**For Immediate Release** **6 December 2012**

**CareTech Holdings PLC**

**("CareTech" or "the Group")**

**Preliminary Results for the year ended 30 September 2012**

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 2012.

## Highlights

- Revenue increased by 4.5% to £114.1m (2011: £109.2m)
- Underlying EBITDA(i) increased by 7.3% to £24.9m (2011: £23.2m)
- Underlying profit before tax(ii) increased by 5.0% to £16.7m (2011: £15.9m)
- Underlying diluted earnings per share(ii) increased by 4.4% to 26.47p (2011: 25.35p)
- Cash inflows from operating activities before non underlying items of £22.3m (2011: £22.2m) with net debt of £131.2m (2011: £127.3m)
- Overall capacity increased by 110 places to 2,166
- Property portfolio independently valued at £225m
- Final dividend of 4.29p (2011: 4.00p) per share, resulting in full year dividend of 6.50p (2011:6.00p)
- Successful Bank Refinancing completed with facilities to 2017

## Statutory Financial Highlights

- EBITDA(iii) increased by 13.9% to £21.3m (2011: £18.7m)
- Operating Profit increased by 13.1% to £13.8m (2011: £12.2m)
- Diluted earnings per share increased by 5.3% to 12.32p (2011: 11.70p)
- Cash inflows from operating activities after non underlying items were £19.2m (2011: £18.2m)

(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) 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:**

“CareTech has consistently delivered growth in each year of the Group’s life to date. The Board has a positive view of the opportunities that are offered within the new social care environment and is confident that the executive team has the skills and experience to successfully realise those opportunities. We are also in touch with the strong demographic patterns that favour CareTech’s service model and which underpin our growth programme.

These are exciting times for CareTech and our respective services. With a thoughtful approach to growth, a skilled executive and the support of our front line colleagues we look forward with fresh enthusiasm to 2013.”

For further information please contact:

| | |
|---|---|
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# Chairman's Statement

2012 has been another important year in the development of CareTech and I am pleased to report another sound set of results. The past two years have been challenging but have created a number of opportunities for the Group, many of which have been stimulated by the complexity of the economic and social care environment.

Our key achievements in 2012 include the completion of the roll-out of the divisional structure started in 2011, successful reconfigurations, organic growth, and a further refocusing of resources. Together these continue the creation of even stronger value for shareholders.

As outlined in the Group Finance Director's report CareTech extended its banking arrangements on favourable terms, securing a highly attractive facility of some £149.4m at an all-in debt service charge of less than 4.5% (after hedging) with a term of four and half years.

The Board has also strengthened its approach to care governance and safeguarding through the creation of a Care Governance and Safeguarding Committee. The Committee is chaired by Mike Adams, Non-Executive Director, a leader in the field of care and disabilities, which has been recognised by the award of an OBE earlier this year.

**Results**

Revenue of £114.1m (2011: £109.2m) for the year to 30 September 2012 represented growth of 4.5% and generated underlying EBITDA growth of 7.3% to £24.9m (2011: £23.2m).

Underlying operating profit increased by 6.4% to £21.7m (2011: £20.4m) and operating profit increased by 13.1% to £13.8m (2011: £12.2m). Underlying profit before tax for the period was 5.0% higher at £16.7m (2011:£15.9m) and profit before tax was £6.4m (2011: £7.4m).

Underlying diluted earnings per share increased by 4.4% to 26.47p (2011: 25.35p) and underlying profit after tax has risen by 5.6% to £13.3m (2011: £12.6m). The profit after tax increased by £0.4m to £6.2m.

Cash inflows from operating activities before tax and non-underlying items paid of £22.3m (2011: £22.2m). Net debt at the year-end of £131.2m is after taking into account the cash consideration payments in respect of two small bolt-on acquisitions of £1.0m and reflects the £4.4m prior year deferred consideration and the £6.3m further investment in the organic development of the Group.

**Dividend**

The Board has proposed a final dividend of 4.29p (2011: 4.00p) per share bringing the total dividend for the year to 6.50p (2011: 6.00p), an increase of 8.3%. The final dividend will be paid, subject to shareholder approval, on 15 February 2013 to shareholders on the register of members on 18 January 2013.

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

**Strategy**

Social care has attracted significant media interest throughout the past year, offering opportunities and challenges for established providers.

The known financial challenges facing local authorities have required commissioners to think carefully about their criteria for supporting individuals with high needs. Those same pressures are driving a more reflective approach to partnerships and new outsourcing arrangements.

CareTech remains very close to local authority commissioners and is aware of the factors which drive their approach to the independent sector. With this in mind the Group has introduced a number of innovative services and flexible care solutions to win further outsourcing opportunities.

Our general strategic approach is to work with and alongside local authorities and the NHS. Our partnerships are real and aimed at delivering solid results for service users at a price that represents genuine value for commissioners. Through this approach the Directors believe that Caretech will continue to grow market share.

During the past year we have driven forward through organic initiatives that build on the previous year's acquisitions. This is in line with our long-term approach to acquisitions. In essence, all potential acquisitions have been tested against rigorous added value criteria that include: genuine shareholder value, desired expertise, new geographical opportunities, growth potential and reputational enhancement.

Our strategy continues to focus on innovative approaches that deliver outstanding results. We aim to consistently exceed expectations whether it is from service users, social care commissioners, families or indeed our own staff.

**Our people**

We have consolidated our divisional management structure and seen a tremendous enthusiasm accruing from the new arrangements. I am grateful to our managers and front-line colleagues for their exceptional commitment during a tough year. They have continued to deliver top quality services despite the pressure from social services to reduce costs and I thank them for managing the right balance of care and commercial sense.

Earlier this year Christa Echtle also advised the Board that, as she was pursuing a new business opportunity within the sector, she had decided to step down as a Director with immediate effect. The Board is looking for a new Non-Executive Director, and has short-listed candidates. I would also 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.

