ALLIED HEALTHCARE GROUP

Annual Report

30 June 2012

ABN 35 088 221 078

www.alliedhealthcaregroup.com.au

Corporate Directory

Registered Office and Principal Place of Business

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Auditors

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Share Registry

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45 St Georges Terrace
Perth WA 6000

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Stock Exchange

Shares listed on the
Australian Securities Exchange
ASX Code: AHZ

Solicitors

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Bankers

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Chairman's Letter

Dear fellow shareholders,

I am pleased to present to you our annual report for the year ended 30 June 2012, our first full year of operation as Allied Healthcare Group Ltd (Allied Healthcare).

As well as completing the merger between bioMD and Allied Medical, and fully integrating the two businesses, over the last 12 months we have also made significant progress on product development in our regenerative medicine business and further progressed our DNA vaccine programs, whilst at the same time continuing to develop our strong sales and marketing business.

As we continue to build a revenue-focused business, we have also strengthened our management team. We have appointed Mr Peter Turvey to the Board as a Non-Executive Director. Peter was previously the General Counsel at CSL and brings exceptional experience in the healthcare and biotechnology space, particularly his understanding of licensing and the vaccine industries. Over the year we also appointed Dr Julian Chick as Group COO and Mr Bob Atwill as a senior executive at Allied Healthcare Group and CEO of the regenerative medicine franchise. Both Julian and Bob bring a wealth of experience to the management team and extensive networks in the healthcare and biotechnology industries.

Our strategy for the next year and beyond remains to build the overall revenue of the Company. We aim to maintain our strong sales and marketing business and look to build revenue through the launch of the first product from our product pipeline.

Over the past 12 months our three business divisions have continued to make notable progress. Below are highlights for the year for each division:

Regenerative Medicine Franchise

The past year has been an extremely busy period for the regenerative medicine team. Earlier in the year we appointed Mr Bob Atwill as the CEO of this Group. The division's programs have progressed well, with continued positive results for its lead product CardioCel®. We reported positive two and three year follow up data from our Phase II study – these showed no calcification for CardioCel®. In addition, the team have now filed the TGA and EU marketing approval submissions and we are expecting to lodge a 510(k) application with the US FDA in late 2012 or early 2013. As a result of this we are looking forward to the initial approval and pending launch of CardioCel® into the market over the coming 12 months.

DNA Vaccines

In the last 12 months our DNA vaccine programs progressed very well and were expanded, with the inclusion of a new vaccine program. Earlier this year, we announced that the DNA vaccine pipeline had been broadened to include a therapeutic vaccine targeting Human Papilloma Virus (HPV). Also in the past 12 months, we reported very positive pre-clinical study results for the Herpes Simplex Virus Type 2 (HSV-2) study. The results showed 100% protection against HSV-2 infection. These are very encouraging, enough for us to invest further into these programs as they progress into a Phase I human study.

Medical Devices Sales and Marketing

During the year, further progress has been made in setting a solid platform on which to develop a dynamic sales and marketing component for the Company. Overall revenue was slightly lower than the previous year due mainly to a transient manufacturing issue from one of our main suppliers, but this has not affected our ability to position for expansion. It is encouraging to see that our plan to penetrate the cardiology market is on track with a two-fold increase in revenue compared to the previous year, and the infusion portfolio has two new products that will add considerable value in the years ahead. The Company is excited about the potential to build a substantial business, not only in our key areas of activity, cardiology and infusion, but to use this foundation to leverage the addition of new technologies and services.

Building on the achievements of the past year, the Company is looking forward to several key milestones in the coming year. Particularly exciting are the pending Phase I study for HSV-2 and the ongoing market approval filings for our lead regenerative medicine program CardioCel®. We look forward to reporting these and other milestones to you over the months ahead.

The Board, management and I would also like to thank shareholders for their ongoing support and their participation over the past 12 months in the capital raising and rights issue. We continue to build a Company focused on growing our revenues, while at the same time developing unique and highly valuable medical innovations.

Yours sincerely,

Chris Catlow
Chairman
Allied Healthcare Group

Review of Operations 2012

Activities over the year have been focused on growing both the Company's revenues and making the necessary investments to capture future growth opportunities. It has been a very active 12-month period, in terms of corporate activity and product development. This activity has brought forward a number of initiatives and I look forward to sharing with you these milestones over the coming year.

Of particular note over the past 12 months is the progress we have made with our lead regenerative medicine product CardioCel®. Marketing approval submissions have been lodged for CardioCel® in Australia and Europe and we are expecting to lodge a 510(k) with the US Food and Drug Administration (FDA) by late 2012 or early 2013. Our strategy is to make CardioCel® the initial product approved based on our ADAPT® Tissue Engineering Technology. This will build revenue for Allied Healthcare through sales and be the first step in building a franchise in regenerative medicine products.

Earlier in 2012, we also entered into a research program with CSIRO to explore additional applications for our tissue products, in particular examining their potential as a delivery platform for stem cells. This clearly has significant scope to expand our ADAPT® franchise and we look forward to sharing details of this program in the months ahead.

Over the past 12 months Allied Healthcare has invested further into its DNA vaccine business. The portfolio of DNA vaccines has also expanded to target a therapeutic vaccine for HPV. As you will be aware this program is being led by former Australian of the Year Professor Ian Frazer. Part of Ian's work is developing a follow up to his hugely successful drug Gardasil®, the world's first approved cervical cancer vaccine. Our DNA vaccines differ from existing vaccines in that they will offer both preventative and therapeutic value.

The activities of our research and development programs are all focused on delivering near term commercial outcomes – allowing us to deliver shareholder value and to continue to invest in unique technologies targeting markets of major need.

Over the year we have also strengthened our management team. We appointed Mr Peter Turvey as a Non-Executive Director in May. Peter was previously the General Counsel at CSL and currently holds a number of roles across the healthcare and biotechnology industries. We were also fortunate to welcome Dr Julian Chick and Mr Bob Atwill to the management team. Both have joined the company during the last 12 months and bring a wealth of experience and networks to Allied Healthcare Group.

We anticipate an active 12 months ahead as some of our investments reach major milestones. Over the coming year we are anticipating the initial approval for the first Allied Healthcare-generated product from our regenerative medicine franchise. We are also looking forward to the initial Phase I study for our DNA vaccine technology.

Earlier this year we undertook a placement and Rights Issue, and I would like to welcome the new shareholders to Allied Healthcare Group and also thank existing shareholders for their ongoing support.

Lee Rodne

Lee Rodne
Managing Director

The science behind the DNA vaccine program focuses on the introduction of fragments of DNA from a virus into the body. The DNA fragments code for a key physical part of the virus which is essential for the virus to replicate and exist.

Next Generation Vaccines

Over the year Allied Healthcare increased its investment in the DNA vaccine programs, taking an additional stake in Coridon. The Company now owns 44.4% of Coridon, a company created by Professor Ian Frazer, the developer of the cervical cancer vaccine Gardasil®.

As well as an increased stake, Allied Healthcare has also taken a more proactive involvement in some aspects of the vaccine programs. We have been active in supporting the R&D team to ensure that the programs remain focused on generating data on time – this is essential for clinical validation of the technology and future licensing opportunities.

The Allied Healthcare DNA vaccine programs originated from Professor Frazer's laboratory in Brisbane and have been focused on developing the next generation of vaccines. These not only have the prophylactic aspects (preventative) seen with traditional vaccines, but also have the potential to induce a therapeutic response. These vaccines have the advantage of not only being able to protect people from diseases but also treat those with existing conditions.

Currently, the DNA vaccine programs are focused on the viral based diseases Herpes virus, Human Papilloma Virus (HPV) and Epstein Barr Virus (EBV); however the core technology could be applied to a broad range of diseases including some cancers. The Company is looking to validate the technology through the initial programs in Herpes Simplex Virus Type 2 (HSV-2) and HPV.

Technology overview

More traditional vaccines use whole or small parts of a virus as part of the inoculation process. The science behind the DNA vaccine program focuses on the introduction of fragments of DNA from a virus into the body. The DNA fragments code for a key physical part of the virus which is essential for the virus to replicate and exist. By targeting these essential parts we are able to prevent the virus reproducing and therefore decrease or eliminate the amount of virus in a person.

An important differentiator of our DNA vaccines over other DNA vaccines is based on using the technology developed by Professor Frazer. This involves incorporating ubiquitin, a protein that 'tags' parts of the vaccine for destruction, a process which enables the vaccine to be presented in a unique and efficient way to the immune system to help to give a wider and stronger immune response.

Once the vaccine is introduced into the body, the immune system generates a response and a memory towards these parts of the virus coded in the DNA. Therefore if a person is ever exposed to the virus they will have existing immunity to that virus. Furthermore, if a person is already infected or has had previous exposure to the virus then the immune system's T-killer cells that are generated are able to attack the virus and reduce or remove the viral infection – the vaccine therefore provides both protection and treatment against a virus.

Program highlights

HSV-2 vaccine program

The most advanced of Allied Healthcare's vaccine programs is the Herpes virus program targeting Herpes Simplex 2, commonly known as genital Herpes. The vaccine may also have potential in preventing or treating other Herpes viruses like Herpes Simplex 1, which causes cold sores.

Herpes Simplex viruses 1 and 2 (HSV-1, HSV-2) infections are very common with estimates of 60% to 90% of the world population believed to be infected with one or both of the Herpes viruses. HSV-2 viral infection can be a debilitating disease which affects a large proportion of the population. Based on survey data from 2005 to 2008 obtained by the Centers for Disease Control and Prevention (CDC) in the U.S., the prevalence of HSV-2 infection in the United States across people aged between 14 and 49 was 16% of this population. The disease itself causes a number of symptoms and is often associated with painful lesion outbreaks in between periods where the infection is dormant, although during dormancy the virus may still be transmitted. HSV-2 has also been linked to increasing the risk of infection with HIV-1.

Currently there are several products on the market targeting relief from symptoms suffered, but **there are NO preventative vaccines or cures on the market for HSV-2**. Therefore the potential for an HSV-2 vaccine is significant, with some market forecasts estimating that a successful HSV-2 vaccine could be marketed globally due to the volume of people affected.

Over the past 12 months the HSV-2 program has shown very positive results in test models. In the studies announced towards the end of 2011, we showed that even at very high doses of virus, the HSV-2 vaccine was able to clear the virus. The study also showed that both neutralising antibodies and cytotoxic lymphocytes (CTL) were activated against the virus.

These test results, and comments from key opinion leaders about the effects of the vaccine in the test models, have been very encouraging and we are now focused on taking the program to the next stage - an initial Phase I clinical study.

Earlier this year, the Company also announced several alliances around preparing this program for the clinic. Firstly, an alliance with Nature Technology Corporation (NTC) from the U.S. was formed to provide the backbone that delivers our vaccine DNA during the inoculation process for the HSV-2 vaccinations. A second alliance with VGXI Inc. was formed to manufacture the vaccine components for the Phase I study.

HSV-2 Phase I Study

The planned Phase I study will test five doses of the HSV-2 vaccine. The study will be conducted in healthy volunteers who report no previous exposure to the Herpes virus. Each volunteer will receive three inoculations. The doses will increase after each successful inoculation series. The study will look at the safety of the vaccine as well as looking for activation of antibodies and cellular immune responses against the Herpes virus.

Allied Healthcare is expecting to release the results of the Phase I study in 2013.

This research has attracted significant interest, given Professor Frazer's earlier work in this area and the extensive research that has shown that HPV infection is directly related to the onset of cervical cancer.

HPV therapeutic vaccine program

Earlier this year Allied Healthcare announced that Professor Frazer's team would initiate work on developing a therapeutic vaccine for the treatment of Human Papilloma Virus (HPV). This research has attracted significant interest, given Professor Frazer's earlier work in this area and the extensive research that has shown that HPV infection is directly related to the onset of cervical cancer.

This program follows on from Professor Frazer's work that resulted in the development of successful cervical cancer preventative vaccines, Gardasil® marketed by Merck and Cervarix®, marketed by GlaxoSmithKline. Unlike Gardasil® and Cervarix®, the aim of this program is to vaccinate patients that already have HPV infection.

While in some parts of the world, vaccination with HPV preventative vaccines has seen a high uptake, in many countries the vaccination rates remain low. In the United States for example, the vaccination rate of eligible people (12 to 17 year olds) is around 35%, meaning that in the longer term, a significant number of people may still be susceptible to infection with the HPV virus, and therefore are at risk in the future of developing an HPV associated cancer.

Although the HPV vaccine program was only initiated early in 2012, the team has made considerable progress and is currently refining it in the first of two pre-clinical models. These studies will examine the vaccine's ability to treat existing HPV infections. The results from these studies are due in the 4th quarter of 2012.

Recent data has validated the ten years of extensive research that Professor Leon Neethling has put into developing the ADAPT® technology platform

Regenerative Medicine

Taking the steps to building a global regenerative medicine franchise

Introduction

Over the past year the regenerative medicine franchise has taken significant steps towards getting its first product approved for market, while continuing to build our other applications of the ADAPT® Tissue Engineering Process (TEP) as a platform technology.

These developments have been led by Bob Atwill, Allied Healthcare Executive and CEO of the Regenerative Medicine Franchise. Bob brings a wealth of experience in regenerative medicine, tissue engineering, medical devices, stem cells and biopharmaceuticals. He will be responsible for driving Allied Healthcare's first product to market and expanding the value and application of the Company's regenerative technologies. To this end the Company has made significant progress with several recent patent filings. These provide continued support to the strong intellectual patent position around the ADAPT® technology, and open avenues for further commercial opportunity.

CardioCel®

The lead program for our regenerative medicine franchise is CardioCel®, a tissue patch used in the repair and reconstruction of congenital heart disease in children. In the past 12 months the team has filed for marketing approval in Australia with the Therapeutic Goods Administration (TGA) and for CE mark (European approval) with our notified body BSI. The Company is also expecting

Celxcel Pipeline

Therapeutic area	Research	Preclinical	Clinical	Regulatory Filing	Market Approval
Congenital Heart Disease CARDIOCEL PATCH FOR REPAIR OF CONGENITAL HEART DEFECTS	COMPLETE	COMPLETE	COMPLETE	2012	2013
Cardiovascular Applications CARDIOCEL VASCULAR AND VALVE RECONSTRUCTION AND REPAIR	COMPLETE	COMPLETE	IN PLANNING	2014	2015
Gynaecological Repair PELVIC FLOOR REPAIR	COMPLETE	IN PROGRESS			
Abdominal Repair HERNIA REPAIR	COMPLETE	IN PROGRESS			
Surgical ORTHOPAEDICS	IN PROGRESS	IN PROGRESS			
Tissue Valves CARDIOCEL AND ADAPT	COMPLETE	IN PROGRESS			
Stem Cell Delivery MATRIX WITH STEM CELLS	IN PROGRESS	2012			

The importance of this data indicates that the use of CardioCel® can make dramatic quality of life improvements for children born with congenital heart disease and potentially prevent future surgery and aid in the long term outcome for these patients.

to submit its 510(k) application to the US Food and Drug Administration (FDA) in late 2012 or early 2013. The aim of these submissions is to gain approval to market and distribute CardioCel® into the global market, with Allied Healthcare anticipating the initial approval for CardioCel® in at least one country over the next 12 months. The first and subsequent marketing approvals should see the Company start to generate significant revenue from within the regenerative medicine franchise.

