



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

PRELIMINARY RESULTS FOR THE TWELVE MONTHS ENDED 3 APRIL 2011

Synergy Health plc (LSE: SYR), a leading global provider of outsourced sterilisation services to the medical device market and healthcare sector, announces its preliminary results for the year ended 3 April 2011.

	Year ended 3 April 2011	Year ended 28 March 2010	% change
Revenue	£287.3m	£286.4m	+0.3%
Adjusted profit before tax*	£38.3m	£32.6m	+17.3%
Profit before tax	£36.7m	£24.5m	+49.7%
Adjusted basic earnings per share*	53.54p	45.74p	+17.1%
Dividend per share (full year)	15.84p	13.20p	+20.0%

Financial Highlights

- Underlying revenues up 4.1% before currency effects and closure of non-core businesses
- Adjusted* operating profit margin up by 1.1% to 15.0% (2010: 13.9%)
- Cash generated from operations increased 9.5% to £83.7 million (2010: £76.5 million)
- Net debt reduced by £21.1 million to £112.3 million
- Forward order book increased 8.2% to £920 million (2010: £850 million)

Operational Highlights

- Acquisitions of GSP and, post period end, BeamOne, positioned Synergy as the second largest global provider of outsourced sterilisation services
- New EtO facility in Venlo operating at capacity and expansion programme underway
- New Gamma facility under construction at Marcoule
- c.£1.8 million p.a. of new medical device sterilisation contracts won in China, which will lead to further expansion
- c.£10 million of new hospital sterilisation contracts won during the year
- New hospital sterilisation facility opened in February 2011, serving three hospitals in Leicester
- Three further UK hospital sterilisation facilities scheduled to open in current financial year
- Suzhou, China facility now handling hospital sterilisation work for 30 customers

Outlook

- Focusing on the international development of sterilisation services is lifting growth rates
- UK austerity measures are not impacting growth in core services
- Acquisitions integrated and performing ahead of expectations
- Strong start to new financial year and the Board looks forward to another positive year

Richard Steeves, Chief Executive of Synergy Health, said:

“Overall Synergy is in good shape with an internationally diversified business providing high value added services on long term contracts, and a forward order book of nearly £1 billion.”

“Our services are mission-critical to our customers, and for this reason the demand for outsourcing is growing. Looking ahead, we expect that rising regulatory and technical standards will continue to underpin demand.”

“We expect to see the Group’s overall revenue growth rates reach double digits over the next twelve to eighteen months. Higher revenue growth rates, supported by sustainable improved margins and strong cash generation, leave the business well positioned to continue to deliver its earnings objectives. The new financial year has started strongly.”

*Note: Adjusted profit before tax and Adjusted earnings per share exclude 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 9am today, 7 June 2011, at the offices of Financial Dynamics. For further information please contact Julie Reynolds on +44 (0)207 269 7125 or at julie.reynolds@fd.com.

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CHAIRMAN'S STATEMENT

2011 has been a good year for Synergy Health, continuing the improvement in operating performance and at the same time making incremental progress towards our strategy of becoming a leading global provider of outsourced sterilisation and other niche services. Despite the markets in Europe and the UK remaining challenging due to restrained public expenditure, our business has performed well with good underlying growth in each of our regions.

Reported revenues for the period were £287.3 million (2010: £286.4 million). Underlying revenue growth, after currency effects and the removal of non-core businesses, was 4.1%. Adjusted operating margins were up by 1.1% to 15.0% (2010: 13.9%) resulting in profit before tax, amortisation and non-recurring items increasing by 17.3% to £38.3m (2010: £32.6 million).

In late 2010 we won a court case in respect of a fire at our Dunstable linen operation in 2007, resulting in an exceptional pre-tax gain of £5.6 million. In addition, two acquisitions were undertaken and the costs of these were expensed as non-recurring items. After taking account of amortisation and non-recurring items, profit before tax increased by 49.7% to £36.7 million (2010: £24.5 million).

As part of a strategy to continue to expand our international network, during the year we acquired Gamma Service Produktbestrahlung GmbH ('GSP'), a gamma and electron beam sterilisation business in Germany. We took a further step just after the year end with the acquisition of BeamOne LLC ('BeamOne') in the USA, making Synergy the second largest global provider of outsourced sterilisation services. Both businesses have been integrated successfully and are performing ahead of expectations.

The acquisitions were funded from operating cash flow, enabling us to retain a strong balance sheet at the year end. Net debt has reduced by £21.1 million to £112.3 million (2010: £133.4 million) but remained similar to last year's net debt position after taking into account the BeamOne acquisition completed on the 7 April 2011. We will shortly be completing new unsecured 5 year revolving credit facilities, to replace the existing facility which is due to mature in January 2012. During the year, new contracts and contract renewals of £114 million have been achieved, increasing the forward order book to £920 million.

EPS and Dividend

Adjusted basic earnings per share (before amortisation of acquired intangibles and non-recurring items) were 53.54p (2010: 45.74p), an increase of 17.1%. After taking account of amortisation and non-recurring items, basic earnings per share were 52.10p (2010: 40.56p), an increase of 28.5%.

The Board is proposing a final dividend of 9.84p, which together with the interim dividend of 6.00p would give dividends for the year totaling 15.84p (2010: 13.2p) representing a 20% increase. If approved, the dividend will be paid on 6 September 2011 to shareholders on the register at 12 August 2011.

Employees

To ensure the long term sustainability of the business we have continued to invest in our teams with the expansion of our talent management programme. Our ability to support the growth of our business through internal appointments is being greatly enhanced by the evolution of our graduate programme, increased investment in front line management programmes, and the development of our senior leadership community. We are also taking steps to improve the attractiveness of Synergy to new recruits from a broader range of the community, with a clear and well executed diversity strategy.

The Board continues to be impressed with the efforts and commitment of our teams and this is very much reflected in the improved operating and financial performance that we have achieved during the year. We would also like to welcome our new colleagues from GSP in Germany and from BeamOne in the USA and Costa Rica. On behalf of the Board, I would like to thank all of our employees for their continued dedication and their achievements during the year.

Outlook

Our underlying growth rate is progressing, supported by our strategy to further internationalise the business. In Europe and the UK we are not anticipating any significant change in the economic environment and as a result we expect to see a similar trading performance in the current financial year, whilst in Asia and the Americas we continue to see much stronger growth.

Our focus on outsourced sterilisation services to the medical device and healthcare industries is serving the business well, with the new financial year having started strongly. We anticipate a similarly strong performance in this new financial year.

Robert Lerwill
Chairman
7 June 2011

CEO REPORT

INTRODUCTION

Synergy Health is an expert in outsourced sterilisation services to the medical device market as well as to hospitals and other healthcare providers. In addition, the business provides other outsourced services such as healthcare linen, pathology and specialist laboratory services. By focusing on niche outsourced services, the Group has the benefit of significant barriers to entry, good cash generation and long term contracts.

