

A unique position
for growth



Financial highlights

	28 September 2008 £m	30 September 2007 £m	Change %
Turnover	133.1	102.0	+30
Adjusted operating profit*	17.2	15.3	+12
Adjusted profit after taxation*	9.4	8.8	+7
Profit after taxation	6.3	8.5	-26
Operating cash flow	24.0	19.1	+26
Net debt	153.3	110.7	+38
Basic earnings per share	11.68p	15.98p	-27
Adjusted earnings per share*	17.60p	16.53p	+7
Interim dividend per share	4.2p	3.5p	+20

*before intangible amortisation and non-recurring items.

Main highlights

- Strong reported sales growth across the Group in all three primary businesses; underlying revenues (excluding Vernon Carus) up by 14.7%
- Forward order book maintained at £800 million
- New Sterilisation facilities in Ireland and China on course for completion next year which together with Venlo, in the Netherlands, will provide sufficient capacity to lift growth rates
- 2008/09 interim dividend increased by 20% to 4.2p from 3.5p

Who we are

Synergy Health (“Synergy”) delivers a range of specialist outsourced services to healthcare providers and other clients concerned with health management.

Synergy operates subsidiaries in the United Kingdom, Ireland, the Netherlands, France, Germany, South Africa, Malaysia and Thailand. Regional offices have recently been opened in China and Dubai.

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The first half of the year has seen a mixed outcome with strong reported sales growth, but a one percentage point fall in operating margins, stated before share scheme charges, amortisation and non-recurring items, from an expected 14.5%. This was due to higher than expected start-up costs for new Decontamination services contracts together with an unprecedented and dramatic increase in energy costs that could not be fully offset by price increases and sales growth. Despite a challenging macroeconomic environment, reported sales are up 30% at £133.1 million and up 14.7% excluding the acquisition of Vernon Carus. The strongest growth was experienced in Asia and South Africa and we are confident that the strategy of expanding into Asia and China, in particular, will prove to be successful.

Operating profits, before amortisation of intangibles and non-recurring items, are up 12.1% at £17.2 million. During the first half of the year we incurred a non-recurring charge of £1.3 million relating to the move from AIM to the Main Market together with the closure costs of our Bristol linen management facility as part of a programme to offset increased energy costs. Excluding these non-recurring charges and amortisation costs, basic, adjusted earnings per share are up 6.5%.

Whilst the results for the half year are not as strong as we anticipated, we continue to believe that the strategy and business model remain sound and that margins will be improved within 12 months. The health markets that we operate in are increasingly outsourcing to specialist providers such as Synergy, often as a result of increased regulation. Most of our markets are continuing to see strong growth and the view of the majority of our customers is that this growth should be sustained despite the recessionary forces afflicting many parts of the world. Most of Synergy's customers are either healthcare institutions, such as hospitals and clinics, which are funded directly by the Government or through national insurance schemes, or medical device manufacturers and distributors who in turn sell their products to these healthcare institutions. Demand across virtually all of Synergy's businesses is driven by the number of patients undertaking procedures or visiting hospitals.

The management team is continuing to invest for the future, most notably with the Sterilisation and Decontamination developments in China, the development of a new Sterilisation eBeam facility in Ireland and the construction of a number of new Decontamination facilities in the UK, Continental Europe and the Middle East. At the same time, we are addressing the short-term issues facing the business with a focus on reducing energy costs and resolving the issues with the early National Decontamination Programme ("NDP") projects.

The Group is in a financially strong position with net assets of £224.1 million (2007: £199.4 million) and an operating profit to cash conversion rate of 141% (2007: 131%). Our main syndicated borrowing facility is committed until January 2012 and we have additional available facilities of over £50 million with current net debt of £153.3 million. The Board is confident that it has ample facilities and headroom to allow the Group to continue to grow and invest.

Dividend

The Board remains confident that the business will continue to perform well and accordingly has declared an interim dividend of 4.2p per share (2007: 3.5p), an increase of 20%. The dividend will be paid on 15 January 2009 to shareholders on the register on 30 December 2008.

Business review

Our medium term strategy is to increase sales and profits derived from Continental Europe and in particular Asia, in part reflecting the departure of some of our commercial sterilisation customers from the UK who have sought to relocate to other parts of Europe and Asia. However, during the half year our sales in the UK grew due to the addition of Vernon Carus, which was acquired to strengthen our infection control proposition and to create scale in Healthcare Solutions to assist with the internationalisation of that business. UK sales accounted for 58.1% of the Group whilst sales from the Rest of Europe and Asia accounted for 39.1% and 2.8% respectively. UK operating profits before amortisation, share charges and non-recurring items accounted for 40.2% of the Group total whilst the Rest of Europe and Asia accounted for 51.7% and 8.1% respectively.