Clinical Data

Allied Healthcare Group continues to undertake R&D around the ADAPT® Tissue Engineering Process (TEP). Earlier this year the Company announced two and three year follow up data from the Phase II clinical trial which started in 2008. This is the largest study of its type in congenital heart disease and achieved all of its primary and secondary end points. The recent results have shown that after two and three years there was confirmed to be no detectable calcium build up (calcification) in the patient population (children). This is a very significant result as typically patients experience calcification within six months post-surgery, which eventually leads to the need to re-operate on the patient. This reduces quality of life, poses the usual issues associated with surgery and causes ongoing emotional distress for families.

It is estimated that globally 8 in 1,000 children born have some congenital heart disease. Not all of these require surgery; however there is an estimated 30,000 surgical procedures annually to repair or reconstruct hearts in children in the US, with numbers greater than twice that globally.

Advisory Board

To support the commercialisation of CardioCel®, and further develop potential applications, Allied Healthcare has established an Advisory Board. This group, made up of five eminent cardiothoracic surgeons, will be instrumental in fully developing the potential of ADAPT® and CardioCel®. The Company is greatly encouraged by their enthusiasm about both the near and long term potential for paediatric and adult patients in Australia and globally. Plans are in place to set up advisory boards for Europe and the US as CardioCel® gets closer to market launch in those geographies.

Broader applications for the ADAPT® technology

Over the past 12 months Allied Healthcare has announced several pre-clinical studies exploring broader applications for its technology. The Company has ongoing projects in heart valve repair and reconstruction, hernia and pelvic floor repair.

In the first half of 2012, Allied Healthcare announced that two studies were underway comparing ADAPT® treated tissues to current standards of care. The initial surgical procedures for these studies went well, and the Company is expecting the final data for both to be released later this year.

During the year we continued the collaboration with one of the top global tissue valve manufacturers on one of their FDA approved valves with positive results. There have also been discussions with a number of other leading and emerging heart valve and regenerative medicine companies.

Use of CardioCel® to deliver stem cells

Allied Healthcare is collaborating with CSIRO to explore the use of CardioCel® and potentially other tissue matrix products created using the ADAPT® technology as a vehicle for delivering stem cells. CSIRO is one of the leading research organisations in Australia for stem cell research and a significant partner for the Company. As well as CSIRO's expertise, the collaboration is supported by Enterprise Connect through Researchers in Business, which provides funding towards the program. Results for the initial phases of the collaboration will be announced to the market when they become available.

Marketing Plans

The past year has seen Allied Healthcare take significant steps towards bringing the first product in its regenerative medicine franchise to market, as well as continuing to develop a series of products used for surgical repair and reconstruction procedures. The Company is expecting to see the initial product CardioCel® launched into the market within the next 12 months. From this initial approval, the Company will look to expand the market, and subsequently launch CardioCel® globally. Following this we will bring additional tissue products based on the ADAPT® technology to market. Allied Healthcare looks forward to a significant and exciting 2013 for its Regenerative Medicine Franchise.

Sales and Marketing

Building a leading medical device business

Allied Healthcare's medical devices division continued to make progress in expanding into markets identified as major growth opportunities. While overall sales revenue was slightly down on the previous year, we are pleased to report that sales of our cardiology products doubled over the year and our potential to become a major player in the infusion pump market was buoyed by the successful pre-launch of both our new ambulatory pump and our whole of hospital infusion systems.

In addition to this, other new products aligned to both of our key target markets, cardiology and infusion devices, have been evaluated and market tested and will provide an additional sales boost to the division over the coming months.

For the full year Allied Healthcare Group generated $6.5 million in sales revenue. Revenue was impacted by some unexpected supply interruptions for some high turnover consumable products. These interruptions occurred mainly in the second half of the year and have subsequently been rectified with no expected impact on the business ahead.

As we continued to focus on markets that offer the greatest commercial opportunity we brought forward our plans to streamline inventory and remove some product lines. This consolidation did have some impact on total revenue for the financial year, but will support a more focused sales program on our key product portfolios for the year ahead. This improved focus is particularly important as we continue to identify opportunities to grow in the expanding healthcare market in Australia and beyond.

After the first year of operation, the newly created medical devices division continued to strengthen its national footprint. Much effort has gone into further developing the Company's sales and clinical education teams, both in terms of geographic coverage and also in skills development. Training and up-skilling remains a key focus and a key driver in our strategy to deliver quality support to our customers.

As we further establish ourselves as a major supplier to the Australian healthcare market, we continue to add to our network of local key opinion leaders. These industry specialists work to assist us with product evaluation and product endorsement. As part of our initiatives to fully support our clients and the growing needs of the market, with the support of our key opinion leaders we have launched a series of clinical experience reports that demonstrate patient benefits and key points of difference for our flagship products. We continue to work with the medical profession in conjunction with their respected peers as well as supporting clinical training and education initiatives.

Increasing Revenues

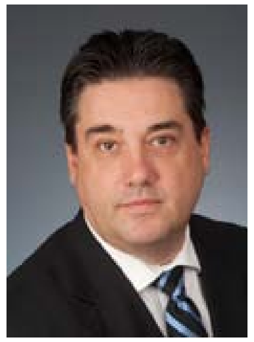
Looking forward, as well as a renewed focus on our core markets, cardiology and infusion products, the medical devices division anticipates additional revenue for the year ahead from in-house products, such as CardioCel®. As we continue to focus on building a major force in the local Australian healthcare market we also remain engaged in identifying other growth opportunities.

> Improved focus is particularly important as we continue to identify opportunities to grow in the expanding healthcare market in Australia and beyond

Directors

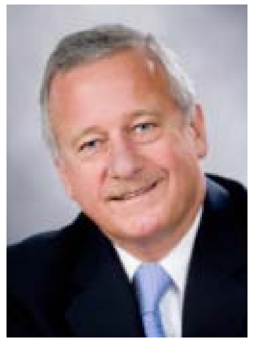
Chris Catlow
Chairman

Chris Catlow is an experienced executive in the capital markets. Over his 25 year career, he has held various senior roles in major operating companies and has considerable experience in raising both equity and debt for large projects. Chris was the inaugural CFO of Fortescue Metals Group Ltd and played a central role in its development and in raising more than US$4 billion. He was previously a Director of Consolidated Rutile Ltd and Executive General Manager Finance of Iluka Resources Limited and is currently Chairman of Sirius Minerals Plc and Indo Mines Ltd. Chris has a Bachelor of Science in Engineering from the University of Durham, UK and is a Fellow of the Institute of Chartered Accountants in Australia.



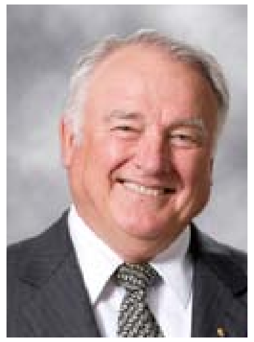
Lee Rodne
Managing Director

Lee Rodne has over 15 years of leadership experience in healthcare, technology, medical devices, and mining & renewable energy sectors in North America, UK and Australia. Lee has been in executive leadership roles in both public and private enterprises. He has served as a Director and Vice president of a U.S. based Healthcare Consulting & Distribution Company specialising on GE Healthcare products and services. Lee also led consulting services to the U.S. Healthcare, Device and Technology industries including Hospitals, Clinics, Multi-National Medical Device companies, Healthcare Insurance markets and various technology driven companies. Lee holds an MBA from the University of St. Thomas, Minnesota and a B.A. degree in Business Management from St. John's University, Minnesota.



Michael Bennett
Executive Director

Michael Bennett has over 35 years sales and marketing experience working for US and European medical device companies and has been involved in the introduction of many new medical and surgical device technologies to the Australian market. Michael worked with Ramsay Surgical Ltd, an Australian medical/surgical supply and distribution company until 1979. Since 1979, Michael owned and operated his own private surgical supply company, Bennett Medical, and exclusively represented several major overseas medical device manufacturing corporations. His company was involved in the introduction of many new surgical technologies to Australia. He sold the company in 2001. From 2001 he has been consulting to overseas surgical manufacturers and to the Australian medical industry in general.



Graeme Rowley
Non-Executive Director

Graeme Rowley played a central role in the development of Fortescue Metals Group Ltd from its inception in 2003. He recently retired as an Executive Director of Fortescue but continues to serve as a Non-Executive Director of the company. Previously he was an executive with Rio Tinto Plc holding senior positions in Hamersley Iron and Argyle Diamonds. Graeme's previous directorships have included Dampier Port Authority, the Pilbara Development Commission, the Council for the West Pilbara College of TAFE and the Western Australian State Government's Technical Advisory Council.

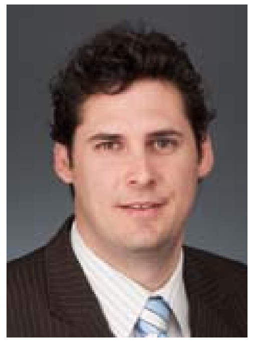
Peter Turvey
Non-Executive Director

Peter Turvey is currently a Principal of Foursight Associates Pty Ltd, a director of the industry organisation AusBiotech Ltd and a Non-Executive Director of Starpharma Holdings Ltd. Peter is the former Executive Vice President Licensing and Company Secretary of global specialty biopharmaceutical company CSL Ltd, having retired in 2011. He joined CSL in 1992 as its first in-house Corporate Counsel and was appointed Company Secretary in 1998. He played a key role in the transformation of CSL from a government owned enterprise, through ASX listing in 1994, to a global plasma and biopharmaceutical company.

Peter was directly involved in licensing the cervical cancer vaccine, Gardasil to Merck & Co., the licensing of the Iscomatrix® adjuvant platform technology to the world's leading vaccine manufacturers, and establishment of the P.gingivalis vaccine technology collaboration between the CRC for Oral Health and Sanofi-Pasteur.

Peter holds an Arts/Law degree from the Australian National University.

Senior Management



Julian Chick
Chief Operating Officer

Julian Chick is an experienced corporate executive with 10 years' experience in senior management with roles as Chief Executive Officer, Head of Business Development plus running early and late stage Research & Development projects. In the past six years Dr Chick has raised over $170 million for R&D projects. Julian had five years' experience as an investment adviser and financial consultant with Prudential-Bache Securities, BNP Paribas and Salomon Smith Barney. He was also the principal analyst with Foursight Associates reviewing healthcare and biotechnology investment opportunities for private equity investors and venture capitalists. Julian has a PhD in Muscle Physiology.

Bob Atwill
Group Executive and CEO of the Regenerative Medicine Franchise

Bob Atwill has over 30 years of experience in the pharmaceutical, biotechnology and healthcare sectors. Bob has been a CEO and senior corporate officer in US, UK and Australian listed organisations. Prior to his appointment, Bob was CEO of Liquitab Systems Ltd and BioGrid Australia Ltd. He has also been consulting to ASX-listed regenerative medicine company Mesoblast. Previously he served as the CEO & MD of Clinical Cell Culture, an ASX Listed company (now Avita Medical), Sales & Marketing Director of the Corin Group Plc and European Managing Director of the Sun Healthcare Group Inc. Bob has a BSc (Hons) in biochemistry from the University of Bristol, an Executive MBA from Ashridge Management College and has completed UCLA/Yale President Development courses.

Stephen Mann
Company Secretary and Chief Financial Officer

Stephen Mann has more than eight years experience in commerce and public practice and has held senior finance positions with Bus and Coach International Pty Ltd and JV Global Ltd. He has worked in listed and private companies in various industries including retail, wholesale, logistics, construction and public accounting. Stephen specialises in management reporting, system improvement, financial management and mergers and acquisitions. As a member of the executive team he aims to provide enhanced services to the Board of Directors and shareholders of Allied Healthcare Group. Stephen has a Bachelor of Business majoring in Accounting and Business Law and is a member of the Institute of Chartered Accountants.

Lynne Bradshaw
Director-Marketing

Lynne Bradshaw has 25 years experience in senior level management roles and Director positions in the public and private healthcare sector both locally and internationally. Lynne brings to Allied Healthcare Group executive level experience and understanding of pharmaceuticals, medical devices and medical consumables as well as provision of services to the healthcare market. Her career has focused on business development, marketing and distribution in this industry sector. Having established and managed her own medical businesses, Lynne is well equipped to contend with the challenges of a growing a business and has been a trusted consultant to the healthcare industry on major projects. Her wide ranging career experience spans local and international markets where she has built an extensive network of client and industry contacts, developed new products and agencies with international partners and brought innovative medical devices to the Australian market. Lynne is currently Chair and Director of a major Australian charity.

Danny Zanardo
Director-Sales

Danny Zanardo has over 20 years experience in the Australian healthcare sector via positions with multinational pharmaceutical companies, biopharmaceutical start-up, and medical device companies. He has gained formal qualifications via a degree in applied science and has built upon this with post graduate business studies, and is currently working towards completing his MBA. During his career Danny has developed strong networks and an intimate understanding of medical device and pharmaceutical commercial and clinical environments. He has a successful track record of leading sales, marketing and clinical teams in commercial projects, with new and existing medical technology, that have resulted in significant revenue growth. Danny has worked with Rousell Uclaf, Hoffman La Roche, and Actelion. He joined Allied Medical as a Regional Sales Manager in 2004 and became National Sales Manager in 2005.

Corporate Governance Statement

Allied Healthcare Group Limited (the Company) and the Board strongly support good corporate governance but are mindful that the practices needed to implement good corporate governance vary considerably from company to company. The Board strongly agrees with the "*Principles of Good Corporate Governance and Best Practice Recommendations*" developed by the Australian Securities Exchange (ASX).

This statement outlines the main corporate governance practices in place during the financial year. Where the Company's practices depart from ASX recommendations, the exceptions have been identified and the Board's reasons for an alternate approach have been explained.

Structure and Role of the Board of Directors

The Board is responsible to the shareholders for the performance of the Company and takes responsibility for the overall operation and stewardship of the Company, including overseeing corporate governance matters. The Board guides and monitors the business of the Company on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies and monitoring the business of the Company to ensure that it is conducted appropriately and in the best interests of shareholders.

The Board's key objectives are to:

- increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders; and
- ensure the Company is properly managed.

The primary responsibilities of the Board are set out in a written policy and include:

- supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- monitoring the financial performance of the Company, adopting annual budgets and approving the Company's financial statements;
- overseeing corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company; and
- nominating and monitoring the Company's external auditors.

The Board evaluates these policies on an ongoing basis.

The Board seeks to nominate persons for appointment to the Board who have suitable qualifications, experience and skills to augment the capabilities of the Board.

Directors' qualifications, experience, expertise and attendance at Board meetings are outlined in the Directors' Report.

As at the date of this report, the Board of the Company currently consists of a Non-Executive Chairman, two Non-Executive Directors and three Executive Directors. The Chairman and one of the two Non-Executive Directors are considered to be independent.

A Director is deemed to be independent by the Board where they are:

- a non-executive director;
- not a substantial shareholder, being a shareholder with a relevant interest of more than 5% of voting shares;
- not a director, officer or related party of a substantial shareholder;
- not in a material contractual relationship with the Company;
- free from any interest and any business or other relationship which could, or reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company;
- not a director, officer or related party of a third party dealing with the Company or professional adviser or material consultant to the Company or a material supplier.

