

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

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

## SUTHERLAND HEALTH GROUP LTD

### COMPANY INFORMATION

<b>Directors</b>	F J French (resigned 25 August 2016) S Sukumaran G M Sutherland S Coke
<b>Company secretary</b>	S Coke
<b>Registered number</b>	05255086
<b>Registered office</b>	Unit 1 Rivermead Pipers Way Berkshire RG19 4EP
<b>Independent auditor</b>	James Cowper Kreston Chartered Accountants and Statutory Auditor 2 Chawley Park Cumnor Hill Oxford Oxfordshire OX2 9GG
<b>Bankers</b>	Clydesdale Bank PLC
<b>Solicitors</b>	Basing View Basingstoke RG21 4EQ Irwin Mitchell LLP 40 Holborn Viaduct London EC1N 2PZ

# SUTHERLAND HEALTH GROUP LTD

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## SUTHERLAND HEALTH GROUP LTD

### GROUP STRATEGIC REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### Introduction

The principal activity of the company during the period 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 loss of £58,644 (2015: loss of £166,118), after exceptional income of £125,000 (2015: £nil) and exceptional administrative expenses of £88,890 (2015: £80,164).

A loss for the period of £80,535 (2015: loss of £195,808), after exceptional income of £125,000 (2015: £nil) and exceptional administrative expenses of £88,890 (2015: loss of £115,664).

Gross margin reduced to 43.0% (2015: 50.2%).

Overheads increased by 7.4% to £467,799 excluding exceptional administrative expenses of £88,890 (2015: £435,689).

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 Group 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.

## **SUTHERLAND HEALTH GROUP LTD**

### **GROUP STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

#### **Restructuring**

The Company during this period delisted from the ISDX Market and joined the Asset Match trading platform, whilst also changing from a Public Limited Company (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 so Condomania Plc and Sutherland Health Group Ltd become non trading companies with effect from that date.

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 from 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 (2015: £80,164) during the financial period. Whilst this action has resulted in net losses for the period, 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 29 of the Financial Statements.

#### **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.

## SUTHERLAND HEALTH GROUP LTD

### GROUP STRATEGIC REPORT (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 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 year, 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: £187,816 loss). 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.

This report was approved by the board on

and signed on its behalf.

**G M Sutherland**  
Director

## **SUTHERLAND HEALTH GROUP LTD**

### **DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

The directors present their report and the financial statements for the period ended 30 September 2016.

#### **Results and dividends**

The loss for the period, after taxation, amounted to £80,535 (2015 - loss £195,808).

The directors do not recommend a dividend for the period ended 30 September 2016.

#### **Directors**

The directors who served during the period were:

F J French (resigned 25 August 2016)  
S Sukumaran  
G M Sutherland  
S Coke

#### **Future developments**

The Group has transferred all its trade and assets to Sutherland Health Limited, a subsidiary company. All other group companies will be dormant for the year ended 30 September 2017.

#### **Disclosure 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 the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

#### **Post balance sheet events**

There have been no significant events affecting the Group since the period end.

## SUTHERLAND HEALTH GROUP LTD

### DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the board on

and signed on its behalf.

**G M Sutherland**  
Director



## **SUTHERLAND HEALTH GROUP LTD**

### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUTHERLAND HEALTH GROUP LTD**

We have audited the financial statements of Sutherland Health Group Ltd for the period ended 30 September 2016, set out on pages 8 to 34. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 30 September 2016 and of the Group's profit or loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Group Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with those financial statements.

## SUTHERLAND HEALTH GROUP LTD

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUTHERLAND HEALTH GROUP LTD (CONTINUED)

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

James Pitt BA (Hons) ACA (Senior Statutory Auditor)

for and on behalf of

**James Cowper Kreston**

Chartered Accountants and Statutory Auditor

2 Chawley Park

Cumnor Hill

Oxford

Oxfordshire

OX2 9GG

Date:

