



12 November 2009

**SYNERGY HEALTH PLC**  
("Synergy", the "Company" or the "Group")

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 27 SEPTEMBER 2009**

Synergy Health plc (LSE: SYR), a leading provider of specialist outsourced support services to health related markets in the UK, the Rest of Europe, Asia and South Africa, announces interim results for the six months ended 27 September 2009.

**Financial highlights**

- Revenues up 7.2% to £142.7 million (2008: £133.1 million)
- Operating profit\* up 11.6% to £19.2 million (2008: £17.2 million)
- Operating profit after amortisation and non-recurring items up 21.4% to £16.1 million (2008: £13.3 million)
- Operating cash flow up 72.5% to £41.3 million (2008: £24.0 million)
- Profit before taxation\* up by 19.8% to £14.9 million (2008: £12.4 million)
- Reported profit before taxation up 38.9% to £11.8 million (2008: £8.5million, including non-recurring charges of £1.3 million)
- Adjusted basic earnings per share\* increased 17.2% to 20.63p (2008: 17.60p); basic earnings per share up 42.3% to 16.62p (2008: 11.68p)
- Net debt of £147.8 million (2008: £153.3 million); reduced by £22.4 million since year ended 29 March 2009
- Interim dividend up 16.7% to 4.9p (2007: 4.2p)

**Operating highlights**

- Progressing strategy to become the global leader in the provision of sterilisation, decontamination and infection prevention services to healthcare and other industries
- Demand for services driven by increasing regulatory requirements introduced to raise standards and reduce rates of infection
- Revenue growth in the UK was static with good growth from sterilisation and decontamination offset by declines from non-core business. Further growth within decontamination is expected with a new facility opening in January 2010 and a further two facilities in Q1 calendar 2011
- Revenue growth in Europe is up 16.8% with good performances from both Sterilisation and Linen services. New sterilisation facilities in the Netherlands and Ireland are progressing well
- Revenue growth in Asia was up 14%, slower than expected as a result of reduced demand to sterilise products destined for the USA
- The new Suzhou facility in China successfully transitioned three hospital contracts with a fourth hospital recently added
  - service very well received by existing customers with discussions underway with new customers
  - progressing plans to open three further facilities
  - new regulatory guidelines introduced in September likely to drive demand
  - China investing significantly in improving health standards with 600 new hospitals being built per annum
- Order book remains at over £800 million

*\* Before the amortisation of acquired intangibles and non-recurring items relating to the move from AIM to the Main Market and the closure of the Bristol linen management facility*

**Dr Richard Steeves, Chief Executive of Synergy Health, commented:**

*“Synergy's unique position as an international provider of services to the health sector has enabled us to make progress across all geographic regions and services despite the difficult economic conditions.*

*“The launch of our first facility in China opens the door on a new market for Synergy offering substantial potential to accelerate organic growth. The contracts already secured will add £1 million in annual revenues and we are currently in discussions to add further hospitals. Furthermore, plans are in place to build a further three decontamination facilities in the region.*

*“Synergy is a unique business with strong cash flows, contract visibility and high barriers to entry and increasing exposure to the fast growing Asian markets.”*

**Enquiries:**

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## CHAIRMAN'S STATEMENT

### Results

The first half of this year has been particularly pleasing for Synergy meeting the objectives we set out at the start of the year including improving margins, cash flow and EPS growth. Despite the difficult economic environment our markets have remained resilient and we expect this to continue during the second half of the year.

Over the six months revenues grew 7.2 per cent to £142.7 million, mainly reflecting the consistent growth across the Rest of Europe and the UK. Underlying growth was 5.1 per cent excluding currency effects and non-core businesses. Due to improved margins and continuing revenues growth, operating profit before amortisation of acquired intangibles and non-recurring items grew 11.6 per cent<sup>1</sup> to £19.2 million. Profit before tax, amortisation of acquired intangibles and non-recurring items grew by 19.8 per cent to £14.9 million (2008: £12.4 million). There have not been any non-recurring charges incurred in the year to date.

Synergy's operating cash flow during the period was £41.3m, an increase of 72.5 per cent from the same period a year ago. This was due mainly to underlying profit growth and an improved focus on working capital. As a result of this, together with a tight control over capital expenditure, our net debt has reduced considerably, from £170.2 million at the end of the last financial year, to £147.8 million. Margin improvement has also been a key objective and during the period net margin before amortisation of acquired intangibles and non-recurring items increased 0.5 percentage points for the six month period to 13.4 per cent, compared with 12.9 per cent in the same period a year ago.

Basic adjusted earnings per share, after adding back amortisation on acquired intangibles and non-recurring items, was 20.63p (2008: 17.60p), a rise of 17.2 per cent.

### Dividend

Synergy's dividend policy has been to progressively increase the dividend payment in line with the growth in earnings per share. Accordingly we have increased the interim dividend per share for the period by 16.7 per cent to 4.9p (2008: 4.2p). This interim dividend will be paid on 14 January 2010 to shareholders on the register on 29 December 2009.

### Strategy and business review

The Group's primary strategic goals remain to become the global leader in three key areas of health related support services covering sterilisation services, decontamination services and healthcare solutions (focussing on infection prevention). Synergy is a leader in these service lines in a number of geographic regions but to become a global leader an increased coverage is required across Europe (excluding the UK where Synergy already has market leading positions in a number of services) and Asia, which are the two key regions targeted for growth in the near term.

The Group is also seeking new health related markets in which it can apply its core services. For example, our Asian business has applied its radiation technology to decontaminate tropical fruits and we have similar food decontamination services in South Africa.

The demand for our services is partially driven by increasing regulatory requirements in the UK, Europe and Asia, where governments are seeking to raise standards to reduce rates of hospital acquired infections and to improve patient safety. This increased regulation can make the in-house provision of such services more costly compared to Synergy and bears a higher associated level of risk. Synergy has invested heavily in its services over the years and deploys information technology, automated quality systems and extensive experience to support our customers to achieve their desired outcomes. It is often the case that hospitals are looking to outsource as the required investment in technology and people expertise would be prohibitively expensive compared with an outsourced solution.

Additionally cost leadership has always been a key component of the Group's strategy, requiring our business units to have the lowest cost per unit of output compared with their competitors. This is particularly important in the current environment when customers are seeking increased efficiency and greater value for money to reduce their own cost base.

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<sup>1</sup> During the six months ending 27 September 2008 Synergy incurred a non-recurring charge of £1.3m relating to the move from AIM to the Main Market together with the closure costs of the Bristol linen management facility as part of a programme to offset increased costs.

