



Cycle of Care

2005 Annual Report



London Hospital
Linen Service Inc.
Together, we've got it covered



Year at a glance

This was a year of tremendous change at London Hospital Linen Service (LHLS). Changes in our workplace and flow-through systems mean that we now have even greater flexibility to meet evolving workforce needs and anticipated fluctuations in customer demand in the coming years. In addition, while environmental and social stewardship has always been in the nature of our business, this year we took it to a new level.

2005 was the year that we...

- Redesigned our plant to maximize productivity of the workspace and increased overall throughput allowing us to move to a two shift operation from three.
- Retrofitted our facility to be more energy efficient and achieved a 17% reduction in energy consumption.
- Formally branded our commitment to environmental sustainability under the banner of EcoCare.
- Educated and engaged our employees on our sustainability initiatives.

Even while all of this was taking place, we still met our target service levels and achieved budget in spite of escalating energy costs.

Ambitious changes. Remarkable results.

In 2005, two very specific goals at London Hospital Linen Service were to improve productivity and to increase energy savings. This required an aggressive program to install specialized equipment in our plant which was imported from various parts of the world.

It was the most ambitious capital project that LHLS has undertaken since the company was established in 1971, and one which achieved the desired productivity and energy savings along with improved employee morale. Remarkably, while this \$4 million installation was taking place, it was virtually business as usual throughout the year.

Our entire operation continued to run smoothly with all of our customers receiving the same high quality service to which they are accustomed from LHLS. Even while these changes were being implemented, the company continued to realize revenue growth as a result of new contracts.

Along with these productivity and energy initiatives, we also endeavored to publicize our efforts in environmental sustainability and good corporate citizenship. Under the name of EcoCare, the first stage of this program was introduced to our employees outlining our desire to do our part to ensure the continued well being of all future generations. EcoCare was well received by our employees



who were also encouraged to implement energy-saving procedures in their own homes.

Congratulations to our General Manager, John Sealey and his leadership team for their fine effort and dedication in orchestrating the impressive changes accomplished in 2005. Also, the patience and understanding of all of our employees during these disruptions in our plant is very much appreciated. We are grateful for the support and invaluable contribution of the Board of Directors, who work effectively together and who continue to enjoy their association with this fine organization.

As we head into another year, a sense of renewed optimism permeates throughout the Company. The best of all is that we continue to strive toward the same goal – of being the best at what we do.

Now, more than ever, we are firmly focused on the future.

Gary Koreen, *Chair of the Board*

Change is an integral part of the cycle

Change can be unsettling. Yet, it is necessary for improvement. Change calls for vision and commitment to that vision. 2005 was a year of tremendous change for London Hospital Linen Service. Our plant underwent extensive renovations to upgrade the energy efficiency of the facility, improve overall effectiveness and implement ergonomic changes for our employees. We received approval for making improvements in October 2004, and all changes were implemented by September 2005—an amazing accomplishment considering the new equipment was installed while the plant was operational.

It quickly became apparent that we did the right thing. Not only have we reduced our environmental footprint and improved conditions for our staff members, we realized significant savings during a time when rising utility costs were—and continue to be—a very real business challenge. Due to our energy upgrades, we saved \$300,000 in 2005, and we are budgeted to save \$500,000 in 2006.

This was also the year we formalized our commitment to sustainability; to becoming a more socially and environmentally sustainable operation. We decided to give our initiative a name and make our efforts known both internally and outside our walls. We call it EcoCare,



and it encompasses everything we do to make our company a better corporate citizen, for our employees, our customers, our community and the environment.

Thank you to our Board of Directors for their guidance and support. We are fortunate to have such a highly knowledgeable team prepared to serve the community. Thank you to our employees for willingly travelling along such a significant learning curve. I honestly don't believe there's another corporate team who could have made these changes reality in such a short period of time. We very much appreciate your trust in our vision, and thank you for embracing change so admirably.

Together, we can look forward to a healthy, sustainable future as we become a better company by doing good in the world we share.

A handwritten signature in black ink that reads "John Sealey". The signature is written in a cursive, flowing style.

John Sealey, *General Manager*



One element of a greater circle

As a central laundry service, we are an essential part of the healthcare cycle. Used linens come to our plant, where they are washed, dried, ironed, folded, and then sent back to our customers to help provide comfort and care.

While this is the core of our business, London Hospital Linen Service is also part of a greater circle. As a behind-the-scenes partner with our customers: hospitals, long-term care communities and clinics throughout southwestern Ontario, we work in a culture of mutual co-operation and information sharing.

