

5 June 2008

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 MARCH 2008

SYNERGY REPORTS ANOTHER SUCCESSFUL YEAR

Synergy Healthcare plc (AIM: SYR), a leading international provider of sterilisation and infection control solutions for hospitals and the healthcare industry, announces its preliminary results for the year ended 30 March 2008.

FINANCIAL HIGHLIGHTS

- Reported revenues up 47.4% to £225.0 million (2007: £152.6 million). Underlying revenues (excluding the acquisitions of Isotron and Vernon Carus) up 16.9%
- Operating profit* up 73.9% to £32.7 million (2007: £18.8 million)
- Profit before tax* up 47.7% to £24.9 million (2007: £16.9 million)
- Operating cashflow** up 47.3% to £48.7 million (2007: £33.1 million)
- Adjusted basic earnings per share* up 21.4% to 35.5p (2007: 29.2p)
- Basic reported earnings per share up 82.8% to 28.2p (2007: 15.4p)
- Dividend per share for the full year up 20.2% to 10.1p (2007: 8.4p)

OPERATIONAL HIGHLIGHTS

- Manchester facility commenced operations in November 2007 under the NHS National Decontamination Programme with all customers transitioned within three months
- Surgical division wins £5.3 million of new contracts outside National Programme
- Commercial division signs a five year contract with a large multinational medical device manufacturer for eBeam and ethylene oxide services in Ireland expected to generate mature annual revenues of £2.0 million
- £23.0 million acquisition of Vernon Carus completed in November 2007 and now fully integrated into Patient Care division
- MRSA screening service for hospitals and residential care homes launched
- New hospital and commercial sterilisation super centre in China on track to open in first half of the calendar year 2009
- Forward order book now over £800 million
- Share listing to move from AIM to Main Market of London Stock Exchange planned for early July 2008

Richard Steeves, Chief Executive of Synergy Healthcare, said:

"Synergy Healthcare has the benefit of an increasing exposure to the global healthcare market, which continues to grow robustly driven by positive changes in demographics, and increasing wealth in the Asian regions where Synergy is expanding its presence.

"Synergy has completed another successful year with a strong financial performance and good progression towards a number of strategic objectives centred on the internationalisation of the business. We have a strong business model providing essential services with substantial barriers to entry and a forward order book of over £800 million. With several new contracts started during the new financial year as well as the additional capacity coming on stream, we are confident that Synergy will enjoy another successful year."

* Before amortisation and non-recurring items

** From recurring operations

FURTHER INFORMATION:

There will be a meeting for analysts at 9.30am today, 5 June 2008, at the offices of Financial Dynamics. For further information please contact Claire Rowell on +44 (0)207 269 7285 or at claire.rowell@fd.com.

Full details of the result can be obtained from the London Stock Exchange RNS service.
<http://www.londonstockexchange.com/LSECWS/IFSPages/MarketNewsPopup.aspx?id=1860910&source=RNS>

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CHAIRMAN'S STATEMENT

I am pleased to report that Synergy Healthcare ("Synergy") has completed another successful year with a strong financial and operational performance and good progression towards a number of strategic objectives centred on the internationalisation of the business.

Headline financial performance is impressive with revenue up 47.4% to £225.0 million and underlying revenues (excluding the acquisitions of Isotron and Vernon Carus) up 16.9%. Profit before tax, amortisation of intangibles and non-recurring items was up by 47.7% to £24.9 million and profit after tax, on the same basis, increased 58.0% to £18.9 million. Under IFRS, after taking account of amortisation of intangibles and non-recurring items, profit before tax increased from £8.8million to £18.9million and profit after tax increased on the same basis from £6.3million to £15.1million.

Our key strategic objectives for the year were to lift organic growth rates and support the continued internationalisation of the business. All of the businesses have performed well, lifting revenue and installing new capacity which will benefit the business in the new financial year. Internationally, during the year we opened an office in Dubai, won a contract to provide hospital sterilisation services in Belgium, opened an office and progressed our combined hospital and commercial sterilisation facility in Suzhou, China. In all, Synergy now operates in eleven countries broadening its customer base in line with our strategy.

It has been a busy year for Synergy, particularly during the second half where a number of important projects were completed. In November we implemented our first new hospital sterilisation facility in Manchester under the NHS' National Decontamination Programme. Although Manchester was the third contract award under the national scheme, all of the customers were transitioned to this offsite supercentre within three months making this the first project to be fully completed. We are also pleased with the progress we have made winning £5.3 million of work outside of the National Programme as well as our two new contract wins in the Netherlands and Belgium.

Patient Care's linen processing facility in Dunstable, which was lost to fire in February 2007, was reopened in December and is operating well, providing much needed capacity to accommodate £3 million of new contract wins during the year.

Our new commercial sterilisation facility in Venlo in the Netherlands is now fully operational, offering ethylene oxide sterilisation on the European Continent to our customers for the first time and creating an opportunity to lift European sales. At the same time we remain on course to open our new hospital and commercial sterilisation facilities in China in the first half of calendar 2009.

It has been almost seven years since Synergy first listed on AIM as a small UK-based healthcare company. During this seven year period the business has performed impressively extending its operations to eleven countries and resulting in compound growth rates of 61.6%, 59.5% and 28.6% for revenue, profit before tax, amortisation of intangibles and non-recurring items and adjusted EPS respectively. The order book has increased from £40 million at the date of admission to AIM in 2001 to over £800 million today. This dramatic growth is reflected in an increased market capitalisation from £12.5 million to approximately £365 million today.

As we look to the future we aim to continue expanding our investor base to reflect the size and international breadth of the Company. To reflect our development and as part of this investor-focussed strategy we plan to move up to the Official List of the UK Listing Authority so that the

Company's shares should be traded on the London Stock Exchange from early July, ending seven successful years on AIM.

EPS and Dividend

Basic earnings per share were 28.2p, an increase of 82.8%. Underlying adjusted earnings per share before amortisation of intangibles and non-recurring items was 35.5p, an increase of 21.4%. As a result of this positive performance, the Board is recommending that the final dividend be increased to 6.6p per share, making a total annual dividend of 10.1p per share, an increase of 20.2%, in line with earnings growth.

If approved, the final dividend will be paid on 5 August 2008 to shareholders on the register at 4 July 2008.

Employees

Our workforce has continued to grow in line with the business and we now employ more than 3,700 people in Europe, Asia and South Africa. We are seeking to differentiate Synergy through the quality of our people and we therefore actively promote extensive investment in training, development and talent management programmes for our employees. The Board recognises the professionalism of our team and the important contribution they make to the success of Synergy, and I would like to thank them for their efforts this year.

Outlook

The global market for healthcare continues to expand driven by demographic trends and increased prosperity in developing countries and Synergy is well placed to capitalise on this macro trend. The Company has completed another successful year with a strong financial performance and good progression towards a number of strategic objectives centred on the internationalisation of the business, particularly in China.

We have a strong business model providing essential services with substantial barriers to entry and a forward order book of over £800 million. With several new contracts started during the new financial year as well as the additional capacity coming on stream, we are confident that Synergy will enjoy another successful year.

