



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

**Preliminary Results for the Year Ended 28 March 2010**

Synergy Health plc (LSE: SYR), a leading provider of specialist outsourced support services to health related markets in the UK and Ireland, Europe and the Middle East, Asia and Africa, announces its preliminary results for the year ended 28 March 2010.

|                                    | <b>Year ended<br/>28 March<br/>2010</b> | <b>Year ended<br/>29 March<br/>2009</b> | <b>% change</b> |
|------------------------------------|---|---|-----------------|
| Revenue                            | £286.4m                                 | £274.1m                                 | + 4.5%          |
| Adjusted operating profit*         | £39.7m                                  | £35.3m                                  | + 12.6%         |
| Operating profit                   | £31.6m                                  | £25.5m                                  | + 24.0%         |
| Adjusted profit before tax*        | £32.6m                                  | £26.1m                                  | + 25.0%         |
| Profit before tax                  | £24.5m                                  | £16.3m                                  | + 50.2%         |
| Adjusted basic earnings per share* | 45.74p                                  | 37.10p                                  | +23.3%          |
| Basic earnings per share           | 40.56p                                  | 23.45p                                  | +73.0%          |
| Dividend per share                 | 13.20p                                  | 11.00p                                  | +20.0%          |
| Operating cash flow                | £76.5m                                  | £60.1m                                  | +27.3%          |
| Net debt                           | £133.4m                                 | £170.2m                                 |                 |

**Financial Highlights**

- Reported revenues grew by 4.5% to £286.4 million with underlying revenues up 7.5% excluding non-core sales
- Adjusted\* operating profit margin up 100 basis points to 13.9%
- EBITDA up 12.0% to £74.9 million
- Operating cash flow up 27.3% to £76.5 million
- Net debt reduced by £36.8 million to £133.4 million
- Forward order book maintained at £850 million

**Operational Highlights**

- Restructured management team along geographic regions to drive local business performance and improve regional collaboration and strategic oversight
- Signed decontamination contracts in Leicester worth £3 million pa with an additional £2.7 million pa of contracts implemented in the year
- Additional sterilisation orders in Europe worth £1.0 million pa including a £0.7 million pa contract in Ireland
- Strong platform for growth in Asia: already delivering decontamination services to four hospitals in China

## **Outlook**

- Synergy starts the new year in a strong position with restored margins, a strong balance sheet and a revised management structure to ensure sustainability
- Further margin progression expected reflecting full year effect of operational improvements
- Increased investment in commercial teams will begin to feed through into higher revenue growth in the second half of the new financial year

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

“The healthcare market continues to seek efficiencies as government and company budgets come under pressure. As one of the most efficient specialist outsourcing providers to these markets, Synergy is well positioned to capitalise on this need. Having restored margins we will seek to invest in accessing opportunities in new and existing markets.

“Synergy sees growth opportunities arising from the increasing pressures on governmental budgets, as well as an expected upturn in customer sentiment following the economic downturn.”

\* 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 10am today, 3 June 2010, at the offices of Financial Dynamics. For further information please contact Juliet Edwards on +44 (0)207 269 7125 or at [juliet.edwards@fd.com](mailto:juliet.edwards@fd.com).

### **For further information:**

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## **CHAIRMAN'S STATEMENT**

In 2010 Synergy Health has met its commitment set out in last year's annual report to increase its financial strength through improved profitability and stronger cash generation. Despite a difficult economic backdrop, the Group has proved itself to be resilient to these conditions. We have laid the foundations for future growth by securing our financial position and continuing to establish operations in key growth markets around the world.

I am pleased to report that the Group met the performance targets set by the Board after the trading issues of 2008, mainly related to rising external costs. This improved performance is demonstrated by the headline growth in revenues of 4.5% to £286.4 million (2009: £274.1 million), underlying growth of 7.5% excluding non-core revenues and the one percentage point improvement in the operating margin to 13.9%. These in turn have led to an increase in Adjusted profit before tax of 25.0% to £32.6 million. After taking account of amortisation on acquired intangibles and non-recurring items, profit before tax increased by 50.2% to £24.5 million.

Importantly, the Group ended the financial year with a substantially stronger balance sheet. Net debt has reduced by £36.8 million to £133.4 million (2009: £170.2 million), achieved almost entirely from cashflow generated internally across the business. The forward order book has been maintained at £850 million.

### **EPS and Dividend**

We have a well established track record of achieving above average earnings growth and I am pleased to report that the business is back on trend. Adjusted basic earnings per share was 45.74p, an increase of 23.3%. After taking account of amortisation on acquired intangibles and non-recurring items, basic earnings per share was 40.56p, an increase of 73.0%.

Dividends for the year totalling 13.2p (2009: 11.0p) have been paid, comprising an initial interim dividend of 4.9p paid in January 2010 and a second interim dividend of 8.3p per share paid in April. The second interim dividend is in lieu of a final dividend. In total this represents an increase of 20% in accordance with the Board's policy of increasing dividends broadly in line with the growth in the adjusted earnings per share.

### **Employees**

During the year we have taken the opportunity to strengthen the management team both to support the reorganisation of the Group into geographic regions as well as to improve specific service areas. We have a clear strategy to continue to develop our senior leadership team through our talent management programme to ensure that the Group's improving performance is sustainable.

The Board has been most impressed with the way that the employees have responded to the targets and challenges set during the year. The success of the Group over the last year has been based on the efforts and commitment of our workforce to improve financial performance, efficiency and customer service. This commitment has been evident across all geographies in which we operate, and it is particularly pleasing to see our newer employees in recently established operations in Ireland and China follow the ethics and values that we have established. On behalf of the Board, I would like to thank all of our employees for their continued dedication and the achievements during the year.

### **Outlook**

Our success in addressing the objectives outlined in last year's annual report has resulted in the Group being in a position of operational and financial strength. Importantly, Synergy is positioned

for further growth as a result of management's renewed focus on the longer term strategy that was set after the acquisition of the sterilisation business, Isotron, in 2007.

Synergy is an expert in sterilisation technologies that are used both within hospitals and within the medical device market. Our strategy is to expand our geographic markets to increase our global market share of services in these sectors as well develop our expertise in infection prevention and control.

Whilst economic stability appears to be returning to most developed countries, the healthcare market continues to seek increased efficiency as government and company budgets come under pressure. As one of the most efficient specialist outsourcing providers to these markets, Synergy is well positioned to capitalise on this need. The scale that Synergy has built and the cost advantage that this brings, together with its technical expertise, creates significant barriers to entry.

Much of last year was focused on restoring margins and improving operating cash flow to strengthen the balance sheet. We are now increasingly focused on lifting revenue growth and we are making substantial investments in our sales and commercial teams. The market trends are favourable, with our customers needing to meet increasingly demanding regulatory requirements as efficiently as possible and we see this demand reflected in our growing bid pipeline. As a result we expect to see improved revenue growth coming through during the second half of the year. With a clear strategic vision, a strengthened management team and positive market conditions we believe Synergy is well placed to continue to deliver strong underlying earnings growth in the current year.

