

SEXUAL HEALTH GROUP PLC
FINANCIAL STATEMENTS

31st MARCH 2008

Company Registration Number 05255086

SEXUAL HEALTH GROUP PLC
FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

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SEXUAL HEALTH GROUP PLC

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	F J French - Chairman D J Bretel FCMA F H Robertson S Sukumaran G M Sutherland
Company secretary	D J Bretel FCMA
Registered office	Unit 1 Rivermead Pipers Way Thatcham Berkshire RG19 4EP
Auditor	James Cowper Chartered Accountants 3 Wesley Gate Queen's Gate Reading RG1 4AP
Bankers	National Westminster 9 High Street Thatcham Newbury Berkshire RG19 3JG
Solicitors	Irwin Mitchell 150 Holborn London EC1N 2NS
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

SEXUAL HEALTH GROUP PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 31st MARCH 2008

Dear Shareholder

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

Highlights

- Sales growth of 17.7% to £711,386
- Gross margin increased from 44.2% to 45.1%
- Losses reduced by 24.3% to £173,991
- Customer service level up from 98% to 99%

The last twelve months has seen your Company progress on several fronts. We have seen a continued growth in sales whilst being able to improve gross margin, contain our costs, see a continued improvement in customer service and support, and have new products added to NHS Contracts, leading to another year of significant progress, with a further reduction in losses, ensuring that we are well on the way to a profitable future.

Activities

April 2007

The Sutherland Health division signed a 2-year contract to supply Patient Requisites and Personal Hygiene Products with NHS England. The contract, which commenced 1 April 2007, is effective until 31 March 2009 with an option to extend for a further period of 12 months. The products supplied have already been developed by the Company and are currently distributed within English NHS Trusts.

The Sutherland Health division also signed a 2-year contract to supply Pre-Operative Razors with NHS England. The contract, which commenced 1 April 2007, is effective until 31 March 2009 with an option to extend for a further period of 24 months. The Pre-Operative Razor is currently distributed within a limited number of English NHS Trusts.

May 2007

The Condomania division registered a new medical device with the Medicines and Healthcare Products Regulatory Agency (MHRA). Condomania® Ultrasound Probe Covers can be used in general medical procedures where Ultrasound is in use. Ultrasound is a technique used to create images of organs and other internal body parts. The new product can be used in association with Sutherland® Lubricating Jelly, which can also be used in ultrasound procedures. Orders for the Ultrasound Probe Covers have already been received and supplied to new customers outside the NHS market, but the Company sees its main sales opportunity for this product in the future to be within the NHS.

July 2007

The Condomania division secures a contract to supply Barnet Primary Care Trust with Condomania condoms. The contract, funded by the Department of Health as part of their Teenage Pregnancy strategy, means that under 21 year olds in the Barnet area will be given improved education, advice, and access to free Condomania® condoms. Barnet has been identified as a hot spot for increased teenage pregnancy rates in a report published in February 2007 by the Office of National Statistics.

October 2007

The Condomania division announces that a further six products will be added to the Company's NHS England framework agreement contract, and will be included in the NHS Supply Chain Catalogue with effect from 1 October 2007. This news means that the Company has 16 products from its

SEXUAL HEALTH GROUP PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 31st MARCH 2008

Condomania® condom range listed with NHS England taking it to 100% listing of its variants within the condom range offering one of the widest choices of condoms available within the NHS.

With these inclusions the Condomania division now has a total of 21 products listed with NHS England.

The Condomania division secures the contract to supply The States of Jersey with Condomania condoms. The contract, funded by The States of Jersey Public Health Department is part of the States' "Health for Life Strategy" and will support the development of an island wide Condom Distribution Scheme. Condom distribution is also cited as one of the key priorities within the island's new Sexual Health Strategy (2007). The condom distribution scheme will enable people to access free condoms from a range of venues including the island's core sexual health services. The scheme's primary objective is to reduce the increasing rates of sexually transmitted infections (STI's) as well as unplanned pregnancy. States of Jersey Health Promotion Officer for Sexual Health, Aimee Tonsberg commented on the announcement of the contract: **"We selected Sexual Health Group to operate this contract due to its successful track record in setting up and managing condom distribution schemes in the UK, and we look forward to working with them on this important project"**

December 2007

The Sutherland Health Division announces that a further three further products are to be added to the Company's NHS England framework agreement contract. The addition has taken place with immediate effect so NHS Trusts could order via the electronic catalogue as soon as product was available and were to be included in the NHS Supply Chain Catalogue with effect from 1 April 2008.

