For immediate release **16 June 2022**

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

Interim Results for the six months ended 31 March 2022

CareTech Holdings PLC (AIM: CTH), a pioneering provider of specialist social care and education services for adults and children in the UK, is pleased to announce its interim results for the six months ended 31 March 2022.

Financial results

- Group performance for H1 broadly in-line with Board expectations despite increased costs due to COVID-19 and a lower than targeted occupancy due to sector wide staffing challenges
- Revenue growth of 2.6% to £249.2m (2021: £243.0m), underlying EBITDA flat at £49.1m (2021: £49.4m) and underlying EPS growth of 1.8% to 22.73p (2021: 22.33p)
- Strong balance sheet with net debt following acquisitions at £278.3m (£258.7m at 30 September 2021) and leverage 2.8x net debt / adjusted EBITDA
- Net cash before non-underlying operating activities of £49.9m (2021: £49.2m) and operating cash flow conversion of 101.6%
- No interim dividend declared given the Company remains in an offer period pursuant to the Takeover Code

Operational highlights

- Acquisition of Rehavista GmbH, providing a significant opportunity for Smartbox to expand market share in Germany and, further strengthen the Group's Technology Division
- Expansion of the Care Pathway in the United Arab Emirates ("UAE") through the acquisitions of Dmetco-Bayti and Wellness Center; and creation of the Group's International Division
- New purpose-led ESG strategy "CARE4" published outlining the Group's commitment to sustainability

	H1 2022	H1 2021	% change
Group revenue	£249.2m	£243.0m	*+2.6%*
Underlying EBITDA(i)	£49.1m	£49.4m	*(0.6)%*
Underlying profit before tax(ii)	£32.2m	£33.6m	*(4.1)%*
Underlying basic earnings per share(ii)	22.73p	22.33p	*+1.8%*
Statutory profit before tax	£19.2m	£42.3m	*(54.6)%*
Statutory earnings per share	11.71p	33.37p	*(64.9)%*

Operating cash flow before non-underlying items	£49.9m	£49.2m	*1.4%*
Net debt (iii)	£278.3m	£263.1m	*(5.8)%*
Net assets	£405.4	£393.7m	*+3.0%*
Interim dividend(iv)	-	4.6p	*n/a*

i. Underlying EBITDA is operating profit stated before depreciation, share based payments charge and non underlying items (explained in note 3 and appendix a).
ii. Underlying profit before tax and underlying basic earnings per share are stated before non underlying items (explained in note 3, appendix a and appendix b).
iii. Net debt comprises Cash and cash equivalents net of bank loans and borrowings and HP leases previously accounted for under IAS17 excluding Project Teak sale and leaseback (explained in appendix c).
iv. No interim dividend declared given the Company remains in an offer period pursuant to the Takeover Code

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

"The Group delivered a strong performance in H1 and has been broadly in-line with the Board's expectations. The Group has continued to navigate well through the various challenges presented by COVID-19, sector staff shortages and inflationary pressures.

"The Group completed a number of acquisitions during the first half of the year. The acquisition of Rehavista GmBH has added one of Germany's leading augmentative and alternative communication technology resellers to the Group, and further accelerated our growing technology offer to international markets.

"We were also pleased to complete the acquisitions of Dmetco-Bayti and the Wellness Center, building on our existing portfolio of companies in the UAE through the AS Group. These well-known local brands bolster our capability to service the UAE homecare and outpatient clinic markets and form part of our strategy to develop a "whole person" care pathway of services for people with disabilities and complex needs.

"The Group has seen significant growth in the Digital Technology and International division and is also well positioned to continue to meet a critical social care need in the UK. CareTech remains in a strong financial position, underpinned by a significant property portfolio and consistent strong cash generation, and I remain confident in our outlook."

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

About CareTech

CareTech Holdings PLC is a leading provider of specialist social care services supporting around 5,000 adults and children with a wide range of complex needs in more than 550 services across the UK employing more than 11,000 staff; and an emerging presence in international markets.

Committed to the highest standards of care and care governance, CareTech's innovative Care Pathway covers Foster Care, Children's Services, Adults Services, International and Technology Solutions.

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.

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

Chairman’s Statement

CareTech delivered robust operational and financial performance for the six months to 31 March 2022 that was broadly in-line with the Board's expectations. The emergence of the highly transmissible Omicron variant in early December 2021 led to sector challenges around staff absenteeism with consequential lower than targeted occupancy and higher agency costs.

Whilst the COVID-19 pandemic restrictions have been eased, we continue to have a relentless focus on the safety of our service users and maintaining a COVID-19 secure environment.

Possible Offers for the Company

As detailed in the Company's "Further Extension to Deadline Sheikh Holdings" and “Further Extension to Deadline DBAY” announcements on 30 May 2022, discussions between both the Company and a consortium consisting of Sheikh Holdings Group (Investments) Limited; together with Belgravia Investments Limited, Kensington Capital Limited and funds managed by THCS IV GP S.a.r.l and advised by THCP Advisory Limited (together, the “Consortium”) and separately between the Company and DBAY Advisers Limited (“DBAY”) remain ongoing. In accordance with Rule 2.6(c) of the Takeover Code, the Independent Directors of the Company have previously requested, and the Panel has previously consented to, an extension to the deadline by which both the Consortium and DBAY are required either to announce a firm intention to make an offer for CareTech in accordance with Rule 2.7 of the Takeover Code, or to announce that it does not intend to make an offer, in which case the announcement will be treated as a statement to which Rule 2.8 of the Takeover Code applies. Such announcements must be made by not later than 5.00 p.m. on 27 June 2022. This deadline can be further extended by the Independent Directors with the consent of the Takeover Panel.

Acquisitions

REHAVISTA GmbH

On 29 November 2021 and following the acquisition of Smartbox in 2020, the Group announced the acquisition of REHAVISTA, Germany's largest provider of augmentative and alternative communication (AAC) products and services. REHAVISTA's reach and expertise is unparalleled in Germany, estimated to be the second largest funded AAC market globally after the USA. With its deep knowledge of assistive technology and established routes to market, this acquisition provides a significant opportunity for Smartbox to expand the products and services available in Germany, expanding on the existing partnership between Smartbox and REHAVISTA, and across Smartbox's global customer base, which spans more than 30 languages and 45 distributors.

Dmetco-Bayti / The Wellness Center

Following the acquisition of the American Centre for Psychiatry and Neurology and Maudsley Health (together the ‘AS Group’) in February 2020, the Group completed the acquisition of Wellness Center and Dmetco-Bayti has extended the care pathway to encompass specialist health and social care services in home care environments, and physical healthcare services in specialist clinic settings. CareTech's long term goal in the Gulf region is to create a world class integrated pathway of care and technology services for mental health, social care, special education, and physical healthcare, offering the widest possible access to people with complex needs and disabilities in their local communities.

Dmetco-Bayti is a well-established home healthcare provider managing the daily health and social care needs of its patients across the UAE through two home-grown brands, namely Dmetco Home Healthcare and Bayti Home Healthcare. Dmetco-Bayti provides home healthcare, physiotherapy services and rehabilitation services in the emirate of Abu Dhabi, primarily to UAE nationals, through a team of over 150 registered healthcare professionals.

