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For immediate release

27 February 2015



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

Placing to raise £21.0 million

CareTech Holdings PLC (AIM: CTH), a pioneering provider of specialist social care services in the UK, is pleased to announce a conditional placing of 10,000,000 Placing Shares at a price of 210 pence per Placing Share to raise £21.0 million gross.

Highlights

- £21.0 million (gross) raised through a Placing with new and existing institutional investors by Panmure Gordon and WH Ireland.
- Initially set out to raise £15.0 million (gross), however the size of the fundraising increased due to strong demand levels.
- Westminster Holdings, a company wholly owned and controlled by the Westminster Trust (a discretionary trust of which the beneficiaries include Farouq Sheikh (Executive Chairman) and Haroon Sheikh (Chief Executive Officer)) has subscribed for £1.0m of Placing Shares.
- In addition Michael Hill (Finance Director) and certain senior executives subscribed for a total of £153,000 of Placing Shares.
- A number of organic growth projects and potential bolt-on acquisitions have already been identified and it is intended that the Placing proceeds will be deployed within approximately twelve months.

Farouq Sheikh, Executive Chairman, commented:

"We are delighted by the support we have received in this oversubscribed fundraising from both new and existing investors. We would like to take this opportunity to welcome new investors and to thank our existing investors for their continued support. The discretionary trust of Caretech's Chief Executive Officer, Haroon Sheikh, and myself has, along with our Finance Director, Michael Hill, and certain senior executives, invested approximately £1.15 million in this fundraising, underlining our commitment and enthusiasm about the opportunities open to the Company. The additional funds will allow us to accelerate our growth strategy through organic initiatives and bolt-on acquisitions.

"We are particularly excited about extending our geographical coverage in the UK and, through working closely with care commissioners, to further extending our range of services. We remain

committed to providing the very highest standards of care and look forward to deploying the proceeds of this fundraising for the benefit of all stakeholders.”

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About CareTech

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

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

CareTech, which was founded in 1993, began trading on the AIM market of the London Stock Exchange in October 2005 under the ticker symbol CTH. Its freehold portfolio comprises 164 properties.

Details of the Placing

Introduction

The Company is pleased to announce that it proposes to raise £21.0 million (before expenses) by way of a Placing with new and existing institutional investors by Panmure Gordon and WH Ireland. The Company will, pursuant to the Placing, issue 10,000,000 Placing Shares at a price of 210 pence per Placing Share. Completion of the Placing is conditional upon, amongst other things, (i) approval of Resolutions 12 and 13 (details of which are provided in the appendix to this announcement) at the Company's AGM to be held on 3 March 2015; and (ii) admission of the Placing Shares to trading on AIM.

Background to and reasons for the Placing

CareTech is a profitable, cash generative and asset-backed business with a dividend yield, operating in a growing and fragmented market in which outsourcing to the private sector is increasing and the regulatory environment is driving consolidation and creating significant opportunities for the Company.

CareTech joined AIM in 2005, since which time the Company and the market in which it operates have grown significantly. On joining AIM, CareTech had a capacity of 435 service users whereas it currently has a capacity in excess of 2,000 service users in two specialist operating divisions: adult services, incorporating adult learning disability and mental health; and children services, incorporating young people residential services, fostering care, and learning services.

CareTech's business model is flexible, scalable and positioned for growth. CareTech operates in a growing and fragmented market in which outsourcing to the private sector is increasing and the regulatory environment is driving consolidation, creating significant opportunities for the Company.

The Company has already identified specific opportunities for organic growth and bolt-on acquisitions and intends to deploy the proceeds of the Placing within 12 months in pursuit of that growth. These opportunities include the potential for extending the geographical coverage of its services, for example by developing its adult services in the South East and North East of England; and developing its children services in the Midlands and North West of England and Wales and Scotland.

Use of Placing proceeds

The net proceeds of the Placing of approximately £20.0 million will be used for the following purposes:

- to support organic growth through the reconfiguration of existing premises and through property-related projects;
- to fund bolt-on acquisitions and property purchases to extend both Adult and Children services geographically in the UK; and
- to strengthen the Company's balance sheet.

Current trading

The Directors are pleased to report that CareTech's trading performance in the year to date is in line with the Board's expectations.

