

Registered number: 05255086 (England & Wales)

**SUTHERLAND HEALTH GROUP PLC**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2011**

## SUTHERLAND HEALTH GROUP PLC

### COMPANY INFORMATION

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

# SUTHERLAND HEALTH GROUP PLC

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## SUTHERLAND HEALTH GROUP PLC

### CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

The chairman presents his statement for the period.

Dear Shareholder

I am pleased to report on the progress of the Company. It has been a difficult trading period which has seen a reduction in sales in our key patient hygiene business leading to an overall loss in profits for the year.

#### Highlights

- Sales decreased by 23% to £734,937
- Gross profit decreased by 21% to £393,433
- Loss of £60,024 (2010: profit of £29,336)
- Gross margin increased from 52.3% to 53.5%
- Overheads reduced by 2% to £445,650
- Reduced dependency on NHS Contracts
- Increased distribution and new products

Having achieved several years of consistent sales growth, the Company suffered a fall in sales of our patient hygiene range due to a Chinese competitor offering lower cost product to NHS England. The Company has however been very active in dealing with this situation by broadening the distribution base of its products into and outside of the NHS, which will in time make the Company less dependent on patient hygiene products and the NHS for its future turnover.

Significant progress has been made since the year end with our extended product range taken up by 5 new key distributors. As a result, the Company has been introduced to new markets and customers such as GP's, Private Clinics and Private Hospitals that will benefit the business going forward.

The management team have continued to keep costs under tight control despite having borne the development costs for the new Vision range of diagnostics within the financial year. Our emphasis on broadening the Company's product range is enabling our gross margin to continue to rise and it is now at an all-time high ensuring that a return to higher turnover will deliver more easily a return to profitable trading.

#### Review of activities

##### April 2010

The start of the financial year began with news that we had signed a Relationship Letter with Thames Valley Innovation and Growth (TVIG). The Company had been selected by TVIG as it met the required criteria of being both an innovative and a growth company located in the Thames Valley. This relationship enabled the Company to receive funding for specialist consultancy to further its research into new market opportunities.

##### May 2010

We announced that the Company had placed 8,680,000 new Ordinary Shares at 2.5p raising £217,000. The Directors purchased 600,000 new Ordinary Shares in the Placing. The funds raised were for working capital and to continue new product development.

##### June 2010

In June 2010, the Company announced it had been awarded a contract by NHS England to supply its nutritional supplement Thixo-D® Original for a period of 12 months. The product is an instant food and drink thickener for the management of the medical condition dysphagia, where patients have difficulty in swallowing certain foods or liquids. The product is also available on prescription.

## SUTHERLAND HEALTH GROUP PLC

### CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

#### **October 2010**

On the 25th October 2010, we announced the Condomania division had finally completed development and had gained approval from the NHS to market the two new gynaecology diagnostics Vision® Amniotic Leak Detector and Vision® Vaginal Infection Swab.

Both products are on a Framework Agreement on the Obstetric and Gynaecological Sundries and Accessories Contract with NHS England that became effective 1st October 2009 and runs until 30th September 2012. The Agreement has an option to run for a further 12 months.

The Vision® Vaginal Infection Swab is a point of care professional swab for use by health professionals that detects within 10 seconds whether a woman has Bacterial Vaginosis, Trichomoniasis, or other parasitic infections. It can be used when a patient has an abnormal vaginal discharge, but can also be used to routinely check women who have a history of pre-term delivery in pregnancy, before IVF procedures, and other vaginal procedures.

The second product, Vision® Amniotic Leak Detector is a diagnostic panty liner worn by pregnant women that has a patented technology proven in clinical trials that can warn if any amniotic fluid leak has been detected on the panty liner. This helps to protect the mother and baby and also helps to reduce the risk of complications or premature birth. The product is recommended for use in both high risk and normal pregnancies.

#### **February 2011**

Following on the October announcement about the Vision diagnostics, we announced on the 23rd February 2011 that NHS Supply Chain had evaluated the new products using their Innovation Scorecard.

The NHS Supply Chain Innovation Scorecard was developed in collaboration with NHS National Innovation Centre (NIC) and is designed to enable assessment of new products beyond prototype stage. The products must be CE marked and clinical trials where appropriate. The scorecard consists of 47 questions which identify the concept, value, and capability of the products assessed.

The Company was pleased to inform shareholders that both products were given excellent ratings, and as such would be promoted by NHS Supply Chain to all key healthcare and purchasing professionals within NHS England.

We also informed shareholders that in line with its strategy of broadening distribution of its products outside of NHS Hospitals, that the Company had been in negotiations with a number of key distributors who specialise in the supply to GP's, Private Clinics, and Private Hospitals. The Board was pleased to inform shareholders that the negotiations were successful and orders had been received.

#### **March 2011**

We announced a new trading relationship with NCT formerly known as National Childbirth Trust. This trading relationship meant that we would supply our Vision diagnostic products for sale via their online stores [nctshop.co.uk](http://nctshop.co.uk) and [nctprofessional.co.uk](http://nctprofessional.co.uk) enabling the Company to improve its distribution to mothers-to-be and to midwives.

