

Registered Number 1563257 (England and Wales)

NIAGARA HEALTHCARE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

FRIDAY



A33

AIEV0A2D

22/05/2009

COMPANIES HOUSE

66

NIAGARA HEALTHCARE LIMITED

DIRECTORS AND ADVISERS

Directors

A A Aikman
I J Milsom
T N Savage
T P Ellis

Secretary

T P Ellis

Company number

1563257

Registered office

Colomendy Industrial Estate
Rhyl Road
Denbigh
Denbighshire
LL16 5TS

Auditor

Baker Tilly UK Audit LLP
No. 1 Old Hall Street
Liverpool
L3 9SX

NIAGARA HEALTHCARE LIMITED

CONTENTS

| | Page |
|--|-------------|
| Directors' report | 3 - 4 |
| Statement of Directors' Responsibilities | 5 |
| Independent auditor's report | 6 |
| Profit and loss account | 7 |
| Statement of total recognised gains and losses | 8 |
| Balance Sheet | 9 |
| Notes to the financial statements | 10 - 23 |

NIAGARA HEALTHCARE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The directors submit their report and financial statements for the year ended 31 December 2008.

Business Review and Principal activities

The company is a wholly owned subsidiary of NHC Holdings Limited and holds investments in several companies, a list of which can be seen in note 13 of the financial statements.

The principal activities of the company during the year continued to be those of distributing and retailing equine therapeutic massage equipment and mobility scooters.

As shown in the profit and loss account on page 7, the company's turnover decreased by £0.80 million in 2008 compared to 2007.

The balance sheet on page 9 shows that the company's financial position at the year end remains strong with net assets of £3.2 million.

There have been no significant events since the balance sheet date.

Principal risks and uncertainties

Competitive pressure in the mobility sector is a continuing risk for the company both via direct sales competitors and retail stores. The company manages this risk by providing a good quality of service and having short lead times for delivery and customer queries as well as ensuring that its marketing expenditure is effectively converted into sales.

The company has little third party debt which is all fixed rate borrowing. Its cash balances are invested principally in overnight deposit accounts at floating interest rates. The company makes sales to Europe in Euros and to the United States in US dollars but it also makes purchases in US dollars and pays certain purchases for other group companies in Euros. The group overall therefore has little foreign exchange exposure.

Results and dividends

The profit and loss account for the year is set out on page 7.

The directors do not recommend the payment of a dividend.

It is proposed that the loss after tax of £10,368 is transferred to reserves.

Directors

The directors who served during the year were:

A A Aikman
I J Milsom
T N Savage
T P Ellis

NIAGARA HEALTHCARE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

Statement as to disclosure of information to Auditors

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

Auditor

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Board



I J Milsom
Director

29 April 2009

NIAGARA HEALTHCARE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

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

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

NIAGARA HEALTHCARE LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NIAGARA HEALTHCARE LIMITED

We have audited the financial statements on pages 7 to 23.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


BAKER TILLY UK AUDIT LLP
Chartered Accountants
Registered Auditor
No. 1 Old Hall Street
Liverpool
L3 9SX

 15 May 2009

NIAGARA HEALTHCARE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

| | Notes | 2008 £ | 2007 £ |
|--|-------|--------------------|--------------------|
| Turnover | 2 | 2,063,535 | 2,862,662 |
| Net trading costs | 3 | <u>(2,078,923)</u> | <u>(2,904,671)</u> |
| Operating loss | | (15,388) | (42,009) |
| Interest receivable | 4 | 3,328 | 94,848 |
| Interest payable and similar charges | 5 | <u>(11,668)</u> | <u>(20,012)</u> |
| (Loss)/Profit on ordinary activities before taxation | 6 | (23,728) | 32,827 |
| Taxation | 9 | <u>13,360</u> | <u>9,962</u> |
| (Loss)/Profit for the financial year | 19 | <u>(10,368)</u> | <u>42,789</u> |

Turnover and operating loss all derive from continuing operations.

