



4 June 2009

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 29 MARCH 2009

Synergy Health plc (LSE: SYR), a leading provider of outsourced healthcare support services in the UK, Continental Europe, Asia and South Africa, announces its preliminary results for the year ended 29 March 2009.

FINANCIAL HIGHLIGHTS

- Revenues up 21.8% to £274.1 million (2008: £225.0 million)
- EBITDA up 15.3% to £66.9 million (2008: £58.0 million)
- Operating profit* up 8.0% to £35.3 million (2008: £32.7 million)
- Profit before tax* up 4.8% to £26.1 million (2008: £24.9 million)
- Cash generated from operations up 28.4% to £60.1 million (2008: £46.8 million)
- Adjusted basic earnings per share* up 4.6% to 37.1p (2008: 35.5p)
- Basic reported earnings per share down 16.9% to 23.5p (2008: 28.2p)
- Dividend per share for the full year up 8.9% to 11.0p (2008: 10.1p)

OPERATIONAL HIGHLIGHTS

- Cost initiatives implemented to save £1.5 million per annum
- Increased investment in staff training and management development

Decontamination

- New management team in place
- Margins fully recovered after H1 contract start-up issues
- New facilities opening in UK and China
- Regulatory pressure continues to drive demand for our services in the UK and Asia
- Won 14 new contracts and contract pipeline remains healthy

Sterilisation

- Adding capacity through new sites in Ireland and China to drive growth rates
- Services into food safety sector expanded with new customer wins in Thailand

Healthcare Services

- Firm management action taken to mitigate impact of increased energy, commodity prices and input inflation driven by weak Sterling by:
 - Closing three underperforming sites
 - Exiting low margin business lines
 - Achieving price increases
- Increased European sales of infection control products
- Margins improving and recovery expected to continue throughout current year

Outlook

- Healthcare market proving to be resilient
- On track to fully restore margins during autumn 2009
- Forward order book increased to £850 million

Richard Steeves, Chief Executive of Synergy Health, said:

“This was undoubtedly a very challenging year for the business. Following margin pressure in the first half we took decisive action to address the internal issues and mitigate the external factors we faced. We are on track to restore margins during this autumn to the levels previously enjoyed.

“The global healthcare market has proved resilient during the economic downturn and demand for our services generally remains strong driven by demographic trends, regulatory pressures and government spending commitments. We opened new sites in the period and are close to completing new facilities in the UK, Europe and, most importantly, China. These new sites will drive organic growth rates in the coming years.

“Following a period characterised by acquisitions and significant investment in new facilities, the immediate future will focus on realising the benefits of these investments, in particular Synergy’s strong cash generation which will be used to reduce net debt. The strategy remains to enter new health-related markets, expand into new European territories and develop a significant presence in the fast-growing Asian markets. We expect the imminent opening of our first facility in China to mark the start of a period of strong growth from this region and we are confident that Synergy will continue to prosper in the year ahead.”

* Before amortisation of acquired intangibles and non-recurring items

** From recurring operations

FURTHER INFORMATION:

There will be a meeting for analysts at 10am today, 4 June 2009, 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.

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CHAIRMAN'S STATEMENT

This financial year has been one of the most challenging years for Synergy Health faced with an unstable economic and trading environment which has left demand largely unaffected but has impacted our cost base. As a result of these circumstances we have not made the progress that we would normally expect in terms of underlying earnings. Our management team has worked swiftly to meet these challenges by reducing costs and addressing the core trading issues, and we are now keen to draw a line under this year with every expectation that Synergy is well positioned in the new financial year and beyond.

Group revenues increased by 21.8% to £274.1 million, with most business units continuing to grow in line with expectations. The indications are that most of our markets remain largely unaffected by the global recession, with healthcare spending remaining firm. The growth was particularly strong in the Asian region and in the UK growth continued in the Decontamination Services business and the linen management business unit within Healthcare Solutions. Our forward order book has increased to £850 million up from £800 million at the same point last year.

A 1.6% decline in operating margins was mainly caused by a rapid escalation of energy and commodity costs together with one off start-up costs incurred on new contracts in the Decontamination Services business. Both of these issues were largely dealt with during the second half of the year with Decontamination margins in particular fully restored and energy costs beginning to reduce. The positive impact from these two improvements was muted by weak Sterling, which reduced margins in the Healthcare Solutions business. We are taking steps to correct Healthcare Solutions margins through price increases whilst exiting from certain low margin business lines as part of a wider objective to rationalise the range of service offerings and products.

To aid the restoration of margins the Board has placed increased emphasis on reducing the Group's cost base and managing its cash. A restructuring programme was implemented during the year, which included the closure of three linen management sites: one UK site, which capitalised on our significant investment in new capacity in Dunstable, and two in the Netherlands. Consequently the Group incurred a non-recurring restructuring charge of £2.9 million together with an additional £1.1 million relating to the costs of moving to the London Stock Exchange Official List from AIM and professional costs associated with the Dunstable insurance claim. The restructuring actions should result in annualised savings of £1.5 million and give us confidence that margins will be restored by the autumn.

Profit before tax, amortisation of acquired intangibles and non-recurring items was up by 4.8% to £26.1 million and profit after tax, on the same basis, increased 5.4% to £20.0 million. After taking account of the amortisation of acquired intangibles and non-recurring items, profit before tax decreased from £18.9 million to £16.3 million and profit after tax decreased on the same basis from £15.1million to £12.7 million.

Net debt increased from £145.0 million to £170.2 million. Much of this increase followed considerable investment in new capacity with facilities in Ireland, China and the UK. However, £14.3 million of this increase is due to weak Sterling which has caused the Euro denominated debt to appear higher when translated into Sterling. Debt remains well within the levels of our bank facilities and covenants have been comfortably met. Furthermore having completed our investments new capital expenditure plans should naturally reduce during the new financial year. One of our objectives for the forthcoming year is to reduce the overall level of debt within the Group.

EPS and Dividend

Underlying adjusted earnings per share before amortisation of acquired intangibles and non-recurring items was 37.1p, an increase of 4.6%. After taking account of amortisation of acquired intangibles and non-recurring items basic earnings per share was 23.5p, a reduction of 16.9%. The interim dividend was increased by 20% to 4.2 pence and the Board is proposing a final dividend of 6.8 pence, making a total dividend of 11.0 pence, an increase of 8.9% reflecting the Board's ongoing confidence in the business.

If approved, the final dividend will be paid on 6 October 2009 to shareholders on the register at 11 September 2009.

Employees

This has been a testing year for our workforce, who have reacted very positively to the challenges presented and have once again made a strong contribution. In previous reports the Board set out its desire to increase investment in training for staff and management development programmes, including the establishment of an international graduate recruitment programme. I am pleased that we have made progress in these areas over the last twelve months despite the emphasis on cost management. On behalf of the Board, I would like to thank all of our employees for their continued dedication and commitment to delivering high quality services to our customers.

Listing on the London Stock Exchange

In the first half of the year the Group reached an important milestone in its development when it moved from the AIM market to the Official List. Whilst these remain challenging times for financial markets, we believe that the move provides further assurance to shareholders that the Board takes its corporate governance responsibilities seriously and remains committed to developing a strong international business, in its chosen markets and areas of expertise.

Outlook

The global market for healthcare remains positive despite the current economic difficulties and we remain confident that the underlying demographic trends, regulations and the healthcare commitments of many governments, most notably in Asia and other fast-growing regions, will continue to expand the market for the Group's services.

Whilst this has been a challenging year, we continue to have confidence in the business model and having taken a number of corrective actions, we are confident that Synergy will prosper in the years ahead. We shall shortly commence business for the first time in China and we shall also be opening additional capacity in Europe, including the UK. The focus will be to ensure that we drive the expected returns from these new facilities, whilst improving the quality of the overall business. In short, the business is back on track and I am pleased to report that the business is currently performing in line with the Board's expectations.

