For immediate release **5 December 2013**

CareTech Holdings PLC

("CareTech" or "the Group")

Preliminary Results for the year ended 30 September 2013

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 2013.

Highlights

- Revenue increased by 0.2% to £114.3m (2012: £114.1m)
- Underlying EBITDA(i) increased by 6.0% to £26.4m (2012: £24.9m)
- Underlying profit before tax(ii) increased by 4.8% to £17.5m (2012: £16.7m)
- Underlying diluted earnings per share(ii) increased by 3.6% to 27.43p (2012: 26.47p)
- Cash inflows from operating activities before non-underlying items of £23.9m (2012: £22.2m) with net debt of £168.5m (2012: £131.2m)
- Overall capacity reduced by 50 places to 2,116 due to changes in definitions of capacity
- Acquisition for a total consideration of £39.8m
- Post balance sheet acquisition of EQL Solutions for a total consideration of £1.5m
- Property portfolio independently valued at £275m
- Final dividend of 4.68p (2012: 4.29p) per share, resulting in full year dividend of 7.00p (2012: 6.50p)

Statutory Financial Highlights

- EBITDA(iii) increased by 87.3% to £39.9m (2012: £21.3m)
- Operating profit increased by 138.4% to £32.9m (2012: £13.8m)
- Diluted earnings per share increased by 285.9% to 47.54p (2012: 12.32p)
- Cash inflows from operating activities were £21.6m (2012: £19.2m)

(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 continued to deliver growth every year. 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.

"We are extremely pleased with the acquisition of freehold properties in the year which creates an increase in Net Assets of 29.7% and allows future reconfigurations of these properties. Following the year end we acquired EQL Solutions which extends our care pathways. Together these acquisitions with the underlying business put the Group in a strong position for future growth.

"These are exciting times for CareTech and with a thoughtful approach to growth, a skilled executive team and the support of our front line colleagues we look forward with fresh enthusiasm to 2014."

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Chairman's Statement

A Year of Progress

2013 has been another important year in the development of CareTech which reflects the strength of the Group's underlying business and the success of its innovative new services developed in partnership with care commissioners.

From the platform of 2012 the Group has built on its divisional structure and has concentrated on further successful reconfigurations and developments focusing on organic growth.

Towards the end of the year the Group's earnings enhancing acquisition of a business combination consisting of two property portfolios underpins the momentum in the Group's trading performance.

Dividend

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

That growth in 2013 was 3.5% so the Board has proposed a final dividend of 4.68p (2012: 4.29p) per share bringing the total dividend for the year to 7.00p (2012: 6.50p) per share. The final dividend will be paid, subject to shareholder approval, on 11 April 2014, with an ex-dividend date of 12 March 2014 and an associated record date of 14 March 2014.

Our Board

Our Board was strengthened during the year when Jamie Cumming joined the Board as a non-executive director of the Company with effect from 28 March 2013.

Jamie has over 30 years' experience in the City advising both institutional investors and corporate clients. He is currently a non-executive director of 21st Century Technology plc. His expertise will be invaluable as the Group strengthens its relationships with existing and new investors.

He sits on all three Board Committees and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Care Governance and Safeguarding Committee.

Our People

The Group's divisional structure is now well established and the enthusiasm for the arrangements continues with a Human Resource system with HR partners who are embedded within each of the divisions like our Finance and Quality professionals.

I am extremely grateful to all of our managers and front-line colleagues for their exceptional commitment during these austere times. They have continued to deliver top quality services despite the pressure being place on us from social services to reduce costs.

I thank all of them for ensuring that we maintain the right balance between care and commercial sense.

Outlook and Prospects

The Group remains well positioned relative to many of its peers as we have lower leverage, significant freehold asset backing and financial stability arising from its strong banking arrangements.

These are exciting times for CareTech and with a thoughtful approach to growth, a skilled executive team and the support of front-line colleagues, I look forward with fresh enthusiasm to 2014.

Farouq Sheikh
Chairman
5 December 2013

Chief Executive's Statement & Performance Review

A Strong Foundation for Growth

Results

Revenue of £114.3m (2012: £114.1m) for the year to 30 September 2013 represented growth of 0.2% and generated underlying EBITDA growth of 6.0% to £26.4m (2012: £24.9m).

Underlying operating profit increased by 6.9% to £23.2m (2012: £21.7m) and operating profit increased by 138.4% to £32.9m (2012: £13.8m).

Underlying profit before tax for the period was 4.8% higher at £17.5m (2012: £16.7m) and profit before tax was £28.1m (2012: £6.4m).

Underlying diluted earnings per share increased by 3.6% to 27.43p (2012: 26.47p) per share and underlying profit after tax has risen by 6.0% to £14.1m (2012: £13.3m). Unadjusted diluted earnings per share increased by 286% to 47.54p (2012: 12.32p) and profit after tax increased by £18.2m to £24.4m (2012: £6.2m).