NIAGARA HEALTHCARE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2008

| | 2008 £ | 2007 £ |
|---|-----------------|----------------|
| (Loss)/profit for the financial year | (10,368) | 42,789 |
| Actuarial (loss)/gain on defined benefit pension scheme | (11,000) | 85,000 |
| Deferred tax on actuarial (loss)/gain | 3,080 | (25,500) |
| Total recognised gains and losses relating to the year | <u>(18,288)</u> | <u>102,289</u> |

Historical cost result

The historical cost result for the year did not differ materially from the result set out in the profit and loss account on page 7.

NIAGARA HEALTHCARE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

| | Notes | £ | 2008 £ | £ | 2007 £ |
|--|-------|------------------|------------------|------------------|------------------|
| Fixed assets | | | | | |
| Tangible assets | 11 | | 21,754 | | 79,275 |
| Investments | 12 | | <u>1,521,335</u> | | <u>1,521,335</u> |
| | | | 1,543,089 | | 1,600,610 |
| Current assets | | | | | |
| Stocks | 13 | 58,515 | | 245,043 | |
| Debtors | 14 | 2,584,121 | | 1,416,535 | |
| Cash at bank and in hand | | <u>12,641</u> | | <u>1,005,216</u> | |
| | | 2,655,277 | | 2,666,794 | |
| Creditors: amounts falling due within one year | 16 | <u>(919,194)</u> | | <u>(925,324)</u> | |
| Net current assets | | | <u>1,736,083</u> | | <u>1,741,470</u> |
| Total assets less current liabilities | | | 3,279,172 | | 3,342,080 |
| Creditors: amounts falling due after more than one year | 17 | | - | | (9,900) |
| Net assets excluding pension liability | | | 3,279,172 | | 3,332,180 |
| Pension Liability | | | <u>(89,280)</u> | | <u>(124,000)</u> |
| Net assets including pension liability | | | <u>3,189,892</u> | | <u>3,208,180</u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | | 450,000 | | 450,000 |
| Other reserve | 19 | | 14,315 | | 14,315 |
| Profit and loss account | 19 | | <u>2,725,577</u> | | <u>2,743,865</u> |
| Shareholders' funds | | | <u>3,189,892</u> | | <u>3,208,180</u> |

The financial statements on pages 7 to 23 were approved by the Board of Directors and authorised for issue on 29 April 2009 and are signed on its behalf by:



T P Ellis
Director

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Consolidated financial statements

The accounts present information about the company as an individual undertaking and not about its group, as the company has taken advantage of the exemption provided by section 228 of the Companies Act 1985, as it is a subsidiary undertaking of NHC Holdings Limited, a company incorporated in the United Kingdom and is included in the consolidated accounts of that company.

1.3 Turnover

Turnover represents the value of goods sold and services provided to customers during the year net of discounts and value added tax.

1.4 Tangible fixed assets

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided on a straight line basis at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

| | |
|------------------------|-----------|
| Fixtures and equipment | 10% - 50% |
| Motor vehicles | 25% |

Leasehold property improvements are depreciated over the period of the lease.

1.5 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. The cost of finished goods and goods for resale comprises materials, direct labour and attributable production overheads. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1.6 Leased assets and obligations

Where assets are financed by leasing agreement that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are 'operating leases' and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies (continued)

1.7 Retirement Benefits

The company operates a defined benefit pension scheme. For defined benefit pension schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

Defined benefit schemes are funded, with the assets held separately from the group in separate trustee administered funds. A liability is recognised in the balance sheet in respect of the defined benefit plan which represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. A full valuation of the liability is calculated by an independent actuary every three years and updated on an annual basis using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognised in reserves in the year in which they arise. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the group has a legal or constructive obligation to settle the liability.

Further details of the scheme are set out in note 23 to the financial statements.

The company also operates several defined contribution pension schemes. The assets of these schemes are held separately from those of the company in independently administered funds. Contributions to the schemes are charged to the profit and loss account as they become payable.

