred consideration			
Due within 1 year	796	2,596	4,645
Contingent consideration			
Due within 1 year	1,449	4,778	1,951
	2,245	7,374	6,596

8. Share capital

On 4 April 2012 the Company issued a total of 1,608,337 new ordinary shares of 0.5p in the Company (the "New Ordinary Shares") in connection with the Company's Executive Shared Ownership Plan 2012 (the "Share Plan"). The New Ordinary Shares will be jointly acquired by the employee benefit trust (managed independently by EES Trustees International Limited) and award recipients, at the closing market price as at 4 April 2012 of 140.5p.

9. Distribution to shareholders and further information

This interim report is being sent to all shareholders and will be available to the public on the Group's website (www.caretech-uk.com) and from the Group's registered office, 5th Floor, Metropolitan House, 3 Darkes Lane, Potters Bar, Hertfordshire EN6 1AG. Further information regarding the activities of the Group, including a copy of the interim presentation, is available on the Group's website www.caretech-uk.com.

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