**Outlook and Prospects**

We have consistently delivered growth on all fronts in each year of the Group's life. The Board has a positive view of the opportunities that are offered within the new social care environment and we are confident that the executive team has the skills and experience to successfully realise those opportunities. We are also in touch with the strong demographic patterns that favour CareTech's service model and which underpin our growth programme.

We anticipate further consolidation and refinement of services; we anticipate a positive movement away from residential care for people who can thrive in supported living but an increased range of specialist residential services developing in the longer term. New types of provision are required and CareTech is at the forefront of this process with creative solutions to emerging demand.

We also see opportunities, within our expertise for considerable "capital light" growth of new types of community care, focussing on specialised domiciliary approaches, home care, hospital early discharge programmes and the provision of aids and adaptations.

The executive team is persuaded that certain core functions of health and social care commissioning will be subject to outsourcing in the next few years and we are positioning ourselves as leaders in certain aspects of this new market.

CareTech is well positioned relative to many of its peers having lower leverage, significant freehold asset backing, strong free cash flow generation and the financial stability arising from its banking arrangements being fixed for the medium term.

These are exciting times for CareTech and our respective services. With a thoughtful approach to growth, a skilled executive team and the support of our front-line colleagues I look forward with fresh enthusiasm to 2013.

Farouq Sheikh
Executive Chairman
6 December 2012

# Chief Executive's Statement and Operating Review

**Consolidation and creative new opportunities**

In a further year of significant progress 2012 has seen the introduction of innovative new services that have been warmly received by local authority commissioners, which we anticipate will benefit the group over the coming years.

Social workers are increasingly driven by their commitment to meaningful outcomes for their clients, but they remain mindful of the need for good value. We, together with other progressive providers, are working hard to deliver the best solutions for care commissioners and the people we look after on their behalf.

**Care pathway range and services**

The Group's focus remains the provision of specialist social care. This is underpinned by a well-defined range of provisions which meet all of the commissioners' requirements. These services are now extensive and focused on providing high quality care and positive outcomes for all of our service users within the personalisation agenda.

We describe the range of services that are offered by the Group to meet market demand as our "Care Pathway". We have four care pathways, which also constitute our business segments for reporting purposes:

(1) Adult Learning Disabilities

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

Revenue for 2012 was £75.8m (2011: £75.7m) and EBITDA for 2012 was £18.1m (2011: £18.0m) with capacity closing at 1,469 (2011: 1,413).

The principal reason for the increase in EBITDA of £0.1m was the reconfiguration of homes and their re-opening late in the year.

(2) Mental Health

The adult services for this care pathway include a community based hospital, adult residential care homes, independent supported living and community outreach.

Revenue for 2012 was £6.0m (2011: £6.2m) and EBITDA for 2012 was £2.0m (2011: £1.9m) with capacity ending 2012 at 141 (2011: 134).

These services also had a reconfiguration of homes and a reopening late in the year.

(3) Young People Residential Services

This segment contains children residential care homes, which includes facilities for children with learning difficulties and emotional behavioural disorders ("EBD").

Revenue for 2012 was £17.0m (2011: £14.2m) and EBITDA for 2012 was £5.3m (2011: £4.5m) with capacity ending 2012 at 133 (2011: 108).

The segment benefited from new services and an acquisition.

(4) Foster Care and Family Services

Child fostering covers both mainstream foster care services and specialist provision such as care for children with disabilities, and residential and foster care family assessments.

Revenue in 2012 was £15.3m (2011: £13.1m) and EBITDA for 2012 was £4.2m (2011: £3.2m) with capacity ending 2012 at 423 (2011: 401).

EBITDA improved to £4.2m partly due to the annualised effect of 2011 acquisitions and organic growth.

The Group has unallocated overheads in 2011 of £4.4m and of £4.7m in 2012, which brings the Group's underlying EBITDA in 2011 to £23.2m and 2012 to £24.9m.

**Overview of progress**

Our focus during the past year has been on growing the business through organic initiatives, building on our previous acquisitions, while introducing innovative new solutions to address the challenges faced by care commissioners.

Capacity has increased by 5% to 2,166. Occupancy levels within our mature services remain at a creditable 92%, or 86% when taking into account our services under development and transition.

**Mental Health**

Acquisitions in previous years have now been consolidated and where necessary facilities have been updated and improved to the meet CareTech's standards. Our acquisition programme has always included an expectation of "springboard" growth once under CareTech ownership. These include in mental health; the development of our Park Lane Step Down service for patients of the Uplands Mental Health hospital and the creation of the Sunnyside Supported Living service. We have also introduced a very progressive care planning tool in mental health, the Recovery Star Model, which has been well received.

**Young People Residential Services**

In Children services we have acquired Applied Care and Development ("ACAD"), a small but strategically important service in Scotland. ACAD offers support to children with complex needs and has capacity for 18 children in seven locations, all of which are leased. The service has established relationships with authorities across Scotland and helps us consolidate our presence there. Since its acquisition earlier this year we have increased ACAD's capacity and uplifted the turnover run rate by 25%.

We have opened a brand new children's service in the Midlands, Poppy Lodge, built from a green field site adjacent to one of our care homes. This service for children with complex needs has proved popular and is already at full occupancy.

Other children services successfully opened this year include a new educational facility at our Greenfields site, a new intake and assessment service in Wales, a new home for children with sexually offending behavioural disorders in Wales and the creation of a specialised transition service in the Midlands. We have also invested in an ambitious environmental upgrade programme to reconfigure services that has positioned us as a preferred provider in a number of new areas.

**Foster Care and Family Services**

Our foster care activities continue to deliver strong organic growth. Fostering is driven by preferred provider status in local authority children services and the availability of foster carers to meet demand. With this in mind we have focussed on the recruitment of carers and winning tenders. Our most significant success has been to win the All Wales Tender that has positioned us for strong growth across Wales. Our Wales services includes TLC which is one of the UK's few specialist fostering agencies provided specifically for disabled children, in addition to our more conventional fostering services.