STRATEGY

Synergy is a leading international supplier of outsourced support services to the healthcare market. Our core services are the sterilisation of medical devices, infection control and other environmental management services and clinical pathology, occupational health and microbiological services. Synergy's strategy in these markets, the majority of which are regulated with high barriers to entry, is to gain consolidated, competitive positions with scale benefits which enable it to leverage pricing power through cost leadership programmes. In addition, through the quality of its management team and the skills of its staff, Synergy seeks to offer a differentiated service from its competitors, focusing on customers' desired outcomes and business solutions.

Our objective is to sustain our growth through the continued internationalisation of the business, the development of our core services and in due course through the application of our services in new health related markets. All of these objectives will be achieved through a combination of organic and acquisitive growth initiatives.

Geographic expansion into new international markets

We have a clear strategy to expand the business internationally over the coming three to five years. Most of our recent investment has been targeted in China where we are building a new sterilisation centre to support the expansion of our commercial and hospital sterilisation services. Given the potential of this market with approximately 14,000 hospitals and the very clear intentions of our large multinational medical device customers to invest in China, we have given this opportunity a higher degree of priority. As a consequence, until our Chinese investments have achieved a degree of scale, our developments in other parts of Asia, such as our proposed development office in Singapore, will be deferred.

In Europe, we continue to expand the business organically with the opening of our commercial sterilisation facility in the Netherlands in Venlo near the German border, and with two new contracts for hospital sterilisation services, one in the Netherlands and the other in Belgium. We continue to develop our revenue and marketing infrastructure primarily in Europe to support our organic objectives.

Recently we have opened an office in Dubai as part of a plan to extend our hospital services in the Emirates. With this investment we are expecting to see strong growth in the region over the coming years.

Both the North and South American markets are attractive opportunities for Synergy in the medium term. Whilst our priorities are Europe, Middle East and Asia, as a strategic partner to a number of multinational medical device manufacturers, Synergy will evaluate opportunities to expand organically in the Americas when there is sufficiently strong demand.

Further development of our core services

In each of our core service areas we look for opportunities to expand the range of services that we offer. These opportunities are most notable in our commercial sterilisation business where we have a strong market position in gamma technologies and there is a prospect to increase our penetration of the ethylene oxide and eBeam technologies. The new Venlo facility is our first ethylene oxide facility in Continental Europe, for example, and today we are pleased to announce that we are building an eBeam facility in Ireland to complement our gamma and ethylene oxide technologies. These investments help to broaden our relationships with our healthcare customers.

There are also many opportunities within infection control to broaden our range of products and services. Our primary objective is to move towards the creation of an outsourced infection control service offering our customers the opportunity to have this important area of environmental control supported by experts. As we establish our expertise, we continue to invest in our range of products through the acquisition of new technologies that require commercialisation, such as the acquisition last year of an exclusive licence to use Byotrol technology in the healthcare sector.

New health related markets

Whilst Synergy has focused on providing services almost exclusively to the healthcare sector, there is a clear demand for many of our technologies in other markets. Within our commercial sterilisation business we provide services to a diverse range of customers including food manufacturing, pharmaceutical manufacturing and veterinary medicine. We believe there are similar opportunities for our infection control and environmental management expertise in these markets and we intend to explore the development of these markets over the coming years.

Acquisition strategy

The acquisition of Isotron provided Synergy with a much larger international footprint and our priority is to expand the business organically. We will continue to consider acquisition opportunities, in particular to make bolt on acquisitions where we can improve the scale of our operations in a specific market or expand the depth of our services. There will be an increased focus on China, which we continue to see as a major market for Synergy in the future.

OPERATIONS REVIEW

Synergy operates its business on a geographic basis. During the year all three regions performed well with strong revenue and margin growth. The UK accounted for 57.3% of total revenues, the Rest of Europe 39.9% and Asia and South Africa 2.8%. In terms of operating profit generation, before amortisation, share scheme charges and non-recurring items, the UK generated 44.6% of profits, the Rest of Europe 49.5% and Asia and South Africa 5.9%.

United Kingdom

The UK performed well with improved market conditions, largely as a result of the NHS finances moving to a modest net surplus compared with an overall deficit in the previous year. In addition revenue growth benefited from an improved regulatory environment and further outsourcing. Revenues of £128.9 million were up 40.9% with operating profits, before amortisation of intangibles, share scheme charges and nonrecurring items, increasing by 60.4% to £15.3 million. Operating margins, before amortisation of intangibles, share scheme charges and non-recurring items (“Adjusted operating margins”) improved by 1.5% to 11.9%.

Patient Care

The Patient Care business had to operate under challenging conditions this year, having lost half of its linen processing capacity to fire in February 2007, and with a substantial rationalisation of the remainder of the business following the acquisition of Vernon Carus. Notwithstanding these challenges, both revenue and margins were lifted in the year and we start the new year in a much stronger position.

Despite the loss of the Dunstable facility, the business continued to operate without interruption and indeed went on to win an additional £3 million of new work in the year. Now that Dunstable has reopened, the business is operationally more stable and in a much better position to continue to grow.

In November we acquired Vernon Carus as part of our strategy to improve and widen our offering of services and products in the UK and to provide greater scale to support a substantial increase in international sales and marketing. Following the acquisition we have been able to rationalise our offices, relocating the Oldham office to Chorley, as well as closing a manufacturing facility in Oxfordshire. This reorganisation of the business created a non-recurring cost of £1.8 million but will result in improved operating margins on a sustainable basis.

Our pathology and microbiology laboratory business continued to perform well with good demand for its services, including a rapid MRSA screening service for the NHS. In January, we acquired Grendonstar Distribution Limited (“GDL”), which provides drug and alcohol testing programmes for corporate customers. GDL fits well with JMJ Laboratories Limited (“JMJ”). For many years the two companies have worked together with JMJ providing GDL with laboratory testing services to support GDL’s programmes. It was a natural step for the two companies to merge to provide a more synergistic offering to the market. The acquisition of GDL and the development of the laboratory service are consistent with our strategy to develop wider health related businesses.

Surgical

As anticipated our Surgical business saw an uplift in revenue and bidding activity as the changes to the regulatory environment came into force in April 2007. In addition the financial constraints within the NHS last year eased considerably resulting in a resumption of growth in the number of patients being treated.

The new Manchester facility awarded under the National Decontamination Programme was opened on schedule in November and was able to complete the full transition of all of its contracted customers by mid February, ahead of two other projects awarded to competitors a year or more before Manchester. There have been some initial operational challenges with the new facility but these are now settled and Manchester is achieving the demanding service standards that are required under the National Programme. We remain confident in our ability to lead this market. Our National Decontamination project in Lancashire is expected to reach financial close later this month after an agreed amendment to the service contract. However, we are not proceeding with the Mersey project as the pricing set by Vernon Carus prior to its acquisition did not meet our expectations given the complexity and risk associated with the service.