The Placing

Panmure Gordon and WH Ireland have, pursuant to the Placing Agreement, undertaken to use their reasonable endeavours to place 10,000,000 Placing Shares at the Placing Price. The Placing is not underwritten.

The Placing Price represents a premium of 2.9% to the closing mid-market price of 204 pence per Ordinary Share on 26 February 2015, being the last dealing day prior to the announcement of the

Placing. The Placing Shares represent approximately 19.2% and 16.1% of the Company's existing issued share capital and issued share capital as enlarged by the Placing and immediately following Admission respectively.

The Placing is conditional upon, amongst other things, Shareholder approval of Resolutions 12 and 13 and Admission becoming effective. The Placing is also conditional upon the Placing Agreement becoming unconditional and not being terminated.

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM and it is anticipated that trading in the Placing Shares will commence on AIM at 8.00 a.m. on 10 March 2015 (but in any event by no later than 8.00 a.m. on 1 April 2015).

The Placing Shares will, when issued, be credited as fully paid and will rank equally in all respects with the existing Ordinary Shares, including the right to receive any dividend or other distribution declared, made or paid after Admission, save that the Placing Shares will not rank for the Company's final dividend, which will be paid, subject to the passing of the requisite resolution at the AGM, on 11 May 2015.

Participation by the Directors in the Placing

As part of the Placing, Westminster Holdings, a company wholly owned and controlled by the Westminster Trust (a discretionary trust of which the beneficiaries include Farouq Sheikh and Haroon Sheikh, the Company's Executive Chairman and Chief Executive Officer respectively) and Michael Hill (Finance Director) have agreed to subscribe for, in aggregate, 523,810 Placing Shares at the Placing Price. The interests of Mr F Sheikh and Mr H Sheikh and their connected persons and Mr M Hill in the current issued share capital of the Company and the Company's issued share capital, as expected to be enlarged by the Placing and immediately following Admission, are set out below:

	<i>No. Ordinary Shares currently held</i>	<i>% of current issued share capital</i>	<i>No. Placing Shares issued</i>	<i>No. Ordinary Shares held immediately following the Placing</i>	<i>% of issued share capital, as enlarged by the Placing</i>
Mr F Sheikh	485,000	0.9%	-	485,000	0.8%
Mr H Sheikh	485,000	0.9%	-	485,000	0.8%
Westminster Holdings	10,787,328	20.7%	476,191	11,263,519	18.2%
Cosaraf Trust	2,060,091	4.0%	-	2,060,091	3.3%
Cosaraf Pension Fund	170,000	0.3%	-	170,000	0.3%
Total: Mr F Sheikh, Mr H Sheikh and their connected persons	13,987,419	26.9%	476,191	14,463,610	23.3%
Mr M. Hill	-	-	47,619	47,619	0.01%

Each of the above Director's obligation to participate is conditional upon certain matters and events including, amongst other things, Resolutions 12 and 13 being passed, the Placing Agreement having become unconditional and Admission of the Placing Shares becoming effective on or before 10 March 2015 (but in any event by no later than 8.00 a.m. on 1 April 2015).

Annual General Meeting

On 30 January 2015, the Company sent Shareholders the Annual Report including Notice of AGM to be held on 3 March 2015. The Directors are seeking Shareholder approval of a number of items, including, amongst other things, Resolutions 12 and 13, as set out in the Notice of AGM. Subject to Shareholder approval, Resolution 12 will provide the Directors with the authority to allot such number of Ordinary Shares that equal up to approximately 33% of the Company's existing issued share capital. Resolution 13 will provide the Directors with the authority to disapply pre-emption rights and allot such number of Ordinary Shares for cash that equal up to approximately 20% of the Company's existing issued share capital. The Directors intend to use the powers granted by Resolutions 12 and 13 to issue the Placing Shares shortly following the AGM.

A copy of the Notice of AGM is available on the Company's website at <http://www.caretech-uk.com/investors/shareholder-information.aspx>. Relevant extracts from a letter accompanying the Notice of AGM from Mr Farouq Sheikh, the Company's Executive Chairman, that provide further explanatory commentary on Resolutions 12 and 13 have also been reproduced in the appendix to this announcement.