The Wellness Center provides integrated physical health consultations and surgical services serving c.7000 patients per month. Wellness's operations will play an integral part of the Group’s vision to provide a continuum of care for AS Group's mental healthcare patients through quality day care, GP and other specialist services.

Both Dmetco-Bayti and Wellness are managed through our existing AS Group led by Shafqat Malik as CEO.

Financial Results

Group revenues increased by 2.6% to £249.2m (March 2021: £243.0m) with increases in the Adults, International and Digital divisions offset by a decline in targeted occupancy in the Children's and Fostering division largely due to sector wide staffing challenges.

From 1 April 2022, the Group increased the minimum national hourly rate to £9.75 which is above the National Living Wage hourly rate of £9.50. In the trading update issued on 3 May 2022, the Group announced that annual fee rate negotiations with local authorities have begun and the Group anticipate a favourable response despite the National Living Wage increase and other inflationary pressures. Despite inflationary pressures, Local Authorities recognise that front line staff are an integral part of the quality of care delivery and the Group expects fee increases to cover the majority of additional costs.

Divisional EBITDA before unallocated costs remained broadly flat at £61.8m (2021: £62.0m) and Group underlying EBITDA(i) was £49.1m (2021: £49.4m). Underlying EBITDA(i) margin decreased slightly to 19.7% from 20.3%.

Finance costs increased to £7.1m (2021: £6.3m) reflecting incremental debt used to finance acquisitions.

Underlying profit before tax(ii) marginally decreased to £32.2m (2021: £33.6m) and underlying basic earnings per share(ii) increased to 22.73p (2021: 22.33p). The Group's underlying tax charge was £7.0m, which represents an effective tax rate of 14.1% which is lower than the headline rate of corporation tax of 19% due to the super deduction for capital allowances (130% deduction for qualifying expenditure).

Underlying EBITDA to cash conversion(iii) was £49.9m which represents a cash conversion rate of 101.6% for the period from 1 October 2021 to 31 March 2022. Key cash flow items during the first half include £8.1m on the acquisition of REHAVISTA, £9.7m on the acquisitions of Dmetco-Byati and The Wellness Group, £7.1m development capex, £6.7m on maintenance capex, £2.4m software development capex, payment of the interim dividend of £5.2m for the six months ended 31 March 2022, interest of £6.6m and corporation tax of £8.7m.

Non underlying items includes £5.1m of costs as a consequence of COVID-19 which have in part been funded by £1.6m of Government Social Care support through the Infection Control and Testing Fund and Workforce Recruitment and Retention Fund. Other non-underlying costs consist of £0.7m contribution to the CareTech Charitable Foundation and £3.0m acquisition and integration costs.

Statutory profit before tax decreased to £19.2m (2021: £42.3m) and statutory basic earnings per share decreased to 11.71p (2021: 33.37p), primarily due to the write back of £11.8m sleep-in provision in March 21 and the gain on bargain purchase arising from the Huntercombe acquisition in the prior period.

Net assets have increased to £405.4m as at 31 March 2022 (2021: £393.7m).

Operating review

The overall performance of the Group is broadly in-line with the Board's expectations, with the effects of labour shortages and the emergence of the highly transmissible Omicron variant in early December 2021 leading to challenges around staff absentees with consequential lower targeted occupancy and higher agency costs. Accordingly, COVID-19 costs have occurred during the first half which have in part been funded by Government Social Care support through the Infection Control and Testing Fund and Workforce Recruitment and Retention Fund. Whilst COVID-19 self-isolation restrictions have now been lifted in the UK and costs reduced, the Group continues to ensure our services are safe for both our staff and services users and maintaining a COVID-secure environment.

The Group's net capacity as at 31 March 2022 was 4,902 places (September 21: 4,979 places) and occupancy levels in the mature estate increased to 84% (September 2021: 80%) with blended occupancy increasing to 81% (September 2021: 78%).

Following the acquisition of Dmetco-Byati and the Wellness Center and the growth of our operations in the Gulf, the Group has created a new International reporting segment. A review of each operational division is set out below:

(1) Adults Services

	Half Year		
	2022	**2021**	***% change***
Revenue	£79.4m	£76.6m	*3.7%*
EBITDA before unallocated costs	£18.2m	£18.0m	*1.6%*
EBITDA margin	*23.0%*	*23.5%*	

Adults Services capacity decreased to 2,083 (September 2021: 2,104) which was attributable to the closure of 23 beds, 31 contract wins and 29 withdrawals. Revenue increased by 3.7% to £79.4m and EBITDA increased to £18.2m.

Demand for services remains high with a strong pipeline of referrals in both community based living and high acuity mental health services. The division continues to fill available capacity and is working at retooling services to meet commissioner demand. Occupancy has been impacted by recognised staffing challenges across the sector, clear steps have been taking to address this in H1 with a strong overseas recruitment focus.

CQC ratings as at 31 March 2022 were 84% Good or Outstanding (September 2021: 86%) across the division with quality improvement plans in place to address those services that are rated "Requires Improvement" or "Inadequate".

(2) *Children's Services*

	Half Year		
	2022	**2021**	**% change**
Revenue	£121.6m	£127.9m	*(4.9)%*
EBITDA before unallocated costs	£35.5m	£37.2m	*(4.6)%*
EBITDA margin	*29.2%*	*29.1%*	

Capacity marginally decreased to 1,996 (September 2021: 2,000) with the addition of 14 beds opening offset by 18 bed closures/ occupancy changes. Revenue and EBITDA decreased by 4.9% and 4.6% respectively.

Demand for services remains high with a strong pipeline of referrals. The Group has implemented positive fee increases but financial performance has been impacted by a lower targeted occupancy due to recognised staffing challenges

OFSTED ratings remains high at 77% "Good" or "Outstanding" as at 31 March 2022 (September 2021: 80%). The Group remains committed to providing the highest quality standard of care to those it looks after and we have a clear focus on early intervention and quality improvement plans in all services, with a stronger and dedicated focus to address those services that are not "Good" or "Outstanding".

(3) *Foster Care*

	Half Year		
	2022	**2021**	**% change**
Revenue	£17.6m	£19.3m	*(8.4)%*
EBITDA before unallocated costs	£3.2m	£3.9m	*(15.7)%*

EBITDA margin	*18.4%*	*20.0%*	

Revenue and underlying EBITDA decreased to £17.6m and £3.2m respectively. Capacity decreased by 52 places due to foster parent leavers and in some cases young people remaining in placement post-independence.

Fostering operationally performed solidly, this was despite a number of foster carer moving in the period and against a challenging backdrop of new carer recruitment due to the pandemic. The focus continues to be to maintain our presence in terms of placements and fees in a highly competitive segment.

OFSTED ratings for all our Foster Care services are 100% "Good" or "Outstanding" (September 2021: 100%).

(4) *Digital Technology*

Following the acquisition of Smartbox in October 2020, the Group announced that it had acquired Rehavista in November 2021 which provides a significant opportunity for Smartbox to expand the availability of their products in Germany. This continues CareTech's ambition to develop a sector first Digital Pathway of services.