Last year we highlighted the existence of one or two inexperienced companies that were aggressively setting out to win market share. We have continued to see this behaviour with one competitor in particular pricing new projects at less than our marginal cost of service provision despite our scale benefits. Our view is that these competitors will find it difficult to meet the service standards and that in time the market will correct itself. In the meantime, we have decided to prioritise our efforts towards the £175 million segment of the market that is outside the National Programme. We will continue to bid for a select number of National Programme projects where Synergy's value proposition is reflected within the pricing. This strategy has been successful with the award of approximately £5.3 million new non-National work in the last quarter, and with a bid book of equal size going forward we remain on course to achieve our growth targets.

Commercial

UK growth has been held back by the closure of a large industrial customer that is relocating work outside the UK, affecting primarily our eBeam services. The remainder of our customers for gamma and ethylene oxide have continued to see growth in line with the market. In 2010 our Ion beam and eBeam facilities at Harwell were due to close following the expiry of the lease. We have been able to extend the lease for an additional two years to 2012 allowing an extended period to relocate the current customers to our other facilities. A new eBeam service is being constructed in Ireland for one of our large multinational customers and this project will provide sufficient capacity to relocate a number of Irish customers currently using Harwell. The remaining customers will be transferred to other UK facilities.

Rest of Europe

The Rest of Europe performed well with a combination of good organic growth and some small bolt on acquisitions. Market conditions remain positive for outsourcing in Europe where the value creation from our risk management proposition is well received. Revenues of £89.8 million were up 49.4% with operating profits, before amortisation of intangibles, share scheme charges and non-recurring items, increasing by 73.6% to £16.9 million. Adjusted operating margins improved by 2.7% to 18.9%.

Patient Care

The European business again grew strongly supported by three small bolt on acquisitions as well as increased revenue from our distributor base. LTS acquired Bombeke and Hengelo healthcare linen businesses as part of a strategy to continue to consolidate the market. These acquisitions, which had combined revenue of £4.1 million in the year, have been easily integrated within LTS and now benefit from improved margins as a result of purchasing synergies.

We also acquired Regilabs, our first European laboratory business, as part of a wider strategy to expand this subdivision of Patient Care geographically. Although relatively small with revenue of £1.8 million, this business benefits from a high teens growth rate in line with the wider market. The

business is being integrated with the former Isotron laboratory businesses which we expect in the medium term may be separated into a fourth division for Synergy.

Our infection control products are sold primarily through European distribution partners. During the year we have increased our investment in the sales and marketing support we provide our partners and this has resulted in increased growth of our European revenue. Europe continues to be one of our main areas of focus as we seek to replicate the success we have achieved in the UK.

Surgical

The trend towards outsourcing hospital sterilisation services in Europe remains strong. We are prioritising the Dutch and Belgian markets for the time being. We announced earlier this year that we had been selected as preferred partner for a hospital in Rotterdam and a large teaching hospital in Belgium. Both of these services are expected to be operational to some degree during the financial year beginning April 2009. In the meantime, we continue to promote outsourcing actively and we have a number of bids outstanding.

Commercial

Revenue growth within Europe was held back slightly by the delayed start of the new facility in Venlo. We took the decision to validate a number of new customers before fully opening the plant rather than phasing work in slowly as the business has done with previous new facilities. Venlo is now fully operational creating the capacity required to lift revenue.

Our new focus on outcomes based solutions has shown early signs of success with the establishment of a five year contract with a large multinational manufacturer to provide eBeam services in Ireland. This is the first time that this customer has favoured outsourcing for sterilisation services. Construction for this new £5.3 million facility is underway and we expect to begin operations in January 2009. The addition of eBeam will mean that three of our technologies are available for the Irish market.

Asia and South Africa

In both Asia and South Africa we operate primarily commercial sterilisation services for the medical device and other industrial markets. Revenues of £6.3 million were up 352%, with operating profits, before amortisation of intangibles, share scheme charges and non-recurring items, increasing by 389% to £2.0 million. Adjusted operating margins improved by 2.4% to 32.2%.

Commercial

Our commercial sterilisation services operate from established facilities in Malaysia, Thailand and South Africa. Malaysia and Thailand performed well, in line with the wider growth of the medical devices market. The South African Rand declined considerably during this year resulting in a decline in revenues. As part of a strategy to widen our available market we have invested in the food decontamination sector and we have succeeded in gaining US Department of Agriculture (USDA) approval for the photosanitisation of fresh fruit for export to the USA. We have seen good growth in this market for products shipped from Thailand.

Last year we announced plans to invest in China, initially with a sterilisation super centre in Suzhou. Planning permission and other required licenses took longer than expected but construction of phase one is now under way and we expect to be operational during the first half of 2009. We have the support of a number of large multinational customers for this project, including large US based companies manufacturing in China.

Surgical

As part of our investment in Suzhou we are creating China's first decontamination and sterilisation super centre for reusable surgical instruments which will eventually service up to ten hospitals. We currently have three committed customers but we expect to fill the remaining capacity with strong interest shown by the remaining hospitals in the district as well as having the support of China's Ministry of Health. This will be located alongside the Commercial division which is referred to above. Our early work last year in Beijing showed considerable interest for the same concept, but we gave priority to the Suzhou project where there are synergies with the commercial sterilisation facility. Having initiated that project we have returned to Beijing to continue discussions with nine hospitals to provide a similar service.

Principal risks and uncertainties

The principal risks and uncertainties that are material to the Group are as follows:

Risks inherent in the services that Synergy provides

The operations are independently monitored by various regulatory bodies. The Group's quality management system documents all of its key processes to ensure consistent standards. Synergy has its own internal quality checks and audits, which are conducted by a team that is independent of operations, to ensure that these standards are observed. Service failures or other deficiencies are reported to senior management and any events giving rise to any kind of risk to the Group or its customers are investigated and reported upon, with findings shared with customers.

Fire or loss of utility supply

Such an event could lead to the temporary closure of a processing facility. The Group has contingency plans to switch the delivery of services to alternative facilities.

Information technology

The Group is dependent on a number of operational and financial systems. The maintenance and security of the IT infrastructure is overseen by a central team, who ensure that appropriate back-up and contingency planning is in place.

Management of hazardous materials

Gamma radiation is generated via the decay of the specifically manufactured radioisotope Cobalt 60. Transportation, manipulation and processing of Cobalt 60 all carry an element of risk that must be managed. Ethylene oxide gas is highly flammable and toxic. It is transported and stored in liquid form under pressure, but used in gaseous form in our processes.

These risks are managed through the application of the highest standards of design, engineering and management. Active cooperation takes place with national and international bodies responsible for isotope management and radiation safety, to understand and, where possible, contribute to the development of new legislation that provides safety and security.

Retention of key personnel

The Group is dependent on highly experienced managers and other key personnel. The Group has policies and plans in place to retain these key employees. Additionally a talent management and development programme is being established to ensure the Group has sufficient trained management in place to support the anticipated growth of the Group.

Financial risks

Financial risks including interest rate and foreign currency risk are set out in the Finance Director's report.

FINANCE DIRECTOR'S REPORT

Revenue growth

Synergy has enjoyed another year of strong growth with total revenues increasing by 47.4% (£72.4 million). Growth was helped by the first full year contribution to revenue by Isotron which totalled £50.1 million compared with £11.8 million last year. The largest acquisition during the year was Vernon Carus, which contributed revenue of £12.3 million. Excluding these two acquisitions underlying growth was 16.9%.

