

Registered number: 05255086 (England & Wales)

**SUTHERLAND HEALTH GROUP PLC**  
**(FORMERLY SEXUAL HEALTH GROUP PLC)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2009**

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**COMPANY INFORMATION**

**DIRECTORS**

F J French (Chairman)  
D J Bretel (resigned 31 July 2008)  
F H Robertson  
S Sukumaran  
G M Sutherland  
S Coke (appointed 18 August 2008)

**COMPANY SECRETARY**

S Coke

**COMPANY NUMBER**

05255086 (England & Wales)

**REGISTERED OFFICE**

Unit 1 Rivermead  
Pipers Way  
Thatcham  
Berkshire  
RG19 4EP

**AUDITOR**

James Cowper LLP  
Registered Auditor and Chartered Accountants  
3 Wesley Gate  
Queens Road  
Reading  
Berkshire  
RG1 4AP

**BANKERS**

Clydesdale Bank PLC  
Reinassance House  
Basing View  
Basingstoke  
RG21 4EQ

**SOLICITORS**

Irwin Mitchell LLP  
40 Holborn Viaduct  
London  
EC1N 2PZ

# SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)

## CONTENTS

	Page
<b>Chairman's statement</b>	1 - 3
<b>Directors' report</b>	4 - 6
<b>Independent auditor's report</b>	7 - 8
<b>Consolidated profit and loss account</b>	9
<b>Consolidated balance sheet</b>	10
<b>Company balance sheet</b>	11
<b>Consolidated cash flow statement</b>	12
<b>Notes to the financial statements</b>	13 - 26
The following pages do not form part of the statutory accounts:	
<b>Company detailed profit and loss account and summaries</b>	27 - 29

# SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)

## CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

The chairman presents his statement for the period.

Dear Shareholder

I am pleased to report on the progress of the Company in what has been another year of significant growth.

### Highlights

- Sales growth of 27% to £903,842
- Gross profit increased from £320, 836 to £423,791
- Gross margin increased from 45.1% to 46.9%
- Losses reduced by 53% to £81,912

I am delighted to report that the last twelve months has seen the Company achieve a number of positive objectives. The sales have continued to grow but this has not been at the expense of gross margin, which has also improved year on year. We have seen a further improvement in the reduction of losses, whilst maintaining a tight control on our costs. A number of new contracts have also been awarded to the Company that has helped fuel the sales growth.

### Review of Activities

#### April 2008

We started the financial year with the announcement that we had exchanged conditional contracts to acquire Pasante Healthcare Ltd a privately owned business for the proposed consideration of £2,400,000. The consideration was to be payable in cash on completion of the transaction and was conditional on the Company being able to raise sufficient funds. The acquisition did not proceed due to the Company being unable to raise the required minimum which in the opinion of the Board was due to the difficult conditions and financial markets at the time, which as we all now know deteriorated further as the year progressed.

#### June 2008

The Company announces it wishes to raise up to £500,000 for additional working capital and to make further progress with its Business Plan. Due to the difficult market conditions the funds took longer than initially anticipated to raise, and as at the 31st March 2009, the sum that had been raised was £266,500 in new equity and £106,000 in unsecured loan notes, totalling £372,500.

On the 3rd June 2008, the Company learned that after an extensive review it had been successfully audited by SGS United Kingdom Ltd on all quality issues, and therefore could continue to develop, manufacture, and distribute medical devices and diagnostics to the following quality standards: ISO 13485:2003, European Directive 93/42/EEC and ISO 9001:2000

#### August 2008

On the 18th August 2008 we announced the appointment of Stephen Coke as Finance Director and Company Secretary. Stephen is a Member of the Institute of Chartered Accountants and is a Partner at the firm of Chartered Accountants C. B. Heslop & Co. Stephen's significant experience of working with SME businesses was one of the key reasons why we appointed him, and we are pleased to have that additional experience on our Board.

#### September 2008

At the AGM on the 30th September 2008 approval was given to change the Company's name from Sexual Health Group Plc to Sutherland Health Group Plc. The Directors felt this change would better reflect the positive impact of the introduction of a wider range of products, in particular in the area of patient hygiene. I also informed shareholders on the progress of some NHS England Contracts. The Condomania division saw the number of products on contract increase from 13 to 21 products giving us a 100% listing of our Condomania® range. Sutherland Health division that primarily supplies patient hygiene also saw a growth in the number of products supplied on contract from 8 to 12 products.

## **SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

### **CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

#### **October 2008**

On the 28th October 2008, whilst announcing positive interims we also announced a contract win for our nutrition product Thixo-D®. The Thixo-D® Nutrition range has been put on contract for NHS Wales for a 3 year period commencing 1st September 2008 until 30th August 2011, enabling all hospitals in Wales to order our product via this contract.