During the year we exceeded our expectations in terms of margin progression, but the uplift in revenue growth was slower to come through. We have now seen growth filtering through during the early part of this new financial year.

The Group performed well during the year, meeting our expectations in all areas with the exception of our products based business in the UK. Underlying revenues were up 4.1% on last year after taking into account currency effects and the closure of non-core businesses. Gross margins were up by 2.0% to 38.2% (2010: 36.2%) and adjusted operating margin was up 1.1% on last year to 15.0% (2010: 13.9%). The strategy is serving the business well with solid underlying growth, geographic diversification and a focus on niche outsourcing services, which will enable us to sustain our operating margins.

There are however still challenges to be faced, and we are taking proactive steps to address these. Growth in Europe and the UK is more subdued as a result of our linen businesses operating in mature markets, and the general state of the economy. Our strategy of focusing more resources on Asia is paying off with growth outstripping the other two regions. Asia and Africa make up 4.7% of global revenues, up from 3.8% last year. Meanwhile, Europe and the Middle East's contribution was steady at 41.3% (2010: 41.0%), and the UK and Ireland's share reduced to 53.9% from 55.2%. Asia's share of revenue generation is increasing in line with our strategy. Our entry into the Americas will provide further opportunity for fast growth within our core services, as well as supporting our Asian business through closer links with large US-based medical device manufacturers. Another challenge is our products based business, which faced a further decline in revenues in the UK this year, holding back Group revenue growth. We are focusing very heavily on cost leadership within the UK and directing investment into our international markets where growth will be stronger.

Overall, the Group is in good shape with an internationally diversified business providing long term contracted, high value added services with a forward order book of £920 million (2010: £850 million). The business has a strong balance sheet and excellent cash generation.

STRATEGY

We set out a strategy three years ago that has resulted in Synergy becoming one of the leading global providers of niche outsourced services to health related markets. Our core service is the provision of outsourced sterilisation for medical device manufacturers and for healthcare providers such as acute hospitals. In addition, we are leading providers of healthcare linen services in the UK and the Netherlands, manufacturers of infection control products and providers of specialist laboratory services.

Underlying global revenues (excluding non-core businesses) for medical device sterilisation and hospital sterilisation were up 13.9% and 13.8% respectively. Our healthcare solutions businesses declined by 2.9%, reflecting our strategy to direct our investments towards sterilisation services, as well as some difficult trading in the UK products business.

Looking ahead, our strategic objectives are threefold. Firstly, we will continue to expand the business internationally, making Synergy a truly global business. Secondly, we will focus on high value added outsourced services that have high barriers to entry. Thirdly, we will differentiate Synergy from its competitors through its people, and at the same time maintain a cost leadership strategy to ensure that we achieve greater levels of efficiency.

1. Internationalisation

Synergy is the leading provider of sterilisation services to hospitals, having created the market in the UK in 1996. Today we have facilities in the UK, Europe, and China, and our strategy is to continue to increase our total market share in each country as well as to continue our international expansion in Asia and in due course in the United States.

Following the recent acquisitions of GSP and BeamOne, we are now the second largest global provider of sterilisation services to medical device manufacturers. Our strategy is to continue to expand our presence in Asia where multinational medical device companies are focusing their investments, and healthcare providers are focusing on reducing infection risks. We are targeting a quarter of our income to come from the Asian

region. At the same time we will be extending our presence in the Americas, with the expansion of our sterilisation services for both medical device manufacturers, and for healthcare providers. In the short term, we are focusing on medical device opportunities in Central America, with a medium term objective to develop our hospital sterilisation services in the United States. In the medium term we expect to see a quarter of our income coming from the Americas region.

We are leading providers of healthcare linen services in the Netherlands and in the UK. Our intention is to operate these businesses efficiently but not to expand them outside of these two countries. Similarly our small laboratory businesses, which operate in the UK and in the Netherlands, will continue to be developed within these countries.

We also manufacture infection control and other consumable products for the international healthcare market. This business has encountered a number of challenges over the last three years and continues to face considerable headwinds. The business is partway through a restructuring programme to lower its cost base to support a predominantly internationally based growth strategy.

2. High Value Added Services

Our strategy is to focus solely on niche services that have high barriers to entry, significant value added content and a global potential. Presently just under three quarters of our income is derived from sterilisation services to the medical device and hospital markets. The outsourcing of these services is driven by an increasing regulatory burden that makes outsourcing to highly specialised providers such as Synergy economically effective.

The barriers to entry within the sterilisation businesses are considerable. For example, the service we provide to the global medical device manufacturers requires Synergy to have experience, competence and a network to provide mission-critical services. Synergy is recognised as one of the world's leading providers of medical device sterilisation services with an extremely positive reputation for the quality of its services. In addition, we are the world's largest operator of radiation sterilisation facilities, relatively protected by licensing requirements which are becoming ever more stringent.

There are similarly high barriers to entry for the sterilisation of reusable medical devices for hospitals. The service is again mission-critical, with much of the challenge based on managing the complex logistics of supplying thousands of different types of surgical instruments. Synergy has addressed and met the challenge with our proprietary software systems that manage the logistics and ensure that the inherent risks in the service are controlled. Synergy has an unparalleled record of service delivery, reflecting its strong position in the UK and its expanding services in Europe and China.

We have very strong and defensible positions with our linen services in the Netherlands and the UK, where we are number one and two respectively. As the markets have been consolidated down to two players in each case, there are significant barriers to entry with scale and experience, as well as with customers being contracted on five to seven year terms.

Looking further ahead, we are researching other niche areas where Synergy's core competencies could be used to create similarly attractive operating models. We are attracted to services that integrate more closely with clinical service provision and where there are benefits from scale and expertise.

3. Differentiation and Cost Leadership

Two of Synergy's longstanding strategic principles have been to operate a cost leadership programme as well as to competitively differentiate certain aspects of our services. We continue to benchmark our performance against competitors including in-house services, and with our investments in technology and innovation, we continue to lead our markets in the cost effective delivery of outsourced services.

In parallel we continue to invest in our teams to expand and deepen a talent pool that will enable Synergy to differentiate itself from its competitors through its people. Our partnerships with Warwick Business School and the Chartered Management Institute are important investments that enable us to create sustainable leadership, as well as a culture that differentiates Synergy based on the quality of its people. We have a global senior leadership community that plays an active role in the implementation of our strategy. In addition we have an expanding graduate programme that is recruiting a new talent pool from which to develop our future leaders.

REGIONAL REVIEW

Last year we restructured the business into three geographic regions: the UK and Ireland; Europe and the Middle East; and Asia and Africa. The creation of these regions has resulted in cost synergies as well as improving our local market understanding and responsiveness. Following the acquisition of BeamOne in the United States and Costa Rica we will be reporting a fourth region - the Americas.