Margins and operating profit

The gross margin at 35.8% was 2.8 percentage points above last year. This partly reflects the higher margin of Isotron and also reflects the progress made by Patient Care to improve margins through increased scale and by increasing value-added products and services.

Underlying operating profit, before amortisation of intangibles and non-recurring items, increased to £32.7 million, an increase of 73.9% compared with last year. This represents a net margin, before amortisation and non-recurring items, of 14.5%, which is 2.2 percentage points above last year. Under IFRS, after taking account of the items mentioned above, operating profit increased by 139% to £25.6 million versus £10.7 million last year.

Amortisation of intangibles relates to intangible assets identified on acquisitions, being the value of trade names and customer contracts and relationships, which have been measured in accordance with IFRS. The amortisation charge is made over five to 15 years depending on the underlying asset and the charge totalled £5.0 million during the year.

Share scheme charges under IFRS 2 grew 71% to £1.6 million, mainly as a result of the growth in the number of share option holders across the Group and because the long term incentive plan ("LTIP") for executive directors is now in its third year. The Group satisfies option holders through the issue of new shares and therefore this is largely a non-cash item. The charge should grow at a lower rate in the next years as the LTIP reaches maturity.

Non-recurring items mainly relate to the cost of restructuring and integrating the Vernon Carus acquisition into Patient Care's UK business.

The insurance claim relating to the fire at Dunstable remains under dispute as the insurers have rejected the claim. Legal proceedings have commenced to pursue the recovery of the insurance proceeds. The insurance claim will continue to be pursued vigorously.

Finance charges

The Group's net finance charges were £7.7 million compared with £1.9 million in the previous year. Cash interest cover, measuring these costs against the Group's earnings before interest, tax, depreciation and amortisation, EBITDA, was 7.2 times, representing a comfortable level of cover.

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 21% under both measures, continuing the track record of previous years which has seen earnings per share increase at or above this level. Before adjustments, basic and diluted earnings per share increased by 83% under both measures, reflecting the much lower level of non-recurring charges in 2008, compared with the previous year.

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 requires a deferred credit to be recognised on the amortisation of intangible assets. The effective tax rate on profit before tax under IFRS was 20.0% (2007: 28%).

Profit before tax, amortisation of intangibles and non-recurring items was £24.9 million. The taxation charge on this was £6.0 million representing an effective rate of 24% compared with the standard UK rate of 30% and last year's tax rate of 29%. 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 that it operates apart from France and Germany. After the UK, the second largest market in which Synergy operates is the Netherlands, with approximately one third of its revenues derived from the Dutch market. The Netherlands reduced its tax rate from the 1 January 2007 to 25.5%. The Group also has significant operations in Ireland, where the corporate tax rate is 12.5%. The Commercial 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 and therefore the Group's headline tax rate is expected to remain at a similar level.

The Group may be impacted by the UK government's proposal to withdraw capital allowances on industrial buildings. The legislation has not yet been enacted at the date of this report but the stated intention is to reduce allowances given from 4% straight line to 3% from April 2008, 2% from April 2009, 1% from April 2010 and finally to abolish industrial buildings allowance entirely from April 2011. Should these proposed changes become law, there could be an increase in the Group's deferred tax liability in respect of property of £2.7 million. This one-time change would be reflected in the Group's taxation charge in the 2009 financial statements. Based on the number of shares in issue at 30 March 2008, this would create an exceptional reduction in basic earnings per share of 5.1 pence. The accounting impact of these changes is still under review.

Dividends

The board is proposing a final dividend of 6.6 pence (2007: 5.6 pence) in addition to the interim dividend of 3.5p (2007: 2.8 pence), thereby giving a full year dividend of 10.1 pence, an uplift of 20% on last year's dividend. It is the Board's policy that dividend growth should broadly track growth in earnings per share. The full year cash cost of the dividend, if approved, will be £5.4 million.

Acquisitions and divestments

The Group made a number of acquisitions during the year. All of the acquisitions were paid for in cash from the Group's existing debt facilities, with a net cash outflow of £31.9 million.

The largest of these is Vernon Carus Limited, a long established supplier of infection control products to the NHS and the wider healthcare market, including 12% of export revenue. Recently Vernon Carus had established a modern decontamination and sterilisation facility at its new head office in Chorley, Lancashire.

Vernon Carus was acquired in November 2007 for a total consideration of £23.0 million, including acquired debt of £6.8 million and deferred consideration of £1.5 million. Including intangible assets of £3.1 million relating to trade names and customer relationships identified under IFRS acquisition

accounting, Vernon Carus had net assets of £14.2million with the balance of £8.8 million representing goodwill.

The acquisition has progressed well and the vast majority of the business has been fully integrated into the UK business of the Patient Care division, with the acquired business now fully transferred onto the same accounting platform and led by a single management team. The decontamination and sterilisation business has been integrated into the Surgical UK division.

Patient Care also made an acquisition in the UK, GDL, which provides drug and alcohol testing support programmes to large corporations. Prior to acquisition, GDL was a longstanding customer of the JMJ business and the management team will integrate the two businesses over the next year. The business was acquired effective from 31 January on a debt free basis for £4.4 million, including £450,000 of deferred consideration. As at the date of acquisition GDL had net assets of £0.3 million, with goodwill provisionally estimated at £4.1 million.

Additionally there were three small acquisitions in the Netherlands, with two Patient Care businesses involved in linen management and one laboratory testing business.

At the beginning of the year, Synergy Managed Equipment Services Limited was sold to Nottingham Rehab Limited, a subsidiary of Findel plc, for a cash consideration of up to £1.4 million. In the previous year, the business had made an operating profit of £0.3 million during the year on revenue of £3.3 million. The business was a small, standalone part of the Group and operated in a small UK specific market and therefore was not scaleable.

Capital expenditure and investments

The Group has continued to invest in the business over the year, spending £35.5 million in cash on capital expenditure, a 69% increase on last year, as the Group continues to expand its capacity in order to deliver the international growth strategy.

The main projects requiring capital investment expenditure were:

- A new sterilisation facility for the Surgical division in Manchester to service the new National Decontamination contract which started in November 2007
- Completion of the new ethylene oxide sterilisation facility for the Commercial division at Venlo in the Netherlands
- Patient Care in the UK completely refitted the linen facility at Dunstable following the fire that occurred in February 2007
- Additionally the same division made further selective investments in manufacturing equipment, which has increased capacity in Infection Control and Wound Care
- The Netherlands' Patient Care business upgraded and expanded a number of linen processing plants
- China: the project of building sterilisation plants for both the Commercial division and the decontamination and sterilisation plant for surgical instruments has begun. The total investment in this project will be approximately £10 million through to completion, which should be in the first half of calendar year 2009.

We also have a number of Surgical decontamination bids in the UK and the Netherlands that are at the preferred bidder stage and are expected to close over the next few months and these will require significant investment capital expenditure. Additionally further investment will be required to provide increased capacity at existing plants to support the growth in business from providers of primary care and private customers.