Stephen Wilson
Chairman

CHIEF EXECUTIVE'S STATEMENT

Business and Strategy Review

Introduction

Synergy is a leading supplier of outsourced support services to the international healthcare market. Our core services are focused on improving patient safety and reducing risk in healthcare environments through a combination of services including the decontamination and sterilisation of medical devices and instruments, infection control products and services and other related services such as occupational health and microbiological services.

Despite growing revenues by 21.8%, like many other companies, Synergy has experienced a difficult year, although the fundamental drivers in our market remain largely positive. A combination of extreme external forces together with initial difficulties with new contracts within Decontamination Services resulted in a modest diminution in operating margins of 1.6%, which caused a reduction in the level of our anticipated underlying EPS growth rate.

During the year we experienced an unprecedented increase in commodities prices and energy costs followed by a significant and rapid devaluation of Sterling, all of which conspired to put pressure on operating margins accounting for approximately 0.9% of the 1.6% decline in our return on sales (ROS). The energy and commodity price increases have now abated but the decrease in Sterling's value continues to adversely affect margins in some areas of the business. We are however, seeing improvements in margin through a combination of price increases and cost reductions and we remain confident that Group operating margins will be back to historic levels in the autumn of 2009.

Within Decontamination Services we experienced a difficult start-up of two large contracts as well as lower than planned volumes with a range of other Primary Care services and these in combination accounted for 0.5% of the margin decline. These initial problems have been resolved through a combination of operational adjustments as well as a change in senior management.

Additionally, following the acquisition of Vernon Carus in November 2007, a greater proportion of our revenue is derived from Healthcare Solutions and this had a 0.2% impact on the operating margin in the reported year.

Strategy

These events have not materially affected the longer term strategy for Synergy and we therefore intend to continue with our core strategies of developing our service areas as well as continuing to internationalise the business.

Synergy competitively differentiates itself by creating an outcomes based business solution provided by a highly skilled team of people. In addition all businesses employ a cost leadership strategy for cost centres other than those areas that contribute towards a differentiated service.

Our objective is to sustain our growth through the continued development of our core international markets and increasingly to look for opportunities to expand our services in new health related markets. Prospects for the outsourcing markets we participate in appear very positive as customers come under increasing pressure to improve their efficiency whilst maintaining the quality of these services in what are highly regulated markets.

Given the global economic landscape Asia remains our highest priority where the large markets remain relatively strong and receptive to Synergy's services. Our new facilities in China mark the next bold step in the development of our strategy for this region and we expect to see strong growth over the coming three to five years.

In Europe we have added additional sterilisation capacity in the Netherlands and Ireland which will support further organic growth in the next two years. The development in Ireland adds the electron beam technology and is underpinned by a five year contract with a large multinational healthcare company. We are also looking to develop further Synergy's positions in our current European countries with a medium term view to widening our activities into the majority of European countries.

In the Middle East we have established a base in Dubai as part of a plan to extend our hospital services in the Emirates. We maintain a flexible approach to investment and our plans for this region have been temporarily scaled back given the change in the region's economic prospects and the impact this has had on the expansion of its healthcare infrastructure. In the short term Synergy is focused on developing the infection control market and lifting the volume of exports to this region.

We continue to have an interest in the North and South American markets but as Asia remains a priority it is unlikely that we will develop a presence in these regions for some years.

Acquisition Strategy

Acquisitions have formed a successful part of Synergy's growth strategy. Valuations for targets are beginning to adjust to the wider repricing of risk but we feel that this process may have longer to run. In the meantime our short term focus this year is to reduce debt so that we are in a position to look at attractive, small bolt-on acquisitions next year.

Objectives for 2009/10

The challenging circumstances we faced during the year have not caused us to change our medium term strategy but we have nonetheless become much more focused on shorter term actions to ensure that our business retains its competitive advantages in the more difficult economic environment. In the coming financial year the Group will focus on the following eight key objectives which in combination will result in the sustainable correction of operating margins whilst maintaining the right environment for sustained growth.

• Talent Management

Last year we set out a strategy to implement a talent management programme to improve the Group's capacity to manage growth and to help Synergy competitively differentiate itself. A number of development programmes were started in partnership with the Warwick Business School and the Chartered Management Institute, designed to prepare our best managers for the future challenges that arise from our growth plans. A graduate recruitment programme was also initiated last year as part of our plan to draw new talent into the business. A new Group HR director was appointed in January 2009 to take these projects forward and we have set objectives to further improve the quality of performance of our middle and senior management teams during the financial year.

• Increasing Capacity Utilisation

During the past 18 months we have made a number of investments in new capacity to support our organic growth. These include three new sterilisation facilities located in the Netherlands, Ireland and China, and were commissioned to enable Sterilisation to lift its organic growth rates. In addition we have built two new Decontamination facilities in the UK and in China to maintain the

growth we have within this division. Having made these substantial investments our objective this year is to successfully bring these facilities on stream and substantially fill the capacity over the coming two years.

- **Improving Cash Flow Management and Reducing Debt**

Synergy is a highly cash generative business, with much of the cash generated allocated to maintenance and expansionary capital projects. Following a period of significant investment in the business we are planning to limit our expansionary expenditure for the coming year creating an opportunity to increase free cash flow. Further objectives have been set to reduce working capital and together with the lower capital expenditure we expect to see a reduction in net debt.

- **Increased Cross Selling**

A large number of Synergy's customers are either on long term contracts or Synergy is an intrinsic part of their supply chain. During the year we intend to develop further our business solutions by promoting the wide range of products and services available to such customers through Synergy and its strategic partners. In recent weeks our sales teams have been retrained to manage a wider product portfolio and a new CRM system for the Group will be implemented. These actions are designed to improve organic growth by developing stronger relationships with our customers.

- **Reinforcing Cost Leadership**

The business was buffeted by an unstable economic environment in which a number of our costs increased either as a result of energy and commodity price rises or more recently as a result of the devaluation of Sterling. In response, the management team has initiated a number of projects to reduce cost including a small number of facility closures. We have reduced the cost base this year by approximately £1.5 million on an annualised basis.

- **Business Focus**

As Synergy continues to grow some smaller businesses may no longer fit with our core strategy and we may take the opportunity to divest or exit these businesses. One of our clear objectives this year is to increase the management team's focus on a narrower range of strategic initiatives.

- **Developing a Significant Presence in Asia**

The new Sterilisation and Decontamination facility in Suzhou, China becomes operational early this summer and marks the start of an ambitious strategy to grow our business in China and Asia. We began recruiting a management team for China last year and we will continue to grow and develop this team in the new financial year as part of our medium term plan to create a significant presence in this region.

- **Continuing Expansion into Health Related Markets**

During the past year we have made progress within Sterilisation expanding our services into the food sector particularly in Thailand. We will continue to look for opportunities to expand our food decontamination services as well as expand our infection control services into adjacent health related markets.

Operations Review

Synergy operates its business on a geographic basis. During the year all three regions achieved significant sales growth but the operating performance was less consistent in the UK. The UK accounted for 56.4% of total revenues, the Rest of Europe 40.7% and Asia and South Africa 2.9%. In terms of profit generation, before amortisation of intangibles, share scheme charges and non-recurring items, the UK generated 39.8% of profits, the Rest of Europe 52.4% and Asia and South Africa 7.8%.

United Kingdom

	UK		
	2009	2008	%
	£'000	£'000	Change
Sales	154,668	128,880	20.0
Adjusted Operating profit*	14,838	15,268	(2.8)

* excludes amortisation of intangibles, share scheme charges and non-recurring items

The UK performed poorly during the year having been buffeted by an unstable economic environment, a surge in energy and commodity costs and contract start-up problems with new decontamination services. Sales of £154.7 million were up 20.0%. After stripping out the acquisition of Vernon Carus and Grendonstar together with non-core businesses which are being wound down, underlying sales were up 12.2%. Growth in the UK is slowing overall as a result of maturing Sterilisation and linen management markets. However we expect to see continued strong growth in Decontamination services and infection control products.