Stephen Wilson  
Chairman

## **CHIEF EXECUTIVE'S REPORT**

In 2009 Synergy confirmed its position as one of the world's leading providers of services in sterilisation, decontamination and infection control products. We have continued to expand our reach globally, supplying outsourced support services to the healthcare market.

The business model has proved resilient to challenging economic conditions. The Group has increased revenues by 4.5% from the prior year with underlying revenues up 7.5%. We are also pleased to announce that our gross margins have been fully restored to 2008 levels at 36.2% resulting in Adjusted operating margins up by 1.0%.

### **The business is set for continued growth**

Our success this year in increasing Adjusted basic earnings per share 23.3% is due to a number of factors. Primarily it is because our core strategy has remained constant, and we are expanding our operations and sales in international markets.

We expect continuing earnings growth, as Synergy is well positioned to take advantage of the increased stability in international markets. More importantly from our perspective, we are well positioned to support our customers through increased regulatory challenges at a time when there is further pressure on funding. Synergy has strong methodologies and processes, as well as financial strength supported by a marked reduction in debt.

Because of our renewed focus on growth, we have realigned our leadership, by appointing three regional CEOs: CEO United Kingdom and Ireland; CEO Europe and the Middle East; and CEO Asia and Africa. We have also appointed a commercial director to lead a dedicated commercial team with the remit to pursue growth opportunities, particularly within the decontamination and sterilisation global sectors.

### **UK and Ireland**

The UK and Ireland region is our most developed market for most of our services. The margin pressure experienced in 2008 was primarily in the UK and it is here that we have focused heavily on cost management and been more highly selective about new contracts. As a result underlying revenue growth (excluding non-core businesses) was lower at 3.1%. However, due to the growing need for hospitals to outsource their decontamination requirements this service grew 17% during the period reflecting further contract wins. There is still considerable room for further growth in the decontamination market. Currently close to 75% of UK hospitals provide their own in-house decontamination services. There is increasing pressure on hospitals worldwide to cut costs, yet meet tougher regulatory requirements, which places Synergy in a good position as a cost effective solution for hospitals.

The majority of UK contract wins are with the NHS. We have been active in supporting the NHS in its drive for efficiency and the NHS has chosen us because of our track record in enabling hospitals to meet service standards and lower costs. NHS contracts represent close to 30% of the Group's operating profit.

An example is the Barking, Havering and Redbridge University Hospital NHS Trust contract that commenced in May 2009. This involves processing over five million instruments each year, in addition to linen management. Under the contract, we service four acute hospitals in North London, as well as other NHS and private sector clients.

The main focus of the UK linen business was to correct the margin setback, which negatively impacted the business in 2009, mainly due to energy and transport costs rising. I am pleased to

report that this has now been corrected and the business last year restored margins to the levels prior to the cost increases. Revenue growth was modest reflecting the strategy to tighten controls and cut costs, leading to the closure of an out-dated facility in the second half of last year. The business is now in a good position to resume growing.

Our UK sterilisation services business that caters for the medical device manufacturers has been operating steadily. Revenues in the region grew 6% over the period, which we believe was a commendable outcome. In Ireland we opened the new electron beam facility at Tullamore, which has started well, although, as anticipated, there have been start-up costs associated with the new facility.

We continue to increase our focus on developing a complete infection control range that reduces hospital infection rates using Synergy's specialised portfolio of products whilst at the same time exiting a small number of non-core businesses within UK healthcare solutions, which will help to increase profitability and margins further in the coming years.

### **Europe and the Middle East**

Europe and the Middle East has further growth potential for Synergy, particularly in sterilisation services, supported by improving capacity utilisation at the Venlo facility in the Netherlands, and also in infection control. Venlo is our first ethylene oxide sterilisation facility in Europe. We are now able to offer customers this technology, as well as gamma sterilisation for which we are already well known in the region. We anticipate a need to add an additional line to extend capacity by the end of this year and we are also expecting to add further gamma capacity in France. Most of our other sterilisation facilities are running efficiently close to capacity.

Our fledgling decontamination business in Europe is making steady progress. It is currently operating in the Netherlands and Belgium with two sites under our management at very large acute hospitals.

Outsourcing of services to hospitals has been difficult in Europe as value added tax (VAT) differences impinge upon the price competitiveness of outsourced services. In Europe, unlike in the UK, VAT that is paid by hospitals on our services cannot be claimed back, creating a cost disadvantage. We now have a solution to overcome this and we will be more aggressively looking to expand our services in this area as a result.

The Dutch healthcare linen business remains the leading player in a mature market. Reflecting this, the business is growing at a modest rate and its margins are stable, but it remains a strong generator of cash for the Group.

Elsewhere, we are selling healthcare solutions systems into a range of healthcare providers across continental Europe and the Middle East. This revenue stream has grown significantly in the past year after investments in sales and marketing in the region.

### **Asia and Africa**

As a whole, Asia and Africa grew revenues by 20.1%. The Company operates services across three countries in Asia – Thailand, Malaysia and now China. The South African operation is managed by the same regional CEO who will be based in a new office in Hong Kong.

We continue to make significant progress in Asia now that operations have been established in Suzhou, China. We provide decontamination services for four acute hospitals in Suzhou, as well as a number of smaller customers. This is the first service of its kind in China and the response from both the national government and the local administration has been supportive.

As part of the Suzhou facility, we provide sterilisation services using ethylene oxide technology. We are currently working with a number of medical device manufacturers and we should be generating revenues from this service by the second half of next year.

In Thailand and Malaysia we provide outsourcing of sterilisation for medical device manufacturers, whereas in China we provide decontamination services for hospitals, in addition to the sterilisation service for manufacturers.

There have been costs associated with starting our new facility in Suzhou, which is reflected in the lower operating margin for the region. Another factor has been weaker sales due to difficult conditions in the North American market for medical device manufacturers, which typically assemble and sterilise their devices in China. However, as a result, these manufacturers are under increasing pressure to improve efficiency, which places Synergy in a strong position to keep winning business.

### **Barriers to entry**

Although more stability is returning to international markets, conditions remain challenging for both the private and the public sectors. Customers, including hospitals and medical technology specialists, are faced with significant spending constraints.

Despite this, regulatory standards such as minimum hygiene requirements, remain. The onus is upon hospitals to meet the regulatory standards in the most cost efficient manner possible and outsourcing is a highly attractive and logical solution. Outsourcing companies have the scale and associated efficiencies to provide services at a lower cost.

Our businesses have significant barriers to entry, which make it very difficult for customers or potential competitors to achieve the low costs and efficiencies that we have in our areas of expertise: decontamination, sterilisation and infection control services.