The Commercial division also expects to expand capacity in Ireland to support a new customer, which is a high profile multi-national healthcare group. Another new facility in Southern France is also expected to be completed in the next two years.

The Group needs to incur a level of maintenance capital expenditure each year to support Patient Care's linen management business, and similarly the Commercial division needs to replenish the levels of Cobalt 60 at its gamma radiation plants in order to maintain capacity. The maintenance capital expenditure spent on these two items is summarised below:

	£ million
Linen	7.1
Cobalt 60	4.4

We often receive enquiries about the cost of cobalt 60 and it is worth noting that the main supply agreement has recently been renewed for the next 5 years. Cobalt 60 is made from Cobalt 59, which is mined in Africa. It is then processed in a nuclear reactor for over two years to create the radiation source, Cobalt 60, and the main suppliers are in Canada and the UK. Most of the input cost is derived from the processing rather than the raw material itself, and prices have in recent years moved in line with general inflation.

Cash flows and changes in net debt

Cash generated from recurring operations

Operating cashflow generated in the year from recurring operations increased during the year by 47% to £48.7 million. This compares with underlying operating profits of £32.7 million, representing cash conversion of 149%.

Net investment in working capital increased by £7.0 million during the year, mainly as a result of increased levels of debtors and prepayments. These include two one-off items of £1million each, a long term receivable of £1 million relating to the reorganisation costs incurred following the takeover of a service from the NHS, which had been agreed at the outset of the contract, and an insurance receivable of £1 million in the Netherlands.

There was also a deliberate stock build up in the UK Patient Care infection control business, in anticipation of a site closure which was implemented early in the new financial year. This should be reversed over the course of the new financial year.

Free cashflow

After payment of interest, tax and the maintenance capital expenditure described above free cashflow totalled £23.0 million, which compares with net investment capital expenditure of £34.8 million, excluding the impact of acquisitions and disposals.

Changes in net debt and funding

Group net debt increased during the year from £97.6 million to £145.0 million, reflecting the Group's investment in capital expenditure and the acquisitions made during the year, which were all funded from free cashflow and increased debt. The total level of debt was £149.2 million.

The banking agreement was renegotiated and successfully syndicated in December 2007 to the Group's five relationship banks. The revised terms simplified the covenants under the banking agreement and reduced the margins, which previously had reflected the acquisition finance nature of the original agreement.

As at 30 March 2008, the Group had available and committed facilities of £195.3 million and under the terms of its banking facilities the Group can borrow up to £232.0 million provided this does not exceed 3.5 times EBITDA. At the date of this report the Group has credit approved facilities up to this maximum. This includes £160.0 million under the main syndicated facility, together with finance leases and local lending lines overseas and overdrafts. Some of these facilities are available for future capital projects and therefore have not yet been formally accepted and committed pending final board approval of the relevant project. The Group remains comfortably within the covenants set out in the agreement.

The main syndicated facility is committed until 15 January 2012.

The debt is held mainly in sterling and euros, with the mix at year-end being as follows:

	£ million
Sterling	66.5
Euros	82.6
Other currencies	0.1
Total	149.2

The euro denominated debt is held as a hedge against the Group's euro-denominated net assets of £153 million.

The Group's treasury policy is to have more than half of its borrowings subject to interest rate hedging arrangements. As at 30 March 2008 the Group held hedging arrangements totalling £82.5 million plus fixed rate finance leases of £8.7 million and therefore 61% of the Group's total borrowings were held at fixed rates of interest.

Foreign currency risk

Most overseas business is transacted in local currency and the results are translated into sterling using the average rate for the year. Additionally, some of the Group's activities involve the export and import of goods and raw materials, which creates exposures to the financial risks of changes in the value of foreign currency. The Group uses forward foreign exchange contracts to manage a part of this exposure. At 30 March the Group had committed to outstanding forward foreign exchange contracts of £733,000, mainly denominated in dollars, which had a fair value at the year end of £760,000, with the improvement in fair value recognised in equity.

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

Pensions

The Group has three main final salary plans in the UK, including one acquired as part of the Vernon Carus acquisition, and one in the Netherlands. 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 plans are closed to new entrants. Isotron's pension plan in the Netherlands includes defined benefit and defined contribution arrangements.

The increase in the combined deficits at the end of the year to £3.9 million from £3.0 million last year mainly relates to the inclusion of the Vernon Carus plan which has a year-end deficit of £2.9 million under IAS 19. The plans' deficit position actually improved over the course of the year by £3.2million, including an improvement in the Vernon Carus plan since the date of acquisition.

Whilst the plans assets have declined in value after taking account of new assets from contributions, the improved funding position was driven by the increase in corporate bond yields.

The Group continues to make additional contributions to the UK plans to improve the deficit position and these amounted to £0.5 million and are expected to increase to £0.9 million during the new financial year.

IFRS

This is the second year in which the Group's financial statements have been presented under IFRS following the decision last year to adopt IFRS one year ahead of the required timetable for AIM companies. There have been no changes to IFRS that have had any material impact on the Group's results compared with the previous year.

Ivan M Jacques
Group Finance Director

CONSOLIDATED INCOME STATEMENT

For the year ended 30 March 2008

		2008			2007		
	Notes	Before amortisation and non- recurring items £'000	Amortisation and non- recurring items (note 3) £'000	Total £'000	Before amortisation and non- recurring items £'000	Amortisation and non- recurring items (note 3) £'000	Total £'000
Continuing operations							
Revenue		225,001	-	225,001	152,563	-	152,563
Cost of sales		(144,450)	-	(144,450)	(102,280)	(3,975)	(106,255)
Gross profit		80,551	-	80,551	50,283	(3,975)	46,308
Administrative expenses							
- Administration expenses excluding amortisation of intangibles and share scheme charges		(46,317)	(2,158)	(48,475)	(30,599)	(1,990)	(32,589)
- Amortisation of intangibles		-	(4,962)	(4,962)	-	(2,104)	(2,104)
- Share scheme charges		(1,562)	-	(1,562)	(913)	-	(913)
		(47,879)	(7,120)	(54,999)	(31,512)	(4,094)	(35,606)
Operating profit		32,672	(7,120)	25,552	18,771	(8,069)	10,702
Profit on business disposal	11	-	1,039	1,039	-	-	-
Finance income	4	1,931	-	1,931	1,906	-	1,906
Finance costs	5	(9,672)	-	(9,672)	(3,792)	-	(3,792)
Net finance costs		(7,741)	-	(7,741)	(1,886)	-	(1,886)
Profit before tax		24,931	(6,081)	18,850	16,885	(8,069)	8,816
Income tax	6	(5,985)	2,224	(3,761)	(4,891)	2,419	(2,472)
Profit for the year		18,946	(3,857)	15,089	11,994	(5,650)	6,344
Attributable to:							
Equity holders of the parent		18,870	(3,857)	15,013	11,977	(5,650)	6,327
Minority interest		76	-	76	17	-	17
		18,946	(3,857)	15,089	11,994	(5,650)	6,344
Earnings per share							
From continuing and total operations							
Basic	8			28.21p			15.43p
Diluted	8			27.40p			15.01p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 March 2008