In July, the business made the transition from AIM to the full list on the London Stock Exchange as part of a longer term strategy to widen our investor base in tandem with the internationalisation of the business. As part of the move to the full list, the Company shortened its name to Synergy Health plc to support its intention to widen its services to other health related markets. The rebranding has enabled a number of the acquired brands such as Vernon Carus and Reed Shilling to be phased out. It is our intention that LTS and Isotron will be phased out by the end of the financial year. This enables the Group to focus our marketing and promotional efforts around one single brand and to improve the Group's profile across all the international markets in which we operate.

Geographic review

United Kingdom

Sales in the UK were up 38.1% to £77.3 million (2007: £56.0 million) and operating profits before amortisation, share scheme charges and non-recurring items increased by 10.4% to £7.2 million (2007: £6.6 million). Excluding the impact of the Vernon Carus acquisition, underlying sales growth was 9.3%. Dramatically increased energy costs were an important factor in the UK with an unprecedented doubling of gas costs during the summer period, together with increased transportation costs due to fuel charges. Whilst these costs were planned to rise this year, they have exceeded our UK budget expectations by £0.5 million in the first half and for the full year will impact operating margin by 0.5% across all geographies. All of our contracts are indexed but there is a lag between the sudden increase in costs and the annual price indexation increases.

Energy costs have declined in recent weeks but remain above our planned levels for the second half of the year as a result of shortages in UK electricity generation capacity and gas storage capability. However, we expect to hedge a greater portion of such costs in future to minimise such volatility and we have instigated an energy cost reduction programme to promote best practice across the Group.

In addition to energy costs, the UK business suffered a decline in margin within the Decontamination business as a result of additional start-up costs, particularly for new contracts under the UK's NDP. This reduced operating profit by approximately £0.8 million in the first half, although a number of steps have been taken to ensure that this does not recur in the second half and this is explained below in the divisional review.

Rest of Europe

Sales in the Rest of Europe were up 21.2% to £52.0 million (2007: £42.9 million) with operating profits before amortisation and share scheme charges up 11.3% to £9.3 million (2007: £8.4 million). Europe continued to benefit from continued sales growth within our Linen and Sterilisation businesses. Operating margins were 1.6% lower during the first half of this year compared with last year, as anticipated, mainly as a result of start-up costs associated with the new Venlo ETO Sterilisation facility.

Asia and South Africa

Sales in Asia and South Africa were up 20.0% to £3.8 million (2007: £3.1 million) with strong growth from the expansion of our Sterilisation services into other health related sectors. Operating profits before amortisation and share scheme charges were up 28.1% to £1.5 million (2007: £1.1 million). Operating margins were up from 36.4% to 38.9%.

Divisional review

Healthcare Solutions (including Linen and Laboratory services)

Healthcare Solutions, which provides a range of services required to manage the patient environment saw sales increase 37.8% to £85.0 million (2007: £61.7 million) and up 11.7% before the acquisition of Vernon Carus. In addition, our Dutch linen operation benefited from a small number of bolt-on acquisitions. Operating margin for the business declined by 1.7% of sales reflecting the dilution caused by the acquisition of Vernon Carus, which was marginally profitable on acquisition, as well as increased energy costs, particularly in the UK linen business. We expect to see margins improve during the second half as the benefits of the Vernon Carus integration flow through, although the impact of energy prices may continue to be felt for the remainder of the year.

The integration of Vernon Carus into Healthcare Solutions is largely completed with the closure of a manufacturing facility in Oxfordshire and an administrative office in north Manchester. This business's strategy is to focus increasingly on infection control and other associated activities and to rationalise the other non-core areas such as the production and distribution of commodity healthcare products. As a result, there has been a managed decline in these non-core areas and it is likely that this will continue into the second half of the year.

Our intention is to develop further higher value added infection control solutions, which can be marketed on an international basis, and support an improvement in operating profits and margins. For example, progress is being made with the commercialisation of Byotrol, with the NHS now taking a number of these products. Indeed long term trials which have been conducted in the UK and the USA are now demonstrating that our products are superior to the leading products for environmental hygiene currently in common use.

Linen services growth remains strong in both the UK and the Netherlands with the award of further contracts in the UK and the benefit of small bolt-on acquisitions in the Netherlands. The economics of these bolt-on acquisitions are similar to organic contract wins but with the benefit of further consolidating the market and existing contracts. Operating margins in the UK have come under pressure with increased energy costs but these are being partially offset by the closure of the Bristol linen facility, a welcome reduction in diesel prices and a number of other energy initiatives being implemented over the coming twelve months.

Sterilisation Services

Sterilisation Services saw sales increase 9.3% to £27.1 million (2007: £24.8 million). The business has enjoyed strong growth in all geographic regions except for the UK. The Asian and South African markets have been particularly strong, as we have widened the available market to include food decontamination. In the UK, however, we suffered the loss of a large commercial customer relocating its business from the UK. As a result, top line growth was curtailed by 2.5%. Notwithstanding the loss of the UK customer, steady progress is being made and sales growth over the last nine weeks is 12.3% ahead of last year.