This means that the Company now has eight products from its Sutherland® patient hygiene range listed with NHS England which is a 100% listing of its range. The products have been developed in consultation with the NHS and will enable Trusts to have an improved choice in their wholesale ordering which will help increase sales and distribution of the Sutherland patient hygiene range.

The products developed are fragrance free talc, shaving foam suitable for sensitive skin, and a deodorant suitable for both men and women

The Condomania division also announced that it had completed development of its Vision® hCG pregnancy midstream diagnostic, and marketing of the product would commence in January 2008.

The size of the pregnancy diagnostic market within the NHS is not monitored in research, however it is estimated that there are over 16 million suspicions of pregnancy per annum with over 4 million pregnancy tests being purchased each year by consumers via retail stores alone.

Financial Review

During the period to 31st March 2008, the Group's turnover was £711,386 (2007 £604,223) representing an increase in sales of 17.7% over the previous year, producing a gross profit of £320,836 (2007 £267,052). Administrative expenses were £419,004 (2007 £416,996) after charging £26,129 (2007 £27,311) for amortisation and depreciation, and a foreign exchange gain of £897 (2007 £1,382). The pre-tax Loss was £173,991 (2007 £229,868) and the loss per ordinary share was 0.51 pence (2007 0.77 pence). Cash at the bank on the balance sheet at the 31st March 2008 was £44,914 (2007 £24,830).

Post Balance Sheet

Since the end of the period, the Board announced in April that the Company had exchanged conditional contracts to acquire Pasante Healthcare Limited (Pasante), a privately owned business whose principal activity is the supply of sexual health products. Consideration for the proposed acquisition of Pasante was £2,400,000 payable in cash on completion of the transaction. The

SEXUAL HEALTH GROUP PLC
CHAIRMAN'S STATEMENT
YEAR ENDED 31st MARCH 2008

transaction was conditional on the Company raising sufficient funds. The acquisition did not proceed due the Company being unable to raise the minimum £2,500,000 required. In the opinion of the Board, this was due to the difficult market conditions within the financial markets at the time.

On 30th May 2008, the Board also announced that the trading in the financial year to 31st March 2008 was in line with expectations and that management figures show that turnover since the year end exceeds that of the comparable period last year.

On 3rd June 2008, the Company learned that after an extensive audit it had been successfully audited by SGS United Kingdom Ltd on all quality issues, and therefore the Company can 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

On 16th July 2008, the Board announced that it had reached £305,000 in its current fundraising activity therefore achieving the minimum required, and stated that it would leave the fundraising open until the target figure was reached. We are pleased to say that the Company's major institutional investor Majedie Investments Plc participated once again in this round.

Outlook

As can be seen in my report the last year has seen a number of new contract wins and other significant achievements being made. Our core business continues to grow whilst development of further new products continues. At the time of writing, the new financial year shows a continuation in the organic growth of our business, which gives a positive outlook for the future.

The Board will also continue to consider suitable acquisitions and will notify shareholders of any progress in this area when possible.

I would like to take this opportunity to thank the staff and the members of the Board for another year of commitment and tremendous effort in continuing to grow the Company's business, and my thanks also go to the Company's advisers, and to our loyal shareholders who continue to give tremendous support.

Finally, I would like to inform you that David Bretel will be standing down as Finance Director on the 31st July 2008, and the Board joins me in wishing him every success in the future. The Board will advise shareholders of a new appointment in due course

John French
Chairman

SEXUAL HEALTH GROUP PLC
THE DIRECTORS' REPORT
YEAR ENDED 31st MARCH 2008

The directors present their report and the financial statements of the group for the year ended 31st March 2008.

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 sexual health products.

Group turnover has increased from £604,223 in the previous year to £711,386 in the current period. The gross profit made by the group is £320,836 compared to £267,052 in 2007.

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 reporting 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.

Financial Key Performance Indicators

	2008	2007
Turnover	711,386	604,223
Increase in turnover	17.7%	82.4%
Gross Profit	320,836	267,052

SEXUAL HEALTH GROUP PLC
THE DIRECTORS' REPORT
YEAR ENDED 31st MARCH 2008

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.

