

Thursday 10 November 2011

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

**INTERIM RESULTS FOR THE SIX MONTHS ENDED 2 OCTOBER 2011**

Synergy Health (LSE: SYR), a leading provider of specialist outsourced support services to health related markets in the UK & Ireland, Europe & the Middle East, Asia & Africa, and the Americas, announces its interim results for the six months ended 2 October 2011.

	<b>Six months ended 2 October 2011</b>	Six months ended 26 September 2010	<b>% change</b>
Revenue	<b>£155.3m</b>	£138.7m	+ 11.9%
Adjusted operating profit*	<b>£23.1m</b>	£20.6m	+ 12.1%
Adjusted profit before tax*	<b>£20.6m</b>	£18.1m	+ 13.6%
Profit before tax	<b>£16.6m</b>	£14.9m	+ 11.1%
Adjusted basic earnings per share*	<b>28.42p</b>	25.14p	+ 13.0%
Dividend per share (interim)	<b>6.82p</b>	6.00p	+ 13.7%
Operating cash flow	<b>£36.1m</b>	£38.4m	- 5.9%
Net debt	<b>£149.2m</b>	£117.5m	

**Financial Highlights**

- Strong revenue growth up 11.9% to £155.3 million
- Underlying revenues up 7.7% excluding non-core sales, currency effects and acquisitions
- Adjusted operating profit\* margin steady at 14.9%
- EBITDA up 11.9% to £41.8 million
- Net debt at £149.2 million from £112.3 million at 3 April 2011 reflecting increased investment in acquisitions and organic growth

**Operational Highlights**

- Good organic underlying revenue growth in all regions, supported by strong performance in both applied sterilisation: +14.8%; and hospital sterilisation: +12.1% (excluding currency effects)
- A number of contracts have been won across the two sterilisation businesses, with further contract wins by the UK linen business as a result of the closure of NHS in-house facilities
- Our three recent acquisitions in Germany, Malaysia and the USA have all been integrated well and are performing in line with expectations
- A memorandum of understanding has been signed for a second hospital sterilisation facility in China, with a third facility likely also to come to fruition in the near term

**Outlook**

- Contracts worth £8.2 million p.a. have been won in the period which, together with a strong contract renewal rate, have maintained the forward order book at £900 million
- Despite the uncertain macroeconomic environment, all of Synergy's regions are performing in line with management's expectations
- We have increased the level of capital investment in new facilities that will support a sustained level of organic growth in 2012/13
- Given the relative resilience of healthcare services and global medical device demand, the Board remains confident about the outlook for the remainder of the year

**Richard Steeves, Chief Executive of Synergy Health, said:**

“The year has started well with an improving organic growth rate supported by highly selective, bolt-on acquisitions.

“We continue to make good progress with our strategy of developing Synergy’s international presence in outsourced sterilisation services to hospitals and medical device manufacturers. The relatively resilient nature of the healthcare sector, our strong market position and barriers to entry, position us well to maintain growth.”

\* Note: Adjusted operating profit, adjusted profit before tax and adjusted earnings per share shown above are before amortisation of acquired intangibles and non-recurring items, as shown in the Group’s consolidated income statement and the accompanying notes.

**Further information:**

There will be a meeting for analysts at 9.30am today, 10 November 2011, at the offices of FTI Consulting. For further information please contact Susan Quigley on +44 (0)207 269 7169 or at [susan.quigley@fticonsulting.com](mailto:susan.quigley@fticonsulting.com).

**For further information:**

**Synergy Health plc**

Dr Richard Steeves, Chief Executive  
Gavin Hill, Finance Director

**07768 020202**  
**07850 312262**

**FTI Consulting**

Ben Brewerton / Susan Quigley

**020 7831 3113**

## CHIEF EXECUTIVE'S REVIEW

### Results

The first half of this year has progressed in line with the Board's expectations with steady revenue growth and stable margins. The global economic situation undoubtedly creates a more challenging backdrop for the Group, but with such strong market positions, and a solid balance sheet, we are taking the opportunity to continue to develop our Group at a time when smaller competitors will be challenged.

Revenues increased 11.9% to £155.3 million (2010: £138.7 million) through a combination of good organic growth and contributions from acquisitions. Revenues (before currency effects) were up 10.5% and underlying organic growth was up 7.7%. Gross margins improved by 150 basis points to 39.3% (2010: 37.8%) reflecting a change in mix in our services. Adjusted operating margins remained steady at 14.9% leading to an increase in adjusted operating profits of 12.1% to £23.1 million (2010: £20.6 million).

Working capital has increased due to timing differences and the effect of the NHS and other customers seeking to extend their payment terms but operating cash flow during the period was still strong at £36.1 million (2010: £38.4 million). In order to increase growth rates we have continued to pursue our dual strand strategy of increasing our investment in new facilities and continuing to acquire selected businesses. Total net capital expenditure was £27.7 million (2010: £18.4 million) with much of the investment in new hospital sterilisation facilities in the UK, and the construction of new applied sterilisation capacity. In addition, we invested £9.9 million in the acquisition of Sterilgamma from receivership in Malaysia. With the increased expenditure net debt increased in the period from £112.3 million to £149.2 million, which represents a relatively ungeared EBITDA multiple of 1.8 times. We have a continued focus on lifting our operating returns on capital employed, and during the period we saw an increase to 11.1% (2010: 10.8%).

Basic adjusted EPS was 28.42p (2010: 25.14p), a rise of 13.0%.

The forward order book has remained steady at £900 million after winning £8.2 million of new contracts across all of our businesses. Our track record of retaining all contracts that require renewal remains intact. However, new contract wins are taking longer in the current climate as a result of slower public sector decision making.

### Dividend

The Board has declared an interim dividend of 6.82 pence per share (2010: 6.00 pence), an increase of 13.7% and in line with Synergy's policy to increase dividends in line with underlying earnings. The dividend will be paid on 15 December 2011 to shareholders on the register on 18 November 2011.

### Strategy and business review

Synergy is an international leader in the provision of outsourced sterilisation services to the healthcare market. Our hospital sterilisation services process reusable devices, principally for operating theatres, and is the largest outsourced provider of these services in Europe and China. We continue to promote the development of the outsourcing market in these two geographies, with priority being given to China. Globally this business has grown at 12.1% during the first half, with a number of contract starts offset by slightly depressed patient volumes in the UK's NHS. We believe this reduction in surgical procedures was a one-off structural event as NHS hospitals took advantage of the opportunity to save costs by extending waiting lists.

The applied sterilisation business is the second largest service provider globally, working with medical device manufacturers as well as other industries that have an innovative use for our technologies. Our strategy is to continue to progressively expand the business with a focus on Asia and Central America (principally Costa Rica). Globally, our applied sterilisation service has grown by 43.4% including acquisitions in Germany, the United States and Malaysia. Excluding acquisitions, the business grew at 14.8%.

Growth in the two linen businesses in the UK and the Netherlands was 0.9%, reflecting mature markets and our strategy to focus these businesses on cash generation.

The healthcare solutions business, which manufactures infection control, patient hygiene, surgical and woundcare products, has for some time suffered from a difficult competitive environment in the UK. As a result, efforts have been directed at expanding the business internationally. Good progress has been made creating a stable environment and now re-launching the core business units, we expect to see an improved contribution to the Group.

