

SUTHERLAND HEALTH GROUP PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

SUTHERLAND HEALTH GROUP PLC

COMPANY INFORMATION

DIRECTORS	F J French S Sukumaran G M Sutherland S Coke
COMPANY SECRETARY	S Coke
REGISTERED NUMBER	05255086
REGISTERED OFFICE	Unit 1 Rivermead Pipers Way Thatcham Berkshire RG19 4EP
INDEPENDENT AUDITORS	James Cowper Kreston Chartered Accountants and Statutory Auditor 3 Wesley Gate Queen's Road Reading Berkshire RG1 4AP
BANKERS	Clydesdale Bank PLC Renaissance House Basing View Basingstoke RG21 4EQ
SOLICITORS	Irwin Mitchell LLP 40 Holborn Viaduct London EC1N 2PZ
REGISTRARS	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA

SUTHERLAND HEALTH GROUP PLC

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SUTHERLAND HEALTH GROUP PLC

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2015

INTRODUCTION

The principal activity of the company during the year was that of an investment holding company. The principal activity of the group was that of the sale of healthcare products.

BUSINESS REVIEW

Highlights

- Sales decreased by 9.1% to £687,190
- Gross profit decreased by 9.1% to £345,135
- Operating loss excluding exceptional administrative expenses of £80,164 increased by 51.7% to £85,954 (2014: £56,650)
- Net loss excluding exceptional administrative expenses of £80,164 increased by 44.3% to £115,644 (2014: £80,169)
- Gross margin stable at 50.2%
- Overheads excluding exceptional administrative expenses of £80,164 decreased by 2.5% to £435,689 from £446,757
- Reduced dependency on NHS Contracts
- Amazon increase products stocked from 51 to 67
- Signed up to UKTI Export Programme

We continued to see a decline in sales within the NHS sector as the loss of the personal care contract with NHS England continued to have its effect. The Company's transition from having 100% of its turnover reliant on sales to the NHS to a Company that has a more balanced portfolio of customers and trade sectors has however gone well with the NHS now representing at the period end 51% of annual turnover.

This has confirmed to us the importance of reducing the dependence on NHS contract business in the previous and current period and our strategy of building business outside the NHS with Wholesalers and Export markets is the right course to take.

The NHS will continue to be an important market to us but with the pressures they are under to reduce costs it does mean at times it has been a challenging market for us. We have however been successful in increasing our sales activity with the NHS in Scotland, Wales, and with the Northern Ireland Health Boards.

The continuation of distribution of sales outside the NHS coupled with an increase in the products now supplied means that our gross profit margin has remained consistent at 50%.

Our relationship with the major internet retailer Amazon.co.uk is growing with 50 of our own products now listed and stocked with a further 17 products that we supply on behalf of other companies. Sales growth via this important retailer continues to be encouraging.

We acquired the IP, products and business of Biston LLP in the second half of 2013 and whilst it took some time for us to gain traction with the brand having since attended the Royal College of Midwives Conference in November 2014 we had a number of strong leads for the Biston Community Point of Care Bag with a number of Trusts having placed orders in the period under review and continues to show increasing levels of sales in the current year to date. The Biston Point of Care Bag designed by chartered physiotherapists has been added to an NHS England Framework Agreement and is also stocked by Amazon. The Biston Wheelchair Travel Bag is also stocked by Amazon and to support this and other customers that we now have such as mobility retailers we continued an advertising campaign in disability magazines.

The Company has signed up with the UKTI Export programme and have already commenced exporting Sutherland Lubricating Jelly to Slovenia working closely with a local distributor in the market. We have registered two products with the Health Agency in Serbia and are awaiting approval on registration on four more products for sale to Hospitals; GPs and retail pharmacies. It is our strategy to identify other European markets where our own brand products will have an opportunity to be sold based on the requirement by customers in those markets for quality British manufactured health and personal care products.

SUTHERLAND HEALTH GROUP PLC

GROUP STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2015

The Board have taken a prudent approach when reviewing the Goodwill and Investment impairment for the period and decided to make an impairment of our goodwill and investments in this financial period which has resulted in an impairment charge of £80,164 during the financial year. Whilst this action has increased our net losses for the year, we should derive some benefit in future financial periods as amortisation of our goodwill will be at significantly lower levels going forward.