RESULTS AND DIVIDENDS

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

The Chairman's statement on pages 2, 3 and 4 forms part of the Director's Report for the period.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

SEXUAL HEALTH GROUP PLC
THE DIRECTORS' REPORT
YEAR ENDED 31st MARCH 2008

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 15 to 17, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITOR

James Cowper offer themselves for re-election for the ensuing year and will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors

G M Sutherland

Director

Approved by the directors on 23rd July 2008

SEXUAL HEALTH GROUP PLC
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SEXUAL HEALTH GROUP PLC
YEAR ENDED 31st MARCH 2008

We have audited the group and parent company financial statements ("the financial statements") of Sexual Health Group Plc for the year ended 31st March 2008 on pages 11 to 32 which have been prepared on the basis of the accounting policies set out on page 15 to 17.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

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 on pages 5 to 8.

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, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company 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 judgements 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.

SEXUAL HEALTH GROUP PLC
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SEXUAL HEALTH GROUP PLC *(continued)*
YEAR ENDED 31st MARCH 2008

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 and company's affairs as at 31 March 2008 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.

The information given in the Directors' Report is consistent with the financial statements for the year ended 31 March 2008.

JAMES COWPER Chartered Accountants & Registered Auditor
3 Wesley Gate
Queen's Road
Reading
RG1 4AP

On the 28th of July 2008

SEXUAL HEALTH GROUP PLC
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31st MARCH 2008

	Note	2008 £	2007 £
GROUP TURNOVER	2	711,386	604,223
Cost of sales		390,550	337,171
GROSS PROFIT		320,836	267,052
Distribution costs		37,644	29,568
Administrative expenses		394,334	392,326
Amortisation		24,670	24,670
Other operating income	3	(11,314)	(3,961)
OPERATING LOSS	4	(124,498)	(175,551)
Interest receivable	7	1,350	465
Interest payable and similar charges	8	(50,843)	(54,782)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(173,991)	(229,868)
Tax on loss on ordinary activities	9	–	–
LOSS FOR THE FINANCIAL YEAR	10	(173,991)	(229,868)
EARNINGS PER SHARE (PENCE)	12	(0.51)	(0.77)
DILUTED EARNINGS PER SHARE (PENCE)	12	(0.47)	(0.71)

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

SEXUAL HEALTH GROUP PLC
GROUP BALANCE SHEET
31st MARCH 2008

	Note	2008		2007	
		£	£	£	£
FIXED ASSETS					
Intangible assets	13		364,015		388,685
Tangible assets	14		5,406		6,385
			369,421		395,070
CURRENT ASSETS					
Stocks	16	108,969		87,099	
Debtors	17	163,693		143,172	
Cash at bank and in hand		44,914		24,830	
		317,576		255,101	
CREDITORS: Amounts falling due within one year	18	505,672		450,577	
NET CURRENT (LIABILITIES)/ASSETS			(188,096)		(195,476)
TOTAL ASSETS LESS CURRENT LIABILITIES			181,325		199,594
CREDITORS: Amounts falling due after more than one year	19		368,048		552,811
			(186,723)		(353,217)
CAPITAL AND RESERVES					
Called-up equity share capital	23		74,963		61,763
Share premium account	24		664,898		337,613
Other reserves	24		111,478		111,478
Profit and loss account	24		(1,038,062)		(864,071)
(DEFICIT)/SHAREHOLDERS' FUNDS	25		(186,723)		(353,217)

These financial statements were approved by the directors on the 23rd July 2008 and are signed on their behalf by:

G M Sutherland

Director

The notes on pages 15 to 32 form part of these financial statements.

SEXUAL HEALTH GROUP PLC
COMPANY BALANCE SHEET
31st MARCH 2008

	Note	2008		2007	
		£	£	£	£
FIXED ASSETS					
Investments	15		411,336		411,336
Tangible assets			550		595
CURRENT ASSETS					
Debtors	17	736,900		523,852	
Cash at bank		(316)		7,426	
		736,584		531,278	
CREDITORS: Amounts falling due within one year					
	18	192,103		124,682	
NET CURRENT ASSETS					
			544,481		406,596
TOTAL ASSETS LESS CURRENT LIABILITIES					
			956,367		818,527
CREDITORS: Amounts falling due after more than one year					
	19		366,038		532,504
			590,329		286,023
CAPITAL AND RESERVES					
Called-up equity share capital	23		74,963		61,763
Share premium account	24		664,898		352,773
Profit and loss account	24		(149,532)		(128,513)
SHAREHOLDERS' FUNDS					
			590,329		286,023

These financial statements were approved by the directors on the 23rd July 2008 and are signed on their behalf by:

G M Sutherland

Director

The notes on pages 15 to 32 form part of these financial statements.