Park Foster Care, one of our family of companies, has gained Accreditation by Kings College and the Centre for Excellence and Outcomes in Children and Young Peoples Services. This follows the introduction of the Park Parenting Approach for training foster carers and is recognised for creating placement stability and carer retention.

CareTech Fostering Holdings Limited was acquired in 2012 and as the company operated in fostering in the North West these operations have been consolidated into Park Foster Care.

**Adult Learning Disabilities**

Within learning disability we have seen some interesting new opportunities emerge through service reviews. I am particularly pleased with our new Transition Service at Morven House which is designed specifically to equip young people with complex needs with the skills and enthusiasm to live as independently as they can. The service has generated a real following among local authorities. We have continued to grow our independent supported living options for people with learning disability and have made significant quality and environmental improvements within our residential care services to reconfigure them for future demand.

Earlier this year we recruited a Bid Manager to co-ordinate and support our approach to tendering. This has been a very successful appointment resulting in 14 tender stage wins which are important for us because they frequently open the door for a pipeline of referrals within a longer term relationship. This allows local authorities to manage their local social care market whilst providing larger operators such as Caretech even greater revenue visibility and support a more targeted approach to business development.

**Principal Risks and Our Strategic Response**

All providers of health and social care are conscious of the need for management vigilance and the requirement to have a thorough commitment to delivering safe care of a high quality. CareTech's approach to quality and safe service delivery is characterised by a mix of inspection and a commitment to building quality into everything we do.

The market for the provision of social care services continues to be dynamic, presenting both risks and opportunities. Overall numbers of people needing support will increase, but a smaller proportion of them will be routed into residential services. Those who do need a residential care solution will have more complex needs and are likely to require a wider range of services, including clinical and therapeutic support. Our operational management teams are already focussing on the delivery of high quality care and as we move forward this will become increasingly specialised with the benefit of professional qualified care co-ordinators who will prepare and direct personalised care plans within the services.

Most service users will be supported in their own homes through domiciliary care or in more formal supported living arrangements. This is a major growth area for care providers and CareTech already has a solid reputation for its good quality and varied solutions. However we are building this to a higher level and refining our organisational structure to build more rapidly on our successes to date.

**Our people**

The CareTech workforce is large and skilled but we have a strong commitment to improving our team yet further. The Company has an Human Resources system with HR partners who are embedded within each of the Divisions. These specialists are supported by a corporate team and retained legal experts who advise and support.

We have created a National Centre for Learning and Development that provides leadership across the whole Company. Our principal learning tool is E Learning and over the last 12 months we have delivered nearly 20,000 course completions through this approach. We have also provided 766 days of training to staff groups through more than 76 separate training programmes.

I am particularly pleased that we have 155 staff undertaking Health and Social Care Apprenticeships and have 45 managers currently undergoing advanced training programmes.

**Our Board**

The Board is committed to the safe delivery of services and we have established a pioneering Safeguarding and Care Governance Committee, chaired by Mike Adams OBE, who is a non-executive director. The committee has already begun its programme for safeguarding and has opened its meetings to the local authority safeguarding experts. This committee has won widespread support and has been welcomed by regulators and social workers.

**Strategic Objectives and Key Performance Indicators ("KPI's")**

We shall continue our programme to improve the quality and scope of our services, increase market share and grow shareholder value.

Our understanding of the social care market and our relationships with local authority commissioners is vital to this objective and we are confident in the strength of our position. However, we can always do more and the coming year will see a significant expansion of our quality approach. This is driven by the complex financial position that local authorities are in and their need to have trusted business partners who can help them deliver statutory duties efficiently and with care.

Our key KPI's help us to measure the group's performance against its objectives and we routinely monitor the following:

- Occupancy movement
- EBITDA
- Profit before tax
- Earnings per share
- Net Debt
- Capacity growth

**Outlook**

The factors which influence the market in which we operate are numerous and complex, as indeed is the current economic environment. The changes taking place in our industry continue to drive opportunities for larger operators delivering a quality solution to commissioners.

Many of our commissioning authorities are looking for ways in which they can effectively manage the market and in practice they know that the larger corporate providers make effective partners. In addition they are very conscious of the need for financial stability in partner organisations. In both of these areas CareTech is well regarded and has a proven track record of delivering results.

We will continue our organic growth programme with absolute confidence as to the demand that underpins our aspiration as a company. In addition we will continue to evaluate strategic bolt-on acquisitions that offer further growth opportunity.

I have great confidence in the enthusiasm and ability of our workforce to deliver the growth that we have identified and I am looking forward to the opportunities ahead as we deliver ever better and more creative solutions to the needs of our service users.

Haroon Sheikh
Chief Executive Officer
6 December 2012

# Financial Review

### Overview

The Group continues to be in a strong position to remain a leading provider of high-quality specialist social care services in a fragmented, large and growing market.

The Group has continued to make further positive progress during the year.

The underlying operating profit remains strong at £21.7m compared to £20.4m last year. Where the key focus in 2010 was making strategic acquisitions to gain market share and extend the care pathway range of services this was slowed down in 2011 and 2012. There was one bolt-on acquisition in the first half and one in the second half of 2012 but the focus has moved to organic developments and cost efficiencies during 2011 and 2012, which will continue in 2013 as well.