PRINCIPAL OPERATING RISKS AND MITIGATIONS

The Directors maintain risk as a main Board agenda item, identifying, managing and mitigating business risk, by ongoing assessment. The principal areas covered by this assessment are summarised as follows.

Risk	Potential Impact	Mitigation
Customer issues	Non payment Loss of orders	Robust credit control Focus on quality service
Products	Quality issues	Registrations, Audits
Cash flow	Funding gap	Strong reporting, robust credit control, adequate funding sources
Intellectual Property	Loss of business to competing products	Trademarks, market awareness
Market cycles	Unplanned shifts in demand	Strong reporting, market surveillance
Loss of reputation	Loss of major business	Absolute focus on quality

FINANCIAL KEY PERFORMANCE INDICATORS

During the period to 31 March 2015 the Group achieved a turnover of £687,190 (2014: £755,955) representing a decrease in sales of 9% over the previous year, producing a gross profit of £345,135 (2014: £379,874). Administrative and distribution expenses were £435,689 (2014: £446,757) after charging £25,527 (2014: £24,589) for amortisation and depreciation and £80,164 for impairment. The pre tax loss was £187,816 (2014: £80,169) and the loss per ordinary share was 0.25p (2014: 0.10p). Cash at the bank on the balance sheet as at 31 March 2015 was £49,077 (2014: £192,619)

OTHER KEY PERFORMANCE INDICATORS

The company seeks to ensure that responsible business practice is fully integrated into the management of all its operations and into the culture of all parts of its business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn is expected to ensure the delivery of its core objectives of sustained real growth in future profitability.

In a company this size the directors consider there are collectively numerous non-financial performance indicators but none individually are key.

SUTHERLAND HEALTH GROUP PLC

GROUP STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2015

POST BALANCE SHEET EVENTS

We are pleased to report that Webb Capital converted £50,000 of their £200,000 convertible loan into new ordinary shares and new terms for extension of the convertible loan that will be extended to 30th June 2018 have been agreed resulting in a reduction on the interest payable going forward and strengthen our links with one of our key institutional investor funds.

OUTLOOK

The new financial year has started broadly in line with our expectations having at the time of writing arrested the decline of sales to the NHS as we continue to work at improving our relationship with individual NHS Trusts. To ensure that we deliver improved profitability in the current financial year we have taken measures to reduce our corporate overheads ensuring that staffing levels are not affected so that we maintain important skills and knowledge within the business as we move forward.

We continue to look at new opportunities for new product development and are also reviewing products that may be suitable for launch into our existing customer base that are being offered to us by companies wishing to enter the UK market.

The Group is actively looking at possible acquisitions both in products and companies that would fit the overall on-going strategy of the Company.

This report was approved by the board on and signed on its behalf.

This report was approved by the board on 27 August 2015 and signed on its behalf.

G M Sutherland
Director

SUTHERLAND HEALTH GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2015

The directors present their report and the financial statements for the year ended 31 March 2015.

DIRECTORS

The directors who served during the year and their interests in the company's issued share capital were:

	Ordinary shares of 0.2p each	
	31 March 2015	31 March 2014
F J French	1,433,225	1,433,225
S Sukumaran	45,000	45,000
G M Sutherland	29,076,220	29,076,220
S Coke	31,250	31,250

The Directors hold 39.1% (2014: 39.1%) of the issued share capital at 31 March 2015.

Mr G M Sutherland holds £nil (2014: £16,298) unsecured loan notes.

Options held by directors are disclosed within the notes to the financial statements at note 31.

DIVIDENDS

The directors have not recommended a dividend.

FINANCIAL INSTRUMENTS

The group's principal financial instruments comprise bank balances, debt factoring, trade creditors, trade debtors, loan notes and convertible loan notes. The main purpose of these instruments is to finance the group's operations.

Due to the nature of the financial instruments used by the group there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances the liquidity risks are managed by maintaining a balance between the continuity of funding and flexibility through use of loans. The group makes use of money market facilities where funds are available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors, debt factoring and hire purchase liabilities liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

SUTHERLAND HEALTH GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditors are aware of that information.

AUDITORS

The auditors, James Cowper Kreston, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 27 August 2015 and signed on its behalf.