Cash inflows from operating activities before tax and non-underlying items paid were £23.9m (2012: £22.3m), an increase of 7.1%. Net debt at the year end of £168.5m is after taking into account the acquisition of two property portfolio businesses of £37.9m. Without the acquisition net debt would have reduced by £0.5m for the year.

Consolidation and creative new opportunities

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

There have been a small number of property disposals during the year where the service was not meeting commissioner aspirations and a reconfiguration was not possible or economic.

The Group has purchased a site in Dudley which is being developed to have three services on the same site. This comprises the conversion of an existing building into a four bedroom Learning Disability service with two/three Supported Living Transition flats above. In addition we have secured planning permission for a six bedroom children's wheelchair accessible bungalow.

The Group purchased a business combination which involved the acquisition of two property portfolio businesses, comprising in total 29 properties, for an aggregate consideration of £38m including costs. The properties were previously leased by the Group and will be used to continue providing care and support to service users.

It is expected that the transaction will be immediately earnings enhancing and will save the Group substantial cost in rental charges over the lifetime of the historic leases.

The rent saving in 2014 will be up to £4.4m, compared with interest payments associated with the acquisition of the properties of £1.6m. The rent saving is expected to increase in future years as the previous rental terms were subject to increases based on inflation. The extent to which rent savings will be reflected in the Group's profitability is dependent on the degree of reconfiguration work that the Group elects to carry out at the properties. The reconfiguration of services is a central part of the Board's strategy in enhancing average fee rates and in maintaining the Group's reputation as a provider of highest quality of care and this acquisition provides an opportunity which was not available as leaseholders.

I was heartened by the willingness of the current syndicate of Banks to provide the additional debt which further underlines the Group's strong asset backing and attractiveness to lenders. The net debt position of the Company following this transaction has risen but we are entirely comfortable with the revised level of net debt and anticipate that the cash generative nature of the transaction will enhance all debt service metrics and assist the Group to repay debt going forwards.

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 even more 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 2013 was £73.9m (2012: £75.8m) and EBITDA for 2013 was £18.5m (2012: £18.1m) with capacity closing at 1,423 (2012: 1,469).

   The principal reason for the increase in EBITDA of £0.5m was the reconfiguration of homes and their reopening 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 2013 was £6.5m (2012: £6.0m) and EBITDA for 2013 was £2.2m (2012: £2.0m) with capacity ending 2013 at 161 (2012: 141).

   These services also had a reconfiguration of homes and a reopening early 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 2013 was £19.6m (2012: £17.0m) and EBITDA for 2013 was £6.2m (2012: £5.3m) with capacity ending 2013 at 149 (2012: 133).

   The segment benefited from new services and will benefit from the Dudley site when this opens in 2014.

4. Foster Care
   Child fostering covers both mainstream foster care services and specialist provision such as care for children with disabilities and foster care family assessments in the home.

   Revenue in 2013 was £14.3m (2012: £15.3m) and EBITDA for 2013 was £4.3m (2012: £4.2m) with capacity ending 2013 at 383 (2012: 423).

   EBITDA improved by £0.2m partly due to the annualised effect of organic growth and the investment in new carers.

The Group had unallocated overheads in 2012 of £4.7m and of £4.8m in 2013 which brings the Group's underlying EBITDA in 2012 to £24.9m and 2013 to £26.4m.

In last year's report I outlined the National Centre for Learning and Development which provides leadership. Its principal learning tools are e-learning and face to face training, as well as assisting our staff undertaking Health and Social Care Apprenticeships.

After the year end we acquired a Training Provider who currently have 5,700 people enrolled on training programs covered by contracts with the Skills Funding Agency and direct contracts with a diverse range of employers in the private sector.

This acquisition provides the opportunity to draw the professionalism of the Training Provider's staff into a new and forward looking partnership with our own team to offer social care apprenticeships, training to social care employers and pre-employment training to our service users.

Overview of Progress

Our focus during the past year has continued to be on building on the acquisitions which established the care pathways whilst introducing innovative new solutions to address the challenges faced by care commissioners.

Capacity has reduced to 2,116 places principally because we have taken the opportunity to refine the measurement of capacity levels. Occupancy levels within our mature services remain at a creditable 92%, or 84% when taking into account our services under development and transition. This is in line with the previous year.

Adult Learning Disabilities

Within learning disability we have seen some interesting new opportunities emerge through service reviews and reconfigurations. 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.

During the year the Group had 18 tender stage wins. These 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.

