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ALLIED HEALTHCARE GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2009

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ALLIED HEALTHCARE GROUP LIMITED

Financial Statements for the year ended 30 September 2009

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ALLIED HEALTHCARE GROUP LIMITED

Directors and Advisors

Directors

S Bateman
P Weston
AS Young

Secretary & Registered Office

P J Westwood
Stone Business Park
Brooms Road
Stone
Staffordshire
ST15 0TL

Auditors

Baker Tilly UK Audit LLP
3 Hardman Street
Manchester
M3 3HF

Bankers

Barclays Commercial Bank
PO Box 3333, 6th Floor
One Snow Hill,
Snow Hill Queensway
Birmingham
B3 2WN

Solicitors

Ashurst LLP
Broadwalk House
5 Appold Street
London
EC2A 2HA

ALLIED HEALTHCARE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2009

The directors present their annual report and the audited financial statements for the year ended 30 September 2009

Principal activities

The principal activity of the company is the provision of healthcare services to Social Services, NHS Trusts and nursing homes, primarily the provision of nurses and other healthcare workers

The company concentrates on its homecare staffing services which provide care to the elderly and those with learning disabilities or continuing care requirements

The profit and loss account for the year is set out on page 6

Review of business and future developments

2009 was another milestone year in the company's history, marked by strong financial performance and substantial contract wins. We are very proud of our accomplishments, which reinforce our reputation as a leading provider of flexible healthcare staffing services in the United Kingdom. Today we operate a community based network of over 100 branches with the capacity to provide carers, nurses and specialised medical personnel to locations covering approximately 90% of the UK.

Our turnover increased 6.4% to £161 million and was driven by 15.0% growth in our homecare business, which represented 82% of our revenues. During the year, we secured five major homecare contracts with local authorities, plus numerous smaller contracts, further expanding our geographic footprint and market share.

Whilst making strategic investments in our business infrastructure and professional development of our employees, we continued to place a high priority on controlling costs. As a result our gross profit increased 7.4% to £49 million and our administrative expenses, as a percentage of turnover, decreased to 24.7% from 26.0% in 2008. Operating profit improved by 46% to £9.5 million.

Additionally we generated strong cash flow from our operations of £12.6 million and ended the year with cash balances of £22.0 million and no bank debt. This solid financial condition provides us with proper resources to internally finance our growth initiatives, including investments in continuing care, learning disabilities, IT Systems, training and business improvement projects.

We are optimistic about opportunities ahead. Homecare in particular should benefit from many favourable market dynamics, including an ageing population, the ongoing shift from residential care to homecare, the lower cost of private sector homecare provision and the consolidation of local authority suppliers.

Key Performance Indicators

When monitoring the performance of the business, the directors continue to review several financial and non-financial key performance indicators (KPI's). The more important ones are:

| | Year to 30-Sep-09 | Year to 30-Sep-08 |
|------------------|----------------------|----------------------|
| Revenue | 161,001,840 | 151,323,866 |
| Operating profit | 9,511,688 | 6,499,534 |
| Debtor days | 42 | 43 |

Other KPI's include -

- Hours worked
- Gross margin per hour
- Staff attrition levels

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company, which could result in losing sales to its key competitors. The company manages this risk by providing an efficient service and a workforce which meets customer expectations and regulatory requirements.

The ability to recruit temporary workers and changes in legislation add to the uncertainties in the environment in which the business operates.

ALLIED HEALTHCARE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2009

Financial Instruments

The company's financial instruments include all assets and liabilities of a financial nature, such as cash, trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to fund the company's operations, including the management of working capital and liquidity, enabling it to operate effectively and to pay its obligations as they fall due.

The company's objectives are to use financial instruments to minimise the cost of capital while avoiding exposing the company to excessive financial risk and to provide an acceptable level of certainty in respect of financial outflows.