- Firstly, there is the financial barrier. We have invested more than £300 million in building and developing decontamination and sterilisation plants. This includes the network of backup facilities that are essential in the “mission critical” environment in which we work. This investment is extremely expensive and time consuming to replicate.
- Secondly, there is the associated technical expertise. In sterilisation, for example, there is a requirement to obtain licences to handle the radioactive cobalt used in gamma technology sterilisation. In addition there is the expertise associated with building and operating sterilisation plants, which is hard to replicate. In decontamination, the key issues are the knowledge, data and expertise required to manage a very complex logistical environment, and be able to take an in-house department and transform the quality standards to near perfection very quickly. Our decontamination facilities must comply with stringent regulatory standards which can only be achieved using complex systems and quality procedures which Synergy has developed during the past 15 years.
- Thirdly, almost 50% of the Group’s revenues are derived from long duration contracts (between three and 40 years) – this provides a significant barrier to entry for competitors in decontamination. In sterilisation, the approval of the U.S. Food and Drug Administration is required for entrance into this field, which provides a significant further barrier to entry.

The expertise that we have in sterilisation of medical devices and the decontamination of reusable surgical instruments overlaps, providing the Group with a unique level of expertise and problem solving ability in those fields. Synergy is a recognised expert in applied sterilisation technology.

We also work for the biggest global brands in our field, including Johnson and Johnson, which gives us a level of credibility that cannot easily be replicated.

### **Synergy is investing in the long term**

The investment in our people and processes must reflect the long-term nature of our contracts. We also look towards new markets in order to match the movements of the global healthcare industry, which is increasingly focused on emerging markets such as China.

A long-term approach is also in shareholders' interests. It will enable us to continue our exceptional record of earnings growth and to increase the dividends we pay to investors.

Aside from high profile investments in China, we have invested in lower-profile measures such as a graduate management training programme, additional expertise in Human Resources to look specifically at "Talent Management", and a leadership community forum. The latter involves 60 people who meet quarterly, including once a year at a two day event, to review strategy and key initiatives across the businesses. These people are chosen from the Group's 4,000 strong workforce and represent the present and future leaders of Synergy.

### **Outlook**

In an environment where both the private and public sectors are under pressure to make cost savings, but where regulators are demanding more from the health sector globally in terms of hygiene, we are well positioned as an experienced outsource provider.

We now have positions in key markets and have executives in place responsible for growth. In the short-term, we are looking for double digit EPS growth. We believe that Europe and the Middle East will continue to deliver strong revenue and earnings growth due to our increased sterilisation capacity and range of technologies. We also expect further growth in decontamination, particularly in the UK, as hospitals look to outsource providers to meet regulatory requirements at minimal expense.

Longer term, we also see strong earnings growth from our presence in Asia, and in particular in China. Both sterilisation and decontamination services are in high demand in this region.

Richard Steeves  
Chief Executive

## FINANCE DIRECTOR'S REPORT

### Overview

Our business delivered a strong financial performance in 2010 with revenue growing 4.5% and Adjusted operating profit increasing by 12.6%. Adjusted operating margin increased by 100 basis points to 13.9%.

Our results were impacted by currency and non-core business: excluding these, underlying revenue growth was 4.2% and Adjusted operating margin increased by 110 basis points. Adjusted operating profit and Adjusted profit before tax are before amortisation of acquired intangibles and non-recurring items.

Operating cash flow grew by 27.3% to £76.5 million, and net debt reduced by £36.8 million to £133.4 million from the 2009 year end position.

### 1. Income statement

Synergy's income statement is summarised in Figure 1. In order to present the underlying increase in profitability of the business in the year, non-recurring items are separately analysed.

**Figure 1: Underlying Income Statement**

| Year ended March                      | 2010<br>£m    | 2009<br>£m | Increase |
|---------------------------------------|---------------|------------|----------|
| Revenue                               | <b>286.4</b>  | 274.1      | +4.5%    |
| Gross Profit                          | <b>103.6</b>  | 92.5       | +12.1%   |
| Administrative expenses               | <b>(63.9)</b> | (57.2)     | +11.7%   |
| Adjusted operating profit             | <b>39.7</b>   | 35.3       | +12.6%   |
| Net finance costs                     | <b>(7.1)</b>  | (9.2)      |          |
| Adjusted profit before tax            | <b>32.6</b>   | 26.1       | +25.0%   |
| Amortisation of acquired intangibles  | <b>(6.2)</b>  | (5.8)      |          |
| Non-recurring items                   | <b>(1.9)</b>  | (4.0)      |          |
| Profit before tax                     | <b>24.5</b>   | 16.3       | +50.2%   |
| Tax                                   | <b>(2.4)</b>  | (3.6)      |          |
| Profit for the year                   | <b>22.1</b>   | 12.7       | +75.0%   |
| Effective tax rate <sup>1</sup>       | <b>23.5%</b>  | 23.5%      |          |
| Adjusted earnings per share – basic   | <b>45.74p</b> | 37.10p     | +23.3%   |
| Earnings per share – basic            | <b>40.56p</b> | 23.45p     | +73.0%   |
| Adjusted Earnings per share – diluted | <b>44.99p</b> | 36.61p     | +22.9%   |
| Earnings per share - diluted          | <b>39.90p</b> | 23.14p     | +72.4%   |
| Dividend per share                    | <b>13.20p</b> | 11.00p     | +20.0%   |

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

The impact of non-recurring items and amortisation of acquired intangibles on the income statement is shown in Figure 2.

**Figure 2: Profit Bridge**

| <b>Year ended March</b>              | <b>Operating profit<br/>£m</b> | <b>Profit before tax<br/>£m</b> | <b>Tax<br/>£m</b> | <b>Profit for the year<br/>£m</b> |
|--------------------------------------|--------------------------------|---------------------------------|-------------------|-----------------------------------|
| <b>2009 Adjusted</b>                 | <b>35.3</b>                    | <b>26.1</b>                     | <b>(6.1)</b>      | <b>20.0</b>                       |
| Amortisation of acquired intangibles | (5.8)                          | (5.8)                           | 1.6               | (4.2)                             |
|                                      | <b>29.5</b>                    | <b>20.3</b>                     | <b>(4.5)</b>      | <b>15.8</b>                       |
| Non-recurring items                  | (4.0)                          | (4.0)                           | 0.9               | (3.1)                             |
| <b>2009 Reported</b>                 | <b>25.5</b>                    | <b>16.3</b>                     | <b>(3.6)</b>      | <b>12.7</b>                       |
| <b>2010 Adjusted</b>                 | <b>39.7</b>                    | <b>32.6</b>                     | <b>(7.7)</b>      | <b>24.9</b>                       |
| Amortisation of acquired intangibles | (6.2)                          | (6.2)                           | 1.7               | (4.5)                             |
|                                      | <b>33.5</b>                    | <b>26.4</b>                     | <b>(6.0)</b>      | <b>20.4</b>                       |
| Non-recurring items                  | (1.9)                          | (1.9)                           | 3.6               | 1.7                               |
| <b>2010 Reported</b>                 | <b>31.6</b>                    | <b>24.5</b>                     | <b>(2.4)</b>      | <b>22.1</b>                       |

### **1.1 Currency translation and non-core operations**

The increase in the size of overseas operations with earnings not generated in Sterling and changes in currency exchange rates over the last 12 months, have had a small benefit to Synergy's reported results. In order to present the underlying growth of the business in the year, the effect of currency exchange rates on revenue, Adjusted operating profit, net finance costs, Adjusted profit before tax and net debt is presented in the Finance Director's Report. The currency effect has been calculated by translating non-Sterling earnings for the year ended 28 March 2010 into Sterling at the average foreign exchange rates for the year ended 29 March 2009. Owing to the geographical mix of revenue and cost, primarily in Sterling, Euro and US Dollar, the net impact of currency effects has not been significant to the Group's profit. Additionally, the Group has revenues and income from operations that are winding down and exiting, primarily relating to business streams within the UK's Healthcare Solutions business, including the distribution contracts with NHS Scotland that are in the process of being taken in-house. These have been excluded in deriving the underlying performance of the business.