Mental Health

Acquisitions in previous years have now been consolidated and where necessary facilities have been updated and improved to 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

The acquisition of ACAD in Scotland in 2012 established relationships with authorities across Scotland and helps us consolidate our presence there. Since its acquisition last year ACAD's capacity has increased further and a new service is about to open in Fife. The Poppy Lodge service opened in the Midlands late last year is being replicated as part of the development of children's services in Dudley.

Other children's 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

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 continued to focus on the recruitment of carers and winning tenders. Our most significant success has been to build on winning 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 People's Services. This follows the introduction of the Park Parenting Approach for training foster carers and is recognised for creating placement stability and carer retention.

The Group is also looking to open in Scotland and has currently applied for Registration there.

Haroon Sheikh
Chief Executive Officer
5 December 2013

Financial Review

The Group has repeated the good progress of recent years in 2013.

Overview

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

The Group has continued to be progressive and has made encouraging progress during the year.

The underlying operating profit remains strong at £23.2m compared with £21.7m last year. Up to 2012 the Group had been making strategic acquisitions to gain market share and extend the care pathway range of services. Since 2012 the focus has been on organic developments and cost efficiencies including the transaction on 28 August 2013 to acquire two property portfolio businesses leading to an annual rent saving of £4.4m.

Income Statement

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

Table 1 – Consolidated Income Statement

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

	2013 £m	2012 £m	Growth
Revenue	114.3	114.1	0.2%
Gross profit	45.6	45.3	
Administrative expenses	(19.2)	(20.4)	
Underlying EBITDA	26.4	24.9	6.0%
Underlying EBITDA margin	23.1%	21.8%	
Depreciation	(3.1)	(3.1)	
Share-based payments charge	(0.1)	(0.1)	
Underlying operating profit	23.2	21.7	6.9%
Net financial expenses	(5.7)	(5.0)	
Underlying profit before tax	17.5	16.7	
Taxation	(3.4)	(3.4)	
Effective tax rate	20.0%	20.0%	
Underlying profit for the year	14.1	13.3	
Weighted average number of diluted shares (millions)	51.3	50.4	
Underlying diluted earnings per share	27.43	26.47	
Full year dividend per share	7.00p	6.50p	

Revenue

Revenue of £114.3m (2012: £114.1m) was 0.2% higher than in 2012.

In the established Adult Learning Disabilities segment we continued to experience high levels of occupancy and reported 92% occupancy at 30 September 2013. When this is blended with the facilities that are being reconfigured and so are under development the overall occupancy level during the second half of the year and at 30 September 2013 was 84% of capacity (September 2012: 85%). As in recent years the demand for residential services continues to be encouraging for high acuity users.

As set out in the Chief Executive's statement and note 3 to the Accounts we are again reporting segmental information for the financial year and last year which includes information on client capacity and turnover for each segment.

The continued development of our care pathways and a growing range of service options has led to the proportion of Adult Learning Disabilities revenue moving from 66.4% in 2012 to 64.7% in 2013 and EBITDA before Group costs from 61.8% in 2012 to 59.3% in 2013.

The Children and Young People services total revenue has risen by 15.3% with Mental Health rising by 8.3% and Foster Care falling by 6.5%. Their proportion of the EBITDA before Group costs has risen from 32.1% in 2012 to 40.7% in 2013 due in part to their higher margins.

Table 2 – Revenue

	2013 Revenue £m	2013 Underlying EBITDA £m	2012 Revenue £m	2012 Underlying EBITDA £m
Adult Learning Difficulties	73.9	18.5	75.8	18.1
Mental Health	6.5	2.2	6.0	2.0
Young People Residential Services	19.6	6.2	17.0	5.3
Foster Care	14.3	4.3	15.3	4.2
	114.3	31.2	114.1	29.6
Less unallocated group costs	-	(4.8)	-	(4.7)
	114.3	26.4	114.1	24.9

Underlying EBITDA and EBITDA

Underlying EBITDA has grown by 6.0% from £24.9m in 2012 to £26.4m in 2013. Underlying EBITDA margin has increased from 21.8% to 23.1% mainly due to the segment mix as the three smaller segments all grew and with a higher rate of margin.

The Adult Learning Disabilities, Mental Health and Young People Residential Services segments have higher margins but normally require considerable capital expenditure to increase capacity, whilst Foster Care operates at a lower margin in part because it does not require capital expenditure to increase capacity.

Administrative expenses, before depreciation and share-based payments charges were £19.2m (2012: £20.4m) and decreased by £1.2m during the year. In 2012 they represented 17.9% of Group revenue and in 2013 this improved to 16.8% of Group revenue.

There has been a considerable effort in the year to reduce administrative expenses with the two key elements being property rental costs and aggregate payroll cost.