Our eBeam project in Ireland will open on plan in January whilst our facility in China is also on plan with first services planned for May 2009. The additional capacity generated by Venlo in the Netherlands and our new plants in Ireland and China will all allow for increased sales growth in 2009 in line with our plans.

Operating margins declined by 0.6% of sales as expected during the first half largely as a result of the new Venlo facility which is still at the early stage of bringing in new customers. There are also energy cost pressures, although these have in the main been offset by increases in price.

Decontamination Services

Sales in Decontamination Services increased 34.9% to £21.0 million (2007: £15.6 million) with new contract wins both within and outside of the NDP. We have continued to win work due to start during the second half of the year, which is mainly outside of the NDP.

Operating margins declined by 6% of sales, which was significantly more than planned. Some margin dilution was anticipated with new capacity added in Lancashire, but further pressures arose from contract start-up expenditure. Firstly a number of contracts, that were initially thought to be worth £5 million per annum and commenced during the period, under performed by 40% in terms of volume. We believe the overstatement of volumes by the customers was a one-off effect attributed to poor management information together with an accelerated outsourcing process to meet Healthcare Commission deadlines. The short-term impact was to adversely affect margins as the full cost of meeting the expected service requirements was incurred. These costs have since been adjusted to reflect known volumes which, together with the benefit of the minimum services payment on the anniversary of the contract, will fully restore margins. Secondly, contracts under the NDP continue to incur excessive start-up costs, mainly arising from obligations that we believe are the responsibility of the customers. As a result, it is necessary for us to continue to incur the excess costs to maintain the service whilst endeavouring to negotiate a resolution with the customers. It remains our intention to resolve the contractual issues amicably and as swiftly as possible.

One of the consequences of this outcome has been a re-evaluation of the UK's NDP. The Department of Health has been working with the decontamination industry to improve the quality of the contractual arrangements so as to avoid the problems which have been experienced by all suppliers during the early stages of the NDP. Whilst we are encouraged by the changes that are being proposed, we believe that further work is required before we will undertake any further services.

Meanwhile we continue to develop our business outside of the NDP with a focus on international markets. The demand for good quality decontamination services remains strong driven by regulatory changes and we expect to see continued growth not only from the UK but also from Europe, the Middle East and China. Our Chinese facility remains on course to open in April 2009 and will act as a model at a time when the Jiangsu Province has adopted the new national guidelines with a compliance deadline of 2010.

Financial review

Group turnover was £133.1 million (2007: £102.0 million) whilst operating profit before amortisation and non-recurring items was £17.2 million (2007: £15.3 million). Profit after tax before amortisation of intangibles and non-recurring items increased 7.2% to £9.4 million (2007: £8.8 million). Profit after tax, amortisation of intangibles and non-recurring costs was £6.3 million, compared with last year's £8.5 million. The reduction was mainly due to the non-recurring charges arising from the costs related to the move to the full list on the London Stock Exchange and related re-branding and the restructuring of certain UK operations including the closure of the Bristol linen facility. The prior period's earnings were enhanced by a one-off gain from the disposal of the Managed Equipment Services business.

Basic earnings per share were 11.68p (2007: 15.98p) whilst adjusted basic earnings per share increased by 6.5% to 17.60p (2007: 16.53p). The adjusted earnings per share adds back the amortisation of intangibles and non-recurring items but is stated after deducting share scheme charges. On a fully diluted basis the adjusted earnings per share also increased by 6.5% to 17.12p (2007: 16.07p).

The Group's effective tax rate for the period on earnings before the amortisation of intangibles and non-recurring items was 24% (2007: 27%) and this should be sustainable over the full year.

Exchange rate movements have had an impact on both sales and profits in the first half. From a sales perspective the strengthening of the euro has a positive impact and there were also slight increases in the exchange rate of the Thai baht and the Malaysian ringgit and a decrease in the value of the South African rand. However, the Healthcare Solutions business buys a considerable amount of materials denominated in euros and dollars. The overall impact of exchange rates was to improve sales by 7.3% compared with last year. However, the impact on profit for the period was only 4.8%.

Net recurring operating cash flow in the period rose to £24.3 million, representing a cash conversion rate of 141%. Reported cash generated from operations rose by 26% to £24.0 million (2007: £19.1 million). There were some adverse working capital movements in the period, including a movement of £2.6 million in trade and other receivables. The increase in receivables largely relates to the growth of the businesses and some problems with certain NHS hospital trusts, which are using shared service centres and experiencing difficulty in authorising payments within the agreed timescales. The increase in stock reflects the closure of one of our manufacturing facilities and should largely unwind during the second half of the year.

The Group continued to invest in its capital asset base and processing capacity, with capital expenditure payments during the period totalling £22.1 million. The Group purchased assets with a total cost of approximately £18.0 million in the first half, with £10 million relating to investment capital expenditure and £8 million relating to maintenance capital expenditure. This includes investments in China and Ireland, which together have incurred approximately £5.0 million in the first half. The main two items of maintenance capital expenditure in the first half were cobalt (£2.9 million) and linen (£3.8 million).