The Board considers that the current composition of the Board best suits the Company's present activities and level of operations, and includes an appropriate mix of skills and expertise relevant to the Company's business.

The Board will maximise the non-executive and independent representation on the Board within the constraints of prudent management practice.

Board Committees

The Company has established an Audit Committee, which meets generally twice a year. Its role is to assist the Board in fulfilling its responsibilities for the Company's financial reporting, audit, internal control and financial risks. The Managing Director, Chief Financial Officer and the external auditors are usually in attendance at Audit Committee meetings by invitation.

The current members of the Audit Committee are Mr Catlow - Chairman of Committee, Mr Rowley and Mr Turvey. The Board considers that the current structure of the Audit Committee is appropriate given the current size and structure of the Company. Mr Catlow possesses the requisite financial expertise necessary to effectively carry out the Audit Committee's mandate (refer to the Directors' Report for qualifications and attendance at Audit Committee meetings). Mr Catlow is able to seek independent external advice on industry-related aspects in carrying out his duties on the Audit Committee to ensure the integrity of the financial statements. The Committee follows a formal Audit Committee Charter.

Currently, a separate Nomination Committee has not been formed. The Board considers that based on the Company's stage of development, no benefits or efficiencies are to be gained by delegating this function to a separate committee. The full Board carries out the duties of the Nomination Committee. If a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board considers candidates with the appropriate expertise and experience. In so acting, the full Board follows the Nomination Committee Charter.

The current members of the Remuneration Committee are Mr Rowley - Chairman of Committee, Mr Catlow and Mr Turvey. The Board considers that the current structure of the Remuneration Committee is appropriate given the current size and structure of the Company. The Board determines the level of remuneration for Directors based on the provision of services to the Company. Remuneration levels are set with reference to industry and market conditions and with regard to the size, nature and volume of operations and overall market capitalisation of the Company.

Details of the Company's remuneration policy are set out in the Remuneration Report included in the Directors' Report in this Annual Report.

Additional Board committees may be formed temporarily for specific purposes and/or to exercise specified authority of the Board.

The Board and all Committees have established formal charters that which are available on the Company's website.

Ethical and Responsible Decision Making

The Board has adopted a Code of Conduct which provides guidance to Directors and employees on the standards of behaviour expected in the discharge of their duties on behalf of the Company. The Code is based on respect for the law and acting accordingly, dealing with conflicts of interest appropriately and requires business affairs to be conducted ethically and with integrity. A copy of the Code is available on the Company's website.

The Chairman is responsible for leading the Board and ensuring its activities are organised and efficiently conducted. He is also responsible for ensuring that Directors are properly briefed for meetings and in all matters relevant to their roles and responsibilities.

The Managing Director and Company Secretary are responsible for implementing the Company's strategies, funding and operating plans and policies.

Directors have the right, with the prior approval of the Chairman, to seek independent professional advice in connection to their duties at the Company's expense.

The Board has adopted a written securities trading policy that applies to all Directors and employees. The policy provides a clear determination of when it is appropriate for Directors, officers and employees to trade in the securities of the Company. Trading in the Company securities is prohibited whilst in possession of price sensitive information.

Safeguard Integrity of Financial Reporting

The company operates an Audit Committee, as described in the section titled "Board Committees". The number of meetings held are detailed in the Directors' Report section of the Annual Report.

The Managing Director and the Chief Financial Officer sign-off in a representation letter addressed to the Audit Committee as part of the financial reporting process. The statement states that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with relevant accounting standards in accordance with section 295A of the *Corporations Act 2001*. The Audit Committee notes this written advice when considering the financial accounts of the Company.

The Company's current audit firm is BDO Audit (WA) Pty Ltd. The appointment, replacement and remuneration of the Company's auditor are a 'retained power' of the Board which is discharged by the Audit Committee.

Timely and Balanced Disclosure

The Company has a continuous disclosure policy which aims to ensure timely compliance with the Company's obligations under the ASX Listing Rules. Given the small size of the Board of Directors, all material announcements are approved for release by the full Board. The Company is committed to promoting investor confidence and ensuring that shareholders and the market have equal access to information and are provided with timely and balanced disclosure of all material matters concerning the Company.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with continuous disclosure requirements of the ASX Listing Rules and overseeing and co-ordinating information disclosures.

In addition to periodic reporting, the Company ensures that all relevant information concerning the Company is available on its website.

The website also includes an option for interested parties to register their email address for direct email on Company matters.

Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company.

Information is communicated to shareholders as follows:

- regular announcements to the ASX;
- copies of all announcements, reports and topical information are posted to the website;
- newsletters are sent to shareholders periodically, providing an update of activities;
- the Chairman of the Company always provides the opportunity for shareholders to ask questions at Annual General Meetings ("AGM") and manages the question period to allow the maximum number of shareholders to do so;
- the Company's auditor attends the AGM and is also available to answer any questions on audit matters.

Risk Assessment and Management

The Board is responsible for ensuring that there are adequate policies in relation to risk management, compliance and internal control systems. The Company has developed a framework and Risk Management Policy designed to ensure financial, business and operational risks are regularly identified, assessed and monitored to enable achievement of the Company's business objectives.

Given the small number of directors on the Board, oversight of the risk management system is retained as a full Board function. The Board has established a policy for risk oversight and management within the Company. This is periodically reviewed and updated.

There is no formal internal control function as the Company is not of a size to warrant the implementation of a separate internal control function.

Risk management is embedded in the Company's policies and procedures which has enabled the Company to pro-actively identify and manage all types of risk within the organisation. The Board aims to continually evaluate and re-assess the risk management and internal control practices of the Company to ensure current good practice is maintained, and to preserve and create value within the organisation.

Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Allied Healthcare Group Limited is Quality Assured to AS/NZS ISO 9001:2008 and risk assessment procedures are in place in relation to the planning, design and development of product, including Preliminary Risk Analysis Report and Essential Requirements Checklist (a TGA guideline). The Company also has a policy in relation to Procurement Management for the procurement of products and services.

Performance Enhancement

The Board self assesses its collective performance and reviews each Director's attendance at and involvement in Board meetings, their performance and other matters identified by the Board or other Directors on an annual basis. The Board has not formalised measures of a Director's performance.

The Company's Constitution specifies that all Directors must retire from office no later than the third annual general meeting following their last election. Where eligible, a Director may stand for re-election.

DIRECTORS' REPORT

Your Directors present their report on Allied Healthcare Group Limited ("the Company") and the consolidated entity (referred to hereafter as the Group) for the year ended 30 June 2012.

DIRECTORS

The Directors of the Company in office during the financial year and until the date of this report are as follows (Directors were in office for the entire period unless otherwise stated).

- Chris Catlow
- Lee Rodne
- Graeme Rowley
- Michael Bennett
- Peter Turvey – Appointed 18 May 2012
- Jet Soedirdja – Resigned 18 May 2012
- Robert Towner – Resigned 2 April 2012

PRINCIPAL ACTIVITIES

During the year, the principal continuing activity of the Group consisted of:

- Providing quality innovative medical devices and best of class products and services to the Australasian Healthcare market and the development of biotech products for the international medical market.

OPERATING RESULT

The operating result for the year:

	CONSOLIDATED	
	2012	2011
	$	$
Loss before income tax	**(10,357,773)**	(1,958,526)
Income tax benefit/(expense)	**135,638**	4,878
Loss for the year	**(10,222,135)**	(1,953,648)

DIVIDENDS

No dividend was paid during the year and the Board has not recommended the payment of a dividend.

SHARE CAPITAL

799,568,843 ordinary shares and 78,009,172 unlisted options were on issue as at 30 June 2012.

REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Review of Operations contained in this Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year not otherwise disclosed in this report of the Financial Statements. During the year the Directors obtained an independent valuation of the intellectual property held in Celxcel Pty Limited at the time of acquisition. The valuation of ADAPT tissue engineering technology increased the fair value calculated for intangibles at 30 June 2011. This reduced the goodwill value calculated on the transaction in the prior year using provisional accounting. The goodwill was subsequently tested for impairment and the total remaining balance was considered impaired by the Directors.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 3 July 2012, the Group announced that subsidiary Celxcel Pty Ltd has signed a research collaboration with the CSIRO focusing on the development of the novel tissue engineering technologies which have the potential to aid tissue repair in the heart.

On 20 July 2012, shares were issued to executives for achieving key performance indicators stipulated in their contracts.

ENVIRONMENTAL REGULATIONS

The Group is not currently subject to any environmental regulations.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The group is subject to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007.*

The *Energy Efficiency Opportunities Act 2006* requires the group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the group intends to take as a result. The group continues to meet its obligations under this Act.

The *National Greenhouse and Energy Reporting Act 2007* requires the group to report its annual greenhouse gas emissions and energy use. The group has implemented systems and processes for the collection and calculation of the data required and submitted its 2009/2010 report to the Greenhouse and Energy Data Officer.

LIKELY DEVELOPMENTS

The likely developments in operations of the Group are covered in the Annual Report. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

INFORMATION ON DIRECTORS

Director	Experience	Special Responsibilities	Particulars of Director's Interest in Shares and Options of the Company	
			Ordinary Shares	Options
C. Catlow	Non-Executive Chairman appointed 16 June 2011. Mr Catlow has over 25 years experience in various senior roles in major operating companies and has considerable experience in raising both equity and debt for large projects. Mr Catlow was the inaugural CFO and a senior executive for 7 years at Fortescue Metals Group Ltd and played a central role in its development and in raising more than US$4 billion. Other current directorships Sirius Minerals Plc: and Indo Mines Ltd. Former directorships in last 3 years Groote Resource Ltd	Chairman Chairman of audit committee Member of remuneration committee	12,227,289	16,000,000

INFORMATION ON DIRECTORS

Director	Experience	Special Responsibilities	Particulars of Director's Interest in Shares and Options of the Company	
			Ordinary Shares	Options
L. Rodne	Executive Director appointed as Managing Director 16 June 2011. Mr Rodne has over 16 years of leadership experience in healthcare, technology, medical devices, and mining & renewable energy sectors in North America, UK and Australia. Mr Rodne has been in executive leadership roles in both public and private enterprises. Mr Rodne also led consulting services to the U.S. Healthcare, Device and Technology industries including Hospitals, Clinics, Multi-National Medical Device companies, Healthcare Insurance markets and various technology driven companies. Other current directorships None Former directorships in last 3 years None	Managing Director	23,379,398	19,200,000
G. Rowley	Non-Executive Director appointed 16 June 2011. Mr Rowley played a central role in the development of Fortescue Metals Group Ltd from its inception in 2003. Previously he was an executive with Rio Tinto Plc holding senior positions in Hamersley Iron and Argyle Diamonds. Other current directorships Fortescue Metals Group Limited Former directorships in last 3 years None	Member of audit committee Chairman of remuneration committee	15,513,789	8,000,000
M. Bennett	Executive Director appointed as Managing Director since 16 July 2003. Resigned as Managing Director and appointed Executive Director since 16 June 2011. Mr Bennett has over 35 years sales and marketing experience working for US and European medical device companies and has been involved in the introduction of many new medical and surgical device technologies to the Australian market. Since 1979 he owned and operated his own private surgical supply company and has exclusively represented some major overseas medical device manufacturing companies. Other current directorships None Former directorships in last 3 years None	Nil	9,720,000	2,500,000

DIRECTORS' REPORT (continued)

INFORMATION ON DIRECTORS (Continued)

Director	Experience	Special Responsibilities	Particulars of Director's Interest in Shares and Options of the Company	
			Ordinary Shares	Options
P. Turvey	Non-Executive Director appointed 18 May 2012. Mr Turvey has spent the last 28 years involved in the biotechnology industry, most of which were as General Counsel and Company Secretary in Australia's largest biotechnology company, CSL Limited. Mr Turvey was heavily involved in CSL's acquisitions and divestments over those years and directly responsible for the protection and licensing of its intellectual property. Other current directorships Starpharma Holdings Limited AusBiotech Limited Foursight Associates Pty. Ltd. Agriculture Victoria Services Pty. Ltd Former directorships in last 3 years None	Member of audit committee Member of remuneration committee	Nil	1,000,000
J. Soerdirdja	Non-Executive Director appointed 16 June 2011. Resigned 18 May 2012. Jet Soedirdja is an experienced Director in Australia and overseas and brings extensive experience in investment markets. He is currently an investment advisor at Bell Potter Securities and has held advisor roles at RBS Morgans (formerly ABN Amro Morgans) and Credit Suisse First Boston. Other current directorships Hudor Capital Pty Ltd PT Bumindo Energy International Former directorships in last 3 years: Avexa Limited	Nil	Nil	Nil
R. Towner	Executive Director appointed 16 July 2003. Resigned 2 April 2012. Mr Towner has spent over 15 years in financial markets as an authorised representative of Australian investment advisory firms and as a director of publicly listed and unlisted companies. Other current directorships None Former directorships in last 3 years None	Nil	17,611,992	Nil

DIRECTORS' REPORT (continued)

COMPANY SECRETARY

The Company Secretary of Allied Healthcare Group Limited from 24 September 2010 to September 2011 was Darren Bromley.

Stephen Mann was appointed Company Secretary on 24 September 2011. Mr Mann has eight years of experience in a variety of business finance, accounting, risk and administration roles. He is experienced in the areas of accounting, corporate governance, operational and financial management. He holds a Bachelor of Business Degree (Acc & Bus Law) and is a member of the Institute of Chartered Accountants.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each Director were:

Directors	Full Meetings of Directors		Meetings of Audit Committee		Meetings of Remuneration Committee	
	A	B	A	B	A	B
Chris Catlow	6	6	2	2	2	2
Lee Rodne	6	6	**	**	**	**
Graeme Rowley	6	6	2	2	2	2
Michael Bennett	6	6	**	**	**	**
Peter Turvey	1	1	**	**	**	**
Robert Towner	3	4	**	**	**	**
Jet Soerdirdja	4	5	**	**	**	**

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
** = Not a member of the relevant committee

The Board meets regularly on an informal basis in addition to the above meetings.

Details of the membership of the committees of the Board are presented in the Corporate Governance Statement.

RETIREMENT OF DIRECTORS

Mr Robert Towner and Jet Soerdirdja resigned as Non-Executive Directors on 2 April 2012 and 18 May 2012 respectively.

REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

A Principles Used To Determine the Nature and Amount of Remuneration
B Details of Remuneration
C Service Agreements
D Share-Based Compensation

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. There were no executives other than Directors of the Company during the financial year. Hence no executive disclosures are made in this report. The remuneration arrangements detailed in this report are for Non-Executive and Executive Directors as follows:

- Chris Catlow — Chairman
- Lee Rodne — Managing Director
- Graeme Rowley — Non-Executive Director
- Jet Soerdirdja — Non-Executive Director
- Peter Turvey — Non-Executive Director
- Michael Bennett — Executive Director
- Robert Towner — Executive Director

In addition, Julian Chick, Robert Atwill, Stephen Mann and Darren Bromley have been disclosed as they are considered by the directors to be key management personnel.

A Principles Used to Determine the Nature and Amount of Remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered and set to attract the most qualified and experienced candidates.

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executive officers, in the context of prevailing market conditions.

The Company embodies the following principles in its remuneration framework:

- the Board seeks independent advice on remuneration policies and practices including recommendations on remuneration packages and other terms of employment for Directors; and
- in determining remuneration, advice is sought from external consultants on current market practices for similar roles, the level of responsibility, performance and potential of the Director and performance of the Group.