Property rental costs were £6.3m and following the acquisition of a business combination containing properties previously leased by the Group in late 2013, there will be a rent saving in 2014. The number of employees in management and administration has reduced by 54 which has reduced aggregate payroll costs in the year.

EBITDA grew by 87.3% from £21.3m in 2012 to £39.9m in 2013 as a result of an improvement in underlying EBITDA and principally the gain recognised in respect of business combination covered in note 22.

Underlying operating profit and underlying profit before tax

The depreciation charge is again £3.1m (2012: £3.1m) and reflects the investment in land and buildings, motor vehicles and fixtures, fittings and equipment.

After this charge and the share-based payments, underlying operating profit grew by 6.9% to £23.2m (2012: £21.7m).

Operating profit increased by 138.4% to £32.9m (2012: £13.8m) as a result of the improvement in underlying operating profit and principally the matters associated with the business combination covered in note 22.

Net underlying financial expenses of £5.7m (2012: £5.0m) increased over the previous year due to the continued use of the secured bank loans which had slowed towards the year end when the acquisition of the property portfolio businesses occurred, and there were additional finance leases taken out on new vehicles during the year.

Underlying profit before tax was £17.5m (2012: £16.7m) which is an increase of 4.8%.

Profit before tax was £28.1m (2012: £6.4m) with the increase being due to the improvement in underlying profit before tax and principally the gain recognised in respect of business combination covered in note 22.

Taxation and diluted earnings per share

The effective underlying tax rate remains at 20.0% (2012: 20.0%) and reflects management's expectations of future capital investment through organic developments and reconfigurations relative to available capital allowances and also reflects the impact of the reduction in the main rate of Corporation Tax in the year.

The weighted number of shares in issue rose by 1.8% whilst the underlying diluted earnings per share rose to 27.43p in 2013 from 26.47p in 2012.

Basic and diluted earnings per share increased by 286% to 47.54p (2012: 12.32p)

Dividends

Our policy has been to increase the total dividend per year broadly in line with the movement in underlying diluted earnings per share. The final dividend will therefore increase to 4.68p per share (2012: 4.29p), bringing the total dividend for the year to 7.00p (2012: 6.50p), a growth of 7.7%. Dividend cover for 2013, based upon diluted earnings per share before non-underlying items is 3.92 times (2012: 4.07 times).

Non-underlying items

As more fully explained on the face of the Consolidated Statement of Comprehensive Income and in note 4 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 a credit of £10.3m (2012: debit of £7.1m) and the principal items are the gain recognised in respect of business combination less amortisation of intangible assets and integration and reorganisation costs.

Cash flow and net debt

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

	2013 £m	2012 £m
Underlying EBITDA	26.4	24.9
Increase in working capital	(2.5)	(2.6)
Cash inflows from operating activities	23.9	22.3
Tax paid	(1.9)	(1.8)
Interest paid	(5.5)	(5.4)
Dividends paid	(3.3)	(3.1)

Acquisitions and capital expenditure	(44.0)	(10.7)
Cash flow before adjustments	(30.8)	1.3
Non underlying cashflows including derivative financial instruments	(6.5)	(5.2)
Movement in net debt	(37.3)	(3.9)
Opening net debt	(131.2)	(127.3)
Closing net debt	(168.5)	(131.2)

Net debt at 30 September 2013 of £168.5m (2012: £131.2m) has increased by £37.3m during the financial year, with an investment of £44.0m in acquisitions and capital improvements during the year.

Non-underlying items had a cash outflow effect of £2.2m (2012: £3.0m) being payment of acquisition and integration costs and settlements arising from derivative financial instruments contributed a cash outflow of £0.8m (2012: £2.2m).

Underlying cash inflows from operating activities

The £23.9m (2012: £22.3m) cash inflow from operating activities, before non-underlying items, represents a 90% (2012: 90%) underlying EBITDA cash conversion ratio.

Tax, interest and dividend cash flows

Interest paid of £5.5m (2012: £5.4m) is reflective of the net financial expenses per the Consolidated Statement of Comprehensive Income, whilst dividends paid are consistent with the relevant section earlier in the review.

Net tax payments of £1.9m (2012: £1.8m) were made in the year.

Acquisitions and capital expenditure

During the year we invested total funds of £44.5m (2012: £10.3m). Highlights during the year included the acquisition of two property portfolio businesses. As part of these acquisitions twenty-eight freehold assets were acquired from the Quercus Healthcare Property Partnership for a cash consideration of £29.5m and in addition, Roborough House in Plymouth was acquired from Roborough Properties for a total consideration of £6.5m, to be satisfied with £5m in cash and by the issue of 794,335 new ordinary shares of 0.5p each ("Ordinary Shares") in CareTech. The price of the shares issued was based on the average mid-market quotation during the five trading days prior to the announcement, equivalent to 184p per share.