Overall, we are pleased with the progress we are making towards our strategic objectives. The demand for our services is partially driven by demanding 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. The current economic problems in Europe and the UK are also having an impact on publicly funded healthcare markets, creating increased cost awareness. This more challenging economic environment will ultimately have a positive impact on the rate of outsourcing, but whilst we have a period of uncertainty, customer decision making can be slow.

## **Regions**

### **United Kingdom & Ireland**

The UK & Ireland region is progressing in line with expectations that reflect the economic background. Reported revenues were up 2.9% to £78.2 million (2010: £76.0 million). Underlying revenues were up 10.3% after excluding non-core and currency effects. Margins were up 10 basis points to 16.4% (2010: 16.3%) resulting in operating profits of £12.9 million (2010: £12.4 million).

The businesses in the region are performing well, with growth coming from the sterilisation businesses whilst the linen business focuses on cash generation. The hospital sterilisation business grew at 12.5%, which was slightly lower than expected. During the period we opened two new sterilisation facilities, as well as having the benefit of a third facility that started in February 2011. The impact of the new contract revenues was muted by a small fall in underlying surgical patient volumes as the NHS appeared to use a one off opportunity to extend waiting lists and thereby reduce cost. However, volumes are recovering in the second half of the year to date.

The applied sterilisation service had a good period with revenues up 10.8% on a constant currency basis. The business won several new sterilisation contracts, and generally the UK volumes have been resilient to the economic downturn.

The linen business grew at 3.5% and was unaffected by the reduction in surgeries. In recent weeks the linen business has won two new contracts, one of which is as a result of the closure of a NHS in-house facility. As the NHS continues to look for cost savings, we would expect many of the circa 25 remaining in-house facilities to give serious thought to closure and outsourcing.

Lastly, our products based business has stabilised in revenue terms but we have yet to see a recovery in the margins as a result of substantial increases in our commodity-driven cost of materials. We are in the process of re-launching each of our product areas to improve their competitive positioning, to aggressively continue our international expansion, and to regain market share in the UK. During the period, a manufacturing site was closed and relocated. We intend to close a second site by the end of the financial year, which will consolidate all manufacturing operations into one location.

Looking ahead we remain confident in the region as we continue to grow our sterilisation business, NHS in-house linen services move towards outsourcing, and the positive impact of our healthcare solutions initiatives start to feed through.

## **Europe & the Middle East**

The Europe & Middle East region is stable with both our sterilisation businesses largely operating at or near to capacity and a mature Dutch linen business. Reported revenues for the region were up 11.5% to £62.7 million (2010: £56.2 million), but up a more modest 3.3% excluding acquisitions and currency effects. Operating profits were up 5.4% to £9.7 million (2010: £9.2 million) with margins down 90 bps to 15.5% (2010: 16.4%).

Applied sterilisation services saw very strong revenue growth of 17.7% excluding acquisitions and currency effects, with continuing growth in the Netherlands and Germany. Our facility in Venlo, the Netherlands, is being extended in January 2012, which together with the new gamma facility in Marcoule, France, will create additional capacity to support growth.

The hospital sterilisation business operating in the Netherlands and Belgium grew at 1.8% excluding currency effects. We have increased our investment in our commercial teams with the objective of expanding our European network. We continue to believe that the German market will be receptive to our outsourcing services, but we have recognised the need to raise awareness of Synergy Health as a brand in this market.

Our Dutch linen business is mature, operating in a consolidated market where all of the services have been outsourced. Reported revenues were up 3.8%, although broadly flat when we exclude currency effects. As highlighted last year, our main competitor in the Netherlands has been attempting to win market share through lower prices, but to date we have retained our market share. Having reviewed our competitive options and the relative strength of our businesses, we believe we can respond to the competitor appropriately, and take market share.

## **Asia & Africa**

Asia & Africa, together with our new Americas region, are Synergy's two high growth opportunities. Reported revenues for the region were up 29.8% to £8.2 million (2010: £6.3 million). Operating profits were up 28.8% to £1.7 million (2010: £1.3 million) with margins steady at 20.4% (2010: 20.6%). The region benefited from strong growth in the sterilisation businesses, with good progress being made in China. In addition we acquired Sterilgamma in Malaysia out of receivership, enabling us to expand our applied sterilisation facilities.

Hospital sterilisation services in China were up 25.8% with the addition of new hospitals into the Suzhou facility. During the period we have signed a memorandum of understanding for a second facility in Nantong and we are expecting to sign a third contract in the near future. We originally set out a strategy to create a network of around 15 hospital sterilisation facilities in China, and whilst progress has not been as quick as we first envisaged, we nonetheless believe we will achieve our objectives in the coming years. China is creating the world's largest national health service, and Synergy would like to play an important role in this initiative.

In Malaysia, we have established a minority partnership with the KPJ Healthcare private hospital group, opening our first hospital sterilisation facility. The partnership is at an early stage and established primarily to explore the possibility of creating a more developed outsourcing market.

Our applied sterilisation business has grown by 32.1% with further growth in Suzhou and the acquisition of Sterilgamma in Malaysia. On the basis of current contract wins we expect the Suzhou facility to be full within 12 months and we are giving thought to further expansion in China. Meanwhile, the integration of Sterilgamma has gone well. The business is performing well and margins have been improved, although they have some way to progress before they reach the Group's levels.

In Africa, we have seen strong growth in our applied sterilisation business, where we process a mixture of medical devices and food.

We remain committed to developing the Asia and Africa region, and remain confident that it will continue to be one of our two strong growth areas.

**Americas**

The Americas region is our newest, having established our presence in the territory through the acquisition of the applied sterilisation business, BeamOne, which was completed on 7 April 2011. Reported revenues were £6.2 million, up 24.0% on a pro-forma basis, excluding currency effects. Operating profits were £1.3 million, with margins at 21.3%.

The business has integrated well with the Group, noticeably making a wider contribution to the overall development of our business. During the period we have started the construction of a second electron beam facility and a new ethylene oxide plant in Costa Rica, in line with our strategy to develop in the country. In addition, we opened an ethylene oxide facility in Florida, which was opportunistic and not strictly in line with our strategy. We expect the region to continue to grow strongly as we fill the remaining capacity in the US and bring the new facilities on line in Costa Rica during the summer of 2012.

**Outlook**

Having made a good start to the year we expect the momentum to be maintained in the second half. Patient volumes in the UK are returning to normal levels and more broadly, the demand for the Group's services remains in line with expectations. The new capacity that we have coming on stream will also benefit the Group. While there is a high degree of volatility and macroeconomic uncertainty, the Board remains confident about the outlook for the remainder of the year.

## Finance Director's report

### Overview

Our business delivered a strong first half financial performance with revenue growing 11.9% and adjusted operating profit increasing by 12.1%. Our adjusted operating margin was maintained at 14.9%. Adjusted EPS grew by 13.0% to 28.42p.

An operating cash flow of £36.1 million reflected a conversion of EBITDA into operating cash of 86%. Debt funding for acquisitions increased net debt to £149.2 million. At the end of July 2011 we signed a new 5 year multi-currency revolving facilities agreement with a group of 7 banks and, at the half year, were comfortably within all of our covenants.

Adjusted operating returns on average capital employed increased to 11.1% from 10.8% at the year end.

### 1. Income statement

Synergy's income statement is summarised below.