SEXUAL HEALTH GROUP PLC
GROUP CASH FLOW
YEAR ENDED 31st MARCH 2008

	Note	2008 £	2007 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	26	(197,665)	(42,875)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	26	(49,493)	(54,489)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	26	(480)	(1,100)
ACQUISITIONS AND DISPOSALS			
Net cash acquired with subsidiary		-	-
NET CASH INFLOW FROM ACQUISITIONS AND DISPOSALS		-	-
CASH OUTFLOW BEFORE FINANCING		(247,638)	(98,464)
FINANCING	26	267,722	86,978
(DECREASE)/INCREASE IN CASH	26	20,084	(11,486)

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

1. ACCOUNTING POLICIES

Basis of Accounting

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

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 2007.

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.

Going Concern

At the balance sheet date the group had funds of £44,914, including net current liabilities of £188,096, having incurred a loss for the year of £173,991

The deficit of funds continues to be funded by long-term debt in the form of loan notes and directors' loans, and net current liabilities by a combination of trade credit, a factoring facility, loan notes and directors' loans.

Detailed forecasts have been prepared and approved by the directors for each company in the group who believe that they are prudent and readily achievable.

On the above basis the forecasts show that the group becomes profitable in the third quarter of 2008.

The directors have considered cash flow and funding requirements.

The major trade creditor of Condomania Plc has already agreed to stage payments.

Long term funding in the form of loan notes and directors' loans continues in place.

At the time of signing these accounts the company is involved in a new fund raising round. To date, 60% of the targeted funding has been achieved. If the remaining funding is not obtained the Board will need to consider alternative methods of raising new finance. The directors are of the opinion that it is unlikely sufficient funding will not be generated and consequently the financial statements have been prepared on a going concern basis. If this additional funding was not available then the going concern basis may not be appropriate and the financial statements do not reflect any adjustment which might be necessary as a result of this.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

1 ACCOUNTING POLICIES continued

of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end

Amortisation

Amortisation is calculated 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:

Brand names and trademarks - 10 % on cost

Fixed Assets

All fixed assets are originally recorded at cost.

Depreciation

Depreciation is calculated 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:

Plant and Machinery	- 25% on reducing balance
Fixtures and Fittings	- 25% on reducing balance
Equipment	- 33% per annum on cost

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire Purchase Agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

1 ACCOUNTING POLICIES continued**Pension Costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the group. An analysis of turnover is given below:

	2008	2007
	£	£
United Kingdom	711,386	604,223
	=====	=====

3. OTHER OPERATING INCOME

	2008	2007
	£	£
Rent receivable	11,156	3,961
Management charges receivable	-	-
	-----	-----
	11,156	3,961
	=====	=====

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

4. OPERATING LOSS

Operating loss is stated after charging:

	2008	2007
	£	£
Amortisation	24,670	24,670
Depreciation of owned fixed assets	206	1,813
Depreciation of assets held under hire purchase agreements	1,253	2,210
Loss on disposal of fixed assets	-	-
Auditor's remuneration		
- as auditor	7,500	7,500
Operating lease costs:		
Other	31,246	27,557
Net profit on foreign currency translation	897	1,382
	=====	=====

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to:

	2008	2007
	No	No
Number of administrative staff	3	3
Number of management staff	2	2
	-----	-----
	5	5
	=====	=====

The aggregate payroll costs of the above were:

	2008	2007
	£	£
Wages and salaries	187,985	178,876
Social security costs	23,873	13,507
Other pension costs	8,950	9,200
	-----	-----
	220,808	201,583
	=====	=====

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

6. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2008 £	2007 £
Emoluments receivable	126,721	123,889

Pension contributions of £8,500 (2007: £9,200) have been paid for one director during the year.

7. INTEREST RECEIVABLE

	2008 £	2007 £
Bank interest receivable	1,350	465

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Interest payable on bank borrowing	37	9
Loan note interest payable	34,028	25,676
Finance charges	10,022	10,356
Hire purchase interest	1,312	-
Interest on other loans	-	14,934
Factoring interest	5,444	3,979
	50,843	54,954

9. TAXATION ON ORDINARY ACTIVITIES**Factors affecting current tax charge**

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2007 - 30%).