In accordance with best practice corporate governance, the structure of Non-Executive and Executive remuneration is separate and distinct. Remuneration Committee responsibilities are carried out by Christopher Catlow and Graeme Rowley.

Non-Executive Directors

Fees and payments to the Non-Executive Directors' reflect the demands which are made on and the responsibilities of the Directors. The Non-Executive Director's fees and payments are reviewed annually by the Board. The Non-Executive Chairman's fees are determined based on competitive roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

The current base remuneration was last reviewed in February 2012 when the benefits were changed from the previous year.
The Non-Executive Directors' fees and payments were reviewed by the remuneration committee to ensure they were appropriate and in line with the market. The Chairman currently receives a fixed fee for his services as a Director.

The Company's Non-Executive Director's remuneration package contains the following key elements:

- primary benefits – quarterly director's fees.
- equity – share options under the Allied Healthcare Group Share Option Incentive Plan (as approved by shareholders at the 2004 Annual General Meeting).

The Non-Executive Director's fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $250,000 per annum and was approved by shareholders at the 2002 Annual General Meeting.

No retirement benefits are provided other than compulsory superannuation.

Executive Directors

The Company's Executive Directors' remuneration packages contain the following key elements:

- primary benefits – fees via base service agreements and a parking bay.
- equity – share options under the Allied Healthcare Group Share Option Incentive Plan (as approved by shareholders at the Annual General Meeting on 28 October 2004).

The combination of these components comprises the Executive Directors' total remuneration.

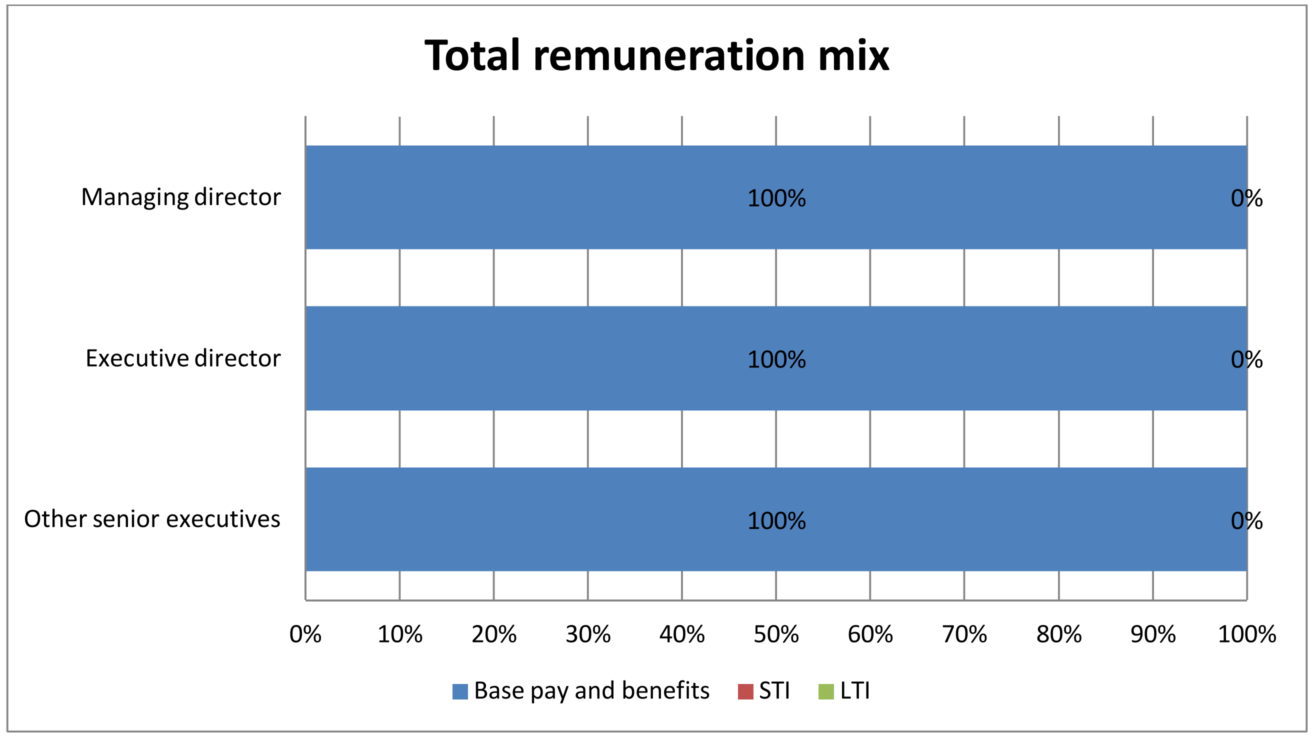
Service agreements are in place for Executive Directors which provide for a fixed base fee per annum. External remuneration information provides benchmark information to ensure the base pay is set to reflect the market for a comparable role. Base fees are reviewed annually to ensure the level is competitive with the market. There is no guaranteed base fee increases included in any Executive Director contracts. A parking bay is also provided as an additional benefit to Executive Directors.

There are no performance conditions on options issued to directors and employees.

A Principles Used to Determine the Nature and Amount of Remuneration

Executive Directors (continued)

Executive remuneration mix
The following chart sets out the executives' target remuneration mix:



B Details of Remuneration

Details of the remuneration of the Directors of the Group is set out below:

	Short-term benefits			Post-employment benefits	Non-monetary benefits	Share based benefits	Total	Percentage remuneration consisting of shares/options for the year	Performance related
	Directors fees	Consulting fees	Salary	Super-annuation		Equity shares/options			
2012	$	$	$	$	$	$	$	%	%
Non-Executive Director									
C. Catlow	46,967	-	-	4,697	-	-	51,664	-	-
G. Rowley	31,311	-	-	3,131	-	-	34,442	-	-
P. Turvey [3]	4,112	-	-	411	-	14,733	19,256	77	-
J. Soerdirdja [4]	27,623	-	-	2,762	-	-	30,385	-	-
R. Towner [5]	13,525	159,140	-	1,352	-	-	174,017	-	-
Executive Directors									
L. Rodne	-	-	260,000	26,000	-	-	286,000	-	-
M. Bennett	-	291,000	-	-	-	-	291,000	-	-
Total directors compensation (Group)	123,538	450,140	260,000	38,353	-	14,733	886,764		
Key Management Personnel									
S. Mann [6]	-	-	115,031	11,500	-	-	126,531	-	-
D. Bromley [6]	-	20,479	-	-	-	-	20,479	-	-
J. Chick [7]	-	-	116,616	11,662	-	26,520	154,798	17	-
R. Atwill [7]	-	-	127,382	12,738	-	44,200	184,320	24	-
Total key management personnel compensation (Group)	-	20,479	359,029	35,900	-	70,720	486,128		
TOTAL	**123,538**	**470,619**	**619,029**	**74,253**	**-**	**85,453**	**1,372,892**		
2011									
Non-Executive Director									
C. Catlow	-	-	-	-	-	137,200	137,200	100	-
G. Rowley	-	-	-	-	-	68,600	68,600	100	-
J. Soerdirdja	-	-	-	-	-	-	-	-	-
R. Scott	40,206	-	-	3,619	-	-	43,825	-	-
Executive Directors									
L. Rodne	-	-	202,499	20,250		414,640	637,389	65	39
M. Bennett	-	300,000	-	-	9,013	-	309,013	-	-
R. Towner	-	200,000	-	-	9,013	-	209,013	-	-
Total directors compensation (Group)	40,206	500,000	202,499	23,869	18,026	620,440	1,405,040		
Key Management Personnel									
D. Bromley	-	25,500	-	-	-	-	25,500	-	-
S. Mann	-	-	52,808	5,260	-	20,580	78,648	26	-
Total key management personnel compensation (Group)	-	25,500	52,808	5,260	-	20,580	104,148		
TOTAL	**40,206**	**525,500**	**255,307**	**29,129**	**18,026**	**641,020**	**1,509,188**		

(1) Remuneration in current year is not linked to the performance of the Company.
(2) There are no termination or retirement benefits for Non-Executive Directors (other than statutory superannuation).
(3) P. Turvey was appointed as Non-Executive Director on 18 May 2012.
(4) J. Soerdirdja resigned as Non-Executive Director on 18 May 2012.
(5) R. Towner changed from being and Executive Director to Non-Executive on 17 October 2011. R. Towner then resigned as Non-Executive Director on 2 April 2012.
(6) S. Mann was appointed Company Secretary and D. Bromley resigned as Company Secretary on 20 October 2011.
(7) R. Atwill was appointed the CEO of Celxcel Pty Ltd and executive of the Group on 21 November 2011 and J. Chick was appointed COO for Group on 8 January 2012.

REMUNERATION REPORT (continued)

C Service Agreements

On appointment, the Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter outlines the Board's policies and terms, including remuneration relevant to the office of director.

Remuneration and other terms of employment for the Managing Director and Executive Director are formalised in service agreements. The major provisions relating to remuneration are set out below.

All contracts may be terminated early by either party with six months notice, subject to termination payments as outlined below.

Lee Rodne, Managing Director

- Term of agreement – shall continue until terminated;
- Base salary of $260,000 for the year ended 30 June 2012, to be reviewed annually;
- Superannuation of 10% is payable under the agreement; and
- The board may, it its discretion elect to provide annual bonus up to an amount equal to 100% of the base salary.

Michael Bennett, Executive Director

- Term of agreement – 3 years from 1 April 2012;
- Base fee of $240,000 for the year ended 30 June 2012, to be reviewed annually;
- Superannuation of 10% is payable under the agreement; and
- No performance based benefits payable under the agreement.

Robert Towner, Non-Executive Director

- Term of agreement – 3 years from 1 July 2011;
- Agreement terminated 17 October 2011 when become Non-Executive Director;
- Base fee of $200,000 for the year ended 30 June 2011, to be reviewed annually;
- No superannuation payable under the agreement; and
- No performance based benefits payable under the agreement.

Termination benefits

Post-employment benefits include accrued long service leave, which is due and payable after every seven consecutive years of service. The service agreements provide Executive Directors with three months of base fee in the event of redundancy. No other termination benefits are payable, unless the Company does not provide the required six month notice period of termination, then three months of base fee is payable.

D Share-based Compensation

Options

In the prior year options over shares in Allied Medical Limited were issued during the year. The 1,675,000 options issued were subsequently cancelled on 24 June 2011 on completion of the offer period. Replacement options were issued from Allied Healthcare Group Limited on 22 August 2011. The options were issued as an incentive to keep Directors and employees involved in the business. There are no performance requirements to be met before exercise can take place. The issue of options is not linked to performance conditions because setting the option price at a level above the current share price at the time the options are granted provides incentive for management to improve the Company's performance.

Options granted carry no dividend or voting rights. Option vest based on holder still being employed by Allied Healthcare Group Limited over a three year period.

On 22 August 2011 as part of the reverse acquisition 43,200,000 replacement options were issued to Directors and 10,400,000 to employees and consultants (2011: nil).

On 12 August 2011 the Directors of Allied Healthcare Group Limited were issued 7,500,000 options and employees and consultants 4,900,000 options as an incentive for completing the reverse acquisition transaction with Allied Medical Limited.

On 18 May 2012 a Director and Executives received 5,800,000 options as a sign-on bonus.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

No shares have been issued to Directors as a result of the exercise of any Plan options in the current financial year. (2011: nil).

During the period nil ESOP options were issued (2011: nil).

Set out below are summaries of options granted by Allied Healthcare Group Limited:

Grant date	Expiry date	Exercise price $	Balance at start of the year Number	Granted during the year Number	Cancelled Number	Exercised during the year Number	Balance at end of the year Number	Value at grant date
		2012						
12/8/2011	10/7/2016	0.06	-	9,500,000	(5,000,000)[(a)]	-	4,500,000	-[(b)]
22/8/2011	10/7/2016	0.06	-	48,800,000	-	-	48,800,000	-[(b)]
18/5/2012	18/5/2017	0.06	-	5,800,000	-	-	5,800,000	85,453
Total			**-**	**64,100,000**	**(5,000,000)**	**-**	**59,100,000**	**85,453**

(a) Unlisted options issued to R. Towner were cancelled after resignation on 2 April 2012.

(b) Valuation of options was expensed in the 2011 financial year

Options Directors of Allied Healthcare Group Limited	Balance at the start of the year	Granted as compensation	Cancelled	Balance at the end of the year	Unvested	Vested and exercisable	Financial year options vest
Directors							
C. Catlow	-	16,000,000	-	16,000,000	16,000,000	-	2013
L. Rodne	-	19,200,000	-	19,200,000	19,200,000	-	2013
G Rowley	-	8,000,000	-	8,000,000	8,000,000	-	2013
M. Bennett	1,000,000	2,500,000	(1,000,000)	2,500,000	2,500,000	-	2013
P. Turvey	-	1,000,000	-	1,000,000	1,000,000	-	2014
Other company executives							
S. Mann	-	2,400,000	-	2,400,000	2,400,000	-	2013
D. Bromley	-	2,000,000	-	2,000,000	2,000,000	-	2013
J. Chick	-	5,000,000	-	5,000,000	5,000,000	-	2013/14
R. Atwill	-	3,000,000	-	3,000,000	3,000,000	-	2014

Fair Value of Options Granted

The assessed fair value at grant date of options granted during the year ended 30 June 2012 was 1.70 cents per option for Tranche A and 1.47 cents per option for Tranche B. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2012 included:

Tranche B

(a) options are granted for no consideration and vest based on holder still being employed by Allied Healthcare Group Limited over a three year period. Vested options are exercisable for a period up to expiry date.
(b) *exercise price:* $0.06
(c) *grant date:* 18 May 2012
(d) *expiry date:* 18 May 2017
(e) *share price at grant date:* $0.026
(f) *expected price volatility of the company's shares:* 90%
(g) *risk-free interest rate:* 2.56%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

DIRECTORS' REPORT (continued)

SHARES UNDER OPTION

Unissued ordinary shares of Allied Healthcare Group Limited under option as at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option	Value of option at grant date
22 Oct 2009	22 Oct 2014	10 cents	5,000,000	4.00 cents
May – June 2010	31 Dec 2012	10 cents	209,172	N/A
12 Aug 2011	10 Jul 2016	6 cents	7,400,000	4.06 cents
22 Aug 2011	10 Jul 2016	6 cents	53,600,000	0.86 cents
20 Oct 2011	20 Oct 2014	6 cents	6,000,000	1.70 cents
18 May 2012	18 May 2017	6 cents	5,800,000	1.47 cents
Total			**78,009,172**	

No optionholder has any right under the options to participate in any other share issue of the Company or any other entity. The options are exercisable at any time after vesting or before the expiry date.

During the period the following options lapsed:
72,691,484 listed options lapsed on 31 December 2011 with an exercise price of 4 cents per option.
3,500,000 unlisted options lapsed on 31 December 2011 with an exercise price of 6 cents per option (2011: 9,914,476).

INSURANCE OF OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company and any subsidiary against a liability incurred as a Director or Officer to the extent permitted by the Corporations Act 2001. Due to a confidentiality clause in the policy, the amount of the premium has not been disclosed.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

VOTING AND COMMENTS MADE AT THE COMPANY'S 2011 ANNUAL GENERAL MEETING

The Company received more than 90% of "yes" votes on its remuneration report for the 2011 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties, where the auditors' expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for audit and non-audit services provided during the year are set out below.