Dividends

The directors do not recommend the payment of a dividend (2008 £ nil)

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

Regular staff newsletters and departmental, area and regional 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.

At 30th September 2009 trade creditors represented 20 days purchases (2008 19 days)

Directors and their interests

The following directors served during the year under review

| | |
|-------------|------------------------------|
| S Bateman | (appointed 1st October 2008) |
| D S Moffatt | (resigned 1st October 2008) |
| P Weston | |
| A S Young | |

None of the directors serving during the year had any interests in the ordinary shares of the company or any other group company at 30 September 2009 or 30 September 2008.

Third party indemnity provision for the benefit of the directors was in force during the year.

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

A resolution to reappoint Baker Tilly UK Audit LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

ALLIED HEALTHCARE GROUP LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 of its profit or loss for the period. In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of directors and signed on its behalf

X 

Paul Weston

Director

24 JUNE 2010

ALLIED HEALTHCARE GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED HEALTHCARE GROUP LIMITED

We have audited the financial statements on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 4, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its profit for the year 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

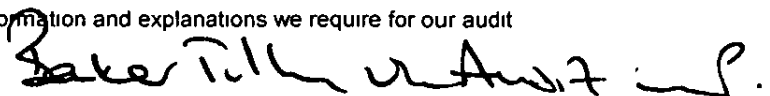
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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.

Geoff Wightwick (Senior Statutory Auditor)



For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

28 June 2010

ALLIED HEALTHCARE GROUP LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2009**

| | Notes | Year Ended 30 September 2009 £ | Year Ended 30 September 2008 £ |
|--|-------|--------------------------------------|--------------------------------------|
| Turnover | 2 | 161,001,840 | 151,323,866 |
| Cost of sales | | (111,795,574) | (105,515,135) |
| Gross profit | | <u>49,206,266</u> | <u>45,808,731</u> |
| Administrative expenses | | (39,773,923) | (39,379,720) |
| Other operating income | | 79,345 | 70,523 |
| Operating profit | 3 | <u>9,511,688</u> | <u>6,499,534</u> |
| Interest receivable and similar income | | 345,874 | 473,949 |
| Interest payable and similar charges | 6 | (71,175) | (274,629) |
| Profit on ordinary activities before taxation | | <u>9,786,387</u> | <u>6,698,854</u> |
| Tax on profit on ordinary activities | 7 | (957,536) | (718,906) |
| Profit for the financial year | 14 | <u><u>8,828,851</u></u> | <u><u>5,979,948</u></u> |

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

All results have been derived from continuing operations

ALLIED HEALTHCARE GROUP LIMITED

REGISTERED NO 1689856

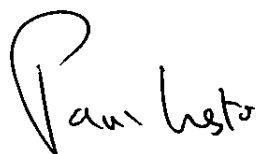
**BALANCE SHEET
AS AT 30 SEPTEMBER 2009**

| | Notes | 2009 £ | 2008 £ |
|--|-------|-------------------|-------------------|
| Fixed assets | | | |
| Intangible assets | 8 | 6,068,547 | 8,284,396 |
| Tangible assets | 9 | 4,871,129 | 4,717,505 |
| | | <u>10,939,676</u> | <u>13,001,901</u> |
| Current assets | | | |
| Debtors | 10 | 27,826,566 | 25,002,846 |
| Cash at bank and in hand | | 21,956,101 | 14,137,522 |
| | | <u>49,782,667</u> | <u>39,140,368</u> |
| Creditors' amounts falling due within one year | 11 | (16,664,551) | (16,913,328) |
| Net current assets | | <u>33,118,116</u> | <u>22,227,040</u> |
| Net assets | | <u>44,057,792</u> | <u>35,228,941</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 86,654 | 86,654 |
| Profit and loss account | 14 | 43,971,138 | 35,142,287 |
| Total equity shareholders' funds | 12 | <u>44,057,792</u> | <u>35,228,941</u> |

These financial statements were approved by the Board of Directors and authorised for issue on 24.6.10

Signed on behalf of the Board of Directors by

Director



(PAUL WESTON)

ALLIED HEALTHCARE GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards and law in the United Kingdom. A summary of the more important policies, which have been applied consistently in the current and prior years, is set out below.