## SUTHERLAND HEALTH GROUP PLC

### CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

#### Financial Review

During the period to 31st March 2011 the Company achieved a turnover of £734,937 (2010: £956,509) representing a decrease in sales of 23% over the previous year, producing a gross profit of £393,433 (2010 £500,523). Administrative expenses were £407,862 (2010 £398,822) after charging £26,762 (2010 £27,179) for amortisation and depreciation, and a foreign exchange gain of £5,184 (2010 loss £1,920). The pre-tax loss was £60,024 (2010 profit £29,336) and the loss per ordinary share was 0.10p (2010 profit 0.05p). Cash at the bank on the balance sheet as at the 31st March 2011 was £13,653 (2010 £61,148)

#### Post Balance Sheet

Since the end of the period, on the 12th April 2011 the Company announced that it had raised £300,000 via the issue of £200,000 unsecured convertible loan notes 2015 and the placing of 5,714,285 new Ordinary Shares at 1.75p per share thereby raising £100,000. The funds are being used to repay £74,000 July 2011 Loan Notes as announced on the 13th July 2011, for working capital and to continue the support of the extended range of products' move into new distribution channels.

We announced on 28th April 2011 the resignation of Hugh Robertson from the Board. Hugh reluctantly stepped down due to his increasing executive commitments with other companies that he holds directorships of.

CEO George Sutherland commented "Hugh played a key part in the formation of SHG and its flotation on the Plus Market and has always been an excellent contributor at Board Meetings. The Company will undoubtedly miss his sage advice and I would like to take this opportunity to thank him for his part in the development of the Company."

I share the views expressed by George Sutherland and will miss the contribution and companionship of Hugh and wish him well for the future.

#### Outlook

The loss of a percentage of our patient hygiene business to the NHS impacted on sales and profits. Over recent years the Company has been developing and expanding its product range to broaden appeal to additional market sectors, thereby reducing its dependence on the NHS. During this period and up to date, 8 products have been introduced and received acceptance, the Board therefore feels that whilst the impact of the recent changes by the NHS on patient hygiene products is unfortunate prospects for future growth remain strong.

We see in the future much less of an overall reliance on NHS Contracts and a more widely distributed customer base for our increasing portfolio of products.

Already, the share of NHS and non-NHS business has changed for the better with the percentage of sales that the NHS Hospitals representing falling from 73% last year to currently 50% as our recent successes in gaining new distribution channels impacts on our customer mix.

The NHS Hospitals will of course always be an important part of our business, but it is in our view a sensible position to ensure that we have a diverse customer base of other important customers too.

The new financial year has started in line with our expectations. It is expected that it would take time to build sales in the new sectors as we are a new supplier with new products for those customers. I am pleased to say however that we are seeing excellent progress in gaining distribution with large medical distributors and we continue to work at gaining new customers within the NHS and outside of it. Your Board and staff are confident that the Company will return to a profitable trading base as the benefits of recent changes to strategy begin to impact.

I would like to thank the management and staff, whom I know have worked particularly hard this year to make the necessary changes to be able to secure the future of the Company. I would also like to take this opportunity to thank the Company's advisers and of course our shareholders who have been very supportive in our plans.

F J French  
Chairman

2 August 2011

## SUTHERLAND HEALTH GROUP PLC

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

The directors present their report and the financial statements for the year ended 31 March 2011.

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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.

Group turnover has decreased from £956,509 in the previous year to £734,937 in the current period. The gross profit made by the group is £393,433 compared to £500,523 in 2010.

The directors recognise the risk facing the group of the continuing reliance on long-established contracts, notably with the NHS and will mitigate this risk by diversifying its selling base.

The group monitors various financial key performance indicators as part of its monthly accounting and management process.

The directors do not anticipate any material change in the nature of the group's operations in the foreseeable future.

#### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £60,024 (2010 - profit £29,336).

The directors have not recommended a dividend.

#### DIRECTORS

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

	Ordinary shares of 0.2p each	
	31 March 2011	31 March 2010
F J French	955,225	955,225
F H Robertson	211,250	211,250
S Sukumaran	45,000	45,000
G M Sutherland	29,523,480	28,701,220
S Coke	31,250	31,250

The Directors hold 42.5% of the issued share capital at 31 March 2011

Spread Trust holds £5,000 (2010: £5,000) unsecured convertible loan notes. Spread Trust is a beneficial trust for Mr F J French.

Mr G M Sutherland holds £73,351 (2010: £68,805) unsecured loan notes.

Options held by directors are disclosed within the notes to the financial statements at note 28

#### LOAN NOTES

Full details of the terms of the loan notes are given in note 17 to the accounts

## SUTHERLAND HEALTH GROUP PLC

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

#### PRINCIPAL RISKS AND UNCERTAINTIES

On a continuing basis, the directors review strengths, potential threats and any consequent perceived vulnerabilities, that may impact the company's business. This review is conducted regularly in the context of current and planned activity, with a view to assessing potential risks which could impact the company's future trading, capital requirements and financial stability and is carried out to identify and adopt strategies intended to minimise risk exposure.

