

**28 August 2015**

**SUTHERLAND HEALTH GROUP PLC**  
**("Sutherland Health Group" or "the Company")**

**ISDX Symbol: SHGP**

**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 year ended 31 March 2015.

**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 MARCH 2015**

**INTRODUCTION**

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

**BUSINESS REVIEW**

**Highlights**

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

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

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

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

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

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

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

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

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

### **PRINCIPAL OPERATING RISKS AND MITIGATIONS**

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

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

## **FINANCIAL KEY PERFORMANCE INDICATORS**

During the period to 31 March 2015 the Group achieved a turnover of £687,190 (2014: £755,955) representing a decrease in sales of 9% over the previous year, producing a gross profit of £345,135 (2014: £379,874).

Administrative and distribution expenses were £435,689 (2014: £446,757) after charging £25,527 (2014: £24,589) for amortisation and depreciation and £80,164 for impairment.

The pre-tax loss was £187,816 (2014: £80,169) and the loss per ordinary share was 0.25p (2014: 0.10p). Cash at the bank on the balance sheet as at 31 March 2015 was £49,077 (2014: £192,619)

## **OTHER KEY PERFORMANCE INDICATORS**

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

## **POST BALANCE SHEET EVENTS**

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

## **OUTLOOK**

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

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

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

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

**G M Sutherland**  
**Director**

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

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

All amounts relate to continuing operations.

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

**CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2015**

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

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

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

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

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

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*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 31 March 2015 but is derived from those accounts.

The financial information has been extracted from the statutory accounts of Sutherland Health Group Plc 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 27 August 2015.

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**Notes to Editors:**

Sutherland Health Group Plc 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. 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](http://www.sutherlandhealth.com)