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.

A provision for contingent consideration is included in full within the purchase cost until such time as the actual additional consideration is agreed.

Tangible fixed assets

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

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:

| | |
|------------------------|--------------------|
| Leasehold improvements | Over term of lease |
| Computers | 3 to 5 years |
| Office equipment | 4 years |
| Fixtures and fittings | 3 to 7 years |

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Turnover

Turnover, which excludes VAT and trade discounts, represents amounts receivable for services provided in the period for which the company has a right to consideration. Turnover is derived entirely in the UK from the provision of healthcare services.

Pension costs and other post retirement benefits

The company makes contributions to the personal pension schemes of certain employees. The amount charged against profits represents the contributions payable to these schemes in respect of the accounting period.

ALLIED HEALTHCARE GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

1 Principal accounting policies (continued)

Share Based payments

The company has applied the requirements of FRS 20 Share-based payments. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments on or after 7 November 2002 that vested as of 1 January 2006.

The company issues options to purchase shares in the ultimate parent company, allied Healthcare International Inc, to certain employees. Equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest, and is charged via inter-company account by the ultimate parent to the company.

The fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model was determined using the simplified method as management does not believe it has sufficient historical stock option exercise experience upon which to base the expected term.

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 tax 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 Holdings 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).

Going concern

The company has significant cash balances at the year end, together with secure medium to long term contracts with a number of its customers who are spread over a wide geographical area of the United Kingdom. The provision of our services to customers is carried out by a large number of individuals, and the group is, accordingly, not reliant on any one individual supplier or customer. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

ALLIED HEALTHCARE GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

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.

3 Operating Profit

| | 2009 £ | 2008 £ |
|--|------------------|------------------|
| Operating profit is stated after charging/(crediting) | | |
| Staff costs including share based payments charge (note 4) | 22,632,179 | 20,401,738 |
| Share based payment charge (note 19) | 83,964 | 477,431 |
| Auditor's remuneration - audit services | 29,500 | 39,500 |
| - non-audit services | - | - |
| Depreciation of tangible fixed assets (note 9) | | |
| Owned assets | 1,669,459 | 1,637,464 |
| Loss / (Profit) on disposal of fixed assets | 13,128 | (88,001) |
| Operating Lease Rentals | | |
| Office Equipment | 38,823 | 62,575 |
| Land and Buildings | 1,781,823 | 1,611,888 |
| Amortisation of intangible fixed assets (note 8) | <u>1,976,888</u> | <u>2,055,715</u> |

4 Employee information

The average monthly number of persons (including executive directors but excluding nurses and healthcare workers) employed by the company during the year was

| | 2009 | 2008 |
|--|-------------------|-------------------|
| By activity | No | No |
| Sales and distribution | 616 | 579 |
| Administration | 350 | 309 |
| | <u>966</u> | <u>888</u> |
| Staff costs (for the above persons) | £ | £ |
| Wages and salaries | 20,469,445 | 18,569,162 |
| Social security costs | 2,028,181 | 1,748,414 |
| Other pension costs | 134,553 | 84,162 |
| | <u>22,632,179</u> | <u>20,401,738</u> |

ALLIED HEALTHCARE GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

5 Directors' emoluments

| | 2009 £ | 2008 £ |
|--|----------------|----------------|
| Aggregate emoluments | 620,641 | 899,647 |
| Pension contributions by the company to employees' personal pension schemes | 66,514 | 71,109 |
| | <u>687,155</u> | <u>970,756</u> |