UK AND IRELAND

The strategy for this region is primarily organically driven; promoting outsourcing that generates improved quality and efficiency. Despite modest growth in the region overall of 2.3%, the core sterilisation business has grown strongly at 12.0%. Reported revenues were held back by the closure of £12 million of non-core businesses, poor winter weather, and further declines in our product manufacturing business. Reported revenues were £154.9 million (2010: £158.0 million). Operating profits increased by 7.2% to £25.0 million (2010: £23.3 million) with margins increasing by 1.3% to 16.1% (2010: 14.8%).

Sterilisation revenues for both the medical device and hospital markets were strong, both recording double digit growth. Within the medical device sector we have seen further capacity utilisation of the new electron beam facility in Ireland, and good underlying growth in the majority of our existing sterilisation facilities. We anticipate that we will need to add further sterilisation capacity in the region towards the end of the year.

Our hospital sterilisation service in the UK benefited from opening the Leicester facility in February, and growth will be sustained with a further three new facilities in the new financial year. This year we have won new contracts with an annual value of £9.6 million. The bid pipeline remains strong in the UK, and with the NHS clearly having to seek ways of improving efficiency, we see further momentum in this service particularly once the current political and structural uncertainties are addressed. An outstanding bid for hospital sterilisation in Ireland is unlikely to proceed at the present time because of the economic troubles in the country.

The linen services business has focused on restoring operating margins during the year and as a result revenues were flat. The business is operating well and has been successful in competitively differentiating itself by focusing on quality. Customer retention is strong and we expect to see some modest growth in circumstances where customers place a higher value on quality than price.

The laboratory business, which had previously seen a reduction in demand because of its dependence on the UK economy, has returned to growth. Prospects for pathology and occupational health testing remain positive.

Our Healthcare Solutions business which manufactures infection control and other consumable healthcare products, has struggled with an over reliance on the UK market, which has seen very challenging trading conditions. The team is currently restructuring its operations, and lowering the cost base by reducing the number of sites from four to two. In addition, changes to the senior management structure are facilitating a much more internationally focused growth strategy that in combination with more progressive cost leadership should see a return to revenue growth.

EUROPE AND THE MIDDLE EAST

Our strategy in Europe is to expand the full range of our sterilisation services to hospitals and medical device manufacturers, primarily through organic growth. Underlying revenues for Europe and the Middle East were up 5.4% before currency effects. Reported revenues were £118.8 million (2010: £117.4 million). Operating profits were up 15.6% to £20.5 million (2010: £17.8 million) with margins increasing by 2.2% to 17.3% (2010: 15.1%), reflecting the increased cost synergies from the new regional structure.

The Dutch linen business continued to operate efficiently and effectively. As the market leader, our scale advantage has enabled us to improve cost efficiencies and cash generation. Throughout the year our primary competitor has been using a price-driven strategy in an attempt to gain market share but this is being countered by our relentless focus on quality and efficiency.

Revenue growth was primarily derived from the sterilisation business, principally the medical device market. Synergy is the leading provider of medical device sterilisation services in this region. We have a particular strength in gamma radiation but we have been expanding our services to include ethylene oxide (EtO) and electron beam. Our first Continental EtO facility in Venlo reached capacity during the year, and additional capacity has now been commissioned. To support further growth we have started building a new gamma facility in Marcoule, France, which will significantly improve our competitive position in southern Europe. In addition, we acquired GSP, near Dresden, giving us our first Continental electron beam facility in the region,

as well as much needed gamma capacity to service the eastern Europe market. The acquisition has integrated well and outperformed expectations to date.

Our hospital sterilisation business operates from two of the largest hospitals in the Netherlands and Belgium. Whilst we are operating successful services, the markets have been slow to develop. We continue to bid on a selective basis for additional contracts with a particular focus on Germany, but progress has been slower than we had anticipated, in part because we have prioritised the expansion of our medical device sterilisation network. However, we are continuing to look for opportunities to further expand our hospital sterilisation business in Europe and the Middle East, and we may consider an acquisition to accelerate market entry.

ASIA AND AFRICA

The Asia and Africa region is one of our most promising, with a combination of very positive macroeconomics as well as an underlying demand by certain Asian countries to dramatically improve the quality of their healthcare services. Our facilities are located in South Africa, Malaysia, Thailand and China. Our strategy is to invest in each of these countries to support continued organic growth as well as to expand our geographic presence across the region.

Underlying revenues in Asia and Africa were up 16.3% before currency effects. Revenues were £13.6 million (2010: £11.0 million) with good growth across the region. Operating profits were up 25.1% to £2.7 million (2010: £2.2 million) with operating margins flat at 19.9% (2010: 19.8%).

The region's revenues are derived from sterilisation services to both the medical device and hospital sterilisation markets. The medical device volumes have improved again on last year demonstrating a robust recovery from the impact of the financial crisis two years ago. We have made progress improving the capacity utilisation of our new Chinese facility in Suzhou and we expect to have the site operating at near to capacity within the next 18 months. The majority of our Suzhou customers are subsidiaries of large multinational manufacturers headquartered in the United States. For example, we are contracting with two of the top ten largest US manufacturers for work with an annualized value of £1.8 million. The acquisition of BeamOne was an important step to deepen our relationships with these customers. We have also commissioned additional capacity in our existing Malaysian facility and we intend to broaden our reach by establishing capacity in Kuala Lumpur. We have also seen reasonable growth in Thailand although there is presently a surplus of gamma capacity in the country. We are planning to broaden our technology offering as a means of further differentiating Synergy and to meet the requirements of our existing customers.

Our hospital sterilisation volumes have improved in China. We now process equipment through the Suzhou facility for over 30 hospitals and smaller healthcare institutions. Our service is widely recognised by the Chinese Provincial Government as playing a key role in lifting sterilisation standards and reducing infection risks particularly in medium sized, class two hospitals. However, we have not been able to make sufficient progress expanding our network beyond Suzhou and our plans for expansion will take longer than initially anticipated. One of the key issues is that the Chinese healthcare market is going through a major transition driven by the Government's new five year plan that will see China become one of the world's largest national health systems by the end of the decade. Whereas three years ago healthcare policy makers were focusing on risk management, today the focus of attention is on the RMB 12.3 billion (£1.2 billion) investment to expand capacity. We are still committed to achieving our medium-term objectives of establishing a sizeable network in China and we are increasing our investment to support the project.

Elsewhere in Asia we are developing a strategy to expand our hospital sterilisation services. In Malaysia for example, the Government has initiated a pilot outsourcing project and Synergy has been actively engaged with local companies that could ultimately become long term partners in the region.

OUTLOOK

Last year we decided to make a transition to a regionally managed business, enabling us to have greater strategic oversight of each region, to improve efficiencies by extracting cost synergies, and to build a management structure that would facilitate the creation of a fourth region in the Americas. All of these objectives were fulfilled during the year, with margins sustainably restored to an appropriate level, improved oversight of both organic and acquisitive growth opportunities, and, just after the year end, the establishment of the Americas region with the acquisition of BeamOne.