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES (continued)

The board of Directors has considered the position and, in accordance with the advice received for the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2011*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

	2012 $	2011 $
Audit Services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports	**119,376**	97,532
Non-audit Services		
Taxation services		
Related practices of BDO:		
Taxation compliance services	**49,436**	15,264

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached.

This report is made in accordance with a resolution of the Directors.

Chris Catlow

Chairman
Perth, Western Australia

Dated 28 September 2012

BDO

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

28 September 2012

Allied Healthcare Group Limited
The Board of Directors
Level 1, 197 Adelaide Terrace
Perth WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF ALLIED HEALTHCARE GROUP LIMITED

As lead auditor of Allied Healthcare Group Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Allied Healthcare Group Limited and the entities it controlled during the period.

Brad McVeigh
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	CONSOLIDATED 2012 $	2011 $
Revenue from continuing operations	4	**6,460,516**	6,772,776
Cost of sales		**(3,387,402)**	(3,758,178)
Gross profit		**3,073,114**	3,014,598
Other income		**138,431**	101,282
Administrative expenses		**(445,561)**	(136,914)
Employee benefits	5	**(2,892,163)**	(1,958,373)
Consultancy fees	5	**(1,234,048)**	(275,654)
Travel expenses		**(474,317)**	(111,307)
Research and development costs	5	**(393,720)**	(6,251)
Corporate costs		**(312,279)**	(129,238)
Operations costs		**(579,999)**	(291,854)
Marketing expenses		**(137,982)**	(65,976)
Share based payments	29	**(187,453)**	(709,620)
Asset write-downs	5	**(112,997)**	(390,807)
Impairment expense	5	**(5,756,038)**	(790,851)
Depreciation expense	5	**(34,220)**	(22,916)
Amortisation expense	5	**(241,379)**	-
Loss from equity accounting	21	**(767,162)**	(184,645)
Loss before income tax from continuing operations		**(10,357,773)**	(1,958,526)
Income tax benefit	6	**135,638**	4,878
Loss for the year		**(10,222,135)**	(1,953,648)
Total loss is attributable to:			
Equity holders of Allied Healthcare Group Limited		**(9,995,227)**	(1,952,795)
Non-controlling interest	20	**(226,908)**	(853)
		(10,222,135)	(1,953,648)
Loss per share from continuing operations attributable to ordinary equity holders of the Company (cents per share)		**Cents**	Cents
Basic loss per share	23	**(1.507)**	(0.990)
Diluted loss per share		**n/a**	n/a

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	CONSOLIDATED 2012 $	2011 $
Loss for the year		**(10,222,135)**	(1,953,648)
Other comprehensive income		**-**	-
Total comprehensive loss		**(10,222,135)**	(1,953,648)
Total comprehensive loss is attributable to:			
Equity holders of Allied Healthcare Group Limited		**(9,995,227)**	(1,952,795)
Non-controlling interest	20	**(226,908)**	(853)
		(10,222,135)	(1,953,648)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	CONSOLIDATED 2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	25	**2,064,052**	1,351,518
Trade and other receivables	7	**1,080,472**	1,217,279
Inventories	8	**1,719,619**	1,722,341
Total Current Assets		**4,864,143**	4,291,138
Non-Current Assets			
Investments accounted for using the equity method	9	**2,500,033**	1,245,355
Property, plant & equipment	10	**132,094**	132,846
Intangibles	11	**3,357,630**	8,947,399
Deferred tax asset	12	**343,804**	131,441
Total Non-Current Assets		**6,333,561**	10,457,041
TOTAL ASSETS		**11,197,704**	14,748,179
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**398,826**	808,652
Provisions	14	**213,185**	160,192
Income tax payable		**12,903**	24,224
Total Current Liabilities		**624,914**	993,068
Non-Current Liabilities			
Provisions	15	**119,330**	96,624
Borrowings	16	**20,013**	20,054
Total Non-Current Liabilities		**139,343**	116,678
TOTAL LIABILITIES		**764,257**	1,109,746
NET ASSETS		**10,433,447**	13,638,433
EQUITY			
Contributed equity	18	**20,331,475**	13,925,166
Reserves	19	**837,873**	459,620
Accumulated losses		**(10,740,727)**	(745,500)
		10,428,621	13,639,286
Capital and reserves attributable to equity holders of Allied Healthcare Group			
Non-controlling interest	20	**4,826**	(853)
TOTAL EQUITY		**10,433,447**	13,638,433

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Share Capital $	Share-based payments reserve $	Accumulated Losses $	Total $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2010	**29,914**	**-**	**1,207,295**	**1,237,209**	**-**	**1,237,209**
Loss for the year	-	-	(1,952,795)	(1,952,795)	(853)	(1,953,648)
Total comprehensive income	-	-	(1,952,795)	(1,952,795)	(853)	(1,953,648)
Transactions with owners in their capacity as owners						
Issue of options	-	459,620	-	459,620	-	459,620
Issue of convertible note	210,000	-	-	210,000	-	210,000
Issue of shares (net of transaction costs)	4,281,561	-	-	4,281,561	-	4,281,561
Shares issued for the merger of AML and AHZ	9,403,691	-	-	9,403,691	-	9,403,691
Balance at 30 June 2011	**13,925,166**	**459,620**	**(745,500)**	**13,639,286**	**(853)**	**13,638,433**
Loss for the year	-	-	(9,995,227)	(9,995,227)	(226,908)	(10,222,135)
Total comprehensive income	-	-	(9,995,227)	(9,995,227)	(226,908)	(10,222,135)
Transactions with non-controlling interest	-	-	-	-	232,587	232,587
Transactions with owners in their capacity as owners						
Shares issued during the period	6,387,777	-	-	6,387,777	-	6,387,777
Options issued during the period	-	187,453	-	187,453	-	187,453
Shares issued to set-up equity facility	-	190,800	-	190,800	-	190,800
Capital raising costs	(425,561)	-	-	(425,561)	-	(425,561)
Exercise of options	444,093	-	-	444,093	-	444,093
Balance at 30 June 2012	**20,331,475**	**837,873**	**(10,740,727)**	**10,428,621**	**4,826**	**10,433,447**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30 JUNE 2012

	Note	CONSOLIDATED 2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**6,699,697**	6,483,538
Payment to suppliers		**(10,162,059)**	(7,931,204)
Income taxes paid		**(88,046)**	(46,310)
Interest paid		**(10,209)**	-
Interest received		**24,863**	23,060
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	25	**(3,535,754)**	(1,470,916)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition of subsidiaries	3	**-**	421,934
Payments for property, plant & equipment		**(33,468)**	(96,516)
Payments for intangible assets		**(59,488)**	-
Payments for equity accounted investment		**(2,370,000)**	(1,150,000)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(2,462,956)**	(824,582)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share or options issues		**6,831,870**	3,394,138
Share issue transaction costs		**(353,213)**	(125,651)
Transactions with non-controlling interest		**232,587**	-
NET CASH INFLOW FROM FINANCING ACTIVITIES		**6,711,244**	3,268,487
NET INCREASE / (DECREASE) IN CASH HELD		**712,534**	972,989
CASH AT BEGINNING OF THE YEAR		**1,351,518**	378,529
CASH AT END OF THE YEAR	25	**2,064,052**	1,351,518

The above Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Allied Healthcare Group Limited and its subsidiaries (together referred to as 'the Group').

Financial information for Allied Healthcare Group Limited as an individual entity is included in Note 32.

(a) Basis of Preparation

This general-purpose financial statement has been prepared in accordance with Australian Accounting Standards ('AASB'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

The financial report has been prepared on the basis of the historical cost convention and is presented in Australian dollars.

Statement of Compliance

The consolidated financial statements and notes of Allied Healthcare Group Limited also comply with International Financial Reporting Standards ('IFRS').

New accounting standards and interpretations

New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any amounts recognised in the current period or any prior period and are not likely to affect future periods.

New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference	Title	Nature of Change	Application date of standard	Impact on Allied Healthcare Group Limited financial statements	Application date for Allied Healthcare Group Limited
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Allied Healthcare Group Limited has not yet made an assessment of the impact of these amendments.	1 July 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation (continued)

Reference	Title	Nature of Change	Application date of standard	Impact on Allied Healthcare Group Limited financial statements	Application date for Allied Healthcare Group Limited
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the entity's returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities. The 'Entity' has 'defacto' control over Coridon Pty Limited as the 'Entity' owns less than 50% interest in the entity.	1 July 2013
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity has not entered into any joint arrangements.	1 July 2013
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation (continued)

Reference	Title	Nature of Change	Application date of standard	Impact on Allied Healthcare Group Limited financial statements	Application date for Allied Healthcare Group Limited
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments.	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date.	1 July 2013
AASB 2010-8 (issued December 2010)	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB 112)	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	Periods commencing on or after 1 January 2012	The entity does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when these amendments are first adopted.	1 July 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation (continued)

Reference	Title	Nature of Change	Application date of standard	Impact on Allied Healthcare Group Limited financial statements	Application date for Allied Healthcare Group Limited
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the *Corporation Act 2001.*	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 the entity will show reduced disclosures under Key Management Personnel note to the financial statements	1 July 2013
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes of statements in AASB 101 as follows: • 1 statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income'. • 2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. • OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives).	1 July 2012
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 *Inventories* if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.	Annual periods commencing on or after 1 January 2013	The entity does not operate a surface mine. There will therefore be no impact on the financial statements when this interpretation is first adopted.	1 July 2013
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32).	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.	I July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of Preparation (continued)

Reference	Title	Nature of Change	Application date of standard	Impact on Allied Healthcare Group Limited financial statements	Application date for Allied Healthcare Group Limited
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 July 2015

(b) Principles of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being Allied Healthcare Group Limited ("Company" or "Parent Entity") and its subsidiaries as defined in AASB 127: Consolidated and Separate Financial Statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of the subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. Acquisitions of entities are accounted for using the acquisition method of accounting (see note 1 (h)).

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions are eliminated in full.

Non-controlling interests' in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial position respectively. Total comprehensive income is attributable to the owners of Allied Healthcare Group Limited and non-controlling interests even if this results in the non-controlling interests having a debit balance.

Changes in ownership interest

The Group treats transactions with non-controlling interests that does not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of Allied Healthcare Group Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Principles of Consolidation (continued)

Reverse Acquisition

In accordance with AASB 3 "Business Combinations", when Allied Healthcare Group Limited (the legal parent) acquired Allied Medical Limited group (being Allied Medical Limited and its controlled entities Medevco Pty Limited and Innovative Medical Technologies (IMT) Limited) (the legal subsidiary), the acquisition was deemed to be a reverse acquisition since the substance of the transaction is that the existing shareholders of Allied Medical Limited have effectively acquired Allied Healthcare Group Limited. Under reverse acquisition accounting, the consolidated financial statements are prepared as if Allied Medical Limited had acquired Allied Healthcare Group Limited and its controlled entity, not vice versa represented by the legal position.

- In reverse acquisition accounting, the cost of the business is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (the acquiree for accounting purposes). However, due to the fact that the fair value of the equity instruments of the legal subsidiary (Allied Medical Limited) was not clearly evident at the date which the control was passed, the alternative method was elected (per AASB 3, para B6), where the cost of the business combination was determined as the total fair value of all the issued equity instruments of the legal parent (Allied Healthcare Group Limited) immediately prior to the business combination.

- In the separate financial statements of the legal parent (Allied Healthcare Group Limited), the investment in legal subsidiary (Allied Medical Limited) was accounted for at cost.

As a consequence:

- An exercise is performed to fair value the assets and liabilities of the legal acquirer, Allied Healthcare Group Limited;

- The cost of the investment held by the legal parent (Allied Healthcare Group Limited) in the legal subsidiary (Allied Medical Limited) is reversed on consolidation and the cost of reverse acquisition is eliminated on consolidation against the consolidated equity and reserves of Allied Medical Limited and its consolidated entities at date when control is passed. The effect of this is to restate the consolidated equity and reserves balances to reflect those of Allied Medical Limited at the date of acquisition;

- The amount recognised as issued equity instruments are determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination; and

- The consolidated financial statements are issued under the name of the legal parent (Allied Healthcare Group Limited) but are a continuation of the financial statements of the deemed acquirer (Allied Medical Limited) under the reverse acquisition rules.

Associates

Associates are all entities over which the group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 21).

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as reduction in the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Segment Reporting

Operating Segments under which segment information is presented is on the same basis as that used for internal reporting purposes. This has resulted in operating segments being reported in a manner consistent with the internal reporting provided to the Board of Directors, who are considered to be the chief operating decision makers.

An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

(d) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognised when a group entity sells a product to the customer. Retail sales are usually on account with payment due within 30 days.

Interest income

Revenue us recognised as interest accrues using the effective interest method. The effective method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Lease income

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Government Grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

(f) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary difference arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Allied Healthcare Group Limited and its Australian controlled entity has not implemented the tax consolidation legislation.

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the income statement in a straight-line basis over the period of the lease.

Lease income from operating leases, where the Group is lessor, is recognised in income on a straight line basis over the lease term.

(h) Business Combinations

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree. Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired.

For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

(i) Impairment of Assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 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 they are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown in current liabilities on the Consolidated Statement of Financial Position.

(k) Investments and Other Financial Assets

The Group has no financial assets with the exception of cash and cash equivalents (refer to note 1(j)), and receivables (refer to note 1(u)). The parent entity investment in subsidiary is carried at cost.

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property, Plant and Equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred at the date of acquisition plus costs directly attributable to the acquisition. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate cost over the estimated useful life of an item of property, plant and equipment.

The estimated useful lives for each class of assets in the current and comparative periods are as follows:

- Plant and equipment 3 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each Consolidated Statement of Financial Position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

(m) Intangible Assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 26).

Intellectual property

Costs incurred on intellectual property (IP) are recognised at cost of acquisition. IP has a remaining useful life of 13.5 years and is carried at cost less any accumulated amortisation and any impairment losses.

Patents

Costs associated with patents are recognised at cost of acquisition. Patents have an indefinite life and are carried at cost less any accumulated amortisation and any impairment losses.

Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised as an expense as incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete the development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. To date, no development costs have been capitalised.

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Inventories

Finished goods
Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(o) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially measured at the principal amount. Interest is charged as an expense as it accrues. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Reporting date.

(q) Employee Benefits

General

Employee benefits expenses arising in respect of wages and salaries, annual leave, long service leave and other types of employee benefits are charged to the income statement in the period in which they are incurred. Contributions to superannuation funds by the Company are charged to the income statement when due. A superannuation scheme is not maintained on behalf of employees.

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are measured at undiscounted amounts based on remuneration wage and salary rates that the entity expects to pay at reporting date.

Long service leave

The liability for long service leave is recognised in provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

The Group makes statutory superannuation guarantee contributions in respect of each employee to their nominated complying superannuation plan. In certain circumstances, pursuant to an employee's employment contract the Group may also make salary sacrifice superannuation contributions in addition to the statutory guarantee contribution.

Contributions to the employees' superannuation plans are recognised as an expense as they become payable.

(q) Employee Benefits (continued)

Share based payments

Share based compensation benefits are provided to employees via the Allied Healthcare Group Employee Share Option Plan (ESOP).

The fair value of options granted under the ESOP is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and recognised on that date.