	Half Year		
	2022	**2021**	**% change**
Revenue	£12.9m	£6.4m	*99.7%*
EBITDA before unallocated costs	£2.0m	£1.1m	77.5%
EBITDA margin	*15.5%*	*17.5%*	

The division delivered strong performance in H1, ending the period with revenues at £12.9m, 99.7% up on the previous year. On a like-for-like basis, revenue was up 23% with a total of 1,348 devices sold in 21 countries around the world. The US market continues to be a strategic priority for Smartbox and further investment has been made to build sales and service teams of 14 people, resulting in sales of £1.3m in H1, a 120% increase from the same period last year.

Following the acquisition of REHAVISTA, the integration project has focussed on further developing the localisation of Smartbox products in German. In combination with intensive training for REHAVISTA sales representatives, the integration project has already led to almost 1000 Smartbox devices sold in Germany in H1.

In the UK, the Smartbox team have continued working closely with CareTech services across the country as part of the 100 Voices project. 694 CareTech staff have now completed AAC training and their on-going support has started to make a significant impact on the communication skills of people provided with a device.

(5) *International*

	Half Year		
	2022	**2021**	**% change**
Revenue	£17.7m	£12.9m	*36.9%*
EBITDA before unallocated costs	£2.9m	£1.9m	51.2%
EBITDA margin	*16.1%*	*14.6%*	

As the Company's international revenues grow, the Company has established a new International division. The division delivered a strong financial performance in the first half, despite challenging conditions due to COVID-19. Revenues increased by 36.9% and EBITDA by 51.2% with the division increasing the clinicians to satisfy the increased demand in mental health services. The outpatients' clinics in Abu Dhabi and Dubai relocated during the first half which will create an additional 25% capacity for organic growth.

Following CareTech's first international investment in the UAE, the Group announced two further acquisitions as part of its strategy to develop a whole person care pathway of services for people with complex needs and disabilities. Dmetco-Bayti is a well-established home healthcare provider managing the daily health and social care needs of its patients across the UAE and the Wellness Group provides integrated physical health consultations and surgical services. Both acquisitions will expand the care pathway to encompass specialist health and social care services in home care environments, and physical healthcare services in specialist clinic settings.

Net debt

As at 31 March 2022, unaudited net debt was £278.3m compared with £258.7m at 30 September 2021, with net debt/unaudited adjusted EBITDA 2.8x. The Group generated operating free cash flow of £49.9m which has primarily been offset by the acquisitions of REHVISTA, Dmetco-Bayti and The Wellness Group, capital expenditure of £16.2m, shareholder dividends of £5.2m and exceptional costs of £7.9m.

Our People

Staff retention at 31 March increased to 72% (September 21: 71%). Whilst resourcing remains challenging across the sector, the retention rate remains positive and is higher than the industry average. Our focus remains on following through on broader attraction programmes such as overseas recruitment. To date we have hired 222 overseas qualified nurses who will join us as senior support workers. We welcomed the first cohort to our Whitson Service on 14 May 2022. The second half of the year will focus deploying our young people strategy that will aim to open the care sector up to young people with the opportunity to study and build a career in the sector.

To further support our recruitment drive the Group has implemented a new Applicant Tracking System ('ATS') platform which will support the traditional recruitment methods by improving the time to hire, driving candidate centric recruitment process and simplifying the on-boarding experience.

Our commitment to improve retention rates further is demonstrated through the launch of the new Employee Service Centre. This team will be interacting with those employees beginning their employment with CareTech. They will ensure that all staff are contacted at vital touch points. This will serve to provide welfare and support to ensure that early intervention measures are in place, so that our staff feel supported to deliver great quality care. This intervention of sign posting staff will enhance the employee's induction to CareTech with a view to strengthening the 'staff voice'.

Employee well-being remains a key focus. Through our well-being strategies, we continue to drive the 'let's talk' campaign, this is to ensure that our staff make time to enquire about each other's welfare. This is continuing to build the organisational desire to promote CareTech as a 'family'. Our ultimate commitment is to provide an organisation which promotes a safe space and supports employee well-being.

Social Responsibility

Underscoring our commitment as a purpose-led business, we published our first Purpose Report alongside our Annual Report in February 2022. The Purpose Report set out our ambitious CARE4 Responsible Business Strategy, a comprehensive Group-wide programme to deliver our commitment to our people, our planet, our communities and to innovation. CARE4 sets out our commitments, goals and measures for sustainability and provides a framework for us to track and report progress. The strategy is fully-aligned with our corporate strategy and is rooted in our clear and powerful social outcomes, which we will seek to embed in a new set of social impact outcome measures.

The CARE4 Strategy sets out clear headline commitments for each pillar of our Strategy which will be underpinned by a detailed set of targets across all areas:

- CARE4 People: We will be an employer of choice, investing in our people and valuing their diversity
- CARE4 Planet: We will be a Net Zero business by 2050
- CARE4 Innovation: We will have established our new CareTech Technology division to spearhead our technology and innovation agenda
- CARE4 Community: We will donate a percentage of our annual pre-tax profits to the CareTech Foundation

The Purpose Report also included the Group's first report against the World Economic Forum's ESG framework, demonstrating our commitment as a responsible business and responsibility to all of our stakeholders.

The Group was thrilled that its commitment to charitable causes was recognised in the Better Society Awards 2022, winning the Philanthropy Award.

During the first half, the independent CareTech Charitable Foundation has continued to make a significant contribution to the social care sector, including:

- A major new partnership with the Royal National Institute of Blind People (RNIB to increase awareness and understanding of the impact of sight loss for people with learning disabilities;
- The launch of the CareTech Foundation Care Leavers Bursary Grant scheme in partnership with the University of East London, incorporating work experience opportunities with financial support to inspire other care and educational institutions to provide the necessary support for care-experienced students; and
- Support for an exciting new programme with Carers Worldwide to support unpaid carers in Bangladesh.

The success of the CareTech Foundation has received significant recognition for its growing impact this period, including winning the Trustee Board of the Year at the Charity Times Awards and the Foundation has been short-listed in the Corporate Foundation of the Year category of Third Sector's Business Charity Awards.

Dividend

No interim dividend has been declared given the Company remains in an offer period (2021: 4.6p). In the event that the proposed takeover does not go ahead and the Company ceases to be in an offer period pursuant to the Takeover Code, the Board may review whether to declare a special dividend in lieu of an interim dividend.

Outlook and prospects

CareTech's aim is the provision of first-class social care and through the use of technology we will look to deliver innovative services focussed on delivering positive outcomes for individuals.

Underlying trends remain positive for the Group despite being set against a challenging staffing backdrop and inflationary pressures. The Group remains in a strong financial position and we are well placed to offer high quality care to our service users, which represents good value to Commissioners.