**SUTHERLAND HEALTH GROUP LTD**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Note	2016 £	2015 £
Turnover	4	852,584	687,191
Cost of sales		<b>(485,953)</b>	(342,056)
<b>Gross profit</b>		<b>366,631</b>	345,135
Distribution costs		<b>(52,276)</b>	(45,329)
Administrative expenses		<b>(415,523)</b>	(390,360)
Exceptional administrative expenses	12	<b>(88,980)</b>	(80,164)
Other operating income	5	<b>6,504</b>	4,600
Exceptional other operating income	5,12	<b>125,000</b>	-
<b>Operating loss</b>	6	<b>(58,644)</b>	(166,118)
Interest payable and expenses	10	<b>(18,348)</b>	(21,698)
<b>Loss before taxation</b>		<b>(76,992)</b>	(187,816)
Tax on loss	11	<b>(3,543)</b>	(7,992)
<b>Loss for the period</b>		<b>(80,535)</b>	(195,808)
<b>Total comprehensive income for the period</b>		<b>(80,535)</b>	(195,808)
<b>(Loss) for the period attributable to:</b>			
Owners of the parent Company		<b>(80,535)</b>	(195,808)
		<b>(80,535)</b>	(195,808)
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent Company		<b>(80,535)</b>	(195,808)
		<b>(80,535)</b>	(195,808)

The notes on pages 14 to 34 form part of these financial statements.

**SUTHERLAND HEALTH GROUP LTD**  
**REGISTERED NUMBER: 05255086**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2016**

	Note	30 September 2016 £	31 March 2015 £
<b>Fixed assets</b>			
Intangible assets	14	40,133	141,809
Tangible assets	15	2,583	3,349
		42,716	145,158
<b>Current assets</b>			
Stocks	17	83,091	165,213
Debtors	18	118,159	142,279
Cash at bank and in hand	19	51,972	49,077
		253,222	356,569
Creditors: amounts falling due within one year	20	(151,377)	(438,156)
<b>Net current assets/(liabilities)</b>		<b>101,845</b>	<b>(81,587)</b>
<b>Total assets less current liabilities</b>		<b>144,561</b>	<b>63,571</b>
Creditors: amounts falling due after more than one year	21	(111,525)	-
<b>Net assets</b>		<b>33,036</b>	<b>63,571</b>
<b>Capital and reserves</b>			
Called up share capital	23	169,607	156,274
Share premium account	24	1,197,459	1,160,792
Other reserves	24	111,478	111,478
Profit and loss account	24	(1,445,508)	(1,364,973)
<b>Equity attributable to owners of the parent Company</b>		<b>33,036</b>	<b>63,571</b>
		<b>33,036</b>	<b>63,571</b>

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

**G M Sutherland**

Director

The notes on pages 14 to 34 form part of these financial statements.

**SUTHERLAND HEALTH GROUP LTD**  
**REGISTERED NUMBER: 05255086**

**COMPANY BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2016**

	Note	30 September 2016 £	31 March 2015 £
<b>Fixed assets</b>			
Intangible assets	14	-	19,975
Tangible assets	15	-	2,249
Investments	16	<b>100</b>	88,980
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		<b>100</b>	111,204
<b>Current assets</b>			
Debtors	18	<b>4,834</b>	48,864
Cash at bank and in hand	19	-	4,957
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		<b>4,834</b>	53,821
Creditors: amounts falling due within one year	20	<b>(3,543)</b>	(262,118)
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
<b>Net current assets/(liabilities)</b>		<b>1,291</b>	(208,297)
<b>Total assets less current liabilities</b>		<hr style="width: 100%;"/> <b>1,391</b>	<hr style="width: 100%;"/> <b>(97,093)</b>
<b>Net assets/(liabilities)</b>		<hr style="width: 100%;"/> <b>1,391</b>	<hr style="width: 100%;"/> <b>(97,093)</b>
<b>Capital and reserves</b>			
Called up share capital	23	<b>169,607</b>	156,274
Share premium account	24	<b>1,197,459</b>	1,160,792
Profit and loss account	24	<b>(1,365,675)</b>	(1,414,159)
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		<b>1,391</b>	(97,093)
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