Thixo-D® is the Company's own trade mark registration for a rapid thickener for the management of Dysphagia which is the medical name for a swallowing problem. Dysphagia can be a long or short term condition causing coughing, spluttering, or even choking when swallowing thin liquids. Thixo-D® has been approved for prescription use and the Company has also achieved distribution via major national wholesalers AAH, Alliance Unichem and Phoenix as well as regional pharmacy wholesalers.

#### **January 2009**

On the 12th January 2009, we announced two contracts for the Company. The first was a four year Framework Agreement for the supply of Condomania® condoms

The Framework Agreement is effective from 1st December 2008 and will be in force for four years, and has been put in effect for the benefit of the member trusts of the North West Consortium Purchasing Hub(NWCPH). There are currently 48 member trusts of NWCPH all of which are based in the North West region of England and include Trusts in the Cumbria, Cheshire, Lancashire, Mersey and Greater Manchester areas. This is the first contract awarded to the Company by a Regional Consortium, and it should create further opportunities for the Company to increase its distribution of the Condomania condom range within the NHS.

The second contract announced was a three year Contract to supply Sutherland® patient hygiene products

The Board announced that the Northern Ireland Regional Supplies Service had awarded Sutherland Health a three year contract commencing 1st February 2009 to supply its Sutherland® patient hygiene products to include Shampoo; Shower Gel and Shaving Foam. This is the first contract awarded to the Company by the NHS in Northern Ireland for these products, and will therefore increase the current distribution of this fast growing range of products.

#### **March 2009**

On 17th March 2009, we announced the Framework Agreement with NHS England, currently in place to 31 March 2009, for patient hygiene products has been extended to 31 March 2010. The patient hygiene range was first introduced in 2006 and has seen significant sales growth since then, with sales and distribution within trusts growing on a monthly basis.

On 24th March 2009 we announced that its NHS England Framework Agreement to supply pre-operative Skin Preparation Razors that was due to expire on 31st March 2009, has been extended for a further two years and will now expire on 31st March 2011.

#### **Financial Review**

During the period to 31st March 2009, the Group achieved a turnover of £903,842 (2008 £711,386) representing an increase in sales of 27% over the previous year, producing a gross profit of £423,791 (2008 £320,836). Administrative expenses were £435,221 (2008 £429,016) after charging £25,992 (2008 £26,129) for amortisation and depreciation, and a foreign exchange loss of £15,639 (2008 gain of £897). The pre-tax Loss was £81,912 (2008 Loss £173,991) and the loss per ordinary share was 0.18 pence (2008 loss 0.51pence). Cash at the bank on the balance sheet at the 31st March 2009 was £12,925 (2008 £45,230).

#### **Post Balance Sheet**

Since the end of the period, the Board announced a new Contract on the 6th April 2009 to supply Reading, West Berkshire and Wokingham councils who have teamed up with NHS Berkshire West to introduce a condom distribution scheme developed in partnership with Sutherland Health

## **SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

### **CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2009**

Group Plc using the Condomania® brand of condoms.

Condomania® condoms will be purchased by the scheme to enable young people under the age of 19 to obtain free condoms by producing a special card called a C Card. When a young person registers with the scheme, they will become entitled to their C Card, which acts as a passport to getting free condoms, sexual health advice and information.

On the 14th May 2009, the Company announced it has been awarded a Framework Agreement contract to supply its Condomania® condoms and Sutherland® lubricating jelly to NHS Trusts in England. The Framework Agreement commenced on 1st April 2009 and will continue to 31st March 2011. The Agreement has the option to be extended for a further 24 months which could extend the Agreement up to 31st March 2013.

The Condomania division of the Company has been successful in continuing a 100% listing of its Condomania® condom range, and 100% listing of its Sutherland® lubricating jelly range in the Agreement.

On the 6th July 2009, the Board announced the close of the fund raising, having raised a total of £456,530 out of the proposed £500,000. It was pleasing to see that over 80% of the funds raised came from existing shareholders, and the Board would like to take this opportunity to thank them for such fantastic support during what was a very difficult economic period.

#### **Outlook**

We continue to strengthen our distribution and sales by gaining further contracts, and by the renewal of significant contracts already in place. In terms of new product development, we have already invested in new products that will bring the potential of further contracts in new categories of healthcare supplies, and there are other new products that will give us the ability to broaden our product offering in existing areas such as patient hygiene and sexual health.

The Board continues to look at opportunities presented to it for acquisitions of products or Companies and we will notify shareholders of any suitable opportunities as they arise.

I am pleased to inform you that at the time of writing, the new financial year has got off to a good start with the continuation of a growth in sales, and with a significant improvement in profitability being evident.

I would like to take this opportunity to make a comment about the staff and the members of the Board who have again been able to deliver continuing sales growth and an improvement in profitability, despite being in one of most difficult economic situations the UK has seen for some time. My thanks go to the team as well as the Company's advisers and of course to our loyal shareholders whom without their support we would not have achieved the funds for growth that we required.