**Figure 3: Income Statement Bridge**

| <b>Year ended March</b>                  | <b>Revenue<br/>£m</b> | <b>Revenue<br/>growth<br/>%</b> | <b>Adjusted<br/>operating<br/>profit<br/>£m</b> | <b>Adjusted<br/>operating<br/>margin<br/>%</b> |
|--|-----------------------|---------------------------------|---|--|
| 2009 Group total                         | 274.1                 |                                 | 35.3  | 12.9%  |
| Non-core business                        | (24.5)                |                                 | (1.4)   |  |
| 2009 Group excl. non-core                | 249.6                 |                                 | 33.9  | 13.6%  |
| <b>2010 Group total</b>                  | <b>286.4</b>          | <b>4.5%</b>                     | <b>39.7</b>                                     | <b>13.9%</b>                                   |
| <b>Non-core business</b>                 | <b>(18.0)</b>         |                                 | <b>(0.8)</b>                                    |  |
| <b>Group excl. non-core</b>              | <b>268.4</b>          | <b>7.5%</b>                     | <b>38.9</b>                                     | <b>14.5%</b>                                   |
| <b>Currency effects</b>                  | <b>(8.3)</b>          |                                 | <b>(0.7)</b>                                    |  |
| <b>Group excl. non-core and currency</b> | <b>260.1</b>          | <b>4.2%</b>                     | <b>38.2</b>                                     | <b>14.7%</b>                                   |

**1.2 Revenue**

Revenue of £286.4 million represents a growth rate, excluding non-core business and currency effects, of 4.2% over the previous year. Excluding only the impact of non-core business held within the UK Healthcare Solutions business, the underlying growth rate was 7.5% for the year.

**1.3 Gross Profit**

Gross profit increased by 12.1% to £103.6 million representing a Gross profit margin of 36.2%, an increase of 240 basis points over last year.

**1.4 Adjusted operating profit**

Adjusted operating profit increased by 12.6% to £39.7 million representing an Adjusted operating profit margin of 13.9%, an increase of 100 basis points over last year (110 basis points excluding non-core business and currency effects). This year we have incurred an increase in administrative costs to ensure that central functions, particularly in Human Resources, are appropriately positioned to support the business as it grows.

**1.5 Non-recurring items**

We have recognised a non-recurring charge this year of £1.9 million (2009: £4.0 million). The charge includes £0.4 million of additional prior year related restructuring costs, primarily property liability costs, on one of our UK linen facilities that closed last year. This year we have incurred £0.6 million of restructuring costs on the partial closure of our Harwell sterilisation facility. Other restructuring costs primarily relate to the closure of the Dutch treasury operation and management restructuring within the sterilisation business.

We have also recognised a non-recurring tax credit of £3.0 million. This relates to tax relief arising from a reorganisation of our European holding companies. Tax clearances have been received by the Dutch and UK authorities; we have also received the associated cash repayment.

The total impact of non-recurring items to profit after tax is a credit of £1.7 million.

The insurance claim arising from the fire at the Dunstable facility in early 2007 remains the subject of ongoing legal proceedings after the insurers formally rejected the claim. All costs relating to increased costs of working and associated disruption costs and the value of the assets destroyed have been fully written off in previous years.

## **1.6 Net finance costs**

The Group's net finance costs were £7.1 million compared with £9.2 million in the previous year, a decrease of £2.1 million. The decrease, excluding currency effects, was £2.5m. Lower borrowing costs on the main syndicated facility and reduced debt levels were the principal reasons for this decrease. The average interest rate cost over the main syndicated facility and other group facilities is estimated at 4.5% in the reported year.

## **1.7 Adjusted profit before tax**

Adjusted profit before tax was £32.6 million, an increase of 25.0%. The Adjusted profit before tax margin was 11.4%, an increase of 190 basis points. The benefit of currency on Adjusted profit before tax was £0.4 million.

## **1.8 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. As a substantial element of the intangible assets is denominated in Euros, the charge has increased as Sterling has weakened.

## **1.9 Tax**

The tax charge (excluding non-recurring items and amortisation of acquired intangibles) of £7.7 million (2009: £6.1 million) represents an effective rate of 23.5%, consistent with 2009. The effective rate is lower than the standard UK rate, mainly reflecting a geographical mix of profits from territories with lower rates of taxation. The geographical mix of profits is expected to remain broadly similar next year.

As detailed in section '1.5 Non-recurring items', the Group benefited from a one-off tax credit in the year of £3.0 million.

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

The growth in Adjusted basic earnings per share and Adjusted diluted earnings per share, after adjusting for amortisation of acquired intangibles and non-recurring items, was 23.3% and 22.9% respectively. After amortisation of acquired intangibles and non-recurring items, basic and diluted earnings per share increased by 73.0% and 72.4% respectively.

## **2. Dividend**

On 1 April 2010 the Group paid a second interim dividend of 8.3p per share (2009: final dividend of 6.8p). The second interim dividend is in lieu of a final dividend and gives a total dividend for the year of 13.2p (2009: 11.0p). This represents an increase of 20% over last year's dividend, reflecting the board's policy to increase dividends broadly in line with earnings per share.

### 3. Cash flow

Figure 4 analyses the cash flow showing our view of operating and free cash flow.

**Figure 4: Cash Flow**

| Year ended March   | 2010<br>£m  | 2009<br>£m  |
|--|-------------|-------------|
| Adjusted operating profit                                    | 39.7        | 35.3        |
| Non cash items   | 35.2        | 31.6        |
| EBITDA   | 74.9        | 66.9        |
| Working capital movement                                     | 2.5         | (3.9)       |
| Non recurring item cash movement                             | (0.9)       | (2.9)       |
| <b>Operating cash flow</b>                                   | <b>76.5</b> | <b>60.1</b> |
| Interest   | (7.4)       | (9.5)       |
| Tax  | (2.4)       | (3.6)       |
| Net maintenance expenditure on tangible assets               | (19.4)      | (19.0)      |
| <b>Free cash flow</b>  | <b>47.3</b> | <b>28.0</b> |
| Net investment expenditure on tangible and intangible assets | (7.7)       | (30.8)      |
| Acquisition of subsidiaries                                  | -           | (3.1)       |
| Financing  | (34.0)      | 11.9        |
| Dividends paid   | (6.4)       | (5.8)       |
| Proceeds from share issues                                   | 1.5         | 0.8         |
| Net increase / (decrease in cash and cash equivalents)       | <b>0.7</b>  | <b>1.0</b>  |

#### 3.1 Operating cash flow

Operating cash flow generated in the year increased by 27.3% to £76.5 million (2009: £60.1 million) reflecting a conversion of EBITDA into cash of 102% (2009: 90%). This was a strong cash performance showing a substantial focus on working capital efficiency.