### Income statement

The Consolidated Income Statement, before non underlying items, for the year is summarised below:

| | **2012**<br>**£m** | 2011<br>£m | Growth |
|---|---|---|---|
| Revenue | **114.1** | 109.2 | 4.5% |
| Gross profit | **45.3** | 42.7 | |
| Administrative expenses | **(20.4)** | (19.5) | |
| Underlying EBITDA | **24.9** | 23.2 | 7.3% |
| Underlying EBITDA margin | **21.8%** | 21.2% | |
| Depreciation | **(3.1)** | (2.7) | |
| Share-based payments charge | **(0.1)** | (0.1) | |
| Underlying operating profit | **21.7** | 20.4 | 6.4% |
| Net financial expenses | **(5.0)** | (4.5) | |
| Underlying profit before tax | **16.7** | 15.9 | 5.0% |
| Taxation | **(3.4)** | (3.3) | |
| Effective tax rate | **20.0%** | 20.6% | |
| Underlying profit for the year | **13.3** | 12.6 | 5.6% |
| Weighted average number of diluted shares (millions) | **50.4** | 49.7 | |
| Underlying diluted earnings per share | **26.47p** | 25.35p | |
| Full year dividend per share | **6.50p** | 6.00p | |

### Revenue

Revenue of £114.1m (2011: £109.2m) was 4.5% higher than in 2011. Excluding the revenue generated by the two 2012 acquisitions, revenue grew by 3.2%.

In the established Adult Learning Disabilities segment we continued to experience high levels of occupancy and reported 92% occupancy at 30 September 2012. When blended with facilities under development the overall occupancy level during the second half of the year and at 30 September 2012 was 85% of capacity (September 2011: 87% of capacity). Demand for residential services continues to be robust for high acuity users.

As set out in the Chief Executive's Statement and note 2 to the Accounts we are again reporting segmental information for the financial year and last year. Information on client capacity and turnover for all of the four segments is now reported.

| | 2012 Revenue £m | 2012 Underlying EBITDA £m | 2011 Revenue £m | 2011 Underlying EBITDA £m |
|---|---|---|---|---|
| Adult Learning Disabilities | **75.8** | **18.1** | 75.7 | 18.0 |
| Young People Residential Services | **17.0** | **5.3** | 14.2 | 4.5 |
| Foster Care and Family Services | **15.3** | **4.2** | 13.1 | 3.2 |
| Mental Health | **6.0** | **2.0** | 6.2 | 1.9 |
| | **114.1** | **29.6** | 109.2 | 27.6 |
| Less unallocated group costs | **-** | **(4.7)** | - | (4.4) |
| | **114.1** | **24.9** | 109.2 | 23.2 |

Development of our care pathway and an improving range of service options has led to the proportion of Adult Learning Disabilities revenue moving from 69.3% in 2011 to 66.4% in 2012 and EBITDA before group costs from 65.2% in 2011 to 61.1% in 2012.

Young People Residential Services revenue has risen by 19.7% and Foster Care and Family Services by 16.8% and their proportion of the EBITDA before group costs have risen from 27.9% in 2011 to 32.1% in 2012 due to their higher margins.

**Underlying EBITDA and EBITDA**

Including acquisitions, underlying EBITDA has grown by 7.3% from £23.2m in 2011 to £24.9m in 2012. Underlying EBITDA margin has increased from 21.2% to 21.8% due to the segment mix as the three smaller segments all grew and with a higher rate of margin. Young People Residential Services EBITDA rose by 17.7% and Foster Care by 31.3%.

The Young People Residential Services and Mental Health segments have higher margins but require considerable capital investment, whilst Foster Care and Family Services operate on lower profit margins partly because they do not require high levels of organic capital. Adult Learning Difficulties margin has improved a little despite new services such as supported living and domiciliary care having different returns compared to the organic development and reconfigured services.

Administrative expenses, before depreciation and share-based payments charges, were £20.4m (2011: £19.5m) and increased by £0.9m during the year and represent 17.9% of Group revenue. Property rental costs of £6.8m are included within these administrative expenses and are 6% of revenue. The year also saw continued investment in the operating and management structure of each segment in order to facilitate future growth.

EBITDA grew by 13.9% from £18.7m in 2011 to £21.3m in 2012.

**Underlying operating profit and underlying profit before tax**

The depreciation charge has risen to £3.1m (2011: £2.7m) and reflects the investment in freehold properties and the fixtures, fittings and equipment in the homes plus motor vehicles. After this charge and the share-based payments, underlying operating profit grew by 6.4% to £21.7m (2011: £20.4m).

Operating profit increased by 13.1% to £13.8m (2011: £12.2m).

Net financial expenses of £5.0m (2011: £4.5m) increased over the previous year due to the higher use of the secured bank loans which had risen due to the strategic acquisitions and capital investment in recent years but that growth has slowed significantly to give a small decrease in Net Debt in the second half year.

Despite the higher depreciation charge and higher financial expenses the underlying profit before tax of £16.7m (2011: £15.9m) has increased by 5.0%.

Profit before tax was £6.4m (2011: £7.4m)

**Taxation and diluted earnings per share**

The effective underlying tax rate has come down a little to 20.0% (2011: 20.6%) and reflects management's expectations of future capital investment through organic development relative to available capital allowances and also reflects the impact of the rate reduction in the year.

The weighted number of shares in issue rose by 1.4% whilst the underlying diluted earnings per share rose to 26.47p in 2012 from 25.35p in 2011.

Diluted earnings per share increased by 5.3% to 12.32p (2011: 11.70p)

**Dividends**

Our policy had 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 4.29p per share (2011: 4.00p), bringing the total dividend for the year to 6.50p (2011: 6.00p), a growth of 8.3%. Dividend cover for 2012, based upon diluted earnings per share before non underlying items is 4.07 times (2011: 4.23 times).

**Non underlying items**

As more fully explained on the face of the Consolidated Statement of Comprehensive Income and in note 3 to the Accounts, the Directors have separately disclosed a number of non underlying items on the face of the income statement in order to improve understanding of the trading performance achieved by the Group. Total non-underlying items are £7.1m (2011: £6.8m) and the principal items are amortisation of intangible assets, adjustments to minimum future lease payment uplifts and charges in respect of derivate financial instruments.