Synergy's focus is on the provision of niche outsourcing services that create significant value for our customers. Our services are mission-critical to our customers and for this reason the demand for outsourcing is growing. Looking ahead we expect that rising regulatory and technical standards will continue to underpin demand together with the cost efficiency of Synergy's services.

Our strategy to expand Synergy's reach with the objective of becoming a global business is also working well. We are continuing to see stronger growth in Asia compared to our traditional markets and we expect this trend to continue. Our recent expansion into the Americas also provides a second source of significant growth for Synergy. For example, we have agreed an exclusive supply agreement in Costa Rica for sterilisation services to an important medical device business park, enabling us to double our electron beam capacity as well as add EtO services over the next year. Growth in the Americas, in combination with Asia, will see the Group's overall revenue growth edge up towards double digit rates over the next twelve to eighteen months. Higher revenue growth rates, supported by sustainable margins and strong cash generation, leave the business well positioned to continue to deliver its earnings objectives.

Dr Richard Steeves
Chief Executive
7 June 2011

FINANCE DIRECTOR'S REPORT

Overview

Our business delivered a good financial performance in 2011 with reported revenue growing 0.3% to £287.3 million and adjusted operating profit increasing by 8.3% to £43.0 million. Adjusted operating margin increased by 110 basis points to 15.0%.

Our results were impacted by currency and non-core businesses: excluding these, underlying revenue growth was 4.1% and adjusted operating profit growth was 12.1%. Adjusted operating profit and adjusted profit before tax are stated before amortisation of acquired intangibles and non-recurring items.

Adjusted earnings per share grew by 17.1% to 53.54p. We have also recognised a non-recurring gain of £4.7 million relating to the settlement of our Dunstable insurance claim less acquisition transaction costs expensed to the income statement as required under 'IFRS 3 (Revised) Business combinations'.

Cash generated from operations increased by 9.5% to £83.7 million (2010: £76.5 million) contributing to a reduction of net debt by £21.1 million to £112.3 million from the 2010 year end position. After including debt to fund the acquisition of BeamOne (completed 7 April 2011), net debt was broadly unchanged at £133.8 million (2010: £133.4 million).

Adjusted operating returns on average capital employed increased to 10.8% (2010: 9.7%).

1. Income statement

Synergy's income statement is summarised below.

Figure 1: Income statement

	Year ended 3 April 2011 £m	Year ended 28 March 2010 £m	Change
Revenue	287.3	286.4	+0.3%
Gross Profit	109.7	103.6	+5.8%
Administrative expenses	(66.7)	(63.9)	
Adjusted operating profit	43.0	39.7	+8.3%
Net finance costs	(4.7)	(7.1)	
Adjusted profit before tax	38.3	32.6	+17.3%
Amortisation of acquired intangibles	(6.3)	(6.2)	
Non-recurring items	4.7	(1.9)	
Profit before tax	36.7	24.5	+49.7%
Tax	(7.9)	(2.4)	
Profit for the period	28.8	22.1	+30.0%
Effective tax rate ¹	22.7%	23.5%	
Adjusted earnings per share – basic	53.54p	45.74p	+17.1%
Earnings per share – basic	52.10p	40.56p	+28.5%
Adjusted earnings per share – diluted	52.64p	44.99p	+17.0%
Earnings per share – diluted	51.23p	39.90p	+28.4%
Dividend per share	15.84p	13.20p	+20.0%

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

1.1 Revenue

Revenue of £287.3 million (2010: £286.4 million) represents a growth rate, excluding non-core businesses and currency effects, of 4.1% over the previous year. The Group has revenue from operations that we are winding down and exiting, primarily relating to business streams within the UK's Healthcare Solutions products business. During the year these business streams contributed revenues of £11.8 million (2010: £18.0 million). The change in currency exchange rates over the last 12 months has had a negative effect on reported revenues; the weakening of the Euro against Sterling contributed to a reduction in reported revenue due to currency movements of £3.8 million.

Underlying revenues grew across all our business segments (excluding non-core business and currency effects) with the UK and Ireland at 2.3%, Europe and Middle East at 5.4%, and Asia and Africa at 16.3%. Growth in the UK and Ireland was 9.2% when we exclude the Healthcare Solutions products business. Global growth in our two main service lines remained strong with hospital sterilisation growing at 13.8% and medical device sterilisation at 13.9%. Device sterilisation benefited from the acquisition of GSP at the end of the third quarter; excluding this acquisition, medical device sterilisation sales grew by 9.9% over the previous year.

1.2 Gross profit

Gross profit increased by 5.8% to £109.7 million (2010: £103.6 million), representing a gross profit margin of 38.2%, an increase of 200 basis points over the previous year.

1.3 Adjusted operating profit

Adjusted operating profit increased by 8.3% to £43.0 million, representing an adjusted operating profit margin of 15.0%, an increase of 110 basis points over last year.

1.4 Non-recurring items

During the year we received a summary court judgment in our favour on the insurance claim arising from the fire at the Dunstable facility in early 2007. Following an unsuccessful appeal process by the defendants, we are in a position to report non-recurring profit and cash proceeds as part of our year end results. A non-recurring gain of £5.6 million reflects the recognition of insurance proceeds received, less costs associated with the claim and final additional costs of working not previously written down. The insurance claim included court awarded interest income of £1.4 million.

As per 'IFRS 3 (Revised) Business Combinations' we have recognised transaction fees of £0.9 million in the income statement. These costs relate primarily to the acquisition of GSP in late 2010 and BeamOne, which completed just after the year end.

1.5 Net finance costs

The Group's adjusted net finance costs were £4.7 million compared with £7.1 million in the previous year, a decrease of £2.4 million. The decrease is largely due to a reduction in average borrowings during the year and the natural cessation of fixing arrangements taken out when interest rates were significantly higher. The average interest rate of the main syndicated facility and other Group facilities is estimated at 3.7%.

1.6 Adjusted profit before tax

Adjusted profit before tax was £38.3 million (2009: £32.6 million), an increase of 17.3%. The adjusted profit before tax margin was 13.3% (2010: 11.4%), an increase of 190 basis points.

1.7 Amortisation of acquired intangibles

Amortisation of acquired intangibles relates to intangible assets identified on acquisitions, being the value of trade names and customer contracts and relationships.

1.8 Tax

The tax charge (excluding amortisation of acquired intangibles and non-recurring items) of £8.7 million (2010: £7.7 million) represents an effective rate of 22.7% (2010: 23.5%). Including amortisation of acquired intangibles and non-recurring items, the tax charge is £7.9 million (2010: £2.4 million), with the increase mostly due to a non-recurring tax credit realised in the prior year.

Our effective rate reflects profits arising from a mix of territories, a number of which have a lower rate of taxation than the UK. Different territorial growth rates and our recent entry into the Americas will change this mix of profits in the future.

1.9 Earnings per share (EPS)

Adjusted basic earnings per share and adjusted diluted earnings per share, after adjusting for amortisation of intangibles, increased by 17.1% and 17.0% respectively. After amortisation of acquired intangibles, basic and diluted earnings per share increased by 28.5% and 28.4% respectively.