F J French  
Chairman

29 July 2009

## **SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2009**

The directors present their report and the financial statements for the year ended 31 March 2009.

#### **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 increased from £711,386 in the previous year to £903,842 in the current period. The gross profit made by the group is £423,791 compared to £320,836 in 2008.

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.

#### **LOAN NOTES**

Full details of the terms of the loan notes are given in note 20 to the accounts.

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

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 proper accounting records that 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 1985. 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.

#### **RESULTS**

The loss for the year, after taxation, amounted to £81,912 (2008 - loss £173,991).

## SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2009

#### DIRECTORS

The directors who served during the year were:

F J French  
D J Bretel (resigned 31 July 2008)  
F H Robertson  
S Sukumaran  
G M Sutherland  
S Coke (appointed 18 August 2008)

#### KEY PERFORMANCE INDICATORS

	2009	2008	2007
Turnover	903,842	711,386	604,223
Increase in turnover	27.0%	17.7%	82.4%
Gross Profit	423,791	320,836	267,052
Increase in Gross Profit	32.1%	20.1%	145.9%
Gross Margin %	46.9%	45.1%	44.2%

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 (FORMERLY SEXUAL HEALTH GROUP PLC)**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2009**

#### **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.

#### **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 133 days (2008: 165 days) (2007: 251 days).

#### **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 29 July 2009 and signed on its behalf.

**G M Sutherland**  
Director

## **SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

We have audited the group and parent company financial statements (the "financial statements") of Sutherland Health Group PLC (Formerly Sexual Health Group PLC) for the year ended 31 March 2009, set out on pages 9 to 26. These financial statements have been prepared in accordance with the accounting policies set out therein.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

The directors' responsibilities for preparing the Annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report, and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUTHERLAND HEALTH GROUP  
PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**OPINION**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2009 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

**James Cowper LLP**

Registered Auditor and Chartered Accountants

3 Wesley Gate  
Queens Road  
Reading  
Berkshire  
RG1 4AP

25 August 2009

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2009**

	<b>Note</b>	<b>2009 £</b>	<b>2008 £</b>
<b>TURNOVER</b>	1,2	<b>903,842</b>	711,386
Cost of sales		<b>(480,051)</b>	(390,550)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		<b>423,791</b>	320,836
Selling and distribution costs		<b>(52,934)</b>	(37,644)
Administrative expenses		<b>(435,221)</b>	(429,016)
Other operating income	3	<b>13,840</b>	11,304
		<hr/>	<hr/>
<b>OPERATING LOSS</b>	4	<b>(50,524)</b>	(134,520)
Interest receivable		<b>471</b>	1,350
Interest payable	10	<b>(31,859)</b>	(40,821)
		<hr/>	<hr/>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(81,912)</b>	(173,991)
Tax on loss on ordinary activities	11	<b>-</b>	-
		<hr/>	<hr/>
<b>LOSS FOR THE FINANCIAL YEAR</b>	20	<b>(81,912)</b>	(173,991)
		<hr/> <hr/>	<hr/> <hr/>
<b>EARNINGS PER SHARE (PENCE)</b>	9	<b>(0.18)</b>	(0.51)
<b>DILUTED EARNINGS PER SHARE (PENCE)</b>	9	<b>(0.16)</b>	(0.47)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2009 or 2008 other than those included in the Profit and loss Account.

The notes on pages 13 to 26 form part of these financial statements.

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2009**

	Note	£	2009 £	£	2008 £
<b>FIXED ASSETS</b>					
Intangible fixed assets	12		<b>339,345</b>		364,015
Tangible fixed assets	13		<b>6,851</b>		5,406
			<u>346,196</u>		<u>369,421</u>
<b>CURRENT ASSETS</b>					
Stocks	15	<b>96,136</b>		108,969	
Debtors	16	<b>239,681</b>		168,100	
Cash at bank and in hand		<b>12,925</b>		45,230	
			<u>348,742</u>		<u>322,299</u>
<b>CREDITORS:</b> amounts falling due within one year	17		<b>(491,620)</b>		(510,395)
			<u>(142,878)</u>		<u>(188,096)</u>
<b>NET CURRENT LIABILITIES</b>					<u>(188,096)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>203,318</b>		<u>181,325</u>
<b>CREDITORS:</b> amounts falling due after more than one year	18		<b>(269,724)</b>		(368,048)
<b>NET LIABILITIES</b>			<b>(66,406)</b>		<u>(186,723)</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		<b>104,083</b>		74,963
Share premium account	20		<b>838,007</b>		664,898
Other reserves	20		<b>111,478</b>		111,478
Profit and loss account	20		<b>(1,119,974)</b>		(1,038,062)
<b>SHAREHOLDERS' DEFICIT</b>	21		<b>(66,406)</b>		<u>(186,723)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 July 2009.

**G M Sutherland**  
Director

The notes on pages 13 to 26 form part of these financial statements.