The fair value is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the non-tradeable nature of the option, the share price and expected price volatility of the underlying shares, the expected yield and the risk free interest rate for the term of the option.

(r) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

FOR THE YEAR ENDED 30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Earnings Per Share

Basic earnings per share

Basic earnings per share are determined by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

Options granted under the Allied Healthcare Group Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(u) Trade Receivables

Trade receivables are recognised initially at fair value and then subsequently measured at amortised cost. Trade receivables are due for settlement within 30 days from the date of the sale.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable.

(v) Accounting Estimates and Judgements

In the process of applying the accounting policies, management has made certain judgements or estimations which have an effect on the amounts recognised in the financial statements.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions

The cost of share based payments to employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Goodwill
Goodwill is calculated as the premium between the fair value of the assets and liabilities of the entity acquired and the consideration paid. Shares issued as consideration have been valued at market value. Provisional accounting of the business combination has been applied as allowed by AASB 3: Business Combinations.

Impairment of intangible assets (patent costs)

Intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. 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 fair value less costs to sell and value in use.

FOR THE YEAR ENDED 30 JUNE 2012

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks (including interest rate risk, credit risk and liquidity risk). The Group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group does not use derivative financial instruments, however, the Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, aging analysis for credit risk and at present are not exposed to price risk.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Company.

The Group and the Company hold the following financial instruments:

	CONSOLIDATED	
	2012	2011
	$	$
Financial assets		
Cash and cash equivalents	**2,064,052**	1,351,518
Trade and other receivables	**1,080,472**	1,217,279
	3,144,524	2,568,797
Financial liabilities		
Trade and other payables	**380,759**	711,304
Borrowings	**20,013**	20,054
	400,772	731,358
Net financial assets	**2,743,752**	1,837,439

The Group's principal financial instruments comprise cash and short-term deposits. The Group does not have any borrowings, other than loans from external shareholders of Celxcel Pty Ltd, which are payable at call and interest-free.

The main purpose of the financial instruments is to fund the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group are cash flow (interest rate risk, liquidity risk and credit risk). The Board reviews and agrees policies for managing each of these risks and they are summarised below:

FOR THE YEAR ENDED 30 JUNE 2012

2. FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk

Cash flow and interest rate risk

The Group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the group to cash flow interest rate risk. The Company does not consider this to be material to the Group and has therefore not undertaken any further analysis of risk exposure.

The following sets out the Group's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods:

	Note	Weighted average interest rate	Total $
30 June 2012 Consolidated			
Financial assets			
Cash and cash equivalents	25	0.8%	2,064,052
Financial liabilities			
Borrowings	16		20,013
Total			2,044,039
30 June 2011 Consolidated			
Financial assets			
Cash and cash equivalents	25	2.0%	1,351,518
Financial liabilities			
Borrowings	16		20,054
Total			1,331,464

Sensitivity
At 30 June 2012, if interest rates had increased by 0.3% or decreased by 0.4% from the year end rates with all other variables held constant, post-tax loss for the year would have been 6,192 lower/ 8,256 higher (2011 changes of 0.5%/0.7%: 6,758 lower/ 9,461 higher), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

For some receivables the group obtained deposits to cover the cost of defaults by customers. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	CONSOLIDATED	
	2012	2011
	$	$
Cash at bank and short-term bank deposits	**2,064,052**	1,351,518
AA		

FOR THE YEAR ENDED 30 JUNE 2012

2. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Group's exposure to the risk of changes in market interest rates relates primarily to cash assets and floating interest rates. The Group does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

The Directors monitor the cash-burn rate of the Group on an ongoing basis against budget. As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Group had at reporting date were trade payables incurred in the normal course of the business. These were non-interest bearing and were due within the normal 30-60 days terms of creditor payments. Borrowings consist of loans from external shareholders of Celxcel Pty Ltd, which are payable at call and interest-free.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months $	6-12 months $	1-2 years $	2-5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount (assets)/ liabilities $
Group – At 30 June 2012							
Non-derivatives							
Trade and other payables	**380,759**					**380,759**	**380,759**
Non-interest bearing	**20,013**					**20,013**	**20,013**
Variable rate							
Fixed rate							
Total non-derivatives	**400,772**					**400,772**	**400,772**
Group – At 30 June 2011							
Non-derivatives							
Trade and other payables	711,304					711,304	711,304
Non-interest bearing	20,054					20,054	20,054
Variable rate							
Fixed rate							
Total non-derivatives	731,358					731,358	731,358

(d) Fair Value Estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

The consolidated entity's principal financial instruments consist of cash and deposits with banks, accounts receivable, trade payables and loans payable. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

FOR THE YEAR ENDED 30 JUNE 2012

3. BUSINESS COMBINATIONS

<u>Allied Healthcare Group Limited acquisition</u>

On 24 June 2011, the reverse takeover of Allied Healthcare Group became compulsory. Allied Healthcare Group acquired 100% of the issued capital of Allied Medical Limited, a medical product distribution business, for a purchase consideration of 70% of issued capital on completion of the transaction.

In accordance with AASB 3 "Business Combinations", when Allied Healthcare Group Limited (legal parent) acquired Allied Medical Limited, the acquisition was deemed to be a reverse acquisition since the substance of the transaction is that the existing shareholders of Allied Medical Limited have effectively acquired Allied Healthcare Group Limited. Through acquiring 100% of the issued capital of Allied Medical Limited, the Group has obtained legal control of the company. The shareholders of Allied Medical Limited have become the accounting parent for the Group.

The acquisition is part of the Group's overall strategy to expand its distribution operations to continue funding new medical technologies.

The purchase was satisfied by the issue of 32 ordinary shares for every Allied Medical share held.

	Acquiree's Carrying Amount $	Fair Value $
Purchase consideration:		
— equity issued (136,285,381 shares at $0.069 per share)		9,403,691
— cash at bank		(820,156)
		8,583,535
Less:		
Receivables (i)	3,100	3,100
Property, plant and equipment	22,920	22,920
Intangibles (ii)	39,521	3,539,521
Payables	(389,884)	(389,884)
Identifiable assets acquired and liabilities assumed	(324,343)	3,175,657
Goodwill (iii)		5,407,878

i. The directors believed the receivables were fully recoverable and no provision for impairment is required as detailed in note 7.

ii. The directors obtained an independent valuation of the intellectual property held in Celxcel Pty Ltd at the time of acquisition. The valuation of the ADAPT tissue engineering technology has increased the fair value calculated for intangibles at 30 June 2011 by $3.5 million. This in turn caused a reduction in the goodwill value.

iii. The goodwill was attributable to Allied Healthcare Group's strong research position with the ADAPT tissue engineering. Directors agreed that as the transaction has only just completed an impairment test was not been completed at 30 June 2011. An impairment test was completed on 24 June 2012. The remaining value of goodwill after the revaluation of the intellectual property is considered impaired. Refer Note 11.

No amount of goodwill is deductible for tax purposes.

Loss and revenue resulting from the acquisition of Allied Healthcare Group Limited amounting to $19,246 and $Nil respectively are included in the consolidated statement of comprehensive income for the year ended 30 June 2011.

FOR THE YEAR ENDED 30 JUNE 2012

4. REVENUES

	CONSOLIDATED 2012 $	2011 $
Revenue from continuing operations	**6,435,653**	6,749,716
Finance revenue	**24,863**	23,060
Total revenue from continuing operations	**6,460,516**	6,772,776
Breakdown of Finance Revenue:		
Interest	**24,863**	23,060

5. EXPENSES

	Note	CONSOLIDATED 2012 $	2011 $
Loss before income tax includes the following specific expenses:			
Consultancy costs		**1,234,048**	275,654
Rental expense relating to operating leases			
Depreciation	10	**34,220**	22,916
Amortisation	11	**241,379**	-
Research and development costs		**393,720**	6,251
Asset write-downs:			
Write-down of inventory	8 (a)	**79,356**	356,867
Bad debt expense		**33,641**	33,940
Total Asset write-down		**112,997**	390,807
Impairment of assets:			
Investment	21	**348,160**	-
Intangibles – goodwill	11	**5,407,878**	790,851
Total impairment expense		**5,756,038**	790,851
Employee benefits expense			
Wages and salaries		**2,405,503**	1,612,657
Superannuation		**205,584**	132,028
Leave provisions		**171,126**	109,396
Other benefits		**109,950**	104,292
		2,892,163	1,958,373

FOR THE YEAR ENDED 30 JUNE 2012

6. INCOME TAX EXPENSE/(BENEFIT)

	CONSOLIDATED 2012 $	2011 $
(a) Income tax expense/(benefit)		
Current tax	**12,903**	201,724
Adjustment for prior period – current tax	**(67,437)**	(84,156)
Deferred tax	**(81,104)**	(122,446)
	(135,638)	(4,878)
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	**(81,104)**	(122,446)
(Decrease)/Increase in deferred tax liabilities	-	-
	(81,104)	(122,446)
(b) Numerical reconciliation of income tax benefit to prima facie tax payable		
Loss from continuing operations before income tax expense	**(10,357,773)**	(1,958,526)
Tax at the Australian tax rate of 30% (2011: 30%)	**(3,107,332)**	(587,558)
Tax effect of amounts that are not deductible/(taxable) in calculating taxable income:		
Share based payments	**-**	-
Sundry non-assessable/deductible items	**1,886,554**	450,165
Sundry non-deductible items	**-**	-
	(1,220,778)	(137,393)
Under/(over) provision in prior years	**(67,437)**	(84,156)
Income tax benefit not recognised	**1,152,577**	216,671
Income tax expense/(benefit)	**(135,638)**	(4,878)
(c) Tax losses		
Unused tax losses for which no deferred tax assets have been recognised	**2,773,546**	2,543,908
Potential tax benefit at 30%	**832,064**	763,172

All unused tax losses were incurred by Australian entities. Unused tax losses for which no deferred tax asset has been recognised have not been recognised as the future recovery of those losses is subject to the Company satisfying the requirements imposed by the regulatory taxation authorities.

(d) Unrecognised temporary differences

Deferred tax assets and liabilities not recognised relate to the following:

	2012 $	2011 $
Deferred tax assets		
Provisions	**99,754**	35,843
Accruals	**244,050**	95,598
Deferred tax liabilities		
Other temporary differences	**-**	-
Net deferred tax assets	**343,804**	131,441

(e) Tax consolidation legislation

Allied Healthcare Group and its Australian controlled entity have not implemented the tax consolidation legislation.

FOR THE YEAR ENDED 30 JUNE 2012

7. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2012 $	2011 $
Current		
Trade receivables	**1,033,816**	1,193,072
	1,033,816	1,193,072
Other receivables and prepayments	**46,656**	24,207
	1,080,472	1,217,279

Other receivables arise from prepayments and security deposits for rental of corporate offices for June 2012.

Refer to Note 2 for information on the risk management policy of the Group.

(c) Past due but not impaired

As at 30 June 2012, trade receivables of $164,576 (2011: $457,345) were past due but not impaired. These relate to customers for whom there is no recent history of default. All debt is recognised as outstanding with a significant portion paying post year end or on payment instalment plan. The ageing analysis of these trade receivables is as follows:

	2012 $	2011 $
Over 90 days	**164,576**	457,345

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the history of these other classes, it is expected that these amounts will be received.

8. INVENTORIES

	CONSOLIDATED 2012 $	2011 $
Finished goods – at cost	**1,719,619**	1,722,341

(c) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2012 amounted to $79,356 (2011: $356,867).

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED 2012 $	2011 $
Shares in associate (note 21)	**2,500,033**	1,245,355

FOR THE YEAR ENDED 30 JUNE 2012

10. PROPERTY, PLANT & EQUIPMENT

	CONSOLIDATED 2012 $	2011 $
Plant & equipment		
Cost	**326,623**	293,154
Accumulated depreciation	**(194,529)**	(160,308)
Net book amount	**132,094**	132,846
Reconciliation		
Opening net book amount	**132,846**	5,377
Additions	**33,468**	150,385
Disposals	**-**	-
Asset write-down	**-**	-
Depreciation charge	**(34,220)**	(22,916)
Closing net book amount	**132,094**	132,846

No non-current assets are pledged as security by the Group.

11. INTANGIBLE ASSETS

	CONSOLIDATED 2012 $	2011 $
Patents	**99,009**	39,521
Intellectual property	**3,258,621**	3,500,000
Goodwill (Note 3)	**-**	5,407,878
	3,357,630	8,947,399
Reconciliation - Patents		
Opening net book value	**39,521**	-
Additions - acquisitions	**59,488**	39,521
Impairment charge	**-**	-
Closing net book value	**99,009**	39,521
Reconciliation – Intellectual property		
Opening net book value	**3,500,000**	-
Additions – acquisitions (valuation Celxcel ADAPT technology)	**-**	3,500,000
Accumulated amortisation	**(241,379)**	-
Closing net book value	**3,258,621**	3,500,000
Reconciliation – Goodwill		
Opening net book value	**5,407,878**	-
Additions – Medevco	**-**	790,851
Additions – Allied Healthcare Group	**-**	5,407,878
Impairment charge	**(5,407,878)**	(790,851)
Closing net book value	**-**	5,407,878

FOR THE YEAR ENDED 30 JUNE 2012

11. INTANGIBLE ASSETS (continued)

The fair value of patents and goodwill from Allied Healthcare Group transaction were calculated on 24 June 2011. In the current year the directors obtained an independent valuation of the intellectual property held in Celxcel Pty Ltd at the time of acquisition. The valuation of the ADAPT tissue engineering technology has increased the fair value calculated for intangibles at 30 June 2011 by $3.5 million. This in turn caused a reduction in the goodwill value. The Directors took a conservative approach when testing goodwill for impairment. At the date of impairment test despite positive testing of products, no product had received regulatory approval for sale. Based on this the Directors believed no value could be placed on future earnings from these products at this time. On this basis the Directors consider the goodwill impaired.

12. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The composition and movement of deferred assets is as follows:

	Balance 1 July 10 $	Recognised in profit or loss $	Balance 30 June 11 $	Recognised in profit or loss $	Balance 30 June 12 $
Provisions	9,106	26,737	35,843	63,911	**99,754**
Accruals	3,361	16,263	19,624	(8,276)	**11,348**
Investment in associate	-	55,394	55,394	230,148	**285,542**
Other	-	20,580	20,580	119,514	**140,094**
Tax assets	12,467	118,974	131,441	405,297	**536,738**
Set off of tax	-	-	-	(192,934)	**(192,934)**
Tax assets	12,467	118,974	131,441	212,363	**343,804**

Deferred tax assets are attributable to the following:

Consolidated	**Assets**		**Liabilities**		**Net**	
	2012 $	**2011 $**	**2012 $**	**2011 $**	**2012 $**	**2011 $**
Provisions	**99,754**	35,843	**-**	-	**99,754**	35,843
Accruals	**11,348**	19,624	**-**	-	**11,348**	19,624
Investment in associate	**285,542**	55,394	**-**	-	**285,542**	55,394
Other	**140,094**	20,580	**-**	-	**140,094**	20,580
Set off of tax	**(192,934)**	-	**-**	-	**(192,934)**	-
Tax assets	**343,804**	131,441	**-**	-	**343,804**	131,441

Tax Losses
At 30 June 2012, Allied Healthcare Group had carried forward tax losses of $2,773,546 (2011: $2,543,908) that have not been recognised.

13. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2012 $	2011 $
Trade payables	**350,614**	537,747
Other payables and accruals	**48,212**	270,905
	398,826	808,652

Refer to Note 2 for information on the risk management policy of the Group.

FOR THE YEAR ENDED 30 JUNE 2012

14. CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2012 $	2011 $
Employee benefits (a)	**213,185**	160,192

(a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

15. NON CURRENT LIABILITIES – PROVISIONS

	CONSOLIDATED	
	2012 $	2011 $
Long service leave provision	**119,330**	96,624

16. NON CURRENT LIABILITIES - BORROWINGS

	CONSOLIDATED	
	2012 $	2011 $
Loans payable	**20,013**	20,054

(a) Financing Arrangements

The loans are unsecured, interest-free and repayable at call to third-party shareholders in Celxcel Pty Ltd.

The Group does not have any lines of undrawn credit and no liabilities or assets are pledged as security.

The company entered into a US$3 million standby equity distribution agreement with Kodiak Capital. The funding facility can be drawn down at the Company's option.

(b) Fair Value

The fair value of the loans payable equals their carrying amount, as the impact of discounting is not significant.

No off-balance sheet liabilities are reported as at 30 June 2012 (2011: Nil).

(c) Risk Exposure

Information about the Group's and parent entity's exposure to interest rate risk is provided in Note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

17. CONSOLIDATED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described at Note 1(b).

Name of entity	Class of share	Country of Incorporation	Equity Holding 2012 %	2011 %	Cost to Company 2012 $	2011 $
Accounting Parent Entity						
Allied Medical Limited		Australia	**100**	100	**29,551,042**	29,551,042
Legal Parent Entity						
Allied Healthcare Group Limited	Ordinary	Australia	**-**	-	**-**	-
Controlled Entities						
Innovative Medical Technologies (IMT) Limited	Ordinary	New Zealand	**100**	100	**1**	1
Medevco Pty Limited	Ordinary	Australia	**100**	100	**847,423**	847,423
Celxcel Pty Limited	Ordinary	Australia	**78.2**	77.35	**1,093,048**	112,388
					31,491,514	30,510,854

The proportion of ownership interest is equal to the proportion of voting power held. For acquisitions refer to Note 3.

18. CONTRIBUTED EQUITY

	SHARES 2012	SHARES 2011	$ 2012	$ 2011
(a) Share Capital				
Ordinary shares				
Fully paid	**799,568,843**	564,561,349	**20,331,475**	13,925,166

	Date	Notes	No. shares	Issue Price	$
(b) Movements in Ordinary Share Capital					
Details					
Opening balance	**30/6/10**		4,410,835		29,914
Shares issued to acquire Medevco		(e)	1,694,846	0.50	847,423
Share placements		(d)	1,855,669	0.503	933,001
Shares issued under right issue		(f)	1,922,274	0.50	961,137
Shares issued to strategic investor		(g)	2,580,000	0.50	1,290,000
Share based payment		(h)	500,000	0.50	250,000
Shares issued to acquire Allied Healthcare Group		(i)	401,872,344	-	-
Shares issued for convertible notes		(g)	13,440,000	0.0156	210,000
Shares on issue in Allied Healthcare Group prior to acquisition		(i)	136,285,381	0.069	9,403,691
Balance	**30/6/11**		**564,561,349**		**13,925,166**

FOR THE YEAR ENDED 30 JUNE 2012

18. CONTRIBUTED EQUITY (CONTINUED)

	Date	Notes	No. shares	Issue Price	$
Balance	**30/6/11**		**564,561,349**		**13,925,166**
Share placement		(d)	78,622,857	0.028	2,201,441
Shares issued for associated costs with set-up of equity facility		(k)	5,611,765		(190,800)
Conversion of options		(l)	11,228,323	0.04	444,093
Share placement		(d)	66,666,667	0.03	2,000,000
Share rights issue		(d)	72,877,882	0.03	2,186,336
Transaction costs			-		(234,761)
Balance	**30/6/12**		**799,568,843**		**20,331,475**

(c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds of winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

(d) Share placements

Current shareholders were approached during the period to make further investment in the Group at the same rate as the Rights issue. This was used as a method to underwrite the rights issue.

(e) Shares issued to acquire Medevco

Shares issued to the shareholders of Medevco to purchase the Company in August 2010. Refer business combinations note 3.

(f) Rights Issue

In October 2010, a non-renounceable rights issue of shares was undertaken at an issue price of 0.50 cents per share.

The offer raised $961,137 for the issue of 1,922,274 shares. This offer was underwritten by the share placements and strategic investment by Avexa Limited.

(g) Shares issued to strategic investor

Avexa Limited was issued 2,580,000 shares at $0.50 and 420,000 convertible notes during the year for providing funding of $1.5 million. These shares were issued to underwrite the rights issue. On completion of the transaction between Allied Medical and Allied Healthcare Group the convertible notes were converted inti Allied Healthcare Group share at the same rate as the shares (i.e. 1 note for 32 shares).

(h) Share based payment

This relates to shares issued to Lee Rodne in accordance with his employment agreement, refer note 29 for further details.

(i) Shares issued to acquire Allied Healthcare Group

Shares listed above relate to the number of shares on issued by Allied Healthcare Group at the time of takeover by Allied Medical. Shares above also include the number of share on issue by Allied Healthcare Group prior to completion of the transaction. Refer business combinations note 3 for details on the acquisition.

(j) Share placement

In October 2011, current shareholders and sophisticated investors were approached to make further investment in the Group at a $0.028 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

18. CONTRIBUTED EQUITY (CONTINUED)

(k) Set-up equity facility

The company entered into a US$3 million standby equity distribution agreement with Kodiak Capital. The funding facility can be drawn down at the Company's option. Shares issued relates to consideration paid to Kodiak Capital and an agency fee for entering the agreement.

(l) Shares under option

Between 1 July and 31 December 2011, 11,228,323 listed options were exercised at 4 cents each. Information in relation to the current options issued, exercised or lapsed during the financial year is set out Note 19 (a).

(m) Capital Risk Management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders and to maintain capital structure to reduce the cost of capital.

The Board of Directors monitors capital on an ad-hoc basis. No formal targets are in place for return on capital or gearing ratios as the Group has not derived any income from the developing technology and currently has no debt facilities in place.
The Group defines capital as equity and net debt.

19. RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED	
	2012 **$**	2011 $
(a) Reserves		
Share based payments	**837,873**	459,620

Movements	Date	No. options	Valuation	$
Opening balance	**1/7/10**	-	-	-
Options expense – Allied Medical Limited		1,675,000	$0.2744	459,620
Unlisted options cancelled		(1,675,000)	-	-
Unlisted options on issue in Allied Healthcare Group prior to acquisition		8,709,172	-	-
Listed options on issue in Allied Healthcare Group prior to acquisition		83,919,807	-	-
Balance	**30/6/11**	92,628,979	-	459,620
Unlisted options issued – Replacement Allied Medical Limited		53,600,000	-	-
Unlisted options issued – Reverse acquisition transaction		12,400,000	-	-
Unlisted options issued		11,800,000	0.0159	187,453
Unlisted options cancelled		(8,500,000)	-	-
Listed options exercised		(11,228,323)	-	-
Listed options cancelled		(72,691,484)	-	-
Shares issued to set-up Kodiak equity facility		-	-	190,800
Balance	**30/6/12**	**78,009,172**		837,873

(b) Share-based payments

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

20. NON-CONTROLLING INTEREST

	CONSOLIDATED	
	2012 **$**	2011 $
Interest in:		
Share Capital	**232,587**	-
Accumulated losses	**(227,761)**	(853)
	4,826	(853)

During the period, the non-controlling interest in Celxcel Pty Ltd resulted in an adjustment of $227,761 to accumulated losses and $232,587 to share capital due to right issue during the year (2011: $853 accumulated losses).

21. INVESTMENTS IN ASSOCIATES

	CONSOLIDATED	
	2012 **$**	2011 $
(a) Movements in carrying amounts:		
Carrying amount at the beginning of the financial year	**1,245,355**	-
Investment during year	**2,370,000**	1,430,000
Impairment charge	**(348,160)**	-
Share of profit/(loss) after income tax	**(767,162)**	(184,645)
Carrying amount at the end of the financial year	**2,500,033**	1,245,355

(b) Summarised financial information of associates
The group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

		Company's share of:			
	Ownership Interest **%**	**Assets** **$**	**Liabilities** **$**	**Revenues** **$**	**Profits/(Loss)** **$**
2012					
Coridon Pty Limited	**44.4**	**2,412,877**	**38,756**	**22,208**	**(767,162)**
2011					
Coridon Pty Limited	23.84	1,318,675	94,930	2,054	(184,645)

All of the above associates are incorporated in Australia.

(c) Equity accounted value of unlisted investments in associates

	2012 **$**	2011 $
Coridon Pty Limited	**2,500,033**	1,245,355

(d) Contingent liabilities of associates
No contingent liabilities noted.

FOR THE YEAR ENDED 30 JUNE 2012

22. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	CONSOLIDATED	
	2012	2011
	$	$
(a) Audit Services		
BDO Audit (WA) Pty Ltd		
Audit and review of financial reports and other audit work under the Corporations Act 2001	**119,376**	97,532
(b) Non-audit Services		
Taxation services		
Related entities to BDO Audit (WA) Pty Ltd	**49,436**	15,264

It is the Group's policy to employ BDO on assignments additional to their statutory audit duties where BDO's expertise and experience with the Group are important.

23. EARNINGS PER SHARE

	CONSOLIDATED	
	2012	2011
	Number	Number
(a) Weighted Average Number of Shares Used as the Denominator		
Weighted average number of ordinary shares used in the denominator in calculating basic earnings per share	**663,193,947**	197,364,099
Adjustment for calculation of diluted earnings per share: Options	**-**	-
Weighted average number of ordinary shares used in the denominator in calculating diluted earnings per share	**n/a**	n/a
	Cents	Cents
(b) Earnings Used in Calculating Earnings/(Loss) Per Share	**(9,995,227)**	(1,952,795)
Basic earnings/(loss) per share	**(1.507)**	(0.990)
Diluted earnings/(loss) per share	**n/a**	n/a

(c) Information concerning classification of securities

Options:
No listed or unlisted options of Allied Healthcare Group Limited have been included in the determination of basic earnings/(loss) per share because all options on issue have an exercise price above the market share price of the Company as at year end.

Details relating to options granted under the Allied Healthcare Group Employee Share Option Plan (ESOP) are outlined in Note 29.

FOR THE YEAR ENDED 30 JUNE 2012

24. COMMITMENTS

Total expenditure commitments at reporting date not provided for in the financial statements

	CONSOLIDATED	
	2012	2011
	$	$
(a) Operating Lease Commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	**106,218**	103,124
Later than one year but no later than five years	**-**	106,218
	106,218	209,342

The Company leases office space under an operating lease that expires in May 2013 with option for an additional 2 years.

25. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2012	2011
	$	$
(a) Reconciliation to Cash at the End of the Year		
Cash at bank and in hand	**2,064,052**	1,351,518
Total cash at the end of the year	**2,064,052**	1,351,518

(b) Cash at Bank and On Hand

These are interest bearing accounts held at bank with average interest rates of 0.15% (2011: 0.15%).

(c) Deposits At Call

The deposits bear floating interest rates at 0% pa. (2011: 4.75%)

No deposits were held by the Group during the current financial year.

(d) Interest rate Risk Exposure

The Group's exposure to interest rate risk is discussed in Note 2.

(e) Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities

Loss for the year	**(10,222,135)**	(1,953,648)
Depreciation/Amortisation expense	**275,599**	22,916
Inventory write-down	**79,356**	356,867
Bad debts	**33,641**	33,940
Impairment charge	**5,756,038**	790,851
Non-cash share expense – share based payments	**187,453**	709,620
Loss on associate	**767,162**	184,645
Share issue costs (Finance activities)	**118,452**	125,651
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
Decrease/increase) in receivables	**103,166**	(128,872)
Decrease in inventories	**2,722**	520,042
(Increase)/decrease in net tax asset	**(11,321)**	67,786
Increase in deferred tax	**(212,363)**	(118,974)
Decrease in creditors	**(584,650)**	(2,191,136)
Increase in other provisions	**171,126**	109,396
Net cash outflow from operating activities	**(3,535,754)**	(1,470,916)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

26. SEGMENT REPORTING

(a) Description of segments

Segment information is presented using a management approach, i.e. segment information is provided on the same basis as information as used for internal reporting purposes by the chief operating decision makers (board of directors that make key strategic decisions).

Management has determined that there are two identifiable reportable segments as follows:

- Disposable medical product and medical devices distribution; and
- Bioimplants operations of Celxcel Pty Ltd.

(b) Segment information

	Medical products & devices		Bioimplants		Total	
	2012	2011	**2012**	2011	**2012**	2011
	$	$	**$**	$	**$**	$
Total segment revenue	**6,435,653**	6,749,716	**-**	-	**6,435,653**	6,749,716
Segment profit/(loss)	**267,698**	(1,977,384)	**(1,127,708)**	(2,885)	**(860,010)**	(1,980,269)
Segment assets	**3,863,587**	4,913,634	**304,401**	161,281	**4,167,988**	5,074,915
Segment liabilities	**477,432**	753,143	**14,065**	43,329	**491,497**	796,472
Other information						
Acquisition of non-current assets	**23,130**	127,640	**10,338**	-	**33,468**	127,640
Depreciation	**29,040**	22,741	**3,001**	111	**32,041**	22,852
Asset write-down	**112,997**	390,807	**-**	-	**112,997**	390,807
Loss from equity accounting	**-**	184,645	**-**	-	**-**	184,645
Share-based payments	**-**	709,620	**-**	-	**-**	709,620
Impairment of intangibles	**-**	790,851	**-**	-	**-**	790,851

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation.

Segment revenue reconciles to total revenue from continuing operations as follows:

	CONSOLIDATED	
	2012	2011
	$	$
Segment revenue	**6,435,653**	6,749,716
Interest revenue	**24,863**	23,060
Total revenue from continuing operations	**6,460,516**	6,772,776

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

26. SEGMENT REPORTING (continued)

(ii) Segment result

Performance is measured based on segment result before tax.

The reconciliation of segment information to loss before income tax from continuing operations is as follows:

	CONSOLIDATED	
	2012	2011
	$	$
Segment loss	**(860,010)**	(1,980,269)
Unallocated:		
Depreciation	**(2,179)**	(64)
Amortisation	**(241,379)**	-
Loss from equity accounting	**(767,162)**	-
Share-based payments	**(187,453)**	-
Impairment of intangibles	**(5,756,038)**	-
Other administration (expenses)/benefits	**(2,543,552)**	21,807
Loss before income tax from continuing operations	**(10,357,773)**	(1,958,526)

(iii) Segment assets and liabilities

Segment assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

Segment assets include all assets used by the segment and consist primarily of operating cash, receivables, property, plant and equipment and other intangible assets.

Segment liabilities consist primarily of creditors, employee benefits and borrowings.