2. Dividend

Our policy is to increase the total dividend each year in line with the increase in underlying earnings. The Board has proposed a final dividend of 9.84p, representing an increase on the 2010 dividend of 18.6%, and bringing the total dividend for the year to 15.84p, growth of 20.0%.

3. Cash flow

Figure 2 summarises the Group cash flow.

Figure 2: Cash flow

	Year ended 3 April 2011 £m	Year ended 28 March 2010 £m
Adjusted operating profit	43.0	39.7
Non cash items	35.4	35.2
Adjusted EBITDA	78.4	74.9
Working capital movement	(0.1)	2.5
Non recurring cash flow movement	5.4	(0.9)
Cash generated from operations	83.7	76.5
Interest	(3.0)	(7.4)
Tax	(6.3)	(2.4)
Net maintenance expenditure on tangible and intangible assets	(21.8)	(19.4)
Free cash flow	52.6	47.3
Acquisition of subsidiaries, net of cash acquired	(1.6)	-
Net investment expenditure on tangible and intangible assets	(15.0)	(7.7)
Financing	3.9	(34.0)
Dividends paid	(7.8)	(6.4)
Proceeds from share issues	1.2	1.5
Exchange differences	(0.8)	-
Net increase in cash and cash equivalents	32.5	0.7

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 increased by 9.5% to £83.7 million (2010: £76.5 million) reflecting a conversion of EBITDA into cash of 107% (2010: 102%).

3.2 Interest

Net interest paid was £3.0 million (2010: £7.4 million), reflecting lower borrowing costs and a reduction in net debt. This amount includes the receipt of £1.4 million interest relating to the Dunstable insurance settlement.

3.3 Tax

Tax paid was £6.3 million (2010: £2.4 million). Cash tax is below the equivalent charge in the income statement as a result of timing differences in respect of tangible assets and on payments made on account. Over time we would expect cash tax to move closer to the income statement charge.

3.4 Net expenditure on tangible and intangible assets

The Group has continued to invest 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 £36.8 million (2010: £27.1 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 medical device 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 £21.8 million of which £4.7 million and £10.7 million were spent on cobalt and textiles respectively. The remaining balance was comprised of plant and machinery and IT.

Total investment capital expenditure was £15.0 million, of which £7.3 million relates to construction of new UK hospital sterilisation facilities, £4.6 million relates to cobalt and £3.1 million was spent on textiles, plant and machinery, and IT capital expenditure.

We expect to see investment capital expenditure increase in the current year as we expand global sterilisation capacity, continue to build new hospital sterilisation facilities in the UK and invest in standardised IT systems to support the business as it grows internationally.

3.5 Financing

The movement in financing resulted primarily from a small net drawdown of borrowings on the revolving credit facility.

4 Net debt and funding

4.1 Net debt

Strong cash generation contributed to the reduction in net debt during the period from £133.4 million to £112.3 million. The movement in the net debt is reconciled below:

Figure 3: Movement in net debt

	£m
Net debt as at 28 March 2010	133.4
Exchange rate impacts	1.8
Free cash flow	(52.6)
Investment capital expenditure	15.0
Acquisitions	8.1
Dividends paid	7.8
Proceeds from share issues	(1.2)
Net debt as at 3 April 2011	112.3

4.2 Funding

Existing facility

The Group's current banking agreement comprises a facility of £160 million split equally between a bullet facility and revolving credit facility. Under the terms of that agreement the Group can borrow up to £232 million, provided this does not exceed 3.0 times EBITDA. This facility is due to expire in January 2012. The Group is, and confidently expects to remain, well within its banking covenant limits for the remainder of the facility term.

As at 3 April 2011, the Group had total available facilities of £197 million of which £151 million was drawn. The drawn amount included £127 million under the main facility, together with finance leases, local lending lines in overseas subsidiaries and overdrafts.

The debt is held mainly in Sterling, Euros and United States Dollars, with the currency mix and the level of fixed interest debt within each currency as at 3 April 2011 being as follows:

Figure 4: Composition of gross debt as at 3 April 2011

	Level of debt £m	Level of fixed interest debt £m
Sterling	53.6	9.2
Euros	65.6	10.5
US Dollar	23.6	-
Chinese Yuan	8.3	-
Total	151.1	19.7

Gross debt at 3 April 2011 was significantly higher than net debt due to funds having been drawn for the anticipated completion of the acquisition of BeamOne.

Refinancing

We are in advanced discussions with an identified club of banks in respect of new unsecured 5 year revolving credit facilities to replace the existing facility. The main points of the new multi-currency facilities agreement have been agreed and the legal documentation is being finalised.

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's Actuary Department. With the exception of NHS transfers, the Group's defined benefit schemes are closed to new entrants. Effective from 1 April 2011 we have closed the three UK schemes to future accruals; active members have been transferred to deferred status and invited to join the Group's UK defined contribution scheme.

At 3 April 2011, the net liability arising from our defined benefit scheme obligations was £12.3 million (2010: £15.4 million). An increase in the asset base and a small reduction in liabilities due to a change in inflation assumptions are the primary reasons for the fall in the total deficit.

Figure 5: Defined benefit pension schemes

	Year ended 3 April 2011 £m	Year ended 28 March 2010 £m
Synergy Healthcare plc Retirement Benefits Scheme	1.2	1.5
Shiloh Group Pension Scheme	1.0	1.9
Vernon Carus Limited Pension and Assurance Scheme	8.2	10.3
Isotron BV Pension and Assurance Scheme	1.3	1.7
GSP	0.6	-
Balance sheet liabilities	12.3	15.4

Gavin Hill
Group Finance Director
7 June 2011

Consolidated income statement
For the period ended 3 April 2011

	Note	2011			2010		
		Before amortisation of acquired intangibles and non-recurring items £'000	Amortisation of acquired intangibles and non-recurring items (note 5) £'000	Total £'000	Before amortisation of acquired intangibles and non-recurring items £'000	Amortisation of acquired intangibles and non-recurring items (note 5) £'000	Total £'000
Continuing operations							
Revenue	4	287,314	–	287,314	286,421	–	286,421
Cost of sales		(177,633)	–	(177,633)	(182,736)	–	(182,736)
Gross profit		109,681	–	109,681	103,685	–	103,685
Administrative expenses							
– Administration expenses excluding amortisation of acquired intangibles		(66,637)	3,278	(63,359)	(63,943)	(1,903)	(65,846)
– Amortisation of acquired intangibles		–	(6,265)	(6,265)	–	(6,200)	(6,200)
		(66,637)	(2,987)	(69,624)	(63,943)	(8,103)	(72,046)
Operating profit		43,044	(2,987)	40,057	39,742	(8,103)	31,639
Finance income	7	4,205	1,446	5,651	2,579	–	2,579
Finance costs	8	(8,975)	–	(8,975)	(9,687)	–	(9,687)
Net finance costs		(4,770)	1,446	(3,324)	(7,108)	–	(7,108)
Profit before tax	5	38,274	(1,541)	36,733	32,634	(8,103)	24,531
Income tax	9	(8,686)	752	(7,934)	(7,661)	5,289	(2,372)
Profit for the year		29,588	(789)	28,799	24,973	(2,814)	22,159
Attributable to:							
Equity holders of the parent		29,406	(789)	28,617	24,846	(2,814)	22,032
Non-controlling interests		182	–	182	127	–	127
		29,588	(789)	28,799	24,973	(2,814)	22,159
Earnings per share							
Basic	11			52.10p			40.56p
Diluted	11			51.23p			39.90p