1.8 Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at the balance sheet date.

All exchange differences are dealt with in the profit and loss account.

1.9 Warranty provisions

Provision is made for liabilities arising in respect of expected warranty claims.

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1.10 Patents and trademarks

Expenditure on patents and trademarks is written off in the year in which it is incurred.

1.11 Research and development

Research and development expenditure is written off in the year in which it is incurred.

1.12 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is reassessed at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is reassessed on a non-discounted basis.

2 Segmental analysis

| | 2008 £ | 2007 £ |
|------------------|------------------|------------------|
| Turnover: | | |
| United Kingdom | 1,622,532 | 2,386,859 |
| Rest of Europe | 245,147 | 312,981 |
| North America | 178,202 | 162,822 |
| Middle East | 17,654 | - |
| | <u>2,063,535</u> | <u>2,862,662</u> |

3 Net trading costs

| | 2008 £ | 2007 £ |
|-------------------------------|------------------|------------------|
| Movement in stocks | 186,528 | 155,736 |
| Raw materials and consumables | 736,909 | 1,109,683 |
| Other external charges | 700,731 | 1,145,728 |
| Staff costs | 229,063 | 215,921 |
| Depreciation and amortisation | 33,544 | 77,032 |
| Other operating charges | 192,148 | 200,571 |
| | <u>2,078,923</u> | <u>2,904,671</u> |

4 Interest receivable

| | 2008 £ | 2007 £ |
|---------------|--------------|---------------|
| Bank interest | <u>3,328</u> | <u>94,848</u> |

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

5 Interest payable and similar charges

| | 2008 | 2007 |
|---|---------------|---------------|
| | £ | £ |
| Bank loans, overdrafts and other loans wholly repayable within five years | - | 2,009 |
| HP interest | 2,668 | 6,811 |
| Other interest | 1,000 | 192 |
| Expected return on pension scheme assets | (29,000) | (24,000) |
| Interest on pension scheme liabilities | 37,000 | 35,000 |
| | <u>11,668</u> | <u>20,012</u> |

6 (Loss)/Profit on ordinary activities before taxation

| | | |
|--|-----------------|----------------|
| (Loss)/profit on ordinary activities before taxation is stated after charging/ (crediting): | 2008 | 2007 |
| | £ | £ |
| Depreciation – Owned asset | 7,469 | 10,246 |
| Depreciation - Leased asset | 26,075 | 66,786 |
| Operating lease rentals – plant and machinery | 35,837 | 18,240 |
| Operating lease rentals – other | 55,050 | 87,589 |
| Auditor's remuneration – audit services | 7,000 | 7,000 |
| Auditor's remuneration – tax compliance services | 1,500 | 1,500 |
| Foreign currency gains | <u>(19,996)</u> | <u>(4,855)</u> |

7 Employees

Number of employees

The average number of employees (including directors) during the year was:

| | 2008 | 2007 |
|-------------------------------|---------------|---------------|
| | Number | Number |
| Management | 11 | 11 |
| Administration and production | 23 | 23 |
| Selling and distribution | 54 | 52 |
| | <u>88</u> | <u>86</u> |

Employment costs

| | £ | £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 194,664 | 172,418 |
| Social security costs | 19,849 | 20,003 |
| Other pension costs | 14,550 | 23,500 |
| | <u>229,063</u> | <u>215,921</u> |

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

8 Directors' emoluments

| | 2008 £ | 2007 £ |
|------------|-----------|-----------|
| Emoluments | 480,918 | 694,086 |

The total payments to the highest paid director were £480,918 (2007: £218,227) and money purchase pension contributions were £nil (2007: nil).

Share options exercised by the highest paid director are disclosed in the accounts of NHC Holdings Limited.

There are no directors for whom retirement benefits are accruing under money purchase pension schemes or defined benefit pension schemes (2007: nil).