#### 3.2 Interest

Net interest paid was £7.4 million, compared to £9.5 million in 2009, reflecting lower borrowing costs.

#### 3.3 Tax

Tax paid was £2.4 million (2009: £3.6 million) including the receipt of the non-recurring tax credit.

#### 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 and circulating inventory. Total net capital additions of £27.1 million were made during the year.

We analyse capital expenditure between “maintenance” and “investment” expenditure. Maintenance capital expenditure is the expenditure required to replace the existing capital base. Investment capital expenditure is investment in enhancing the capacity or efficiency of the Group’s capital base. The main items of necessary ongoing maintenance capital expenditure are textiles for the Linen business for rental to customers, cobalt 60 for Sterilisation Services as the radiation source for the gamma sterilisation plants and general replacement of plant and machinery around the Group. Total maintenance capital expenditure was £19.4m of which £10.4 million and £5.1 million were spent on textiles and cobalt respectively.

Total investment capital expenditure incurred was £8.7 million relating to the completion during the first half of the year on the Sterilisation facilities in China and Ireland, and the new Decontamination facility in Lancashire. Disposal proceeds of £1 million were received during the year on the sale of a linen site in Holland.

### 3.5 Financing

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

## 4 Net debt and funding

### 4.1 Net debt

Strong cash generation helped net debt reduce during the year from £170.2 million to £133.4 million.

The movement in the net debt is reconciled below:

**Figure 5: Movement in net debt**

|                                     | <b>£m</b>    |
|-------------------------------------|--------------|
| Net debt as at 29 March 2009        | 170.2        |
| Exchange rate impacts               | (2.1)        |
| Free cash flow                      | (47.3)       |
| Investment capital expenditure      | 7.7          |
| Dividends paid                      | 6.4          |
| Proceeds from share issues          | (1.5)        |
| <b>Net debt as at 28 March 2010</b> | <b>133.4</b> |

### 4.2 Funding

The main banking agreement comprises a facility of £160 million which is split equally between a bullet facility and revolving credit facility, repayable in January 2012. The Group remains comfortably within the covenants set out in the agreement.

Under the terms of this agreement the Group can borrow up to £232 million provided this does not exceed 3.0 times EBITDA. At 28 March 2010, the Group had available facilities of £203 million. This includes £160 million under the main syndicated facility, together with finance leases, local lending lines in overseas subsidiaries and overdrafts.

The debt is held mainly in sterling and euros, with the currency mix and the level of fixed interest debt within each currency being as follows:

**Figure 6: Composition of debt**

| £ million       | Level of debt | Level of fixed interest debt |
|-----------------|---------------|------------------------------|
| Sterling        | 67.1          | 7.5                          |
| Euros           | 64.7          | 30.9                         |
| Chinese Remimbi | 7.9           | -                            |
| <b>Total</b>    | <b>139.7</b>  | <b>38.4</b>                  |

The euro denominated debt which is held in the UK is held as a hedge against the Group's euro-denominated net assets of £194 million. As at 28 March 2010, 27.5% of total debt was held at fixed rates of interest.

## **5 Pensions**

The Group operates three final salary schemes in the UK and one in the Netherlands.

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. Otherwise the UK schemes are closed to new entrants. Isotron's pension scheme in the Netherlands includes defined benefit and defined contribution elements.

At 28 March 2010, the net liability included in the balance sheet arising from our defined benefit scheme obligations was £15.4 million (29 March 2009: £9.3 million), on a pension scheme asset base of £41.3 million.

Liabilities have risen by more than the growth in the asset base, mainly due to a reduction in the discount rate and changes to inflation and mortality assumptions.

**Figure 7: Defined benefit pension schemes**

| <b>As at 28 March 2010</b>                        | <b>2010<br/>£m</b> |
|---|--------------------|
| Synergy Health plc Retirement Benefits Scheme     | 1.5                |
| Shiloh Group Pension Scheme                       | 1.9                |
| Vernon Carus Limited Pension and Assurance Scheme | 10.3               |
| Isotron BV Pension and Assurance Scheme           | 1.7                |
| <b>Balance sheet liabilities</b>                  | <b>15.4</b>        |

At the year end the schemes had 57% of their assets invested in equities with the remaining assets comprising cash, bonds and investment property related assets.

The total pension charge for the year ended 28 March 2010 at £0.8 million was in line with the 2009 charge of £0.8 million.

The regular triennial review of the schemes is close to completion. We are working with the Trustees on options for the schemes. Recovery plan payments to eliminate the past deficit will increase from £0.9 million per annum to £2.1 million per annum. Employer contributions relating to future benefit accrual will increase by approximately £0.1 million per annum.

Gavin Hill  
Group Finance Director

Consolidated Income Statement  
For the year ended 28 March 2010

|  | Notes | 2010   |   |                | 2009  |   |                |
|--|-------|--|---|----------------|---|---|----------------|
|  |       | Before amortisation of acquired intangibles and non-recurring items (note 3) £'000 | Amortisation of acquired intangibles and non-recurring items (note 3) £'000 | Total £'000    | Before amortisation of acquired intangibles and non-recurring items £'000 | Amortisation of acquired intangibles and non-recurring items (note 3) £'000 | Total £'000    |
| <b>Continuing operations</b>   |       |  |   |                |   |   |                |
| Revenue  | 2     | 286,421  | -   | 286,421        | 274,100   | -   | 274,100        |
| Cost of sales  |       | -182,736   | -   | -182,736       | -181,587  | -   | -181,587       |
| <b>Gross profit</b>  |       | <b>103,685</b>   | <b>-</b>  | <b>103,685</b> | <b>92,513</b>   | <b>-</b>  | <b>92,513</b>  |
| Administrative expenses  |       |  |   |                |   |   |                |
| - Administration expenses excluding amortisation of intangibles and share scheme charges |       | -62,024  | -1,903  | -63,927        | -55,154   | -3,996  | -59,150        |
| - Amortisation of intangibles  |       | -245   | -6,200  | -6,445         | -656  | -5,782  | -6,438         |
| - Share scheme charges   |       | -1,674   | -   | -1,674         | -1,411  | -   | -1,411         |
|  |       | <b>-63,943</b>   | <b>-8,103</b>   | <b>-72,046</b> | <b>-57,221</b>  | <b>-9,778</b>   | <b>-66,999</b> |
| <b>Operating profit</b>  |       | <b>39,742</b>  | <b>-8,103</b>   | <b>31,639</b>  | <b>35,292</b>   | <b>-9,778</b>   | <b>25,514</b>  |
| Finance income   | 4     | 2,579  | -   | 2,579          | 3,038   | -   | 3,038          |
| Finance costs  | 5     | -9,687   | -   | -9,687         | -12,220   | -   | -12,220        |
| Net finance costs  |       | -7,108   | -   | -7,108         | -9,182  | -   | -9,182         |
| <b>Profit before tax</b>   | 3     | <b>32,634</b>  | <b>-8,103</b>   | <b>24,531</b>  | <b>26,110</b>   | <b>-9,778</b>   | <b>16,332</b>  |
| Income tax   | 6     | -7,661   | 5,289   | -2,372         | -6,131  | 2,462   | -3,669         |
| <b>Profit for the year</b>   |       | <b>24,973</b>  | <b>-2,814</b>   | <b>22,159</b>  | <b>19,979</b>   | <b>-7,316</b>   | <b>12,663</b>  |
| <b>Attributable to:</b>  |       |  |   |                |   |   |                |
| Equity holders of the parent   |       | 24,846   | -2,814  | 22,032         | 19,881  | -7,316  | 12,565         |
| Minority interest  |       | 127  | -   | 127            | 98  | -   | 98             |
|  |       | <b>24,973</b>  | <b>-2,814</b>   | <b>22,159</b>  | <b>19,979</b>   | <b>-7,316</b>   | <b>12,663</b>  |
| <b>Earnings per share</b>  |       |  |   |                |   |   |                |
| From continuing and total operations   |       |  |   |                |   |   |                |
| Basic  | 8     |  |   | <b>40.56p</b>  |   |   | 23.45p         |
| Diluted  | 8     |  |   | <b>39.90p</b>  |   |   | 23.14p         |