**Cash flow and net debt**

The cash flow statement and movement in net debt for the year is summarised below:

| | **2012** | 2011 |
|---|---|---|
| | **£m** | £m |
| Underlying EBITDA | **24.9** | 23.2 |
| Increase in working capital | **(2.6)** | (1.0) |
| Cash inflows from operating activities | **22.3** | 22.2 |
| Tax paid | **(1.8)** | (1.3) |
| Interest paid | **(5.4)** | (4.8) |
| Dividends paid | **(3.1)** | (2.8) |
| Acquisitions and capital expenditure | **(10.7)** | (20.7) |
| Cash flow before adjustments | **1.3** | (7.4) |
| Non underlying cashflows including derivative financial instruments | **(5.2)** | (6.7) |
| Movement in net debt | **(3.9)** | (14.1) |
| Opening net debt | **(127.3)** | (113.2) |
| Closing net debt | **(131.2)** | (127.3) |

Net debt at 30 September 2011 of £131.2m (2011: £127.3m) has increased by £3.9m during the financial year, with an investment of £10.7m in acquisitions and capital improvements during the year.

Non underlying items had a cash outflow effect of £3.0m being payment of acquisition and integration costs and settlements arising from derivative financial instruments contributed a cash outflow of £2.2m (2011: £2.8m).

**Underlying cash inflows from operating activities**

The £22.3m (2011: £22.2m) cash inflow from operating activities, before non underlying items, represents a 90% (2011: 96%) underlying EBITDA cash conversion ratio.

**Tax, interest and dividend cash flows**

Interest paid of £5.4m (2011: £4.8m) is reflective of the net financial expenses per the Consolidated Income Statement, whilst dividends paid are consistent with the relevant section earlier in the review.

Net tax payments of £1.8m (2011: £1.3m) were made in the year.

### Acquisitions and capital expenditure

During the year we invested funds of £10.3m (2011: £20.4m) and, in addition, estimated that £0.3m may become payable as deferred consideration in respect of acquisitions completed during the year.

| | Settled £m | Cash Balances £m | Funds Invested £m | Deferred Consideration £m | Total £m |
|---|---|---|---|---|---|
| Acquisitions in year | 1.0 | (0.4) | 0.6 | 0.3 | 0.9 |
| Prior year deferred consideration | 4.4 | - | 4.4 | - | 4.4 |
| Capital expenditure | 5.3 | - | 5.3 | - | 5.3 |
| | 10.7 | (0.4) | 10.3 | 0.3 | 10.6 |

The investment of £0.9m relates to the strategic acquisition of Applied Care and Development Limited and CareTech Fostering Holdings Limited; further details of which are explained in the Chief Executive's Statement and Operating Review as well as in the notes to the financial statements.

Deferred consideration of £4.4m was settled in cash during the year.

Capital expenditure of £5.3m includes £2.4m to update our portfolio of assets.

### Banking arrangements

The Group is pleased to have had strong relationships with RBS, Lloyds and Santander, following the refinancing of the debt facilities in 2010. Those facilities were to expire in April 2013 and have been renegotiated in 2012.

The refinancing was successfully completed in July 2012 and in the current uncertain lending environment it is pleasing that all three of the current consortium of banks have continued to support the Group in the new facility.

Allied Irish Bank, with whom CareTech has had a long relationship, has rejoined the consortium of banks. The new facilities total £149.4m comprising a term loan, a revolving credit facility and an overdraft facility for working capital. The term of the new facilities is four and a half years, expiring in January 2017. The Group took out five new hedging instruments to reduce its interest rate risk.

After taking account of hedging costs, the facilities are at a highly competitive all-in debt service charge of less than 4.5%, which further emphasises the Group's strong asset backing and attractiveness to lenders.

As part of the refinancing, the Group's freehold property portfolio was independently valued at £225m. The new bank facility will replace the previous £160m facility and the Board has decided to reduce the size of its total facilities in line with its strategic focus of delivering growth in earnings principally through organic developments. The new facility has certain covenants attached to it which are mostly EBITDA related and were set with sufficient facility headroom.

### Outlook

The Group remains in an even stronger position to continue as a leading provider of high-quality specialist social care services in a fragmented, large and growing market.

Michael Hill
Group Finance Director
6 December 2012

## Unaudited Consolidated Statement of Comprehensive Income

## for the year ended 30 September 2012

| | *Note* | **2012** | | | 2011 | | |
|---|---|---|---|---|---|---|---|
| | | **Underlying £000** | **Non underlying [i] £000** | **Total £000** | Underlying £000 | Non underlying [i] £000 | Total £000 |
| **Revenue** | *2* | **114,132** | **-** | **114,132** | 109,150 | - | 109,150 |
| Cost of sales | | **(68,809)** | **-** | **(68,809)** | (66,487) | - | (66,487) |
| **Gross profit** | | **45,323** | **-** | **45,323** | 42,663 | - | 42,663 |
| Administrative expenses | | **(23,672)** | **(7,838)** | **(31,510)** | (22,312) | (8,105) | (30,417) |
| **Operating profit** | | **21,651** | **(7,838)** | **13,813** | 20,351 | (8,105) | 12,246 |
| EBITDA [ii] | | **24,853** | **(3,511)** | **21,342** | 23,209 | (4,521) | 18,688 |
| Depreciation | | **(3,079)** | **-** | **(3,079)** | (2,680) | - | (2,680) |
| Amortisation of intangible assets | | **-** | **(4,327)** | **(4,327)** | - | (3,584) | (3,584) |
| Share-based payments charge | | **(123)** | **-** | **(123)** | (178) | - | (178) |
| **Operating profit** | | **21,651** | **(7,838)** | **13,813** | 20,351 | (8,105) | 12,246 |
| Financial income | *4* | **20** | **-** | **20** | 32 | - | 32 |
| Financial expenses | *3,4* | **(5,000)** | **(2,457)** | **(7,457)** | (4,512) | (350) | (4,862) |
| **Profit before tax** | | **16,671** | **(10,295)** | **6,376** | 15,871 | (8,455) | 7,416 |
| Taxation | *3,5* | **(3,332)** | **3,162** | **(170)** | (3,274) | 1,670 | (1,604) |
| **Profit and total comprehensive income for the year attributable to equity shareholders of the parent** | | **13,339** | **(7,133)** | **6,206** | 12,597 | (6,785) | 5,812 |
| **Earnings per share** | | | | | | | |
| Basic | *6* | | | **12.32p** | | | 11.72p |
| Diluted | *6* | | | **12.32p** | | | 11.70p |

(i) Non underlying items comprise: amortisation of intangibles, acquisition expenses, bargain purchase credits, fair value adjustments on prior year acquisitions, gains or losses on disposal of plant and equipment, changes in value and additional finance payments in respect of derivative financial instruments, post acquisition integration and reorganisation costs, minimum future lease uplifts and provision for onerous leases. See note 3.