G M Sutherland
Director

SUTHERLAND HEALTH GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUTHERLAND HEALTH GROUP PLC

We have audited the financial statements of Sutherland Health Group PLC for the year ended 31 March 2015, set out on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

UNQUALIFIED OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2015 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Group Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SUTHERLAND HEALTH GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUTHERLAND HEALTH GROUP PLC

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Alan Poole BA(Hons) FCA (Senior Statutory Auditor)

for and on behalf of

James Cowper Kreston

Chartered Accountants and Statutory Auditor

3 Wesley Gate
Queen's Road
Reading
Berkshire
RG1 4AP

27 August 2015

SUTHERLAND HEALTH GROUP PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015**

	Note	2015 £	2014 £
TURNOVER	1,2	687,190	755,955
Cost of sales		<u>(342,055)</u>	<u>(376,081)</u>
GROSS PROFIT		345,135	379,874
Distribution costs		(45,329)	(44,354)
Administrative expenses		(390,360)	(402,403)
Exceptional administrative expenses	12	(80,164)	-
Total administrative expenses		(470,524)	(402,403)
Other operating income	3	4,600	10,233
OPERATING LOSS	4	(166,118)	(56,650)
Interest payable and similar charges	10	(21,698)	(23,519)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(187,816)	(80,169)
Tax on loss on ordinary activities	11	(7,992)	-
LOSS FOR THE FINANCIAL YEAR	21	(195,808)	(80,169)
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE IN PENCE	9	(0.25p)	(0.10p)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Profit and Loss Account.

The notes on pages 12 to 27 form part of these financial statements.

SUTHERLAND HEALTH GROUP PLC
REGISTERED NUMBER: 05255086

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2015

		2015		2014	
	Note	£	£	£	£
FIXED ASSETS					
Intangible assets	12		141,809		247,097
Tangible assets	14		3,349		3,919
			145,158		251,016
CURRENT ASSETS					
Stocks	15	165,213		150,045	
Debtors	16	142,279		160,697	
Cash at bank and in hand		49,077		192,619	
		356,569		503,361	
CREDITORS: amounts falling due within one year	17		(438,156)		(478,700)
NET CURRENT (LIABILITIES)/ASSETS			(81,587)		24,661
TOTAL ASSETS LESS CURRENT LIABILITIES			63,571		275,677
CREDITORS: amounts falling due after more than one year	18		-		(16,298)
NET ASSETS			63,571		259,379
CAPITAL AND RESERVES					
Called up share capital	20		156,274		156,274
Share premium account	21		1,160,792		1,160,792
Other reserves	21		111,478		111,478
Profit and loss account	21		(1,364,973)		(1,169,165)
SHAREHOLDERS' FUNDS	22		63,571		259,379

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 August 2015.

G M Sutherland
 Director

The notes on pages 12 to 27 form part of these financial statements.

SUTHERLAND HEALTH GROUP PLC
REGISTERED NUMBER: 05255086

COMPANY BALANCE SHEET
AS AT 31 MARCH 2015

	Note	2015		2014	
		£	£	£	£
FIXED ASSETS					
Intangible assets	12		19,975		22,325
Tangible assets	14		2,249		2,416
Investments	13		88,980		411,336
			<u>111,204</u>		<u>436,077</u>
CURRENT ASSETS					
Debtors	16	48,864		29,264	
Cash at bank		4,957		3,045	
			<u>53,821</u>		<u>32,309</u>
CREDITORS: amounts falling due within one year	17		<u>(262,118)</u>		<u>(241,893)</u>
NET CURRENT LIABILITIES			<u>(208,297)</u>		<u>(209,584)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(97,093)</u>		<u>226,493</u>
CREDITORS: amounts falling due after more than one year	18		-		(16,298)
NET (LIABILITIES)/ASSETS			<u>(97,093)</u>		<u>210,195</u>
CAPITAL AND RESERVES					
Called up share capital	20		156,274		156,274
Share premium account	21		1,160,792		1,160,792
Profit and loss account	21		(1,414,159)		(1,106,871)
SHAREHOLDERS' (DEFICIT)/FUNDS	22		<u>(97,093)</u>		<u>210,195</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 August 2015.

G M Sutherland
 Director

The notes on pages 12 to 27 form part of these financial statements.