#### KEY PERFORMANCE INDICATORS

	2011	2010	2009
	£	£	£
Turnover	<b>734,937</b>	956,509	903,842
Decrease / increase in turnover	<b>(23)%</b>	6%	27%
Gross profit	<b>393,433</b>	500,523	423,791
Decrease / increase in gross profit	<b>(19)%</b>	18%	32%
Gross margin %	<b>54%</b>	52%	46%

The group monitors various financial key performance indicators as part of its monthly accounting and management reporting process.

The directors do not anticipate any material change in the nature of the group's operations in the foreseeable future.

#### NON-FINANCIAL 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**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011**

#### **FINANCIAL INSTRUMENTS**

The company's principal financial instruments comprise bank balances, debt factoring, trade creditors, trade debtors, hire purchase agreements, loan notes and convertible loan notes. The main purpose of these instruments is to raise funds for the company's operations and to finance the company's operations.

Due to the nature of the financial instruments used by the company 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 company 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.

#### **ENVIRONMENTAL MATTERS**

The group will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The group has complied with all applicable legislation and regulations.

#### **COMPANY'S POLICY FOR PAYMENT OF CREDITORS**

The company does not follow any specified code or standard on payment practice. However, it is the company's policy to negotiate terms with its suppliers and to ensure that they are aware of the terms of payment when business is agreed. Every effort is made to adhere to these terms and payment is made when it can be confirmed that goods and / or services have been provided in accordance with the relevant contract conditions.

The creditor payment period of the group for the year was 67 days (2010: 110 days) (2009: 133 days).

## **SUTHERLAND HEALTH GROUP PLC**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing 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 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.

#### **PROVISION OF INFORMATION TO AUDITOR**

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 auditor is 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 information needed by the company and the group's auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information.

#### **AUDITOR**

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

This report was approved by the board on 2 August 2011 and signed on its behalf.

**G M Sutherland**  
Director

## **SUTHERLAND HEALTH GROUP PLC**

### **INDEPENDENT AUDITOR'S 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 2011, set out on pages 10 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 Auditor's 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 AUDITOR**

As explained more fully in the Statement of Directors' Responsibilities, 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 Auditing Practices Board's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 2011 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 Chairman's Statement 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 AUDITOR'S 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mr Alexander Peal (Senior Statutory Auditor)

for and on behalf of  
**James Cowper LLP**

Chartered Accountants and Statutory Auditor

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

2 August 2011

**SUTHERLAND HEALTH GROUP PLC**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
<b>TURNOVER</b>	1,2	<b>734,937</b>	956,509
Cost of sales		<b>(341,504)</b>	(455,986)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		<b>393,433</b>	500,523
Distribution costs		<b>(37,788)</b>	(55,734)
Administrative expenses		<b>(407,862)</b>	(398,822)
Other operating income	3	<b>10,464</b>	7,386
		<hr/>	<hr/>
<b>OPERATING (LOSS)/PROFIT</b>	4	<b>(41,753)</b>	53,353
Interest payable and similar charges	10	<b>(18,271)</b>	(24,017)
		<hr/>	<hr/>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(60,024)</b>	29,336
Tax on (loss)/profit on ordinary activities		-	-
		<hr/>	<hr/>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	19	<b>(60,024)</b>	29,336
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and Loss Account.

The notes on pages 14 to 27 form part of these financial statements.

<b>EARNING PER SHARE IN PENCE</b>	9	(0.10)p	0.05p
<b>DILUTED EARNING PER SHARE IN PENCE</b>	9	(0.09)p	0.05p

**SUTHERLAND HEALTH GROUP PLC**  
**REGISTERED NUMBER: 05255086 (ENGLAND & WALES)**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2011**

	Note	2011		2010	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	11		<b>291,690</b>		314,709
Tangible assets	14		<b>14,683</b>		7,849
			<u>306,373</u>		<u>322,558</u>
<b>CURRENT ASSETS</b>					
Stocks	13	<b>156,868</b>		159,044	
Debtors	15	<b>447,595</b>		187,526	
Cash at bank and in hand		<b>13,653</b>		61,148	
		<u>618,116</u>		<u>407,718</u>	
<b>CREDITORS:</b> amounts falling due within one year	16		<u><b>(388,259)</b></u>		<u>(492,845)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<u><b>229,857</b></u>		<u>(85,127)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u><b>536,230</b></u>		<u>237,431</u>
<b>CREDITORS:</b> amounts falling due after more than one year	17		<u><b>(305,848)</b></u>		<u>(239,585)</u>
<b>NET ASSETS/(LIABILITIES)</b>			<u><u><b>230,382</b></u></u>		<u><u>(2,154)</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		<b>138,805</b>		110,016
Share premium account	19		<b>1,130,761</b>		866,990
Other reserves	19		<b>111,478</b>		111,478
Profit and loss account	19		<b>(1,150,662)</b>		(1,090,638)
<b>SHAREHOLDERS' FUNDS/(DEFICIT)</b>	20		<u><u><b>230,382</b></u></u>		<u><u>(2,154)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 August 2011.