The Group had net debt at the half year of £153.3 million, compared with £145.0 million at the March year-end. Gross debt was £157.5 million versus £149.2 million at the March year-end. At 28 September 2008, the Group had available and committed facilities of £195.4 million. This includes £160.0 million under the main syndicated facility, together with finance leases, overdrafts and local lending lines overseas. Additionally, the Group has further bilateral facilities that can be drawn totalling £12.7 million, which are tied in to future projects of the Group and have not yet commenced.

The Group's net finance charge of £4.8 million represents an effective rate of interest of approximately 6.2%.

The Group's debt includes net euro-denominated debt of approximately £81.0 million, which is either held within the Continental European and Irish businesses directly or represents a hedge against euro-denominated assets.

The level of debt held at fixed rates of interest either within the loan agreement or through interest rate swap transactions is currently 58% of the total debt drawn.

Risks

The key risks and uncertainties facing the Group in the second half of the current financial year have not changed from those outlined in the Annual Report for the year ended 30 March 2008.

Strategy and outlook

The Board has set out a clear strategy to continue to develop market share in its existing markets whilst at the same time seeking to take its Healthcare Solutions, Decontamination and Sterilisation service models to international, high growth markets. The essence of this strategy remains firm although we are keeping the rate of expansionary capital expenditure under review in light of the credit issues in the world markets. During the next year, whilst remaining alert to opportunity, we may delay capacity expansion temporarily until there is greater macroeconomic stability.

Meanwhile, strong demand continues for the Group's services, which are essential health-related services required regardless of the macroeconomic conditions. As such, we expect our businesses to be resilient in the face of the anticipated economic slowdown and the Board continues to expect steady sales growth during the second half of the year.

The necessary actions have been implemented to restore profit margins and we expect these to take effect over the coming twelve months. Fundamentally, the outlook for the business remains positive and we are confident that Synergy can continue to deliver growth for its shareholders.

Stephen Wilson
Chairman

Consolidated income statement

For the period ended 28 September 2008

Six months ended 28 September 2008				
	Note	Before amortisation and non-recurring items £'000	Amortisation and non-recurring items (note 7) £'000	Total £'000
Continuing operations				
Revenue	6	133,096	–	133,096
Cost of sales		(87,735)	–	(87,735)
Gross profit		45,361	–	45,361
Administrative expenses				
– Administration expenses excluding amortisation of intangibles and share scheme charges		(27,332)	(1,343)	(28,675)
– Amortisation of intangibles		–	(2,564)	(2,564)
– Share scheme charges		(850)	–	(850)
		(28,182)	(3,907)	(32,089)
Operating profit	6	17,179	(3,907)	13,272
Profit on business disposal		–	–	–
Finance income		1,601	–	1,601
Finance costs		(6,373)	–	(6,373)
Net finance costs		(4,772)	–	(4,772)
Profit before tax		12,407	(3,907)	8,500
Income tax	8	(2,968)	746	(2,222)
Profit for the period		9,439	(3,161)	6,278
Attributable to:				
Equity holders of the parent		9,395	(3,161)	6,234
Minority interest		44	–	44
		9,439	(3,161)	6,278
Earnings per share				
From continuing and total operations				
Basic	10			11.68p
Diluted	10			11.36p

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

Six months ended 30 September 2007			Year ended 30 March 2008		
Before amortisation and non-recurring items £'000	Amortisation and non-recurring items (note 7) £'000	Total £'000	Before amortisation and non-recurring items £'000	Amortisation and non-recurring items (note 7) £'000	Total £'000
102,022	–	102,022	225,001	–	225,001
(64,613)	–	(64,613)	(144,450)	–	(144,450)
37,409	–	37,409	80,551	–	80,551
(21,325)	–	(21,325)	(46,317)	(2,158)	(48,475)
–	(2,328)	(2,328)	–	(4,962)	(4,962)
(761)	–	(761)	(1,562)	–	(1,562)
(22,086)	(2,328)	(24,414)	(47,879)	(7,120)	(54,999)
15,323	(2,328)	12,995	32,672	(7,120)	25,552
–	993	993	–	1,039	1,039
530	–	530	1,931	–	1,931
(3,825)	–	(3,825)	(9,672)	–	(9,672)
(3,295)	–	(3,295)	(7,741)	–	(7,741)
12,028	(1,335)	10,693	24,931	(6,081)	18,850
(3,220)	1,039	(2,181)	(5,985)	2,224	(3,761)
8,808	(296)	8,512	18,946	(3,857)	15,089
8,785	(296)	8,489	18,870	(3,857)	15,013
23	–	23	76	–	76
8,808	(296)	8,512	18,946	(3,857)	15,089
		15.98p			28.21p
		15.53p			27.40p