Figure 1: Income statement

	Six months ended 2 October 2011 £m	Six months ended 26 September 2010 £m	Change
Revenue	155.3	138.7	+11.9%
Gross Profit	61.0	52.4	+16.3%
Administrative expenses	(37.9)	(31.8)	
Adjusted operating profit	23.1	20.6	+12.1%
Net finance costs	(2.5)	(2.5)	
Adjusted profit before tax	20.6	18.1	+13.6%
Amortisation of acquired intangibles	(3.7)	(3.2)	
Non-recurring items	(0.3)	-	
Profit before tax	16.6	14.9	+11.1%
Tax	(3.4)	(3.0)	
Profit for the period	13.2	11.9	+10.6%
Effective tax rate <sup>1</sup>	23.1%	23.6%	
Adjusted earnings per share – basic	28.42p	25.14p	+13.0%
Earnings per share – basic	23.66p	21.63p	+9.4%
Adjusted earnings per share – diluted	27.95p	24.73p	+13.0%
Earnings per share – diluted	23.27p	21.27p	+9.4%
Dividend per share	6.82p	6.00p	+13.7%

<sup>1</sup> The effective tax rate is calculated excluding amortisation on acquired intangibles and non-recurring items

#### 1.1 Revenue

Revenue grew by 11.9% to £155.3 million (2010: £138.7 million). Revenue growth, excluding currency effects, was 10.5%. The change in currency exchange rates over the last 6 months against the comparative period has had a positive effect on reported revenues of £1.9 million.

The prior year comparative included non-core business that was sold at the beginning of this financial year. Underlying revenue growth, excluding currency effects and non-core business, was 15.0%. Revenue in the first half included the acquisitions of GSP, BeamOne and Sterilgamma. Excluding these acquisitions, underlying organic revenue growth was 7.7%.

Underlying organic revenues grew across all our business segments, with the UK & Ireland at 10.3%, Europe & the Middle East at 3.3%, and Asia & Africa at 14.5%. On a pro-forma basis, growth in our new Americas business was 29.4%. Our main growth service lines all experienced good organic and reported growth. Global growth for hospital sterilisation was 12.1%, assisted by the contribution of new contracts in the period. Applied sterilisation revenue grew by 43.4% including acquisitions, and 14.8% once these are excluded. Our mature linen business was broadly flat at 0.9%.

## **1.2 Gross profit**

Gross profit increased by 16.3% to £61.0 million (2010: £52.4 million), representing a gross profit margin of 39.3%, an increase of 150 basis points over the previous year.

## **1.3 Adjusted operating profit**

Adjusted operating profit increased by 12.1% to £23.1 million, representing an adjusted operating profit margin of 14.9%, consistent with the comparative period (14.9% excluding currency effects). This year has seen an increase in the level of activity around acquisition integration, and contract and facility start-ups.

## **1.4 Non-recurring items**

Net non-recurring items during the period of £0.3 million include acquisition related transaction fees, the disposal of Fast Aid, restructuring costs, and the final settlement of insurance claims. As per 'IFRS 3 (Revised) Business Combinations', transaction fees are recognised in the income statement. Restructuring activities resulting from the rationalisation of manufacturing facilities within our healthcare solutions business will result in an increase in non-recurring charges in the second half of the year.

## **1.5 Net finance costs**

The Group's net finance costs were £2.5 million, consistent with the comparative half year. The net finance costs have remained broadly at the same level despite an increase in the amount of debt as a result of some of the Group's higher rate interest fixings having expired. The average interest rate of the Group's debt is approximately 3.2%.

## **1.6 Adjusted profit before tax**

Adjusted profit before tax was £20.6 million (2010: £18.1 million), an increase of 13.6%. The adjusted profit before tax margin was 13.2% (2010: 13.1%), an increase of 10 basis points.

## **1.7 Amortisation of acquired intangibles**

Amortisation of acquired intangibles relates to intangible assets identified on acquisitions, being the value of customer contracts and relationships. The increase relates to intangibles recognised on the acquisitions of BeamOne and of Sterilgamma.

## **1.8 Tax**

The tax charge (excluding amortisation of acquired intangibles) of £4.8 million (2010: £4.3 million) represents an effective tax rate of 23.1% (2010: 23.6%), broadly consistent with 2010. The effective rate is lower than the standard UK rate, mainly reflecting the geographical mix of profits arising in territories with lower rates of taxation.

## **1.9 Earnings per share (EPS)**

Adjusted basic earnings per share and adjusted diluted earnings per share, after adjusting for amortisation of intangibles and non-recurring items, increased by 13.0%. After amortisation of acquired intangibles, basic and diluted earnings per share increased by 9.4%.

## **2. Dividend**

Our policy is to increase the total dividend each year in line with the increase in underlying earnings. On 9 November 2011, the Board proposed an interim dividend of 6.82p (2010: interim dividend of 6.00p per share), representing an increase on the 2010 dividend of 13.7%.

### 3. Cash flow

The Group cash flow is summarised below.

Figure 2: Cash flow

	Six months ended 2 October 2011 £m	Six months ended 26 September 2010 £m
<b>Adjusted operating profit</b>	<b>23.1</b>	20.6
Non-cash items	<b>18.7</b>	16.8
<b>Adjusted EBITDA</b>	<b>41.8</b>	37.4
Working capital movement	<b>(5.4)</b>	1.0
Non-recurring items	<b>(0.3)</b>	-
<b>Cash generated from operations</b>	<b>36.1</b>	38.4
Interest	<b>(2.6)</b>	(2.7)
Tax	<b>(5.7)</b>	(0.5)
Net maintenance expenditure on tangible and intangible assets	<b>(12.1)</b>	(10.4)
<b>Free cash flow</b>	<b>15.7</b>	24.8
Acquisition of subsidiaries, net of cash acquired	<b>(25.9)</b>	-
Net investment expenditure on tangible and intangible assets	<b>(15.5)</b>	(8.0)
Financing	<b>14.5</b>	(17.7)
Dividends paid	<b>(5.4)</b>	(4.5)
Proceeds from share issues	<b>0.7</b>	0.3
Net decrease in cash and cash equivalents	<b>(15.9)</b>	(5.1)

Note: Adjusted EBITDA is earnings before interest, tax, depreciation, intangible amortisation and other non-cash items

#### 3.1 Cash generated from operations

Cash generated from operations in the year decreased by 5.9% to £36.1 million (2010: £38.4 million), due primarily to timing differences on cash payments, the effect of upward pressure on NHS payment terms, and an increase in working capital to support the growing business. Operating cash flow reflected a conversion of EBITDA into cash of 86% (2010: 103%).

#### 3.2 Interest

Net interest paid was £2.6 million (2010: £2.7 million) reflecting a lower cost of borrowing, offsetting a higher level of net debt throughout the period.

#### 3.3 Tax

Tax paid was £5.7 million (2010: £0.5 million). Cash tax is slightly higher than the equivalent income tax charge in the income statement as a result of timing differences on payments. The prior year comparative benefited from the one-off recognition of tax repayments.

#### 3.4 Net expenditure on tangible and intangible assets

The Group has increased its investment in new capacity during the course of the year, as well as continuing to upgrade and maintain its existing infrastructure. Total net capital additions of £27.6 million (2010: £18.4 million) were made during the year.

We analyse capital expenditure between 'maintenance' and 'investment' expenditure. Maintenance capital expenditure is the capital required to replace the existing capital base. Investment capital expenditure enhances the capacity or efficiency of the Group's capital base.