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

# Unaudited Consolidated Balance Sheet
# at 30 September 2012

| | 2012 £000 | 2011 £000 |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **192,119** | 189,504 |
| Other intangible assets | **33,335** | 36,483 |
| Goodwill | **31,120** | 30,059 |
| | **256,574** | 256,046 |
| **Current assets** | | |
| Inventories | **615** | 315 |
| Trade and other receivables | **10,044** | 10,066 |
| Cash and cash equivalents | **6,575** | 13,414 |
| | **17,234** | 23,795 |
| **Total assets** | **273,808** | 279,841 |
| **Current liabilities** | | |
| Loans and borrowings | **5,634** | 7,460 |
| Trade and other payables | **10,887** | 11,691 |
| Deferred and contingent consideration payable | **1,446** | 6,596 |
| Deferred income | **2,075** | 2,772 |
| Corporate tax | **4,985** | 4,139 |
| Derivative financial instruments | **2,861** | 2,921 |
| Onerous lease provision | **223** | - |
| | **28,111** | 35,579 |
| **Non-current liabilities** | | |
| Loans and borrowings | **132,144** | 133,271 |
| Deferred tax liabilities | **21,622** | 23,633 |
| Derivative financial instruments | **1,522** | 945 |
| Minimum future lease payments | **13,750** | 12,553 |
| Onerous lease provision | **520** | 646 |
| | **169,558** | 171,048 |
| **Total liabilities** | **197,669** | 206,627 |
| **Net assets** | **76,139** | 73,214 |
| **Equity** | | |
| Share capital | **256** | 248 |
| Share premium | **55,715** | 53,515 |
| Shares held by Executive Shared Ownership Plan | **(2,258)** | - |
| Merger reserve | **8,498** | 8,498 |
| Retained earnings | **13,928** | 10,953 |
| **Total equity attributable to equity shareholders of the parent** | **76,139** | 73,214 |

## Unaudited Consolidated Statement of Changes in Equity as at 30 September 2012

| | Share capital £000 | Share premium £000 | Shares held by Executive Shared Ownership Plan £000 | Merger reserve £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| At 1 October 2010 | 248 | 53,515 | - | 8,498 | 7,765 | 70,026 |
| Profit for the year | - | - | - | - | 5,812 | 5,812 |
| **Total comprehensive income** | - | - | - | - | 5,812 | 5,812 |
| Equity settled share-based payments charge | - | - | - | - | 178 | 178 |
| Dividends | - | - | - | - | (2,802) | (2,802) |
| **Transactions with owners recorded directly in equity** | - | - | - | - | (2,624) | (2,624) |
| **At 30 September 2011** | **248** | **53,515** | **-** | **8,498** | **10,953** | **73,214** |
| At 1 October 2011 | 248 | 53,515 | - | 8,498 | 10,953 | 73,214 |
| Profit for the year | - | - | - | - | 6,206 | 6,206 |
| **Total comprehensive income** | - | - | - | - | 6,206 | 6,206 |
| Issue of ordinary shares | 8 | 2,200 | (2,258) | - | - | (50) |
| Equity settled share-based payments charge | - | - | - | - | (156) | (156) |
| Dividends | - | - | - | - | (3,075) | (3,075) |
| **Transactions with owners recorded directly in equity** | 8 | 2,200 | (2,258) | - | (3,231) | (3,281) |
| **At 30 September 2012** | **256** | **55,715** | **(2,258)** | **8,498** | **13,928** | **76,139** |

## Unaudited Consolidated Cash Flow Statement for the year ended 30 September 2012

| | 2012 £000 | 2011 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | **6,376** | 7,416 |
| Adjustments for: | | |
| Financial income | **(20)** | (32) |
| Financial expenses | **7,457** | 4,862 |
| Adjustments for minimum future lease payment uplifts | **1,761** | 1,463 |
| Onerous lease provision charge | **310** | 646 |
| Depreciation | **3,079** | 2,680 |
| Amortisation | **4,327** | 3,584 |
| Share-based payments charge | **123** | 178 |
| Acquisition transaction cost | **155** | 1,310 |
| Post acquisition integration and re-organisation cost | **1,033** | 1,474 |
| Plant and machinery items written off | **32** | 219 |
| Profit on disposal of freehold property | **27** | (144) |
| Fair value adjustment in respect of prior years acquisitions | **220** | 230 |
| Bargain purchase credit | **-** | (821) |
| **Operating cash flows before movement in working capital** | **24,880** | 23,065 |
| Decrease in trade and other receivables | **38** | 879 |
| Decrease in trade and other payables | **(2,342)** | (1,559) |
| Increase in inventories | **(300)** | (163) |
| **Operating cash flows before adjustment items** | **22,276** | 22,222 |
| Non underlying items paid | **(3,079)** | (3,990) |
| **Cash inflows from operating activities** | **19,197** | 18,232 |
| Interest received | **20** | 32 |
| Tax paid | **(1,771)** | (1,297) |
| **Net cash from operating activities** | **17,446** | 16,967 |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property plant and equipment | **948** | 1,007 |
| Acquisition of subsidiaries, net of cash acquired | **(5,032)** | (13,625) |
| Acquisition of property, plant and equipment | **(5,698)** | (6,365) |
| Acquisition of intangible assets | **-** | (50) |
| Acquisition of software | **(697)** | (342) |
| **Net cash used in investing activities** | **(10,479)** | (19,375) |
| **Cash flows from financing activities** | | |
| Costs arising from the issue of share capital | **(50)** | - |
| Proceeds from long term borrowings (net of costs) | **4,374** | 22,249 |
| Interest paid | **(5,364)** | (4,794) |
| Cash outflow arising from derivative financial instruments | **(2,206)** | (2,797) |
| Repayment of borrowings | **(6,638)** | (5,000) |
| Payment of finance lease liabilities | **(847)** | (1,042) |
| Dividends paid | **(3,075)** | (2,802) |
| **Net cash from financing activities** | **(13,806)** | 5,814 |
| **Net (decrease)/increase in cash and cash equivalents** | **(6,839)** | 3,406 |
| **Cash and cash equivalents at start of year** | **13,414** | 10,008 |
| **Cash and cash equivalents at 30 September** | **6,575** | 13,414 |