9 Taxation

(a) Analysis of charge in the year

| | 2008 £ | 2007 £ |
|--|-----------|-----------|
| UK Corporation tax on (losses)/profits of the year | - | (4,605) |
| Adjustments in respect of previous years | (9,339) | 8,143 |
| Total current tax | (9,339) | 3,538 |
| Deferred taxation | | |
| Current year charge | (2,302) | (13,500) |
| Prior year charge | (1,719) | - |
| Tax on (loss)/profit on ordinary activities | (13,360) | (9,962) |

(b) Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (28%).

The differences are explained below:

| | 2008 £ | 2007 £ |
|---|-----------|-----------|
| (Loss)/Profit on ordinary activities before taxation | (23,728) | 32,827 |
| (Loss)/Profit on ordinary activities multiplied by the standard rate of tax in the UK 28% (2007: 30%) | (6,644) | 9,848 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 9,508 | 1,185 |
| Fixed asset timing differences | 2,302 | 14,590 |
| Other timing differences | 1,388 | - |
| FRS 17 adjustment | (17,640) | (8,100) |
| S23 FA2003 claim on sale of share options | - | (16,480) |
| Group relief | - | (1,806) |
| Adjustments to tax charge in respect of previous periods | (9,339) | 8,143 |
| Current year loss relief | 11,086 | (15,399) |
| Marginal relief | - | 11,557 |
| Current tax charge for the year (note 9(a)) | (9,339) | 3,538 |

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

10 Dividends

| | 2008 £ | 2007 £ |
|-----------------------|-----------|-----------|
| Ordinary interim paid | - | - |

11 Tangible fixed assets

| | Fixtures and equipment £ | Motor vehicles £ | Total £ |
|------------------------|-----------------------------------|------------------------|----------------|
| Cost | | | |
| At 31 December 2007 | 2,778 | 342,220 | 344,998 |
| Additions | 4,012 | - | 4,012 |
| Inter company transfer | - | (33,587) | (33,587) |
| At 31 December 2008 | <u>6,790</u> | <u>308,633</u> | <u>315,423</u> |
| Depreciation | | | |
| At 31 December 2007 | 2,472 | 263,251 | 265,723 |
| Charge for the year | 742 | 32,802 | 33,544 |
| Inter company transfer | - | (5,598) | (5,598) |
| At 31 December 2008 | <u>3,214</u> | <u>290,455</u> | <u>293,669</u> |
| Net book value | | | |
| At 31 December 2008 | <u>3,576</u> | <u>18,178</u> | <u>21,754</u> |
| At 31 December 2007 | <u>306</u> | <u>78,969</u> | <u>79,275</u> |

The net book value of fixed assets held on finance leases and hire purchase contracts is £16,110 (2007: £41,535). The depreciation charge for the year for fixed assets held on finance leases and hire purchase contracts is £26,075 (2007: £66,786).

12 Investments

| | 2008 £ | 2007 £ |
|---|------------------|------------------|
| Investments in subsidiary undertakings | | |
| At 31 December 2007 | 1,521,335 | 1,077,034 |
| Additions in the year | - | 444,301 |
| At 31 December 2008 | <u>1,521,335</u> | <u>1,521,335</u> |

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

12 Investments (continued)

Subsidiary undertakings

| Company | Principal activity during the year | % of ordinary shares held at 31 December 2008 |
|---|--|---|
| NHC Technology Limited | Sale and manufacture of massage equipment | 100 |
| Niagara Therapy (UK) Limited | Sale of massage equipment | 100 |
| Adjustamatic Beds Limited | Sale of adjustable massage beds | 100 |
| Vibrant Medical Limited | Sale and development of non-invasive medical devices | 100 |
| Balance Master UK Limited | Sale of exercise and rehabilitation equipment | 100 |
| Niagara Therapy (UK) Pension Trustees Limited | Trustee of pension schemes | 100 |
| Direct Consumer Finance Limited | Non-trading | 100 |
| Niagara Services Limited | Non-trading | 100 |
| Penshurst Press London Limited | Non-trading | 100 |
| Europaedic Adjustable Beds Limited | Non-trading | 100 |
| Markcare Limited | Non-trading | 100 |
| Niagara Franchising Limited | Non-trading | 100 |
| Niagara Exports Limited | Non-trading | 100 |
| Adjustable Bed Advice Service Limited | Non-trading | 100 |
| Physiocare Limited | Non-trading | 100 |

The share capital of all the above companies is made up of ordinary £1 shares. All shares are held by the company apart from those in Niagara Therapy (UK) Pension Trustees Limited which is held by subsidiary undertakings. All of the companies are incorporated in the United Kingdom.