Consolidated Statement of Comprehensive Income  
For the year ended 28 March 2010

|  | <b>2010</b>    | 2009    |
|--|----------------|---------|
|  | <b>£'000</b>   | £'000   |
| <b>Profit for the year</b>                                 | <b>22,159</b>  | 12,663  |
| <b>Other comprehensive income/(expense) for the year:</b>  |                |         |
| Exchange differences on translation of foreign operations  | <b>(3,068)</b> | 31,673  |
| Cash flow hedges – derivative instrument effective portion | <b>2,029</b>   | (2,792) |
| Actuarial loss on defined benefit pension plans            | <b>(6,695)</b> | (6,422) |
| Less: provision for deferred tax                           | <b>1,875</b>   | 1,422   |
|  | <b>(5,859)</b> | 23,881  |
| <b>Total comprehensive income for the year</b>             | <b>16,300</b>  | 36,544  |
| Attributable to:   |                |         |
| Equity holders of the parent                               | <b>16,287</b>  | 36,369  |
| Minority interest  | <b>13</b>      | 175     |
|  | <b>16,300</b>  | 36,544  |

Consolidated Statement of Financial Position  
At 28 March 2010

|  | 2010<br>£'000  | 2009<br>£'000  |
|--|----------------|----------------|
| <b>Non-current assets</b>  |                |                |
| Goodwill   | 194,778        | 197,114        |
| Other intangible assets  | 44,119         | 51,060         |
| Property, plant and equipment  | 200,028        | 207,694        |
| Investment property  | 980            | 990            |
| Trade and other receivables  | 1,144          | -              |
| <b>Total non-current assets</b>  | <b>441,049</b> | <b>456,858</b> |
| <b>Current assets</b>  |                |                |
| Inventories  | 12,717         | 12,889         |
| Trade and other receivables  | 47,162         | 48,017         |
| Cash and cash equivalents  | 6,275          | 5,542          |
| <b>Total current assets</b>  | <b>66,154</b>  | <b>66,448</b>  |
| <b>Total assets</b>  | <b>507,203</b> | <b>523,306</b> |
| <b>Capital and reserves attributable to the Group's equity holders</b> |                |                |
| Share capital  | 342            | 337            |
| Share premium account  | 62,344         | 60,880         |
| Translation reserves   | 47,986         | 50,940         |
| Cash flow hedging reserve  | (550)          | (2,579)        |
| Merger reserve   | 106,757        | 106,757        |
| Retained earnings  | 48,928         | 35,905         |
| <b>Equity attributable to equity holders of the parent</b>             | <b>265,807</b> | <b>252,240</b> |
| Minority interest  | 561            | 548            |
| <b>Total equity</b>  | <b>266,368</b> | <b>252,788</b> |
| <b>Current liabilities</b>   |                |                |
| Interest bearing loans and borrowings                                  | 12,998         | 9,423          |
| Trade and other payables   | 56,728         | 52,642         |
| Derivative financial instruments                                       | 550            | 2,579          |
| Current tax liabilities  | 5,308          | 4,428          |
| Short-term provisions  | 631            | 1,140          |
| <b>Total current liabilities</b>                                       | <b>76,215</b>  | <b>70,212</b>  |
| <b>Non-current liabilities</b>   |                |                |
| Interest bearing loans and borrowings                                  | 126,705        | 166,377        |
| Retirement benefit obligations   | 15,403         | 9,296          |
| Deferred tax liabilities   | 13,725         | 17,001         |
| Provisions   | 8,405          | 7,252          |
| Deferred government grant  | 382            | 380            |
| <b>Total non-current liabilities</b>                                   | <b>164,620</b> | <b>200,306</b> |
| <b>Total liabilities</b>   | <b>240,835</b> | <b>270,518</b> |
| <b>Total equity and liabilities</b>                                    | <b>507,203</b> | <b>523,306</b> |

Consolidated Cash Flow Statement  
For the year ended 28 March 2010

|  | 2010<br>£'000   | 2009<br>£'000   |
|--|-----------------|-----------------|
| Profit for the year                                      | 22,159          | 12,663          |
| Adjustments  | 54,340          | 47,450          |
| Cash generated from operations                           | 76,499          | 60,113          |
| Interest paid  | (7,560)         | (9,973)         |
| Income tax paid  | (2,414)         | (3,584)         |
| <b>Net cash generated from operating activities</b>      | <b>66,525</b>   | <b>46,556</b>   |
| <b>Cash flows from investing activities</b>              |                 |                 |
| Acquisition of subsidiaries – net of cash                | -               | (3,109)         |
| Purchases of property, plant and equipment (PPE)         | (27,911)        | (50,187)        |
| Purchase of intangible assets                            | (275)           | (456)           |
| Proceeds from sale of PPE                                | 1,047           | 185             |
| Sale of short-term investments                           | -               | 359             |
| Receipt of government grants                             | 63              | 331             |
| Interest received  | 112             | 394             |
| <b>Net cash used in investing activities</b>             | <b>(26,964)</b> | <b>(52,483)</b> |
| <b>Cash flows from financing activities</b>              |                 |                 |
| Dividends paid   | (6,372)         | (5,783)         |
| Proceeds from borrowings                                 | 4,261           | 11,718          |
| Repayment of borrowings                                  | (35,634)        | -               |
| New hire purchase loans and finance leases               | 660             | 3,154           |
| Repayment of obligations under hire purchase loans       | (3,218)         | (2,960)         |
| Proceeds from issue of shares                            | 1,469           | 777             |
| <b>Net cash generated/(used) by financing activities</b> | <b>(38,834)</b> | <b>6,906</b>    |
| <b>Net increase in cash and bank overdrafts</b>          | <b>727</b>      | <b>979</b>      |
| Cash and bank overdrafts at beginning of period          | 5,542           | 4,195           |
| Exchange differences                                     | 6               | 368             |
| <b>Cash and bank overdrafts end of period</b>            | <b>6,275</b>    | <b>5,542</b>    |
| Net cash and cash equivalents comprises                  |                 |                 |
| Cash at bank   | 6,275           | 5,542           |
|  | <b>6,275</b>    | <b>5,542</b>    |