No retirement benefits are accruing to directors (2008 Nil) under defined benefit pension schemes

| | 2009 £ | 2008 £ |
|---|----------------|----------------|
| Highest paid director. | | |
| Aggregate emoluments | 281,800 | 365,000 |
| Pension contributions made by the company | 32,209 | 28,500 |
| | <u>314,009</u> | <u>393,500</u> |

6 Interest payable and similar charges

| | 2009 £ | 2008 £ |
|--|---------------|----------------|
| Invoice discounting facility | 6,000 | 60,250 |
| Fees re early termination of discount facility | - | 214,379 |
| Interest payable on acquisition settlement | 65,175 | - |
| | <u>71,175</u> | <u>274,629</u> |

ALLIED HEALTHCARE GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

7 Tax on profit on ordinary activities

| | 2009 £ | 2008 £ |
|---|------------------|------------------|
| (a) The taxation charge is made up as follows | | |
| Current UK corporation tax | | |
| Current year | 937,392 | 667,626 |
| Under / (Over) provided in previous years | 31,509 | 24,282 |
| | <u>968,901</u> | <u>691,908</u> |
| Deferred taxation | | |
| Origination and reversal of timing differences on operations | 159,971 | 32,260 |
| Adjustment in respect of prior years | (171,336) | (5,262) |
| | <u>957,536</u> | <u>718,906</u> |
| (b) Factors affecting the current tax charge | | |
| Profit on ordinary activities before tax | <u>9,786,387</u> | <u>6,698,854</u> |
| Profit on ordinary activities at the standard rate of UK corporation tax (28%) (2008 29%) | 2,740,188 | 1,942,668 |
| Amortisation of goodwill | 202,787 | 253,086 |
| Expenses not deductible for tax purposes | 87,576 | 176,141 |
| UK-UK transfer pricing adjustment | 211,753 | 292,507 |
| Accelerated capital allowances | (16,970) | (53,683) |
| Tax losses received from other group companies for no consideration | (2,126,817) | (2,012,931) |
| Tax under / (Over) provided in previous years | 31,509 | 24,282 |
| Other short-term timing differences | (161,125) | 69,838 |
| | <u>968,901</u> | <u>691,908</u> |
| (c) Deferred tax is included in the balance sheet on depreciation in advance of capital allowances and other short term timing differences as follows | | |
| Asset | <u>(829,427)</u> | <u>(818,063)</u> |
| (d) Deferred tax is included in the balance sheet on the following items | | |
| Depreciation in advance of capital allowances | (569,753) | (456,939) |
| Short-term timing differences | (259,674) | (361,124) |
| | <u>(829,427)</u> | <u>(818,063)</u> |
| (e) Deferred tax movement in the year to 30 September 2009 | | |
| At 1 October 2008 - asset | | (818,063) |
| Originated/(reversed) in the year | | (11,364) |
| At 30 September 2009 - asset | | <u>(829,427)</u> |

ALLIED HEALTHCARE GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

8 Intangible fixed assets

| | Goodwill £ |
|--|-------------------|
| Cost | |
| At 1 October 2008 | 26,239,901 |
| Adjustment in respect of previous purchase price | <u>(238,961)</u> |
| At 30 September 2009 | <u>26,000,940</u> |
| Amortisation | |
| At 1 October 2008 | 17,955,505 |
| Charge for the period | <u>1,976,888</u> |
| At 30 September 2009 | <u>19,932,393</u> |
| Written down value | |
| At 30 September 2009 | <u>6,068,547</u> |
| At 30 September 2008 | <u>8,284,396</u> |

The adjustment in respect of previous purchase price largely relates to a revised estimate of contingent consideration remaining payable from a prior year acquisition