The main items of necessary ongoing capital expenditure are cobalt 60 for applied sterilisation services as the radiation source for gamma sterilisation plants, textiles for the linen business, and general replacement of plant and machinery around the Group. Total maintenance capital expenditure was £12.1 million of which £5.2 million and £6.3 million were spent on cobalt and textiles respectively. Maintenance capital expenditure for cobalt is weighted towards the first half of the year.

Total investment capital expenditure was £15.5 million, of which £4.6 million and £5.9 million relates to construction of new UK hospital sterilisation and applied sterilisation facilities respectively. The remaining balance was spent on cobalt, property, plant and machinery, and IT (principally on our new ERP project). Of the £5.9 million incurred on construction of new applied sterilisation facilities and expansion of existing ones, £4.2 million has been incurred on an additional e-beam facility in Costa Rica and two new ethylene oxide facilities; one in Costa Rica and the other in Florida. Outside the Americas region we have spent a total of £1.7 million on ethylene oxide expansion in both Malaysia and the Netherlands, as well incurring early stage costs for our new gamma facility in Marcoule, France.

Our ERP project is progressing well and we expect to commence implementing the new system from the first quarter of the next calendar year. The project will replace our financial systems across the Group with a new standardised platform. Additionally, we are also replacing the applied sterilisation operating systems as part of the integrated ERP environment. We have to date incurred total project costs of £1.1 million, of which £0.9 million was spent in this period.

This level of capital expenditure is expected to remain into the second half of the year as we progress with the construction of these new and expanded facilities.

### 3.5 Financing

The movement in financing resulted primarily from increased borrowing to fund the Group's acquisitions in the Americas and in Malaysia.

## 4 Net debt and funding

### 4.1 Net debt

Net debt increased in the period from £112.3 million to £149.2 million. Net debt is defined as interest bearing loans and borrowings less cash and cash equivalents, excluding capitalised facility fees. Facility fees amounting to £1.9 million were incurred in the period.

The increase in net debt is primarily a result of the Group's acquisitions in the period. The movement in the net debt is reconciled below:

**Figure 3: Movement in net debt**

	£m
<b>Net debt as at 3 April 2011</b>	<b>112.3</b>
Exchange rate impacts	2.3
Free cash flow	(15.7)
Investment capital expenditure	15.5
Acquisitions	25.9
Dividends paid	5.4
Other items	3.5
<b>Net debt as at 2 October 2011</b>	<b>149.2</b>

### 4.2 Funding

On 26 July 2011 the Group refinanced its main banking facility and signed a new 5 year unsecured Multi-currency Revolving Facilities Agreement ("the Agreement"), which replaced the Company's previous facility, which had been due to mature in January 2012.

The Agreement has been entered into with a group of 7 banks and comprises a Sterling denominated multi-currency facility of £105 million and a Euro denominated multi-currency facility of €130 million.

The Group remains comfortably within the covenants set out in the Agreement.

The debt is split between Sterling, Euros and US Dollars with the currency mix and level of fixed interest debt within each currency as follows:

**Figure 4: Composition of gross debt as at 2 October 2011**

	Level of debt £m	Level of fixed interest debt £m
Sterling	79.1	10.6
Euros	63.2	9.3
US Dollar	28.2	22.5
Other	0.8	-
<b>Total</b>	<b>171.3</b>	<b>42.4</b>

The Euro denominated debt, which is held in the UK, is held as a hedge against the Group's Euro denominated net assets (excluding goodwill and intangibles) of €129 million. The US Dollar denominated debt is held as a hedge against the Group's US Dollar denominated net assets (excluding goodwill and intangibles) of \$45 million. As at 2 October, 24.8% of the total debt was held at fixed rates of interest.

## 5 Pensions

The Group operates three final salary schemes in the UK, one in the Netherlands, and one in Germany, following the acquisition of GSP. The Group also operates several defined contribution schemes.

In the UK the Group is required to maintain a final salary pension scheme for employees who have transferred from the NHS, which has to be acceptable to the Government Actuary's Department. With the exception of NHS transferees, the Group's defined benefit schemes are closed to new entrants and with effect from 1 April 2011, are closed to future accruals; active members have been transferred to deferred status and invited to join the Group's UK defined contribution scheme.

At 2 October 2011, the net liability arising from our defined benefit scheme obligations was £16.0 million (2010: £19.1 million). The increase in the deficit from the year end reflects an increase in liabilities due to a reduction in the discount rate, which has only been partially compensated by an increase in the asset base.

**Figure 5: Defined benefit pension schemes**

	At 2 October 2011 £m	At 26 September 2010 £m	At 3 April 2011 £m
Synergy Healthcare plc Retirement Benefits Scheme	1.0	1.7	1.2
Shiloh Group Pension Scheme	2.3	3.1	1.0
Vernon Carus Limited Pension and Assurance Scheme	10.7	12.6	8.2
Isotron BV Pension and Assurance Scheme	1.5	1.7	1.3
GSP	0.5	-	0.6
<b>Balance sheet liabilities</b>	<b>16.0</b>	<b>19.1</b>	<b>12.3</b>

## Condensed consolidated income statement

	Note	Six months ended 2 October 2011			Six months ended 26 September 2010		
		Before amortisation of acquired intangibles and non-recurring items £'000	Amortisation of acquired intangibles and non-recurring items (note 7) £'000	Total £'000	Before amortisation of acquired intangibles and non-recurring items £'000	Amortisation of acquired intangibles and non-recurring items (note 7) £'000	Total £'000
<b>Continuing operations</b>							
Revenue	6	155,303	-	155,303	138,728	-	138,728
Cost of sales		(94,326)	-	(94,326)	(86,292)	-	(86,292)
<b>Gross profit</b>		<b>60,977</b>	<b>-</b>	<b>60,977</b>	<b>52,436</b>	<b>-</b>	<b>52,436</b>
Administrative expenses							
– Administration expenses excluding amortisation of acquired intangibles		(37,868)	(331)	(38,199)	(31,816)	-	(31,816)
– Amortisation of acquired intangibles		-	(3,654)	(3,654)	-	(3,191)	(3,191)
		(37,868)	(3,985)	(41,853)	(31,816)	(3,191)	(35,007)
<b>Operating profit</b>	6	<b>23,109</b>	<b>(3,985)</b>	<b>19,124</b>	<b>20,620</b>	<b>(3,191)</b>	<b>17,429</b>
Finance income		1,678	-	1,678	1,431	-	1,431
Finance costs		(4,214)	-	(4,214)	(3,933)	-	(3,933)
Net finance costs		(2,536)	-	(2,536)	(2,502)	-	(2,502)
<b>Profit before tax</b>		<b>20,573</b>	<b>(3,985)</b>	<b>16,588</b>	<b>18,118</b>	<b>(3,191)</b>	<b>14,927</b>
Income tax	8	(4,760)	1,357	(3,403)	(4,275)	1,264	(3,011)
<b>Profit for the period</b>		<b>15,813</b>	<b>(2,628)</b>	<b>13,185</b>	<b>13,843</b>	<b>(1,927)</b>	<b>11,916</b>
Attributable to:							
Equity holders of the parent		15,677	(2,628)	13,049	13,786	(1,927)	11,859
Non-controlling interests		136	-	136	57	-	57
		15,813	(2,628)	13,185	13,843	(1,927)	11,916
<b>Earnings per share</b>							
Basic	10			<b>23.66p</b>			21.63p
Diluted	10			<b>23.27p</b>			21.27p

The income statement includes both continuing and discontinued operations. Details of discontinued operations are disclosed in note 7.