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

Capital Expenditure of £5.3m includes £2.5m to update our portfolio of assets.

Banking and arrangements

The Group is pleased to have continued its strong relationships with Royal Bank of Scotland, Lloyds TSB, Santander and Allied Irish following the refinancing in July 2012. That facility was for a total of £149.4m comprising a term loan, a revolving credit facility and an overdraft facility. The term was 4 ½ years, expiring in January 2017 and the group had taken five new hedging instruments to reduce its interest rate risk.

The cash consideration for the acquisition of a business combination consisting of two property portfolio businesses was met by existing and new debt facilities provided by the Group's syndicate of four lenders. The new banking facilities have been provided on the same competitive terms as the banking facility announced in 2012, with debt service cost after hedging at less than 4.5%. The facility has certain covenants attached to it which are mostly EBITDA related and were set with sufficient facility headroom.

As part of the refinancing the Group's new freehold property portfolio was valued independently at £50m. The remainder of the Group's freehold properties were valued at £225m in July 2012 giving a total of £275m (as shown in note 11).

At 30 September 2013 the Group has available bank facilities totaling £178m which are sufficient, with cash flow from operating activities, to fund present commitments.

Post Balance Sheet Event

On 4 November 2013 the Company announced the acquisition of the majority of the business and assets of Elmfield Training Limited, a provider of apprenticeship and vocational training funded either directly by the Skills Funding Agency or indirectly through client's own Skills Funding Agency contracts.

The acquisition had been completed for a total cash consideration of £1.5m. The acquisition and the ongoing working capitals costs of the business will be funded from the Group's current bank facilities.

The acquisition will enable the Group to provide apprenticeship and pre-employment training. The acquired business has been rebranded EQL Solutions Limited.

Going Concern

This Financial Review has covered the cash flows, liquidity position and borrowing facilities of the Group and in the Financial statements there is additional information on the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk, interest rate risk and liquidity risk. The Group meets its day-to-day working capital requirements through a mixture of bank facilities which are sufficient, with cash flow from profits, to fund present commitments.

Outlook

The Group is now in an even stronger position to continue as a pioneering provider of specialist social care services in a fragmented, large and growing UK market.

Michael Hill
Group Finance Director
5 December 2013

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2013

	Note	2013 Underlying £000	2013 Non underlying (i) £000	2013 Total £000	2012 Underlying £000	2012 Non underlying (i) £000	2012 Total £000
Revenue		114,323	-	114,323	114,132	-	114,132
Cost of sales		(68,749)	-	(68,749)	(68,809)	-	(68,809)
Gross profit		45,574	-	45,574	45,323	-	45,323
Administrative expenses		(22,405)	9,733	(12,672)	(23,672)	(7,838)	(31,510)
Operating profit		23,169	9,733	32,902	21,651	(7,838)	13,813
EBITDA (ii)		26,402	13,454	39,856	24,853	(3,511)	21,342
Depreciation		(3,174)	-	(3,174)	(3,079)	-	(3,079)
Amortisation of intangible assets		-	(3,721)	(3,721)	-	(4,327)	(4,327)
Share-based payments charge		(59)		(59)	(123)	-	(123)
Operating profit		23,169	9,733	32,902	21,651	(7,838)	13,813
Financial income		-	-		20	-	20
Financial expenses		(5,719)	905	(4,814)	(5,000)	(2,457)	(7,457)
Profit before tax		17,450	10,638	28,088	16,671	(10,295)	6,376
Taxation	4	(3,392)	(329)	(3,721)	(3,332)	3,162	(170)
Profit and comprehensive income for the year attributable to equity shareholders of the parent		14,058	10,309	24,367	13,339	(7,133)	6,206
Earnings per share							
Basic	5			47.54p			12.32p
Diluted	5			47.54p			12.32p

(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, integration, reorganisation and redundancy 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.

Consolidated Balance Sheet

at 30 September 2013

	2013	2012
	£000	£000
Non-current assets		
Property, plant and equipment	238,568	192,119
Other intangible assets	30,980	33,335
Goodwill	31,120	31,120
	300,668	256,574
Current assets		
Inventories	515	615
Trade and other receivables	8,054	10,044
Cash and cash equivalents	3,783	6,575
	12,352	17,234
Total assets	313,020	273,808
Current liabilities		
Loans and borrowings	7,595	5,634
Trade and other payables	11,833	10,887
Deferred and contingent consideration payable	52	1,446
Deferred income	1,413	2,075
Corporate tax	6,035	4,985
Derivative financial instruments	101	2,861
Onerous lease provision	-	223
	27,029	28,111
Non-current liabilities		
Loans and borrowings	164,651	132,144
Deferred tax liabilities	22,367	21,622
Other creditors and accruals	-	-
Derivative financial instruments	231	1,522
Minimum future lease payments	-	13,750
Onerous lease provision	-	520
	187,249	169,558
Total liabilities	214,278	197,669
Net assets	98,742	76,139
Equity		
Share capital	260	256
Share premium	57,202	55,715
Shares held by Executive Shared Ownership Plan	(2,258)	(2,258)
Merger reserve	8,498	8,498
Retained earnings	35,040	13,928