As a result of the challenging circumstances that the Group faced last year we set ourselves a number of short-term objectives. These were set out in last year's annual report and are as follows:

- Talent management
- Increasing capacity utilisation
- Increased cross selling
- Improving cash flow management and reducing debt
- Reinforcing cost leadership
- Business focus
- Developing a significant presence in Asia
- Continuing expansion in health related markets

The Group is on target to meet all of these eight primary objectives and the successes to date are reflected in the improved margins, cash flow and the continued growth in the business. The problems experienced last year, involving higher than expected input costs, have been largely dealt with supported by the restructuring actions taken in the second half of the last financial year.

Synergy has an attractive portfolio of services across the three major regions of the UK, the Rest of Europe and Asia and South Africa. Our revenues are driven largely by the number of patients treated in the Rest of Europe and the UK with an increasing exposure to the faster growing Chinese market. The NHS remains a key customer for Synergy although only 30 per cent of our operating profits are derived from this market. Looking ahead we expect the demand for our services in the Rest of Europe and the UK to remain consistent with recent experiences, whilst we believe that our continued investments in China will generate higher organic growth.

In the Suzhou region of China, Synergy has successfully transitioned three initial decontamination hospital contracts and has recently added a fourth hospital. The service has been favourably received by our customers and we are in active dialogue with further customers in the Suzhou and Shanghai areas. Additionally, Synergy is assessing possibilities for three more facilities in China.

A catalyst for success in China are new regulatory guidelines, which only came into force in December, having been issued in April. Hospitals have a four year window in which to upgrade their standards. Synergy is in talks with the Ministry of Health in China and a number of provincial governors with a view to creating shared service centres. To put the opportunity in context there are close to 500 hospitals in the United Kingdom, which compares to around 20,000 in China together with a new build rate of some 600 hospitals a year.

## **Regions**

### *United Kingdom*

Our objective in the UK is to refocus the business on Synergy's core strengths as outlined in our strategy. We have identified over £20 million of revenue from non-core businesses which are being wound down or sold. As a result total UK revenues grew 0.4 per cent to £77.6 million, with underlying revenue growth of 4.1 per cent.

All of the Group's services and products are available to the UK market. Following acquisitions in recent years, we have sought to rationalise our healthcare solutions product offerings and to focus products around the management of infection control and improving the effectiveness of operating theatres. Certain product lines are therefore being rationalised or simply run for cash whilst contracts expire or alternative solutions are taken up by customers.

Laboratory revenues, whose main customers are in the industrial and commercial sector, have declined compared with last year which saw a significant step up in revenues.

Linen management remains a core offering for the region. After last year's difficulties with input costs we closed a facility, stopped bidding for new work and focused instead on improving margins. The strategy has successfully lifted margins by more than 3 per cent compared to the same period last year.

The strongest growing service line within the UK remains decontamination services which grew at over 14 per cent. The nature of the outsourcing market has changed over the last year, as the Department of Health's National Decontamination Programme (NDP) has drawn to a close and NHS Trusts are seeking more bespoke solutions to their requirements. Synergy has a proven track record across the whole range of outsourcing options and is well positioned to provide attractive solutions to NHS Trusts and other customers. The new facility in Merseyside was accredited in the summer and will open shortly and we are nearing financial close with the Sheffield and Leicester NDP contracts where we are the sole preferred bidder. On another large service outside

of the NDP, Synergy was selected as preferred bidder, but the customer subsequently decided to delay outsourcing the service. We remain active in the market and, in recent months, have increased the size of our commercial team to develop the market.

Sterilisation revenues grew by 6.2 per cent which is a creditable performance given the reduced demand from our non-healthcare customers. Our team have proactively identified new revenue streams from existing and new customers to offset the effects felt from the economic slowdown. In addition this business achieved a slight improvement in margin.

Overall for the region, operating profit before amortisation of acquired intangibles and non-recurring items was £7.3 million, an increase of 1 per cent from the same period a year before (2008: £7.2 million). Operating margin has been maintained at 9.4 per cent.

The profit and margin position reflects the strong and profitable growth in decontamination services and, to a lesser extent, sterilisation and linen services. Last year's difficulties with the implementation of new decontamination contracts have now been overcome and the ongoing margin is close to the levels previously achieved.

The operating margin improvements have been offset by reduced margins in our healthcare solutions offering which has been adversely affected by the weakness of the pound versus the US dollar and to a lesser extent the euro. This has added over £0.6 million of cost for imported materials compared with the same period last year. Laboratory margins have also fallen, due to declining revenues and a largely fixed cost base. Both of these business issues are being addressed.

The UK remains very important to Synergy and whilst the volume of patient led activity is not expected to grow at the same rate as previous years, the economic environment will encourage healthcare providers and other potential customers to seek new ways of improving efficiency and reducing costs. Our expectation is that outsourcing of support services will remain a popular way of achieving this objective.

#### *Rest of Europe*

Revenues in the Rest of Europe were £60.8 million compared to £52.0 million, an increase of 16.8 per cent. The region benefited from new capacity in Ireland and in Venlo in the Netherlands and from stronger overall demand.

The Group has a leading market position in sterilisation services in Continental Europe and Ireland and linen management in the Netherlands. These well established service lines have provided the basis to develop the region's fledgling decontamination business operating from the Netherlands and more recently, Belgium.

Sterilisation services performed well and has benefited from improved demand within the Netherlands, with significantly improved revenues at the plant in Venlo.

The Dutch linen service has continued to grow steadily, its margin remains stable and cash generation was strong throughout the first half.

Decontamination services saw margins improve following the implementation of the new contract in Belgium.

The operating profit before amortisation of acquired intangibles and non-recurring items was £11.2 million, an increase of 20 per cent from the same period a year before (£9.3 million).

The operating margin climbed from 17.9 per cent to 18.5 per cent, showing the benefits of cost control and improved capacity utilisation.

#### *Asia and South Africa*

The Group's business in Asia and South Africa is predominantly in sterilisation services, providing an outsourced solution to medical device, pharmaceutical and food producing companies. We have recently established a decontamination business in China, operating from a newly established shared service centre in Suzhou, near Shanghai, from which the Group also provides sterilisation services. This new facility currently employs a team of 53 people, servicing four hospitals and a number of medical device customers. Revenues are increasing weekly as we implement new hospitals and expand our validation work for new medical device customers, and the annualised run rate is now around £1 million.

Revenues from Asia grew 14 per cent during the period from £3.8 million to £4.3million with growth reduced as a result of a reduction in demand for medical devices in the United States in the wake of the recession, reflecting a market which is mainly funded through healthcare insurance and individual payments.

The Group will continue to expand its sterilisation and decontamination services in the region given the positive market and economic environment.

Asia and China in particular is one of our key areas of focus in the coming years. Our operating model has been validated for the Chinese market with very positive feedback from our customers. Our existing customers are seeing underlying patient volumes increasing by between 12 and 15 per cent per annum. We are currently developing a strategy that will facilitate the development of additional facilities to meet what we expect will be a strong demand for outsourced services propelled by the need to achieve higher regulatory standards.