Operating profits, before amortisation of intangibles, share scheme charges and non-recurring items declined by 2.8% to £14.8 million. Operating margins declined by 2.2% to 9.6%. Trading conditions in the UK have improved more recently with lower energy and commodities costs, attenuated slightly by Sterling's weakness against the US dollar. Operating margins are expected to improve progressively through the new financial year.

Healthcare Solutions

The Healthcare Solutions business has had a difficult year with dramatic increases in energy costs primarily affecting linen margins. Energy costs abated during the last quarter and whilst we do not yet have the full benefit of lower energy costs as a result of unexpired hedges, we expect to see an improving situation as the new financial year progresses. Meanwhile the increased costs of materials caused by the devaluation of Sterling have impacted margins in the rest of the Healthcare Solutions business as a large number of products and materials are purchased in US Dollars. To offset this we are increasing prices and continuing to shed costs as actively as possible. Margins have begun to recover and provided we have the benefit of some economic stability we expect to see continued improvement throughout the new financial year.

Prospects for our infection control products remain promising following excellent results from a long term, 30 week clinical study at the Manchester Royal Infirmary. The use of AzoMax Active, our range of biocidal hard surface cleaners, has been shown to dramatically outperform the NHS' current "gold standard" products for controlling the patient environment and reducing the risk of healthcare acquired infections. The study will be published shortly and we expect this to drive demand for our products in a £135 million European market.

Our pathology and microbiology lab business has been one of the prime casualties of the economic downturn. Around half of our business is provided to commercial businesses which have reduced pre-employment and ongoing employment screening. Demand for our rapid MRSA screening service has improved but is falling short of expectations with the NHS finding it difficult to fund this service despite the proven benefits of doing so.

Decontamination

At the start of this reported year we won a number of contracts in quick succession with a limited number subsequently underperforming in volume terms. Those contracts that were behind on volume are now operating on the minimum service payment from this year. Meanwhile we have gone on to win three acute hospital, eight PCT services and three private/ISTC services that have all been implemented and are operating to plan.

Demand for outsourced decontamination services remains strong, all of which is being derived from outside of the National Decontamination Programme. With the establishment of the Care Quality Commission, which has taken over from the Healthcare Commission, we are seeing a renewed emphasis on compliance with the established National and European guidelines for decontamination services. In addition new guidance for dental services has been published requiring compliance with higher standards and this too is beginning to add to the overall demand for our services. We currently have an open bid book of around £20 million annualised and we expect to see continued strong demand for our services given the increasing regulatory demands in the UK.

Although we continue to engage with the National Decontamination Programme (“NDP”) on a small number of projects, this programme is in the process of being wound down having fulfilled its role of catalysing the development of an outsourced market. We remain actively engaged with three NDP projects.

Sterilisation

Sterilisation has performed well despite having been impacted by the reduction in demand for its industrial electron beam services. Sales and margins have been maintained. The UK market for sterilisation services is relatively mature however, as the UK becomes a less attractive market for medical device manufacturing.

Rest of Europe

	Rest of Europe		
	2009	2008	%
	£'000	£'000	Change
Sales	111,440	89,805	24.1
Adjusted Operating profit*	19,594	16,930	15.7

* excludes amortisation of intangibles, share scheme charges and non-recurring items

The Rest of Europe performed well with sales up 24.1% to £111.4 million benefiting from good organic growth as well as the strength of the Euro against Sterling with underlying organic growth at 5.2%. Market conditions remain positive for outsourcing although driven primarily by a need for healthcare customers to achieve cost savings. As such it is slightly less attractive for Synergy than other markets such as the UK and Asia, where the trend is being driven by regulatory pressure to improve quality. The European business was also affected by increased commodity and energy charges but to a much lesser extent than the UK. As a result, operating profits, before amortisation

of intangibles, share scheme charges and nonrecurring items, increased by 15.7% to £19.6 million but reflecting a decrease in operating margins of 1.3% to 17.6%.

Healthcare Solutions

The European business again grew well with the benefit of last year's small bolt-on acquisitions as well as underlying volume growth. Our infection control products are sold through distributors and during the year we increased our investment in the support we provide our partners, and this resulted in an accelerated growth of our European sales. Europe continues to be one of our main areas of focus given the importance that hospitals place on minimising healthcare acquired infections.

Decontamination

The trend towards outsourcing hospital sterilisation services in Europe remains positive but hampered by the imposition of VAT on outsourced labour costs. As a result the European markets have been slower to develop than the UK particularly as the primary driver for outsourcing in certain markets such as Germany has been cost savings. We continue to prioritise the Dutch and Belgian markets for the time being where we have models of best practice established.

Sterilisation

Sales growth within Europe has been reasonable given the wider economic climate. The full operation of our recently opened Dutch facility in Venlo, together with the new electron beam service to be opened later this month in Ireland, will see improved growth in the new financial year. Our focus on developing global partnerships with the largest medical device manufacturers ties in well with our broader strategy to selectively increase capacity in Europe for higher value added medical device manufacturing whilst providing high quality sterilisation capacity in Asia for lower value added medical device manufacturing.

Asia and South Africa

	Asia and South Africa		
	2009	2008	%
	£'000	£'000	Change
Sales	7,992	6,316	26.5
Adjusted Operating profit*	2,927	2,036	43.8

* excludes amortisation of intangibles, share scheme charges and non-recurring items

In both Asia and South Africa we operate primarily commercial sterilisation services for the medical device and other industrial markets. Sales of £8.0 million were up 26.5%, with operating profits, before amortisation of intangibles, share scheme charges and non-recurring items, increasing by 43.8% to £2.9 million. Underlying organic sales growth was at 16.6%. Operating margins improved by 4.4% to 36.6%. A new combined Sterilisation and Decontamination facility will begin operations during the summer enabling us to continue to benefit from the positive market dynamics in Asia.

Sterilisation

Our commercial sterilisation services operate from established facilities in South Africa, Malaysia and Thailand. All three countries have performed well reflecting the wider growth of the medical devices market. Our strategy to widen our available market to the food decontamination sector has served us well with notable recent successes in Thailand.

The new sterilisation facility in Suzhou, China will begin operations this summer. This impressive new facility makes a clear statement of our ambitions for the Chinese market and has been warmly welcomed by our established international customer base. We are currently validating the site operations and expect to begin customer validations by the end of the summer following ISO certification in the middle of June.

Decontamination

Within Suzhou, Synergy has now built China's first commercial hospital sterilisation super centre which will service up to ten hospitals. Validation is now largely complete and again we expect to start services in the summer, slightly later than planned.

The new regulatory guidance for decontamination services has now been published and recommends outsourcing as one possible route to achieving the required higher standards. In addition the Chinese Government has recently announced that it will double investment in healthcare from 2009 to 2011 increasing expenditure to 5.7% of GDP. As a result we regard the Chinese market as one of our key priorities for the coming years accepting that there remains some risk until scale is achieved.

Richard Steeves
Chief Executive

Finance Director's report

Overview

Revenue and profits

Synergy has enjoyed another year of strong top-line growth with total revenues up by £49.1 million (21.8%). Revenue growth included the first full year contribution to sales from Vernon Carus which totalled £29.2 million compared with £12.3 million last year.

Excluding the acquisitions of Vernon Carus and Grendonstar, the impact of foreign exchange and discontinued businesses held within the UK Healthcare Solutions business, the underlying organic rate of growth was 8.1% for the year.

All of the secondary business segments delivered headline growth in double digits, with Healthcare Solutions at 25%, Decontamination at 22% and Sterilisation Services at 12%.

EBITDA for the full year was £66.9 million (2008: £58.0 million), representing an increase of 15.3%. Underlying operating profit, before amortisation of acquired intangibles and non-recurring items, for the Group increased to £35.3 million, an increase of 8.0% compared with last year. The net margin is 12.9%, which is 1.6% below last year for reasons explained in the Operations Review.