Total equity attributable to equity shareholders of the parent	98,742	76,139

Consolidated Statement of Changes in Equity
as at 30 September 2013

	Share capital	Share premium	Shares held by Executive Shared Ownership Plan	Merger reserve	Retained earnings	Total equity
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
At 1 October 2012	256	55,715	(2,258)	8,498	13,928	76,139
Profit for the year	-	-	-	-	24,367	24,367
Total comprehensive income	-	-	-	-	24,367	24,367
Issue of ordinary shares	4	1,487	-	-	-	1,491
Equity settled share-based payments charge	-	-	-	-	59	59
Dividends	-	-	-	-	(3,314)	(3,314)
Transactions with owners recorded directly in equity	4	1,487	-	-	(3,255)	(1,764)
At 30 September 2013	260	57,202	(2,258)	8,498	35,040	98,742

Consolidated Cash Flow Statement

for the year ended 30 September 2013

	Note	2013	2012
		£000	£000
Cash flows from operating activities			
Profit before tax		28,088	6,376
Adjustments for:			
Financial income		-	(20)
Financial expenses		4,814	7,457
Adjustments for minimum future lease payment uplifts		1,155	1,761
Onerous lease provision charge		73	310
Depreciation		3,174	3,079
Amortisation		3,721	4,327
Share-based payments charge		59	123
Acquisition transaction cost		2,409	155
Post acquisition integration and re-organisation cost		1,441	1,033
(Profit) /loss on disposal of property, plant and equipment		(50)	59
Fair value adjustment in respect of prior years acquisitions		-	220
Gain recognised in respect of business combinations		(18,532)	-
Operating cash flows before movement in working capital		26,352	24,880
Increase/(decrease) in trade and other receivables		1,328	38
Decrease in trade and other payables		(3,886)	(2,342)
Decrease/ (Increase) in inventories		100	(300)
Operating cash flows before adjustment items		23,894	22,276
Exceptional costs paid	3	(2,263)	(1,833)
Cash inflows from operating activities		21,631	20,443
Interest received		-	20
Tax paid		(1,926)	(1,771)
Net cash from operating activities		19,705	18,692
Cash flows from investing activities			
Proceeds from sale of property plant and equipment		3,742	948
Payments for business combinations net of cash acquired	8	(38,714)	(5,032)
Acquisition of property, plant and equipment		(5,525)	(5,698)
Acquisition of software		(1,366)	(697)
Payment of acquisition costs		(2,130)	(1,246)
Net cash used in investing activities		(43,993)	(11,725)
Cash flows from financing activities			
Proceeds from the issue of share capital (net of costs)		30	(50)
Proceeds from new loan (net of costs)		39,528	4,374
Interest paid		(5,535)	(5,364)
Swap break fees		(2,383)	-
Cash outflow arising from derivative financial instruments		(763)	(2,206)
Repayment of borrowings		(5,250)	(6,638)
Payment of finance lease liabilities		(817)	(847)
Dividends paid		(3,314)	(3,075)
Net cash from financing activities		21,496	(13,806)

Net decrease in cash and cash equivalents	(2,792)	(6,839)
Cash and cash equivalents at start of year	6,575	13,414
Cash and cash equivalents at 30 September	3,783	6,575
Net debt in the balance sheet comprises:		
Cash and cash equivalents	3,783	6,575
Bank loans	(170,174)	(136,169)
Finance lease and hire purchase contracts	(2,072)	(1,609)
Net debt at 30 September	(168,463)	(131,203)

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 2013 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 2013 or 30 September 2012. The results for the year ended 30 September 2013 are unaudited. The statutory accounts for the year ended 30 September 2013 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 2012 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 2013 was approved by the Board for release on 5 December 2013.

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"), Mental Health ("MH"), Young People Residential Services ("YPR") and Foster Care ("FC") . There has been no aggregation of the operating segments in arriving at these reportable segments.