9 Tangible fixed assets

| | Office Equipment £ | Fixtures and Fittings £ | Motor Vehicles £ | Short Leasehold Buildings £ | Computer Equipment £ | Total £ |
|-----------------------------|--------------------------|----------------------------------|------------------------|--------------------------------------|----------------------------|-------------------|
| Cost | | | | | | |
| At 1 October 2008 | 749,877 | 2,176,658 | 3,625 | 657,152 | 16,756,796 | 20,344,108 |
| Reclassification | (13,278) | 15,999 | - | - | (2,721) | - |
| Additions | 193,101 | 252,600 | - | 93,938 | 1,297,083 | 1,836,722 |
| Write off of obsolete items | (545,280) | (823,101) | - | (100,544) | (9,660,032) | (11,128,957) |
| Disposals | (9,288) | - | - | - | (83,422) | (92,710) |
| At 30 September 2009 | <u>375,132</u> | <u>1,622,156</u> | <u>3,625</u> | <u>650,546</u> | <u>8,307,704</u> | <u>10,959,163</u> |
| Depreciation | | | | | | |
| At 1 October 2008 | 634,186 | 1,598,901 | 3,625 | 411,777 | 12,978,114 | 15,626,603 |
| Reclassification | (6,683) | 8,780 | - | - | (2,097) | - |
| Charge for the period | 51,571 | 173,109 | - | 143,818 | 1,300,961 | 1,669,459 |
| Write off of obsolete items | (545,280) | (823,101) | - | (100,544) | (9,660,032) | (11,128,957) |
| Disposals | (6,784) | - | - | - | (72,287) | (79,071) |
| At 30 September 2009 | <u>127,010</u> | <u>957,689</u> | <u>3,625</u> | <u>455,051</u> | <u>4,544,659</u> | <u>6,088,034</u> |
| Net book value | | | | | | |
| At 30 September 2009 | <u>248,122</u> | <u>664,467</u> | <u>-</u> | <u>195,495</u> | <u>3,763,045</u> | <u>4,871,129</u> |
| At 30 September 2008 | <u>115,691</u> | <u>577,757</u> | <u>-</u> | <u>245,375</u> | <u>3,778,682</u> | <u>4,717,505</u> |

ALLIED HEALTHCARE GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

10 Debtors

| | 2009 £ | 2008 £ |
|---------------------------------------|-------------------|-------------------|
| Trade debtors | 12,306,208 | 9,779,055 |
| Amounts owed by other group companies | 6,703,427 | 4,943,455 |
| Deferred tax (see note 7) | 829,427 | 818,063 |
| Other debtors | 81,146 | 132,316 |
| Prepayments and accrued income | 7,906,358 | 9,329,957 |
| | <u>27,826,566</u> | <u>25,002,846</u> |

The deferred tax asset of £ 829,427 (2008 £ 818,063) is recoverable in more than one year

11 Creditors: amounts falling due within one year

| | 2009 £ | 2008 £ |
|---------------------------------------|-------------------|-------------------|
| Trade creditors | 719,975 | 848,778 |
| Amounts owed to other group companies | 561,395 | 477,431 |
| Corporation tax | 332,860 | 64,693 |
| Other taxation and social security | 2,894,528 | 2,527,809 |
| Other creditors | 1,438,900 | 1,951,430 |
| Acquisition consideration payable | - | 823,786 |
| Accruals and deferred income | 10,716,893 | 10,219,401 |
| | <u>16,664,551</u> | <u>16,913,328</u> |

Acquisition consideration payable

During the period the acquisition consideration payable of £584,825 was settled in cash. The balance of £238,961 was released and adjusted against goodwill (see note 8)

12 Reconciliation of movement in equity shareholders' funds

| | 2009 £ | 2008 £ |
|--|-------------------|-------------------|
| Opening equity shareholders' funds | 35,228,941 | 29,248,993 |
| Profit retained for the financial year | 8,828,851 | 5,979,948 |
| Closing equity shareholders' funds | <u>44,057,792</u> | <u>35,228,941</u> |

ALLIED HEALTHCARE GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

13 Called up share capital

| | 2009 | | 2008 | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 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 2008 | 35,142,287 |
| Retained profit for the year | 8,828,851 |
| At 30 September 2009 | <u>43,971,138</u> |