At the same time we are looking to expand Sterilisation services in the region. Our objective is to utilise the existing capacity in Suzhou but we are also examining opportunities to expand our services through additional facilities in time.

Operating profit before amortisation of acquired intangibles and non-recurring items was £1.52 million, an increase of 3.8 per cent from the same period a year before (£1.46 million).

Operating margins were down from 38.9 per cent to 35.4 per cent due to the introduction of capacity in China. Aside from the initial start-up costs in China, underlying margins in the rest of the region improved slightly.

### Financial review

The Group's earnings before interest, tax, depreciation, share scheme charges, non-recurring items and amortisation (EBITDA) increased by 11.9 per cent to £35.5 million (£31.8 million) and contributed to the improved cash generation explained below.

Profit after taxation for the period was £9.1 million (2008: £6.3 million), an increase of 44.3 per cent compared with the same period a year ago. This growth was helped by the absence of non-recurring items during the period. Profit after taxation but before the amortisation of acquired intangibles and non-recurring items was £11.2 million (2008: £9.4 million), an increase of 19.0 per cent.

Basic earnings per share increased by 42.3 per cent to 16.62 pence (2008: 11.68 pence), whilst fully diluted earnings per share were 16.34p (11.36 pence), an increase of 43.8 per cent. Adjusted basic earnings per share, after adding back amortisation on acquired intangibles and non-recurring items, improved by 17.2 per cent to 20.63 pence (2008: 17.60 pence), whilst on a fully diluted basis earnings per share was up 18.5 per cent to 20.29 pence (17.12 pence).

The Group's effective tax rate for the period on earnings before the amortisation of acquired intangibles and non-recurring items was 24.4% per cent (2008: 23.9 per cent) and a similar rate should be achieved over the full year.

Exchange rate movements have had both favourable and adverse impacts on the Group's earnings, with 63.5 per cent of the Group's operating profits before share scheme charges and the amortisation of acquired intangibles generated outside of the UK including 56.0 per cent in the Eurozone. The overall impact of currency movements was to uplift operating profit calculated on this basis by 3.8 per cent.

A key focus in the first half has been to increase operating and free cash flow generation through targeted working capital improvements and keeping firm control on capital expenditure. Operating cash generated from recurring operations increased by 74.6 per cent to £42.4 million (2008: £24.3 million). The main area of improvement was trade and other debtors which reduced by £4.6 million. Free cash flow before investment capital expenditure increased by £19.6 million to £29.9 million and enabled the Group to repay £23.9 million of debt during the first half, fulfilling one of the Group's core objectives.

A summary of the movement in the debt position during the period is set out below:

|   | £ millions |
|---|------------|
| Net debt brought forward at 29 March 2009                   | (170.2)    |
| Exchange rate impacts                                       | 1.2        |
| Free cash flow (prior to discretionary capital investments) | 29.9       |
| Discretionary capital expenditure                           | (8.7)      |
| Acquisition of subsidiaries                                 | (0.4)      |
| Proceeds from share issues                                  | 0.4        |

|  |         |
|--|---------|
| Net debt carried down at 27 September 2009 | (147.8) |
|--|---------|

As at the end of the period £71.5 million (€77.7 million) of debt was denominated in euros and £6.8 million (CNY 74.6 million) was denominated in Chinese Yuan. As illustrated in the table above, exchange rate movements only accounted for £1.2 million of the reduction in net debt.

At 27 September 2009, the Group had total debt facilities of £206.3 million. This includes £160.0 million under its main committed facility, together with finance leases and locally based secured and unsecured loans and overdrafts, including overseas lines.

The Group's net finance charge totalled £4.3 million (2008: £4.8 million) and represents an effective rate of interest of 5.4 per cent. The level of debt held at fixed rates of interest either within the loan agreement or through interest rate swap transactions is currently 60 per cent of the total debt drawn.

The pension deficit as measured by IAS 19 deteriorated to £14.1 million compared with £9.3 million at the 29 March 2009 year-end. This reflects falling bond yields and an assumed increase in long term rates of inflation. This will not have any effect on cash flows or profit and loss for the remainder of the current year.

### **Risks**

The directors consider that the principal risks and uncertainties affecting the Group and its performance during the current financial year remain those outlined in the Annual Report for the year ended 29 March 2009.

The principal risks are:

- Financial – includes risks of macroeconomic instability impacting currency volatility and input costs, increased energy costs, failure to meet financial business plans, interest rate risk, credit risk and liquidity risk.
- Operational – threats to the continuity of business operations. Key risks include unexpected loss of capacity and IT systems' disruption.
- People – includes the loss of talented employees and health and safety issues.
- Commercial – includes risks associated with investment in emerging markets and the integrity of security systems covering data and intellectual property.

The Group's risk management policies are fully documented in the Group's Annual report for the year ended 29 March 2009.

### **Outlook**

The board is pleased with the progress that has been achieved during the first half of the year and, in particular, the improvement in margins and operating cash flow. There remains some work to be done improving margins in our healthcare solutions as well our laboratory businesses. The Group is starting to generate returns on the significant capital investment it has recently made in Europe and Asia and is well positioned to further improve these returns as demand continues to grow in these regions. We are increasingly excited about the opportunities before us, particularly in China where there is a very clear need for our services. We start the second half on plan and look forward to continuing our progress.