SUTHERLAND HEALTH GROUP PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015**

	Note	2015 £	2014 £
Net cash flow from operating activities	23	(105,546)	21,797
Returns on investments and servicing of finance	24	(21,698)	(23,519)
Taxation		-	(5,710)
Capital expenditure and financial investment	24	-	(23,500)
CASH OUTFLOW BEFORE FINANCING		(127,244)	(30,932)
Financing	24	(16,298)	86,057
(DECREASE)/INCREASE IN CASH IN THE YEAR		(143,542)	55,125

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MARCH 2015**

	2015 £	2014 £
(Decrease)/Increase in cash in the year	(143,542)	55,125
Cash outflow from decrease in debt and lease financing	16,298	28,193
MOVEMENT IN NET DEBT IN THE YEAR	(127,244)	83,318
Net debt at 1 April 2014	(23,679)	(106,997)
NET DEBT AT 31 MARCH 2015	(150,923)	(23,679)

The notes on pages 12 to 27 form part of these financial statements.

SUTHERLAND HEALTH GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Basis of consolidation

The financial statements consolidate the accounts of Sutherland Health Group PLC and all of its subsidiary undertakings ('subsidiaries').

1.3 Turnover

Turnover comprises revenue recognised by the group in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and Loss Account over its estimated economic life.

Amortisation is calculated on brand names and trademarks so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Brands and trademarks	-	10% - 20% straight line
Goodwill	-	5% straight line

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short term leasehold property	-	Over the life of lease
Plant & machinery	-	25% reducing balance
Fixtures & fittings	-	25% reducing balance
Office equipment	-	33% straight line

1.6 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.7 Stock

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.8 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

SUTHERLAND HEALTH GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. ACCOUNTING POLICIES (continued)

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

1.11 Pensions

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.

1.12 Going concern

At the balance sheet date the group had net assets of £63,571 (2014: £259,379) including net current liabilities of £81,587 (2014: £24,661 net current assets) and cash at bank of £49,077 (2014: £192,619), having made a loss for the year of £195,808 (2014: £80,169).

The directors have considered the appropriateness of the going concern basis of preparation very carefully bearing in mind the group's:

- recent financial performance and current financial position
- future trading prospects
- adequacy of existing and future availability of financial resources

The directors have concluded that, whilst mindful of the inherent uncertainties, they are confident that the group has sufficient financial and other resources to continue operating as a going concern for the foreseeable future and, accordingly, have concluded that it remains appropriate to prepare the financial statements on a going concern basis. In reaching this conclusion, the directors have considered a period of not less than one year from the date of approving these financial statements.

SUTHERLAND HEALTH GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. ACCOUNTING POLICIES (continued)

1.13 Impairment

The carrying value of intangible fixed assets are reviewed whenever events or changes in circumstances indicate that the carrying value may not be recoverable to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the value in use. In assessing value in use, the estimated future cash flows of the asset in question are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

2. TURNOVER

The whole of the turnover is attributable to one principal activity of the group.

A geographical analysis of turnover is as follows:

	2015 £	2014 £
United Kingdom	681,325	754,403
Rest of European Union	5,865	1,552
	687,190	755,955
	687,190	755,955

3. OTHER OPERATING INCOME

	2015 £	2014 £
Other operating income	531	-
Net rents receivable	4,069	10,233
	4,600	10,233
	4,600	10,233

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	2015 £	2014 £
Amortisation - intangible fixed assets	25,124	23,949
Depreciation of tangible fixed assets:		
- owned by the group	570	640
Operating lease rentals:		
- other operating leases	27,767	27,579
Difference on foreign exchange	310	-
Impairment of goodwill	80,164	-
	134,935	52,168

5. AUDITORS' REMUNERATION

	2015 £	2014 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	10,000	9,000
Fees payable to the company's auditor and its associates in respect of:		
Taxation compliance services	2,500	2,000
	12,500	11,000

Auditors' remuneration in respect of the company was £5,500 (2014: £4,650). This included non-audit services of £1,500 (2014: £900). Auditors' remuneration for all group companies is borne by the parent company.

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

6. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2015	2014
	£	£
Wages and salaries	190,665	182,057
Social security costs	17,228	17,320
Other pension costs	8,100	8,350
	<u>215,993</u>	<u>207,727</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015	2014
	No.	No.
Administrative staff	4	4
Management staff	2	2
	<u>6</u>	<u>6</u>

7. DIRECTORS' REMUNERATION

	2015	2014
	£	£
Remuneration	132,541	125,846
Company pension contributions to defined contribution pension schemes	8,100	8,350

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes.