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**COMPANY BALANCE SHEET  
AS AT 31 MARCH 2009**

	Note	£	2009 £	£	2008 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	13		<b>2,480</b>		550
Fixed asset investments	14		<b>411,336</b>		411,336
			<hr/>		<hr/>
			<b>413,816</b>		411,886
<b>CURRENT ASSETS</b>					
Debtors	16	<b>751,744</b>		736,900	
Cash at bank		<b>990</b>		-	
			<hr/>	<hr/>	
			<b>752,734</b>	736,900	
<b>CREDITORS:</b> amounts falling due within one year	17		<b>(88,232)</b>	(192,419)	
			<hr/>	<hr/>	
<b>NET CURRENT ASSETS</b>			<b>664,502</b>		544,481
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<hr/> <b>1,078,318</b>		<hr/> 956,367
<b>CREDITORS:</b> amounts falling due after more than one year	18		<b>(269,321)</b>		(366,038)
			<hr/>		<hr/>
<b>NET ASSETS</b>			<hr/> <b>808,997</b>		<hr/> 590,329
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		<b>104,083</b>		74,963
Share premium account	20		<b>838,007</b>		664,898
Profit and loss account	20		<b>(133,093)</b>		(149,532)
			<hr/>		<hr/>
<b>SHAREHOLDERS' FUNDS</b>	21		<hr/> <b>808,997</b>		<hr/> 590,329
			<hr/>		<hr/>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 July 2009.

**G M Sutherland**  
Director

The notes on pages 13 to 26 form part of these financial statements.

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

	<b>Note</b>	<b>2009 £</b>	2008 £
Net cash flow from operating activities	22	<b>7,687</b>	(207,687)
Returns on investments and servicing of finance	23	<b>(31,388)</b>	(39,471)
Capital expenditure and financial investment	23	<b>(2,767)</b>	(480)
<b>CASH OUTFLOW BEFORE FINANCING</b>		<b>(26,468)</b>	(247,638)
Financing	23	<b>(20,095)</b>	267,722
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(46,563)</b>	20,084

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 MARCH 2009**

	<b>2009 £</b>	2008 £
(Decrease)/Increase in cash in the year	<b>(46,563)</b>	20,084
Cash outflow from decrease in debt and lease financing	<b>222,324</b>	72,763
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>175,761</b>	92,847
Net debt at 1 April 2008	<b>(448,742)</b>	(541,589)
<b>NET DEBT AT 31 MARCH 2009</b>	<b>(272,981)</b>	(448,742)

The notes on pages 13 to 26 form part of these financial statements.

# SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 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 consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Group reconstructions are accounted for under the merger accounting rules as permitted by FRS6. Comparative figures are for the year ended 31st March 2008.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

#### 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. Goodwill is being written off in equal installments over 19 years.

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

Amortisation is provided at the following rates:

Brands and trademarks	-	10%	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:

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.



## SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

#### 1. ACCOUNTING POLICIES (continued)

##### 1.7 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### 1.8 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.

##### 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 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.

# SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

### 1. ACCOUNTING POLICIES (continued)

#### 1.12 Going Concern

At the balance sheet date the group had a deficit of funds of £66,406 including net current liabilities of £142,878 having incurred a loss for the year of £81,912. Nonetheless the directors believe it is appropriate to prepare the financial statements on a going concern basis for the following reasons.

- Since the year end the group has successfully completed a fund raising exercise which raised total funds of £456,530 of which £59,330 was received by the group after the year end.
- Since the year end the group has continued the trend started last year by showing an improvement in the group's results and a move towards profitability in the first quarter of the 2010 fiscal year.
- The deficit of funds continues to be funded by long term debt in the form of group debt and net current liabilities by a combination of trade credit and a factoring facility.
- Detailed of 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.

### 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

	2009 £	2008 £
Net rents receivable	13,062	11,156
Insurance claims receivable	-	148
Sundry income	778	-
	<b>13,840</b>	<b>11,304</b>
	<b>13,840</b>	<b>11,304</b>

### 4. OPERATING LOSS

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

	2009 £	2008 £
Amortisation - intangible fixed assets	24,670	24,670
Depreciation of tangible fixed assets:		
- owned by the group	355	876
- held under finance leases	967	1,221
Difference on foreign exchange	15,639	(897)
	<b>15,639</b>	<b>(897)</b>
	<b>15,639</b>	<b>(897)</b>

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

**5. AUDITORS' REMUNERATION**

	<b>2009</b>	2008
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	<b>6,000</b>	7,500
Fees payable to the company's auditor and its associates in respect of:		
Other services relating to taxation	<b>1,950</b>	-
All other services	<b>3,550</b>	-
	<b>=====</b>	<b>=====</b>

**6. STAFF COSTS**

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

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	£	£	£	£
Wages and salaries	<b>191,704</b>	187,985	<b>24,337</b>	7,500
Social security costs	<b>15,763</b>	23,873	-	-
Other pension costs	<b>8,600</b>	8,950	-	-
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
	<b>216,067</b>	220,808	<b>24,337</b>	7,500