Consolidated statement of recognised income and expense

For the period ended 28 September 2008

	Six months ended 28 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 30 March 2008 £'000
Exchange differences on translation of net investment hedges	1,676	2,274	15,968
Cash flow hedges – derivative instrument effective portion	(3)	(31)	156
Actuarial (losses)/gains on defined benefit pension schemes	(1,238)	739	2,674
Less: provision for deferred tax	346	(207)	(777)
Net income recognised directly in equity	781	2,775	18,021
Profit for the period	6,278	8,512	15,089
Total recognised income and expense for the period	7,059	11,287	33,110
Attributable to:			
Equity holders of the Company	7,013	11,258	32,988
Minority interest	46	29	122
	7,059	11,287	33,110

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

Consolidated balance sheet

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Synergy Health plc
Half Year Report 2008

At 28 September 2008

	Note	At 28 September 2008 £'000	At 30 September 2007 £'000	At 31 March 2008 £'000
Non-current assets				
Goodwill		175,823	150,504	174,676
Other intangible assets		48,666	46,425	50,537
Property, plant and equipment		173,220	139,413	167,925
Investment property		1,000	–	1,000
		398,709	336,342	394,138
Current assets				
Inventories		12,363	5,484	10,304
Trade and other receivables		52,444	37,866	49,609
Cash and cash equivalents		4,120	4,300	4,246
Available for sale investments		–	126	126
		68,927	47,776	64,285
Total assets		467,636	384,118	458,423
Capital and reserves attributable to the Company's equity holders				
Share capital	16	335	333	333
Share premium account	16	60,542	59,868	60,107
Translation reserve	16	21,018	5,690	19,344
Cash flow hedging reserve	16	210	26	213
Merger reserve	16	106,757	106,757	106,757
Retained earnings	16	35,198	26,447	32,740
Equity attributable to equity holders of the parent		224,060	199,121	219,494
Minority interest	16	419	280	373
Total equity		224,479	199,401	219,867
Current liabilities				
Bank overdraft		708	–	51
Interest bearing loans and borrowings		6,445	9,309	7,811
Trade and other payables		53,495	40,464	57,804
Current tax liabilities		3,896	3,965	2,737
		64,544	53,738	68,403
Non-current liabilities				
Interest bearing loans and borrowings		150,310	105,687	141,410
Retirement benefit obligations		4,594	2,270	3,943
Deferred tax liabilities		17,221	16,265	18,424
Provisions	14	6,042	6,583	6,204
Deferred government grant		446	174	172
		178,613	130,979	170,153
Total liabilities		243,157	184,717	238,566
Total equity and liabilities		467,636	384,118	458,423

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

Consolidated cash flow statement

For the period ended 28 September 2008

	Six months ended 28 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 30 March 2008 £'000
Cash generated from operations	23,950	19,142	46,807
Interest paid	(5,213)	(3,046)	(8,453)
Income tax paid	(1,769)	(984)	(4,102)
Net cash generated from operating activities	16,968	15,112	34,252
Cash flows from investing activities			
Acquisition of subsidiary, including overdraft acquired	(382)	(6,253)	(31,946)
Disposal of subsidiary	–	1,200	1,246
Purchases of property, plant and equipment (PPE)	(21,690)	(17,688)	(35,533)
Purchase of intangible assets	(469)	(840)	(1,077)
Proceeds from sale of PPE	127	–	1,833
Sale of short-term investment	359	–	–
Interest received	274	–	297
Net cash used in investing activities	(21,781)	(23,581)	(65,180)
Cash flows from financing activities			
Dividends paid	(3,521)	(2,973)	(4,836)
Proceeds from borrowings	8,925	11,540	32,710
Repayments of borrowings	(544)	–	–
New hire purchase loans	–	–	3,552
Repayment of obligations under hire purchase loans	(1,361)	(926)	(1,772)
Proceeds from issue of shares	437	390	629
Net cash used in financing activities	3,936	8,031	30,283
Net decrease in cash and bank overdrafts	(877)	(438)	(645)
Cash and bank overdrafts at beginning of period	4,195	4,749	4,749
Exchange differences	94	(11)	91
Cash and bank overdrafts at end of period	3,412	4,300	4,195
Net cash and cash equivalents comprises:			
Cash at bank	4,120	4,300	4,246
Overdraft	(708)	–	(51)
	3,412	4,300	4,195

Consolidated cash flow statement (continued)

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Synergy Health plc
Half Year Report 2008