**G M Sutherland**  
 Director

The notes on pages 14 to 27 form part of these financial statements.

**SUTHERLAND HEALTH GROUP PLC**  
**REGISTERED NUMBER: 05255086 (ENGLAND & WALES)**

**COMPANY BALANCE SHEET**  
**AS AT 31 MARCH 2011**

	Note	2011		2010	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	14		10,962		3,588
Investments	12		411,336		411,336
			<u>422,298</u>		<u>414,924</u>
<b>CURRENT ASSETS</b>					
Debtors	15	1,191,190		813,708	
Cash at bank		508		25,944	
			<u>1,191,698</u>		<u>839,652</u>
<b>CREDITORS:</b> amounts falling due within one year	16		<u>(103,266)</u>		<u>(123,236)</u>
<b>NET CURRENT ASSETS</b>			<u>1,088,432</u>		<u>716,416</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,510,730</u>		<u>1,131,340</u>
<b>CREDITORS:</b> amounts falling due after more than one year	17		<u>(305,848)</u>		<u>(239,585)</u>
<b>NET ASSETS</b>			<u><u>1,204,882</u></u>		<u><u>891,755</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18		138,805		110,016
Share premium account	19		1,130,761		866,990
Profit and loss account	19		(64,684)		(85,251)
<b>SHAREHOLDERS' FUNDS</b>	20		<u><u>1,204,882</u></u>		<u><u>891,755</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 August 2011.

**G M Sutherland**  
 Director

The notes on pages 14 to 27 form part of these financial statements.

**SUTHERLAND HEALTH GROUP PLC**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
Net cash flow from operating activities	21	(158,469)	87,185
Returns on investments and servicing of finance	22	(10,009)	(24,017)
Capital expenditure and financial investment	22	(10,577)	(3,541)
<b>CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>		<u>(179,055)</u>	<u>59,627</u>
Financing	22	131,560	3,170
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<u><u>(47,495)</u></u>	<u><u>62,797</u></u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 MARCH 2011**

	2011 £	2010 £
(Decrease)/Increase in cash in the year	(47,495)	62,797
Cash outflow from decrease in debt and lease financing	61,000	31,746
<b>CHANGE IN NET DEBT RESULTING FROM CASH FLOWS</b>	<u>13,505</u>	<u>94,543</u>
Other non-cash changes	(208,265)	-
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<u>(194,760)</u>	<u>94,543</u>
Net debt at 1 April 2010	(178,437)	(272,980)
<b>NET DEBT AT 31 MARCH 2011</b>	<u><u>(373,197)</u></u>	<u><u>(178,437)</u></u>

The notes on pages 14 to 27 form part of these financial statements.



## SUTHERLAND HEALTH GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 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 company in respect of goods and services supplied, 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 as follows:

Goodwill	-	5%	straight line
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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%	straight line
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##### 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 Stocks

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 and an appropriate proportion of fixed and variable overheads.

## SUTHERLAND HEALTH GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 1. ACCOUNTING POLICIES (continued)

##### 1.8 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.

##### 1.9 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.

##### 1.10 Pensions

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

##### 1.11 Going Concern

At the balance sheet date the group had funds of £230,382 (2010: deficit of funds of £2,154) including net current assets of £229,857 (2010: liabilities of £85,127) having made a loss for the year of £60,024 (2010: profit of £29,336). Nonetheless the directors believe it is appropriate to prepare the financial statements on a going concern basis for the following reasons.

- The group has sufficient liquid assets to fund any working capital requirements and meet any liabilities as they fall due.
- The group continues to be funded by long term debt in the form of group debt and current liabilities by a combination of trade credit and a factoring facility.
- Detailed projections have been prepared and approved by the directors for each company in the group that are considered to be prudent and readily achievable. These projections show the group to be a going concern.

Taken together these factors mean that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would be required if this basis was not appropriate.

**SUTHERLAND HEALTH GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**2. TURNOVER**

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

All turnover arose within the United Kingdom.

**3. OTHER OPERATING INCOME**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Net rents receivable	<b>10,464</b>	7,386
	<u><u>          </u></u>	<u><u>          </u></u>

**4. OPERATING (LOSS)/PROFIT**

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

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Amortisation - intangible fixed assets	<b>23,019</b>	24,636
Depreciation of tangible fixed assets:		
- owned by the group	<b>3,743</b>	2,543
Difference on foreign exchange	<b>(5,184)</b>	1,920
	<u><u>          </u></u>	<u><u>          </u></u>

**5. AUDITORS' REMUNERATION**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Fees payable to the company's auditor for the audit of the company's annual accounts	<b>8,700</b>	8,500
Fees payable to the company's auditor and its associates in respect of:		
Other services relating to taxation	<b>1,800</b>	1,800
	<u><u>          </u></u>	<u><u>          </u></u>

**SUTHERLAND HEALTH GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**6. STAFF COSTS**

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

	<b>2011</b>	2010
	£	£
Wages and salaries	<b>203,622</b>	180,450
Social security costs	<b>18,470</b>	16,183
Other pension costs	<b>8,810</b>	8,600
	<u><b>230,902</b></u>	<u>205,233</u>

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

	<b>2011</b>	2010
	No.	No.
Administrative staff	<b>4</b>	3
Management staff	<b>2</b>	2
	<u><b>6</b></u>	<u>5</u>

**7. DIRECTORS' REMUNERATION**

	<b>2011</b>	2010
	£	£
Emoluments	<b>134,575</b>	123,484
Company pension contributions to defined contribution pension schemes	<b>8,810</b>	8,600

During the year retirement benefits were accruing to 2 directors (2010 - 2) in respect of defined contribution pension schemes.