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

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	No.	No.	No.	No.
Administrative staff	<b>3</b>	3	<b>0</b>	0
Management staff	<b>2</b>	2	<b>0</b>	0
	<b>=====</b>	<b>=====</b>	<b>=====</b>	<b>=====</b>
	<b>5</b>	5	<b>0</b>	0

**7. DIRECTORS' REMUNERATION**

	<b>2009</b>	2008
	£	£
Emoluments	<b>153,133</b>	135,671
	<b>=====</b>	<b>=====</b>

During the year retirement benefits were accruing to 2 directors (2008 - 2) in respect of money purchase pension schemes.

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

**8. SHARE BASED PAYMENTS**

350,000 share options with an exercise price of 10p each expired on 31st July 2008.

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.

**9. EARNINGS PER SHARE**

	<b>2009 (pence)</b>	2008 (pence)
Earnings per Ordinary Share	<b>(0.18)</b>	(0.51)
Earnings for the purposes of basic earnings per share	<b>(0.16)</b>	(0.47)

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

**Earnings**

	<b>2009 £</b>	2008 £
Earnings for the purposes of basic earnings per share	<b>(81,912)</b>	(173,991)
Effect of dilutive ordinary shares: Adjustments to earnings for Diluted EPS	-	-
Earnings for the purposes of diluted earnings per share	<b><u>(81,912)</u></b>	<b><u>(173,991)</u></b>

**Number of shares**

	<b>2009 No of shares</b>	2008 No of shares
Basic weighted average number of shares	<b>45,141,977</b>	34,034,985
Dilutive potential ordinary shares: Adjustment to average number of shares for Diluted EPS	<b>5,300,000</b>	2,903,450
Weighted average number of shares for the purposes of diluted earnings per share	<b><u>50,441,977</u></b>	<b><u>36,938,435</u></b>

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the approval of these financial statements.

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

**10. INTEREST PAYABLE**

	<b>2009</b>	2008
	£	£
On bank loans and overdrafts	77	37
On other loans	25,122	34,028
Other finance interest	1,033	1,312
Other interest - on factored debts	5,627	5,444
	<u>31,859</u>	<u>40,821</u>

**11. TAXATION**

	<b>2009</b>	2008
	£	£
UK corporation tax charge on loss for the year	<u>-</u>	<u>-</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2008 - lower than) the standard rate of corporation tax in the UK (28%). The differences are explained below:

	<b>2009</b>	2008
	£	£
Loss on ordinary activities before tax	<u>(81,912)</u>	<u>(173,991)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	<b>(22,935)</b>	(52,197)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	5,199	669
Capital allowances for year in excess of depreciation	(993)	(148)
Utilisation of tax losses	(205)	17,442
Other short timing differences	-	34,014
Depreciation in excess of capital allowances	135	220
Unrelieved tax losses and other deductions arising in the period	<b>18,799</b>	-
<b>Current tax charge for the year</b> (see note above)	<u>-</u>	<u>-</u>

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

**12. INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Brands and trademarks £</b>	<b>Goodwill £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 April 2008 and 31 March 2009	<u>19,096</u>	<u>439,980</u>	<u>459,076</u>
<b>Amortisation</b>			
At 1 April 2008	15,075	79,986	95,061
Charge for the year	<u>1,902</u>	<u>22,768</u>	<u>24,670</u>
At 31 March 2009	<u>16,977</u>	<u>102,754</u>	<u>119,731</u>
<b>Net book value</b>			
At 31 March 2009	<u>2,119</u>	<u>337,226</u>	<u>339,345</u>
At 31 March 2008	<u>4,021</u>	<u>359,994</u>	<u>364,015</u>

**13. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Plant and machinery £</b>	<b>Fixture and fittings £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2008	9,936	2,654	11,124	23,714
Additions	-	-	2,767	2,767
At 31 March 2009	<u>9,936</u>	<u>2,654</u>	<u>13,891</u>	<u>26,481</u>
<b>Depreciation</b>				
At 1 April 2008	6,032	2,182	10,094	18,308
Charge for the year	<u>976</u>	<u>118</u>	<u>228</u>	<u>1,322</u>
At 31 March 2009	<u>7,008</u>	<u>2,300</u>	<u>10,322</u>	<u>19,630</u>
<b>Net book value</b>				
At 31 March 2009	<u>2,928</u>	<u>354</u>	<u>3,569</u>	<u>6,851</u>
At 31 March 2008	<u>3,904</u>	<u>472</u>	<u>1,030</u>	<u>5,406</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

<b>Group</b>	<b>2009 £</b>	<b>2008 £</b>
Plant and machinery	<u>2,902</u>	<u>3,869</u>

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

<b>Company</b>	<b>Furniture, fittings and equipment £</b>
<b>Cost</b>	
At 1 April 2008	3,381
Additions	2,000
	<hr/>
At 31 March 2009	5,381
	<hr/>
<b>Depreciation</b>	
At 1 April 2008	2,831
Charge for the year	70
	<hr/>
At 31 March 2009	2,901
	<hr/>
<b>Net book value</b>	
At 31 March 2009	2,480
	<hr/> <hr/>
At 31 March 2008	550
	<hr/> <hr/>

**14. FIXED ASSET INVESTMENTS**

<b>Company</b>	<b>Shares in group undertakings £</b>
<b>Cost or valuation</b>	
At 1 April 2008 and 31 March 2009	411,336
	<hr/> <hr/>

Details of the principal subsidiaries can be found under note number 28.