## Condensed consolidated income statement

	Note	Period ended 3 April 2011		
		Before amortisation of acquired intangibles and non-recurring items £'000	Amortisation of acquired intangibles and non-recurring items (note 7) £'000	Total £'000
<b>Continuing operations</b>				
Revenue	6	287,314	–	287,314
Cost of sales		(177,633)	–	(177,633)
<b>Gross profit</b>		109,681	–	109,681
Administrative expenses				
– Administration expenses excluding amortisation of acquired intangibles		(66,637)	3,278	(63,359)
– Amortisation of acquired intangibles		–	(6,265)	(6,265)
		(66,637)	(2,987)	(69,624)
<b>Operating profit</b>		43,044	(2,987)	40,057
Finance income		4,205	1,446	5,651
Finance costs		(8,975)	–	(8,975)
Net finance costs		(4,770)	1,446	(3,324)
<b>Profit before tax</b>		38,274	(1,541)	36,733
Income tax	8	(8,686)	752	(7,934)
<b>Profit for the period</b>		29,588	(789)	28,799
Attributable to:				
Equity holders of the parent		29,406	(789)	28,617
Non-controlling interests		182	–	182
		29,588	(789)	28,799
<b>Earnings per share</b>				
Basic	10			52.10p
Diluted	10			51.23p

## Consolidated statement of comprehensive income

	Six months ended 2 October 2010 £'000	Six months ended 26 September 2010 £'000	Period ended 3 April 2011 £'000
<b>Profit for the period</b>	<b>13,185</b>	11,916	28,799
<b>Other comprehensive income/(expense) for the period:</b>			
Exchange differences on translation of foreign operations	(3,512)	(8,748)	(2,647)
Cash flow hedges – derivative instrument effective portion	(1,272)	260	438
Actuarial (loss)/gain on defined benefit pension plans	(4,996)	(3,962)	2,454
Provision for deferred tax on defined benefit pension plans	1,139	1,110	(932)
	<b>(8,641)</b>	(11,340)	(687)
<b>Total comprehensive income for the period</b>	<b>4,544</b>	576	28,112
Attributable to:			
Equity holders of the parent	4,427	569	28,029
Non-controlling interests	117	7	83
	<b>4,544</b>	576	28,112

## Consolidated statement of financial position

	Note	At 2 October 2011 £'000	At 26 September 2010 £'000	At 3 April 2011 £'000
<b>Non-current assets</b>				
Goodwill		205,387	189,087	193,577
Other intangible assets		47,236	39,717	39,380
Property, plant and equipment		232,827	198,607	209,829
Investment property		965	975	970
Investments		450	-	-
Trade and other receivables		1,600	1,387	1,361
<b>Total non-current assets</b>		<b>488,465</b>	<b>429,773</b>	<b>445,117</b>
<b>Current assets</b>				
Inventories		13,872	12,577	13,513
Trade and other receivables		50,800	46,427	48,673
Cash and cash equivalents		22,122	3,064	38,781
<b>Total current assets</b>		<b>86,794</b>	<b>62,068</b>	<b>100,967</b>
<b>Total assets</b>		<b>575,259</b>	<b>491,841</b>	<b>546,084</b>
<b>Capital and reserves attributable to the Group's equity holders</b>				
Share capital		344	343	344
Share premium account		64,188	62,669	63,531
Translation reserve		41,945	39,288	45,438
Cash flow hedging reserve		(1,384)	(290)	(112)
Merger reserve		106,757	106,757	106,757
Retained earnings		77,232	54,318	72,634
<b>Equity attributable to equity holders of the parent</b>		<b>289,082</b>	<b>263,085</b>	<b>288,592</b>
Non-controlling interest		761	568	644
<b>Total equity</b>		<b>289,843</b>	<b>263,653</b>	<b>289,236</b>
<b>Current liabilities</b>				
Bank overdraft		-	2,297	-
Interest bearing loans and borrowings		6,386	12,910	139,414
Trade and other payables		61,073	58,851	60,254
Derivative financial instruments		1,384	-	112
Current tax liabilities		9,487	8,836	9,539
Short-term provisions	11	6,321	919	375
<b>Total current liabilities</b>		<b>84,651</b>	<b>83,813</b>	<b>209,694</b>
<b>Non-current liabilities</b>				
Interest bearing loans and borrowings		163,071	105,352	11,689
Retirement benefit obligations		16,048	19,059	12,251
Deferred tax liabilities		9,244	11,775	12,171
Provisions	11	12,099	7,846	10,705
Deferred government grants		303	343	338
<b>Total non-current liabilities</b>		<b>200,765</b>	<b>144,375</b>	<b>47,154</b>
<b>Total liabilities</b>		<b>285,416</b>	<b>228,188</b>	<b>256,848</b>
<b>Total equity and liabilities</b>		<b>575,259</b>	<b>491,841</b>	<b>546,084</b>

## Consolidated cash flow statement

	At 2 October 2011 £'000	At 26 September 2010 £'000	At 3 April 2011 £'000
Profit for the period	13,185	11,916	28,799
Adjustments	22,950	26,492	54,932
Cash generated from operations	36,135	38,408	83,731
Income tax paid	(5,716)	(452)	(6,262)
<b>Net cash generated from operating activities</b>	<b>30,419</b>	<b>37,956</b>	<b>77,469</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries – net of cash	(25,829)	-	(1,560)
Purchase of property, plant and equipment (PPE)	(27,328)	(18,009)	(37,599)
Purchase of intangible assets	(425)	(455)	(569)
Proceeds from sale of PPE	34	-	1,293
Receipt of government grants	107	39	63
Interest received	278	-	2,856
<b>Net cash used in investing activities</b>	<b>(53,163)</b>	<b>(18,425)</b>	<b>(35,516)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(5,432)	(4,540)	(7,838)
Proceeds from borrowings	44,270	2,420	90,531
Repayment of borrowings	(28,504)	(20,080)	(82,784)
Repayment of hire purchase loans and finance leases	(1,304)	(76)	(3,880)
Interest paid	(2,834)	(2,683)	(5,863)
Proceeds from issue of shares	658	327	1,189
<b>Net cash generated/(used) in financing activities</b>	<b>6,854</b>	<b>(24,632)</b>	<b>(8,645)</b>
<b>Net (decrease)/increase in cash and bank overdrafts</b>	<b>(15,890)</b>	<b>(5,101)</b>	<b>33,308</b>
Cash and bank overdrafts at beginning of period	38,781	6,275	6,275
Exchange differences	(769)	(407)	(802)
<b>Cash and bank overdrafts at end of period</b>	<b>22,122</b>	<b>767</b>	<b>38,781</b>

The 26 September 2010 comparative has been restated to reclassify interest paid from operating activities to financing activities.