Amortisation of intangibles mainly relates to intangible assets identified on acquisitions, being the value of trade names and customer contracts and relationships. Additionally there is amortisation of technology licenses and pre-contract costs incurred on the National Decontamination Programme contracts that have been won. The amortisation charge is made over five to 15 years depending on the underlying asset and totalled £6.4 million during the year. As a substantial element of the acquisition related intangible assets are denominated in foreign currency the charge has increased as Sterling has weakened.

Share scheme charges under IFRS 2 fell by 10% to £1.4 million because of the reduction in growth in earnings per share. Under the rules of the long term incentive plan ("LTIP"), 50% of the share options awarded are conditional upon Synergy achieving certain level of EPS growth. As EPS grew at a significantly lower rate this year, the level of share options vesting is expected to fall and consequently the IFRS 2 charge has been reduced. The Group satisfies option holders through the issue of new shares and therefore this is a non-cash item. This charge is expected to grow again next year broadly in line with the growth in earnings.

Non-recurring items

At the half year, we reported non-recurring charges of £1.3 million, which included £0.8 million relating to the move from AIM to the London Stock Exchange Official List and restructuring costs relating to the closure of a UK linen facility.

Since the half year, we have taken a number of restructuring actions across all the divisions including the closure of two further linen facilities in the Netherlands, management restructuring in the Decontamination and Sterilisation divisions and the completion of actions to fully integrate Vernon Carus into the Healthcare Solutions division. Most of these actions had been completed by the end of the financial year. These actions incurred a cost of £2.7 million.

In total £4.0 million of non-recurring costs have been incurred in the year. As regards cash impact, £1.5 million had already been spent during the reported year, approximately £1.4 million will be spent in the current financial year and a further £0.7 million in subsequent years with the remainder being non-cash items. Annualised savings arising from these actions will total £1.5 million per annum.

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.

Finance charges

The Group's net finance charges were £9.2 million compared with £7.7 million in the previous year and virtually all relates to interest costs associated with the main syndicated facility and other Group facilities. The average interest rate cost is estimated at 5.8%.

Earnings per share

The growth in basic earnings per share and diluted earnings per share, after adjusting for amortisation of intangibles and non-recurring items, was 4.6% and 6.3% respectively. Before adjustments, basic and diluted earnings per share reduced by 16.9% and 15.5% respectively, reflecting the effect of non-recurring charges.

Taxation

The taxation charge comprises a current year tax charge on taxable profits together with deferred tax, which mainly arises on the temporary differences between the value of assets and liabilities in the financial statements and those used for tax purposes. IFRS also requires a deferred credit to be recognised on the amortisation of intangible assets.

Profit before tax stated before the amortisation of intangibles and non-recurring items was £26.1 million. The related taxation charge was £6.1 million representing a headline rate of 23.5%, which is broadly consistent with the prior year and compares with the standard UK rate of 28%.

The main impacts on this are the lower rates of taxation in a number of the overseas territories in which Synergy operates. The Group enjoys lower rates of taxation than the UK in all the countries in which it operates apart from France and Germany. After the UK, the second largest market in which Synergy operates is the Netherlands, with 34% of its revenues derived from the Dutch market last year. The rate of corporate tax in the Netherlands is 25.5%. The Group also has significant operations in Ireland, where the corporate tax rate is 12.5%. The Sterilisation Services division, which is operated through the Isotron companies, benefits from tax incentives and holidays in Asia and enjoys a low rate of effective tax in South Africa.

The geographic mix of revenues is expected to remain broadly similar next year but the Group's headline tax rate is expected to increase slightly during the forthcoming year to around 25%.

Last year we highlighted the potential for the Group's deferred tax liability to increase by £2.7 million because of the abolition of capital allowances in respect of Industrial Buildings. On further examination, we have reconsidered the accounting implications and determined that this adjustment was not necessary. Therefore, consistent with our interpretation of IAS 12: Deferred Tax, no adjustment has been reflected in these accounts.

Dividends

The Board is proposing a final dividend of 6.8 pence (2008: 6.6 pence) in addition to the interim dividend of 4.2p (2008: 3.5 pence), thereby giving a full year dividend of 11.0 pence an uplift of 8.9% on last year's dividend.

Acquisitions

The Group made two small bolt-on acquisitions during the year, both of which were integrated into the Dutch linen business within Healthcare Solutions. These were paid for in cash from the Group's existing debt facilities and are included within the net cash outflow of £3.1 million attributable to acquisition activity in the year. This includes deferred consideration payments made during the year totalling £0.7 million. There are expected to be further cash payments in the current year of approximately £0.6 million relating to the final deferred payments in relation to Vernon Carus and Grendonstar.

Capital expenditure and investments

As highlighted last year, the Group has invested significant capital in new capacity during the course of the year, as well as continuing to upgrade and maintain its existing infrastructure and circulating inventory. Total capital additions of £47.9 million were made during the year including £0.5million of intangible additions for pre-contract costs. This compares with cash payments for capital expenditure totalling £50.6 million, the difference between these numbers being the movement in capital creditors.

Internally, capital expenditure is broadly analysed between "maintenance" and "expansionary" expenditure. Maintenance capital expenditure is the expenditure required to replace the existing capital base. Expansionary 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 Healthcare Solutions division 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 £19.0m of which £9.6 million and £6.0 million were spent on textiles and cobalt respectively.

Total expansionary capital expenditure incurred was £28.4 million. Three major new capacity projects were progressed during the course of the year: the Sterilisation facilities in China and Ireland, and the new Decontamination facility in Lancashire. In total these three investments accounted for £19.5 million.

The three main investment projects are largely completed but there are capital creditors and commitments to be paid by the end of the first quarter of the current year amounting to £8.7 million. In aggregate these projects have incurred the level of capital cost anticipated in their budgets. However, when translated into Sterling the overall cost has increased because of the weakened pound.

Looking ahead at the current year to 28 March 2010, the level of investment expenditure will reduce as we benefit from last year's investments. There are two further Decontamination bids in the UK where we have been selected as preferred bidder, but the projects would not require capital expenditure to be incurred until the second half of this year. The total capital expenditure for these projects is expected to be approximately £13 million, with £3 million expected to be incurred in the current year.

Cash flows and changes in net debt

Cash generated from operations

Operating cash flow generated in the year from recurring operations increased during the year by 21% to £59.1million (2008: £48.7 million). This compares with underlying operating profits of £35.3 million, representing an increase in cash conversion of 167% (2008: 149%).

During the year we successfully reduced our debtors by £6.9 million (after adjusting for currency) with the average period of credit taken by our customers falling from 53 days to 48 days. Some of this gain was offset by an increase in stock by £3.0 million, most notably in Healthcare Solutions, which increased stock days from 90 to 109. Overall, the level of investment in working capital increased by £4.1 million.

The ageing of the trade debtors is well controlled with over 90% of the amount due, net of provisions, either current or no more than 30 days overdue. Since a large part relates to customers who are publicly owned healthcare trusts or publicly funded not for profit hospitals, this reduces the level of risk associated with this asset.

The increase in inventories mainly relates to the Healthcare Solutions division's product related business, which increased stock levels earlier in the year to accommodate longer lead times for products imported from China. Additionally the cost of bought in products has increased in line with the weakening Sterling. In order to reduce the investment in inventories, we are taking steps to improve the systems and processes around inventory management in this division, and we shall be rationalising the number of product lines.

In total trade and others payables rose by £8.0 million, of which £1.2 million relates to pension plan recovery payments. The rest relates to creditor movements in the UK, partly due to a build up in trade creditors in the newly acquired Vernon Carus last year end which has since been paid in the reported year. Additionally, a reduction in trade payables occurred in the Netherlands due to timing differences.

Free cashflow

After payment and receipt of interest, tax and the maintenance capital expenditure described above free cashflow totalled £28.0 million, which compares with net investment capital expenditure of £30.8 million, excluding the impact of acquisitions.