*Stephen Wilson*  
Chairman

CONDENSED CONSOLIDATED INCOME STATEMENT

|   | Six months ended 27 September 2009 |   |   | Six months ended 28 September 2008 |   |   |                |
|---|------------------------------------|---|---|------------------------------------|---|---|----------------|
|   | Notes                              | Before<br>amortisation<br>of acquired<br>intangibles<br>and non-<br>recurring<br>items<br>£'000 | Amortisation<br>of acquired<br>intangibles<br>and non-<br>recurring<br>items<br>(note 7)<br>£'000 | Total<br>£'000                     | Before<br>amortisation<br>of acquired<br>intangibles<br>and non-<br>recurring<br>items<br>£'000 | Amortisation<br>of acquired<br>intangibles<br>and non-<br>recurring<br>items<br>(note 7)<br>£'000 | Total<br>£'000 |
| <b>Continuing operations</b>  |                                    |   |   |                                    |   |   |                |
| Revenue   | 6                                  | 142,656   | -   | 142,656                            | 133,096   | -   | 133,096        |
| Cost of sales   |                                    | (91,747)  | -   | (91,747)                           | (87,735)  | -   | (87,735)       |
| <b>Gross profit</b>   |                                    | <b>50,909</b>   |   | <b>50,909</b>                      | 45,361  | -   | 45,361         |
| Administrative expenses   |                                    |   |   |                                    |   |   |                |
| - Administration expenses<br>excluding amortisation of<br>intangibles and share<br>scheme charges |                                    | (30,860)  | -   | (30,860)                           | (27,332)  | (1,343)   | (28,675)       |
| - Amortisation of<br>intangibles  |                                    | (41)  | (3,057)   | (3,098)                            | -   | (2,564)   | (2,564)        |
| - Share scheme charges  |                                    | (844)   | -   | (844)                              | (850)   | -   | (850)          |
|   |                                    | <b>(31,745)</b>   | <b>(3,057)</b>  | <b>(34,802)</b>                    | (28,182)  | (3,907)   | (32,089)       |
| <b>Operating profit</b>   | 6                                  | <b>19,164</b>   | <b>(3,057)</b>  | <b>16,107</b>                      | 17,179  | (3,907)   | 13,272         |
| Finance income  |                                    | 1,138   | -   | 1,138                              | 1,601   | -   | 1,601          |
| Finance costs   |                                    | (5,438)   | -   | (5,438)                            | (6,373)   | -   | (6,373)        |
| Net finance costs   |                                    | (4,300)   | -   | (4,300)                            | (4,772)   | -   | (4,772)        |
| <b>Profit before tax</b>  |                                    | <b>14,864</b>   | <b>(3,057)</b>  | <b>11,807</b>                      | 12,407  | (3,907)   | 8,500          |
| Income tax  | 8                                  | (3,634)   | 887   | (2,747)                            | (2,968)   | 746   | (2,222)        |
| <b>Profit for the period</b>  |                                    | <b>11,230</b>   | <b>(2,170)</b>  | <b>9,060</b>                       | 9,439   | (3,161)   | 6,278          |
| <b>Attributable to:</b>   |                                    |   |   |                                    |   |   |                |
| Equity holders of the parent  |                                    | 11,156  | (2,170)   | 8,986                              | 9,395   | (3,161)   | 6,234          |
| Minority interest   |                                    | 74  | -   | 74                                 | 44  | -   | 44             |
|   |                                    | <b>11,230</b>   | <b>(2,170)</b>  | <b>9,060</b>                       | 9,439   | (3,161)   | 6,278          |
| <b>Earnings per share</b>   |                                    |   |   |                                    |   |   |                |
| From continuing and total operations  |                                    |   |   |                                    |   |   |                |
| Basic   | 10                                 |   |   | 16.62p                             |   |   | 11.68p         |
| Diluted   | 10                                 |   |   | 16.34p                             |   |   | 11.36p         |

## CONDENSED CONSOLIDATED INCOME STATEMENT

| Year ended 29 March 2009  |       |   |   |                |
|---|-------|---|---|----------------|
|   | Notes | Before<br>amortisation of<br>acquired<br>intangibles and<br>non-recurring<br>items<br>£'000 | Amortisation of<br>acquired<br>intangibles and<br>non-recurring<br>items<br>(note 7)<br>£'000 | Total<br>£'000 |
| <b>Continuing operations</b>  |       |   |   |                |
| Revenue   | 6     | 274,100   | -   | 274,100        |
| Cost of sales   |       | (181,587)   | -   | (181,587)      |
| <b>Gross profit</b>   |       | 92,513  | -   | 92,513         |
| Administrative expenses   |       |   |   |                |
| - Administration expenses<br>excluding amortisation of<br>intangibles and share scheme<br>charges |       | (55,154)  | (3,996)   | (59,150)       |
| - Amortisation of intangibles   |       | (656)   | (5,782)   | (6,438)        |
| - Share scheme charges  |       | (1,411)   | -   | (1,411)        |
|   |       | (57,221)  | (9,778)   | (66,999)       |
| <b>Operating profit</b>   | 6     | 35,292  | (9,778)   | 25,514         |
| Finance income  |       | 3,038   | -   | 3,038          |
| Finance costs   |       | (12,220)  | -   | (12,220)       |
| Net finance costs   |       | (9,182)   | -   | (9,182)        |
| <b>Profit before tax</b>  |       | 26,110  | (9,778)   | 16,332         |
| Income tax  | 8     | (6,131)   | 2,462   | (3,669)        |
| <b>Profit for the period</b>  |       | 19,979  | (7,316)   | 12,663         |
| <b>Attributable to:</b>   |       |   |   |                |
| Equity holders of the parent  |       | 19,881  | (7,316)   | 12,565         |
| Minority interest   |       | 98  | -   | 98             |
|   |       | 19,979  | (7,316)   | 12,663         |
| <b>Earnings per share</b>   |       |   |   |                |
| From continuing and total operations  |       |   |   |                |
| Basic   | 10    |   |   | 23.45p         |
| Diluted   | 10    |   |   | 23.14p         |

The accompanying accounting policies and notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | Six months<br>ended<br>27 September<br>2009<br>£'000 | Six months<br>ended<br>28 September<br>2008<br>£'000 | Year<br>ended<br>29 March<br>2009<br>£'000 |
|--|--|--|--|
| <b>Profit for the period</b>                                 | 9,060  | 6,278  | 12,663                                     |
| <b>Other comprehensive income for the period:</b>            |  |  |  |
| Exchange differences on translation of net investment hedges | (4,633)  | 1,676  | 31,673                                     |
| Cash flow hedges – derivative instrument effective portion   | 1,086  | (3)  | (2,792)                                    |
| Actuarial losses on defined benefit pension schemes          | (4,892)  | (1,238)  | (6,422)                                    |
| Less: provision for deferred tax                             | 1,363  | 346  | 1,422                                      |
| Net (expense)/income recognised directly in equity           | (7,076)  | 781  | 23,881                                     |
| <b>Total comprehensive income for the period</b>             | 1,984  | 7,059  | 36,544                                     |
| <b>Attributable to:</b>                                      |  |  |  |
| Equity holders of the Company                                | 1,910  | 7,013  | 36,369                                     |
| Minority interest  | 74   | 46   | 175  |
|  | 1,984  | 7,059  | 36,544                                     |

The accompanying accounting policies and notes form part of these financial statements.