	2008	2007
	£'000	£'000
Exchange differences on translation of foreign operations	15,968	2,327
Cash flow hedges – derivative instrument effective portion	156	57
Actuarial gains/(losses) on defined benefit pension plans	2,674	(412)
Less: provision for deferred tax	(777)	123
Net income recognised directly in equity	18,021	2,095
Profit for the year	15,089	6,344
Total recognised income and expense for the year	33,110	8,439
Attributable to:		
Equity holders of the parent	32,988	8,419
Minority interest	122	20
	33,110	8,439

CONSOLIDATED BALANCE SHEET
At 30 March 2008

	Note	2008 £'000	As restated 2007 £'000
Non-current assets			
Goodwill		174,676	147,219
Other intangible assets		50,537	46,086
Property, plant and equipment		167,925	129,788
Investment property		1,000	-
Total non-current assets		394,138	323,093
Current assets			
Inventories		10,304	4,948
Trade and other receivables		49,609	32,558
Income tax receivable		-	37
Available for sale investments		126	126
Cash and cash equivalents		4,246	4,790
Total current assets		64,285	42,459
Total assets		458,423	365,552
Capital and reserves attributable to the Company's equity holders			
Share capital		333	332
Share premium account	9	60,107	59,479
Translation reserves	9	19,344	3,422
Cash flow hedging reserve	9	213	57
Merger reserve	9	106,757	106,757
Retained earnings	9	32,740	19,913
Equity attributable to equity holders of the parent	9	219,494	189,960
Minority interest	9	373	251
Total equity		219,867	190,211
Current liabilities			
Bank overdraft		51	41
Interest bearing loans and borrowings		7,811	4,042
Trade and other payables		57,804	44,325
Current tax liabilities		2,737	2,145
Total current liabilities		68,403	50,553
Non-current liabilities			
Interests bearing loans and borrowings		141,410	98,359
Retirement benefit obligations		3,943	2,999
Deferred tax liabilities		18,424	16,313
Provisions		6,204	6,913
Deferred government grant		172	204
Total non-current liabilities		170,153	124,788
Total liabilities		238,556	175,341
Total equity and liabilities		458,423	365,552

The restatement of the comparative balance sheet relates to routine revisions to acquired goodwill made under IFRS 3.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 MARCH 2008

	Note	2008 £'000	2007 £'000
Cash generated from recurring operations	12	48,740	33,084
(Decrease)/increase in other payables for non-recurring items		(1,933)	2,402
Cash generated from operations		46,807	35,486
Interest paid		(8,453)	(1,927)
Income tax paid		(4,102)	(6,075)
Net cash generated from operating activities		34,252	27,484
Cash flows from investing activities			
Acquisition of subsidiaries – net of cash		(31,946)	(78,281)
Disposal of subsidiary – net of cash		1,246	150
Purchases of property, plant and equipment (PPE)		(35,533)	(21,032)
Purchase of intangible assets		(1,077)	(1,258)
Proceeds from sale of PPE		1,833	3
Purchases of investments		-	(126)
Interest received		297	731
Net cash used in investing activities		(65,180)	(99,813)
Cash flows from financing activities			
Dividends paid		(4,836)	(2,890)
Proceeds from borrowings		32,710	68,053
New hire purchase loans		3,552	2,200
Repayment of obligations under hire purchase loans		(1,772)	(1,402)
Dividend paid to minority shareholders		-	(66)
Proceeds from issue of shares		629	308
Net cash generated by financing activities		30,283	66,203
Net decrease in cash and bank overdrafts		(645)	(6,126)
Cash and bank overdrafts at beginning of period		4,749	11,051
Exchange differences		91	(176)
Cash and bank overdrafts end of period		4,195	4,749
Net cash and cash equivalents comprises			
Cash at bank		4,246	4,790
Overdraft		(51)	(41)
		4,195	4,749

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

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 2008 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 2008 £'000	Rest of Europe 2008 £'000	Asia and South Africa 2008 £'000	Eliminations & unallocated items 2008 £'000	Consolidated 2008 £'000
Revenue	128,880	89,805	6,316	-	225,001
Result					
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 and 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	353,229	256,074	21,130	(172,010)	458,423
Liabilities					
Segment liabilities	(338,054)	(54,261)	173	172,010	(220,132)
Unallocated deferred tax liability					(18,424)
Consolidated total liabilities					(238,556)

NOTES TO THE FINANCIAL STATEMENTS

Primary Segment Information (continued)

	UK 2007 £'000	Rest of Europe 2007 £'000	Asia & South Africa 2007 £'000	Eliminations & unallocated items 2007 £'000	Consolidated 2007 £'000
Revenue	91,484	60,102	1,396	(419)	152,563
Result					
Segment result before amortisation and non-recurring items	9,517	9,751	416	-	19,684
Amortisation	(738)	(1,289)	(77)	-	(2,104)
Share scheme charges	(738)	(171)	(4)	-	(913)
Non recurring items	(5,965)	-	-	-	(5,965)
Segment result after amortisation, share scheme charges and non-recurring items	2,076	8,291	335	-	10,702
Net finance costs					(1,886)
Profit before tax					8,816
Income tax					(2,472)
Profit after tax					6,344

	UK 2007 £'000	Rest of Europe 2007 £'000	Asia & South Africa 2007 £'000	Eliminations & unallocated items 2007 £'000	Consolidated 2007 £'000
Other information					
Capital additions	7,423	13,589	1,042	-	22,054
Depreciation, impairment and amortisation	(7,592)	(10,180)	(473)	-	(18,245)
Balance Sheet					
Assets					
Segment assets	158,961	193,149	39,626	(26,184)	365,552
Liabilities					
Segment liabilities	(140,105)	(43,033)	(2,074)	26,184	(159,028)
Unallocated deferred tax liability (as restated)					(16,313)
Consolidated total liabilities (as restated)					(175,341)

The Group's secondary segment information relates to its business segments – Patient Care, Surgical and Commercial. The Managed Equipment Services business was sold at the beginning of the year. 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	
	2008 £'000	2007 £'000
Patient Care	139,635	107,710
Surgical	35,226	29,687
Managed Equipment Services	-	3,338
Commercial	50,140	11,828
	225,001	152,563

NOTES TO THE FINANCIAL STATEMENTS

	Carrying amount of segment Assets		Additions to property, plant, equipment and intangible assets	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Patient Care	181,637	112,957	19,452	12,482
Surgical	27,912	24,694	7,813	2,615
Managed Equipment Services	-	723	-	40
Commercial	248,874	227,178	11,344	6,917
	458,423	365,552	38,609	22,054

3. Non-recurring items

Non-recurring items of £2,158,000 (2007: £5,965,000) have been charged in arriving at operating profit. £1,817,000 relates to costs of re-organisation and integration following the acquisition of Vernon Carus Limited and its subsidiaries. The balance of £341,000 relates to other re-organisation costs incurred in the business required to generate future cost efficiencies. In the prior year £1,990,000 relates to costs of reorganisation and rationalisation following the acquisition of Isotron plc and its subsidiaries. £2,841,000 relates to the write-off of tangible fixed assets, £472,000 relates to the impairment of fixed assets and £662,000 relates to provisions for clean-up costs and increased costs of working following the fire at the Dunstable linen management facility.