Changes in net debt and funding

Group net debt increased during the year from £145.0 million to £170.2 million.

The movement in the net debt is reconciled below:

	£million
Net debt brought forward	(145.0)
Exchange rate impacts	(14.3)
Free cashflow (prior to capital investments)	28.0
Expansionary capital expenditure (net of disposal proceeds and grant income)	(30.8)
Acquisitions of subsidiaries	(3.1)
Dividends paid	(5.8)
Proceeds from share issues	0.8
Net debt carried forward	(170.2)

The main banking agreement comprises a committed facility to January 2012 of £160 million. The Group remains comfortably within the covenants set out in the agreement, supported by the strong growth in EBITDA noted above.

Under the terms of this agreement the Group can borrow up to £232 million provided this does not exceed 3.5 times EBITDA, which steps down to 3.0 times EBITDA from the end of June 2009 onwards. At 29th March 2009, the Group had available facilities of £213 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:

	Level of debt £million	Level of fixed interest debt £million
Sterling	97.5	41.8
Euros	74.7	57.3
Chinese Yuan	3.6	-
Total	175.8	99.1

The Euro denominated debt is held as a hedge against the Group's Euro-denominated net assets of £240 million. During the year £20 million of Euro denominated debt was transferred into Sterling to restrict the impact on debt levels of the strengthening Euro.

The Group's treasury policy is to have more than half of its borrowings subject to interest rate hedging arrangements. As at 29 March 2009 the Group held hedging arrangements totalling £88.8 million plus £8.3 million of fixed rate finance leases and local Dutch fixed rate loans of £2.0 million. Therefore 56% of the Group's total borrowings were held at fixed rates of interest.

The Group has reduced its capital expenditure plans for the year ahead and is placing a strong emphasis on working capital management. A key objective for the year is to reduce the level of debt within the business. The Board has carefully reviewed its budgets and plans for the next year and beyond and, based on reasonably foreseeable sensitivities, is confident that it has sufficient facilities to fund its requirements over the forthcoming year.

Foreign currency risk and impacts

The Group's overseas businesses predominantly undertake transactions in their local currency and their trading results and cashflows are translated into Sterling using the average rate over the course of the year. Additionally, the UK's Healthcare Solutions business imports raw materials and bought-in goods, from Asia and Europe, which are denominated in US Dollars and Euros.

Approximately 40% of the Group's business was located and therefore transacted in the Euro zone last year. The average rate of translation of Euros to Sterling in the year compared with the average of the prior year has declined by approximately 14%. This had a positive impact on revenues and operating profits. However, the Healthcare Solutions business has experienced a significant increase in the cost of Euro denominated raw materials and the rise in these costs occurred because of negative currency movements. The net benefit of this Euro movement was £1.5 million net of taxation.

The UK pound deteriorated approximately 30% against the US Dollar over the year. Whilst hedging limited the total impact of the UK Pound's movement against the US Dollar, the overall effect was to increase costs by over £0.6 million, affecting net profit by £0.4 million, thereby mitigating the benefit from the Euro's appreciation.

Accordingly, the net impact of foreign exchange movements was to increase post tax profit by £1.1 million.

The Group uses forward foreign exchange contracts to manage the exposure of the UK Healthcare Solutions' cost base to these movements, typically hedging purchases four to six months ahead. At the 29 March 2009 the Group had committed to outstanding forward foreign exchange contracts of £4.0 million in both Euro and US Dollars, which had a fair value at the year end of £3.9 million with the difference between contract value and fair value has been recognised in equity. This included a forward exchange rate contract to convert £2.5 million of Sterling denominated debt into Euro denominated debt.

The Group does not enter into any speculative foreign currency trades and any forward purchases are against known future transactions.

Pensions

The Group has three main final salary schemes in the UK, including one acquired as part of the Vernon Carus acquisition, and one average salary scheme in the Netherlands, which relates to Isotron, the Sterilisation business acquired in January 2007, when the Sterilisation business was formed within the Synergy Group.

In the UK the Group is required to maintain final salary pension arrangements for employees who have transferred from the NHS, which has to be acceptable to the Government's Actuary Department. Otherwise the UK schemes are closed to new entrants. Isotron's pension scheme in the Netherlands includes defined benefit and contribution elements.

The combined deficits calculated under IAS 19 at the end of the year totalled £9.3 million compared with £3.9 million last year. The main change was a reduction in the value of the schemes' assets following the sharp drop in equity markets. The schemes had 60% of their assets invested in equities at the beginning of the year, declining to 48% at the year-end due to falling equity prices. The rest of the assets are cash, bonds and investment property related assets. The pension schemes have no exposure to securitised "toxic" assets.

The Group continues to make recovery plan payments to the UK final salary schemes to improve the deficit position, and these payments totalled £0.9 million for the year. All three final salary schemes will have updated triennial Trustee valuations undertaken over the next 12 months which will result in revised recovery plans being agreed with the Group. It currently seems likely that the recovery plan payments will increase.

We have taken steps to simplify the administration of the UK pension schemes, with one provider appointed to manage all the defined contribution schemes and one firm of actuaries and administrators appointed to oversee all of the final salary schemes. One small final salary scheme was closed during last year.

Ivan M Jacques
Group Finance Director

SYNERGY HEALTH PLC
CONSOLIDATED INCOME STATEMENT

For the year ended 29 March 2009

		2009			2008		
	Notes	Before amortisation of acquired intangibles and non- recurring items £'000	Amortisation of acquired intangibles and non- recurring items (note 4) £'000	Total £'000	Before amortisation of acquired intangibles and non- recurring items £'000	Amortisation of acquired intangibles and non- recurring items (note 4) £'000	Total £'000
Continuing operations							
Revenue	2	274,100	-	274,100	225,001	-	225,001
Cost of sales		(181,587)	-	(181,587)	(144,450)	-	(144,450)
Gross profit		92,513	-	92,513	80,551	-	80,551
Administrative expenses							
- Administration expenses excluding amortisation of intangibles and share scheme charges		(55,154)	(3,996)	(59,150)	(46,317)	(2,158)	(48,475)
- Amortisation of intangibles		(656)	(5,782)	(6,438)	-	(4,962)	(4,962)
- Share scheme charges		(1,411)	-	(1,411)	(1,562)	-	(1,562)
		(57,221)	(9,778)	(66,999)	(47,879)	(7,120)	(54,999)
Operating profit		35,292	(9,778)	25,514	32,672	(7,120)	25,552
Profit on business disposal		-	-	-	-	1,039	1,039
Finance income	4	3,038	-	3,038	1,931	-	1,931
Finance costs	5	(12,220)	-	(12,220)	(9,672)	-	(9,672)
Net finance costs		(9,182)	-	(9,182)	(7,741)	-	(7,741)
Profit before tax		26,110	(9,778)	16,332	24,931	(6,081)	18,850
Income tax	6	(6,131)	2,462	(3,669)	(5,985)	2,224	(3,761)
Profit for the year		19,979	(7,316)	12,663	18,946	(3,857)	15,089
Attributable to:							
Equity holders of the parent		19,881	(7,316)	12,565	18,870	(3,857)	15,013
Minority interest		98	-	98	76	-	76
		19,979	(7,316)	12,663	18,946	(3,857)	15,089
Earnings per share							
From continuing and total operations							
Basic	8			23.45p			28.21p
Diluted	8			23.14p			27.40p

SYNERGY HEALTH PLC

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 29 March 2009

	2009	2008
	£'000	£'000
Exchange differences on translation of foreign operations	31,673	15,968
Cash flow hedges – derivative instrument effective portion	(2,792)	156
Actuarial gains/(losses) on defined benefit pension plans	(6,422)	2,674
Less: provision for deferred tax	1,422	(777)
Net income recognised directly in equity	23,881	18,021
Profit for the year	12,663	15,089
Total recognised income and expense for the year	36,544	33,110
Attributable to:		
Equity holders of the parent	36,369	32,988
Minority interest	175	122
	36,544	33,110