The segment results for the year ended 30 September 2013, for the year ended 30 September 2012 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 2013					
Continuing Operations					
	ALD	MH	YPR	FC	Total
Client Capacity	1,423	161	149	383	2,116
Revenue	73,843	6,543	19,644	14,293	114,323
EBITDA	18,538	2,158	6,215	4,313	31,224

Year ended 30 September 2012
Continuing Operations

	ALD	MH	YPR	FC	Total
Client Capacity	1,469	141	133	423	2,166
Revenue	75,811	6,065	16,975	15,281	114,132
EBITDA	18,053	1,971	5,345	4,151	29,520

Reconciliation of EBITDA to profit before tax;	2013 £000	2012 £000
Underlying EBITDA before unallocated costs	31,224	29,520
Unallocated costs	(4,822)	(4,667)
Underlying EBITDA	26,402	24,853
Depreciation	(3,174)	(3,079)
Amortisation	(3,721)	(4,327)
Share based payments charge	(59)	(123)
Non underlying items	13,454	(3,511)
Operating profit	32,902	13,813
Financial income	-	20
Financial expenses	(4,814)	(7,457)
Profit before tax	28,088	6,376

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.

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	2013 £000	2012 £000
Acquisition expenses		2,409	155
Integration, reorganisation and redundancy costs	(i)	1,441	1,065
Fair value adjustments in respect of prior year acquisitions	(ii)	-	220
Acquisition and development costs		3,850	1,440
Gain recognised in respect of business combinations	(iii)	(18,532)	-
Adjustments for minimum future lease payment uplift to IAS 17	(iv)	1,155	1,761
Onerous lease provision	(v)	73	310
Included in EBITDA		(13,454)	3,511
Amortisation of intangible assets		3,721	4,327
Included in administrative expenses		(9,733)	7,838
Loan finance costs written off on refinancing	(vi)	-	338
Revaluation movements relating to derivative financial instruments	(vii)	(1,668)	517
Charges relating to derivative financial instruments	(vii)	763	1,602
Included in financial expenses		(905)	2,457

Tax on non underlying items (note 8):

Current	(viii)	(799)	(1,038)
Deferred tax	(ix)	1,128	(2,124)
Included in taxation		329	(3,162)
Total non underlying items		(10,309)	7,133

(i) The Group incurred a number of costs relating to the integration of recent acquisitions and reorganisation of the internal operating and management structure and redundancy costs totalling £1,441,000 (2012: £1,065,000). Included in the cash flow statement are acquisition expenses of £2,130,000 (2012: £1,246,000) and integration and reorganisation costs of £2,263,000 (2012: £1,833,000), which were paid in the year.
(ii) In accordance with IFRS 3 (as revised) adjustments to the fair value of acquisitions completed in previous financial years are recognised in the consolidated statement of comprehensive income. These adjustments relate to final completion account agreements with vendors.
(iii) During the year the Group entered into a Business Combination which resulted in a credit to the non underlying earnings of £18,532,000. See note 8.
(iv) 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.
(v) 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 £73,000 (2012: £310,000) being the present value of any onerous element of the remaining lease life. At the balance sheet date the balance on the provision was £nil.
(vi) In July 2012, the Group completed a new banking facility agreement. As such the unamortised element of loan fee costs on the replaced debt was fully written off. Included in the cash flow statement for the year ended 30 September 2013 swap break fees amounting £2,383,000 were paid.
(vii) 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.
(viii) Represents the current tax on items (i), (ii), (iv), (v) and (vii) above.
(ix) Deferred tax arises in respect of the following:

	2013 £000	2012 £000
Derivative financial instruments (note vii)	551	(125)
Changes in future tax rates	(2,712)	(1,432)
Full provision for deferred tax under IAS 12	158	535
Business combinations (note iii)	4,381	-
Other adjustments	(1,250)	(1,102)
	1,128	2,124

4 Taxation

(a) Recognised in the consolidated statements of comprehensive income

	2013	2012
	£000	£000
Current tax expense		
Current year	4,017	3,789
Current tax on non underlying items (note 3)	(799)	(1,038)
Corporation tax overprovided in previous periods	(242)	(225)
Total current tax	2,976	2,526
Deferred tax expense		
Current year	(383)	(232)
Deferred tax on non underlying items (note 3)	1,128	(2,124)
Total deferred tax	745	(2,356)
Total tax in the consolidated statement of comprehensive income	3,721	170

(b) Reconciliation of effective tax rate

	2013	2012
	£000	£000
Profit before tax for the year	28,088	6,376
Tax using the UK corporation tax rate of 23.5% (2012: 25%)	6,601	1,594
Non-deductible expenses	1,497	1,335
Effect of changes in future tax rate	(2,712)	(1,432)
Other deferred tax adjustments	(1,423)	(1,102)
Corporation tax overprovided in previous periods	(242)	(225)
Total tax in the consolidated statement of comprehensive income	3,721	170

In the 2013 Budget it was announced that the main rate of corporation tax will fall to 21% with effect from 1 April 2014 and to 20% from 1 April 2015. The 23% rate was substantively enacted on 26 March 2013.