For the period ended 28 September 2008

	Six months ended 28 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 30 March 2008 £'000
Cash generated from operations			
Profit for the period	6,278	8,512	15,089
Adjustments for:			
– depreciation and impairments	13,741	11,380	23,723
– amortisation of intangible assets	2,564	2,328	4,962
– equity settled share-based payments	637	688	1,155
– gain on disposal of business	–	(993)	(1,039)
– loss on sale of tangible fixed assets	14	–	364
– profit on sale of available for sale investment	(233)	–	–
– finance income	(1,601)	(530)	(1,931)
– finance costs	6,373	3,825	9,672
– income tax expense	2,222	2,181	3,761
Changes in working capital:			
– inventories	(2,044)	(691)	(868)
– trade and other receivables	(2,619)	(4,745)	(7,280)
– trade and other payables	(1,029)	(1,793)	1,132
Cash generated from recurring operations	24,303	20,162	48,740
Decrease in other payables for non-recurring items	(353)	(1,020)	(1,933)
Cash generated from operations	23,950	19,142	46,807

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

For the period ended 28 September 2008

1 General information

Synergy Health plc (“the Company”) and its subsidiaries (together “the Group”) are providers of outsourced sterilisation and infection control support services in the UK, Rest of Europe, Asia and South Africa. The Company is registered in the United Kingdom under company registration number 3355631 and its registered office is Ground Floor Stella, Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire SN5 6NX.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 30 October 2008.

2 Summary of significant accounting policies

Basis of preparation

These September 2008 interim consolidated financial statements of the Group are for the six months ended 28 September 2008.

The condensed consolidated interim financial statements for the six months to 28 September 2008 have been prepared on the basis of the accounting policies set out in the Group’s latest annual financial statements for the year ended 30 March 2008. These accounting policies are drawn up in accordance with adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The comparative figures for the financial year ended 30 March 2008 are not the Group’s statutory accounts for that financial year. Those statutory accounts have been reported on by the Group’s auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 30 March 2008.

The condensed consolidated interim financial statements for the six months to 28 September 2008 have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information.

Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 30 March 2008 except for the adoption of new standards and interpretations, noted below. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- Amendment to IAS 39 Reclassification of financial assets

The consolidated interim financial statements have been prepared under the historical cost convention.

3 Statement of compliance

These consolidated interim financial statements have been prepared and approved by the directors in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the EU (adopted IAS 34). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 March 2008.

4 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 March 2008.

5 Estimates

The preparation of the consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 March 2008.

During the six months ended 28 September 2008 management reassessed its estimates in respect of actuarial assumptions in relation to the Group's defined benefit pension schemes using professional advice and relevant market benchmark data for discount rates and inflation.

The Group continues to pursue the recovery of insurance proceeds for the fire at the Dunstable linen management facility. However, no amounts have been included in these statements for estimated recoveries as the outcome remains uncertain.

6 Segment information

At 28 September 2008, the Group is organised into three geographical divisions; the UK, Rest of Europe, Asia and South Africa. These divisions are the basis on which the Group reports its primary segment information.

The segment results for the six months ended 28 September 2008 are as follows:

	UK £'000	Rest of Europe £'000	Asia and South Africa £'000	Eliminations and unallocated items £'000	Group £'000
Total revenue	77,322	52,013	3,761	–	133,096
Operating profit before amortisation, share scheme charges and non-recurring items	7,239	9,328	1,462	–	18,029
Share scheme charges	(714)	(136)	–	–	(850)
Operating profit before amortisation and non-recurring items	6,525	9,192	1,462	–	17,179
Amortisation of intangibles	(1,145)	(1,289)	(130)	–	(2,564)
Non-recurring items	(1,343)	–	–	–	(1,343)
Operating profit after amortisation, share scheme charges and non-recurring items	4,037	7,903	1,332	–	13,272
Finance costs – net					(4,772)
Profit before income tax					8,500
Income tax expense					(2,222)
Profit for the period					6,278

For the period ended 28 September 2008

6 Segment information (continued)

The segment results for the six months ended 30 September 2007 are as follows:

	UK £'000	Rest of Europe £'000	Asia and South Africa £'000	Eliminations and unallocated items £'000	Group £'000
Total revenue	55,978	42,911	3,133	–	102,022
Operating profit before amortisation and share scheme charges	6,559	8,379	1,141	5	16,084
Share scheme charges	(549)	(198)	(14)	–	(761)
Operating profit before amortisation	6,010	8,181	1,127	5	15,323
Amortisation of intangibles	(972)	(1,196)	(160)	–	(2,328)
Operating profit after amortisation and share scheme charges	5,038	6,985	967	5	12,995
Profit on business disposal					993
Finance costs – net					(3,295)
Profit before income tax					10,693
Income tax expense					(2,181)
Profit for the period					8,512

The segment results for the year ended 30 March 2008 are as follows:

	UK £'000	Rest of Europe £'000	Asia and South Africa £'000	Eliminations and unallocated items £'000	Group £'000
Total revenue	128,880	89,805	6,316	–	225,001
Operating profit before amortisation, share scheme charges and non-recurring items	15,268	16,930	2,036	–	34,234
Share scheme charges	(1,132)	(403)	(27)	–	(1,562)
Operating profit before amortisation and non-recurring items	14,136	16,527	2,009	–	32,672
Amortisation of intangibles	(2,113)	(2,525)	(324)	–	(4,962)
Non-recurring items	(2,158)	–	–	–	(2,158)
Operating profit after amortisation, share scheme charges and non-recurring items	9,865	14,002	1,685	–	25,552
Profit on business disposal					1,039
Finance costs – net					(7,741)
Profit before income tax					18,850
Income tax expense					(3,761)
Profit for the period					15,089