Consolidated statement of comprehensive income
For the period ended 3 April 2011

	2011 £'000	2010 £'000
Profit for the year	28,799	22,159
Other comprehensive income/(expense) for the year:		
Exchange differences on translation of foreign operations	(2,647)	(3,068)
Cash flow hedges – derivative instrument effective portion	438	2,029
Actuarial gain/(loss) on defined benefit pension plans	2,454	(6,695)
Provision for deferred tax on defined benefit pension plans	(932)	1,875
	(687)	(5,859)
Total comprehensive income for the year	28,112	16,300
Attributable to:		
Equity holders of the parent	28,029	16,287
Non-controlling interests	83	13
	28,112	16,300

Consolidated statement of financial position
At 3 April 2011

	2011 £'000	2010 £'000
Non-current assets		
Goodwill	193,577	194,778
Other intangible assets	39,380	44,119
Property, plant and equipment	209,829	200,028
Investment property	970	980
Trade and other receivables	1,361	1,144
Total non-current assets	445,117	441,049
Current assets		
Inventories	13,513	12,717
Trade and other receivables	48,673	47,162
Cash and cash equivalents	38,781	6,275
Total current assets	100,967	66,154
Total assets	546,084	507,203
Capital and reserves attributable to the Group's equity holders		
Share capital	344	342
Share premium account	63,531	62,344
Translation reserve	45,438	47,986
Cash flow hedging reserve	(112)	(550)
Merger reserve	106,757	106,757
Retained earnings	72,634	48,928
Equity attributable to equity holders of the parent	288,592	265,807
Non-controlling interest	644	561
Total equity	289,236	266,368
Current liabilities		
Interest bearing loans and borrowings	139,414	12,998
Trade and other payables	60,254	56,728
Derivative financial instruments	112	550
Current tax liabilities	9,539	5,308
Short-term provisions	375	631
Total current liabilities	209,694	76,215
Non-current liabilities		
Interest bearing loans and borrowings	11,689	126,705
Retirement benefit obligations	12,251	15,403
Deferred tax liabilities	12,171	13,725
Provisions	10,705	8,405
Deferred government grants	338	382
Total non-current liabilities	47,154	164,620
Total liabilities	256,848	240,835
Total equity and liabilities	546,084	507,203

Consolidated cash flow statement
For the period ended 3 April 2011

	2011	2010 (restated)
	£'000	£'000
Profit for the year	28,799	22,159
Adjustments	54,932	54,340
Cash generated from operations	83,731	76,499
Income tax paid	(6,262)	(2,414)
Net cash generated from operating activities	77,469	74,085
Cash flows from investing activities		
Acquisition of subsidiary – net of cash	(1,560)	–
Purchases of property, plant and equipment (PPE)	(37,599)	(27,911)
Purchase of intangible assets	(569)	(275)
Proceeds from sale of PPE	1,293	1,047
Receipt of government grants	63	63
Interest received	2,856	112
Net cash used in investing activities	(35,516)	(26,964)
Cash flows from financing activities		
Dividends paid	(7,838)	(6,372)
Proceeds from borrowings	90,531	4,261
Repayment of borrowings	(82,784)	(35,634)
Repayment of hire purchase loans and finance leases	(3,880)	(2,558)
Interest paid	(5,863)	(7,560)
Proceeds from issue of shares	1,189	1,469
Net cash used in financing activities	(8,645)	(46,394)
Net increase in cash and bank overdrafts	33,308	727
Cash and bank overdrafts at beginning of period	6,275	5,542
Exchange differences	(802)	6
Cash and bank overdrafts at end of period	38,781	6,275

	2011	2010
	£'000	£'000
Cash generated from operations		
Profit for the period	28,799	22,159
Adjustments for:		
– depreciation and impairments	33,799	33,665
– amortisation of intangible assets	6,591	6,445
– equity-settled share-based payments	1,088	1,506
– loss/(gain) on sale of tangible fixed assets	156	(271)
– finance income	(5,651)	(2,579)
– finance costs	8,975	9,687
– income tax expense	7,934	2,372
Changes in working capital:		
– inventories	(769)	153
– trade and other receivables	(1,332)	(1,146)
– trade, other payables and provisions	2,028	3,501
Cash generated from recurring operations	81,618	75,492
Increase in other payables from non-recurring items	2,113	1,007
	83,731	76,499

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

Statement of changes in equity
For the period ended 3 April 2011

	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
Balance at 29 March 2009	337	60,880	106,757	(2,579)	50,940	35,905	252,240	548	252,788
Consolidated statement of comprehensive income	–	–	–	2,029	(2,954)	17,212	16,287	13	16,300
Dividends paid	–	–	–	–	–	(6,372)	(6,372)	–	(6,372)
Issue of shares	5	1,464	–	–	–	–	1,469	–	1,469
Share-based payments (net of tax)	–	–	–	–	–	2,183	2,183	–	2,183
Balance at 28 March 2010	342	62,344	106,757	(550)	47,986	48,928	265,807	561	266,368
Consolidated statement of comprehensive income	–	–	–	438	(2,548)	30,139	28,029	83	28,112
Dividends paid	–	–	–	–	–	(7,838)	(7,838)	–	(7,838)
Issue of shares	2	1,187	–	–	–	–	1,189	–	1,189
Share-based payments (net of tax)	–	–	–	–	–	1,405	1,405	–	1,405
Balance at 3 April 2011	344	63,531	106,757	(112)	45,438	72,634	288,592	644	289,236

The cash flow hedging reserve of £112,000 debit (2010: £550,000 debit and 2009: £2,579,000 debit) represents the fair value gains and losses on hedging arrangements that are effective and qualify for cash flow hedge accounting. The brought forward reserve of £550,000 debit unwound during the year and revaluation of existing instruments at the balance sheet date gave rise to the closing reserve. The share-based payment credit of £1,405,000 (2010: £2,183,000) includes a debit of £211,000 (2010: credit £110,000) relating to deferred taxation and a credit of £481,000 (2010: credit £567,000) relating to current taxation.

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.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to the nearest weekend to 31 March each year. The financial statements are rounded to the nearest thousand pounds and have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted for use in the EU (“IFRS”).