Recognizing that any disruption to the linen cycle can have serious consequences for our customers and their patients, we are constantly looking for better ways to provide clean, comfortable and quality linen quickly, cost effectively and efficiently.

At LHLS, we are also very respectful of all aspects of the cycle of life. The world is changing, and we must consider our interdependence with one another and with the environment. These changes have inspired us to re-evaluate our business in terms of environmental impact, use of natural and human resources, and overall corporate citizenship. We are committed to building sustainable thinking into all aspects of our business, because we know that our actions today mean a better world tomorrow—for our grandchildren and for generations to come.

EcoCare. Care for our partners, employees and the world

The environment is quite simply in the nature of our business. While environmental and social stewardship have long been hallmarks at London Hospital Linen Service, 2005 was the year in which we formally branded our sustainability promise.

We call it EcoCare, and it is our commitment to go beyond assisting our customers with a valuable community service. EcoCare means that in everything we do, we strive to respect the environment, our partners and communities, while making our workplace safer and healthier for our employees.


EcoCare calls for us to incorporate that caring approach in all aspects of our business, and to be the best corporate citizens we can be. EcoCare is also good for our business, helping us to be more efficient, reduce waste, save energy and lower our operating costs.

“London Hospital Linen Service Inc., as a sustainable organization, strives for excellence in a safe, respectful partnership with our employees, customers, vendors, our communities and our environment. In this way, we assist our customers with their mission of care.”



London Hospital Linen Service Inc.

Leading through Partnerships & Innovation



Leading through partnerships and innovation

Innovation has been part of our corporate culture since the beginning. Designed from day one to be safe, clean and well-lit, the plant has recently undergone extensive renovations to improve energy efficiency, overall productivity and comfort and safety of our employees.

Energy Conservation Program - In 2005, a number of heat exchangers were added to capture waste heat from wash water and dryers for reuse elsewhere. A new, more efficient boiler was installed as well as a new ironer that uses much less steam. Dryers are now 20-25% more efficient than in the past. These upgrades reduced greenhouse gas emissions and energy use, and saved \$300,000 in energy costs over the year.

Productivity Improvements - Through innovative changes in material handling systems and more effective use of plant space, overall throughput has been increased dramatically, reducing the average price per kilo of general linen shipped to customers. London Hospital Linen Service is meeting all customer needs with only two shifts, leaving a third available in case of emergencies.

Canadian Sterile Repack (CSR) Program - The CSR program, operating since 1996 sterilizes surgical linens for safe reuse. CSR diverts waste from landfill, offers better comfort and protection than disposables for patients and medical staff, and saves money in the long run.

Wash Cycle Chemistry - Hydrogen peroxide is used instead of chlorine bleach. This product provides a better quality wash resulting in less harm to fabrics. Hydrogen peroxide is also more environmentally friendly. Phosphates and fluorides were eliminated from the wash cycle many years ago, to improve the water quality of our lakes and rivers.

Recycling - As a result of improvements in washing technology, overall water usage has been reduced by two-thirds. In addition to the resulting cost savings and decreased costs to customers, it means we have less impact on local water systems. LHLS also recycles wood, plastic, paper, cardboard, metal and worn linen. Aluminum pop cans from the plant are collected by the Shriners of London.

Health & Safety - Ergonomic workstations, conveyor systems, and new materials handling systems ease physical strain, reduce injury risk and enhance productivity. New systems for greater control of airborne particles improve air circulation. Thanks to these changes, the health and safety of our work environment has improved.

Good Citizenship - LHLS' care extends to the outside world through several community support initiatives. LHLS is proud to provide laundry services for families visiting London's Ronald McDonald House. It's a small contribution on our part, but it is meant to ensure the comfort of families during emotionally trying times.



Slings suspended from a computer-operated intricate rail system high above the plant floor transport linen from one stage to the next in the cleaning process.




A new ironer feeder provides improved ergonomics and 30% improved efficiencies



New heat exchangers capture waste heat from dryers to reuse elsewhere.



The new boiler efficiently heats water to 200 degrees Fahrenheit.



Taking care of our greatest assets – our people

We believe that a positive and pleasant work environment is very important to our success. We want our employees to know that we see them as key drivers in the growth of our company, and that we value them as members of our community.