SYNERGY HEALTH PLC

CONSOLIDATED BALANCE SHEET AT 29 MARCH 2009

	Note	2009 £'000	As restated 2008 £'000
Non-current assets			
Goodwill		197,114	174,037
Other intangible assets		51,060	51,563
Property, plant and equipment		207,694	167,865
Investment property		990	1,000
Total non-current assets		456,858	394,465
Current assets			
Inventories		12,889	9,725
Trade and other receivables		48,017	49,185
Derivative financial instruments		-	213
Available for sale investments		-	126
Cash and cash equivalents		5,542	4,246
Total current assets		66,448	63,495
Total assets		523,306	457,960
Capital and reserves attributable to the Company's equity holders			
Share capital	9	337	333
Share premium account	9	60,880	60,107
Translation reserves	9	50,940	19,344
Cash flow hedging reserve	9	(2,579)	213
Merger reserve	9	106,757	106,757
Retained earnings	9	35,905	32,740
Equity attributable to equity holders of the parent		252,240	219,494
Minority interest	9	548	373
Total equity		252,788	219,867
Current liabilities			
Bank overdraft		-	51
Interest bearing loans and borrowings		9,423	7,811
Trade and other payables		52,642	57,342
Derivative financial instruments		2,579	-
Current tax liabilities		4,428	2,716
Short-term provisions		1,140	-
Total current liabilities		70,212	67,920
Non-current liabilities			
Interest bearing loans and borrowings		166,377	141,410
Retirement benefit obligations		9,296	3,943
Deferred tax liabilities		17,001	18,444
Provisions		7,252	6,204
Deferred Government grant		380	172
Total non-current liabilities		200,306	170,173
Total liabilities		270,518	238,093
Total equity and liabilities		523,306	457,960

The restatement of the comparative balance sheet relates to final adjustments to provisional fair values under IFRS 3.

SYNERGY HEALTH PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 29 MARCH 2009**

	Note	2009 £'000	2008 £'000
Profit for the year		12,663	15,089
Adjustments	11	47,450	31,718
Cash generated from operations	11	60,113	46,807
Interest paid		(9,973)	(8,453)
Income tax paid		(3,584)	(4,102)
Net cash generated from operating activities		46,556	34,252
Cash flows from investing activities			
Acquisition of subsidiaries – net of cash		(3,109)	(31,946)
Disposal of subsidiary – net of cash		-	1,246
Purchases of property, plant and equipment (PPE)		(50,187)	(35,533)
Purchase of intangible assets		(456)	(1,077)
Proceeds from sale of PPE		185	1,833
Sale of short term investments		359	-
Receipt of government grants		331	-
Interest received		394	297
Net cash used in investing activities		(52,483)	(65,180)
Cash flows from financing activities			
Dividends paid		(5,783)	(4,836)
Proceeds from borrowings		11,718	32,710
New hire purchase loans		-	3,552
Repayment of obligations under hire purchase loans		(2,960)	(1,772)
Receipt of new finance leases		3,154	-
Proceeds from issue of shares		777	629
Net cash generated by financing activities		6,906	30,283
Net increase/(decrease) in cash and bank overdrafts		979	(645)
Cash and bank overdrafts at beginning of period		4,195	4,749
Exchange differences		368	91
Cash and bank overdrafts end of period		5,542	4,195
Net cash and cash equivalents comprises			
Cash at bank		5,542	4,246
Overdraft		-	(51)
		5,542	4,195

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The preliminary announcement is prepared in accordance with International Financial Reporting Standards.

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The financial information has been extracted from the Group's 2009 statutory financial statements upon which the auditors' opinion is unqualified and does not include any statement under section 237 of the Companies Act 1985.

2 Summary segmental information

For management purposes the Group is organised into three geographical divisions, the UK, Rest of Europe and Asia & South Africa. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these divisions is presented below:

	UK 2009 £'000	Rest of Europe 2009 £'000	Asia and South Africa 2009 £'000	Eliminations & unallocated items 2009 £'000	Consolidated 2009 £'000
Revenue	154,668	111,440	7,992	-	274,100
Result					
Segment result before amortisation, share scheme changes and non- recurring items	14,838	19,594	2,927	-	37,359
Amortisation	(2,635)	(3,448)	(355)	-	(6,438)
Share scheme charges	(1,192)	(219)	-	-	(1,411)
Non recurring items	(3,416)	(580)	-	-	(3,996)
Segment result after amortisation, share scheme charges and non-recurring items	7,595	15,347	2,572	-	25,514
Net finance costs					(9,182)
Profit before tax					16,332
Income tax					(3,669)
Profit after tax					12,663

	UK 2009 £'000	Rest of Europe 2009 £'000	Asia and South Africa 2009 £'000	Eliminations & unallocated items 2009 £'000	Consolidated 2009 £'000
Other information					
Capital additions	15,413	20,775	11,699	-	47,887
Depreciation, impairment and amortisation	(12,927)	(20,541)	(2,556)	-	(36,024)
Balance Sheet					
Assets					
Segment assets	378,576	304,936	46,113	(206,319)	523,306
Liabilities					
Segment liabilities	(390,093)	(60,530)	(4,785)	206,319	(249,089)
Unallocated corporate tax liability					(4,428)
Unallocated deferred tax liability					(17,001)
Consolidated total liabilities					(270,518)

Primary Segment Information (continued)

	UK 2008 £'000	Rest of Europe 2008 £'000	Asia & South Africa 2008 £'000	Eliminations & unallocated items 2008 £'000	Consolidated 2008 £'000
Revenue	128,880	89,805	6,316	-	225,001
Result					

NOTES TO THE FINANCIAL STATEMENTS

Segment result before amortisation, share scheme charges and non-recurring items	15,268	16,930	2,036		34,234
Amortisation	(2,113)	(2,525)	(324)	-	(4,962)
Share scheme charges	(1,132)	(403)	(27)	-	(1,562)
Non recurring items	(2,158)	-	-	-	(2,158)
Segment result after amortisation, share scheme charges and non-recurring items	9,865	14,002	1,685	-	25,552
Profit on business disposal					1,039
Net finance costs					(7,741)
Profit before tax					18,850
Income tax					(3,761)
Profit after tax					15,089

	UK 2008 £'000	Rest of Europe 2008 £'000	Asia & South Africa 2008 £'000	Eliminations & unallocated items 2008 £'000	Consolidated 2008 £'000
Other information					
Capital additions	17,635	18,484	2,490	-	38,609
Depreciation, impairment and amortisation	(10,572)	(15,863)	(2,250)	-	(28,685)
Balance Sheet					
Assets					
Segment assets	352,766	256,074	21,130	(172,010)	457,960
Liabilities					
Segment liabilities	(336,033)	(53,097)	187	172,010	(216,933)
Unallocated corporation tax liability					(2,716)
Unallocated deferred tax liability					(18,444)
Consolidated total liabilities					(238,093)

As the location of customers differs from the location of the Group's assets, additional information on revenue by customer location is provided below:

	2009 £'000	2008 £'000
United Kingdom	146,734	124,017
Rest of Europe	117,992	93,698
Asia and South Africa	9,374	7,286
	274,100	225,001

The Group's secondary segment information relates to its business segments – Healthcare Solutions, Decontamination and Sterilisation. The following table provides an analysis of the Group's revenue by business segment, irrespective of the origin of the goods/ services:

	Sales revenue by business segment	
	2009 £'000	2008 £'000
Healthcare Solutions	174,989	139,635
Decontamination Services	42,878	35,226
Sterilisation Services	56,233	50,140
	274,100	225,001

	Carrying amount of segment Assets		Additions to property, plant, equipment and intangible assets	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Healthcare Solutions	206,168	181,174	19,149	19,452
Decontamination Services	24,418	27,912	4,932	7,813

NOTES TO THE FINANCIAL STATEMENTS

Sterilisation Services	292,720	248,874	23,806	11,344
	523,306	457,960	47,887	38,609

3 Non-recurring items

Non-recurring items of £3,996,000 (2008: £2,158,000) have been 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 Bristol 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
	3,996

The costs associated with closing the Bristol linen management facility have increased on the amounts reported in the half year statement as management have decided to close the site completely rather than operate the site as a distribution centre. The costs include future liabilities under the property lease. The closure was part of ongoing cost rationalisation in the Healthcare Solutions business. In addition the Group has commenced the closure of two linen management facilities in the Netherlands. Following the acquisitions made in the Netherlands over the last two years the number of sites required in the Netherlands has been rationalised to improve overall operational efficiency.