## SUTHERLAND HEALTH GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 8. SHARE BASED PAYMENTS

At the year end the following share options were still outstanding:

320,000 shares with an exercise price of 16p each expiring 20th September 2014 granted on 20th September 2005 pursuant to the EMI share option scheme.

2,133,450 shares with an exercise price of 16p each expiring 18th October 2014 granted on 18th October 2005 pursuant to the unapproved share option scheme.

3,100,000 shares with an exercise price of 5p each expiring 28th October 2014 granted on 29 September 2009 pursuant to the unapproved share option scheme.

The board has conducted a review of the effect of the share options issued during the year, on the financial statements and considered whether a charge against the profit and loss account should arise under FRS20.

The directors are of the view that (whilst it would be desirable), given the current mid price per share on Plus Market is 2.25p, it is unlikely that the share price will, in the foreseeable future, rise above the option price of 5p. It follows therefore, that the chance of any holder exercising their option, is remote, or negligible, within the foreseeable future. Further to this, once, at a future point, when the share price does exceed the exercise price, there remains little chance that the holders, (directors and staff) will exercise their option right, unless at that time, there was a realistic prospect of realising the shares.

The directors have undertaken a calculation of the liability attributable to share options and have concluded that the total would be immaterial to the financial statements.

The conclusion is that no P&L charge should arise under FRS20.

**SUTHERLAND HEALTH GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**9. EARNINGS PER SHARE**

	<b>2011 pence</b>	2010 pence
Earnings per ordinary share	(0.09)	0.05
Earnings for the purposes of basic earnings per share	(0.10)	0.05

The calculation of basic and diluted earnings per ordinary share is based upon the following data:

**Earnings**

	<b>2011 £</b>	2010 £
Earnings for the purposes of basic earnings per share	<b>(66,180)</b>	29,336
Effect of dilutive ordinary shares:		
Adjustments to earnings for Diluted EPS	-	-
	<u><b>(66,180)</b></u>	<u>29,336</u>
Earnings for the purposes of diluted earnings per share	<u><b>(66,180)</b></u>	<u>29,336</u>

**Number of shares**

	<b>2011 No of shares</b>	2010 No of shares
Basic weighted average number of shares	<b>62,847,606</b>	54,444,477
Dilutive potential ordinary shares:		
Adjustment to average number of shares for Diluted EPS	<b>5,572,909</b>	
	<u><b>68,420,515</b></u>	<u>54,444,477</u>
Weighted average number of shares for the purposes of diluted earnings per share	<u><b>68,420,515</b></u>	<u>54,444,477</u>

**10. INTEREST PAYABLE**

	<b>2011 £</b>	2010 £
On bank loans and overdrafts	<b>180</b>	269
On other loans	<b>16,672</b>	19,836
Other finance interest	<b>259</b>	251
Mortgage interest payable	<b>84</b>	335
Interest on factored debts	<b>1,076</b>	3,326
	<u><b>18,271</b></u>	<u>24,017</u>
	<u><b>18,271</b></u>	<u>24,017</u>

**SUTHERLAND HEALTH GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**11. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Brands and Trademarks £</b>	<b>Goodwill £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 April 2010 and 31 March 2011	<u>141,384</u>	<u>317,692</u>	<u>459,076</u>
<b>Amortisation</b>			
At 1 April 2010	77,727	66,640	144,367
Charge for the year	6,359	16,660	23,019
At 31 March 2011	<u>84,086</u>	<u>83,300</u>	<u>167,386</u>
<b>Net book value</b>			
At 31 March 2011	<u>57,298</u>	<u>234,392</u>	<u>291,690</u>
At 31 March 2010	<u>63,657</u>	<u>251,052</u>	<u>314,709</u>

**12. FIXED ASSET INVESTMENTS**

<b>Company</b>	<b>Investments in subsidiary companies £</b>
<b>Cost or valuation</b>	
At 1 April 2010 and 31 March 2011	<u>411,336</u>

Details of the principal subsidiaries can be found under note number 26.