|  | 2010<br>£'000 | 2009<br>£'000 |
|--|---------------|---------------|
| Cash generated from operations                     |               |               |
| Profit for the period                              | 22,159        | 12,663        |
| Adjustments for:                                   |               |               |
| - depreciation and impairments                     | 33,665        | 29,586        |
| - amortisation of intangible assets                | 6,445         | 6,438         |
| - equity settled share-based payments              | 1,506         | 1,144         |
| - (gain)/loss on sale of tangible fixed assets     | (271)         | 672           |
| - finance income                                   | (2,579)       | (3,038)       |
| - finance costs                                    | 9,687         | 12,220        |
| - income tax expense                               | 2,372         | 3,669         |
| - profit on disposal of short-term investment      | -             | (233)         |
| Changes in working capital:                        |               |               |
| - inventories                                      | 153           | (2,986)       |
| - trade and other receivables                      | (1,146)       | 6,871         |
| - trade, other payables and provisions             | 3,501         | (7,955)       |
| Cash generated from recurring operations           | 75,492        | 59,051        |
| Increase in other payables for non-recurring items | 1,007         | 1,062         |
|  | <b>76,499</b> | <b>60,113</b> |

Statement of Changes in Equity  
For the year ended 28 March 2010

|   | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Merger<br>reserve<br>£'000 | Cashflow<br>hedging<br>reserves<br>£'000 | Translation<br>reserve<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>attributable to<br>equity<br>holders of the<br>parent<br>£'000 | Minority<br>interest<br>£'000 | Total equity<br>£'000 |
|---|---------------------------|---------------------------|----------------------------|--|---------------------------------|-------------------------------|---|-------------------------------|-----------------------|
| <b>Balance at 30 March 2008</b>                   | <b>333</b>                | <b>60,107</b>             | <b>106,757</b>             | <b>213</b>                               | <b>19,344</b>                   | <b>32,740</b>                 | <b>219,494</b>  | <b>373</b>                    | <b>219,867</b>        |
| Consolidated statement of<br>comprehensive income | -                         | -                         | -                          | (2,792)                                  | 31,596                          | 7,565                         | <b>36,369</b>   | 175                           | <b>36,544</b>         |
| Dividends paid                                    | -                         | -                         | -                          | -  | -                               | (5,783)                       | <b>(5,783)</b>  | -                             | <b>(5,783)</b>        |
| Issue of shares                                   | 4                         | 773                       | -                          | -  | -                               | -                             | <b>777</b>  | -                             | <b>777</b>            |
| Share-based payments (net<br>of tax)              | -                         | -                         | -                          | -  | -                               | 1,383                         | <b>1,383</b>  | -                             | <b>1,383</b>          |
| <b>Balance at 29 March 2009</b>                   | <b>337</b>                | <b>60,880</b>             | <b>106,757</b>             | <b>(2,579)</b>                           | <b>50,940</b>                   | <b>35,905</b>                 | <b>252,240</b>  | <b>548</b>                    | <b>252,788</b>        |
| Consolidated statement of<br>comprehensive income | -                         | -                         | -                          | 2,029                                    | (2,954)                         | 17,212                        | <b>16,287</b>   | 13                            | <b>16,300</b>         |
| Dividends paid                                    | -                         | -                         | -                          | -  | -                               | (6,372)                       | <b>(6,372)</b>  | -                             | <b>(6,372)</b>        |
| Issue of shares                                   | 5                         | 1,464                     | -                          | -  | -                               | -                             | <b>1,469</b>  | -                             | <b>1,469</b>          |
| Share-based payments (net<br>of tax)              | -                         | -                         | -                          | -  | -                               | 2,183                         | <b>2,183</b>  | -                             | <b>2,183</b>          |
| <b>Balance at 28 March 2010</b>                   | <b>342</b>                | <b>62,344</b>             | <b>106,757</b>             | <b>(550)</b>                             | <b>47,986</b>                   | <b>48,928</b>                 | <b>265,807</b>  | <b>561</b>                    | <b>266,368</b>        |

## 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, Wiltshire, 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 current accounting period, and the comparative accounting period, is 52 weeks in length.

The 2010 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 (“Adopted IFRS”).

### 2 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. These three operating segments are: UK and Ireland, Europe and Middle East, and Asia and Africa.

The segments derive their revenues from the same range of products and services – being the provision of healthcare services, sterilisation services, decontamination services and the provision of linen management services to the healthcare sector.

Segment information about these divisions is presented below:

|                                 | UK and<br>Ireland<br>2010<br>£'000 | Europe &<br>Middle<br>East<br>2010<br>£'000 | Asia and<br>Africa<br>2010<br>£'000 | Total<br>2010<br>£'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            | 12,602                             | 16,570                                      | 2,726                               | 31,898                 |
| Segment assets                  | 234,491                            | 203,128                                     | 69,584                              | 507,203                |

The comparative figures for the previous year are shown below:

|                                 | UK and<br>Ireland<br>2009<br>£'000 | Europe &<br>Middle<br>East<br>2009<br>£'000 | Asia and<br>Africa<br>2009<br>£'000 | Total<br>2009<br>£'000 |
|---------------------------------|------------------------------------|---|-------------------------------------|------------------------|
| Revenue from external customers | 160,286                            | 104,684                                     | 9,130                               | 274,100                |
| Segment profit                  | 19,902                             | 15,439                                      | 3,033                               | 38,374                 |
| Segment depreciation            | 11,786                             | 15,589                                      | 2,201                               | 29,576                 |
| Segment assets                  | 252,784                            | 205,783                                     | 64,739                              | 523,306                |

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

|                                      | 2010<br>£'000 | 2009<br>£'000 |
|--------------------------------------|---------------|---------------|
| Total segment profit                 | 43,261        | 38,374        |
| Unallocated amounts:                 |               |               |
| Corporate expenses                   | (3,519)       | (3,082)       |
| Non-recurring costs                  | (1,903)       | (3,996)       |
| Amortisation of acquired intangibles | (6,200)       | (5,782)       |
| Operating profit                     | 31,639        | 25,514        |
| Net Finance costs                    | (7,108)       | (9,182)       |
| Profit before tax                    | 24,531        | 16,332        |

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

|                          | <b>2010</b>    | 2009    |
|--------------------------|----------------|---------|
|                          | <b>£'000</b>   | £'000   |
| Healthcare solutions     | <b>174,631</b> | 174,989 |
| Decontamination services | <b>50,004</b>  | 42,878  |
| Sterilisation services   | <b>61,786</b>  | 56,233  |
|                          | <b>286,421</b> | 274,100 |