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.

In the prior year, £1,817,000 was incurred in reorganising and integrating the Vernon Carus acquisition and £341,000 related to other Group reorganisation costs.

4 Finance income

	2009 £'000	2008 £'000
Interest on bank deposits	394	297
Expected return on defined benefit pension plan assets	2,644	1,634
	3,038	1,931

5 Finance costs

	2009 £'000	2008 £'000
On bank loans and overdrafts	9,076	7,083
Finance charges in respect of hire purchase loans	525	1,106
Other interest payable and similar charges	202	3
Unwinding of discount on provisions	118	100
Interest on defined benefit plan obligations	2,648	1,587
Total borrowing costs	12,569	9,879
Less: amounts included in the cost of qualifying assets	(349)	(207)
	12,220	9,672

Borrowing costs included in the cost of qualifying assets during the year arose on specific and general borrowings. An average capitalisation rate of 5.21% was applied to expenditure on such assets.

NOTES TO THE FINANCIAL STATEMENTS

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Tax

The taxation charge represents:

	2009	2008
	£'000	£'000
Current taxation:		
UK tax	353	318
Overseas tax	5,890	4,443
Adjustment in respect of prior years	(888)	(672)
Total current tax	5,355	4,089
Deferred taxation:		
Origination and reversal of temporary differences	(2,034)	(760)
Adjustment in respect of prior years	348	432
	(1,686)	(328)
Total tax in income statement	3,669	3,761

UK corporation tax is calculated at 28% (2008: 30%) of the estimated assessable profit for the year. Taxation for overseas operations is calculated at the local prevailing rates.

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

	2009	2008
	£'000	£'000
Profit before tax	16,332	18,850
Tax at the UK corporation tax rate of 28% (2008: 30%)	4,573	5,655
Effect of:		
Rate change on deferred tax balances	-	(375)
Business disposal	-	(312)
Expenses not deductible for tax purposes	646	431
Different tax rates on overseas earnings	(1,108)	(1,196)
Use of unrecognised deferred tax assets brought forward	-	(78)
Adjustment in respect of prior years	(540)	(240)
Other	98	(124)
Tax charge for year	3,669	3,761

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Dividends

	2009	2008
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 30 March 2008 of 6.6p (2007: 5.6p) per share	3,521	2,973
Interim dividend for the year ended 29 March 2009 of 4.2p (2008: 3.5p) per share	2,262	1,863
	5,783	4,836
Proposed final dividend for the year ended 29 March 2009 of 6.8p (2008: 6.6p) per share	3,666	3,519

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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Earnings per share

	2009	2008
	£'000	£'000
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	12,565	15,013
	Shares	Shares
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	53,589	53,210
Effect of dilutive potential ordinary shares:		

NOTES TO THE FINANCIAL STATEMENTS

Share options	710	1,573
Weighted average number of ordinary shares for the purposes of diluted earnings per share	54,299	54,783
Earnings per ordinary share		
Basic	23.45p	28.21p
Diluted	23.14p	27.40p
	£'000	£'000
Adjusted earnings per share		
Operating profit	25,514	25,552
Acquisition related intangible asset amortisation	5,782	4,962
Non recurring items	3,996	2,158
Adjusted operating profit	35,292	32,672
Net finance costs	(9,182)	(7,741)
Adjusted profit on ordinary activities before taxation	26,110	24,931
Taxation on adjusted profit on ordinary activities	(6,131)	(5,985)
Minority interest	(98)	(76)
Adjusted net profit before amortisation and non-recurring items attributable to equity holders of the parent	19,881	18,870
Adjusted basic earnings per share before amortisation and non-recurring items	37.10p	35.46p
Adjusted diluted earnings per share before amortisation and non-recurring items	36.61p	34.44p

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Reserves reconciliation

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total attributable to equity holders of the parent £'000	Minority interest £'000	Total equity £'000
Balance at 1 April 2007	332	59,479	106,757	3,479	19,913	189,960	251	190,211
Total recognised income and expense	-	-	-	16,078	16,910	32,988	122	33,110
Dividends paid	-	-	-	-	(4,836)	(4,836)	-	(4,836)
Issue of shares	1	628	-	-	-	629	-	629
Share-based payments (net of tax)	-	-	-	-	753	753	-	753
Balance at 30 March 2008	333	60,107	106,757	19,557	32,740	219,494	373	219,867
Total recognised income and expense	-	-	-	28,804	7,565	36,369	175	36,544
Dividends paid	-	-	-	-	(5,783)	(5,783)	-	(5,783)
Issue of shares	4	773	-	-	-	777	-	777
Share based payments (net of tax)	-	-	-	-	1,383	1,383	-	1,383
Balance at 29 March 2009	337	60,880	106,757	48,361	35,905	252,240	548	252,788

The other reserves comprise the cash flow hedging reserve and the translation reserve reflecting the exchange differences on the translation of foreign operations. The balance on the translation reserve was £50,940,000 (2008: £19,344,000; 2007: £3,422,000). The cash flow hedging reserve of £2,579,000 debit (2008: £213,000 credit & 2007: £57,000 credit) 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 £213,000 credit unwound during the year and revaluation of existing instruments at the balance sheet date gave rise to the closing reserve of £2,579,000 debit.

The share-based payment credit of £1,383,000 (2008: £753,000) includes a debit of £115,000 (2008: debit £402,000) relating to deferred taxation and a credit of £354,000 relating to current taxation.

10

Acquisition of subsidiaries

Acquisition of Giezeman

With effect from 1 October 2008, the Group acquired the entire issued share capital of Wasserij Rozenburg-Giezeman B.V. ("Giezeman"), a company registered in the Netherlands. Giezeman is located in Voorburg in the Netherlands and provides linen rental for nursing homes.

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

	Book value £'000	Adjustm ents £'000	Fair value £'000
Property, plant and equipment	1,041	(192)	849
Intangible assets	-	374	374
Inventories	5	-	5
Trade and other receivables	211	(39)	172
Trade and other payables	(750)	(31)	(781)
Bank overdraft	(198)	-	(198)
Current tax liabilities	21	78	99
Deferred tax liabilities	-	(95)	(95)
	330	95	425
Goodwill			1,309
Total consideration			1,734
Satisfied by:			
Cash			1,598
Directly attributable costs			136
			1,734
Analysis of net outflow of cash in respect of acquisition:			
Cash consideration			1,598
Acquisition costs			136
Overdraft acquired with business			198
			1,932

Fair values have been allocated to the acquired assets of Giezeman.

The most significant adjustments relate to the recognition of customer relationship intangible assets acquired with the business. Other adjustments were required following an assessment of the fair value of the acquired company's identified assets and liabilities.

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

Giezeman contributed £1.2 million revenue (€1.3million) and £0.1million (€0.1million) to the Group's operating profit before tax for the period between the date of acquisition and the balance sheet date.

Acquisition of Kerkhoffs

On 1 July 2008 the Group acquired the trade and certain assets and liabilities of Kerkhoffs Vof ("Kerkhoffs"). Kerkhoffs is located in Sittard in the Netherlands and provides patient clothing cleaning services.