**13. STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>2011 £</b>	<b>2010 £</b>	<b>2011 £</b>	<b>2010 £</b>
Finished goods and goods for resale	<u>156,868</u>	<u>159,044</u>	<u>-</u>	<u>-</u>

SUTHERLAND HEALTH GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011

14. TANGIBLE FIXED ASSETS

<b>Group</b>	<b>Short term leasehold Property £</b>	<b>Plant &amp; machinery £</b>	<b>Fixtures &amp; fittings £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 April 2010	-	11,702	2,654	15,666	30,022
Additions	2,259	-	-	8,318	10,577
At 31 March 2011	<u>2,259</u>	<u>11,702</u>	<u>2,654</u>	<u>23,984</u>	<u>40,599</u>
<b>Depreciation</b>					
At 1 April 2010	-	8,115	2,654	11,404	22,173
Charge for the year	194	830	-	2,719	3,743
At 31 March 2011	<u>194</u>	<u>8,945</u>	<u>2,654</u>	<u>14,123</u>	<u>25,916</u>
<b>Net book value</b>					
At 31 March 2011	<u>2,065</u>	<u>2,757</u>	<u>-</u>	<u>9,861</u>	<u>14,683</u>
At 31 March 2010	<u>-</u>	<u>3,587</u>	<u>-</u>	<u>4,262</u>	<u>7,849</u>
<b>Company</b>			<b>S/Term Leasehold Property £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 April 2010			-	7,156	7,156
Additions			2,259	7,705	9,964
At 31 March 2011			<u>2,259</u>	<u>14,861</u>	<u>17,120</u>
<b>Depreciation</b>					
At 1 April 2010			-	3,568	3,568
Charge for the year			194	2,396	2,590
At 31 March 2011			<u>194</u>	<u>5,964</u>	<u>6,158</u>
<b>Net book value</b>					
At 31 March 2011			<u>2,065</u>	<u>8,897</u>	<u>10,962</u>
At 31 March 2010			<u>-</u>	<u>3,588</u>	<u>3,588</u>



**SUTHERLAND HEALTH GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**15. DEBTORS**

	<u>Group</u>		<u>Company</u>	
	2011 £	2010 £	2011 £	2010 £
<b>Due after more than one year</b>				
Amounts owed by group undertakings	-	-	884,855	807,059
<b>Due within one year</b>				
Trade debtors	138,508	174,657	4,885	3,595
Other debtors	208,640	10,815	201,002	1,000
Called up share capital not paid	100,000	-	100,000	-
Prepayments and accrued income	447	2,054	448	2,054
	<u>447,595</u>	<u>187,526</u>	<u>1,191,190</u>	<u>813,708</u>

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

	<u>Group</u>		<u>Company</u>	
	2011 £	2010 £	2011 £	2010 £
Convertible loan notes	81,000	-	81,000	-
Trade creditors	62,466	137,011	3,288	4,003
Corporation tax	830	830	830	830
Social security and other taxes	8,867	15,319	1,768	1,746
Other creditors	89,849	214,499	3,672	101,672
Accruals and deferred income	145,247	125,186	12,708	14,985
	<u>388,259</u>	<u>492,845</u>	<u>103,266</u>	<u>123,236</u>

Included within other creditors is an amount of £85,755 (2010: £112,827) 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.

Convertible loan notes due within one year relate to 2011 loan notes. 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. If not converted by 30 June 2011 the loan notes are repayable at par. The loan notes incur interest at a rate of 9% per annum. During the year £25,000 of the loan notes were repaid by the Company at the request of the loan notes holder. In 2010 the loan notes of £106,000 are disclosed under amounts falling due after more than one year.

**SUTHERLAND HEALTH GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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

	<b>Group</b>		<b>Company</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	£	£	£	£
Convertible loan notes	<b>200,000</b>	106,000	<b>200,000</b>	106,000
Loan notes	<b>105,848</b>	133,585	<b>105,848</b>	133,585
	<b>305,848</b>	239,585	<b>305,848</b>	239,585
	<b>305,848</b>	239,585	<b>305,848</b>	239,585

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. If not converted by 30 March 2015 the loan notes are repayable at par. The loan notes incur interest at a rate of 10.5% per annum.

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

**18. SHARE CAPITAL**

	<b>2011</b>	2010
	£	£
<b>Allotted, called up and fully paid</b>		
69,402,345 (2010 - 55,008,060) Ordinary shares of £0.002 each	<b>138,805</b>	110,016
	<b>138,805</b>	110,016

On 12 May 2011 the company issued 4,680,000 Ordinary shares of 0.2p each for total consideration of £107,640.

On 11 June 2011 the company issued 4,000,000 Ordinary shares of 0.2p each for total consideration of £92,000.

On 31 March 2011 the company issued 5,714,285 Ordinary shares of 0.2p each for total consideration of £100,000.

**SUTHERLAND HEALTH GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**19. RESERVES**

	Share premium account £	Other reserves £	Profit and loss account £
<b>Group</b>			
At 1 April 2010	866,990	111,478	(1,090,638)
Loss for the year			(60,024)
Premium on shares issued during the year	263,771		
	1,130,761	111,478	(1,150,662)
At 31 March 2011	1,130,761	111,478	(1,150,662)
	Share premium account £	Share premium account £	Profit and loss account £
<b>Company</b>			
At 1 April 2010		866,990	(85,251)
Profit for the year			20,567
Premium on shares issued during the year		263,771	
		1,130,761	(64,684)
At 31 March 2011		1,130,761	(64,684)

**20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2011 £	2010 £
<b>Group</b>		
Opening shareholders' deficit	(2,154)	(66,406)
(Loss)/profit for the year	(60,024)	29,336
Shares issued during the year	28,789	5,933
Share premium on shares issued (net of expenses)	263,771	28,983
	230,382	(2,154)
Closing shareholders' funds/(deficit)	230,382	(2,154)
	2011 £	2010 £
<b>Company</b>		
Opening shareholders' funds	891,755	808,997
Profit for the year	20,567	47,842
Shares issued during the year	28,789	5,933
Share premium on shares issued (net of expenses)	263,771	28,983
	1,204,882	891,755
Closing shareholders' funds	1,204,882	891,755

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 profit for the year dealt with in the accounts of the company was £20,567 (2010 - £47,842).