Farouq Sheikh
Chairman

16 June 2022

(i) Underlying EBITDA is operating profit before depreciation, share-based payments charge and non underlying items (explained in note 3 and appendix a);
(ii) Underlying profit before tax and underlying diluted earnings per share are stated before non underlying items (explained in note 3, appendix a and appendix b).
(iii) EBITDA to cash conversion is calculated as operating cash flows before non underlying items divided by underlying EBITDA

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 31 March 2022

		Six months ended 31 March 2022 unaudited		Six months ended 31 March 2021 unaudited		Year ended 30 September 2021 audited	
	Note	**Before non underlying items(i) £000**	**Total unaudited £000**	Before non underlying items(i) £000	Total unaudited £000	Before non underlying items(i) £000	Total audited £000
Revenue	2	**249,248**	**249,248**	242,964	242,964	489,119	489,119
Cost of sales		**(165,027)**	**(165,027)**	(160,441)	(160,441)	(323,410)	(323,410)
Gross profit		**84,221**	**84,221**	82,523	82,523	165,709	165,709
Other income		**-**	**1,559**	-	1,181	-	2,692
Administrative expenses		**(45,080)**	**(59,423)**	(42,823)	(35,028)	(85,216)	(88,897)
Operating profit		**39,141**	**26,357**	39,700	48,676	80,493	79,504
Underlying EBITDA (i)		**49,086**	**50,645**	49,359	50,540	100,485	103,177
Depreciation		**(9,708)**	**(9,708)**	(9,422)	(9,422)	(19,519)	(19,519)
Share-based payments charge		**(237)**	**(237)**	(237)	(237)	(473)	(473)
Non underlying items	3	**-**	**(14,343)**	-	7,795	-	(3,681)
Operating profit		**39,141**	**26,357**	39,700	48,676	80,493	79,504
Financial expenses	4	**(6,905)**	**(7,130)**	(6,097)	(6,329)	(12,158)	(13,270)
Profit before tax		**32,236**	**19,227**	33,603	42,347	68,335	66,234
Taxation	5	**(4,530)**	**(3,734)**	(7,029)	(3,541)	(11,889)	(30,906)
Profit for the period		**27,706**	**15,493**	26,574	38,806	56,446	35,328
Non-controlling interest		**(2,511)**	**(2,511)**	(1,852)	(1,852)	(3,420)	(3,420)
Profit for the period attributable to equity shareholders of the parent		**25,195**	**12,982**	24,722	36,954	53,026	31,908
Earnings per share							
Basic	6		**11.71p**		**33.37p**		28.80p
Diluted	6		**11.12p**		**31.79p**		27.48p
Profit for the year attributable to owners of the parent:							
Exchange movements on overseas net assets		**969**	**969**	(623)	(623)	(424)	(424)
Items that will not be reclassified to income statement:							
Exchange movements on overseas net assets of non-controlling interest		**407**	**407**	(547)	(547)	(320)	(320)
Other comprehensive income for the year		**1,376**	**1,376**	(1,170)	(1,170)	(744)	(744)
Total comprehensive income for the year		**29,082**	**16,869**	25,404	37,636	55,702	34,584
Non-controlling interest		**(2,918)**	**(2,918)**	(1,305)	(1,305)	(3,100)	(3,100)
Profit for the year attributable to owners of the parent		**26,164**	**13,951**	24,099	36,331	52,602	31,484

(i) Underlying EBITDA is operating profit before depreciation, share-based payments charge and non underlying items (explained in note 3 and appendix a).

Condensed Consolidated Statement of Changes in Equity at 31 March 2022

	Share capital	Share premium	Shares held by Executive Shared Ownership Plan	Merger reserve	Foreign Currency Translation Reserve	Retained earnings	Total Attributable to owners of the parent	Non-controlling Interest	Total Equity
	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 October 2020	**565**	**133,079**	**(13,305)**	**125,842**	**53**	**107,120**	**353,354**	**10,862**	**364,216**
Profit for the year	-	-	-	-	-	31,908	31,908	3,420	35,328
Other comprehensive income	-	-	-	-	(424)	-	(424)	(320)	(744)
Issue of ordinary shares	1	472	-	-	-	-	473	-	473
Redemption of share options	-	-	468	-	-	-	468	-	468
Equity-settled share-based payments charge	-	-	-	-	-	1,373	1,373	-	1,373
Acquisition	-	-	-	-	-	-	-	1,450	1,450
Recognition of liabilities with non-controlling interest	-	-	-	-	-	(4,351)	(4,351)	-	(4,351)
Dividends	-	-	-	-	-	(14,431)	(14,431)	(2,865)	(17,296)
Transactions with owners recorded directly in equity	**1**	**472**	**468**	**-**	**(424)**	**14,499**	**15,016**	**1,685**	**16,701**
At 30 September 2021	**566**	**133,551**	**(12,837)**	**125,842**	**(371)**	**121,619**	**368,370**	**12,547**	**380,917**
Profit for the year	-	-	-	-	-	12,982	12,982	2,511	15,493
Other comprehensive income	-	-	-	-	969	-	969	407	1,376
Issue of ordinary shares	-	-	-	-	-	-	-	-	-
Redemption of share options	-	56	19	-	-	-	75	-	75
Equity-settled share-based payments charge	-	-	-	-	-	969	969	-	969
Acquisition (Note 7)	-	-	-	-	-	-	-	8,268	8,268
Dividends	-	-	-	-	-	(5,209)	(5,209)	-	(5,209)
Other movement in non-controlling interest	-	-	-	-	-	-	-	3,540	3,540
Transactions with owners recorded directly in equity	**-**	**56**	**19**	**-**	**969**	**8,742**	**9,786**	**14,726**	**24,512**
At 31 March 2022	**566**	**133,607**	**(12,818)**	**125,842**	**598**	**130,361**	**378,156**	**27,273**	**405,429**

Condensed Consolidated Balance Sheet at 31 March 2022

	31 March 2022 unaudited £000	31 March 2021 unaudited £000	30 September 2021 audited £000
Non-current assets			
Property, plant and equipment	**630,019**	617,498	619,482
Right-of-use-assets	**124,820**	113,160	123,231
Other intangible assets	**101,755**	90,296	87,032
Goodwill	**105,330**	86,716	86,866
	961,924	907,670	916,611
Current assets			
Inventories	**5,692**	3,003	3,468
Trade and other receivables	**83,512**	64,627	71,606
Cash and cash equivalents	**47,226**	61,290	65,560
	136,430	128,920	140,634
Total assets	**1,098,354**	1,036,590	1,057,245
Current liabilities			
Trade and other payables	**76,973**	65,057	70,011
Contingent consideration payable	**7,368**	4,537	3,616
Lease liabilities	**5,876**	5,098	5,500
Deferred income	**43,081**	35,258	36,132
Corporation tax	**10,749**	14,053	17,753
	144,047	124,003	133,012
Non-current liabilities			
Loans and borrowings	**321,036**	319,481	319,654
Contingent consideration payable	**1,100**	-	-
Provisions	**5,190**	7,545	5,540
Lease liabilities	**120,303**	115,040	118,781
Deferred tax liabilities	**96,307**	70,876	93,927
Derivative financial instruments	**4,942**	5,942	5,414
	548,878	518,884	543,316
Total liabilities	**692,925**	642,887	676,328
Net assets	**405,429**	393,703	380,917
Equity attributable to equity shareholders of the parent			
Share capital	**566**	565	566
Share premium	**133,607**	133,446	133,551
Shares held by Employee Benefit Trust	**(12,818)**	(12,916)	(12,837)
Merger reserve	**125,842**	125,842	125,842
Other reserves	**-**	(570)	-
Foreign currency translation	**598**	-	(371)
Non-controlling interest	**27,273**	11,571	12,547
Retained earnings	**130,361**	135,765	121,619
Total equity attributable to equity shareholders of the parent	**405,429**	393,703	380,917