Action to be taken

A Form of Proxy was sent to Shareholders with the Notice of AGM. Whether or not Shareholders propose to attend the AGM in person, it is important that Shareholders complete and sign the Form of Proxy in accordance with the instructions printed thereon.

Recommendation

The Board believes that the Placing is in the best interests of the Company and Shareholders as a whole and unanimously recommends that Shareholders vote in favour of Resolutions 12 and 13, as well as the other resolutions set out in the Notice, to be proposed at the AGM.

The Directors intend to vote in favour, or procure the vote in favour, of Resolutions 12 and 13 and the other matters set out in the Notice, in respect of their beneficial holdings of Ordinary Shares which, in aggregate, amount to 14,020,969 Ordinary Shares, representing approximately 27.0% of the Company's issued share capital as at the date of this announcement.

DEFINITIONS

The following definitions apply throughout this announcement unless the context otherwise requires:

"Admission"	the admission of the Placing Shares to trading on AIM, which is expected to take place on or around 10 March 2015
"AIM"	the AIM market, operated by the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies, published by the London Stock Exchange
"Annual General Meeting" or "AGM"	the annual general meeting of the Company to be held at 10.00 a.m. on 3 March 2015, or any adjournment thereof
"Annual Report"	the Company's annual report and accounts for the year ended 30 September 2014

"Board" or "Directors"	the board of directors of the Company, including a duly constituted committee thereof
"FCA"	the Financial Conduct Authority of the United Kingdom
"Form of Proxy"	the form of proxy to be used by Shareholders in connection with the AGM which accompanies the Notice of AGM
"Group"	the Company and its subsidiaries
"London Stock Exchange"	London Stock Exchange plc
"Notice" or "Notice of AGM"	the notice of the AGM, which was sent to Shareholders on 30 January 2015
"Ordinary Shares"	ordinary shares of 0.5 pence each in the capital of the Company
"Panmure Gordon"	Panmure Gordon (UK) Limited
"Placees"	participants in the Placing
"Placing"	the conditional placing of 10,000,000 Placing Shares to the Placees at the Placing Price
"Placing Agreement"	the agreement between the Company, Panmure Gordon and WH Ireland dated 27 February 2015, pursuant to which Panmure Gordon and WH Ireland have agreed to use reasonable endeavours to procure Placees for the Placing Shares
"Placing Price"	the price at which Shares will be issued pursuant to the Placing, being 210 pence per Placing Share
"Placing Shares"	the 10,000,000 Ordinary Shares proposed to be issued pursuant to the Placing
"Resolutions"	the resolutions to be proposed at the AGM, as set out in the Notice, and numbered accordingly
"Shareholders"	holders of Ordinary Shares
"Westminster Holdings"	Westminster Holdings Limited
"WH Ireland"	WH Ireland Limited

Appendix

Relevant extracts from a letter accompanying the Notice of AGM from Mr Farouq Sheikh, the Company's Executive Chairman, providing further explanatory commentary on Resolutions 12 and 13:

“Resolution 12 – Allotment of shares

This resolution relates to the authority of the Directors to allot shares. Under the Companies Act 2006, the Directors of a company may only allot unissued shares if authorised to do so by the Shareholders in general meeting. The authority which is sought in respect of shares of the Company is dealt with in resolution 12, which, if passed, will permit the Directors to allot ordinary shares up to an aggregate nominal amount of £86,692. This is equivalent to approximately 33% of the ordinary share capital of the Company as at 20 January 2015 being the latest practicable date prior to publication of this document. The authority sought at the AGM will last until the conclusion of the next AGM or, if earlier, 31 March 2016.

Resolution 13 – Disapplication of pre-emption rights

If equity securities are to be allotted (or ordinary shares held by the Company in treasury are to be sold) for cash, section 561 of the Companies Act 2006 requires that those securities are offered first to existing shareholders in proportion to the number of ordinary shares they each hold at that time. There may be circumstances, however, when it is in the interests of the Company to be able to allot new equity securities for cash without first offering them to existing shareholders.