## Unaudited Consolidated Cash Flow Statement for the year ended 30 September 2012 *(continued)*

| | **2012** | 2011 |
|---|---|---|
| | **£000** | £000 |
| **Net debt in the balance sheet comprises:** | | |
| Cash at bank and in hand | **6,575** | 13,414 |
| Bank loans | **(136,169)** | (138,350) |
| Finance lease and hire purchase contracts | **(1,609)** | (2,381) |
| **Net debt at 30 September** | **(131,203)** | (127,317) |

# Notes

## 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 2012 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 2012 or 30 September 2011. The results for the year ended 30 September 2012 are unaudited. The statutory accounts for the year ended 30 September 2012 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 2011 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, 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 2012 was approved by the Board for release on 4 December 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 revenue between the operating segments is not material.

Our four segments are, 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 segment results for the year ended 30 September 2012, for the 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:

| **Year ended 30 September 2012** | | | | | |
|---|---|---|---|---|---|
| Continuing Operations | | | | | |
| | ALD | YPR | FFS | MH | Total |
| Client Capacity | 1,469 | 133 | 423 | 141 | 2,166 |
| Revenue (£000) | 75,811 | 16,975 | 15,281 | 6,065 | 114,132 |
| EBITDA (£000) | 18,053 | 5,345 | 4,151 | 1,971 | 29,520 |

| **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; | **2012 £000** | 2011 £000 |
|---|---|---|
| Underlying EBITDA before unallocated costs | **29,520** | 27,669 |
| Unallocated costs | **(4,667)** | (4,460) |
| Underlying EBITDA | **24,853** | 23,209 |
| Depreciation | **(3,079)** | (2,680) |
| Amortisation | **(4,327)** | (3,584) |
| Share based payments charge | **(123)** | (178) |
| Non underlying items | **(3,511)** | (4,521) |
| Operating profit | **13,813** | 12,246 |
| Financial income | **20** | 32 |
| Financial expenses | **(7,457)** | (4,862) |
| Profit before tax | **6,376** | 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 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. Non underlying items comprise the following:

| | Note | **2012 £000** | 2011 £000 |
|---|---|---|---|
| Acquisition expenses | | **155** | 1,310 |
| Post acquisition integration and reorganisation cost | (i) | **1,065** | 1,693 |
| Fair value adjustments in respect of prior year acquisitions | (ii) | **220** | 230 |
| **Acquisition and development costs** | | **1,440** | 3,233 |
| Bargain purchase credit | | **-** | (821) |
| Adjustments for minimum future lease payment uplift to IAS 17 | (iii) | **1,761** | 1,463 |
| Onerous lease provision | (iv) | **310** | 646 |
| Included in EBITDA | | **3,511** | 4,521 |
| Amortisation of intangible assets | | **4,327** | 3,584 |
| **Included in administrative expenses** | | **7,838** | 8,105 |
| Loan finance costs written off on refinancing | (v) | **338** | - |
| Revaluation movements relating to derivative financial instruments | (vi) | **517** | (2,447) |
| Charges relating to derivative financial instruments | (vi) | **1,602** | 2,797 |
| **Included in financial expenses** | | **2,457** | 350 |
| Tax on non underlying items (note 5): | | | |
| Current | (vii) | **(1,038)** | (1,387) |
| Deferred tax | (viii) | **(2,124)** | (283) |
| **Included in taxation** | | **(3,162)** | (1,670) |
| **Total non underlying items** | | **7,133** | 6,785 |

(i) The Group incurred a number of costs relating to the integration of recent acquisitions and reorganisation of the internal operating and management structure. These comprise £652,000 (2011: £760,000) of costs associated with restructuring the Adult Learning Difficulties and Foster Care and Family Services Divisions, £381,000 (2011: £714,000) of costs associated with the integration of acquisitions and the associated restructuring of the finance and support functions and a charge of £32,000 (2011: £219,000) in respect of items of plant and equipment written off in the year. Included in the cash flow statement are acquisition expenses of £1,246,000 (2011: £2,702,000) and post acquisition integration and reorganisation costs of £1,833,000 (2011: £1,288,000), which were paid in the year and which have been included in operating cash flows.

(ii) 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.

(iii) Adjustments relate to non-cash additional charges under IAS 17 which incorporates recognising the effect of minimum future lease payment uplifts on a straight-line basis.

(iv) 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 £310,000 (2011: £646,000) being the present value of any onerous element of the remaining lease life.

(v) In July 2012, the Group completed a refinancing exercise. As such the unamortised element of loan fee costs on the replaced debt was fully written off.

(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), (ii), (iii), (iv), (v) and (vi) above.

(viii) A deferred tax credit of £125,000 (2011: £803,000 charge) arises in respect of a charge relating to derivative financial instruments in (vi) above. In addition, a credit of £1,432,000 (2011: £775,000) arises in respect of changes in future corporation tax rates, together with a credit from the effects of full provision for deferred tax under IAS 12 amounting to £567,000 (2011: £311,000).