Consolidated Cash Flow Statement for the six months ended 31 March 2022

	Six months ended 31 March 2022 unaudited £000	Six months ended 31 March 2021 unaudited £000	Year ended 30 September 2021 audited £000
Cash flows from operating activities			
Profit before tax	**19,227**	42,347	66,234
Financial expenses	**7,130**	6,329	13,270
Depreciation	**9,708**	9,422	19,519
Amortisation of intangible assets	**5,574**	5,184	10,273
Impairment of goodwill	**-**	584	-
Sleep-in provision	**-**	(11,777)	(11,777)
Gain on bargain purchase	**-**	(5,758)	(5,758)
Share-based payments charge	**960**	567	1,373
Other non-cash items	**-**	-	587
Operating cash flows before movement in working capital	**42,599**	46,898	93,721
Increase in inventory	**(606)**	(197)	(651)
Decrease/(increase) in trade and other receivables	**183**	(8,285)	(15,953)
Increase in trade and other payables	**1,247**	8,008	12,715
Cash inflows from operating activities	**43,423**	46,424	89,832
Tax paid	**(8,687)**	(5,423)	(6,038)
Net cash from operating activities	**34,736**	41,001	83,794
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**528**	-	1,299
Business combinations net of cash acquired (Note 7)	**(17,825)**	(5,447)	(5,447)
Acquisition of property, plant and equipment	**(16,185)**	(13,432)	(28,993)
Acquisition of software	**(1,485)**	(1,286)	(2,938)
Payment of deferred consideration	**(3,050)**	-	(1,503)
Net cash used in investing activities	**(38,017)**	(20,165)	(37,582)
Cash flows from financing activities			
Proceeds arising from the issue of share capital (net of costs)	**75**	756	941
Interest paid	**(6,636)**	(3,941)	(10,599)
Cash outflow arising from non underlying finance expenses	**(697)**	(645)	(1,756)
Loan arrangement fee	**-**	-	(438)
Payment of finance lease liabilities	**(2,586)**	(4,457)	(5,777)
Dividends paid to non-controlling interest	**-**	(1,007)	(2,865)
Dividends paid	**(5,209)**	(4,525)	(14,431)
Net cash utilised in financing activities	**(15,053)**	(13,819)	(34,925)
Net change in cash and cash equivalents	**(18,334)**	7,017	11,287
Cash and cash equivalents at start of the period	**65,560**	54,273	54,273
Cash and cash equivalents at end of the period	**47,226**	61,290	65,560

Notes

1. Accounting policies

This interim report has been prepared on the basis of the accounting policies expected to be adopted for the year ending 30 September 2022. These are anticipated to be in accordance with the Group's accounting policies as set out in the latest annual financial statements for the year ended 30 September 2021.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by UK-IFRS and those parts of the Companies Act 2006 as required to be adopted by AIM-listed companies. AIM-listed companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption.

In the current year, the following new and revised standards and interpretations have been adopted:

Title	Subject
Amendment to IFRS 16 'Leases' COVID-19 – Related Rent Concessions beyond 30 June 2021	COVID-19 – Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The amendments and interpretations listed above which were adopted did not affect the amounts reported in these interim financial statements.

The financial information in this interim report does not constitute statutory accounts for the six months ended 31 March 2022 and should be read in conjunction with the Group's annual financial statements for the year ended 30 September 2021. Financial information for the year ended 30 September 2021 has been derived from the consolidated audited accounts for that period which were unqualified.

The condensed consolidated interim financial statements for the six months to 31 March 2022 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

This unaudited interim report was approved by the Board on 15 June 2022.

Going concern

The Group is financed by bank loan facilities that mature in August 2023. The Directors have considered the Group's forecasts and projections, and the risks associated with their delivery, and are satisfied that the Group will be able to operate within the covenants imposed by bank loan facilities for at least twelve months from the date of approval of the condensed consolidated financial information. In relation to available cash resources, the Directors have had regard to both cash at bank and a £25m committed undrawn revolving credit facility. The Directors have therefore concluded it is appropriate to prepare the accounts on a going concern basis.

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. During the year, following the acquisitions of Dmetco-Bayti and the Wellness Group, the Company's international revenues have grown. As a result the reportable segment structure used in the prior year is no longer a reflection of how the CODM assesses the performance of segments and allocates resources to segments. A new International segment has now been reported on.

Inter-segment turnover between the operating segments is not material.

The interim results report segmental information on the Group's five reporting segments (and the comparative information has been represented on this basis):

- Adults Services;
- Children's Services;
- Foster Care;
- Digital Technology; and
- International

The condensed segmental results for the six months ended 31 March 2022, six months ended 31 March 2021 and year ended 30 September 2021 and the reconciliation of the segment measures to the respective statutory items included in the consolidated financial information are as follows:

	Six months ended 31 March 2022 unaudited £000	Six months ended 31 March 2021 unaudited £000	Year ended 30 September 2021 unaudited £000
Adults Services			
Client capacity	**2,083**	2,140	2,104
Revenue	**79,405**	76,559	157,137
EBITDA before unallocated costs	**18,248**	17,970	36,692
Children's Services			
Client capacity	**1,996**	1,981	2,000
Revenue	**121,627**	127,885	256,032
EBITDA before unallocated costs	**35,474**	37,187	74,497
Foster Care			
Client capacity	**823**	1,014	875
Revenue	**17,643**	19,252	38,160
EBITDA before unallocated costs	**3,244**	3,847	7,718
Digital Technology			
Revenue	**12,881**	6,449	12,932
EBITDA before unallocated costs	**1,999**	1,126	2,427
International			
Revenue	**17,693**	12,920	25,054
EBITDA before unallocated costs	**2,852**	1,886	3,336
Total			
Client capacity	**4,902**	5,135	4,979
Revenue	**249,249**	243,065	489,315
EBITDA before unallocated costs	**61,817**	62,016	124,670
Total Group revenue			
Segmental revenue	**249,249**	243,065	489,315
Less: Intercompany sales and other revenue	**(1)**	(101)	(196)
Group revenue	**249,248**	242,964	489,119

Reconciliation of EBITDA to profit after tax

	Six months ended 31 March 2022 unaudited £000	Six months ended 31 March 2021 unaudited £000	Year ended 30 September 2021 audited £000
Underlying EBITDA before unallocated costs	**61,817**	62,016	124,670
Unallocated corporate overheads	**(12,731)**	(12,657)	(24,185)
Underlying EBITDA	**49,086**	49,359	100,485
Depreciation	**(9,708)**	(9,422)	(19,519)
Share-based payments charge	**(237)**	(237)	(473)
Non underlying items	**(12,784)**	8,976	(989)
Operating profit	**26,357**	48,676	79,504
Financial expenses	**(7,130)**	(6,329)	(13,270)
Profit before tax	**19,227**	42,347	66,234
Taxation	**(3,734)**	(3,541)	(30,906)
Profit after tax	**15,493**	38,806	35,328
Profit attributable to: Owners of the parent	**12,982**	36,954	31,908
Non-controlling interest	**2,511**	1,852	3,420

Operations of the Group are primarily carried out in the UK, the Company's country of domicile. The AS Group, registered in the United Arab Emirates ("UAE") has generated revenue in the UAE (£17.7m). On 4 February 2022 the Group acquired control of Dmetco-Bayti Group and Wellness Group, these fall part of the AS Group. Revenue by Digital Technology has been generated in Europe (£7.6m), North and Central America (£2.7m), Australasia (£0.3m) and Middle East and Africa (£0.4m). All other revenues arise within the UK. On 29 November 2021 the Group acquired control of REHAVISTA GmBH ('REHAVISTA') and its subsidiary LogBUK, these fall part of Digital Technology

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 CODM and are not measures used by the CODM to assess performance and to make resource allocation decisions.