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

**G M Sutherland**  
 Director

**SUTHERLAND HEALTH GROUP LTD**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2014	156,274	1,160,792	111,478	(1,169,165)	259,379
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(195,808)	(195,808)
<b>Total comprehensive income for the year</b>	-	-	-	(195,808)	(195,808)
At 1 April 2015	156,274	1,160,792	111,478	(1,364,973)	63,571
<b>Comprehensive income for the period</b>					
Loss for the period	-	-	-	(80,535)	(80,535)
<b>Total comprehensive income for the period</b>	-	-	-	(80,535)	(80,535)
Shares issued during the period	13,333	36,667	-	-	50,000
<b>At 30 September 2016</b>	<b>169,607</b>	<b>1,197,459</b>	<b>111,478</b>	<b>(1,445,508)</b>	<b>33,036</b>

**SUTHERLAND HEALTH GROUP LTD**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2014	156,274	1,160,792	(1,106,871)	210,195
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(307,288)	(307,288)
<b>Total comprehensive income for the year</b>	-	-	(307,288)	(307,288)
At 1 April 2015	156,274	1,160,792	(1,414,159)	(97,093)
<b>Comprehensive income for the year</b>				
Profit for the period	-	-	48,484	48,484
<b>Total comprehensive income for the period</b>	-	-	48,484	48,484
Shares issued during the period	13,333	36,667	-	50,000
<b>At 30 September 2016</b>	<b>169,607</b>	<b>1,197,459</b>	<b>(1,365,675)</b>	<b>1,391</b>

**SUTHERLAND HEALTH GROUP LTD**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

	<b>30 September 2016 £</b>	31 March 2015 £
<b>Cash flows from operating activities</b>		
Loss for the financial period	<b>(80,535)</b>	(195,808)
<b>Adjustments for:</b>		
Amortisation of intangible assets	<b>12,696</b>	25,124
Depreciation of tangible assets	<b>766</b>	570
Impairments of fixed assets	<b>88,980</b>	80,164
Interest paid	<b>18,348</b>	21,698
Taxation charge	<b>3,543</b>	7,992
Decrease/(increase) in stocks	<b>82,122</b>	(15,168)
Decrease in debtors	<b>24,119</b>	10,426
(Decrease) in creditors	<b>(18,796)</b>	(40,544)
Gain from write off of loan notes	<b>(125,000)</b>	-
<b>Net cash generated from operating activities</b>	<b>6,243</b>	(105,546)
<b>Cash flows from financing activities</b>		
Other new loans	<b>40,000</b>	-
Repayment of other loans	<b>(25,000)</b>	(16,298)
Interest paid	<b>(18,348)</b>	(21,698)
<b>Net cash used in financing activities</b>	<b>(3,348)</b>	(37,996)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,895</b>	(143,542)
Cash and cash equivalents at beginning of period	<b>49,077</b>	192,619
<b>Cash and cash equivalents at the end of period</b>	<b>51,972</b>	49,077
<b>Cash and cash equivalents at the end of period comprise:</b>		
Cash at bank and in hand	<b>51,972</b>	49,077
	<b>51,972</b>	49,077



## SUTHERLAND HEALTH GROUP LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 1. General information

Sutherland Health Group Ltd is a limited liability company incorporated in England and Wales.

The registered office is Unit 1 Rivermead, Pipers Way, Thatcham, Berkshire, RG19 4EP.

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

The financial statements have been prepared for a longer period of 18 months due to 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.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 31.

The presentation currency is GBP, rounded to the nearest pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

##### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 April 2014.

## SUTHERLAND HEALTH GROUP LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 2. Accounting policies (continued)

##### 2.3 Going concern

At the balance sheet date the group had net assets of £33,036 (2015: £63,571) including net current assets of £101,845 (2015: £81,587 net current liabilities) and cash at bank of £51,972 (2015: £49,077), having incurred a loss for the period of £80,536 (2015: loss of £195,808).

The directors have considered the appropriateness of the going concern basis of preparation very carefully bearing in mind the group's:

- recent financial performance and current financial position
- future trading prospects
- adequacy of existing and future availability of financial resources

The directors have concluded that, whilst mindful of the inherent uncertainties, they are confident that the group has sufficient financial and other resources to continue operating as a going concern for the foreseeable future and, accordingly, have concluded that it remains appropriate to prepare the financial statements on a going concern basis. In reaching this conclusion, the directors have considered a period of not less than one year from the date of approving these financial statements.