The fair value of the acquisition undertaken in the year was as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
Property, plant and equipment	71	-	71
Intangible assets	-	66	66
Inventories	9	-	9
Trade and other payables	(1)	-	(1)
Deferred tax liabilities	-	(17)	(17)
	79	49	128
Goodwill			216
Total consideration			344
Satisfied by:			
Cash			307
Directly attributable costs			37
			344
Analysis of net outflow of cash in respect of acquisition:			
Cash consideration			307
Acquisition costs			37

The most significant adjustments relate to the recognition of customer relationship intangible assets acquired with the business.

Kerkhoffs contributed £0.3 million revenue (€0.4million) and £0.03million (€0.03million) to the Group's operating profit before tax for the period between the date of acquisition and the balance sheet date.

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

Acquisition of Hengelo

With effect from 31 January 2008, the Group acquired the entire issued share capital of Roeloffzen en Co. Textielverzorging B.V. ("Hengelo") for a cash consideration of £435,000 (€575,000). Hengelo provides linen management services in the east of the Netherlands mainly to nursing homes for the elderly. The fair value of the acquisition undertaken in the previous year has been adjusted within the permitted hindsight period as follows:

	Book Value £'000	Provisional fair value reported £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	509	509	(68)	441
Intangible assets	-	144	-	144
Stock	10	10	4	14
Trade and other receivables	166	166	-	166
Trade and other payables	(164)	(164)	55	(109)
Long-term bank borrowings	(272)	(272)	-	(272)
Current tax receivable	-	-	21	21
Deferred taxation	-	(36)	-	(36)
	249	357	12	369
Goodwill		78	29	107
Total consideration		435	41	476
Satisfied by:				
Cash		435	-	435
Directly attributable costs		-	41	41
		435	41	476
Analysis of net outflow of cash in respect of acquisition:				
Cash consideration		435	-	435
Directly attributable costs		-	41	41
		435	41	476

The goodwill arising on the acquisition of Hengelo is attributable to the assembled workforce and the synergies that can be generated following the integration of Hengelo into the Group's Dutch healthcare linen management business.

The most significant adjustments relate to the recognition of trade name intangible assets acquired with the business.

Acquisition of Vernon Carus

With effect from 13 November 2007, the Group acquired the entire issued share capital of Vernon Carus Limited and its subsidiaries ("Vernon Carus") for a cash consideration of £23million. Vernon Carus provides infection control and decontamination services in the UK. The fair value of the acquisition undertaken in the previous year has been adjusted within the permitted hindsight period as follows:

	Book Value £'000	Provisional fair value reported £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	12,000	10,936	8	10,944
Investment property	1,000	1,000	-	1,000
Intangible assets	-	3,069	-	3,069
Stock	5,226	4,546	(583)	3,963
Trade and other receivables	5,737	5,843	(211)	5,632
Cash	18	18	-	18

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Trade and other payables	(5,667)	(5,938)	(113)	(6,051)
Finance leases	(1,037)	(1,037)	-	(1,037)
Deferred taxation	642	(115)	267	152
Pension provision	(3,179)	(4,107)	-	(4,107)
	14,740	14,215	(632)	13,583
Goodwill		8,751	140	8,891
Total consideration		22,966	(492)	22,474
Satisfied by:				
Cash for shares		14,224	-	14,224
Repayment of bank loans		6,755	-	6,755
Directly attributable costs		469	88	557
Deferred consideration		1,518	(580)	938
		22,966	(492)	22,474
Analysis of net outflow of cash in respect of acquisition:				
Cash consideration		20,979	514	21,493
Acquisition costs		469	88	557
Cash acquired with the business		(18)	-	(18)
		21,430	602	22,032

The most significant revisions to the fair value adjustments relate to stock and trade receivables where provisional fair values have been confirmed, where relevant these adjustments have been tax affected at the appropriate tax rate.

The goodwill arising on the acquisition of Vernon Carus is attributable to the assembled workforce and the synergies that can be generated following the integration of Vernon Carus into the Group's Healthcare Solutions business.

Acquisition of Grendonstar

With effect from 31 January 2008, the Group acquired the entire issued share capital of Grendonstar Distribution Limited ("Grendonstar") for a cash consideration of £4.4million. Grendonstar provides drug and alcohol testing programmes for commercial customers. The net assets acquired and the related consideration were as follows:

	Book value	Provisional fair value	Adjustments	Fair value
	£'000	£'000	£'000	£'000
Tangible fixed assets	20	20	-	20
Intangible assets	-	-	1,026	1,026
Stock	15	15	-	15
Trade and other receivables	1,136	582	-	582
Trade and other payables	(526)	(526)	-	(526)
Finance leases	(2)	(2)	-	(2)
Current tax	(100)	(100)	-	(100)
Cash	(216)	338	-	338
Deferred taxation	-	-	(287)	(287)
	327	327	739	1,066
Goodwill		4,065	(808)	3,257
Total consideration		4,392	(69)	4,323
Satisfied by:				
Cash		3,800	-	3,800
Deferred consideration		450	-	450
Directly attributable costs		142	(69)	73
		4,392	(69)	4,323
Analysis of net outflow of cash in respect of acquisition:				
Cash consideration		3,800	190	3,990
Acquisition costs		59	-	59
Cash acquired with the business		(338)	-	(338)
		3,521	190	3,711

The provisional fair values were adjusted within the permitted hindsight period as shown above. The most significant revisions to the fair value adjustments relate to the recognition of customer related intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

The goodwill arising on the acquisition of Grendonstar is attributable to the synergies that can be generated following the integration of Grendonstar into JMJ Laboratories Limited, the Group's drug and alcohol testing business.

If all the acquisitions described above had been completed on the first day of the financial year, Group revenues for the period would have been £275.9 million (2008: £245.0 million) and Group profit attributable to the equity holders of the parent would have been £12.7 million (2008: £15.0 million).

Summary of cashflows in respect of acquisitions

The table below summarises the net cashflows relating to acquisitions during the year and preceding years:

2009	Giezeman £'000's	Kerkhoffs £'000's	Hengelo £'000's	Vernon Carus £'000's	Grendonstar £'000's	Total £'000's
Cash consideration	1,598	307	-	-	-	1,905
Acquisition costs	136	37	41	88	-	302
Deferred consideration	-	-	-	514	190	704
Balances acquired with business	198	-	-	-	-	198
	1,932	344	41	602	190	3,109

2008	Isotron £'000's	Bembeke £'000's	Regilabs £'000's	Hengelo £'000's	Vernon Carus £'000's	Grendonstar £'000's	Total £'000's
Cash consideration	-	2,786	525	435	20,979	3,800	28,525
Acquisition costs	2,284	34	60	-	469	59	2,906
Deferred consideration	-	-	-	-	-	-	-
Balances acquired with business	-	914	(43)	-	(18)	(338)	515
	2,284	3,734	542	435	21,430	3,521	31,946

Other prior year acquisitions

In the year ended 29 March 2008 the Group acquired the following businesses:

- Bombeke Holdings B.V.
- Regilabs B.V.

The fair values of the acquired assets have been reviewed and no adjustments have been required.

11 Notes to the cash flow statement

	2009 £'000	2008 £'000
Cash generated from operations		
Profit for the period	12,663	15,089
Adjustments for:		
- depreciation and impairments	29,586	23,723
- amortisation of intangible assets	6,438	4,962
- equity settled share-based payments	1,144	1,155
- profit on business disposal	-	(1,039)
- loss on sale of tangible fixed assets	672	364
- finance income	(3,038)	(1,931)
- finance costs	12,220	9,672
- income tax expense	3,669	3,761
- profit on disposal of short term investment	(233)	-
Changes in working capital:		
- inventories	(2,986)	(868)
- trade and other receivables	6,871	(7,280)
- trade, other payables and provisions	(7,955)	1,132
Cash generated from recurring operations	59,051	48,740
Decrease in other payables for non-recurring items	1,062	(1,933)
	60,113	46,807

NOTES TO THE FINANCIAL STATEMENTS

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Annual report

The annual report and financial statements for the year ended 29 March 2009 will be posted to the shareholders on 29 June 2009 and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.