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

8. SHARE BASED PAYMENTS

At the year end there were no share options outstanding. During the year, 5,553,450 share options lapsed and none were exercised. All share options had fully vested and hence there is no charge to the profit and loss account.

9. EARNINGS PER SHARE

	2015	2014
	pence	pence
Earnings per ordinary share	(0.25)	(0.10)
Diluted earnings per share	(0.25)	(0.10)

All share options outstanding at 31 March 2014 were anti-dilutive. Therefore, Diluted Earnings per Share is equal to Earnings per Share. All options lapsed during the year. The calculation of basic earnings per ordinary share is based upon the following data:

Earnings

	2015	2014
	£	£
Loss for the purposes of basic earnings per share	195,808	80,169

Number of shares

	2015	2014
	No of shares	No of shares
Basic weighted average number of shares	78,136,961	76,579,953

10. INTEREST PAYABLE

	2015	2014
	£	£
On other loans	21,350	22,769
Interest on factored debts	348	750
	21,698	23,519

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

11. TAXATION

	2015 £	2014 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on loss for the year	-	-
Deferred tax (see note 19)		
Origination and reversal of timing differences	<u>7,992</u>	<u>-</u>
Tax on loss on ordinary activities	<u><u>7,992</u></u>	<u><u>-</u></u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 - higher than) the standard rate of corporation tax in the UK of 20% (2014 - 20%). The differences are explained below:

	2015 £	2014 £
Loss on ordinary activities before tax	<u>(187,816)</u>	<u>(80,169)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 20%)	(37,563)	(16,034)
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	19,371	3,332
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,530	5,147
Capital allowances for year in excess of depreciation	(10)	(28)
Utilisation of tax losses	13,648	(547)
Other short timing differences	(20,160)	(1,112)
Unrelieved tax losses and other deductions	22,165	8,869
Depreciation in excess of capital allowances	19	373
Current tax charge for the year (see note above)	<u><u>-</u></u>	<u><u>-</u></u>

Factors that may affect future tax charges

Trading losses of £1,071,326 (2014: £897,162) have been carried forward and can be utilised against future profits of the group.

The group has an unrecognised potential deferred tax asset of £222,974 (2014: £207,805).

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

12. INTANGIBLE FIXED ASSETS

Group	Brands and Trademarks £	Goodwill £	Total £
Cost			
At 1 April 2014 and 31 March 2015	164,884	317,692	482,576
Amortisation			
At 1 April 2014	103,591	131,888	235,479
Charge for the year	8,464	16,660	25,124
Impairment charge	-	80,164	80,164
At 31 March 2015	112,055	228,712	340,767
Net book value			
At 31 March 2015	52,829	88,980	141,809
At 31 March 2014	61,293	185,804	247,097

The carrying value of intangible fixed assets are reviewed whenever events or changes in circumstances indicate that the carrying value may not be recoverable to determine whether there is any indication of impairment.

During the financial year the directors considered there to be an indication of impairment of the goodwill. The recoverable amount of the goodwill has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period.

The directors have used a discount rate of 10.25% with no growth built into the financial budgets.

The impairment review has resulted in an impairment charge of £80,164 which has been recognised as an exceptional administrative expense in the Profit and Loss account.

Company	Brands and trademarks £
Cost	
At 1 April 2014 and 31 March 2015	23,500
Amortisation	
At 1 April 2014	1,175
Charge for the year	2,350
At 31 March 2015	3,525
Net book value	
At 31 March 2015	19,975
At 31 March 2014	22,325

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

13. FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2014 and 31 March 2015	411,336
Impairment	
Charge for the year	322,356
At 31 March 2015	322,356
Net book value	
At 31 March 2015	88,980
At 31 March 2014	411,336

Details of the principal subsidiaries can be found under note number 29.