##### 2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

###### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## SUTHERLAND HEALTH GROUP LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 2. Accounting policies (continued)

##### 2.5 Intangible assets

###### Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

###### Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

##### 2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following bases.

Short-term Leasehold Property	- Over the life of the lease
Plant & machinery	- 25% reducing balance
Fixtures & fittings	- 25% reducing balance
Office equipment	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

##### 2.7 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

## SUTHERLAND HEALTH GROUP LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 2. Accounting policies (continued)

##### 2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### 2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

##### 2.12 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## SUTHERLAND HEALTH GROUP LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 2. Accounting policies (continued)

##### 2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

##### 2.14 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is GBP.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

##### 2.15 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### 2.16 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

##### 2.17 Pensions

###### Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

##### 2.18 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred.

## SUTHERLAND HEALTH GROUP LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 2. Accounting policies (continued)

##### 2.19 Taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

##### 2.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

#### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amount reported for assets and liabilities as at the balance sheet date and the amounts reported for turnover and expenses during the period. However, the nature of estimation means that actual outcome could differ from those estimates. The following judgments (apart from those involving estimates) have had the most significant effects on amounts recognised in the financial statements.

##### Tangible fixed assets (Note 15)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

##### Taxation (Note 11)

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

##### Stock provision (Note 17)

As part of the identification and measurement of assets and liabilities, the company has recognised a provision for impaired stock. In determining the fair value of the provision, assumptions and estimates are made in relation to future product sales.

##### Intangible fixed assets (Note 14)

As part of the measurement of assets, the company has considered the need for impairment of the intangible fixed assets. The directors have considered the indicators of impairment but concluded no impairment of these assets was required.

**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**4. Turnover**

The whole of the turnover is attributable to sales of goods.

Analysis of turnover by country of destination:

	<b>2016</b>	2015
	£	£
United Kingdom	<b>827,006</b>	681,325
Rest of European Union	<b>25,578</b>	5,865
	<b>852,584</b>	687,190
	<b>852,584</b>	687,190

**5. Other operating income**

	<b>2016</b>	2015
	£	£
Net rents receivable	<b>6,504</b>	4,600
Write off of loan notes	<b>125,000</b>	-
	<b>131,504</b>	4,600
	<b>131,504</b>	4,600

**6. Operating loss**

The operating loss is stated after charging:

	<b>2016</b>	2015
	£	£
Depreciation of tangible fixed assets	<b>766</b>	570
Amortisation of intangible assets, including goodwill	<b>12,696</b>	25,124
Impairment of intangible assets	<b>(88,980)</b>	(80,164)
Exchange differences	<b>2,048</b>	310
Other operating lease rentals	<b>32,493</b>	27,767
Defined contribution pension cost	<b>13,150</b>	8,100
	<b>13,150</b>	8,100

**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**7. Auditor's remuneration**

	<b>2016</b>	2015
	£	£
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<b>11,000</b>	10,000
<b>Fees payable to the Group's auditor and its associates in respect of:</b>		
Taxation compliance services	<b>2,500</b>	2,500
	<b>2,500</b>	2,500

Auditors' remuneration in respect of the company was £6,100 (2015: £5,500). This included non-audit services of £1,500 (2015: £1,500). Auditors' remuneration for all group companies is borne by the parent company.

**8. Employees**

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

	<b>2016</b>	2015
	£	£
Wages and salaries	<b>189,160</b>	190,665
Social security costs	<b>8,898</b>	17,228
Cost of defined contribution scheme	<b>13,150</b>	8,100
	<b>211,208</b>	215,993

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

	<b>2016</b>	2015
	No.	No.
Administrative staff	<b>4</b>	4
Management staff	<b>2</b>	2
	<b>6</b>	6



**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**9. Directors' remuneration**

	<b>2016</b>	2015
	£	£
Directors' emoluments	<b>111,726</b>	127,541
Company contributions to defined contribution pension schemes	<b>13,150</b>	8,100
	<u><b>124,876</b></u>	<u>135,641</u>

During the period retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

**10. Interest payable and similar charges**

	<b>2016</b>	2015
	£	£
Other loan interest payable	<b>18,348</b>	21,350
Other interest payable	-	348
	<u><b>18,348</b></u>	<u>21,698</u>

