

REGISTERED NO: 1689856

ALLIED HEALTHCARE (UK) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2003



ALLIED HEALTHCARE (UK) LIMITED

**Financial Statements
for the year ended 30 September 2003**

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ALLIED HEALTHCARE (UK) LIMITED

Directors and Advisors

Directors

D I Johnson
P G Nuttall

Secretary & Registered Office

C F Murphy
Stone Business Park
Brooms Road
Stone
Staffordshire
ST15 0TL

Registered Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Bankers

Barclays Bank PLC
54 Lombard Street
London EC3V 9EX

Solicitors

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA

ALLIED HEALTHCARE (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2003

The directors present their report and the audited financial statements for the year ended 30 September 2003.

Principal activities

The principal activity of the company is the provision of private nursing services to hospitals, nursing homes and private individuals.

The profit and loss account for the year is set out on page 5.

Review of business and future developments

The directors are satisfied with the result achieved and are optimistic for the future.

Dividends

The directors do not recommend the payment of a dividend (2002: £18,500,000).

Disabled employees

The group gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job.

Where existing employees become disabled, it is the group's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

An Employee Advisory Committee has been set up where staff representatives are encouraged to present their suggestions and views on their company's performance. Regular meetings allow management to keep employees fully aware of developments in the business.

Supplier payment policy

It is the company's policy to agree the terms of payment with its suppliers when agreeing the terms of each transaction, and to ensure that those suppliers are made aware of the terms of payment. It is also the company's policy to abide by those terms of payment, which are typically 30 days from invoicing.

Directors

The following directors served during the year under review:

D I Johnson
P G Nuttall

Neither of the directors serving during the year had any notifiable interests, as defined by the Companies Act 1985, in the ordinary shares of the company or the group at 30 September 2003 or 30 September 2002.

Auditors

Ernst & Young LLP resigned from their appointment as auditors during the year. Deloitte & Touche LLP were appointed auditors during the year. A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

ALLIED HEALTHCARE (UK) LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2003

Statement of Directors' responsibilities

United Kingdom company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- * select suitable accounting policies and 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 accounts; and
- * prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of directors and signed on behalf



CF Murphy
Secretary

9TH AUGUST 2004

ALLIED HEALTHCARE (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIED HEALTHCARE (UK) LIMITED

We have audited the company's financial statements for the year ended 30 September 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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 auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report for the above year and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

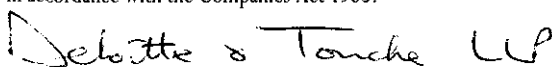
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

18 August 2004

• **ALLIED HEALTHCARE (UK) LIMITED**
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2003

	Note	Year Ended 30 Sept 2003 £	Year Ended 30 Sept 2002 £
Turnover - continuing operations	2	106,763,273	91,965,499
Cost of sales		(82,123,434)	(70,988,829)
Gross profit		<u>24,639,839</u>	<u>20,976,670</u>
Administrative expenses		(13,878,257)	(11,297,825)
Other operating income		117,744	114,627
Operating profit - continuing operations	3	<u>10,879,326</u>	<u>9,793,472</u>
Interest receivable and similar income		104,572	118,044
Profit on ordinary activities before taxation		<u>10,983,898</u>	<u>9,911,516</u>
Tax on profit on ordinary activities	6	(3,030,648)	(645,016)
Profit for the year		<u>7,953,250</u>	<u>9,266,500</u>
Ordinary dividend on equity shares	7	-	(18,500,000)
Retained profit/(loss) for the year	14	<u>7,953,250</u>	<u>(9,233,500)</u>

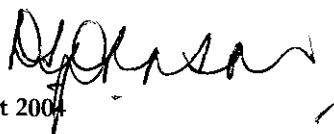
There are no recognised gains and losses other than the profits stated above and therefore no separate statement of total recognised gains and losses has been presented.

· ALLIED HEALTHCARE (UK) LIMITED
BALANCE SHEET
AS AT 30 SEPTEMBER 2003

	Note	2003 £	2002 £
Fixed assets			
Intangible assets	8	13,175,208	10,492,854
Tangible assets	9	1,746,728	1,397,883
		<u>14,921,936</u>	<u>11,890,737</u>
Current assets			
Stocks - consumables		118,376	124,591
Debtors	10	42,717,828	19,077,806
Cash at bank and in hand		2,834,506	6,681,762
		<u>45,670,710</u>	<u>25,884,159</u>
Creditors:			
amounts falling due within one year	11	(41,019,053)	(26,154,553)
Net current assets/(liabilities)		<u>4,651,657</u>	<u>(270,394)</u>
Total assets less current liabilities		<u>19,573,593</u>	<u>11,620,343</u>
Capital and reserves			
Called up share capital	13	86,654	86,654
Profit and loss account	14	19,486,939	11,533,689
Total equity shareholders' funds	12	<u>19,573,593</u>	<u>11,620,343</u>

DI Johnson
Director

9th August 2004



ALLIED HEALTHCARE (UK) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards. A summary of the more important policies is set out below which have been applied on a consistent basis in the current and preceeding year.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. The directors consider the appropriate economic life of the goodwill depending on the nature of the business and amortise over a period of five to twenty years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets and intangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost, or valuation, of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned.