## CONDENSED CONSOLIDATED BALANCE SHEET

|  | At<br>27 September<br>2009<br>£'000 | At<br>28 September<br>2008<br>£'000 | At<br>29 March<br>2009<br>£'000 |
|--|-------------------------------------|-------------------------------------|---------------------------------|
| Note   |                                     |                                     |                                 |
| <b>Non-current assets</b>  |                                     |                                     |                                 |
| Goodwill   | 195,040                             | 175,823                             | 197,114                         |
| Other intangible assets  | 47,670                              | 48,666                              | 51,060                          |
| Property, plant and equipment  | 204,505                             | 173,220                             | 207,694                         |
| Investment property  | 985                                 | 1,000                               | 990                             |
|  | 448,200                             | 398,709                             | 456,858                         |
| <b>Current assets</b>  |                                     |                                     |                                 |
| Inventories  | 12,612                              | 12,363                              | 12,889                          |
| Trade and other receivables  | 42,948                              | 52,234                              | 48,017                          |
| Derivative financial instruments   | -                                   | 210                                 | -                               |
| Cash and cash equivalents  | 3,913                               | 4,120                               | 5,542                           |
|  | 59,473                              | 68,927                              | 66,448                          |
| <b>Total assets</b>  | <b>507,673</b>                      | <b>467,636</b>                      | <b>523,306</b>                  |
| <b>Capital and reserves attributable to the Company's equity holders</b> |                                     |                                     |                                 |
| Share capital  | 338                                 | 335                                 | 337                             |
| Share premium account  | 61,305                              | 60,542                              | 60,880                          |
| Translation reserve  | 46,307                              | 21,018                              | 50,940                          |
| Cash flow hedging reserve  | (1,493)                             | 210                                 | (2,579)                         |
| Merger reserve   | 106,757                             | 106,757                             | 106,757                         |
| Retained earnings  | 38,342                              | 35,198                              | 35,905                          |
| <b>Equity attributable to equity holders of the parent</b>               | <b>251,556</b>                      | <b>224,060</b>                      | <b>252,240</b>                  |
| Minority interest  | 622                                 | 419                                 | 548                             |
| <b>Total equity</b>  | <b>252,178</b>                      | <b>224,479</b>                      | <b>252,788</b>                  |
| <b>Current liabilities</b>   |                                     |                                     |                                 |
| Bank overdraft   | 953                                 | 708                                 | -                               |
| Interest bearing loans and borrowings                                    | 11,297                              | 6,445                               | 9,423                           |
| Trade and other payables   | 53,293                              | 53,495                              | 52,642                          |
| Derivative financial instruments   | 1,493                               | -                                   | 2,579                           |
| Short-term provisions  | 554                                 | -                                   | 1,140                           |
| Current tax liabilities  | 9,165                               | 3,896                               | 4,428                           |
| Dividend approved not paid   | 3,696                               | -                                   | -                               |
|  | 80,451                              | 64,544                              | 70,212                          |
| <b>Non-current liabilities</b>   |                                     |                                     |                                 |
| Interest bearing loans and borrowings                                    | 139,431                             | 150,310                             | 166,377                         |
| Retirement benefit obligations   | 14,079                              | 4,594                               | 9,296                           |
| Deferred tax liabilities   | 13,925                              | 17,221                              | 17,001                          |
| Provisions   | 7,229                               | 6,042                               | 7,252                           |
| Deferred government grant  | 380                                 | 446                                 | 380                             |
|  | 175,044                             | 178,613                             | 200,306                         |
| <b>Total liabilities</b>   | <b>255,495</b>                      | <b>243,157</b>                      | <b>270,518</b>                  |
| <b>Total equity and liabilities</b>                                      | <b>507,673</b>                      | <b>467,636</b>                      | <b>523,306</b>                  |

The accompanying accounting policies and notes form part of these financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

|   | <b>For the period ended 27 September 2009</b>                   |   |   |
|---|---|---|---|
|   | <b>Six months<br/>ended<br/>27 September<br/>2009<br/>£'000</b> | <b>Six months<br/>ended<br/>28 September<br/>2008<br/>£'000</b> | <b>Year<br/>ended<br/>29 March<br/>2009<br/>£'000</b> |
| <b>Profit for the period</b>                                | 9,060   | 6,278   | 12,663  |
| Adjustments (see below)                                     | 32,256  | 17,672  | 47,450  |
| <b>Cash generated from operations</b>                       | 41,316  | 23,950  | 60,113  |
| Interest paid   | (4,250)   | (5,213)   | (9,973)   |
| Income tax received/(paid)                                  | 202   | (1,769)   | (3,584)   |
| Net cash generated from operating activities                | 37,268  | 16,968  | 46,556  |
| <b>Cash flows from investing activities</b>                 |   |   |   |
| Acquisition of subsidiary, including overdraft acquired     | (375)   | (382)   | (3,109)   |
| Purchases of property, plant and equipment (PPE)            | (15,944)  | (21,690)  | (50,187)  |
| Purchase of intangible assets                               | (177)   | (469)   | (456)   |
| Proceeds from sale of PPE                                   | -   | 127   | 185   |
| Sale of short-term investment                               | -   | 359   | 359   |
| Receipt of government grants                                | -   | -   | 331   |
| Interest received   | -   | 274   | 394   |
| Net cash used in investing activities                       | (16,496)  | (21,781)  | (52,483)  |
| <b>Cash flows from financing activities</b>                 |   |   |   |
| Dividends paid  | -   | (3,521)   | (5,783)   |
| Proceeds from borrowings                                    | -   | 8,925   | 11,718  |
| Repayments of borrowings                                    | (23,067)  | (544)   | -   |
| New hire purchase loans                                     | -   | -   | 3,154   |
| Repayment of obligations under hire purchase loans          | (842)   | (1,361)   | (2,960)   |
| Proceeds from issue of shares                               | 426   | 437   | 777   |
| Net cash (used in)/ generated from financing activities     | (23,483)  | 3,936   | 6,906   |
| <b>Net (decrease)/ increase in cash and bank overdrafts</b> | (2,711)   | (877)   | 979   |
| Cash and bank overdrafts at beginning of period             | 5,542   | 4,195   | 4,195   |
| Exchange differences  | 129   | 94  | 368   |
| <b>Cash and bank overdrafts at end of period</b>            | 2,960   | 3,412   | 5,542   |
| <b>Net cash and cash equivalents comprises:</b>             |   |   |   |
| Cash at bank  | 3,913   | 4,120   | 5,542   |
| Overdraft   | (953)   | (708)   | -   |
|   | 2,960   | 3,412   | 5,542   |
| <b>Cash generated from operations</b>                       |   |   |   |
| Profit for the period                                       | 9,060   | 6,278   | 12,663  |
| Adjustments for:  |   |   |   |
| - depreciation  | 15,487  | 13,741  | 29,586  |
| - amortisation of intangible assets                         | 3,098   | 2,564   | 6,438   |
| - equity settled share-based payments                       | 676   | 637   | 1,144   |
| - loss on sale of tangible fixed assets                     | 4   | 14  | 672   |
| - profit on sale of short-term investment                   | -   | (233)   | (233)   |
| - finance income  | (1,138)   | (1,601)   | (3,038)   |
| - finance costs   | 5,438   | 6,373   | 12,220  |
| - income tax expense  | 2,747   | 2,222   | 3,669   |
| Changes in working capital:                                 |   |   |   |
| - inventories   | 268   | (2,044)   | (2,986)   |
| - trade and other receivables                               | 4,606   | (2,619)   | 6,871   |
| - trade and other payables                                  | 2,197   | (1,029)   | (7,955)   |
| <b>Cash generated from recurring operations</b>             | 42,443  | 24,303  | 59,051  |
| Decrease in other payables for non-recurring items          | (1,127)   | (353)   | 1,062   |
| <b>Cash generated from operations</b>                       | 41,316  | 23,950  | 60,113  |