IFRS 8 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:

|               | 2010             |                                | 2009             |                                |
|---------------|------------------|--------------------------------|------------------|--------------------------------|
|               | Revenue<br>£'000 | Non current<br>assets<br>£'000 | Revenue<br>£'000 | Non current<br>assets<br>£'000 |
| UK            | <b>146,394</b>   | <b>143,785</b>                 | 149,558          | 150,950                        |
| Netherlands   | <b>106,145</b>   | <b>142,034</b>                 | 94,448           | 151,884                        |
| Rest of World | <b>33,882</b>    | <b>154,250</b>                 | 30,094           | 153,034                        |
|               | <b>286,421</b>   | <b>440,069</b>                 | 274,100          | 455,868                        |

### 3 Profit before tax

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

|  | <b>2010</b>    | 2009   |
|--|----------------|--------|
|  | <b>£'000</b>   | £'000  |
| Release of government grants received                  | <b>(61)</b>    | (123)  |
| Depreciation of property, plant and equipment          | <b>31,898</b>  | 29,576 |
| Depreciation of investment property                    | <b>10</b>      | 10     |
| Amortisation of purchased intangible assets            | <b>6,200</b>   | 5,782  |
| Amortisation of internally generated intangible assets | <b>245</b>     | 656    |
| Cost of inventories recognised as expense              | <b>48,936</b>  | 44,223 |
| Staff costs  | <b>105,860</b> | 98,966 |
| Foreign exchange gains                                 | <b>(280)</b>   | (392)  |
| Auditors' remuneration for audit services              | <b>344</b>     | 327    |

Non-recurring items of £1,903,000 (2009: £3,996,000) have been charged in arriving at operating profit. The table and accompanying notes provide further details:

|  | <b>£'000</b> |
|--|--------------|
| Partial closure of Harwell sterilisation plant | <b>609</b>   |
| Closure of Bristol linen management facility   | <b>400</b>   |
| Closure of Dutch treasury operation            | <b>252</b>   |
| Other restructuring costs                      | <b>642</b>   |
|  | <b>1,903</b> |

The costs associated with closing a UK linen management facility have increased on the amounts previously reported, due to the deterioration in the UK commercial property market. The costs include future liabilities under the property lease. The costs associated with the partial closure of the Harwell 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 have been incurred to generate ongoing reductions in the operating cost base in order to restore operating margins throughout the Group's businesses.

We have 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 is a credit of £1,700,000.

In the prior year, non-recurring items of £3,996,000 were charged in arriving at operating profit. The table and accompanying notes provide further details:

|  | £'000        |
|--|--------------|
| Advisors' costs and fees for admission to full list of LSE and rebranding exercise | 810          |
| Closure of a UK linen management facility  | 1,219        |
| Closure of two Dutch linen management facilities                                   | 507          |
| Costs of pursuing Dunstable fire legal claim                                       | 280          |
| Other restructuring costs  | 1,180        |
|  | <b>3,996</b> |

The costs associated with closing a UK linen management facility included future liabilities under the property lease. The closure was part of ongoing cost rationalisation in the Healthcare solutions business. In addition the Group commenced the closure of two linen management facilities in the Netherlands. Following acquisitions made in the Netherlands over the last two years the number of sites required in the Netherlands was rationalised to improve overall operational efficiency.

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

|   | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|
| Audit services                                  |               |               |
| - audit of these financial statements           | 62            | 62            |
| - audit of financial statements of subsidiaries | 282           | 265           |
|   | <b>344</b>    | 327           |
| - audit-related regulatory reporting            | 2             | 15            |
| - reporting accountant services                 | -             | 153           |
| - other services                                | 18            | 9             |

#### 4 Finance income

|  | 2010<br>£'000 | 2009<br>£'000 |
|--|---------------|---------------|
| Interest on bank deposits                              | 463           | 394           |
| Expected return on defined benefit pension plan assets | 2,116         | 2,644         |
|  | <b>2,579</b>  | 3,038         |

#### 5 Finance costs

|   | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|
| On bank loans and overdrafts                            | 6,375         | 9,076         |
| Finance charges in respect of hire purchase loans       | 578           | 525           |
| Other interest payable and similar charges              | 100           | 202           |
| Total external borrowing costs                          | <b>7,053</b>  | 9,803         |
| Unwinding of discount on provisions                     | 111           | 118           |
| Interest on defined benefit plan obligations            | 2,729         | 2,648         |
| Total financing cost                                    | <b>9,893</b>  | 12,569        |
| Less: amounts included in the cost of qualifying assets | <b>(206)</b>  | (349)         |
|   | <b>9,687</b>  | 12,220        |

Borrowing costs included in the cost of qualifying assets during the year arose on specific and general borrowings. An average capitalisation rate of 5.3% (2009: 5.2%) was applied to expenditure on such assets.



## 8 Earnings per share

|   | <b>2010</b>    | 2009    |
|---|----------------|---------|
|   | <b>£'000</b>   | £'000   |
| <b>Earnings</b>   |                |         |
| Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent | <b>22,032</b>  | 12,565  |
| <hr/>   |                |         |
|   | <b>Shares</b>  | Shares  |
|   | <b>'000</b>    | '000    |
| <b>Number of shares</b>   |                |         |
| Weighted average number of ordinary shares for the purposes of basic earnings per share                             | <b>54,318</b>  | 53,589  |
| Effect of dilutive potential ordinary shares:   |                |         |
| Share options   | <b>903</b>     | 710     |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share                           | <b>55,221</b>  | 54,299  |
| <b>Earnings per ordinary share</b>  |                |         |
| <b>Basic</b>  | <b>40.56p</b>  | 23.45p  |
| <b>Diluted</b>  | <b>39.90p</b>  | 23.14p  |
| <hr/>   |                |         |
|   | <b>£'000</b>   | £'000   |
| <b>Adjusted earnings per share</b>  |                |         |
| Operating profit  | <b>31,639</b>  | 25,514  |
| Acquisition related intangible asset amortisation   | <b>6,200</b>   | 5,782   |
| Non recurring items   | <b>1,903</b>   | 3,996   |
| Adjusted operating profit   | <b>39,742</b>  | 35,292  |
| Net finance costs   | <b>(7,108)</b> | (9,182) |
| Adjusted profit on ordinary activities before taxation  | <b>32,634</b>  | 26,110  |
| Taxation on adjusted profit on ordinary activities  | <b>(7,661)</b> | (6,131) |
| Minority interest   | <b>(127)</b>   | (98)    |
| <b>Adjusted net profit before amortisation and non-recurring items attributable to equity holders of the parent</b> | <b>24,846</b>  | 19,881  |
| <b>Adjusted basic earnings per share before amortisation and non-recurring items</b>                                | <b>45.74p</b>  | 37.10p  |
| <b>Adjusted diluted earnings per share before amortisation and non-recurring items</b>                              | <b>44.99p</b>  | 36.61p  |

## 9 Annual Report

The annual report and financial statements for the year ended 28 March 2010 will be posted to the shareholders on 5 July 2010, and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

## 10 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.