The extensive renovations made 2005 a particularly challenging year for London Hospital Linen Service. Our staff members handled it with patience and thorough professionalism, and for that we are extremely grateful. As part of the federal government's Energy Innovator's Initiative, we introduced EcoCare to employees through a series of training workshops, and challenged them to follow our energy conservation lead by showing them ways to conserve energy at home and on the road. They greeted the program with great enthusiasm, submitting their ballots for the "Eco-Care Energy Saver Contest" and winning prizes ranging from a bicycle to running shoes to energy-efficient light bulbs for their homes.

LHLS believes strongly in developing leaders from within to meet the needs of the future, rather than relying on recruitment. A strong focus on internal development of our employees has been cited as one of the keys to our organization's ongoing success. To meet the needs of the

changing demographics of our workforce we have made ongoing modifications to the design of our work environment and equipment. We like to show our appreciation to our staff through formal service recognition and informal thanks. We hold on-site barbecues, keep them informed through employee newsletters and provide opportunities for advancement. As a result, all of our front-line leaders have developed through the organization, and most of our senior managers have also been promoted from within. We take great pride in having a large number of long-term employees, many of whom have been recognized for over 30 years of service. This loyalty and commitment has played a major role in helping to keep our recruitment, retention and training costs to a minimum.

The work ethic and commitment of our employees can be summed up this way: they take their work personally, realizing that the linen they are processing one day may be used by a loved one in a healthcare setting the next.

“There hasn't been one person on staff who hasn't experienced some change in the workplace in 2005.”

John Sealey, *General Manager*



Employee satisfaction is key to customer satisfaction



The new small piece folder improves productivity by automatically folding small items. This frees up the operator to monitor quality of the items passing through the machine.



The LHLS sewing department staff repair damaged items and replace missing ties, lengthening the lifespan of many linens.



The new conveyor system cuts down on travel for staff and reduces the number of carts on the plant floor, increasing productivity.

Statement of Financial Position

As at December 31

	2005 \$	2004 \$
ASSETS		
Current		
Cash	94,133	–
Accounts receivable	1,788,830	1,584,840
Linen inventory in circulation	1,334,815	1,336,648
Linen inventory not in circulation	443,081	486,838
Supplies	372,034	388,368
Prepaid expenses	6,835	13,504
Total current assets	4,039,728	3,810,198
Deposits on purchase of capital assets	9,604	85,831
Capital assets, net	8,145,357	4,283,680
	12,194,689	8,179,709
LIABILITIES AND NET ASSETS		
Current		
Bank indebtedness	1,184,224	1,443,883
Accounts payable and accrued charges	2,030,691	1,896,749
Advances from customers	385,000	385,000
Current portion of long-term debt	644,978	456,906
Total current liabilities	4,244,893	4,182,538
Long-term debt	5,379,048	1,496,509
Net assets		
Investment in capital assets	2,121,331	2,330,265
Unrestricted	449,417	20,397
Internally restricted	–	150,000
Total net assets	2,570,748	2,500,662
	12,194,689	8,179,709

On behalf of the Board:



Gary Koreen, *President and Chair*



William (Bill) Wood, *Secretary/Treasurer*

Statement of Changes in Net Assets

Year ended December 31

	2005 Investment in capital assets \$	2005 Unrestricted \$	2005 Internally restricted \$	2005 Total \$	2004 Total \$
Net assets, beginning of year	2,330,265	20,397	150,000	2,500,662	2,374,301
Excess of revenue over expenses for the year	(962,127)	1,032,213	–	70,086	126,361
Net change in investment in capital assets	753,193	(603,193)	(150,000)	–	–
Net assets, end of year	2,121,331	449,417	–	2,570,748	2,500,662

Statement of Operations

Year ended December 31

	2005 \$	2004 \$
Revenue	18,293,061	16,197,169
Expenses		
Cost of goods used	3,204,798	2,804,000
Production	7,877,239	7,249,768
Maintenance and utilities	2,978,811	2,667,417
Logistics	1,596,636	1,283,004
Administration	812,998	750,543
Customer service	422,092	387,536
Interest		
Long-term	265,732	143,689
Short-term	102,542	90,013
Amortization of capital assets	962,127	694,838
	18,222,975	16,070,808
Excess of revenue over expenses for the year	70,086	126,361

**2005
Board of Directors**

Gary Koreen
President and Chair

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Secretary-Treasurer

John (Jack) Brooks
Trustee

John J. Cronin
Trustee

Tom Logan
Trustee

Lloyd F. Stevens
Trustee

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General Manager

Linda Aitken
Human Resources Specialist

Norma Arthurs
Customer Service Manager

George Brock
Production Manager

Brendan O'Neill
E-Commerce & Logistics Manager

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