**15. STOCKS**

	<u>Group</u>		<u>Company</u>	
	2009	2008	2009	2008
	£	£	£	£
Finished goods and goods for resale	<u>96,136</u>	<u>108,969</u>	<u>-</u>	<u>-</u>

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

**16. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	£	£	£	£
<b>Due after more than one year</b>				
Amounts owed by group undertakings	-	-	<b>712,193</b>	730,416
<b>Due within one year</b>				
Trade debtors	<b>197,450</b>	152,110	<b>7,103</b>	1,809
Other debtors	<b>36,702</b>	12,315	<b>26,919</b>	1,000
Prepayments and accrued income	<b>5,529</b>	3,675	<b>5,529</b>	3,675
	<b>239,681</b>	168,100	<b>751,744</b>	736,900

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

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	£	£	£	£
Bank loans and overdrafts	<b>14,574</b>	316	<b>14,574</b>	316
Convertible loan notes	-	124,000	-	124,000
Net obligations under finance leases and hire purchase contracts	<b>1,607</b>	1,607	-	-
Trade creditors	<b>175,323</b>	176,302	<b>46,433</b>	45,414
Corporation tax	<b>830</b>	830	<b>830</b>	830
Social security and other taxes	<b>17,795</b>	11,498	-	1,289
Other creditors	<b>146,030</b>	90,943	<b>1,455</b>	1,455
Accruals and deferred income	<b>135,461</b>	104,899	<b>24,940</b>	19,115
	<b>491,620</b>	510,395	<b>88,232</b>	192,419

Included within other creditors is an amount of £141,342 (2008: £85,352) 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.



**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Unsecured convertible loan notes 2011	<b>106,000</b>	-	<b>106,000</b>	-
Directors' loan accounts	-	20,163	-	20,163
Loan notes	<b>163,321</b>	345,875	<b>163,321</b>	345,875
Net obligations under finance leases and hire purchase contracts	<b>403</b>	2,010	-	-
	<b>269,724</b>	368,048	<b>269,321</b>	366,038

During the year the company issued £106,000 of unsecured convertible loan notes. Loan notes can be converted at the holders option on the basis of 50 ordinary share of 0.2p for each £1 of loan stock held. If not converted by 2011 the loan notes are repayable at par. The loan notes incur interest at 9% per annum.

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

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Between one and five years	<b>403</b>	2,010	-	-

**19. SHARE CAPITAL**

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
2,500,000,000 Ordinary shares of 0.2p each	<b>5,000,000</b>	5,000,000
<b>Allotted, called up and fully paid</b>		
52,041,560 (2008 - 37,481,560) Ordinary shares of 0.2p each	<b>104,083</b>	74,963

During the year the company issued 14,560,000 Ordinary shares of 0.2p each for total consideration of £291,200.

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

**20. RESERVES**

	Share premium account £	Other reserves £	Profit and loss account £
<b>Group</b>			
At 1 April 2008	664,898	111,478	(1,038,062)
Loss for the year			(81,912)
Premium on shares issued during the year	173,109		
	<u>838,007</u>	<u>111,478</u>	<u>(1,119,974)</u>
		Share premium account £	Profit and loss account £
<b>Company</b>			
At 1 April 2008		664,898	(149,532)
Profit for the year			16,439
Premium on shares issued during the year		173,109	
		<u>838,007</u>	<u>(133,093)</u>

**21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	2009 £	2008 £
<b>Group</b>		
Opening shareholders' deficit	(186,723)	(353,218)
Loss for the year	(81,912)	(173,991)
Shares issued during the year	29,120	13,200
Share premium on shares issued (net of expenses)	173,109	327,286
	<u>(66,406)</u>	<u>(186,723)</u>
	2009 £	2008 £
<b>Company</b>		
Opening shareholders' funds	590,329	286,023
Loss for the year	16,439	(20,974)
Shares issued during the year	29,120	13,200
Share premium on shares issued (net of expenses)	173,109	312,080
	<u>808,997</u>	<u>590,329</u>

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own Profit and loss Account.

The profit for the year dealt with in the accounts of the company was £16,439 (2008 Loss - £20,974)).