6 Segment information (continued)

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

	Sales revenue by business segment		
	Six months to 28 September 2008 £'000	Six months to 30 September 2007 £'000	Year ended 30 March 2008 £'000
Healthcare Solutions (formerly Patient Care)	85,003	61,665	139,635
Decontamination Services (formerly Surgical)	20,989	15,562	35,226
Sterilisation Services (formerly Commercial)	27,104	24,795	50,140
	133,096	102,022	225,001

7 Non-recurring items

Non-recurring items of £1,343,000 (six months ended 30 September 2007: £nil, year ended 30 March 2008 £2,158,000) have been charged in arriving at operating profit. £710,000 relates to the advisors' costs and fees incurred moving up to the full list on the London Stock Exchange. £450,000 relates to the costs of closing the Bristol Linen Management Facility as part of a cost rationalisation exercise. The balance of £183,000 relates to rebranding costs and legal costs incurred in pursuing the insurance claim for the Dunstable fire.

In the year to March 2008, £1,817,000 was incurred in reorganising and integrating the Vernon Carus acquisition and £341,000 related to other Group reorganisation costs.

8 Income tax

	Six months ended 28 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 30 March 2008 £'000
Current tax – UK	57	820	318
Current tax – Overseas	2,923	2,109	4,443
Adjustment in respect of prior years	–	–	(672)
	2,980	2,929	4,089
Deferred tax:			
Origination and reversal of temporary differences	(758)	(748)	(760)
Adjustment in respect of prior years	–	–	432
	(758)	(748)	(328)
Total tax in income statement	2,222	2,181	3,761

The Group's effective tax rate for the period on earnings before the amortisation of intangibles and non-recurring items was 24% (2007: 27%) and this should be sustainable over the full year.

For the period ended 28 September 2008

9 Dividends

	Six months ended 28 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 30 March 2008 £'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	2,973
Interim dividend for the year ended 30 March 2008 of 3.5p	–	–	1,863
	3,521	2,973	4,836
Proposed interim dividend for the year ending 28 March 2009 of 4.2p (2008: 3.5p) per share	2,245	1,863	–

The proposed interim dividend for the year ending 28 March 2009 was approved by the Board on 30 October 2008 and has not been included as a liability in these financial statements.

10 Earnings per share

	Six months ended 28 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 30 March 2008 £'000
Earnings			
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	6,234	8,489	15,013

	Six months ended 28 September 2008 Shares '000	Six months ended 30 September 2007 Shares '000	Year ended 30 March 2008 Shares '000
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	53,372	53,137	53,210
Effect of dilutive potential ordinary shares:			
Share options	1,500	1,529	1,573
Weighted average number of ordinary shares for the purposes of diluted earnings per share	54,872	54,666	54,783
Earnings per ordinary share			
Basic	11.68p	15.98p	28.21p
Diluted	11.36p	15.53p	27.40p

10 Earnings per share (continued)

	Six months ended 28 September 2008 £'000	Six months ended 30 September 2007 £'000	Year ended 30 March 2008 £'000
Adjusted earnings per share			
Operating profit	13,272	12,995	25,552
Amortisation of intangibles	2,564	2,328	4,962
Non-recurring items	1,343	–	2,158
Adjusted operating profit	17,179	15,323	32,672
Net finance costs	(4,772)	(3,295)	(7,741)
Adjusted profit on ordinary activities before taxation	12,407	12,028	24,931
Taxation on adjusted profit on ordinary activities	(2,968)	(3,220)	(5,985)
Minority interest	(44)	(23)	(76)
Adjusted profit for the financial period attributable to equity shareholders	9,395	8,785	18,870
Adjusted basic earnings per share	17.60p	16.53p	35.46p
Adjusted diluted earnings per share	17.12p	16.07p	34.44p

11 Share-based payments

The Group operates seven separate share option schemes for employees and directors of the Group. The following table summarises the options outstanding by scheme at 28 September 2008 which have been valued in accordance with the provisions of IFRS 2.

Scheme	Options outstanding at 28 September 2008	Weighted average option price (£)	Vesting conditions	Weighted average remaining life in years	Fair value charge in six months to 28 September 2008 £'000
The Executive share option scheme 2007	507,452	7.63	3 years	9.22	62
The approved share option plan	246,420	4.46	4 years	6.88	29
The unapproved share option plan	560,690	4.08	4 years	6.6	50
Sharesave Scheme	435,948	4.78	3,5 or 7 years	2.6	64
The Performance Share Plan	82,685	0.01	3 years	7.8	54
The Phantom Performance Share plan	66,846	0.01	3 years	7.3	99
Long-Term Incentive Plan	1,429,536	0.01	50% EPS growth 50% position in TSR table	1.1	492
					850

The fair value of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of fair value of the services received is measured based on a Black-Scholes model for all the schemes other than the LTIP scheme and for the EPS element of the LTIP Scheme. A model following similar principles to the Monte Carlo model has been used to calculate the fair value of the TSR element of the LTIP scheme.