**11. Taxation**

	<b>2016</b>	2015
	£	£
<b>Corporation tax</b>		
Current tax on profits for the period/year	<b>3,543</b>	-
<b>Total current tax</b>	<u><b>3,543</b></u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	7,992
<b>Total deferred tax</b>	<u>-</u>	<u>7,992</u>
<b>Taxation on profit on ordinary activities</b>	<u><b>3,543</b></u>	<u>7,992</u>

**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**11. Taxation (continued)**

**Factors affecting tax charge for the period/year**

The tax assessed for the period/year is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	<b>2016</b>	2015
	£	£
Loss on ordinary activities before tax	<b>(76,992)</b>	(187,816)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	<b>(15,398)</b>	(39,441)
<b>Effects of:</b>		
Non-tax deductible amortisation of goodwill and impairment	-	3,449
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>26,548</b>	17,033
Other tax adjustments	<b>348</b>	-
Non-taxable income	<b>(7,656)</b>	-
Losses utilised	<b>118</b>	-
Deferred tax not recognised	<b>(417)</b>	26,951
<b>Total tax charge for the period/year</b>	<b>3,543</b>	7,992

**Factors that may affect future tax charges**

Legislation has been passed to reduce the main rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020. The deferred tax liability has been estimated on this basis.

**12. Exceptional items**

	<b>2016</b>	2015
	£	£
Impairment of goodwill	<b>88,980</b>	80,164
Write off of loan notes	<b>(125,000)</b>	-
	<b>(36,020)</b>	80,164

**13. Parent company profit for the year**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the period/year was £48,484 (2015 - loss £307,288).

**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**14. Intangible assets**

**Group**

	<b>Brands and trademarks £</b>	<b>Goodwill £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 April 2015	164,884	317,692	482,576
At 30 September 2016	164,884	317,692	482,576
<b>Amortisation</b>			
At 1 April 2015	112,055	228,712	340,767
Charge for the year	12,696	-	12,696
Impairment charge	-	88,980	88,980
At 30 September 2016	124,751	317,692	442,443
<b>Net book value</b>			
At 30 September 2016	40,133	-	40,133
At 31 March 2015	52,829	88,980	141,809

The carrying value of intangible fixed assets are reviewed whenever events or changes in circumstances indicate that the carrying value may not be recoverable to determine whether there is any indication of impairment.

During the financial period the directors considered there to be an indication of impairment of the goodwill. The value of the goodwill has been fully written off.

The impairment review has resulted in an impairment charge of £88,980 (2015: £80,164) which has been recognised as an exceptional administrative expense in the comprehensive income.

SUTHERLAND HEALTH GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

14. Intangible assets (continued)

Company

	Brands and trademarks £
At 1 April 2015	23,500
Disposals	(23,500)
At 1 April 2015	3,525
Charge for the year	3,525
On disposals	(7,050)
<b>Net book value</b>	
At 30 September 2016	-
At 31 March 2015	19,975

**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**15. Tangible fixed assets**

**Group**

	<b>S/Term Leasehold Property £</b>	<b>Plant &amp; machinery £</b>	<b>Fixtures &amp; fittings £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>					
At 1 April 2015	2,259	11,701	2,654	26,240	42,854
At 30 September 2016	<u>2,259</u>	<u>11,701</u>	<u>2,654</u>	<u>26,240</u>	<u>42,854</u>
<b>Depreciation</b>					
At 1 April 2015	194	10,800	2,654	25,857	39,505
Charge for the period on owned assets	291	226	-	249	766
At 30 September 2016	<u>485</u>	<u>11,026</u>	<u>2,654</u>	<u>26,106</u>	<u>40,271</u>
<b>Net book value</b>					
At 30 September 2016	<u>1,774</u>	<u>675</u>	<u>-</u>	<u>134</u>	<u>2,583</u>
At 31 March 2015	<u>2,065</u>	<u>901</u>	<u>-</u>	<u>383</u>	<u>3,349</u>