13 Stocks

| | 2008 £ | 2007 £ |
|-------------------------------------|---------------|----------------|
| Finished goods and goods for resale | <u>58,515</u> | <u>245,043</u> |

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

14 Debtors

| | 2008 | 2007 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 163,791 | 159,429 |
| Amounts owed by group undertakings | 2,388,415 | 1,114,064 |
| Other debtors | 300 | 72,505 |
| Prepayments and accrued income | 18,594 | 61,537 |
| Deferred tax | 13,021 | 9,000 |
| | <u>2,584,121</u> | <u>1,416,535</u> |

15 Deferred tax asset

| | 2008 | 2007 |
|--|-----------------|----------------|
| | £ | £ |
| At 31 December 2007 | (9,000) | 4,500 |
| Credit to the profit and loss account | (4,021) | (13,500) |
| At 31 December 2008 | <u>(13,021)</u> | <u>(9,000)</u> |
| The deferred tax asset consists of the tax effect of timing in respect of: | | |
| Accelerated capital allowances | <u>(13,021)</u> | <u>(9,000)</u> |

16 Creditors: amounts falling due within one year

| | 2008 | 2007 |
|--|----------------|----------------|
| | £ | £ |
| Bank loans and overdraft | 31,807 | - |
| Obligations under finance leases and hire purchase | 9,900 | 61,290 |
| Trade creditors | 694,863 | 504,590 |
| Corporation tax | 2,183 | 11,681 |
| Other creditors | 96,130 | 182,328 |
| Accruals and deferred income | 84,311 | 165,435 |
| | <u>919,194</u> | <u>925,324</u> |

NIAGARA HEALTHCARE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

17 Creditors: amounts falling due after more than one year

| | 2008 £ | 2007 £ |
|--|-------------------|-------------------|
| Obligations under finance leases and hire purchase contracts | - | 9,900 |
| | <u> </u> | <u> </u> |

The obligations under finance leases and hire purchase contracts are as follows:

| | 2008 £ | 2007 £ |
|----------------------------|--------------|---------------|
| Amount falling due within: | | |
| 1 year | 9,900 | 61,290 |
| 1-2 years | - | 9,900 |
| | <u>9,900</u> | <u>71,190</u> |

18 Share capital

| | 2008 £ | 2007 £ |
|--|----------------|----------------|
| Authorised | | |
| 25,000,000 Ordinary shares of 2½p each | <u>625,000</u> | <u>625,000</u> |
| Issued, allotted, called up and fully paid | | |
| 18,000,000 Ordinary shares of 2½p each | <u>450,000</u> | <u>450,000</u> |

19 Reserves

| | |
|--|------------------|
| Other reserve | £ |
| At 31 December 2007 and 31 December 2008 | <u>14,315</u> |
| Profit and loss account | £ |
| At 31 December 2007 | 2,743,865 |
| Loss for the year | (10,368) |
| Other recognised gains and losses relating to the year | (7,920) |
| At 31 December 2008 | <u>2,725,577</u> |

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

20 Reconciliation of movements in shareholders' funds

| | 2008 £ | 2007 £ |
|--|-----------|-----------|
| (Loss)/Profit for the financial year | (10,368) | 42,789 |
| Dividends | - | - |
| | (10,368) | 42,789 |
| Other recognised gains and losses relating to the year | (7,920) | 59,500 |
| Net addition to shareholders' funds | (18,288) | 102,289 |
| Opening shareholders' funds | 3,208,180 | 3,105,891 |
| Closing shareholders' funds | 3,189,892 | 3,208,180 |