The financial information does not constitute the Group’s statutory accounts for the year ended 3 April 2011 or the year ended 28 March 2010, but is derived from those accounts. The current accounting period is 53 weeks in length (2010: 52 weeks in length).

Statutory accounts for the year ended 3 April 2011 will be filed with the Registrar of Companies following the Company’s Annual General Meeting. The auditors have reported on those accounts and their report was unqualified and did not contain statements under S498(2) or S498(3) of the Companies Act 2006. Statutory accounts for the year ended 28 March 2010 have been delivered to the Registrar of Companies. The auditors have reported on those accounts and their report was unqualified and did not contain statements under S498(2) or S498(3) of the Companies Act 2006.

2 Basis of accounting

Other than as set out below, the financial information for the period to 3 April 2011 have been prepared on the basis of the accounting policies set out in the Group’s latest annual financial statements for the period ended 28 March 2010. 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.

In the current year, the Group has adopted the following new standards and interpretations: IFRS3 Business combinations (revised), IFRIC 16 Hedges of a net investment in a foreign operation, and consequential amendments to IAS 27 ‘Consolidated and separate financial statements’ and IAS 31 ‘Interests in Joint Ventures’.

3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Where estimates and associated assumptions are made they are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Key areas of estimate uncertainty are set out below:

- In relation to the Group's cobalt provision costs of future disposal are based on contractual arrangements with third parties and latest disposal cost estimates.
- The Group cobalt depreciation policy is based on the actual physical decay of the Cobalt 60 isotope.
- In relation to the Group's property, plant and equipment (note 13), useful economic lives and residual values of assets have been established using historical experience and an assessment of the nature of the assets involved.
- Impairment tests have been undertaken with respect to goodwill (note 11) using commercial judgement and a number of assumptions and estimates have been made to support their carrying amounts.
- In relation to the Group's defined benefit pension schemes, actuarial assumptions are established using relevant market benchmark data and with the advice of external qualified actuaries.
- In relation to compensation received from third parties for insurance receipts, it can be uncertain how the amount received relates to specific items of property, plant and equipment that were impaired, lost or given up.

4 Segmental information

The Group is organised into three 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. These three operating segments are: the UK and Ireland, Europe and Middle East, and Asia and Africa. Subsequent to the balance sheet date, the Americas was created as a fourth operating segment, due to the acquisition of BeamOne.

The segments derive their revenues from the same range of products and services – being the provision of healthcare services, medical device sterilisation services, 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 and Ireland 2011 £'000	Europe and Middle East 2011 £'000	Asia and Africa 2011 £'000	Total 2011 £'000
Revenue from external customers	154,916	118,764	13,634	287,314
Segment profit	25,010	20,548	2,708	48,266
Segment depreciation	14,014	16,427	3,358	33,799
Segment assets	260,180	207,485	78,419	546,084

The comparative figures for the previous year are shown below:

	UK and Ireland 2010 £'000	Europe and Middle East 2010 £'000	Asia and Africa 2010 £'000	Total 2010 £'000
Revenue from external customers	158,034	117,426	10,961	286,421
Segment profit	23,327	17,769	2,165	43,261
Segment depreciation	12,612	16,560	2,726	31,898
Segment assets	234,491	203,128	69,584	507,203

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

	2011 £'000	2010 £'000
Total segment profit	48,266	43,261
Unallocated amounts:		
– Corporate expenses	(5,222)	(3,519)
– Non-recurring costs	3,278	(1,903)
Amortisation of acquired intangibles	(6,265)	(6,200)
Operating profit	40,057	31,639
Net finance costs	(3,324)	(7,108)
Profit before tax	36,733	24,531

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

	2011 £'000	2010 £'000
Healthcare solutions	160,380	174,631
Hospital sterilisation services	56,860	50,004
Medical device sterilisation services	70,074	61,786
	287,314	286,421

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, deferred taxation and rights under insurance, by geography:

	2011		2010	
	Revenue £'000	Non-current assets £'000	Revenue £'000	Non-current assets £'000
UK	141,732	146,926	146,394	143,785
Netherlands	104,547	135,312	106,145	142,034
Rest of World	41,035	161,909	33,882	154,250
	287,314	444,147	286,421	440,069

5 Profit before tax

Profit before tax has been arrived at after charging/(crediting):

	2011 £'000	2010 £'000
Release of government grants received	(107)	(61)
Depreciation of property, plant and equipment	33,799	31,898
Depreciation of investment property	10	10
Amortisation of acquired intangibles	6,265	6,200
Amortisation of purchased intangible assets	326	245
Cost of inventories recognised as expense	39,858	48,936
Staff costs (note 6)	113,487	105,860
Foreign exchange gains	(190)	(280)
Auditors' remuneration for audit services	362	344

Non-recurring items of £3,278,000 (2010: £1,903,000 charge) have been credited in arriving at operating profit. The table and accompanying notes provide further details:

	£'000
Costs incurred on the acquisition of businesses	889
Gain (net of costs) on legal case	(4,167)
	(3,278)

Transaction costs incurred on the acquisition of businesses have been recognised in the income statement. These costs relate primarily to the acquisition of GSP in late 2010 and BeamOne, which completed just after the year end. These acquisitions are disclosed in more detail in notes 14 and 15 respectively.

During the year the Group received a summary court judgment in our favour relating to an insurance claim arising from a fire at our Dunstable facility in early 2007. The non-recurring gain of £4,167,000 reflects the recognition of insurance proceeds received, less costs associated with the claim and final additional costs of working not previously written down.

In addition to the above a non-recurring credit of £1,446,000 (2010: £Nil) relating to court awarded interest on the Dunstable insurance case has been recognised in finance income. The total impact of non-recurring items on profit after tax is a credit of £3,153,000.

In the prior year, non-recurring items of £1,903,000 were charged in arriving at operating profit. The table and accompanying notes provide further details:

	£'000
Partial closure of Harwell sterilisation plant	609
Closure of a UK linen management facility	400
Closure of Dutch treasury operation	252
Other restructuring costs	642
	1,903

The costs associated with closing a UK linen management facility increased on the amounts reported in 2009, due to the deterioration in the UK commercial property market. The costs included future liabilities under the property lease. The costs associated with the partial closure of the Harwell medical device sterilisation facility include staff redundancy costs, decommissioning costs, and future liabilities under the property lease. Both closures are part of a programme of cost rationalisation in the UK business.

Other restructuring costs were incurred to generate ongoing reductions in the operating cost base in order to restore operating margins throughout the Group's businesses.

In the prior year we also recognised a non-recurring tax credit of £3,020,000. This relates to a tax credit received on a foreign exchange movement on inter-company Sterling borrowings within a Euro-denominated legal entity. Tax clearances have been received by the Dutch and UK authorities, and we have also received the associated repayment. The foreign exchange movement on which the tax credit was derived was taken direct to equity in accordance with applicable international accounting standards.

The total impact of non-recurring items to profit after tax in the prior year was a credit of £1,700,000.