The accompanying accounting policies and notes form part of these financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|   | Share<br>capital<br>£'000 | Share<br>Premium<br>£'000 | Merger<br>Reserves<br>£'000 | Cash flow<br>hedging<br>reserve<br>£'000 | Translation<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>attributable<br>to<br>equity<br>holders of<br>the parent<br>£'000 | Minority<br>interest<br>£'000 | Total<br>equity<br>£'000 |
|---|---------------------------|---------------------------|-----------------------------|--|---------------------------------|-------------------------------|--|-------------------------------|--------------------------|
| <b>Balance at 1 April<br/>2008</b>      | 333                       | 60,107                    | 106,757                     | 213                                      | 19,344                          | 32,740                        | 219,494  | 373                           | 219,867                  |
| Issue of shares                         | 2                         | 435                       | -                           | -  | -                               | -                             | 437  | -                             | 437                      |
| Total recognised<br>income and expense  | -                         | -                         | -                           | (3)                                      | 1,674                           | 5,342                         | 7,013  | 46                            | 7,059                    |
| Dividends paid                          | -                         | -                         | -                           | -  | -                               | (3,521)                       | (3,521)  | -                             | (3,521)                  |
| Share-based payments                    | -                         | -                         | -                           | -  | -                               | 637                           | 637  | -                             | 637                      |
| <b>Balance at 28<br/>September 2008</b> | 335                       | 60,542                    | 106,757                     | 210                                      | 21,018                          | 35,198                        | 224,060  | 419                           | 224,479                  |
| Issue of shares                         | 2                         | 338                       | -                           | -  | -                               | -                             | 340  | -                             | 340                      |
| Total recognised<br>income and expense  | -                         | -                         | -                           | (2,789)                                  | 29,922                          | 2,223                         | 29,356   | 129                           | 29,485                   |
| Dividends paid                          | -                         | -                         | -                           | -  | -                               | (2,262)                       | (2,262)  | -                             | (2,262)                  |
| Share-based payments                    | -                         | -                         | -                           | -  | -                               | 746                           | 746  | -                             | 746                      |
| <b>Balance at 29 March<br/>2009</b>     | 337                       | 60,880                    | 106,757                     | (2,579)                                  | 50,940                          | 35,905                        | 252,240  | 548                           | 252,788                  |
| Issue of shares                         | 1                         | 425                       | -                           | -  | -                               | -                             | 426  | -                             | 426                      |
| Total recognised<br>income and expense  | -                         | -                         | -                           | 1,086                                    | (4,633)                         | 5,457                         | 1,910  | 74                            | 1,984                    |
| Dividends payable                       | -                         | -                         | -                           | -  | -                               | (3,696)                       | (3,696)  | -                             | (3,696)                  |
| Share-based payments                    | -                         | -                         | -                           | -  | -                               | 676                           | 676  | -                             | 676                      |
| <b>Balance at 27<br/>September 2009</b> | 338                       | 61,305                    | 106,757                     | (1,493)                                  | 46,307                          | 38,342                        | 251,556  | 622                           | 252,178                  |

## NOTES TO THE HALF YEAR RESULTS

### 1 General information

Synergy Health plc (“the Company”) and its subsidiaries (together “the Group”) delivers a range of specialists services including outsourced sterilisation and infection control support services to healthcare providers and others concerned in health management, in the UK, Rest of Europe, Asia and South Africa. The Company is registered in the United Kingdom under company registration number 3355631 and its registered office is Ground Floor Stella, Windmill Hill Business Park, Swindon, Wiltshire SN5 6NX.

These condensed consolidated interim financial statements have been approved for issue by the board of directors on 12 November 2009.

### 2 Summary of significant accounting policies

#### *Basis of preparation*

These September 2009 condensed consolidated interim financial statements of the Group are for the six months ended 27 September 2009.

The condensed consolidated interim financial statements for the six months to 27 September 2009 have been prepared on the basis of the accounting policies set out in the Group's latest annual financial statements for the year ended 29 March 2009. These accounting policies are drawn up in accordance with adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The comparative figures for the financial year ended 29 March 2009 are not the Group's statutory accounts for that financial year. Those statutory accounts have been reported on by the Group's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The condensed consolidated interim financial statements for the six months to 27 September 2009 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

#### *Going concern*

The directors have reviewed the Group's medium-term forecasts through to March 2011 along with reasonable possible changes in trading performance and foreign currencies arising from these uncertainties to determine whether the committed banking facilities are sufficient to support the Group's projected liquidity requirements, and whether the forecast earnings are sufficient to meet the covenants associated with the banking facilities.

The Group's committed banking facilities are due for renewal in January 2012 and no matters have been brought to the attention of the directors to suggest that renewal may not be forthcoming.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and have continued to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

#### *Significant accounting policies*

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 29 March 2009 except for the adoption of new standards and interpretations, noted below. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

#### ➤ *IFRS 8 Operating Segment*

This standard requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Main board in order to allocate resources to the segments and to assess their performance. The information previously disclosed under the predecessor standard (IAS 14 ‘Segment Reporting’) required the Group to identify two sets of

segments, geographical and business, using a risks and rewards approach. The directors have reviewed the geographical segments identified under IAS 14 and consider that these segments are appropriate under IFRS 8.

- *IAS 1 Presentation of Financial Statements (revised 2007)*  
This requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.
- *IFRIC 14 IAS19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*  
This interpretation deals with when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how a minimum funding requirement might affect the availability of reductions in future contributions; and when a minimum funding requirement might give rise to a liability. The directors have considered this interpretation and concluded that there is no impact on the financial statements.
- *Amendment to IFRS2 Share-based Payment – Vesting Conditions and Cancellations*  
This amendment clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The directors have considered this interpretation and concluded that there is no impact on the financial statements.

There are a number of other accounting standards that have become effective in the current period. However, there is no material impact upon the financial statements.

The condensed consolidated interim financial statements have been prepared under the historical cost convention except that derivative financial instruments are stated at their fair value.

### 3. Statement of Compliance

These condensed consolidated interim financial statements have been prepared and approved by the directors in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the EU (adopted IAS 34). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 29 March 2009.

### 4. Financial Risk Management

The primary risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. These risks and the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 29 March 2009.