	At 2 October 2011 £'000	At 26 September 2010 £'000	At 3 April 2011 £'000
<b>Cash generated from operations</b>			
Profit for the period	13,185	11,916	28,799
Adjustments for:			
– depreciation and impairments	17,231	16,026	33,799
– amortisation of intangible assets	3,729	3,364	6,591
– equity-settled share-based payments	1,022	539	1,088
– loss on sale of tangible fixed assets	467	10	156
– finance income	(1,678)	(1,431)	(5,651)
– finance costs	4,214	3,933	8,975
– income tax expense	3,403	3,011	7,934
Changes in working capital:			
– inventories	(392)	92	(769)
– trade and other receivables	1,891	(300)	(1,332)
– trade, other payables and provisions	(5,813)	1,248	2,028
<b>Cash generated from recurring operations</b>	<b>37,259</b>	<b>38,408</b>	<b>81,618</b>
Increase in other payables from non-recurring items	(1,124)	-	2,113
<b>Cash generated from operations</b>	<b>36,135</b>	<b>38,408</b>	<b>83,731</b>

## Condensed consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Cash flow hedging reserves £'000	Translation reserve £'000	Retained earnings £'000	Total attributable to equity holders of the parent £'000	Non-controlling interest £'000	Total equity £'000
<b>Balance at 28 March 2010</b>	342	62,344	106,757	(550)	47,986	48,928	265,807	561	266,368
Consolidated statement of comprehensive income	-	-	-	260	(8,698)	9,007	569	7	576
Dividends paid	-	-	-	-	-	(4,540)	(4,540)	-	(4,540)
Issue of shares	1	325	-	-	-	-	326	-	326
Share-based payments (net of tax)	-	-	-	-	-	923	923	-	923
<b>Balance at 26 September 2010</b>	343	62,669	106,757	(290)	39,288	54,318	263,085	568	263,653
Consolidated statement of comprehensive income	-	-	-	178	6,150	21,132	27,460	76	27,536
Dividends paid	-	-	-	-	-	(3,298)	(3,298)	-	(3,298)
Issue of shares	1	862	-	-	-	-	863	-	863
Share-based payments (net of tax)	-	-	-	-	-	482	482	-	482
<b>Balance at 3 April 2011</b>	<b>344</b>	<b>63,531</b>	<b>106,757</b>	<b>(112)</b>	<b>45,438</b>	<b>72,634</b>	<b>288,592</b>	<b>644</b>	<b>289,236</b>
Consolidated statement of comprehensive income	-	-	-	(1,272)	(3,493)	9,192	4,427	117	4,544
Dividends paid	-	-	-	-	-	(5,432)	(5,432)	-	(5,432)
Issue of shares	-	657	-	-	-	-	657	-	657
Share-based payments (net of tax)	-	-	-	-	-	838	838	-	838
<b>Balance at 2 October 2011</b>	<b>344</b>	<b>64,188</b>	<b>106,757</b>	<b>(1,384)</b>	<b>41,945</b>	<b>77,232</b>	<b>289,082</b>	<b>761</b>	<b>289,843</b>

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

# Notes to the financial statements

## 1 General information

Synergy Health plc (“the Company”) and its subsidiaries (together “the Group”) deliver a range of specialist outsourced services to healthcare providers and other customers concerned with health management. 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, Whitehill Way, Swindon, Wilts, SN5 6NX.

These condensed consolidated interim financial statements have been approved for issue by the Board of Directors on 10 November 2011.

## 2 Summary of significant accounting policies

### Basis of preparation

These condensed consolidated interim financial statements of the Group are for the six months ended 2 October 2011.

The condensed consolidated interim financial statements have been prepared on the basis of the accounting policies set out in the Group's latest annual financial statements for the period ended 3 April 2011. These accounting policies are drawn up in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

The information for the period ended 3 April 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditors' report on those accounts 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 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements for the six months to 2 October 2011 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 November 2012 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.

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 period ended 3 April 2011. No new standards or interpretations have been adopted since the preparation of the Group's annual financial statements for the period ended 3 April 2011.

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) and with the Disclosure and Transparency Rules of the UK Financial Services Authority. These condensed consolidated interim financial statements have not been audited or reviewed by the Group's auditors in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. 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 period ended 3 April 2011.

## 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 period ended 3 April 2011.

## 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 period ended 3 April 2011.

During the 6 months ended 2 October 2011, 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.

## 6 Segmental information

The Group is organised into four operating segments, and information on these segments is reported to the chief operating decision maker ('CODM') for the purposes of resource allocation and assessment of performance. The chief operating decision maker has been identified as the Board of Directors. The four operating segments are: the UK & Ireland, Europe & Middle East, Asia & Africa, and the Americas.

The segments derive their revenues from the same range of products and services – being the provision of healthcare services, applied sterilisation technologies, and hospital sterilisation services. The CODM monitors the performance of the operating segments based on adjusted operating profit, being operating profit excluding the impact of amortisation on acquired intangibles and non-recurring items.

Segment information about these divisions is presented below:

	UK & Ireland 2011 £'000	Europe & Middle East 2011 £'000	Asia & Africa 2011 £'000	Americas 2011 £'000	Total 2011 £'000
<b>Six month period ended 2 October 2011</b>					
Revenue from external customers	<b>78,243</b>	<b>62,691</b>	<b>8,184</b>	<b>6,185</b>	<b>155,303</b>
Segment profit	<b>12,862</b>	<b>9,727</b>	<b>1,672</b>	<b>1,316</b>	<b>25,577</b>
Segment depreciation	<b>6,033</b>	<b>8,875</b>	<b>1,977</b>	<b>346</b>	<b>17,231</b>
Segment assets	<b>244,219</b>	<b>208,420</b>	<b>86,126</b>	<b>36,494</b>	<b>575,259</b>

The comparative figures for the 6 month period ended are shown below:

	UK & Ireland 2010 £'000	Europe & Middle East 2010 £'000	Asia & Africa 2010 £'000	Americas 2010 £'000	Total 2010 £'000
<b>Six month period ended 26 September 2010</b>					
Revenue from external customers	76,039	56,221	6,304	164	138,728
Segment profit	12,416	9,230	1,299	16	22,961
Segment depreciation	6,494	7,946	1,586	-	16,026
Segment assets	233,734	188,962	69,145	-	491,841

The comparative figures for the period ended 3 April 2011 are shown below:

	UK & Ireland 2011 £'000	Europe & Middle East 2011 £'000	Asia & Africa 2011 £'000	Americas 2011 £'000	Total 2011 £'000
<b>Period ended 3 April 2011</b>					
Revenue from external customers	154,916	118,764	13,255	379	287,314
Segment profit	25,010	20,548	2,670	38	48,266
Segment depreciation	14,014	16,427	3,358	-	33,799
Segment assets	260,180	207,485	78,419	-	546,084

The comparative information for the period to 26 September 2010 and the period to 3 April 2011, has been restated as a consequence of the re-allocation of export sales across all four regions, consistent with the methodology used at the period ended 3 April 2011.

The table below reconciles the total segment profit above, to the Group's operating profit and profit before tax:

	At 2 October 2011 £'000	At 26 September 2010 £'000	At 3 April 2011 £'000
Total segment profit	<b>25,577</b>	22,961	48,266
Unallocated amounts:			
– Corporate expenses	<b>(2,468)</b>	(2,341)	(5,222)
– Non-recurring costs	<b>(331)</b>	-	3,278
Amortisation of acquired intangibles	<b>(3,654)</b>	(3,191)	(6,265)
Operating profit	<b>19,124</b>	17,429	40,057
Net finance costs	<b>(2,536)</b>	(2,502)	(3,324)
Profit before tax	<b>16,588</b>	14,927	36,733

## Notes to the financial statements

### 6 Segmental information continued

The table below analyses the Group's revenues from external customers between the three principal product/service groups:

	At 2 October 2011 £'000	At 26 September 2010 £'000	At 3 April 2011 £'000
Healthcare solutions	<b>77,857</b>	79,074	160,380
Hospital sterilisation services	<b>30,502</b>	27,184	56,860
Applied sterilisation technologies	<b>46,944</b>	32,470	70,074
	<b>155,303</b>	138,728	287,314

IFRS 8 Operating segments requires the group to disclose information about the extent of its reliance on its major customers. The Group has no single customer making up more than 10% of total revenues.