A more detailed analysis of auditors' remuneration is provided below:

	2011 £'000	2010 £'000
Audit services		
– audit of these financial statements	62	62
– audit of financial statements of subsidiaries	300	282
	362	344
– audit-related regulatory reporting	18	2
– other services	58	18

6 Staff costs

The average number of monthly employees employed by the Group during the year, including executive directors, was as follows:

	2011 Number	2010 Number
Production	3,632	3,485
Selling and distribution	101	85
Administration	568	427
	4,301	3,997

Their aggregate remuneration comprised:

	2011 £'000	2010 £'000
Wages and salaries	97,363	89,134
Social security costs	11,166	9,887
Share-based payments	1,088	1,674
Other pension costs	3,870	5,165
	113,487	105,860

7 Finance income

	2011 £'000	2010 £'000
Interest on bank deposits	1,410	463
Expected return on defined benefit pension plan assets	2,795	2,116
Interest on insurance receipts	1,446	–
	5,651	2,579

8 Finance costs

	2011 £'000	2010 £'000
On bank loans and overdrafts	4,683	6,375
Finance charges in respect of hire purchase loans	720	578
Other interest payable and similar charges	131	100
Total external borrowing costs	5,534	7,053
Unwinding of discount on provisions	266	111
Interest on defined benefit plan obligations	3,175	2,729
Total financing cost	8,975	9,893
Less: amounts included in the cost of qualifying assets	–	(206)
	8,975	9,687

During the previous year, borrowing costs on specific and general borrowings were included in the cost of qualifying assets. An average capitalisation rate of 5.3% was applied to expenditure on such assets.

9 Tax

	2011 £'000	2010 £'000
Current tax:		
UK tax	4,598	4,297
Overseas tax	6,375	2,649
Adjustment in respect of prior years	(233)	(3,299)
Total current tax	10,740	3,647
Deferred tax:		
Origination and reversal of temporary differences	(109)	(493)
Adjustment in respect of prior years	(1,856)	(782)
Effect of rate change	(841)	–
Total deferred tax	(2,806)	(1,275)
Total tax in income statement	7,934	2,372

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

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax liability which has been included in the figures above.

The charge for the year can be reconciled to the profit before tax per the income statement as follows:

	2011 £'000	2010 £'000
Profit before tax	36,733	24,531
Tax at the UK corporation tax rate of 28% (2010: 28%)	10,285	6,869
Effect of:		
Expenses not deductible for tax purposes	866	108
Different tax rates on overseas earnings	(1,096)	(942)
Overseas withholding tax	-	113
Adjustment in respect of prior years	(2,090)	(4,140)
Effect of change in UK corporation tax rate	(633)	-
Previously unrecognised unused tax losses	602	364
Tax charge for year	7,934	2,372

The adjustment in respect of prior years in 2010 includes a non-recurring tax credit of £3,020,000. This relates to a tax credit received on a foreign exchange movement on inter-company Sterling borrowings within a Euro-denominated legal entity. Tax clearances have been received by the Dutch and UK authorities; we have also received the associated repayment.

10 Dividends

	2011 £'000	2010 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 29 March 2009 of 6.8p per share	-	3,696
Second interim dividend for the year ended 28 March 2010 of 8.3p per share	4,540	-
Interim dividend for the period ended 3 April 2011 of 6.0p (2010: 4.9p) per share	3,298	2,676
	7,838	6,372

The Group paid a second interim dividend on 1 April 2010, in lieu of a final dividend for the year ended 28 March 2010. The Board of Directors will recommend to the shareholders a final dividend in respect of the period ended 3 April 2011 of 9.84p.

11 Earnings per share

	2011 £'000	2010 £'000
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	28,617	22,032
	Shares '000	Shares '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	54,923	54,318
Effect of dilutive potential ordinary shares:		
Share options	940	903
Weighted average number of ordinary shares for the purposes of diluted earnings per share	55,863	55,221
Earnings per ordinary share		
Basic	52.10p	40.56p
Diluted	51.23p	39.90p

	2011 £'000	2010 £'000
Adjusted earnings per share		
Operating profit	40,057	31,639
Amortisation of acquired intangible assets	6,265	6,200
Non recurring items	(3,278)	1,903
Adjusted operating profit	43,044	39,742
Net finance costs	(4,770)	(7,108)
Adjusted profit on ordinary activities before taxation	38,274	32,634
Taxation on adjusted profit on ordinary activities	(8,686)	(7,661)
Non-controlling interest	(182)	(127)
Adjusted net profit attributable to equity holders of the parent	29,406	24,846
Adjusted basic earnings per share	53.54p	45.74p
Adjusted diluted earnings per share	52.64p	44.99p

12 Property, plant and equipment

During the period ended 3 April 2011, the Group purchased assets with a total cost of approximately £38.5 million.

13 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

The remuneration of key personnel (including directors) of Synergy Health plc was:

	2011 £'000	2010 £'000
Short-term benefits	2,768	2,170
Post-employment benefits	219	322
Share-based payments	651	962
	3,638	3,454

Key personnel (including directors) comprise the executive and non-executive directors and six senior executives (2010: five). Three of the senior executives are directly responsible for the Group's operating regions. The others are the Group HR Director, the Group Commercial Director, and the Group Company Secretary.

14 Acquisition of subsidiaries

With effect from 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 sterilisation 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)
Fair value of assets acquired	2,641
Cash consideration	2,870
Deferred consideration	428
Total consideration	3,298
Goodwill arising on acquisition	657

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. Acquisition costs of £169,000 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. Had the business been owned for the entire year, 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)
Acquisition of subsidiaries – net of cash	1,560

15 Post balance sheet event – acquisition of subsidiary

With effect from 7 April 2011, the Group acquired the entire issued share capital of BeamOne LLC ('BeamOne'), a company incorporated in the US. BeamOne has sites in San Diego, California; Denver, Colorado; Lima, Ohio; Saxonburg, Pennsylvania; with 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	5,397
Investment	429
Intangible assets	5,003
Trade and other receivables	2,575
Cash and cash equivalents	589
Trade and other payables	(1,582)
Other provisions	(643)
Loans	(4,278)
Fair value of assets acquired	7,490
<hr/>	
Cash consideration	16,341
Deferred consideration	8,582
Total consideration	24,923
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Goodwill arising on acquisition	17,433

The deferred consideration is due for payment fourteen months after the date of acquisition.

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).

Acquisition costs of £608,000 related to BeamOne have been expensed during the period within non-recurring items.

Had BeamOne been owned for the entire year, the contribution to revenue and operating profit would have been £8,800,000 and £2,200,000 respectively.

Summary of cash flow associated with the acquisition of BeamOne:

Cash consideration	16,341
Cash acquired with business	(589)
Acquisition of subsidiaries – net of cash	15,752

16 Annual report

The annual report and financial statements for the year ended 3 April 2011 will be posted to the shareholders on 1 July 2011, and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

17 Forward-looking statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.