The principal annual rates used for this purpose are:

Freehold buildings	50 years
Short leasehold property	Over term of lease
Computers	3 to 5 years
Office equipment	4 years
Motor vehicles	4 years
Fixtures and fittings	3 to 8 years

Leases and hire purchase contracts

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

ALLIED HEALTHCARE (UK) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

1 Principal accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services and is derived entirely within the UK from the provision of healthcare services.

Pensions defined contribution scheme

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at dates expected to apply when they crystallise based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cashflow statement

The company is a wholly owned subsidiary of Omnicare Limited and is included in the consolidated financial statements of Allied Healthcare Group Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard No.1 (revised 1996).

2 Turnover

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

ALLIED HEALTHCARE (UK) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

3 Operating Profit

	2003 £	2002 £
Operating profit is stated after charging/(crediting)		
Staff costs (note 4)	10,563,950	7,227,363
Auditors' remuneration		
- audit services	55,000	44,300
- non-audit services	244,314	53,500
Profit on sale of fixed assets	(39,470)	(1,020)
Depreciation of tangible fixed assets (note 9):		
Owned assets	540,665	406,012
Operating Lease Rentals:		
Plant & machinery	28,041	21,564
Property	914,596	475,658
Other	25,958	60,416
Amortisation of intangible fixed assets (note 8)	<u>1,538,394</u>	<u>1,282,631</u>

4 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	2003	2002
By activity		
	No.	No.
Sales and distribution	191	122
Administration	229	223
	<u>420</u>	<u>345</u>

Staff costs (for the above persons)	£	£
Wages and salaries	9,594,188	6,633,556
Social security costs	943,208	549,436
Other pension costs	26,554	44,371
	<u>10,563,950</u>	<u>7,227,363</u>

ALLIED HEALTHCARE (UK) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

5 Directors' emoluments

	2003	2002
	£	£
Aggregate emoluments	348,297	381,427
Pension contributions by the company and the parent company to money purchase schemes	18,000	29,000
	<u>366,297</u>	<u>410,427</u>

Retirement benefits are accruing to 2 directors (2002: 3) under money purchase pension schemes.

	2003	2002
	£	£
Highest paid director:		
Aggregate emoluments	<u>231,585</u>	<u>190,774</u>

Pensions costs - defined contribution scheme

The company operates a defined contribution 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 by the company to the fund and amounted to £26,554 (2002: £44,371).

ALLIED HEALTHCARE (UK) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

6 Tax on profit on ordinary activities

	2003 £	2002 £
(a) The taxation charge is made up as follows:		
Current UK corporation tax		
Current year	2,466,299	388,709
Under/(over) provided in previous years	527,220	402,380
	<u>2,993,519</u>	<u>791,089</u>
Deferred taxation		
Origination and reversal of timing differences on operations	14,043	(146,073)
Adjustment in respect of prior years	23,086	-
	<u>3,030,648</u>	<u>645,016</u>
(b) Factors affecting the current tax charge		
Profit on ordinary activities before tax	<u>10,983,898</u>	<u>9,911,516</u>
Profit on ordinary activities at the standard rate of UK corporation tax (30%)	3,295,169	2,973,455
Amortisation of goodwill	461,518	384,789
Expenses not deductible for tax purposes	616,459	-
Accelerated capital allowances	(26,628)	146,073
Tax losses received from other group companies for no consideration	(1,892,804)	(3,115,608)
Tax under provided in previous years	527,220	402,380
Other short-term timing differences	12,585	-
	<u>2,993,519</u>	<u>791,089</u>
(c) Deferred tax is included in the balance sheet on accelerated capital allowances and other short term timing differences as follows:		
Debtors (note 10)	<u>396,360</u>	<u>433,489</u>
(d) Deferred tax is included in the balance sheet on the following items:		
Accelerated capital allowances	13,694	63,408
Short-term timing differences	382,666	370,081
	<u>396,360</u>	<u>433,489</u>
(e) Deferred tax movement in the year to 30 September 2003:		
At 1 October 2002 as restated		433,489
Originated/(reversed) in the year		(37,129)
At 30 September 2003		<u>396,360</u>

ALLIED HEALTHCARE (UK) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

7 Equity Dividends

	2003 £	2002 £
Equity dividends on ordinary shares - interim paid	<u>-</u>	<u>18,500,000</u>