21 Commitments under operating leases

Annual commitments under non-cancellable operating leases at 31 December were as follows:

| | Land and buildings £ | Other £ | 2008 Total £ | Land and buildings £ | Other £ | 2007 Total £ |
|----------------------------|----------------------------|------------|--------------------|----------------------------|------------|--------------------|
| Leases expiring: | | | | | | |
| Within one year | 3,075 | 9,258 | 12,333 | 3,075 | 20,233 | 23,308 |
| Between one and two years | 64,000 | 45,783 | 109,783 | 64,000 | 25,680 | 89,680 |
| Between two and five years | 38,210 | 10,471 | 48,681 | 38,210 | 32,826 | 71,036 |
| | 105,285 | 65,512 | 170,797 | 105,285 | 78,739 | 184,024 |

22 Contingent liabilities

The company has given composite cross guarantees relating to the bank borrowing of certain subsidiary companies. These borrowings amounted to £nil at the year end.

23 Retirement benefits

The group operates a defined benefit scheme in the UK.

The full actuarial valuation was carried out at 1 April 2006 and updated to 31 December 2008 by a qualified independent actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary were:

Employer contributions are currently paid at the rate of £4,800 per month in order to eliminate the past service deficit.

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

23 Retirement benefits (continued)

Assumptions

| | 31/12/2008 £'000s | 31/12/2007 £'000s | 31/12/2006 £'000s |
|--|----------------------|----------------------|----------------------|
| Inflation | 2.70% | 3.50% | 3.30% |
| Salary increases | 0.00% | 0.00% | 0.00% |
| Rate of discount | 6.70% | 5.80% | 5.20% |
| Allowance for pension in payment increases of RPI or 5% p.a. if less | 0.00% | 0.00% | 0.00% |
| Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less | 2.70% | 3.50% | 3.30% |
| Allowance for commutation of pension for cash at retirement | None | None | None |

The mortality assumptions adopted at 31 December 2008 imply the following life expectancies:

| | |
|--------------------------------------|------|
| Male retiring at age of 65 in 2008 | 22.0 |
| Female retiring at age of 65 in 2008 | 24.8 |
| Male retiring at age 65 in 2028 | 23.1 |
| Female retiring at age 65 in 2028 | 25.9 |

Expected long term rates of return

The long-term expected rate of return on cash is determined by reference to bank base rates at the balance sheet dates. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

The expected long-term rates of return applicable at the start of each period are as follows:

| | Period Commencing 31/12/2008 £'000s | Period Commencing 31/12/2007 £'000s | Period Commencing 31/12/2006 £'000s |
|------------------------------|--|--|--|
| Equity | 5.20% | 6.10% | 6.20% |
| Bonds | 3.20% | 4.10% | 4.20% |
| Other (property, cash, etc.) | 3.20% | 4.10% | 4.20% |
| Overall for scheme | 4.77% | 5.76% | 5.83% |

Present values of scheme liabilities, fair value of assets and deficit

| | 31/12/2008 £'000s | 31/12/2007 £'000s | 31/12/2006 £'000s |
|--|----------------------|----------------------|----------------------|
| Fair value of scheme assets | 428 | 464 | 392 |
| Present value of scheme liabilities | 552 | 640 | 680 |
| Surplus (deficit) in scheme | (124) | (176) | (288) |
| Unrecognised surplus | - | - | - |
| Asset (liability) to be recognised | (124) | (176) | (288) |
| Deferred tax | 35 | 52 | 100 |
| Net asset (liability) to be recognised | (89) | (124) | (188) |