	2008 £	2007 £
Loss on ordinary activities before taxation	(173,991)	(229,868)
Profit / (loss) on ordinary activities by rate of tax	(52,197)	(68,960)
Factors not deductible for tax purposes	-	-
Capital allowances in excess of depreciation	-	-
Losses carried forward	52,197	68,960
Total current tax	-	-

Factors that may affect future tax charges

The group has losses available to carry forward of £778,013.

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

10. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £21,019 (2007 - £69,356).

11. DIVIDENDS

No dividend has been recommended for the year ended 31st March 2008.

12. EARNINGS PER SHARE

	2008 (pence)	2007 (pence)
Earnings per Ordinary Share	(0.51)	(0.77)

	2008 (pence)	2007 (pence)
Earnings for the purposes of basic earnings per share	(0.47)	(0.71)

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

Earnings

	2008 £	2007 £
Earnings for the purposes of basic earnings per share	(173,991)	(229,868)
Effect of dilutive potential ordinary shares:		
Adjustment to earnings for Diluted EPS	-	-
	-----	-----
Earnings for the purposes of diluted earnings per share	(173,991)	(229,868)
	=====	=====

Number of Shares

	2008 No of shares	2007 No of shares
Basic weighted average number of shares	34,034,985	29,881,560
Dilutive potential ordinary shares:		
Adjustment to average number of shares for Diluted EPS	2,903,450	2,482,450
	-----	-----
Weighted average number of shares for the purposes of diluted earnings per share	36,938,435	32,365,010
	=====	=====

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.

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

13. INTANGIBLE FIXED ASSETS

Group	Goodwill on consolidation £	Purchased Goodwill & Brands £	Total £
COST			
At 1st April 2007	317,692	141,384	459,076
Additions	-	-	-
Acquisitions	-	-	-
At 31st March 2008	317,692	141,384	459,076
AMORTISATION			
At 1st April 2007	16,660	53,731	70,391
Charge for the year	16,660	8,010	24,670
Acquisitions	-	-	-
At 31st March 2008	33,320	61,741	95,061
NET BOOK VALUE			
At 31st March 2008	284,372	79,643	364,015
At 31st March 2007	301,032	87,653	388,685

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

14. TANGIBLE FIXED ASSETS

Group	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Total £
COST					
At 1 April 2007	9,936	2,654	-	11,124	23,714
Additions	-	-	-	480	480
Disposals	-	-	-	-	-
Acquisitions	-	-	-	-	-
At 31 March 2008	9,936	2,654	-	11,604	24,194
DEPRECIATION					
At 1 April 2007	4,730	2,226	-	10,373	17,329
Charge for the year	1,302	(44)	-	201	1,459
Acquisitions	-	-	-	-	-
At 31 March 2008	6,032	2,182	-	10,574	18,788
NET BOOK VALUE					
At 31 March 2008	3,904	472	-	1,030	5,406
At 31 March 2007	5,206	428	-	751	6,385

Hire Purchase Agreements

Included within the net book value of £5,406 is £2,967 (2007 £4,220) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £1,253 (2007 £2,411).

15. INVESTMENTS

Company	Group companies £
COST	
At 1st April 2007	411,336
Additions	-
At 31st March 2008	411,336
NET BOOK VALUE	
At 31st March 2008	411,336
At 31st March 2007	411,336

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

15. INVESTMENTS *(continued)*

The company owns 100% of the share capital of Condomania PLC, which is registered in England and Wales. The nature of the company's business is that of the sale and supply of sexual health products. Total capital and reserves on 31st March 2008 were £(804,758) (2007: £(595,229)). The loss made in the year was £203,290 (2007: £214,020 loss).

Condomania PLC owns 100% of the share capital of Condomania (UK) Limited, which is registered in England and Wales. The company did not trade in the period. Total capital and reserves on 31st March 2008 were £(24,931) (2007: £(24,931)).

Condomania PLC owns 100% of the share capital of Sexual Health Company Limited, which is registered in England and Wales. The company did not trade in the period. Total capital and reserves at 31st March 2008 was £1 (2007: £1).

The company owns 100% of the share capital of Sutherland Group Holdings Limited which is registered in England and Wales. The capital and reserves on 31st March 2008 were £28,993 (2007: £31,873) and the loss made in the year was £2,880 (2007: £10,007 loss).