The table below analyses the Group's revenues from external customers, and non-current assets other than financial instruments, investment properties, and deferred taxation, by geography.

	At 2 October 2011 £'000	Non-current assets	At 26 September 2010 £'000	Non-current assets	At 3 April 2011 £'000	Non-current assets
	Revenue		Revenue		Revenue	
UK	<b>70,850</b>	<b>149,333</b>	69,986	145,330	141,732	146,926
Netherlands	<b>53,305</b>	<b>132,728</b>	50,356	132,980	104,547	135,312
Rest of World	<b>31,148</b>	<b>205,439</b>	18,386	150,488	41,035	161,909
	<b>155,303</b>	<b>487,500</b>	138,728	428,798	287,314	444,147

### 7 Non-recurring items

In the period to 2 October 2011, non-recurring items of £331,000 have been charged in arriving at operating profit. This charge is comprised of accounting for restructuring costs on the Group's healthcare solutions business, costs of acquisition (see note 13) and the final settlement of insurance claims.

Included in this charge is a loss of £70,000 recognised on the disposal of a subsidiary undertaking in July 2011. The discontinued activity relating to this disposal has been included in the income statement. The table below provides further details:

	At 2 October 2011 £'000	At 26 September 2010 £'000	At 3 April 2011 £'000
Turnover	<b>1,025</b>	3,553	6,950
Operating profit	<b>3</b>	185	359

Non-recurring items of £3,278,000 were credited to the income statement in arriving at operating profit in respect of the period ended 3 April 2011. This credit was in respect of a gain on an insurance claim less a charge for accounting for costs of acquisition. Further details are provided in the Group's financial statements for the period ended 3 April 2011.

No non-recurring items were charged or credited in arriving at operating profit in respect of the period ended 26 September 2010.

## 8 Tax

	At 2 October 2011 £'000	At 26 September 2010 £'000	At 3 April 2011 £'000
<b>Current tax:</b>			
UK tax	1,250	1,534	4,598
Overseas tax	3,522	2,316	6,375
Adjustment in respect of prior periods	-	-	(233)
Total current tax	4,772	3,850	10,740
<b>Deferred tax:</b>			
Origination and reversal of temporary differences	(901)	(369)	(109)
Adjustment in respect of prior periods	-	(470)	(1,856)
Effect of rate change	(468)	-	(841)
Total deferred tax	(1,369)	(839)	(2,806)
<b>Total tax in income statement</b>	<b>3,403</b>	<b>3,011</b>	<b>7,934</b>

The Group's effective tax rate for the period on earnings before the amortisation of intangibles was 23.1% (2010: 23.6%) and this should be sustainable over the full year.

UK corporation tax is calculated at 26% (2010: 28%) of the estimated assessable profit for the year. Taxation for overseas operations is calculated at the local prevailing rates.

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively. This will further reduce the company's future current tax charge accordingly. The deferred tax liability has been calculated based on the rate of 25% substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax liability accordingly.

## 9 Dividends

	At 2 October 2011 £'000	At 26 September 2010 £'000	At 3 April 2011 £'000
Amounts recognised as distributions to equity holders in the period:			
Second interim dividend for the period ended 28 March 2010 of 8.30p (2009: nil) per share	-	4,540	4,540
Interim dividend for the period ended 3 April 2011 of 6.00p (2010: 4.90p) per share	-	-	3,298
Final dividend for the period ended 3 April 2011 of 9.84p (2010: 8.30p) per share	5,432	-	-
	<b>5,432</b>	<b>4,540</b>	<b>7,838</b>

The Group paid a second interim dividend on 1 April 2010 in lieu of a final dividend for the year ended 28 March 2010.

A proposed interim dividend for the year ending 1 April 2012 of 6.82p per share was approved by the Board of Directors on 10 November 2011.

## Notes to the financial statements

### 10 Earnings per share

	At 2 October 2011 £'000	At 26 September 2010 £'000	At 3 April 2011 £'000
<b>Earnings</b>			
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	<b>13,049</b>	11,859	28,617
	Shares '000	Shares '000	Shares '000
<b>Number of shares</b>			
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>55,155</b>	54,835	54,923
Effect of dilutive potential ordinary shares:			
Share options	<b>933</b>	922	940
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>56,088</b>	55,757	55,863
<b>Earnings per ordinary share</b>			
<b>Basic</b>	<b>23.66p</b>	21.63p	52.10p
<b>Diluted</b>	<b>23.27p</b>	21.27p	51.23p
	£'000	£'000	£'000
<b>Adjusted earnings per share</b>			
Operating profit	<b>19,124</b>	17,429	40,057
Amortisation of acquired intangible assets	<b>3,654</b>	3,191	6,265
Non-recurring items	<b>331</b>	-	(3,278)
Adjusted operating profit	<b>23,109</b>	20,620	43,044
Net finance costs	<b>(2,536)</b>	(2,502)	(4,770)
Adjusted profit on ordinary activities before taxation	<b>20,573</b>	18,118	38,274
Taxation on adjusted profit on ordinary activities	<b>(4,760)</b>	(4,275)	(8,686)
Non-controlling interest	<b>(136)</b>	(57)	(182)
<b>Adjusted net profit attributable to equity holders of the parent</b>	<b>15,677</b>	13,786	29,406
<b>Adjusted basic earnings per share</b>	<b>28.42p</b>	25.14p	53.54p
<b>Adjusted diluted earnings per share</b>	<b>27.95p</b>	24.73p	52.64p

## 11 Provisions

	Cobalt disposal costs £'000	Environmental provision £'000	Contingent consideration £'000	Other provisions £'000	Total £'000
<b>At 28 March 2010</b>	2,792	2,994	-	3,250	9,036
Additional provision in the period	45	-	-	-	45
Unwinding of discounting	-	115	-	-	115
Utilised in the period	-	(20)	-	(195)	(215)
Exchange differences	-	(214)	-	(2)	(216)
<b>At 26 September 2010</b>	2,837	2,875	-	3,053	8,765
Additional provision in the period	69	-	-	1,078	1,147
Unwinding of discounting	150	1	-	-	151
Utilised in the period	-	3	-	(1,001)	(998)
Acquired with businesses during the period	1,092	359	-	364	1,815
Exchange differences	34	161	-	5	200
<b>At 3 April 2011</b>	<b>4,182</b>	<b>3,399</b>	<b>-</b>	<b>3,499</b>	<b>11,080</b>
Additional provision in the period	19	-	-	122	141
Reclassification from current liabilities	-	-	-	938	938
Unwinding of discounting	-	47	-	-	47
Utilised in the period	(169)	-	-	(62)	(231)
Acquired with businesses during the period	-	-	5,584	760	6,344
Exchange differences	(29)	(83)	193	20	101
<b>At 2 October 2011</b>	<b>4,003</b>	<b>3,363</b>	<b>5,777</b>	<b>5,277</b>	<b>18,420</b>
Included in current liabilities					6,321
Included in non-current liabilities					12,099
					<b>18,420</b>

The cobalt disposal provision recognises a potential decommissioning liability in respect of certain types of cobalt used in some of the Group's applied sterilisation sites. It is anticipated that the provision will be utilised as the cobalt to which the provision relates reaches the end of its useful economic life.