14. TANGIBLE FIXED ASSETS

Group	Short term leasehold Property £	Plant & machinery £	Fixtures & fittings £	Office equipment £	Total £
Cost					
At 1 April 2014 and 31 March 2015	2,259	11,702	2,653	26,240	42,854
Depreciation					
At 1 April 2014	194	10,501	2,653	25,587	38,935
Charge for the year	-	300	-	270	570
At 31 March 2015	194	10,801	2,653	25,857	39,505
Net book value					
At 31 March 2015	2,065	901	-	383	3,349
At 31 March 2014	2,065	1,201	-	653	3,919

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

Company	Short term leasehold Property £	Office equipment £	Total £
Cost			
At 1 April 2014 and 31 March 2015	2,259	16,807	19,066
Depreciation			
At 1 April 2014	194	16,456	16,650
Charge for the year	-	167	167
At 31 March 2015	194	16,623	16,817
Net book value			
At 31 March 2015	2,065	184	2,249
At 31 March 2014	2,065	351	2,416

15. STOCKS

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Finished goods and goods for resale	165,213	150,045	-	-

16. DEBTORS

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade debtors	122,029	133,272	2,893	4,160
Amounts owed by group undertakings	-	-	36,459	4,835
Other debtors	9,348	7,895	1,067	1,064
Prepayments and accrued income	10,902	11,538	8,445	11,213
Deferred tax asset (see note 19)	-	7,992	-	7,992
	142,279	160,697	48,864	29,264

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

**17. CREDITORS:
Amounts falling due within one year**

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Convertible loan notes	200,000	200,000	200,000	200,000
Trade creditors	25,512	43,747	1,586	14,150
Amounts owed to group undertakings	-	-	33,673	-
Other taxation and social security	14,279	23,613	5,459	6,544
Other creditors	90,513	89,976	-	1,455
Accruals and deferred income	107,852	121,364	21,400	19,744
	438,156	478,700	262,118	241,893

Included within other creditors is an amount of £90,516 (2014: £89,976) relating to the factoring of trade debts. The factoring agreement is secured by a fixed charge over the book debts and a floating charge over the assets and undertakings of the company.

Included within Convertible loan notes is £200,000 of Loan notes 2015. These loan notes were issued on 31 March 2011. These loan notes can be converted at the holders' option on the basis of 50 ordinary shares of 0.2p for each £1 of loan stock held. The loan notes incur interest at a rate of 10.5% per annum.

If not converted, the loan notes are repayable at par. The loan notes were renewed or converted post year end, see note 28.

**18. CREDITORS:
Amounts falling due after more than one year**

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Loan notes	-	16,298	-	16,298

Loan notes are unsecured and there is no fixed repayment dates. The loan notes incur interest at 7% per annum.

19. DEFERRED TAXATION

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
At beginning of year	7,992	7,992	7,992	7,992
Other movement (P&L)	(7,992)	-	(7,992)	-
At end of year	-	7,992	-	7,992

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

19. DEFERRED TAXATION (continued)

The deferred taxation balance is made up as follows:

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Accelerated capital allowances	-	7,992	-	7,992
	-	7,992	-	7,992

20. SHARE CAPITAL

	2015	2014
	£	£
Allotted, called up and fully paid		
78,136,961 (2014 - 78,136,961) Ordinary shares of £0.002 each	156,274	156,274
	156,274	156,274

21. RESERVES

	Share premium account	Other reserves	Profit and loss account
Group	£	£	£
At 1 April 2014	1,160,792	111,478	(1,169,165)
Loss for the year			(195,808)
	1,160,792	111,478	(1,364,973)
At 31 March 2015			
Company		Share premium account	Profit and loss account
		£	£
At 1 April 2014		1,160,792	(1,106,871)
Loss for the year			(307,288)
		1,160,792	(1,414,159)
At 31 March 2015			

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2015	2014
	£	£
Opening shareholders' funds	259,379	234,548
Loss for the financial year	(195,808)	(80,169)
Shares issued during the year	-	16,769
Share premium on shares issued (net of expenses)	-	88,231
	<hr/>	<hr/>
Closing shareholders' funds	63,571	259,379
	<hr/> <hr/>	<hr/> <hr/>
	2015	2014
	£	£
Opening shareholders' funds	210,195	1,225,050
Loss for the financial year	(307,288)	(1,119,855)
Shares issued during the year	-	16,769
Share premium on shares issued (net of expenses)	-	88,231
	<hr/>	<hr/>
Closing shareholders' (deficit)/funds	(97,093)	210,195
	<hr/> <hr/>	<hr/> <hr/>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account.

The loss for the year dealt with in the accounts of the company was £307,288 (2014 - £1,119,855).