8 Intangible fixed assets

	Goodwill £
Cost	
At 1 October 2002	15,405,063
Additions	4,220,748
At 30 September 2003	<u>19,625,811</u>
Amortisation	
At 1 October 2002	4,912,209
Charge for the period	1,538,394
At 30 September 2003	<u>6,450,603</u>
Written down value	
At 30 September 2003	<u>13,175,208</u>
At 30 September 2002	<u>10,492,854</u>

ALLIED HEALTHCARE (UK) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

9 Tangible fixed assets

	Motor Vehicles £	Office Equipment £	Fixtures and Fittings £	Freehold Buildings £	Short Leasehold Buildings £	Computer Equipment £	Total £
Cost							
At 1 October 2002	12,169	304,296	792,840	38,250	228,408	2,572,507	3,948,470
Additions	-	80,948	312,805	-	-	607,036	1,000,789
Disposals	(12,169)	-	-	(38,250)	-	(144,925)	(195,344)
At 30 September 2003	-	385,244	1,105,645	-	228,408	3,034,618	4,753,915
Depreciation							
At 1 October 2002	12,169	262,667	529,000	10,752	106,963	1,629,036	2,550,587
Charge for the period	-	32,879	63,745	287	15,418	428,336	540,665
Disposals	(12,169)	-	-	(11,039)	-	(60,857)	(84,065)
At 30 September 2003	-	295,546	592,745	-	122,381	1,996,515	3,007,187
Net book value							
At 30 September 2003	-	89,698	512,900	-	106,027	1,038,103	1,746,728
At 30 September 2002	-	41,629	263,840	27,498	121,445	943,471	1,397,883

10 Debtors

	2003 £	2002 £
Trade debtors	10,691,289	10,973,835
Amounts owed by other group companies	23,850,053	2,372,555
Corporation tax	1,911,291	744,429
Deferred tax	396,360	433,489
Other debtors	195,225	260,548
Prepayments and accrued income	5,673,610	4,292,950
	<u>42,717,828</u>	<u>19,077,806</u>

ALLIED HEALTHCARE (UK) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

11 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	415,917	377,227
Amounts owed to fellow subsidiaries	29,489,064	15,284,713
Other taxation and social security	2,094,671	1,947,895
Other creditors	1,890,832	1,594,708
Acquisition consideration payable	1,995,000	2,940,591
Accruals and deferred income	5,133,569	4,009,419
	<u>41,019,053</u>	<u>26,154,553</u>

12 Reconciliation of movement in equity shareholders' funds

	2003	2002
	£	£
Opening equity shareholders' funds	11,620,343	20,853,843
Profit/(loss) retained for the financial year	7,953,250	9,266,500
Dividends	-	(18,500,000)
Closing equity shareholders' funds	<u>19,573,593</u>	<u>11,620,343</u>

ALLIED HEALTHCARE (UK) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

13 Called up share capital

	2003		2002	
	No of shares	£	No of shares	£
Authorised				
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid				
86,654 Ordinary shares of £1 each	<u>86,654</u>	<u>86,654</u>	<u>86,654</u>	<u>86,654</u>

14 Profit and loss account

	£
At 1 October 2002	11,533,689
Retained profit for the year	7,953,250
At 30 September 2003	<u>19,486,939</u>

15 Operating lease commitments

Annual financial commitments under non-cancellable operating leases in the following categories expiring:

	2003		2002	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Within one year	567,478	16,575	533,992	31,163
Within two to five years	444,539	11,451	454,468	4,527
After five years	<u>376,580</u>	<u>1,321</u>	<u>329,745</u>	<u>673</u>

ALLIED HEALTHCARE (UK) LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2003

16 Related party transactions

As a wholly owned subsidiary the company has taken advantage of the exemptions under FRS8 not to disclose intra-group balances and transactions as these are included in the published consolidated financial statements of the group.

17 Parent undertakings and controlling party

The immediate parent company is Omnicare Limited, a company incorporated in Great Britain.

The parent undertaking of the smallest group of undertakings for which consolidated accounts are drawn up and of which the company is a member is Allied Healthcare Group Limited. Copies of the company's financial statements are available from Stone Business Park, Brooms Road, Stone, Staffordshire, ST15 0 TL.

The ultimate parent company and controlling party is Allied Healthcare International Inc., a company registered in the United States of America. This company is the parent undertaking of the largest group of undertakings for which consolidated accounts are drawn up and of which the company is a member. Copies of the company's financial Statements are available from 555 Madison Avenue, 30th Floor, New York, NY 10022, USA.

18 Group Guarantees

In accordance with the terms of a refinancing arrangement in place with Allied Healthcare Holdings Limited, a parent company, all subsidiary companies in the group have given guarantees relating to the payment of the debt. £74,387,000 of this debt was outstanding at 30 September 2003 (2002: £77,152,000).