

29 June 2017

SUTHERLAND HEALTH GROUP LTD
(Formerly Sutherland Health Group Plc)
("Sutherland Health Group" or "the Company")
FINAL RESULTS

The Board of Sutherland Health Group, a national supplier of personal care, patient hygiene, sexual health and diagnostic products to customers including the NHS is pleased to announce its Final Results for the period ended 30 September 2016.

GROUP STRATEGIC REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

INTRODUCTION

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

BUSINESS REVIEW

Highlights

- Sales increased 24% over the previous year to £852,584 (2015: £687,191)
- Gross profit increased by 6.2% to £366,631 (2015: £345,135)
- Operating losses reduced by 64.7% to £58,644 (2015: loss of £166,118) operating loss is after exceptional income of £125,000 (2015: nil) and exceptional administrative expenses of £88,890(2015:£80,164)
- Net losses reduced by 58.9% to £80,535 (2015: loss of £195,808) net loss is after exceptional income of £125,000 (2015: nil) and exceptional administrative expenses of £88,890 (2015: loss of £115,644)
- Gross margin reduced to 43.0% (2015: 50.2%)
- Overheads increased by 7.4% to £467,799 (2015: £435,689) excluding exceptional administrative expenses of £88,890 (2015:£80,164)
- Reduced dependency on NHS business now 48.9% of sales (2015: 51.0%)
- Online sales now account for 11.36% of total sales (2015: 4.87%)
- Export sales to Europe now account for 3.0% of total sales (2015: 1.0%)

The Company has continued to follow its strategy of building sales and a long term business outside of the NHS. This is working very well with our previous investment in establishing an online presence showing excellent results.

The NHS remains an important market to us but continues to present significant challenges to us in terms of pricing and gross profit erosion which we are managing. This has meant in some instances that in a price led environment we have not won tenders for contracts as the Directors have taken the view that they do not wish to pursue sales at any cost.

We continue to develop our business with Amazon now delivering 75 products (2015: 67) into 11 of their UK depots.

In this period we also invested in setting up our own Ebay online store which is making good progress from which we are seeing additional sales and gross profit opportunities.

Our relationship with key medical and healthcare wholesalers is improving and we are seeing additional products being added to their product catalogues.

We saw a significant uplift in export sales which now accounts for 3% of our sales (2015: 0.9%) as we continue to look to build sales outside the UK and are now supplying our products to Croatia; Ireland and Slovenia via distributors in each country. We are also pleased to inform our shareholders that we have been successful in tendering for some business with Medicins sans Frontiere (MSF) in Belgium and we look forward to building on our relationship with such an eminent International charity.

Restructuring

The Company during this period delisted from the ISDX Market and joined the Asset Match trading platform whilst also changing from a Plc to a Limited Company. The Condomania Plc trading subsidiary transferred its business and assets and novated its contracts to Sutherland Health Ltd on 30 September 2016, therefore from 1 October 2016 there is only one trading subsidiary.

The Board would like to take this opportunity to thank John French for his services over the years from when the Company first listed on ISDX and who after the restructuring of the Company was completed, resigned his roles as a Director and Chairman of the Board.

By progressing the financial restructuring it has enabled us to make substantial savings in costs associated with being on ISDX and a Plc. The restructure together with our strategy of changing the mix of our customer base should mean that going forward the future profitability of the Company should improve.

Goodwill and Investment Impairment

The Board have decided to take a prudent approach when reviewing the Goodwill and Investment Impairment for the period and decided to make an impairment of our goodwill and investments in this financial period which has resulted in an impairment charge of £88,890 during the financial year. Whilst this action has resulted in net losses for the year, we should derive some benefit in future financial periods as amortisation of our goodwill will be at significantly lower levels going forward.

Financial Statements

The financial statements have been prepared for a longer period of 18 months due to the financial restructuring. As such, the comparative figures are not entirely comparable as they reflect the performance and position of the group for a 12 month period in the previous year. It is also the first time adoption of FRS 102 and information on the impact of that is given in Note 31 of the Financial Statements.

Principal Risks and Uncertainties

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

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

FINANCIAL KEY PERFORMANCE INDICATORS

During the period to 30 September 2016 the Group achieved a turnover of £852,584 (2015: £687,191) representing an increase in sales of 24% over the previous period, producing a gross profit of £366,631 (2015: £345,135).

Administrative and distribution expenses including exceptional expenses, were £556,779 (2015: £515,853) after charging £13,462 (2015: £25,694) for amortisation and depreciation and £88,980 (2015: £80,164) for impairment.

The pre-tax loss was £76,992 (2015: loss £187,816). Cash at the bank on the balance sheet as at 30 September 2016 was £51,972 (2015: £49,077)

OTHER KEY PERFORMANCE INDICATORS

The company seeks to ensure that responsible business practice is fully integrated into the management of all its operations and into the culture of all parts of its business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn is expected to ensure the delivery of its core objectives of sustained real growth in future profitability. In a company this size the directors consider there are collectively numerous non-financial performance indicators but none individually are key.

Outlook

It is the opinion of the Directors that having completed the financial restructuring of the Company that substantial cost savings have now been enabled for the future and that it is in an even better position to develop its strategy and to work towards a more sustainable future.

This report was approved by the board on 28 June 2017 and signed on its behalf.

G M Sutherland
Director

---ENDS---

The Directors of the Issuer accept responsibility for this announcement

The financial information set out above does not constitute the Group's statutory accounts for the year ended 30 September 2016 but is derived from those accounts.

The financial information has been extracted from the Annual Report & Financial Statements of Sutherland Health Group Ltd that is available on the company website and is presented using the same accounting policies, which have not yet been filed with the Registrar of Companies, but on which the auditors, James Cowper Kreston, gave an unqualified report on 28 June 2017.

Enquiries:

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Notes to Editors:

Sutherland Health Group Ltd is a national supplier of personal care; patient hygiene, sexual health and diagnostic products to the UK National Health Service (NHS) and other UK customers. It has created in recent years a fast growing online business with customers such as Amazon and via its own online stores. Its aim is to supply innovative solutions to current health issues by studying current trends and working alongside leading professionals who also work within the health sector.

The company is committed to developing and marketing high quality brands and products that will benefit health professionals and consumers alike in many areas of health. The Group has established its own brands: Condomania® Condoms; Sutherland® Patient Hygiene and Personal Care; Lubricating Jelly; and Vision® pregnancy and gynaecology diagnostics. These products have already become established within the NHS business.

The Group is ISO and MHRA registered, and at present principally manufactures and operates within the United Kingdom.

For further information on the Company visit www.sutherlandhealth.com