3. Non underlying items

Non underlying items are those items of financial performance which, in the opinion of the Directors, should be disclosed separately in order to improve the readers understanding of the trading performance of the Group. Non underlying items comprise the following:

	Note	**Six months ended 31 March 2022 unaudited £000**	Six months ended 31 March 2021 unaudited £000	Year ended 30 September 2021 audited £000
COVID-19 income	(i)	**(1,559)**	(1,181)	(2,692)
Included in operating profit		**(1,559)**	(1,181)	(2,692)
Amortisation of intangible assets	(ii)	**5,574**	5,184	10,273
COVID-19 expense	(i)	**5,116**	1,977	4,220
Acquisition expenses	(iii)	**1,042**	423	759
Sleep-in provision	(iv)	-	(11,777)	(11,777)
Gain on bargain purchase	(v)	-	(5,758)	(5,758)
Integration and restructuring costs	(vi)	**1,952**	971	4,761
Charitable donations	(vii)	**659**	601	1,203
Goodwill write off		**-**	584	-
Included in administrative expenses		**14,343**	(7,795)	3,681
Fair value movements relating to derivative financial instruments	(viii)	**(635)**	(759)	(1,441)
Charges relating to derivative financial instruments	viii)	**464**	606	1,195
Put-option interest	(ix)	**163**	152	310
Interest on contingent consideration	(ix)	**-**	-	582
Leases imputed interest		**233**	233	466
Included in financial expenses		**225**	232	1,112
Tax on non underlying items				
Tax effect:				
Current tax	(x)	**(1,031)**	(1,976)	(1,116)
Deferred tax	(xi)	**235**	(1,512)	20,133
Included in taxation		**(796)**	(3,488)	19,017
Total non underlying (income)/expenses		**12,213**	(12,232)	21,118

(i) The Group has incurred additional costs as a result of COVID-19 in relation to higher sickness absence rates, personal protective equipment ('PPE') costs, infection control and higher administration costs. The Group has received additional funding by way of Government grants through local authorities to assist in dealing with this. The Group has worked closely with all local authorities in establishing a dedicated funding arrangement to support our services which has been collected to offset the additional costs, as noted above, that the Group has incurred in relation to COVID-19. COVID-19 is unprecedented, and along with the size it meets the Group's definition of non-underlying.

(ii) Amortisation relates primarily to acquisition-related intangible assets which are considered unique to a specific acquisition, whereas other development costs amortisation commences when system is launched. These costs, by their nature, can vary by size and amount each year. As a result, amortisation of intangibles is added back to assist with the understanding of the underlying trading performance of the business and to allow comparability.

(iii) In accordance with IFRS 3 (as revised) items associated with business combinations have been taken to the income statement as incurred. These items are considered specific one-off costs that occur for an acquisition that will not continue following completion.
(iv) The Group held a sleep-in provision of £11.8m for the 2020 financial year end. On 24 March 2021, the Supreme Court made a final judgement that social care staff are not entitled to the national minimum wage for sleep-in shifts and the provision of £11.8m has been written back. The provision was primarily as a result of the acquisition of the Cambian Group in October 2018. The Directors have determined this should be adjusted from underlying due to its size, nature and incidence.
(v) Gain on bargain purchase arises from assets transferred from The Huntercombe Group acquired in 2021. An adjustment is made as this is unlikely to recur due to its size, nature and occurrence to ensure comparability.
(vi) Integration costs incurred on the acquisition of REHAVISTA, Dmetco-Byati and Wellness in November 2021 and February 2022 respectively.
(vii) These charges represent charitable donations made to the CareTech Foundation, an independent grant-making corporate foundation registered with the Charity Commission. Funded and founded by the Group, the Foundation has a number of independent Trustees responsible for delivering its Charitable Objects. The Trustees also include Haroon and Farouq Sheikh OBE and Christopher Dickinson, Directors of the Group. The Group is not obliged to make these donations and this does not represent its underlying operations and consequently adjusted due to its nature.
(viii) Non-underlying items relating to the 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.
(ix) Contingent consideration of £3.5m was recognised following the acquisition of Smartbox during the 2021 financial year end. This was discounted back to present value and as a result a recognition of interest on contingent consideration was recognised. Additionally a put option was recognised at its present value. Interest on the put option will be recognised as a result. These are both considered costs of the acquisition and consequently adjusted for due to their nature.
(x) Represents the current tax on items (i), (iii) and (vii) above.
(xi) Deferred tax arises in respect of the following:

	Six months ended 31 March 2022 unaudited £000	Six months ended 31 March 2021 unaudited £000	Year Ended 30 September 2021 audited £000
Derivative financial instruments	**(121)**	(144)	611
Intangible assets	**569**	714	1,422
Fixed assets	**-**	942	-
Change in tax rate	**(683)**	-	(22,085)
Prior year adjustments	**-**	-	(81)
Total	**(235)**	1,512	(20,133)

4. Financial expenses

	Six months ended 31 March 2022 unaudited £000	Six months ended 31 March 2021 unaudited £000	Year ended 30 September 2021 audited £000
On bank loans and overdrafts	**4,785**	4,257	8,236
Interest expenses on lease liabilities	**2,120**	1,840	3,922
Financial expenses before non underlying items	**6,905**	6,097	12,158
Amounts relating to derivative financial instruments (note 3)	**(8)**	(153)	64
Leases imputed interest (note 3)	**233**	233	466
Interest on contingent consideration	**-**	152	582
Total financial expenses	**7,130**	6,329	13,270

5. Taxation

	Six months ended 31 March 2022 unaudited £000	Six months ended 31 March 2021 unaudited £000	Year ended 30 September 2021 audited £000
Current tax expense			
Current period	**(2,653)**	(6,738)	(10,697)
Non underlying items (note 3)	**1,031**	1,976	1,116
Prior year adjustments	**-**	-	505
Total current tax	**(1,622)**	(4,762)	(9,076)
Deferred tax expense			
Current period	**(1,877)**	(291)	(1,273)
Deferred tax on non underlying items (note 3)	**(235)**	1,512	(20,133)
Prior year adjustments	**-**	-	(424)
Total deferred tax	**(2,112)**	1,221	(21,830)

Total tax in the consolidated statement of comprehensive income	**(3,734)**	(3,541)	(30,906)
Effective tax rate on profit before tax (before non underlying items)*	**14.1%**	20.9%	17.4%

*The underlying effective tax rate for the interim period was 14.1% (2021 interim: 20.9%). Caretech expects the full year underlying effective tax rate to be 12.7%.