**SUTHERLAND HEALTH GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**21. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2011 £	2010 £
Operating (loss)/profit	(41,753)	53,353
Amortisation of intangible fixed assets	23,019	24,636
Depreciation of tangible fixed assets	3,743	2,543
Decrease/(increase) in stocks	2,176	(62,907)
Decrease in debtors	39,931	52,155
(Decrease)/increase in creditors	(185,585)	17,405
	<b>(158,469)</b>	<b>87,185</b>
	<b>(158,469)</b>	<b>87,185</b>

**22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2011 £	2010 £
<b>Returns on investments and servicing of finance</b>		
Interest paid	(10,009)	(23,431)
Hire purchase interest	-	(586)
	<b>(10,009)</b>	<b>(24,017)</b>
	<b>(10,009)</b>	<b>(24,017)</b>
 <b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(10,577)	(3,541)
	<b>(10,577)</b>	<b>(3,541)</b>
	<b>(10,577)</b>	<b>(3,541)</b>
 <b>Financing</b>		
Issue of ordinary shares	192,560	34,916
Repayment of loan notes	(25,000)	-
Repayment of other loans	(36,000)	(29,736)
Repayment of finance leases	-	(2,010)
	<b>131,560</b>	<b>3,170</b>
	<b>131,560</b>	<b>3,170</b>

**SUTHERLAND HEALTH GROUP PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

**23. ANALYSIS OF CHANGES IN NET DEBT**

	1 April 2010 £	Cash flow £	Other non-cash changes £	31 March 2011 £
Cash at bank and in hand	61,148	(47,495)	-	13,653
<b>Debt:</b>				
Finance leases	-	-	-	-
Debts due within one year	-	61,000	(142,002)	(81,002)
Debts falling due after more than one year	(239,585)	-	(66,263)	(305,848)
<b>Net debt</b>	<u>(178,437)</u>	<u>13,505</u>	<u>(208,265)</u>	<u>(373,197)</u>

**24. 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 £8,810 (2010 - £8,600). No contributions were payable to the fund at the balance sheet date (2010 - £nil).

**25. OPERATING LEASE COMMITMENTS**

At 31 March 2011 the Group and Company had annual commitments under non-cancellable operating leases as follows:

<b>Group and Company</b>	<b>Land and buildings</b>	
<b>Expiry date:</b>	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Between 1 and 5 years	<u>23,565</u>	<u>30,350</u>

**26. PRINCIPAL SUBSIDIARIES**

<b>Company name</b>	<b>Country</b>	<b>Percentage Shareholding</b>	<b>Description</b>
Sutherland Health Limited	England	100%	Nature of the company is that of trading of a range of health care products.
Sexual Health Group Ltd	England	100%	Nature of the company is that of a holding company
Condomania PLC	England	100%	Nature of the company is that of trading sexual health products.

**27. CONTROLLING PARTY**

Control of the company vests with Mr G M Sutherland who has an interest in 42.5% (2010: 52.2%) of the company's issued share capital.

## SUTHERLAND HEALTH GROUP PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 28. RELATED PARTY TRANSACTIONS

During the year the group incurred consultancy fees of £16,271 (2010: £16,131) from the John French Consultancy in respect of Mr F J French's services. At the year end the group owed £Nil (2010: £Nil) to the John French Consultancy. Mr F J French is a director and shareholder.

During the year, the group incurred consultancy fees of £6,000 (2010: £6,000) from Summit Office Services Limited. At the year end, the group owed £600 (2010: £Nil). Mr S Coke is a director and company secretary and is also a director of Summit Office Services Limited.

During the year, the group incurred consultancy fees of £7,800 (2010: £8,353) from Mr H Robertson. At the year end, the group owed £6,250 (2010: £12,250). Mr H Robertson is a director of the company.

Included in loan notes is an amount owed to Mr G Sutherland of £73,779 (2010: £68,805). Interest is charged on the loan at 7%. During the year the group incurred interest of £4,974 (2010: £4,638). Mr G Sutherland is a director and shareholder of the company.

Included in loan notes is an amount owed to K Sutherland of £24,381 (2010:£34,362). Interest is charged on the loan at 7%. During the year the group incurred interest of £2,019 (2010: £2,657). K Sutherland is a related party due to their relationship with G Sutherland.

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.