**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**15. Tangible fixed assets (continued)**

**Company**

	<b>Short-term Leasehold Property £</b>	<b>Office equipment £</b>	<b>Total £</b>
At 1 April 2015	2,259	16,807	19,066
Disposals	(2,259)	(16,807)	(19,066)
At 30 September 2016	-	-	-
At 1 April 2015	194	16,623	16,817
Charge for the period on owned assets	291	184	475
Disposals	(485)	(16,807)	(17,292)
At 30 September 2016	-	-	-
<b>Net book value</b>			
At 30 September 2016	-	-	-
At 31 March 2015	2,065	184	2,249

**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**16. Fixed asset investments**

**Company**

	<b>Investments in subsidiary companies £</b>
<b>Cost or valuation</b>	
At 1 April 2015	88,980
At 30 September 2016	88,980
<b>Impairment</b>	
Charge for the period	88,880
At 30 September 2016	88,880
<b>Net book value</b>	
At 30 September 2016	100
At 31 March 2015	88,980

**17. Stocks**

	<b>Group 30 September 2016 £</b>	<b>Group 31 March 2015 £</b>	<b>Company 30 September 2016 £</b>	<b>Company 31 March 2015 £</b>
Finished goods and goods for resale	83,091	165,213	-	-
	83,091	165,213	-	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**18. Debtors**

	<b>Group 30 September 2016 £</b>	Group 31 March 2015 £	<b>Company 30 September 2016 £</b>	Company 31 March 2015 £
Trade debtors	<b>93,331</b>	122,029	-	2,893
Amounts owed by group undertakings	-	-	<b>4,834</b>	36,459
Other debtors	<b>8,975</b>	9,348	-	1,067
Prepayments and accrued income	<b>15,853</b>	10,902	-	8,445
	<b>118,159</b>	142,279	<b>4,834</b>	48,864

Amounts owed by group undertakings are non-interest bearing and repayable on demand.

**19. Cash and cash equivalents**

	<b>Group 30 September 2016 £</b>	Group 31 March 2015 £	<b>Company 30 September 2016 £</b>	Company 31 March 2015 £
Cash at bank and in hand	<b>51,972</b>	49,077	-	4,957
	<b>51,972</b>	49,077	-	4,957



**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**20. Creditors: Amounts falling due within one year**

	<b>Group 30 September 2016 £</b>	Group 31 March 2015 £	<b>Company 30 September 2016 £</b>	Company 31 March 2015 £
Convertible loan note	-	200,000	-	200,000
Trade creditors	<b>63,521</b>	25,512	-	1,586
Amounts owed to group undertakings	-	-	-	33,673
Corporation tax	<b>3,543</b>	-	<b>3,543</b>	-
Other taxation and social security	<b>3,948</b>	14,279	-	5,459
Other creditors	<b>63,419</b>	90,513	-	-
Accruals and deferred income	<b>16,946</b>	107,852	-	21,400
	<b>151,377</b>	438,156	<b>3,543</b>	262,118

Amounts owed to group undertakings are non-interest bearing and are repayable on demand.

Included within other creditors is an amount of £57,748 (2015: £87,678) 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.

In prior year, included within loan notes is £200,000 of convertible loan notes. These loan notes were issued on 31 March 2011. On 6 July 2016, the directors agreed with holder of the loan notes to renew £150,000 of the liabilities on a 3 year term, the remaining £50,000 of liability was converted to 6,666,667 equity shares.

In the current period, the holder of the loan notes agreed to a partial repayment of £25,000 and a write off of £125,000. The write off has been recognised as exceptional income in the Statement of Comprehensive Income

**21. Creditors: Amounts falling due after more than one year**

	<b>Group 30 September 2016 £</b>	Group 31 March 2015 £	<b>Company 30 September 2016 £</b>	Company 31 March 2015 £
Other creditors	<b>111,525</b>	-	-	-
	<b>111,525</b>	-	-	-

The other creditors falling due after more than one year are amounts owed to the directors, repayable in instalments and attracting interest at a rate of 10% per annum.