### 5. Estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 29 March 2009.

During the 6 months ended 27 September 2009, management reassessed its estimates in respect of actuarial assumptions in relation to the Group's defined benefit pension schemes using professional advice and relevant market benchmark data for discount rates and inflation.

The Group continues to pursue the recovery of insurance proceeds for the fire at the Dunstable linen management facility. However, no amounts have been included in these statements for estimated recoveries as the outcome remains uncertain.

### 6. Segment Information

At 27 September 2009, the Group is organised into three geographical divisions; the UK, Rest of Europe, Asia and South Africa. Information reported to the Main board for the purposes of resource allocation and assessment of segment performance focuses on these geographical divisions.

The segment results for the six months ended 27 September 2009 are as follows:

|   | UK<br>£'000 | Rest of<br>Europe<br>£'000 | Asia and<br>South Africa<br>£'000 | Group<br>£'000 |
|---|-------------|----------------------------|-----------------------------------|----------------|
| Total revenue   | 77,597      | 60,770                     | 4,289                             | 142,656        |
| Operating profit before amortisation, share<br>scheme charges and non-recurring items |             |                            |                                   |                |
|   | 7,313       | 11,218                     | 1,518                             | 20,049         |
| Share scheme charges  |             |                            |                                   | (844)          |
| Amortisation of intangibles   |             |                            |                                   | (3,098)        |
| Non-recurring items   |             |                            |                                   | -              |
| Operating profit after amortisation, share<br>scheme charges and non recurring items  |             |                            |                                   | 16,107         |
| Finance costs - net   |             |                            |                                   | (4,300)        |
| Profit before income tax  |             |                            |                                   | 11,807         |
| Income tax expense  |             |                            |                                   | (2,747)        |
| Profit for the period   |             |                            |                                   | 9,060          |

The segment results for the six months ended 28 September 2008 are as follows:

|  | UK<br>£'000 | Rest of<br>Europe<br>£'000 | Asia and<br>South Africa<br>£'000 | Group<br>£'000 |
|--|-------------|----------------------------|-----------------------------------|----------------|
| Total revenue  | 77,322      | 52,013                     | 3,761                             | 133,096        |
| Operating profit before amortisation, share scheme charges and non-recurring items |             |                            |                                   |                |
|  | 7,239       | 9,328                      | 1,462                             | 18,029         |
| Share scheme charges   |             |                            |                                   | (850)          |
| Amortisation of intangibles  |             |                            |                                   | (2,564)        |
| Non-recurring items  |             |                            |                                   | (1,343)        |
| Operating profit after amortisation, share scheme charges and non-recurring items  |             |                            |                                   | 13,272         |
| Finance costs - net  |             |                            |                                   | (4,772)        |
| Profit before income tax   |             |                            |                                   | 8,500          |
| Income tax expense   |             |                            |                                   | (2,222)        |
| Profit for the period  |             |                            |                                   | 6,278          |

The segment results for the year ended 29 March 2009 are as follows:

|  | UK<br>£'000 | Rest of<br>Europe<br>£'000 | Asia and<br>South Africa<br>£'000 | Group<br>£'000 |
|--|-------------|----------------------------|-----------------------------------|----------------|
| Total revenue  | 154,668     | 111,440                    | 7,992                             | 274,100        |
| Operating profit before amortisation, share scheme charges and non-recurring items |             |                            |                                   |                |
|  | 14,838      | 19,594                     | 2,927                             | 37,359         |
| Share scheme charges   |             |                            |                                   | (1,411)        |
| Amortisation of intangibles  |             |                            |                                   | (6,438)        |
| Non-recurring items  |             |                            |                                   | (3,996)        |
| Operating profit after amortisation, share scheme charges and non-recurring items  |             |                            |                                   | 25,514         |
| Finance costs – net  |             |                            |                                   | (9,182)        |
| Profit before income tax   |             |                            |                                   | 16,332         |
| Income tax expense   |             |                            |                                   | (3,669)        |
| Profit for the period  |             |                            |                                   | 12,663         |

Previously, under IAS 14 the Group provided secondary segment information relating to its business segments. The following table provides an analysis of the Group's revenues by business segment, irrespective of the origin of the goods and services:

|                          | Revenues by business segment                   |  |                                      |
|--------------------------|--|--|--------------------------------------|
|                          | Six months to<br>27 September<br>2009<br>£'000 | Six months to<br>28 September<br>2008<br>£'000 | Year ended<br>29 March 2009<br>£'000 |
| Healthcare solutions     | 88,216   | 85,003   | 174,989                              |
| Decontamination services | 23,949   | 20,989   | 42,878                               |
| Sterilisation services   | 30,491   | 27,104   | 56,233                               |
|                          | 142,656  | 133,096  | 274,100                              |

#### 7. Non-recurring items

There were no non-recurring items in the six months to 27 September 2009 (Six months ended 28 September 2008: £1.3 million, year ended 29 March 2009: £4.0 million).

In the year to March 2009, £1.7 million was incurred in the closure of linen management facilities in the UK and Netherlands, £0.8 million related to costs and fees for admission to the full list and rebranding and £1.5 million related to other group reorganisation costs.

#### 8. Income tax

|   | Six months<br>ended<br>27 September<br>2009<br>£'000 | Six months<br>ended<br>28 September<br>2008<br>£'000 | Year ended<br>29 March 2009<br>£'000 |
|---|--|--|--------------------------------------|
| Current tax – UK                                  | 1,128  | 57   | 353                                  |
| Current tax – Overseas                            | 3,153  | 2,923  | 5,890                                |
| Adjustment in respect of prior years              | -  | -  | (888)                                |
|   | 4,281  | 2,980  | 5,355                                |
| Deferred tax :                                    |  |  |                                      |
| Origination and reversal of temporary differences | (1,534)  | (758)  | (2,034)                              |
| Adjustment in respect of prior years              | -  | -  | 348                                  |
|   | (1,534)  | (758)  | (1,686)                              |
| <b>Total tax in income statement</b>              | <b>2,747</b>   | <b>2,222</b>   | <b>3,669</b>                         |

The Group's effective tax rate for the period on earnings before the amortisation of intangibles and non-recurring items was 24.4 per cent (2008: 23.9 per cent) and this should be sustainable over the full year.

#### 9. Dividends

|   | Six months<br>ended<br>27 September<br>2009<br>£'000 | Six months<br>ended<br>28 September<br>2008<br>£'000 | Year ended<br>29 March 2009<br>£'000 |
|---|--|--|--------------------------------------|
| Amounts recognised as distributions to equity holders in the period:                      |  |  |                                      |
| Final dividend for the year ended 29 March 2009 of 6.8p (2008: 6.6p) per share            | 3,696  | 3,521  | 3,521                                |
| Interim dividend for the year ended 29 March 2009 of 4.2p                                 | -  | -  | -                                    |
|   | 3,696  | 3,521  | 3,521                                |
| Proposed interim dividend for the year ended 28 March 2010 of 4.9p (2008: 4.2p) per share | 2,664  | 2,245  | 2,262                                |

The proposed interim dividend for the year ended 28 March 2010 was approved by the Board on 12 November 2009 and has not been included as a liability in these financial statements.