4. Finance income

	2008 £'000	2007 £'000
Interest on bank deposits	297	1,156
Expected return on defined benefit pension plan assets	1,634	750
	1,931	1,906

5. Finance costs

	2008 £'000	2007 £'000
On bank loans and overdrafts	7,183	2,317
Finance charges in respect of hire purchase loans	1,106	288
Other interest payable and similar charges	3	510
Interest on defined benefit plan obligations	1,587	720
Total borrowing costs	9,879	3,835
Less: amounts included in the cost of qualifying assets	(207)	(43)
	9,672	3,792

6. Tax

The taxation charge represents:

	2008 £'000	2007 £'000
Current taxation:		
UK tax	318	1,625
Overseas tax	4,443	2,665
Adjustment in respect of prior years	(672)	177
Total current tax	4,089	4,467
Deferred taxation:		
Origination and reversal of temporary differences	(760)	(2,118)
Adjustment in respect of prior years	432	123
	(328)	(1,995)
Total tax in income statement	3,761	2,472

UK corporation tax is calculated at 30% (2007: 30%) of the estimated assessable profit for the year. Taxation for overseas operations is calculated at the local prevailing rates.

NOTES TO THE FINANCIAL STATEMENTS

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

	2008	2007
	£'000	£'000
Profit before tax	18,850	8,816
Tax at the UK corporation tax rate of 30% (2007: 30%)	5,655	2,645
Effect of:		
Rate change on deferred tax balances	(375)	-
Business disposal	(312)	-
Expenses not deductible for tax purposes	431	45
Different tax rates on overseas earnings	(1,196)	(379)
Use of unrecognised deferred tax assets brought forward	(78)	(157)
Adjustment in respect of prior years	(240)	300
Other	(124)	18
Tax charge for year	3,761	2,472

7. Dividends

	2008	2007
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 1 April 2007 of 5.6p (2006: 5.0p) per share	2,973	1,852
Interim dividend for the year ended 30 March 2008 of 3.5p (2007: 2.8p) per share	1,863	1,038
	4,836	2,890
Proposed final dividend for the year ended 30 March 2008 of 6.6p (2007: 5.6p) per share	3,519	2,972

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.

8. Earnings per share

	2008	2007
	£'000	£'000
Earnings		
Earnings for the purposes of basic earnings per share being net profit attributable to equity holders of the parent	15,013	6,327
	Shares	Shares
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	53,210	40,999
Effect of dilutive potential ordinary shares:		
Share options	1,573	1,145
Weighted average number of ordinary shares for the purposes of diluted earnings per share	54,783	42,144
Earnings per ordinary share		
Basic	28.21p	15.43p
Diluted	27.40p	15.01p

NOTES TO THE FINANCIAL STATEMENTS

	£'000	£'000
Adjusted earnings per share		
Operating profit	25,552	10,702
Intangible asset amortisation	4,962	2,104
Non-recurring items	2,158	5,965
Adjusted operating profit	32,672	18,771
Net finance costs	(7,741)	(1,886)
Adjusted profit on ordinary activities before taxation	24,931	16,885
Taxation on adjusted profit on ordinary activities	(5,985)	(4,891)
Minority interest	(76)	(17)
Adjusted net profit before amortisation and non-recurring items attributable to equity holders of the parent	18,870	11,977
Adjusted basic earnings per share before amortisation and non-recurring items	35.46p	29.21p
Adjusted diluted earnings per share before amortisation and non-recurring items	34.44p	28.42p

9. 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 2 April 2006	231	59,172	430	1,098	15,050	75,981	-	75,981
Total recognised income and expense	-	-	-	2,381	6,038	8,419	20	8,439
Dividends paid	-	-	-	-	(2,890)	(2,890)	(66)	(2,956)
Issue of shares	101	307	106,327	-	-	106,735	-	106,735
Share-based payments (net of tax)	-	-	-	-	1,715	1,715	-	1,715
Amounts arising on acquisition	-	-	-	-	-	-	297	297
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

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 £19,344,000 (2007: £3,422,000; 2006: £1,098,000). The cash flow hedging reserve of £213,000 (2007: £57,000 & 2006: £nil) 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 £57,000 unwound during the year and revaluation of existing instruments at the balance sheet date gave rise to the closing revenue of £213,000.

The share based payment credit of £753,000 (2007: £1,715,000) includes a debit of £402,000 (2007: credit £809,000) relating to deferred taxation.

10. Acquisitions

Acquisition of Isotron plc

A recommended share offer of 1.20702 Synergy shares was made on 6 December 2006 to Isotron plc's shareholders, which valued Isotron's share capital at approximately £181 million. An alternative cash offer of £8 per share was also made. The Offer became unconditional on 1 January 2007 when the number of shareholder acceptances passed the

NOTES TO THE FINANCIAL STATEMENTS

level of 50%. Accordingly, Isotron's results have been consolidated in Synergy's results from that date. The transaction has been accounted for by the purchase method of accounting.

By 9 January 2007 the Company had received acceptances for more than 90% of value of the Isotron shares to which the Offer related. Shortly thereafter, Synergy exercised its right under Section 429 of the Companies Act 1985 to compulsorily acquire the balance of shares.

The fair value of the acquisition undertaken in the previous year has been adjusted as follows:

	Provisional reported £'000	Adjustments £'000	Fair Value £'000
Tangible fixed assets	71,163	-	71,163
Intangible assets	30,768	-	30,768
Stock	742	-	742
Debtors	9,161	-	9,161
Trade and other payables	(7,438)	-	(7,438)
Cash	1,711	-	1,711
Short and long-term borrowings	(17,569)	-	(17,569)
Finance leases	(404)	-	(404)
Deferred taxation	(12,177)	(253)	(12,430)
Other long-term liabilities	(237)	-	(237)
Provisions for liabilities and charges	(2,840)	-	(2,840)
Pension provision (IAS 19)	(915)	-	(915)
Minority interest	(297)	-	(297)
	71,668	(253)	71,415
Goodwill	109,279	284	109,563
Total consideration	180,947	31	180,978
Satisfied by:			
Issue of shares	106,427	-	106,427
Cash	69,463	-	69,463
Directly attributable costs	5,057	31	5,088
	180,947	31	180,978

The most significant revisions to the fair value adjustments relate to deferred taxation as the tax treatment of certain items has been clarified.

The goodwill arising on the acquisition of Isotron plc is attributable to the anticipated expansion into Isotron's geographical locations, the assembled workforce, its expertise in sterilisation and the synergies that can be generated following the integration of Isotron plc into the Group.

Acquisition of Bombeke

On 16 April 2007, the Group acquired the entire issued share capital of Bombeke Holding B.V. ("Bombeke"), a company registered in the Netherlands. Bombeke provides linen management services in the South of the Netherlands.