On 3 March 2021, the Government announced an increase in the rate of corporation tax to 25% effective from 1 April 2023. This tax rate change has been substantively enacted in the Finance Bill 2021.

6. Earnings per share	**Six months ended**	Six months ended	Year ended
	31 March 2022	31 March 2021	30 September 2021
	unaudited	unaudited	Audited
	£000	£000	£000
Profit attributable to ordinary shareholders	**12,982**	36,954	31,908
Non underlying (income)/expenses (note 3)	**12,213**	(12,232)	21,118
Profit attributable to ordinary shareholders before underlying items	**25,195**	24,722	53,026
Weighted number of shares in issue for basic earnings per share	**110,830,381**	110,735,386	110,775,312
Effects of share options in issue	**5,890,642**	5,494,231	5,358,397
Weighted number of shares in issue for diluted earnings per share	**116,721,023**	116,229,617	116,133,709

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	**11.71 p**	33.37p	28.80p
Diluted	**11.12 p**	31.79p	27.48p
Earnings per share before non underlying items (pence per share)			
Basic	**22.73 p**	22.33p	47.87p
Diluted	**21.59 p**	21.27p	45.66p

7. Business Combinations

REHAVISTA

On the 29 November 2021, the Group acquired a 100% holding in REHAVISTA GmbH and its subsidiary LogBUK (Collectively “REHAVISTA”) Germany’s largest provider of augmentative and alternative communication (AAC) products and services, employing over 170 staff. The company, which has six offices across Germany, provides a range of AAC and assistive technology products and has a strong reputation for excellent service. LogBUK is a subsidiary company to REHAVISTA, providing independent speech and language therapy to help AAC users achieve the best outcomes through specialist clinical support.

The transaction was funded by the Group's debt facility with CareTech subscribing for additional shares in Smartbox such that post-completion, CareTech will own 83% of Smartbox, with the remaining minority ownership continuing to be held by the Smartbox management team.

REHAVISTA's reach and expertise is unparalleled in Germany, estimated to be the second largest funded AAC market globally after the USA. With its deep knowledge of assistive technology and established routes to market, this acquisition provides a significant opportunity for Smartbox to expand the products and services available in Germany, expanding on the existing partnership between Smartbox and REHAVISTA, and across Smartbox's global customer base, which spans more than 30 languages and 45 distributors.

The provisional acquisition table is as follows:

	Book values £000s	Fair value adjustments £000s	Total £000s
Intangible assets	24	839	863
Goodwill	31	(31)	-
Property plant & equipment	471	-	471
Right-of-use asset	900	-	900
Trade and other receivables	1,488	(131)	1,357
Inventory	1,466	-	1,466
Cash	175	-	175
Corporation tax	(61)	-	(61)
Deferred tax	-	(268)	(268)
Trade and other payables	(1,846)	-	(1,846)
Lease liability	(900)	-	(900)
Loans and other borrowings	(578)	-	(578)
Net assets on acquisition	**1,170**	**409**	**1,579**

Consideration paid	8,573
Goodwill	6,994

Consideration paid was:	**£000**
Cash	8,295
Deferred consideration	278
Total consideration	8,573

Reconciliation to the cash flow statement	**£000**
Cash paid	8,295
Cash acquired	(175)
Payments for business combination net of cash acquired	8,120

Goodwill arises as a result the surplus of consideration over the fair value of the separately identifiable assets acquired.

Costs relating to this acquisition are expensed in the Income Statement in accordance with IFRS3 and are identified in note 3 non underlying items.

Goodwill is attributable to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised, these include value of the assembled workforce within the business acquired. Other intangible assets acquired relate to the REHAVISTA trade name.

Dmetco-Bayti

On 4 February 2022, the Group completed two further acquisitions in the United Arab Emirates (UAE), Wellness Center ('Wellness') and Dmetco-Bayti Group ('Dmetco).

Dmetco-Bayti is a well-established home healthcare provider managing the daily health and social care needs of its patients across the UAE through two home-grown brands, namely Dmetco Home Healthcare and Bayti Home Healthcare. Established in 2012, it provides home healthcare and physiotherapy services in the emirate of Abu Dhabi, primarily to UAE nationals, through a team of over 150 registered healthcare professionals. Dmetco-Bayti also caters to patients who require physiotherapy and rehabilitation services. The estimated patient size for in-home health and social care services in the UAE is 10,000, with Dmetco-Bayti currently managing 120 individuals.

AS Group has acquired a 70% interest in Dmetco-Bayti paying upfront consideration of £7.3m in cash with a further £3.1m in cash deferred and £0.6m in cash payable through an earn-out mechanism. The transaction has been funded by the Group's existing cash resources and debt facility.

The provisional acquisition table for Dmetco-Bayti is as follows:

	Book values £000s	**Fair value adjustments £000s**	**Total £000s**
Intangible assets	-	7,166	7,166
Property plant & equipment	84	-	84
Trade and other receivables	1,226	(52)	1,174
Cash	1,150	-	1,150
Trade and other payables	(1,407)	-	(1,407)
Net assets on acquisition	**1,053**	**7,114**	**8,167**
Less: Non-controlling interest			**(2,450)**
			5,717
Consideration paid			10,982
Goodwill			5,265
Consideration paid			
Cash			7,257
Contingent consideration			3,725
Total consideration			10,982
Cash paid			7,257
Cash acquired			(1,150)
Cash contribution by existing owners			(3,540)
Payments for business combination net of cash acquired			2,567

Goodwill arises as a result the surplus of consideration over the fair value of the separately identifiable assets acquired.

Costs relating to this acquisition are expensed in the Income Statement in accordance with IFRS3 and are identified in note 3 non underlying items.

Goodwill is attributable to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised, these include value of the assembled workforce within the business acquired. Other intangible assets acquired comprise customer relationships and the Dmetco-Bayti trade name.

Wellness Center

Established in 2015 by Shafqat Malik, co-founder and CEO of AS Group, the Abu Dhabi-based Wellness provides integrated physical health consultations and surgical services serving c.7000 patients per month. Wellness's operations are an integral part of the founders' vision to provide a continuum of care for AS Group's mental healthcare patients through quality day care, GP and other specialist services. Over 72% of the Groups' revenues are backed by health insurance schemes.

CareTech has acquired a 51% interest in the Wellness Group and has paid an upfront consideration of £8.1m in cash with a further £3.9m in cash deferred. The transaction has been funded by the Group's existing cash resources and debt facility.

The provisional acquisition table for Wellness is as follows:

	Book values £000s	**Fair value adjustments £000s**	**Total £000s**
Intangible assets	-	10,185	10,185

Property plant & equipment	1,025	-	1,025
Right-of-use asset	150	-	150
Trade and other receivables	2,104	(73)	2,031
Inventories	152	-	152
Cash	884	-	884
Trade and other payables	(2,227)	-	(2,227)
Lease liability	(241)	-	(241)
Net assets on acquisition	**1,847**	**10,112**	**11,959**
Less: Non-controlling interest			**(5,803)**
			6,156
Consideration paid			11,921
Goodwill			5,765

Consideration paid	
Cash	8,022
Contingent consideration	3,899
Total consideration	11,921

Cash paid	8,022
Cash acquired	(884)
Payments for business combination net of cash acquired	7,138

Goodwill arises as a result the surplus of consideration over the fair value of the separately identifiable assets acquired.