For the period ended 28 September 2008

12 Acquisition of subsidiaries*Acquisition of Kerkhoffs*

On 1 July 2008, the Group acquired the trade and assets of Stomerij Kerkhoffs V.O.F (“Kerkhoffs”), a company registered in the Netherlands. Kerkhoffs provides linen management services in the South of the Netherlands.

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

	Book value £'000	Adjustments £'000	Fair value £'000
Property, plant and equipment	71	–	71
Intangible assets	–	67	67
Inventories	9	–	9
Trade and other payables	(1)	–	(1)
Deferred tax liabilities	–	(17)	(17)
	79	50	129
Goodwill			217
Total consideration			346
Satisfied by:			
Cash			307
Directly attributable costs			39
			346
Analysis of net outflow of cash in respect of acquisition:			
Cash consideration			307
Acquisition costs			39
			346

The above provisional fair value adjustments relate primarily to the recognition of intangible assets on acquisition.

The above fair value adjustments are stated net of tax, where appropriate, at an effective tax rate of 25.5%, which is the current prevailing rate in the Netherlands.

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

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.

Kerkhoffs contributed £0.1 million revenue (€0.1 million) and £0.03 million (€0.03 million) to the Group's profit before tax between the date of acquisition and the balance sheet date.

If the acquisition had been completed on the first day of the financial year, Group revenues would have been £133.2 million and Group profit attributable to the equity holders of the parent would have been £6.25 million.

Acquisitions in the prior period

In the same six month period last year, the Group acquired two businesses, Bombeke Holdings B.V. (“Bombeke”) and Regilabs B.V. (“Regilabs”), both effective from 2 April 2007. Details of the net assets acquired and the related consideration were disclosed in the Group's consolidated financial statements for the year ended 30 March 2008. No amendments to the disclosed fair values have been made.

13 Bank overdrafts and loans

During the period, the Group increased its net loan borrowings by £7.0 million (2007: £10.6 million) partly to fund capital expenditure and otherwise to finance working capital. The loan bears interest at market rates.

£80.7 million of the Group's gross debt is denominated in Euros.

14 Provisions

	Cobalt disposal costs £'000	Environmental provision £'000	Other provision £'000	Total £'000
At 30 March 2008	2,155	2,371	1,678	6,204
Additional provision in the period	96	70	–	166
Utilised in the period	(10)	–	(336)	(346)
Exchange differences	–	16	2	18
At 28 September 2008	2,241	2,457	1,344	6,042

15 Property, plant and equipment

Additions and disposals

During the six months ended 28 September 2008, the Group purchased assets with a total cost of approximately £18.0 million.

16 Reserves reconciliation

	Share capital £'000	Share premium £'000	Merger reserves £'000	Other reserves £'000	Retained earnings £'000	Total attributable to equity holders of the parent £'000	Minority interest £'000	Total equity £'000
Balance at 2 April 2007	332	59,479	106,757	3,479	19,913	189,960	251	190,211
Issue of shares	1	389	–	–	–	390	–	390
Total recognised income and expense	–	–	–	2,237	9,021	11,258	29	11,287
Dividends paid	–	–	–	–	(2,973)	(2,973)	–	(2,973)
Share-based payments	–	–	–	–	486	486	–	486
Balance at 30 September 2007	333	59,868	106,757	5,716	26,447	199,121	280	199,401
Issue of shares	–	239	–	–	–	239	–	239
Total recognised income and expense	–	–	–	13,841	7,889	21,730	93	21,823
Dividends paid	–	–	–	–	(1,863)	(1,863)	–	(1,863)
Share-based payments	–	–	–	–	267	267	–	267
Balance at 30 March 2008	333	60,107	106,757	19,557	32,740	219,494	373	219,867
Issue of shares	2	435	–	–	–	437	–	437
Total recognised income and expense	–	–	–	1,671	5,342	7,013	46	7,059
Dividends paid	–	–	–	–	(3,521)	(3,521)	–	(3,521)
Share-based payments	–	–	–	–	637	637	–	637
Balance at 28 September 2008	335	60,542	106,757	21,228	35,198	224,060	419	224,479

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

- the consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

This report has been approved by the Board of directors and signed on its behalf by

Steven Wilson

Chairman

30 October 2008

The consolidated interim financial statements for the six months ended 28 September 2008 will be posted to shareholders on 19 November 2008 and copies will be available from that date from the Company's registered office or website.

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