This loss is after the exceptional items of £322,356 (2014 - £1,128,189) in respect of the impairment of the investments in the current year and the write off of intercompany balances in the prior year.

23. NET CASH FLOW FROM OPERATING ACTIVITIES

	2015	2014
	£	£
Operating loss	(166,118)	(56,650)
Amortisation of intangible fixed assets	25,124	23,949
Depreciation of tangible fixed assets	570	2,367
Impairments of goodwill	80,164	-
(Increase)/decrease in stocks	(15,168)	60,492
Decrease/(increase) in debtors	10,426	(25,681)
(Decrease)/increase in creditors	(40,544)	17,320
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(105,546)	21,797
	<hr/> <hr/>	<hr/> <hr/>

24. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2015	2014
	£	£
Returns on investments and servicing of finance		
Interest paid	(21,698)	(23,519)
	<hr/> <hr/>	<hr/> <hr/>

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

24. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2015 £	2014 £
Capital expenditure and financial investment		
Purchase of intangible fixed assets	-	(23,500)
	<u> </u>	<u> </u>
	2015 £	2014 £
Financing		
Issue of ordinary shares	-	114,250
Repayment of loans	-	(28,193)
Repayment of other loans	(16,298)	-
	<u> </u>	<u> </u>
Net cash (outflow)/inflow from financing	(16,298)	86,057
	<u> </u>	<u> </u>

25. ANALYSIS OF CHANGES IN NET DEBT

	1 April 2014 £	Cash flow £	Other non-cash changes £	31 March 2015 £
Cash at bank and in hand	192,619	(143,542)	-	49,077
Debt:				
Debts due within one year	(200,000)	-	-	(200,000)
Debts falling due after more than one year	(16,298)	16,298	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net debt	(23,679)	(127,244)	-	(150,923)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

26. PENSION COMMITMENTS

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £8,100 (2014 - £8,350). No contributions were payable to the fund at the balance sheet date (2014 - £nil).

No pension costs were incurred by the company during the year (2014 - £nil) and no amounts were payable at the balance sheet date (2014 - £nil).

SUTHERLAND HEALTH GROUP PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

27. OPERATING LEASE COMMITMENTS

At 31 March 2015 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2015	2014
	£	£
Group		
Expiry date:		
Between 2 and 5 years	26,184	26,184
	<u><u>26,184</u></u>	<u><u>26,184</u></u>

At 31 March 2015 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2015	2014
	£	£
Company		
Expiry date:		
Between 2 and 5 years	26,184	26,184
	<u><u>26,184</u></u>	<u><u>26,184</u></u>

28. POST BALANCE SHEET EVENTS

On 6 July 2015, the directors agreed with holder of the loan notes to renew £150,000 of the liabilities on a 3 year term, the remaining £50,000 of liability was converted to 6,666,667 equity shares.

29. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description of activity
Sutherland Health Limited	England	100	The trading of a range of health care products.
Sexual Health Group Ltd	England	100	Dormant holding company
Condomania PLC	England	100	The trading sexual health products.

30. CONTROLLING PARTY

There is no controlling party.

SUTHERLAND HEALTH GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

31. RELATED PARTY TRANSACTIONS

During the year the group incurred consultancy fees of £16,540 (2014: £16,159) from the John French Consultancy in respect of F J French's services. At the year end the group owed £1,627 (2014: £1,720) to the John French Consultancy. F J French is a director and shareholder.

During the year, the group incurred consultancy fees of £6,500 (2014: £6,000) from Summit Office Services Limited. At the year end, the group owed £600 (2014: £600). S Coke is a director and company secretary and is also a director of Summit Office Services Limited.

Included in loan notes is an amount owed to G Sutherland of £nil (2014: £16,298). Interest is charged on the loan at 7%. During the year the group incurred interest of £350 (2014: £1,761). G Sutherland is a director and shareholder of the company.

As at 31 March 2015 the group owed £60,000 (2014: £63,168) to G Sutherland in respect of an outstanding director's loan account. No interest is payable on this loan.

As at 31 March 2015 the group owed £16,328 to S Sukumaran, a director (2014: £28,328) in respect of an outstanding director's loan account. No interest is payable on this loan.

In accordance with FRS 8, exemption is taken from disclosure of group transactions during the year as 100% of voting rights are controlled within the group and consolidated financial statements are publically available.