Sutherland Group Holdings Limited owns 100% of Sutherland Health Limited which is registered in England and Wales. The capital and reserves on 31st March 2008 were £160,679 (2007: £90,867) and the profit made in the year was £69,812 (2007: £73,938).

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

16. STOCKS

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Stock	108,969	87,099	-	-
Raw materials	-	-	-	-
	108,969	87,099	-	-

17. DEBTORS

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	152,109	121,072	1,809	-
Amounts owed by group undertakings	-	-	730,416	517,999
VAT recoverable	-	-	-	-
Corporation tax	-	1,341	-	-
Other debtors	1,179	16,814	1,000	1,044
Prepayments and accrued income	10,405	3,945	3,675	3,946
	163,693	143,172	736,900	522,989

The debtors above include the following amounts falling due after more than one year:

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Amounts owed by group undertakings	-	-	730,416	517,999

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

18. CREDITORS: Amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade creditors	176,302	231,839	45,414	51,175
Hire purchase agreements	1,607	1,607	-	-
Convertible Loan notes	112,000	-	112,000	-
Corporation tax	-	-	-	-
Other taxation and social security	7,806	14,866	1,289	277
Other creditors	91,061	114,989	2,285	41,455
A loan notes 2006	-	-	-	-
B loan notes 2006	12,000	12,000	12,000	12,000
Accruals and deferred income	104,896	75,276	19,115	19,775
	505,672	450,577	192,103	124,682

The A and B loan notes rank pari-passu save that the B loan notes are being repaid at £1,000 a month. The A and B loan notes carry interest at 7% per annum.

Included within other creditors is an amount of £85,352 in respect of amounts due under a factoring agreement. This amount is secured by a fixed charge over book debts and by a floating charge over the assets and undertakings of the group.

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

19. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Unsecured convertible loan notes				
2008	-	112,000	-	170,000
A loan notes 2006	43,025	45,200	43,025	45,200
B loan notes 2006	302,850	317,304	302,850	317,304
Hire purchase agreements	2,010	3,483	-	-
Directors' loan accounts	20,163	74,824	20,163	-
Other creditors	-	-	-	-
	368,048	552,811	366,038	532,504

On 30 June 2005 the company issued £112,000 of unsecured convertible loan notes. These may be converted at the holders option at the basis of one ordinary share of 0.2p for each 10p of loan stock held. If not converted by 30 June 2008 the loan notes are repayable at par. The loan notes incur interest at 8% per annum. The holders of these loan notes have been offered the option to convert at 2p under the terms of the placing now in progress or enter into a new unsecured loan note offering interest at 9% per annum with a conversion price of 2p at any time up to 30th June 2011.

On 28 March 2006 the company issued £358,000 of unsecured loan notes in consideration of the purchase of the share capital of Sutherland Group Holdings Limited as described in note 16 to the accounts. These were split into A and B loan notes.

The A and B loan notes rank pari-passu save that the B loan notes are being repaid at £1,000 a month. The A and B loan notes carry interest at 7% per annum.

20. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Amounts payable within 1 year	1,607	1,607	-	-
Amounts payable between 2 to 5 years	2,010	3,483	-	-
	3,617	5,090	-	-

Liabilities under hire purchase are secured on the assets concerned.

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

21. COMMITMENTS UNDER OPERATING LEASES

At 31st March 2008 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2008		2007	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire:				
Within 2 to 5 years	-	3,617	-	4,320
After more than 5 years	30,185	-	30,185	-
	30,185	3,617	30,185	4,320

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

22. RELATED PARTY TRANSACTIONS

During the year, the group incurred consultancy fees of £15,794 (2007: £13,124) from Tcheno Limited. At the year end, the group owed £32,515 (2007: £27,234) to Tcheno Limited. Mr D J Bretel, a director and shareholder, is also a director of Tcheno Limited. These fees are included in consultancy fees.

During the year the group incurred consultancy fees of £16,721 (2007: £15,203) from the John French Consultancy in respect of Mr F J French's services. At the year end the group owed £Nil (2007: £6,250) to the John French Consultancy. Mr F J French is a director and shareholder. These fees are included in directors' emoluments.

In accordance with FRS 8, exemption is taken not to disclose transactions in the year between group undertakings where 90% or more of the voting rights are controlled within the group and the consolidated financial statements in which Condomania PLC is included are publicly available.

Control

Control and ultimate control of the company vests with Mr G M Sutherland who has an interest in 50.03% of the company's issued share capital.