**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**22. Financial instruments**

	<b>Group 30 September 2016 £</b>	Group 31 March 2015 £	<b>Company 30 September 2016 £</b>	Company 31 March 2015 £
<b>Financial assets</b>				
Cash at bank	51,972	49,077	-	4,957
Financial assets measured at amortised cost	102,306	131,377	4,835	40,419
	<b>154,278</b>	180,454	<b>4,835</b>	45,376
	<b>154,278</b>	180,454	<b>4,835</b>	45,376
<b>Financial liabilities</b>				
Financial liabilities measured at amortised costs	(147,429)	(423,877)	(3,543)	(256,659)
	<b>(147,429)</b>	(423,877)	<b>(3,543)</b>	(256,659)
	<b>(147,429)</b>	(423,877)	<b>(3,543)</b>	(256,659)

Financial assets measured at amortised cost comprise of trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise of trade creditors, other creditors, amounts owed to group undertakings, corporation tax, accruals and other loans.

**23. Share capital**

	<b>30 September 2016 £</b>	31 March 2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
84,803,628 (2015 - 78,137,000) Ordinary shares of £0.002 each	169,607	156,274
	<b>169,607</b>	156,274
	<b>169,607</b>	156,274

On 7 July 2015, the company issued 6,666,628 Ordinary shares for a total consideration of £50,000, converted from loan notes.

## SUTHERLAND HEALTH GROUP LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 24. Reserves

##### Share premium account

Share premium is the amount by which the amount received by a company for a stock issue exceeds its nominal value.

##### Other reserves

The merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in an acquisition made by the issue of shares.

##### Profit & loss account

The profit & loss account is a Group's accumulated profits or losses up to the balance sheet date.

#### 25. Share based payments

At the period end, there were no share options outstanding. In the prior year, 5,553,450 share options lapsed and none were exercised. All share options had fully vested in prior year and hence there is no charge to the Statement of Comprehensive Income.

#### 26. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable to the fund and amounted to £13,150 (2015: £8,100). No contributions were payable to the fund at the balance sheet date (2015: £nil).

#### 27. Commitments under operating leases

The Group and the Company had no commitments under the non-cancellable operating leases as at the balance sheet date.

## SUTHERLAND HEALTH GROUP LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

#### 28. Related party transactions

During the period the group incurred consultancy fees of £12,812 (2015: £16,540) from John French Consultancy in respect of Mr F J French's services. At the period end the group owed £nil (2015: £1,627) to John French Consultancy. Mr F J French was a director and shareholder.

During the year, the group incurred consultancy fees of £nil (2015: £6,500) from Summit Office Services Ltd. At the year end, the group owed £nil (2015: £600). 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 £9,903 (2015: £nil) from C B Heslop and Co Ltd. At the year end, the group owed £40 (2015: £nil). Mr S Coke is a director and company secretary and is also a director of C B Heslop and Co Ltd.

During the year, the group incurred interest of £nil (2015: £350) payable to Mr G Sutherland, a director and shareholder of the company.

As at 30 September 2016 the group owed £78,000 (2015: £60,000) to G Sutherland in respect of an outstanding director's loan account, this amount is included within creditors. Interest is payable on this loan at a rate of 10% per annum.

As at 30 September 2016 the group owed £34,328 (2015: £16,328) to S Sukumaran, a director in respect of an outstanding director's loan account, this amount is included within creditors. Interest is payable on this loan at a rate of 10% per annum

In accordance with section 33 of FRS102, exemption is taken from disclosure of group transactions during the year as 100% of voting rights are controlled within the group and consolidated financial statements are publically available.

#### 29. Controlling party

The ultimate controlling party is G Sutherland.

**SUTHERLAND HEALTH GROUP LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2016**

**30. Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Sutherland Health Ltd	England	Ordinary	100 %	The trading of a range of health care products
Sexual Health Group Ltd	England	Ordinary	100 %	Dormant holding company The trading of sexual health products
Condomania PLC	England	Ordinary	100 %	

The aggregate of the share capital and reserves as at 30 September 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	<b>Aggregate of share capital and reserves 31 March £</b>	<b>Profit/(loss) 31 March £</b>
Sutherland Health Ltd	<b>40,901</b>	<b>(113,729)</b>
Sexual Health Group Ltd	<b>28,993</b>	<b>-</b>
Condomania PLC	<b>(3,151)</b>	<b>(15,190)</b>
	<b>=====</b>	<b>=====</b>

Sutherland Health Limited, Sexual Health Group Ltd and Condomania PLC have been included in consolidated financial statements.

**31. First time adoption of FRS 102**

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.