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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

	2009 £	2008 £
Operating loss	<b>(50,524)</b>	(134,520)
Amortisation of intangible fixed assets	<b>24,670</b>	24,670
Depreciation of tangible fixed assets	<b>1,322</b>	1,459
Decrease/(increase) in stocks	<b>12,833</b>	(21,870)
Increase in debtors	<b>(71,581)</b>	(20,521)
Increase/(decrease) in creditors	<b>90,967</b>	(56,905)
	-	-
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operations</b>	<b>7,687</b>	(207,687)
	<hr/> <hr/>	<hr/> <hr/>

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

	2009 £	2008 £
<b>Returns on investments and servicing of finance</b>		
Interest received	471	1,350
Interest paid	<b>(30,826)</b>	(39,509)
Hire purchase interest	<b>(1,033)</b>	(1,312)
	<hr/>	<hr/>
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(31,388)</b>	(39,471)
	<hr/> <hr/>	<hr/> <hr/>

	2009 £	2008 £
<b>Capital expenditure and financial investment</b>		
Purchase of intangible fixed assets	-	(480)
Purchase of tangible fixed assets	<b>(2,767)</b>	-
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure</b>	<b>(2,767)</b>	(480)
	<hr/> <hr/>	<hr/> <hr/>

	2009 £	2008 £
<b>Financing</b>		
Issue of ordinary shares	<b>202,229</b>	340,485
Repayment of loans	<b>(20,163)</b>	-
Issue of loan notes	<b>106,000</b>	-
Repayment of other loans	<b>(306,554)</b>	(72,763)
Repayment of finance leases	<b>(1,607)</b>	-
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from financing</b>	<b>(20,095)</b>	267,722
	<hr/> <hr/>	<hr/> <hr/>

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

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

	<b>1 April 2008</b>	<b>Cash flow</b>	<b>Other non-cash changes</b>	<b>31 March 2009</b>
	£	£	£	£
Cash at bank and in hand:	45,230	(32,305)	-	12,925
Bank overdraft	(316)	(14,258)	-	(14,574)
	<u>44,914</u>	<u>(46,563)</u>	<u>-</u>	<u>(1,649)</u>
<b>Debt:</b>				
Finance leases	(3,617)	1,607	-	(2,010)
Debts due within one year	(124,000)	220,717	(96,718)	(1)
Debts falling due after more than one year	(366,039)	-	96,718	(269,321)
<b>Net debt</b>	<u>(448,742)</u>	<u>175,761</u>	<u>-</u>	<u>(272,981)</u>

**25. 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 £16,609 (2008 - £16,450). No contributions were payable to the fund at the balance sheet date (2008 - £nil).

**26. OPERATING LEASE COMMITMENTS**

At 31 March 2009 the Group had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Group</b>	£	£	£	£
<b>Expiry date:</b>				
Between 2 and 5 years	30,350	-	-	-
After more than 5 years	-	30,185	-	-
	<u>30,350</u>	<u>30,185</u>	<u>-</u>	<u>-</u>

At 31 March 2009 the Company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Company</b>	£	£	£	£
<b>Expiry date:</b>				
Between 2 and 5 years	30,350	-	-	-
After more than 5 years	-	30,185	-	-
	<u>30,350</u>	<u>30,185</u>	<u>-</u>	<u>-</u>

## SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

#### 27. RELATED PARTY TRANSACTIONS

During the year, the group incurred consultancy fees of £6,373 (2008: £15,794) from Tcheno Limited. At the year end, the group owed £6,373 (2008: £32,515) to Tcheno Limited. Mr D J Bretel was a director and company secretary during the year and is also a director of Tcheno Limited.

During the year the group incurred consultancy fees of £16,328 (2008: £16,721) from the John French Consultancy in respect of Mr F J French's services. At the year end the group owed £Nil (2008: £Nil) to the John French Consultancy. Mr F J French is a director and shareholder.

During the year, the group incurred consultancy fees of £3,000 (2008: £Nil) from Summit Office Services Ltd. At the year end, the group owed £Nil (2008: £Nil). Mr S Coke is a director and company secretary and is also a director of Summit Office Services Ltd.

During the year, the group incurred consultancy fees of £7,500 (2008: £7,500) from Mr H Robertson. At the year end, the group owed £16,750 (2008: £14,875). Mr H Robertson is a director of the company.

Included in loan notes is an amount owed to Mr G Sutherland of £65,166 (2008: £244,949). During the year Mr G Sutherland converted £203,500 of the loan notes into 10,175,000 0.2p shares at 2p per share. Interest is charged on the loan at 7%. During the year the group incurred interest of £8,874 (2008: £16,514). Mr G Sutherland is a director and shareholder of the company.

Included in loan notes is an amount owed to K Sutherland of £39,705 (2008: £37,028). Interest is charged on the loan at 7%. During the year the group incurred interest of £2,677 (2008: £2,496). K Sutherland is a related party due to their relationship with G Sutherland.