NOTES TO THE FINANCIAL STATEMENTS

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

	Book value £'000	Adjustments £'000	Fair value £'000
Property, plant and equipment	2,100	-	2,100
Intangible assets	-	1,225	1,225
Inventories	29	-	29
Trade and other receivables	472	-	472
Trade and other payables	(380)	(136)	(516)
Bank overdraft	(914)	-	(914)
Current tax liabilities	(109)	35	(74)
Deferred tax liabilities	(217)	(313)	(530)
	981	811	1,792
Goodwill			1,028
Total consideration			2,820
Satisfied by:			
Cash			2,786
Directly attributable costs			34
			2,820
Analysis of net outflow of cash in respect of acquisition:			
Cash consideration			2,786
Acquisition costs			34
Overdraft acquired with business			914
			3,734

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

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

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

Bombeke contributed £3.9million revenue (€5.6million) and £0.6million (€0.7million) to the Group's operating profit before tax for the period between the date of acquisition and the balance sheet date.

Acquisition of Regilabs

On 5 April 2007, the Group acquired the entire issued share capital of Regilabs B.V. ("Regilabs"), a company registered in the Netherlands. Regilabs provides laboratory services in the Netherlands.

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	83	-	83
Intangible assets	-	151	151
Inventories	16	-	16
Trade and other receivables	224	-	224
Trade and other payables	(178)	-	(178)
Cash	43	-	43
Deferred tax liabilities	-	(38)	(38)
	188	113	301
Goodwill			284
Total consideration			585
Satisfied by:			
Cash			525
Directly attributable costs			60
			585
Analysis of net outflow of cash in respect of acquisition:			
Cash consideration			525
Acquisition costs			60
Cash acquired with business			(43)
			542

NOTES TO THE FINANCIAL STATEMENTS

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.

Regilabs contributed £1.8million revenue (€2.5million) and £0.4million (€0.6million) to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

The goodwill arising on the acquisition of Regilabs is attributable to the assembled workforce and the synergies that can be generated following the integration of Regilabs into the Isotron laboratory business in the Netherlands.

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 and homes for the elderly. The net assets acquired and the related consideration were as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	509	-	509
Intangible assets	-	144	144
Stock	10	-	10
Trade and other receivables	166	-	166
Trade and other payables	(164)	-	(164)
Long- term bank borrowings	(272)	-	(272)
Deferred taxation	-	(36)	(36)
	249	108	357
Goodwill			78
Total consideration			435
Satisfied by:			
Cash			435
Directly attributable costs			-
			435
Analysis of net outflow of cash in respect of acquisition:			
Cash consideration			435

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

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.

Hengelo contributed £185,000 revenue (€265,000) and £14,000 (€20,000) to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

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 net assets acquired and the related consideration were as follows:

NOTES TO THE FINANCIAL STATEMENTS

	Book value £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	12,000	(1,064)	10,936
Investment property	1,000	-	1,000
Intangible assets	-	3,069	3,069
Stock	5,226	(680)	4,546
Trade and other receivables	5,737	106	5,843
Cash	18	-	18
Trade and other payables	(5,667)	(271)	(5,938)
Finance leases	(1,037)	-	(1,037)
Deferred taxation	642	(757)	(115)
Pension provision	(3,179)	(928)	(4,107)
	14,740	(525)	14,215
Goodwill			8,751
Total consideration			22,966
Satisfied by:			
Cash for shares			14,224
Repayment of bank loans			6,755
Directly attributable costs			469
Deferred consideration			1,518
			22,966
Analysis of net outflow of cash in respect of acquisition:			
Cash consideration			20,979
Acquisition costs			469
Cash acquired with the business			(18)
			21,430

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

The other significant adjustments relate to:

- i. the write down of certain fixed assets following a detailed assessment of asset carrying values.
- ii. alignment of stock valuation policy, and
- iii. a revaluation of the pension deficit at the date of acquisition.

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 Patient Care business.

Vernon Carus contributed £12.3 million revenue and £0.4 million, before amortisation and non-recurring items, to the Group's profit before tax for the period between the date of acquisition and the balance sheet date. In addition the acquisition gave rise to £1,817,000 of non-recurring costs as disclosed in note 3.

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:

NOTES TO THE FINANCIAL STATEMENTS

	Book value £'000	Adjustments £'000	Fair value £'000
Tangible fixed assets	20	-	20
Stock	15	-	15
Trade and other receivables	1,136	(554)	582
Trade and other payables	(526)	-	(526)
Finance leases	(2)	-	(2)
Current tax	(100)	-	(100)
Bank overdraft	(216)	554	338
	327	-	327
Goodwill			4,065
Total consideration			4,392
Satisfied by:			
Cash			3,800
Deferred consideration			450
Directly attributable costs			142
			4,392
Analysis of net outflow of cash in respect of acquisition:			
Cash consideration			3,800
Acquisition costs			59
Cash acquired with the business			(338)
			3,521

The above fair values are provisional and adjustments of a classification nature in relation to goodwill and other intangibles are outstanding.

The adjustment relates to the repayment of a loan with the former parent company.

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

Grendonstar contributed £324,000 revenue and £89,000 to the Group's profit before tax for the period between the date of acquisition and the balance sheet date.

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 £245 million and Group profit attributable to the equity holders of the parent would have been £15.04 million.

Other prior year acquisitions

In the year ended 1 April 2007 the Group acquired the following businesses:

- Reed Shilling
- Wasserij Aurora B.V. (now Lips Aurora B.V.)
- Vullings Onroerend Goed- en Exploitatiemaatschappij Raalte B.V. (now Lips Salland B.V.)

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

NOTES TO THE FINANCIAL STATEMENTS

11. Disposal of subsidiary

On 2 April 2007 the Group disposed of the entire issued share capital of Synergy Managed Equipment Services Limited (“SMES”). The net assets at the date of disposal and at 1 April 2007 were as follows:

	£'000
Property, plant and equipment	125
Inventories	220
Trade and other receivables	378
Cash and cash equivalents	15
Current tax liability	(93)
Trade and other payables	(438)
	207
Gain on disposal	1,039
Total consideration	1,246
Satisfied by:	
- Cash	1,361
- Directly attributable costs	(115)
	1,246

The impact of SMES on the Group's results in the current and prior period is not disclosed on the grounds of materiality.

12. Notes to the cash flow statement

	2008 £'000	2007 £'000
Cash generated from operations		
Profit for the period	15,089	6,344
Adjustments for:		
- depreciation and impairments	23,723	16,141
- amortisation of intangible assets	4,962	2,104
- equity settled share-based payments	1,155	906
- profit on business disposal	(1,039)	-
- loss on sale of tangible fixed assets	364	2,325
- finance income	(1,931)	(1,906)
- finance costs	9,672	3,792
- income tax expense	3,761	2,472
Changes in working capital:		
- inventories	(868)	822
- trade and other receivables	(7,280)	82
- trade, other payables and provisions	1,132	2
Cash generated from recurring operations	48,740	33,084

13. Annual report

The annual report and financial statements for the year ended 30 March 2008 will be posted to the shareholders on 2 July 2008 and will be delivered to the registrar of companies following the Company's annual general meeting.