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

23. SHARE CAPITAL

Authorised share capital:		2008		2007
		£		£
2,500,000,000 Ordinary shares of £0.002 each		5,000,000		61,763
		=====		=====
Allotted, called up and fully paid:		2008		2007
	No	£	No	£
Ordinary shares of £0.002 each	37,481,560	74,963	30,881,560	61,763
	=====	=====	=====	=====

The following options were outstanding at the year end:

- 1) 350,000 shares at 10p each expiring 31st July 2008 granted on 26th October 2004 replacing options previously held in Condomania plc.
- 2) 320,000 shares at 16p each expiring 20th September 2014 granted on 20th September 2005 pursuant to the EMI share option scheme.
- 3) 2,133,450 shares at 16p each expiring 18th October 2014 granted on 18th October 2005 pursuant to the unapproved share option scheme.

On 31st August 2007 the company issued 4,000,000 ordinary shares at 5p each and on 7th December a further 2,600,000 ordinary shares at 5p each.

24. RESERVES

Group	Share premium account	Merger reserve	Profit and loss account
	£	£	£
Balance brought forward	337,613	111,478	(864,071)
Loss for the year	-	-	(173,991)
Other movements	10,485		
New equity share capital subscribed	316,800	-	-
	-----	-----	-----
Balance carried forward	664,898	111,478	(1,038,062)
	=====	=====	=====
Company	Share premium account	Profit and loss account	
	£	£	
Balance brought forward	352,773	(128,513)	
Loss for the year	-	(21,019)	
Other movements	(4,675)	-	
New equity share capital subscribed	316,800	-	
	-----	-----	
Balance carried forward	664,898	(149,532)	
	=====	=====	

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008		2007
	£		£
Loss for the financial year	(173,991)		(229,868)
New equity share capital subscribed	13,200		4,000
Net premium on new share capital Subscribe	327,285		96,000
	-----		-----
Net (reduction)/addition to shareholders' funds	166,494		(129,868)
Opening shareholders' funds	(353,217)		(208,189)
	-----		-----
Closing shareholders' (deficit)/funds	(186,723)		(353,217)
	=====		=====

26. NOTES TO THE STATEMENT OF CASH FLOWS**RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	2008		2007
	£		£
Operating loss	(124,498)		(175,551)
Amortisation	24,670		24,670
Depreciation	1,459		4,023
Loss on disposal of fixed assets	-		-
Decrease/(increase) in stocks	(21,870)		28,297
Decrease (increase) in debtors	(20,521)		6,682
(Decrease)/increase in creditors	(56,905)		69,004
	-----		-----
Net cash outflow from operating activities	(197,665)		(42,875)
	=====		=====

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2008		2007
	£		£
Interest received	1,350		465
Interest paid	(49,531)		(54,954)
Interest element of hire purchase	(1,312)		-
	-----		-----
Net cash outflow from returns on investments and servicing of finance	(49,493)		(54,489)
	=====		=====

CAPITAL EXPENDITURE

	2008		2007
	£		£
Payments to acquire tangible fixed assets	(480)		(1,100)
Receipts from sale of fixed assets	-		-
	-----		-----
Net cash outflow from capital expenditure	(480)		(1,100)
	=====		=====

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

26. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)***FINANCING**

	2008 £	2007 £
Issue of equity share capital	13,200	4,000
Share premium on issue of equity share capital	327,285	96,000
Increase in loan notes	-	-
Net outflow from other long-term creditors	(72,763)	(13,022)
Net cash inflow from financing	267,722	86,978

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£	2008 £	£	2007 £
(Decrease)/increase in cash in the period	20,084		3,133	
Net cash (inflow) from loan notes	-		-	
Cash outflow in respect of hire purchase	1,473		1,885	
Loan notes issued to acquire subsidiary	-		-	
New finance leases	-		-	
Net cash movement from other long-term creditors	16,629		(16,504)	
Change in net debt resulting from cash flows		38,186		(11,486)
Movement in net debt in the period		38,186		(11,486)
Net funds at 1 April 2007		(466,764)		(455,278)
Net debt at 31 March 2008		(428,578)		(466,764)

SEXUAL HEALTH GROUP PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st MARCH 2008

26. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Apr 2007 £	Cash flows £	Other changes £	At 31 Mar 2008 £
Net cash:				
Cash in hand and at bank	24,830	20,084	-	44,914
	<hr/>			
Debt:				
Debt due within 1 year	(12,000)	-	(112,000)	(124,000)
Debt due after 1 year	(474,504)	16,629	112,000	(345,875)
Hire purchase agreements	(5,090)	1,473	-	(3,617)
	<hr/>			
	(491,594)	18,102	-	(473,492)
	<hr/>			
Net debt	(466,764)	38,186	-	(428,578)
	<hr/> <hr/>			

SEXUAL HEALTH GROUP PLC
MANAGEMENT INFORMATION
YEAR ENDED 31st MARCH 2008

**The following pages do not form part of the statutory financial statements
which are the subject of the Independent auditor's report on page 9**

SEXUAL HEALTH GROUP PLC
DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31st MARCH 2008

	2008		2007	
	£	£	£	£
TURNOVER		711,386		604,223
Purchases		390,550		337,171
GROSS PROFIT		320,836		267,052
OVERHEADS				
Distribution costs	37,644		29,568	
Administrative expenses	394,334		392,326	
Goodwill amortisation	24,670		24,670	
		456,648		446,564
		(135,812)		(179,512)
OTHER OPERATING INCOME		11,314		3,961
OPERATING LOSS		(124,498)		(175,551)
Bank interest receivable		1,350		465
		(123,148)		(175,086)
Interest payable and similar charges		(50,843)		(54,782)
LOSS ON ORDINARY ACTIVITIES		(173,991)		(229,868)

SEXUAL HEALTH GROUP PLC

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31st MARCH 2008

	2008		2007	
	£	£	£	£
ADMINISTRATIVE EXPENSES <i>(continued)</i>				
Brought forward		417,549		416,507
DISTRIBUTION COSTS				
Packaging materials		4,105		2,494
Freight and carriage		33,539		27,074
		-----		-----
		37,644		29,568
		=====		=====
ADMINISTRATIVE EXPENSES				
Personnel costs				
Directors salaries	126,721		123,889	
Directors fees	-		-	
Directors national insurance contributions	19,143		8,949	
Wages and salaries	61,264		54,987	
Employers national insurance contributions	4,730		4,558	
Staff pension contributions	8,950		9,200	
	-----		-----	
		220,808		201,583
Establishment expenses				
Rent	31,246		27,557	
Rates and water	4,384		11,189	
Light and heat	1,285		1,554	
Insurance	-		4,331	
Repairs and maintenance	1,904		1,924	
Cleaning of premises	792		950	
	-----		-----	
		39,611		47,505
General expenses				
Motor expenses	6,162		9,273	
Travel and subsistence	5,301		4,989	
Telephone	3,142		3,950	
Hire of equipment	2,930		4,726	
Printing, stationery and postage	6,531		8,494	
Subscriptions	285		5,217	
Staff training and recruitment	1,614		-	
Sundry expenses	3,149		2,421	
Promotion and exhibition	22,963		30,274	
Entertaining	325		64	
Computer costs	4,797		3,316	
Legal and professional fees	40,135		3,887	
Other professional fees	4,039		39,604	
Trademark costs	1,985		7,471	
Accountancy fees	14,738		4,351	
Auditors remuneration	7,500		7,500	
Amortisation	24,670		24,670	
Depreciation	1,459		4,023	
Insurance	5,405		3,189	
Loss on disposal of fixed assets	-		-	
	-----		-----	
		157,130		168,419

SEXUAL HEALTH GROUP PLC
NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31st MARCH 2008

	2008		2007	
	£	£	£	£
ADMINISTRATIVE EXPENSES <i>(continued)</i>				
Brought forward		417,549		416,507
Financial costs				
Bad debts written off	-		-	
Credit card charges	428		311	
Interest on other loans	-		-	
Bank charges	1,924		1,560	
Foreign currency gains/losses	(897)		(1,382)	
		-----		-----
		1,455		489
		-----		-----
		419,004		416,996
		=====		=====
OTHER OPERATING INCOME				
Rent receivable		11,156		3,961
Insurance claim		148		-
		-----		-----
		11,314		3,961
		=====		=====
INTEREST RECEIVABLE				
Bank interest receivable		1,350		465
		-----		-----
INTEREST PAYABLE AND SIMILAR CHARGES				
Loan note interest payable		34,028		25,504
Bank interest payable		37		9
Factoring charge		10,022		10,356
Hire purchase and finance lease charges		1,312		-
Interest on other loans		-		14,934
Factoring interest		5,444		3,979
		-----		-----
		50,843		54,782
		=====		=====