Accordingly, paragraph (b) of resolution 13 authorises the Directors to allot equity securities for cash without first offering them to existing Shareholders but limits such allotment or sale to a maximum aggregate nominal value of £52,016, which is equivalent to approximately 20% of the share capital of the Company as at 20 January 2015 being the latest practicable date prior to the publication of this document. The authority given by paragraph (a) of resolution 7 will enable the Directors to modify the arrangements which would otherwise apply on a pre-emptive share issue so as to deal with fractional entitlements and any other legal or practical issues arising.

This authority will also expire at the conclusion of the next AGM, or, if earlier, 31 March 2016.”

Important notice

This announcement, and the information contained in it is restricted and is not for release, publication or distribution, directly or indirectly, in whole or in part, in, into or from the United States, Australia, Canada, Japan, South Africa or any other state or jurisdiction in which the same would be restricted, unlawful or unauthorised (each a "**Restricted Territory**"). This announcement is for information purposes only and does not constitute an offer to sell or issue or the solicitation of an offer to buy, acquire or subscribe for shares in the capital of the Company in any Restricted Territory or to any person to whom it is unlawful to make such offer or solicitation. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. Subject to certain exemptions, the securities referred to herein may not be offered or sold in any Restricted Territory or for the account or benefit of any national resident or citizen of any Restricted Territory.

This announcement and the information contained herein is not an offer of securities for sale in the United States and there will be no public offer of securities in the United States. The offering of the Placing Shares will only be made outside the United States in offshore transactions within the meaning of, and in reliance on, Regulation S under the United States Securities Act of 1933, as amended and no offer of the Placing Shares will be made in the United States. No public offering of the shares referred to in this announcement is being made in the United Kingdom, any Restricted Territory or elsewhere.

This announcement has been issued by, and is the sole responsibility, of the Company. No representation or warranty express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by Panmure Gordon (UK) Limited ("**Panmure Gordon**") or WH Ireland Limited ("**WH Ireland**") or by any of their respective affiliates or agents as to or in relation to, the accuracy or completeness of this announcement or any other written or oral

information made available to or publicly available to any interested party or its advisers, and any liability therefore is expressly disclaimed.

Each of Panmure Gordon and WH Ireland is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom and is acting solely for the Company in relation to the Placing and nobody else and will not be responsible to anyone other than the Company for providing the protections afforded to customers (as defined in the rules of the FCA) nor for providing advice in relation to the Placing or any other matter referred to in this announcement. Apart from the responsibilities and liabilities, if any, which may be imposed on Panmure Gordon and WH Ireland by the Financial Services and Markets Act 2000, as amended or by the regulatory regime established thereunder, neither Panmure Gordon nor WH Ireland nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the information contained in this announcement or for any other statement made or purported to be made by or on behalf of Panmure Gordon or WH Ireland or any of their respective affiliates in connection with the Company, the Placing Shares or the Placing. Each of Panmure Gordon, WH Ireland and their respective affiliates accordingly disclaims all and any liability, whether arising in tort, contract or otherwise (save as referred to above) in respect of any statements or other information contained in this announcement and no representation or warranty, express or implied, is made by Panmure Gordon or WH Ireland or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information contained in this announcement. Nothing in this announcement is, or shall be relied upon as a promise or representation in this respect, whether as to the past or the future.

All statements in this announcement other than statements of historical fact are, or may be deemed to be, "forward-looking statements". In some cases, these forward-looking statements may be identified by the use of forward-looking terminology, including the terms "targets", "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. They appear in a number of places throughout the announcement and include statements regarding the intentions, beliefs or current expectations of the Company and/or Directors concerning, among other things, the trading performance, results of operations, financial condition, liquidity, prospects and dividend policy of the Company. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual performance, result of operations, financial condition, liquidity and dividend policy may differ materially from the impression created by the forward-looking statements contained in this announcement. In addition, even if the performance, results of statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, changes in economic conditions generally; changes in interest rates and currency fluctuations; impairments in the value of the Company's assets; legislative/regulatory changes; changes in taxation regimes; the availability and cost of capital for future expenditure; the availability of suitable financing; the ability of the Group to retain and attract suitably experienced personnel and competition within the industry. Prospective investors should specifically consider the factors identified in this announcement which could cause actual results to differ before making an investment decision.