15 Operating lease commitments

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

| | 2009 | | 2008 | |
|--------------------------|-------------------------|---------------|-------------------------|---------------|
| | Land and buildings £ | Other £ | Land and buildings £ | Other £ |
| Within one year | 410,570 | 8,348 | 178,269 | 8,775 |
| Within two to five years | 962,193 | - | 1,077,910 | - |
| After five years | 76,054 | 35,240 | 107,944 | 61,710 |
| Total | <u>1,448,817</u> | <u>43,588</u> | <u>1,364,123</u> | <u>70,485</u> |

ALLIED HEALTHCARE GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

16 Related party transactions

The company is exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions with entities that are part of the Allied Healthcare International Inc group, whose accounts are publicly available

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 Holdings Limited. Copies of the company's financial statements are available from Stone Business Park, Brooms Road, Stone, Staffordshire, ST15 0TL

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 245 Park Avenue, 39th Floor, New York, NY 10167, USA

18 Capital Commitments

The company had no contractual obligations in respect of capital expenditure at 30 09 09 (2008 £456,000)

19 Share based payment transactions

Equity-settled share option plan

The group plan provides for a grant price which is generally not less than the fair market value of the group shares on the date of the grant. The vesting period is generally 3 years. If options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options generally are forfeited if the employee leaves the group before exercising the options.

| | 2009 | | 2008 | |
|-----------------------------|------------------|-------------------------------------|----------------|-------------------------------------|
| | Options | Weighted average exercise price (£) | Options | Weighted average exercise price (£) |
| Outstanding at 1 October | 839,000 | 1.19 | 707,000 | 1.37 |
| Granted during the year | 776,000 | 1.36 | 400,000 | 1.02 |
| Forfeited during the year | -331,000 | 1.46 | -268,000 | 1.42 |
| Exercised during the year | 0 | 0.00 | 0 | 0.00 |
| Expired during the year | 0 | 0.00 | 0 | 0.00 |
| Outstanding at 30 September | <u>1,284,000</u> | <u>1.44</u> | <u>839,000</u> | <u>1.19</u> |
| Exercisable at 30 September | <u>163,000</u> | <u>2.07</u> | <u>349,000</u> | <u>1.44</u> |

ALLIED HEALTHCARE GROUP LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2009

19 Share based payment transactions (continued)

| Grant Date | Subscription price per share | Number of shares for which rights exercisable | Period over which options are exercisable |
|------------|------------------------------|---|---|
| 13-Nov-02 | \$4.70 | 3,000 | 10 years |
| 23-Mar-05 | \$6.20 | 30,000 | 10 years |
| 30-Sep-05 | \$5.65 | 20,000 | 10 years |
| 16-Oct-06 | \$1.92 | 110,000 | 10 years |
| 14-May-08 | \$2.01 | 295,000 | 10 years |
| 01-Jul-08 | \$2.01 | 50,000 | 10 years |
| 21-Apr-09 | \$2.11 | 200,000 | 7 years |
| 17-Jun-09 | \$2.12 | 576,000 | 10 years |
| | | <u>1,284,000</u> | |

The options outstanding at 30 September 2009 had an exercise price between £1.24 and £4.00, and a weighted average remaining contractual life of 8.3 years

| The inputs into the Black Scholes model are as follows | 2009 | 2008 |
|--|-------|-------|
| Weighted average share price | 1.36 | 1.01 |
| Weighted average exercise price | 1.36 | 1.02 |
| Expected volatility | 52.2% | 49.5% |
| Expected life, in years | 6.1 | 6.1 |
| Risk free rate | 2.7% | 3.2% |
| Expected dividends | NIL | NIL |

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected life. The expected life used in the model was determined using the simplified method.

The Group recognised total expenses of £83,964 (2008 £477,431) relating to the equity-settled share-based payment transactions.