The following options are held by Directors at 31 March 2011

<b>Director</b>	<b>Date granted</b>	<b>Number of Ordinary shares subject to option</b>	<b>Exercise price</b>	<b>Expiry Date</b>
J French	18/10/2005	426,690	16p	18/10/2014
	29/09/2009	500,000	5p	28/10/2014
S J Coke	29/09/2009	500,000	5p	28/10/2014
F H Robertson	18/10/2005	426,690	16p	18/10/2014
	29/09/2009	500,000	5p	28/10/2014
S Sukumaran	18/10/2005	426,690	16p	18/10/2014
	29/09/2009	500,000	5p	28/10/2014
G M Sutherland	18/10/2005	426,690	16p	18/10/2014
	29/09/2009	500,000	5p	28/10/2014

**SUTHERLAND HEALTH GROUP PLC**

**CONSOLIDATED DETAILED TRADING AND PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2011**

	<b>Page</b>	<b>2011 £</b>	<b>2010 £</b>
<b>TURNOVER</b>	29	<b>734,937</b>	956,509
Cost of sales	29	<b>(341,504)</b>	(455,986)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		<b>393,433</b>	500,523
<b>Gross profit %</b>		<b>53.5 %</b>	52.3 %
Other operating income	29	<b>10,464</b>	7,386
		<hr/>	<hr/>
		<b>403,897</b>	507,909
 <b>LESS: OVERHEADS</b>			
Selling and distribution expenses	29	<b>(37,788)</b>	(55,734)
Administration expenses	29	<b>(360,924)</b>	(346,921)
Establishment expenses	30	<b>(46,938)</b>	(51,901)
		<hr/>	<hr/>
<b>OPERATING (LOSS)/PROFIT</b>		<b>(41,753)</b>	53,353
Interest payable	30	<b>(18,271)</b>	(24,017)
		<hr/>	<hr/>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(60,024)</b>	29,336
		<hr/> <hr/>	<hr/> <hr/>

**SUTHERLAND HEALTH GROUP PLC**

**SCHEDULE TO THE DETAILED ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2011**

	2011 £	2010 £
<b>TURNOVER</b>		
Sales	<u>734,937</u>	<u>956,509</u>
	2011 £	2010 £
<b>COST OF SALES</b>		
Purchases	<u>341,504</u>	<u>455,986</u>
	2011 £	2010 £
<b>OTHER OPERATING INCOME</b>		
Net rents receivable	<u>10,464</u>	<u>7,386</u>
	2011 £	2010 £
<b>SELLING AND DISTRIBUTION EXPENSES</b>		
Carriage	<u>37,788</u>	<u>55,734</u>
	2011 £	2010 £
<b>ADMINISTRATION EXPENSES</b>		
Directors national insurance	12,617	11,210
Directors salaries	134,574	123,484
Directors pension costs - money purchase schemes	8,810	8,600
Staff salaries	69,048	56,966
Staff national insurance	5,854	4,974
Staff training	1,442	1,975
Motor running costs	5,062	4,791
Hotels, travel and subsistence	2,517	5,223
Printing and stationery	5,313	6,398
Telephone and fax	3,103	3,008
Computer costs	1,750	2,666
Advertising and promotion	17,848	13,202
Trade subscriptions	547	811
Legal and professional	24,368	35,738
Auditors' remuneration	10,500	7,775
Accountancy fees	7,984	3,673
Bank charges	1,974	653
Debt factoring charges	8,427	10,642
Bad debts	1,650	2,338
Discounts received	-	(2,287)
Difference on foreign exchange	(5,184)	1,920
Sundry expenses	662	477
Insurances	6,238	6,087
	<u>325,104</u>	<u>310,324</u>
Sub-total carried forward		



**SUTHERLAND HEALTH GROUP PLC**

**SCHEDULE TO THE DETAILED ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2011**

	2011 £	2010 £
<b>ADMINISTRATION EXPENSES (continued)</b>		
Sub-total brought forward	<b>325,104</b>	310,324
Repairs and maintenance	<b>3,702</b>	4,218
Depreciation	<b>3,743</b>	2,543
Amortisation - intangible fixed assets	<b>23,019</b>	24,636
Other professional fees	<b>5,356</b>	5,200
	<hr/> <b>360,924</b> <hr/>	<hr/> 346,921 <hr/>
	2011 £	2010 £
<b>ESTABLISHMENT EXPENSES</b>		
Rent	<b>31,585</b>	34,775
Rates	<b>9,229</b>	9,674
Light and heat	<b>2,958</b>	4,428
Cleaning	<b>684</b>	835
Repairs and maintenance	<b>2,482</b>	2,189
	<hr/> <b>46,938</b> <hr/>	<hr/> 51,901 <hr/>
	2011 £	2010 £
<b>INTEREST PAYABLE</b>		
Bank overdraft interest payable	<b>124</b>	245
Bank loan interest payable	<b>56</b>	24
Other loan interest payable	<b>16,672</b>	19,836
Interest on factored debts	<b>1,076</b>	3,326
Other finance interest	<b>259</b>	251
Mortgage interest payable	<b>84</b>	335
	<hr/> <b>18,271</b> <hr/>	<hr/> 24,017 <hr/>