Costs relating to this acquisition are expensed in the Income Statement in accordance with IFRS3 and are identified in note 3 non underlying items.

Goodwill is attributable to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised, these include value of the assembled workforce within the business acquired. Other intangible assets acquired comprise customer relationships and the Wellness trade name.

Appendix: Alternative Performance Measures

The Group reports certain non-IFRS performance measures, known as Alternative Performance Measures ('APMs'). The Directors believe that they provide useful supplemental information for the readers of the Annual Report and, when read in conjunction with the IFRS financial information, assist in providing a balanced view of the Group's financial performance and financial position.

In assessing its performance, the Group has adopted a number of APMs as the Directors are of the view that these will assist the readers of the accounts when understanding our performance relative to other companies in our sector and in the wider economy. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' adjusted measures. They are not intended to be a substitute for, or superior to, IFRS measurements of profit or earnings per share.

We set out below those APMs which management use in assessing its own performance and a reconciliation of those APMs to the statutory IFRS financial statements.

a) Underlying EBITDA

Underlying EBITDA is defined as Earnings Before Interest, Tax, Depreciation, Amortisation, ExSOP share-based payments charge and non-underlying items (see note (b) below). There is no further intent to issue awards under the ExSOP scheme, these have historically been ad hoc awards and as such not considered a component of underlying EBITDA. Underlying EBITDA is considered the most relevant performance measure in our (and many other) sectors. We reconcile underlying EBITDA to the statutory measure of operating profit on the face of the income statement in note as below:

	Six months ended 31 March 2022 unaudited £000	Six months ended 31 March 2021 unaudited £000	Year ended 30 September 2021 audited £000
Underlying EBITDA	**49,086**	49,359	100,485
Adjusted for:			
COVID-19 income	**1,559**	1,181	2,692
Depreciation	**(9,708)**	(9,422)	(19,519)
Amortisation of intangible assets	**(5,574)**	(5,184)	(10,273)
Acquisition expenses	**(1,042)**	(423)	(759)
Sleep-in provision	**-**	11,777	11,777
Gain on bargain purchases	**-**	5,758	5,758
Other non-underlying items	**(2,611)**	(2,156)	(5,964)
COVID-19 expenses	**(5,116)**	(1,977)	(4,220)
Share-based payments' charge	**(237)**	(237)	(473)
Operating profit	**26,357**	48,676	79,504

b) Non-underlying items

Statutory measures are adjusted to exclude those events or transactions that, in the opinion of the Directors, by virtue of unusual size or nature, or an infrequent/one off occurrence, distort the understanding of the performance for the year or comparability between periods. Such items are separately classified as non-underlying items in these accounts. The Directors are of the view that the underlying items will improve a reader's understanding of the core performance of the businesses of the Group.

At the operating cost level, non-underlying items include expenses relating to the acquisition of new businesses; the integration of acquisitions and the reorganisation of the internal operating and management structure and redundancy costs; non-cash charges of amortisation of intangible fixed assets together with any impairment of intangible assets or goodwill; and any other items that may fit this definition. For the year ended 30 September 2021, a reversal of sleep-in provision and a gain on bargain purchase were included in the determination of operating profit. COVID-19 income and costs have been included as non-underlying operating profit for the years ended 30 September 2021 and 30 September 2020. Please refer Note 6 for a detailed explanation as to why each of these items are considered non-underlying.

At the financial expenses level, non-underlying items include costs relating to derivative financial instruments and include the movements during the year in the fair value of the Group's interest rate hedging arrangements which do not qualify for hedge accounting, together with the quarterly cash settlement and accrual thereof. These items are considered by the Directors to meet the definition of non-underlying items.

The impact of current and deferred tax on each of these items are considered in the non-underlying section, in addition to the impact of deferred tax on account of the rate change.

We present a reconciliation of our underlying earnings to our statutory profit on a line by line basis including Operating profit, Finance expenses, Profit before Tax and Taxation as follows:

	Six months ended 31 March 2022 unaudited			Six months ended 31 March 2021 unaudited			Year ended 30 September 2021 audited		
	Underlying	**Non-underlying**	**Statutory**	Underlying	Non-underlying	Statutory	Underlying	Non-underlying	Statutory
	£000	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Operating profit	39,141	(12,784)	26,357	39,700	8,976	48,676	80,493	(989)	79,504
Financial expenses	(6,905)	(225)	(7,130)	(6,097)	(232)	(6,329)	(12,158)	(1,112)	(13,270)
Profit before tax	32,236	(13,009)	19,227	33,603	8,744	42,347	68,335	(2,101)	66,234
Taxation	(4,530)	796	(3,734)	(7,029)	3,488	(3,541)	(11,889)	(19,017)	(30,906)
Profit for the year	27,706	(12,213)	15,493	26,574	12,232	38,806	56,446	(21,118)	35,328

c) Net debt

A key performance indicator for many readers of accounts is the level of net debt within the business. Net debt comprises cash net of all loans and borrowings as defined by the Group's banking facilities. Accordingly, the Group provides information on its net debt which is reconciled to the statutory financial statements as follows:

	Six months ended 31 March 2022 unaudited £000	Six months ended 31 March 2021 unaudited £000	Year ended 30 September 2021 audited £000
Net debt in the balance sheet comprises:			
Cash and cash equivalents	**47,226**	61,290	65,560
Loans and borrowings	**(319,234)**	(317,762)	(317,896)
Shareholder loan	**(1,802)**	(1,719)	(1,758)
Lease liabilities (i)	**(4,497)**	(4,909)	(4,567)
Net debt at the end of the period	**(278,307)**	(263,100)	(258,661)

(i) Net debt includes vehicle finance leases included in lease liabilities.

d) Underlying earnings per share

Underlying earnings per share is calculated based on underlying profit for the year as calculated in note (b) above.

e) Operating cash flows before non-underlying items

Operating cash flows before non-underlying items is calculated based on operating cash flows adjusted non-underlying cash flows as reconciled below.

	Six months ended 31 March 2022 unaudited £000	Six months ended 31 March 2021 unaudited £000	Year ended 30 September 2021 audited £000
Operating cash flows before non-underlying items	49,910	49,215	96,594
Non-cash adjustment	723	-	903
Integration and restructuring costs	(1,952)	(971)	(4,177)
Payment of charitable donations	(659)	(601)	(1,203)
COVID-19 receipts	1,559	1,181	2,692
COVID-19 payments	(5,116)	(1,977)	(4,220)
Payment of acquisition costs	(1,042)	(423)	(759)
Cash inflows from operating activities	43,423	46,424	89,830

Directors and Advisers

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Haroon Sheikh	(Group Chief Executive Officer)
Christopher Dickinson	(Group Chief Financial Officer)
Michael Adams	(Care Partnerships Director)
Adrian Stone	(Independent Non-Executive Director)
James Cumming	(Independent Non-Executive Director)
Moira Livingston	(Independent Non-Executive Director)

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