## 4 Finance income and expenses

| | **2012** | 2011 |
|---|---|---|
| | **£000** | £000 |
| **(a) Financial income** | | |
| Interest income on financial assets not at fair value through profit or loss: | | |
| On bank deposits | **20** | 32 |
| | **20** | 32 |

| | **2012** | 2011 |
|---|---|---|
| | **£000** | £000 |
| **(b) Financial expenses** | | |
| Interest expense on financial liabilities at amortised cost: | | |
| On bank loans and overdrafts | **4,818** | 4,280 |
| Finance charges in respect of finance leases | **182** | 232 |
| Financial expenses before adjustments | **5,000** | 4,512 |
| Derivative financial instruments (note 3) | **2,119** | 350 |
| Loan finance costs written off on refinancing (note 3) | **338** | - |
| | **7,457** | 4,862 |

In accordance with the revision to IAS 23, borrowing costs at £500,000 (2011: £580,000) have been capitalised in the year. The capitalisation rate used to determine the amount of borrowing costs capitalised is 5%.

## 5 Taxation

### (a) Recognised in the income statement

| | **2012** | 2011 |
|---|---|---|
| | **£000** | £000 |
| *Current tax expense* | | |
| Current year | **3,789** | 3,502 |
| Current tax on non underlying items (note 3) | **(1,038)** | (1,387) |
| Corporation tax overprovided in previous periods | **(225)** | - |
| Total current tax | **2,526** | 2,115 |
| *Deferred tax expense* | | |
| Current year | **(799)** | (539) |
| Effect of changes in future tax rate | **(1,432)** | (775) |
| Deferred tax on non underlying items (note 3) | **(125)** | 803 |
| Total deferred tax | **(2,356)** | (511) |
| Total tax in income statement | **170** | 1,604 |

### (b) Reconciliation of effective tax rate

| | **2012** | 2011 |
|---|---|---|
| | **£000** | £000 |
| Profit before tax for the year | **6,376** | 7,416 |
| Tax using the UK corporation tax rate of 25% (2011: 27%) | **1,594** | 2,002 |
| Non-deductible expenses | **1,335** | 1,364 |
| Effect of changes in future tax rate | **(1,432)** | (775) |
| Other deferred tax adjustments | **(1,102)** | (987) |
| Corporation tax overprovided in previous periods | **(225)** | - |
| Total tax in income statement | **170** | 1,604 |

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 was reduced to 23% in July 2012 and this has resulted in a deferred tax credit in 2012 of £1,432,000.

## 6 Earnings per share

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Profit attributable to ordinary shareholders | **6,206** | 5,812 |
| Weighted number of shares in issue for basic earnings per share | **50,377,890** | 49,586,656 |
| Effects of share options in issue | **12,944** | 106,227 |
| Weighted number of shares for diluted earnings per share | **50,390,834** | 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 | **12.32p** | 11.72p |
| Diluted | **12.32p** | 11.70p |

## 7 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 impact the trading performance of the Group.

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Profit attributable to ordinary shareholders | **6,206** | 5,812 |
| Non underlying items (note 4) | **7,133** | 6,785 |
| Underlying profit attributable to ordinary shareholders | **13,339** | 12,597 |
| **Underlying earnings per share (pence per share)** | | |
| Basic | **26.48p** | 25.40p |
| Diluted | **26.47p** | 25.35p |

## 8 Dividends

The aggregate amount of dividends comprises:

| | 2012 £000 | 2011 £000 |
|---|---|---|
| Final dividends paid in respect of prior year but not recognised as liabilities in that year | **1,980** | 1,815 |
| Interim dividends paid in respect of the current year | **1,095** | 987 |
| Aggregate amount of dividends paid in the financial year | **3,075** | 2,802 |

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is 4.29p per share, £2,196,276 (2011: 4.00p per share, £1,983,476).

## 9 Acquisitions 2012

Both acquisitions in the year have been accounted for as business combinations under IFRS 3 (revised). In view of the overall value of acquisitions in the financial year and the similarity of each, in the Director's judgement it is appropriate to present the acquisitions information in aggregate.

The following provisional fair value table summarises the various acquisitions made during the financial year pending finalisation of completion accounts:

| | Book values £000 | Fair value adjustment £000 | Fair value £000 |
|---|---|---|---|
| Intangible fixed assets | - | 662 | 662 |
| Property, plant and equipment | 203 | - | 203 |
| Trade and other receivables | 365 | - | 365 |
| Cash | 391 | - | 391 |
| Trade and other payables | (14) | - | (14) |
| Bank loans | (138) | - | (138) |
| Corporation tax | (31) | - | (31) |
| Accruals and other creditors | (817) | (50) | (867) |
| Deferred tax | - | (345) | (345) |
| | | | 226 |
| Satisfied by: | | | |
| Cash paid | | | 1,037 |
| Deferred consideration | | | 250 |
| | | | 1,287 |
| Goodwill recognised on acquisition | | | 1,061 |

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 £716,000 relates to the assembled workforce acquired on acquisition. These acquisitions contributed revenue of £1,536,000 and underlying EBITDA of £219,000 to the Group's result for the year ended 30 September 2012.

Each of the acquisitions was undertaken to enhance the Group's position in the industry. In each case control was obtained through the acquisition of the entire issued share capital.

The following table summarises the acquisitions in the year:

| Name | Date of acquisition | % of equity acquired |
|---|---|---|
| Applied Care & Development Limited | 17 February 2012 | 100 |
| Caretech Fostering Holdings Limited together with Caretech Fostering Services Limited | 30 September 2012 | 100 |

**Reconciliation to Group Cash Flow**

| | **2012** **£000** | 2011 £000 |
|---|---|---|
| Cash consideration paid on acquisitions in the year | **1,037** | 10,898 |
| Cash consideration paid on previous year's acquisitions | **4,386** | 2,996 |
| Net cash acquired | **(391)** | (269) |
| | **5,032** | 13,625 |

## 11 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.