5 Earnings per share

	2013 £000	2012 £000
Profit attributable to ordinary shareholders	24,367	6,206
Weighted number of shares in issue for basic earnings per share	51,255,460	50,377,890
Effects of share options in issue	3,128	12,944
Weighted number of shares for diluted earnings per share	51,258,588	50,390,834

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.

	2013	2012
Earnings per share (pence per share)		
Basic	47.54p	12.32p
Diluted	47.54p	12.32p

6 Underlying earnings per share

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

	2013 £000	2012 £000
Profit attributable to ordinary shareholders	24,367	6,206
Non underlying items (note 3)	(10,309)	7,133
Underlying profit attributable to ordinary shareholders	14,058	13,339
Underlying earnings per share (pence per share)		
Basic	27.43p	26.48p
Diluted	27.43p	26.47p

7 Dividends

The aggregate amount of dividends comprises:

	2013 £000	2012 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	2,196	1,980
Interim dividends paid in respect of the current year	1,118	1,095
Aggregate amount of dividends paid in the financial year	3,314	3,075

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is 4.44p per share, £2,433,943 (2012: 4.29p per share, £2,196,276).

8 Acquisitions

(a) Acquisitions 2013

On 28th August 2013 the Group acquired business combinations made up of property portfolios of 29 properties acquired from Quercus Healthcare Fund and a property acquired from Roborough properties. The assets from acquired were previously leased by the Group.

The 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.

	Book values	Fair value adjustment	Total
Property, plant and equipment	31,100	16,470	47,570
Intangible assets	5,400	(5,400)	-
Trade and other payables	(2,486)	-	(2,486)
Taxation roll over gains reversed	-	(951)	(951)
			44,133
Consideration			
Paid in cash			38,319
Shares			1,462
Deferred consideration			52
			39,833
Bargain purchase gain			(4,300)

The book values of the assets and liabilities were obtained from the underlying accounting records on the date of acquisition. The fair value adjustments made to intangible assets, property and, plant and equipment, trade and other receivables and trade and other payables are to reflect their value on a going concern market value basis. The fair value adjustment to deferred tax arises due to a reversal of rolled over capital gains previously made. These acquisitions contributed no revenue and underlying EBITDA of £310,000 to the Group's result for the year ended 30 September 2013.

The gain on bargain purchase is recognised within administrative expenses in the consolidated statement of comprehensive income, outside of underlying earnings. It represents the excess of assets and liabilities acquired (at fair value) compared to the fair value of consideration together with the charging of costs associated with the business combination and the reversal of the adjustment made in previous years for the minimum future lease payments associated with the leases. This is reversed as the obligation under the leases no longer exists outside of the consolidated Group. The profit recognised in the consolidated statement of comprehensive income arises from:

Bargain purchase gain	(4,300)
Reversal of minimum future lease payments provision	(14,342)
Cost of disposal properties leased but not acquired	110
Profit recognised in the consolidated statement of comprehensive income	(18,532)

This business combination was undertaken to enhance the Group's position in the industry and to secure a long term profit enhancement through the termination of a large number of operating leases in which the rentals were increasing at a rate in excess of 3% each year. The estimated cost saving is up to £4.4m per annum. In each case control was obtained through the acquisition of freehold property and the control of the underlying processes and trade being operated therefrom. This allowed the Group to cancel two onerous leases and resulted in the release of the onerous lease provision.

(b) Reconciliation to Group Cash Flow

	2013 £000	2012 £000
Cash consideration paid on acquisitions in the year	38,319	1,037
Cash consideration paid on previous year's acquisitions	395	4,386
Net cash acquired	-	(391)
	38,714	5,032

9 Post Balance Sheet Events

On 4 November 2013 the Group announced the acquisition of the majority of the business and assets of Elmfield Training Limited. ("Elmfield"), a provider of apprenticeship and vocational training funded either directly by the Skills Funding Agency ("SFA") or indirectly through clients' own SFA contracts. The acquisition was for a total cash consideration of £1.5m. The on-going working capital costs of the business will be funded from CareTech's cash.

Under the terms of the acquisition, CareTech will take over the responsibility for the operation of all of Elmfield's client contracts apart from the high profile contract with Morrisons. Elmfield was historically profitable, the Group incurred a loss before tax of £6.4m in 2012 and underlying profitability was restored in 2013. During the transition process, the senior team at Elmfield has successfully retained the support of stakeholders and staff through a period of uncertainty into new ownership. EQL Solutions has become part of the CareTech Group and its management team will be supported by relevant CareTech personnel. Following successful negotiations with partners and stakeholders, including the SFA, CareTech will focus on protecting jobs and providing financial stability to the newly registered business, enabling it to deliver high quality training to learners. EQL Solutions is expected to be earnings enhancing in the first full year of ownership.

10 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.](http://www.caretech-uk.com)