#### 10. Earnings per share

|   | Six months<br>ended<br>27 September<br>2009<br>£'000 | Six months<br>ended<br>28 September<br>2008<br>£'000 | Year ended<br>29 March 2009<br>£'000     |
|---|--|--|--|
| <b>Earnings</b>   |  |  |  |
| Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent | <b>8,986</b>   | 6,234  | 12,565                                   |
|   | Six months<br>ended<br>27 September<br>2009          | Six months<br>ended<br>28 September<br>2008          | Year ended<br>29 March<br>2009<br>Shares |

|   | Shares<br>'000 | Shares<br>'000 | '000   |
|---|----------------|----------------|--------|
| <b>Number of shares</b>   |                |                |        |
| Weighted average number of ordinary shares for the purposes of basic earnings per share   | 54,082         | 53,372         | 53,589 |
| Effect of dilutive potential ordinary shares:   |                |                |        |
| Share options   | 905            | 1,500          | 710    |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 54,987         | 54,872         | 54,299 |
| <b>Earnings per ordinary share</b>  |                |                |        |
| Basic   | 16.62p         | 11.68p         | 23.45p |
| Diluted   | 16.34p         | 11.36p         | 23.14p |

|   | Six months ended<br>27 September<br>2009<br>£'000 | Six months ended<br>28 September<br>2008<br>£'000 | Year ended<br>29 March 2009<br>£'000 |
|---|---|---|--------------------------------------|
| <b>Adjusted earnings per share</b>  |   |   |                                      |
| Operating profit  | 16,107  | 13,272  | 25,514                               |
| Amortisation of intangibles   | 3,057   | 2,564   | 5,782                                |
| Non-recurring items   | -   | 1,343   | 3,996                                |
| Adjusted operating profit   | 19,164  | 17,179  | 35,292                               |
| Net finance costs   | (4,300)   | (4,772)   | (9,182)                              |
| Adjusted profit on ordinary activities before taxation                              | 14,864  | 12,407  | 26,110                               |
| Taxation on adjusted profit on ordinary activities                                  | (3,634)   | (2,968)   | (6,131)                              |
| Minority interest   | (74)  | (44)  | (98)                                 |
| <b>Adjusted profit for the financial period attributable to equity shareholders</b> | <b>11,156</b>                                     | <b>9,395</b>                                      | <b>19,881</b>                        |
| <b>Adjusted basic earnings per share</b>  | <b>20.63p</b>                                     | <b>17.60p</b>                                     | <b>37.10p</b>                        |
| <b>Adjusted diluted earnings per share</b>  | <b>20.29p</b>                                     | <b>17.12p</b>                                     | <b>36.61p</b>                        |

## 11 Share-based payments

The Group operates seven separate share option schemes for employees and directors of the Group. The following table summarises the options outstanding by scheme at 27 September 2009 which have been valued in accordance with the provisions of IFRS 2.

| Scheme                                 | Options outstanding at 27 September 2009 | Weighted average option price (£) | Vesting conditions                          | Weighted average remaining life in years | Fair value charge in six months to 27 September 2009 £'000 |
|--|--|-----------------------------------|---|--|--|
| The Executive share option scheme 2007 | 621,031                                  | 6.85                              | 3 years, EPS growth                         | 8.7                                      | 99   |
| The approved share option plan         | 163,152                                  | 4.42                              | 4 years                                     | 5.9                                      | 22   |
| The unapproved share option plan       | 417,244                                  | 4.31                              | 4 years                                     | 5.8                                      | 40   |
| Sharesave Scheme                       | 299,932                                  | 4.67                              | 3,5 or 7 years                              | 2.0                                      | 90   |
| The Performance Share Plan             | 65,545                                   | 0.01                              | 3 years                                     | 6.8                                      | 45   |
| The Phantom Performance Share plan     | 63,145                                   | 0.01                              | 3 years                                     | 6.3                                      | 72   |
| Long-Term Incentive Plan               | 1,059,766                                | 0.01                              | 50% EPS growth<br>50% position in TSR table | 1.9                                      | 476  |
|  |  |                                   |   |  | <b>844</b>   |

The fair value of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of fair value of the services received is measured based on a Black-Scholes model for all the schemes other than the TSR element of the LTIP scheme. A model following similar principles to the Monte Carlo model has been used to calculate the fair value of the TSR element of the LTIP scheme.

## 12. Acquisition of subsidiaries

### *Acquisitions in the prior period*

In the twelve month period to 29 March 2009, the Group acquired two businesses, Stomerij Kerkhoffs V.O.F (“Kerkhoffs”) and Wasserij Rozenburg – Giezeman B.V. (“Giezeman”). Details of the net assets acquired and the related consideration were disclosed in the Group’s consolidated financial statements for the year ended 29 March 2009. No amendments to the disclosed fair values have been made.

## 13. Bank overdrafts and loans

During the period, the Group reduced its net loan borrowings by £22.4 million (2008: increase of £7.0 million). The loan bears interest at market rates as adjusted for interest hedging arrangements. At 27 September 2009, £90.0 million of the Group’s total borrowings were covered by fixed interest arrangements.

£71.5 million of the Group’s gross debt is denominated in Euros.

## 14. Provisions

|                                    | <b>Cobalt<br/>disposal costs<br/>£'000</b> | <b>Environmental<br/>provision<br/>£'000</b> | <b>Other provision<br/>£'000</b> | <b>Total<br/>£'000</b> |
|------------------------------------|--|--|----------------------------------|------------------------|
| At 29 March 2009                   | 2,725                                      | 2,981  | 2,686                            | 8,392                  |
| Additional provision in the period | -  | 69   | -                                | 69                     |
| Utilised in the period             | (36)                                       | -  | (624)                            | (660)                  |
| Exchange differences               | -  | (19)   | 1                                | (18)                   |
| <b>At 27 September 2009</b>        | <b>2,689</b>                               | <b>3,031</b>                                 | <b>2,063</b>                     | <b>7,783</b>           |

## 15. Property, plant and equipment

### *Additions and disposals*

During the six months ended 27 September 2009, the Group purchased assets with a total cost of approximately £15.5 million.

## Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

This report has been approved by the board of directors and signed on its behalf by

Stephen Wilson  
Chairman  
12 November 2009

The condensed consolidated interim financial statements for the six months ended 27 September 2009 will be posted to shareholders on 27 November 2009 and copies will be available from that date from the company's registered office or website.

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