Reportable segment assets reconciled to total assets as follows:

	CONSOLIDATED	
	2012	2011
	$	$
Segment assets	**4,167,988**	5,074,915
Intersegment eliminations	**1,983,146**	-
Unallocated:		
Cash and cash equivalents	**1,603,268**	701,310
Trade and other receivables	**4,815**	3,100
Property, Plant & Equipment	**1,659**	3,838
Deferred tax asset	**176,463**	-
Intangibles	**3,260,365**	8,965,016
Total assets per the statement of financial position	**11,197,704**	14,748,179

Reportable segment liabilities reconciled to total liabilities as follows:

Segment liabilities	**491,497**	796,472
Intersegment eliminations	**-**	-
Unallocated:		
Trade and other payables	**52,375**	243,583
Borrowings	**-**	41
Income tax provision	**162,767**	-
Provisions	**57,618**	69,650
Total liabilities per the statement of financial position	**764,257**	1,109,746

FOR THE YEAR ENDED 30 JUNE 2012

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel Compensation

	CONSOLIDATED 2012 $	2011 $
Short-term employee benefits	**1,213,186**	821,013
Post employment benefits	**74,253**	29,129
Non monetary benefits	**-**	18,026
Share-based payments	**85,453**	641,020
	1,372,892	1,509,188

(b) Equity Instrument Disclosures Relating to Key Management Personnel

(i) Options provided as remuneration and shares

Details of options provided as remuneration and shares issued on the exercise of options, together with terms and conditions of the options can be found in Section D of the Remuneration Report.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Allied Healthcare Group Limited, including their personally related parties, are set out below:

Option holder	Balance at the start of the year	Granted as compensation	Options beneficially held	Net change/ Cancelled	Purchased	Expired/ Exercised	Balance at the end of the year	Unvested	Vested and exercisable
2012									
Directors of Allied Healthcare Group Limited									
C. Catlow	-	16,000,000	-	-	-	-	16,000,000	16,000,000	-
L. Rodne	-	19,200,000	-	-	-	-	19,200,000	19,200,000	-
G Rowley	-	8,000,000	-	-	-	-	8,000,000	8,000,000	-
M. Bennett	2,000,000	2,500,000	-	-	-	(2,000,000) (b)	2,500,000	2,500,000	-
P. Turvey	-	1,000,000	-	-	-	-	1,000,000	1,000,000	-
R. Towner	15,642,579	5,000,000	-	(5,000,000) (a)	-	(15,642,579) (b)	-	-	-
J. Soerdirdja	-	-	-	-	-	-	-	-	-
Other key management personnel of the group									
S. Mann	-	2,400,000	-	-	-	-	2,400,000	2,400,000	-
D. Bromley	-	2,000,000	-	-	-	-	2,000,000	2,000,000	-
J. Chick	-	5,000,000	-	-	-	-	5,000,000	5,000,000	-
R. Atwill	-	3,000,000	-	-	-	-	3,000,000	3,000,000	-
2011									
Directors of Allied Healthcare Group Limited									
C. Catlow	-	500,000	-	(500,000) (c)	-	-	-	-	-
L. Rodne	-	600,000	-	(600,000) (c)	-	-	-	-	-
G Rowley	-	250,000	-	(250,000) (c)	-	-	-	-	-
J. Soerdirdja	-	-	-	-	-	-	-	-	-
M. Bennett	1,600,000	-	1,000,000	-	-	(600,000)	2,000,000	-	2,000,000
R. Towner	18,729,287	-	-	-	-	(3,086,708)	15,642,579	-	15,642,579
R. Scott	1,453,750	-	-	(1,453,750) (d)	-	-	-	-	-
Other key management personnel of the group									
S. Mann	-	75,000	-	(75,000) (c)	-	-	-	-	-
D. Bromley	-	-	-	-	-	-	-	-	-

(a) R. Towner resigned 2 April 2012.

(b) Listed options lapsed on 31 December 2011.

(c) Allied Medical options cancelled 24 June 2011. 32 Allied Healthcare Group options were issued post year end to replace each Allied Medical option cancelled.

(d) R. Scott resigned 16 June 2011.

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27. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(iii) Share holdings

The number of shares in the Company held during the financial year by each Director of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Ordinary shareholders	Balance at the start of the year	Received during the year on exercise of options	Other changes during year	Balance at the end of the year
2012				
Directors of Allied Healthcare Group Limited				
C. Catlow	-	-	12,227,289	12,227,289
L. Rodne	-	-	23,379,398	23,379,398
G Rowley	-	-	15,513,789	15,513,789
M. Bennett	10,360,508	-	-	10,360,508
P. Turvey	-	-	-	-
R. Towner	17,711,992	-	(17,711,992) (a)	-
J. Soerdirdja	-	-	-	-
Other key management personnel of the group				
S. Mann	-	-	-	-
D. Bromley	-	-	-	-
J. Chick	-	-	1,360,000	1,360,000
R. Atwill	-	-	1,000,000	1,000,000
2011				
Directors of Allied Healthcare Group Limited				
C. Catlow	-	-	-	-
L. Rodne	-	-	-	-
G Rowley	-	-	-	-
J. Soerdirdja	-	-	-	-
M. Bennett	10,360,508	-	-	10,360,508
R. Towner	17,711,992	-	-	17,711,992
R. Scott	586,125	-	(586,125) (b)	-
Other key management personnel of the group				
S. Mann	-	-	-	-
D. Bromley	-	-	-	-

(a) R. Towner resigned 2 April 2012.

(b) R. Scott resigned 16 June 2011.

There are no loans or other transactions at the end of the current year or prior year to Directors of Allied Healthcare Group Limited.

28. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The parent entity within the Group is Allied Healthcare Group Limited.

(b) Subsidiary

Interest in subsidiary is set out in Note 17.

(c) Key Management Personnel

Disclosures relating to Directors and specified executives are set out in Note 27.

(d) Transactions and Balances with Related Parties

No related party transactions were noted during the period.

FOR THE YEAR ENDED 30 JUNE 2012

29. SHARE BASED PAYMENTS

(a) Employee Share Option Plan

The Allied Healthcare Group Employee Share Option Plan (ESOP) was approved by shareholders at the 2004 Annual General Meeting. Eligible Employees (as defined in the Plan and which includes Directors, employees and consultants) are able to participate in the Plan.

The terms of the ESOP include:

- Options are issued to selected Eligible Employees for free;
- The allotment of options is at the discretion of the Board of Directors;
- Shares allotted on the exercise of the options are to be issued at an exercise price determined by the Board in its absolute discretion, which price shall not be less than the minimum exercise price permitted by the Listing Rules;
- Options expire 5 years after the grant date;
- Options are unlisted and not transferable unless the Directors in their absolute discretion agree to a transfer; and
- Options carry no dividend rights or voting rights.

The Company has nil staff options over ordinary shares in the Company as at 30 June 2012 (2011: Nil).

In the prior year options over shares in Allied Medical Limited were issued during the year. The 1,675,000 options issued were subsequently cancelled on 24 June 2011 on completion of the offer period. Replacement options were issued from Allied Healthcare Group Limited on 22 August 2011. The options were issued as an incentive to keep Directors and employees involved in the business. There are no performance requirements to be met before exercise can take place. The issue of options is not linked to performance conditions because setting the option price at a level above the current share price at the time the options are granted provides incentive for management to improve the Company's performance.

Options granted carry no dividend or voting rights. The grant date equals the vesting date for Tranche A options. Tranche B option vest based on holder still being employed by Allied Healthcare Group Limited over a three year period.

On 22 August 2011 as part of the reverse acquisition 43,200,000 replacement options were issued to Directors and 10,400,000 to employees and consultants (2011: nil).

On 12 August 2011 the directors of Allied Healthcare Group Limited were issued 7,500,000 options and employees and consultants 4,900,000 options as an incentive for completing the reverse acquisition transaction with Allied Medical Limited.

On 20 October 2011 6,000,000 options were issued to Bell Potter as compensation in relation to the placement they completed for the Group.

On 18 May 2012 a director and executives received 5,800,000 options as a sign-on bonus.

Set out below are summaries of options granted by Allied Medical:

Grant date	Expiry date	Exercise price $	Balance at start of the year Number	Granted during the year Number	Cancelled Number	Exercised during the year Number	Balance at end of the year Number	Value at grant date
		2012						
12/8/2011	10/7/2016	0.06	-	12,400,000	(5,000,000)[a]	-	7,400,000	-[b]
22/8/2011	10/7/2016	0.06	-	53,600,000	-	-	53,600,000	-[b]
20/10/2011	20/10/2014	0.06	-	6,000,000	-	-	6,000,000	102,000
18/5/2012	18/5/2017	0.06	-	5,800,000	-	-	5,800,000	85,453
Total			**-**	**77,800,000**	**(5,000,000)**	**-**	**72,800,000**	**187,453**

(a) Unlisted options issued to R. Towner were cancelled after resignation on 2 April 2012.

(b) Valuation of options was expensed in the 2011 financial year

FOR THE YEAR ENDED 30 JUNE 2012

29. SHARE BASED PAYMENTS (CONTINUED)

(b) Expenses Arising from Share Based Payment Transactions

Total expenses arising from share based payment transactions recognised during the period were as follows:

	CONSOLIDATED 2012 $	2011 $
Employee bonus shares	**-**	250,000
Options issued under employee option plan	**85,453**	459,620
Options issued to consultants (included in administration expenses)	**102,000**	-
Total expenses from share-bases transactions	**187,453**	709,620

(c) Fair Value of Options Granted

The assessed fair value at grant date of options granted during the year ended 30 June 2012 was 1.70 cents per option for Tranche A and 1.47 cents per option for Tranche B. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2012 included:

	Tranche A	**Tranche B**
(a)	options are granted for no consideration and vest immediately. Vested options are exercisable for a period up to expiry date.	options are granted for no consideration and vest based on holder still being employed by Allied Healthcare Group Limited over a three year period. Vested options are exercisable for a period up to expiry date.
(b)	*exercise price:* $0.06	*exercise price:* $0.06
(c)	*grant date:* 20 October 2011	*grant date:* 18 May 2012
(d)	*expiry date:* 20 October 2014	*expiry date:* 18 May 2017
(e)	*share price at grant date:* $0.036	*share price at grant date:* $0.026
(f)	*expected price volatility of the company's shares:* 90%	*expected price volatility of the company's shares:* 90%
(g)	*risk-free interest rate:* 3.88%	*risk-free interest rate:* 2.56%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

30. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 3 July 2012, the Group announced that subsidiary Celxcel Pty Ltd has signed a research collaboration with the CSIRO focusing on the development of the novel tissue engineering technologies which have the potential to aid tissue repair in the heart.

(b) On 20 July 2012, shares were issued to executives for achieving key performance indicators stipulated in their contracts.

31. DIVIDENDS

No dividends have been declared or paid during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

32. PARENT ENTITY INFORMATION

The following details information related to the legal parent entity, Allied Healthcare Group Limited, at 30 June 2012. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	THE COMPANY	
	2011	2011
	$	$
Current assets	**1,608,083**	704,410
Non-current assets	**3,972,586**	29,669,012
Total assets	**5,580,669**	30,373,422
Current liabilities	**(125,904)**	279,925
Non-current liabilities	**27,978**	33,349
Total liabilities	**(97,926)**	313,274
Contributed equity	**45,809,245**	39,402,936
Retained earnings/(accumulated losses)	**(41,444,492)**	(10,278,377)
Option reserve	**1,313,842**	935,589
Total equity	**5,678,595**	30,060,148
Profit/(loss) for the year	**(31,166,115)**	(1,090,283)
Other comprehensive income/(loss) for the year	**-**	-
Total comprehensive income/(loss) for the year	**(31,166,115)**	(1,090,283)

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

Commitments of the parent entity

The commitments for the parent entity are detailed in note 24.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cashflow, consolidated statements of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards, the *Corporations Regulations 2001, other mandatory professional reporting requirements*; and

   (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated entity;

   (c) comply with International Financial Reporting Standards as disclosed in Note 1 (a).

2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in the Director's Report (as part of the Remuneration Report) for the year ended 30 June 2011, comply with section 300A of the *Corporations Act 2001*.

4. The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

CHRISTOPHER CATLOW
Chairman

Perth, Western Australia

Dated 28 September 2012

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Australia

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

We have audited the accompanying financial report of Allied Healthcare Group Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Allied Healthcare Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Basis for Qualified Opinion

Included in Allied Healthcare Group Limited's consolidated statement of financial position as at 30 June 2012 is an investment of 44.4% in associate entity, Coridon Pty Limited, which is accounted for under the equity method and is carried at $2,500,033. Allied Healthcare Group Limited's share of the net loss is $767,162 which is included in the consolidated statement of comprehensive income for the year ended 30 June 2012. As the company is unaudited, we were unable to obtain sufficient appropriate audit evidence to verify the valuation of the investment or its losses brought to account for the year and as such we were unable to determine whether any adjustments to these amounts are necessary. Given this limitation of scope we cannot, and do not express an opinion on the balance of investments or the result of the associate included in the consolidated statement of comprehensive income for the year ended 30 June 2012, or any consequential impact it may have on the carrying value of the investment.

Opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph:

(a) the financial report of Allied Healthcare Group Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Allied Healthcare Group Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 28th day of September 2012

SHAREHOLDER DETAILS

The number of shares held by the substantial shareholders as at 28 September 2011:

Name	No. ordinary shares held	% of issued capital held
The Metal Group Pty Ltd	140,996,274	17.59
AVI Capital Pty Ltd <AVI Capital Investment A/C>	96,055,000	11.98
McRae Technology Pty Ltd	77,055,941	9.61

Voting rights
The shares carry the right to one vote for each share held.

Distribution of shareholders
Number of ordinary shareholders: 1,769

Number of ordinary shares	No. of shareholders
1 - 1,000	141
1,001 - 5,000	113
5,001 - 10,000	77
10,001 - 100,000	843
100,001 and over	595
Total	1,769

Twenty Largest Shareholders

Name	No. ordinary shares held	% of issued capital held
The Metal Group Pty Ltd	140,996,274	17.59
AVI Capital Pty Ltd <AVI Capital Investment A/C>	96,055,000	11.98
McRae Technology Pty Ltd	77,055,941	9.61
Mr Lee Eric Rodne	23,378,534	2.92
Emichrome Pty Ltd	22,976,000	2.87
Mr William Graeme Rowley	15,513,789	1.94
John Cunningham & Associates Pty Limited <John Cunningham Pension A/C>	13,200,000	1.65
Broadscope Pty Ltd <The Catlow Family A/C>	12,227,289	1.53
Victoria Park Investments Pty Ltd	10,457,500	1.30
Mr Mark Andrew Tkocz	10,000,000	1.25
Parerg Pty Ltd	9,600,000	1.20
Mandolin Pty Ltd	8,100,000	1.01
Zaychan Pty Limited <Linegar Super Fund A/C>	7,700,000	0.96
Scintilla Strategic Investments Ltd	7,000,000	0.87
Rosherville Pty LTd	5,600,000	0.70
Mr Athanasioa Farmakis	5,004,594	0.62
Scrimshaw Nominees Pty LTd <Scrimshaw S/F A/C>	4,153,714	0.52
Mr Paul Glendon Hunter	4,000,000	0.50
Mr Richard F Bradshaw & Ms Lynne Patricia Bradshaw & Graham D Muir & Gillian D Muir <BMA S/F NO 2 A/C>	3,758,646	0.47
UCAN Nominees Pty Ltd	3,741,719	0.47

The 20 largest shareholders hold 59.93% of the Company's issued capital.

ALLIED HEALTHCARE GROUP

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