The majority of the environmental provision relates to an amount agreed with the vendor of Lips Textielservice Holding BV as part of the acquisition completion accounts. To the extent that the environmental provision is not utilised by 30 July 2012 it is to be paid to the vendor together with interest at the rate of Euribor plus 0.75%. Accordingly, all interest to date has been accrued and reflected in the income statement.

The contingent consideration provision relates to an element of consideration arising on the acquisition of BeamOne LLC during the period as disclosed in note 13.

Other provisions include provisions against vacated properties and other restructuring costs.

## 12 Property, plant and equipment

During the period ended 2 October 2011, the Group purchased assets with a total cost of approximately £29.2 million (26 September 2010: £18.4 million).

## Notes to the financial statements

### 13 Acquisition of subsidiaries

On 7 April 2011, the Group acquired all of the members' interests of BeamOne LLC ('BeamOne'), an applied sterilisation business incorporated in the US. BeamOne operated from sites in San Diego, California; Denver, Colorado; Lima, Ohio; Saxonburg, Pennsylvania; and a fifth site in Costa Rica.

The fair value of the net assets acquired and the related consideration were as follows:

	Fair value £'000
Property, plant and equipment	5,462
Investment	429
Intangible assets	7,853
Trade and other receivables	2,558
Cash and cash equivalents	596
Trade and other payables	(2,666)
Other provisions	(760)
Loans	(4,330)
Fair value of assets acquired	<b>9,142</b>
Cash consideration	16,540
Deferred contingent consideration	5,584
Total consideration	<b>22,124</b>
Goodwill arising on acquisition	<b>12,982</b>

The deferred contingent consideration is due for payment fourteen months after the date of acquisition, and is based upon a multiple of first year EBITDA.

The goodwill arising on the acquisition of BeamOne is attributable to the assembled workforce and the synergies that can be generated following the integration of BeamOne into the Group.

In accordance with IFRS3 Business Combinations (revised), management have made adjustments to the book value of net assets acquired to arrive at the fair values disclosed above. The most significant of these are the recognition of intangible assets (customer lists), and adjustments to the carrying value of property restitution provisions.

Total acquisition costs of £232,000 were incurred on the acquisition of BeamOne and have been expensed within non-recurring items.

The BeamOne business contributed £5,754,000 to revenue and £1,321,000 to operating profit during the period.

Summary of cash flow associated with the acquisition of BeamOne:

Cash consideration	16,540
Cash acquired with business	(596)
Acquisition of subsidiaries – net of cash	<b>15,944</b>

### 13 Acquisition of subsidiaries continued

On 30 June 2011, the Group acquired the entire issued share capital of Sinagama II Technologies Sdn Bhd ('Sterilgamma'), a company incorporated in Malaysia. Sterilgamma operates from a number of applied sterilisation technology plants across Malaysia.

The fair value of the net assets acquired and the related consideration were as follows:

	Fair value £'000
Property, plant and equipment	7,421
Intangible assets	3,531
Inventories	5
Trade and other receivables	1,380
Cash and cash equivalents	1,502
Trade and other payables	(760)
Taxation	(1,822)
Loans	(76)
Fair value of assets acquired	<b>11,181</b>
Cash consideration	11,387
Assumption of vendor debt	883
Total consideration	<b>12,270</b>
Goodwill arising on acquisition	<b>1,089</b>

The goodwill arising on the acquisition of Sterilgamma is attributable to the assembled workforce and the synergies that can be generated following the integration of Sterilgamma into the Group.

In accordance with IFRS3 Business Combinations (revised), management have made adjustments to the book value of net assets acquired to arrive at the fair values disclosed above. The most significant of these are the recognition of intangible assets (customer lists), and adjustments to the carrying value of assets which are not deemed to be recoverable.

Total acquisition costs of £64,000 were incurred in the acquisition of Sterilgamma and have been expensed within non-recurring items.

The Sterilgamma business contributed £956,000 to revenue and £234,000 to operating profit during the period. Had the business been owned for the entire year, the contribution to revenue and operating profit would have been £2,125,000 and £819,000 respectively.

Summary of cash flow associated with the acquisition of Sterilgamma:

Cash consideration	11,387
Cash acquired with business	(1,502)
Acquisition of subsidiaries – net of cash	<b>9,885</b>

## Notes to the financial statements

### 13 Acquisition of subsidiaries continued

#### *Prior period*

On 1 November 2010, the Group acquired the entire issued share capital of Gamma Service Produktbestrahlung GmbH ('GSP'), a company incorporated in Germany. GSP is located in Saxony and provides applied sterilisation technology services.

The fair value of the net assets acquired and the related consideration were as follows:

	Fair value £'000
Property, plant and equipment	8,352
Intangible assets	1,767
Inventories	33
Trade and other receivables	619
Cash and cash equivalents	1,310
Trade and other payables	(284)
Pension provisions	(539)
Other provisions	(1,815)
Deferred tax liabilities	(347)
Finance leases	(150)
Loans	(6,305)
<b>Fair value of assets acquired</b>	<b>2,641</b>
Cash consideration	2,870
Deferred consideration	428
<b>Total consideration</b>	<b>3,298</b>
<b>Goodwill arising on acquisition</b>	<b>657</b>

The deferred consideration is due for payment one year after the date of acquisition.

The goodwill arising on the acquisition of GSP is attributable to the assembled workforce and the synergies that can be generated following the integration of GSP into the Group.

In accordance with IFRS3 Business combinations (revised), management have made adjustments to the book value of net assets acquired to arrive at the fair values disclosed above. The most significant of these are the recognition of intangible assets (customer lists) and adjustments to the carrying value of provisions for the disposal of cobalt.

Total acquisition costs of £157,000 were incurred in the acquisition of GSP and have been expensed within non-recurring items.

The GSP business contributed £2,492,000 to revenue and £439,000 to operating profit for the period ended 3 April 2011. Had the business been owned for the entire period to 3 April 2011, the contribution to revenue and operating profit would have been £5,117,000 and £922,000 respectively.

Summary of cash flow associated with the acquisition of GSP:

Cash consideration	2,870
Cash acquired with business	(1,310)
<b>Acquisition of subsidiaries – net of cash</b>	<b>1,560</b>

## 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

Richard Steeves  
Chief Executive  
10 November 2011

The condensed consolidated interim financial statements for the six months ended 2 October 2011 will be available on the Company's website on 10 November 2011.

## Financial Calendar

### Group results

Full year results announced

7 June 2012

### AGM

26 July 2012

### Dividend dates

Interim dividend for 2011 announced

10 November 2011

Interim dividend for 2011 payable

15 December 2012

Final dividend for 2011 announced

June 2012

Final dividend for 2011 payable

September 2012

### Registered office

Synergy Health plc  
Ground Floor Stella  
Windmill Hill Business Park  
Swindon  
Wiltshire SN5 6NX

Website: [www.synergyhealthplc.com](http://www.synergyhealthplc.com)