Included in loan notes is an amount owed to Z Sutherland of £6,833 (2008: £17,997). Interest is charged on the loan at 7%. During the year the group incurred interest of £836 (2008: £1,213). Z 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 90% or more of voting rights are controlled within the group and consolidated financial statements are publically available.

#### 28. 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.

#### 29. CONTROLLING PARTY

Control of the company vests with Mr G M Sutherland who has an interest in 48.6% of the company's issued share capital.

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**CONSOLIDATED DETAILED TRADING AND PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2009**

	<b>Page</b>	<b>2009 £</b>	2008 £
<b>TURNOVER</b>	28	<b>903,842</b>	711,386
Cost of sales	28	<b>(480,051)</b>	(390,550)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		<b>423,791</b>	320,836
Other operating income	28	<b>13,840</b>	11,304
		<hr/>	<hr/>
		<b>437,631</b>	332,140
 <b>LESS: OVERHEADS</b>			
Selling and distribution expenses	28	<b>(52,934)</b>	(37,644)
Administration expenses	28	<b>(387,822)</b>	(389,405)
Establishment expenses	29	<b>(47,399)</b>	(39,611)
		<hr/>	<hr/>
<b>OPERATING LOSS</b>		<b>(50,524)</b>	(134,520)
Interest receivable	29	<b>471</b>	1,350
Interest payable	29	<b>(31,859)</b>	(40,821)
		<hr/>	<hr/>
<b>LOSS FOR THE YEAR</b>		<b>(81,912)</b>	(173,991)
		<hr/> <hr/>	<hr/> <hr/>

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**SCHEDULE TO THE DETAILED ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2009**

	2009 £	2008 £
<b>TURNOVER</b>		
Sales	<u>903,842</u>	<u>711,386</u>
	2009 £	2008 £
<b>COST OF SALES</b>		
Purchases	<u>480,051</u>	<u>390,550</u>
	2009 £	2008 £
<b>OTHER OPERATING INCOME</b>		
Net rents receivable	13,062	11,156
Insurance claims receivable	-	148
Sundry income	778	-
	<u>13,840</u>	<u>11,304</u>
	2009 £	2008 £
<b>SELLING AND DISTRIBUTION EXPENSES</b>		
Carriage	<u>52,934</u>	<u>37,644</u>
	2009 £	2008 £
<b>ADMINISTRATION EXPENSES</b>		
Directors salaries	144,533	126,721
Directors national insurance	10,809	19,143
Directors pension costs - money purchase schemes	8,600	8,950
Staff salaries	47,171	61,264
Staff national insurance	4,954	4,730
Motor running costs	5,436	6,162
Hotels, travel and subsistence	4,966	5,301
Telephone and fax	3,752	3,142
Repairs and maintenance	844	1,190
Equipment hire	-	2,930
Printing and stationery	6,844	6,531
Trade subscriptions	807	285
Staff training	-	1,614
Sundry expenses	1,857	1,949
Advertising and promotion	26,549	22,963
Entertainment	17	325
Computer costs	3,672	4,797
Legal and professional	27,363	42,120
Other professional fees	5,100	4,039
	<u>303,274</u>	<u>324,156</u>
Sub-total carried forward		

**SUTHERLAND HEALTH GROUP PLC (FORMERLY SEXUAL HEALTH GROUP PLC)**

**SCHEDULE TO THE DETAILED ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2009**

	2009 £	2008 £
<b>ADMINISTRATION EXPENSES (continued)</b>		
Sub-total brought forward	303,274	324,156
Accountancy fees	13,283	14,738
Auditors' remuneration	11,500	7,500
Amortisation - intangible fixed assets	24,670	24,670
Depreciation - plant and machinery	1,322	1,459
Insurances	2,439	5,405
Bad debts	878	-
Bank charges	2,302	2,352
Debt factoring charges	12,515	10,022
Difference on foreign exchange	15,639	(897)
	<hr/> <b>387,822</b> <hr/>	<hr/> <b>389,405</b> <hr/>
	2009 £	2008 £
<b>ESTABLISHMENT EXPENSES</b>		
Rent	32,460	31,246
Rates	9,400	4,384
Light and heat	2,716	1,285
Cleaning	765	792
Repairs and maintenance	2,058	1,904
	<hr/> <b>47,399</b> <hr/>	<hr/> <b>39,611</b> <hr/>
	2009 £	2008 £
<b>INTEREST RECEIVABLE</b>		
Bank interest receivable	<hr/> <b>471</b> <hr/>	<hr/> <b>1,350</b> <hr/>
	2009 £	2008 £
<b>INTEREST PAYABLE</b>		
Bank overdraft interest payable	77	37
Other loan interest payable	25,122	34,028
Other interest - on factored debts	5,627	5,444
Other finance interest	1,033	1,312
	<hr/> <b>31,859</b> <hr/>	<hr/> <b>40,821</b> <hr/>