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

23 Retirement benefits (continued)

Reconciliation of opening and closing balances of the present value of the scheme liabilities

| | Period Ending 31/12/2008 £'000s | Period Ending 31/12/2007 £'000s |
|---|---------------------------------------|---------------------------------------|
| Scheme liabilities at start of period | 640 | 680 |
| Current service cost | 1 | 1 |
| Interest cost | 37 | 35 |
| Contributions by scheme participants | - | - |
| Actuarial gains | (125) | (75) |
| Benefits paid, death in service insurance premiums and expenses | (1) | (1) |
| Past service costs | - | - |
| Scheme liabilities at end of period | <u>552</u> | <u>640</u> |

Reconciliation of opening and closing balances of the fair value of scheme assets

| | Period Ending 31/12/2008 £'000s | Period Ending 31/12/2007 £'000s |
|---|---------------------------------------|---------------------------------------|
| Fair value of scheme assets at start of period | 464 | 392 |
| Expected return on scheme assets | 29 | 24 |
| Actuarial (losses)/gains | (136) | 10 |
| Contributions by employer | 72 | 39 |
| Contributions by scheme participants | - | - |
| Benefits paid, death in service insurance premiums and expenses | (1) | (1) |
| Fair value of scheme assets at end of year | <u>428</u> | <u>464</u> |

The actual return on the scheme assets over the period ending 31 December 2008 was £107,000.

Total expense recognised in profit and loss account

| | Period Ending 31/12/2008 £'000s | Period Ending 31/12/2007 £'000s |
|---|---------------------------------------|---------------------------------------|
| Current service cost | 1 | 1 |
| Interest cost | 37 | 35 |
| Expected return on scheme assets | (29) | (24) |
| Past service cost | - | - |
| Losses (gains) on curtailments | - | - |
| Losses (gains) on settlements | - | - |
| Total expense recognised in profit and loss | <u>9</u> | <u>12</u> |

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

23 Retirement benefits (continued)

Statement of total recognised gains and losses

| | Period Ending 31/12/2008 £'000s | Period Ending 31/12/2007 £'000s |
|---|---------------------------------------|---------------------------------------|
| Difference between expected and actual return on scheme assets: | | |
| Amount: (loss) gain | (136) | 10 |
| Experience gains and losses arising on the scheme liabilities: | | |
| Amount: (loss) gain | (10) | 5 |
| Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: | | |
| Amount: gain | 135 | 70 |
| Total amount recognised in statement of total recognised gains and losses; | | |
| Amount: (loss) gain | (11) | 85 |

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS 17 is (£263,000).

Assets

| | 31/12/2008 £'000s | 31/12/2007 £'000s |
|------------------------------|----------------------|----------------------|
| Equity | 335 | 386 |
| Bonds | 63 | 49 |
| Other (property, cash, etc.) | 30 | 29 |
| Total assets | 428 | 464 |

None of the fair values of the assets shown above include any of the company's own financial instruments or any property occupied by, or other assets used by, the company.

| | 2008 £'000s | 2007 £'000s | 2006 £'000s | 2005 £'000s | 2004 £'000s |
|---|----------------|----------------|----------------|----------------|----------------|
| Fair value of scheme assets | 428 | 464 | 392 | 318 | 239 |
| Present value of scheme liabilities | (552) | (640) | (680) | (660) | (563) |
| Surplus (deficit) in scheme | (124) | (176) | (288) | (342) | (324) |
| Experience adjustment on scheme assets | (136) | 10 | 18 | 35 | 10 |
| Experience adjustment on scheme liabilities | (10) | 5 | (5) | (1) | 1 |

NIAGARA HEALTHCARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

24 Transactions with related parties

The company has taken advantage of the exemption afforded by Financial Reporting Standard 8 from disclosing transactions with related parties that form part of the NHC Holdings Limited group.

25 Ultimate parent company

The ultimate parent company of Niagara Healthcare Limited is NHC Holdings Limited, a company incorporated and registered in the United Kingdom. The largest group in which the results of the company are consolidated is that headed by NHC Holdings Limited. The consolidated financial statements of this group are available to the public and may be obtained from:

Colomendy Industrial Estate
Rhyl Road
Denbigh
Denbighshire
LL16 5TS