



WORTHINGTON

**Worthington Group plc**

Report and Accounts  
for the year ended 31 March 2005

Company number: 527186

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# Directors and Advisers

## Directors

Joseph Claude Dwek, CBE FTI  
David Michael Shalom, ACA  
Roger Michael Green, FCA

*Chairman and Chief Executive*<sup>2 3</sup>  
*Finance Director*  
*Senior Non-Executive Director*<sup>1 2 3</sup>

## Company Secretary

David Michael Shalom, ACA

## Registered and Head Office

Suite One  
Courthill House  
66 Water Lane  
Wilmslow  
Cheshire  
SK9 5AP

## Registered Number

527186

## Stockbrokers

Collins Stewart Limited  
9th Floor  
88 Wood Street  
London EC2V 7QR

## Bankers

The Royal Bank of Scotland plc  
6th Floor  
1 Spinningfields Square  
Manchester  
M63 3DP

## Solicitors

Kuit Steinart Levy  
3 St.Mary's Parsonage  
Manchester  
M3 2RD

## Auditors

UHY Hacker Young  
St James Building  
79 Oxford Street  
Manchester  
M1 6HT

## Registrars

Neville Registrars  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands  
B63 3DA

<sup>1</sup>Audit Committee member

<sup>2</sup>Remuneration Committee member

<sup>3</sup>Nomination Committee member

# Chairman's Statement

After a year of further rationalisation, the outcomes of which are reflected in the results, the Group now consists of three properties and investments in Worthington Manufacturing at Macclesfield and Trimmings by Design in Derby, to which I refer later in this statement, and has thus contracted to a position where there is limited downside risk and the opportunity to encash the property assets. The cash generation expected should now finally make the Group a more attractive proposition for a merger or reversal.

## **Worthington Manufacturing**

We vacated the newly built Macclesfield premises in October 2004, moving the business to rented premises at Lyme Green whilst expanding the use of our warehouse facilities in Morocco to include some production using plant exported from Macclesfield. This gave for a more compact and efficient operation, compatible with reduced demand for UK manufacture of the products, in the face of aggressive and unrelenting competition from the Far East. The first few months following the move were profitable, justifying the considerable downsizing, but the early part of 2005 witnessed a further decline in their fortunes as more goods were made offshore and a further rationalisation was then necessary.

In any event, the manufacture of textile products in the UK has little future currently, with the competition now accelerating from overseas production. We had hoped for a longer time scale to maintain our production but, in recent months, it has become clear that our expectations for continued viability were not to be realised and difficult decisions had to be taken.

Accordingly we have entered into a joint venture/partnership with Jessop & Baird (Hong Kong) Limited in Hong Kong and China, which is a complicated arrangement, and will continue until September 2006 when the lease at Lyme Green will come to an end. We will be transferring the goodwill and the remaining plant and machinery, at cost, to the newly formed joint venture company, of which we will have a minority interest, with the expectation that the Far East connection and the offshore production can yield a successful investment for us. The final outcome of this venture depends wholly on whether or not it is successful. We shall be retaining all the other assets and liabilities, which should release some £500,000 currently employed in the business, which will be applied to reduction of borrowings.

The move to Lyme Green and the transfer of assets to the joint venture have produced some exceptional losses which include £215,000 of redundancies, £629,000 for asset write-offs and £28,000 of moving costs, added to which the business itself lost £198,000 during the year.

## **Trimmings by Design**

By their standards this was a difficult year as they are witnessing more competition from abroad, but they have a unique product and are looking to rationalise their production facilities in the UK and purchase more from overseas to satisfy their customer catchment area. They have a strong brand and there is no reason why they should not be successful in this new form.

## **Properties**

We have granted an option to a Builder, subject to planning permission, for the sale of the site at Eccleshill, Bradford, which should show a profit over book value of some £600,000 (no tax being payable). The sales price is in the region of £1 million with all the due diligence having now been done on the site by the Builder. Planning permission approval should be available within the next 3-4 months.

The newly built premises at Fence Avenue, Macclesfield has been marketed at a price of £3.1 million and there has been reasonable interest. There are few similar sites available in South Manchester and the prospects of a sale in the next few months do not look unreasonable.

The site at Keighley is more problematical, as initial discussions with the Local Authority have indicated that they would not permit a residential development on that site as it is zoned in an industrial area. We are of course considering our position and whether to put in planning application and appeal any unfavourable response. In the meantime we are marketing this site, as is, for some £2.5 million. We have tenants producing rental income for the next two years, so we can take a more leisured approach whilst we explore the options available to us.

# Chairman's Statement

## Directors

Following the Joint Venture arrangements, John Smith, who was Managing Director of Worthington Manufacturing, has retired from the Group and subsidiaries' boards to commit himself entirely to the future of that new venture.

Roger Green, FCA, who has been a Non-Executive Director since April 1999, and who was formerly Finance Director at Bodycote International Plc, will also be leaving the Board at the AGM and we shall seek to make an appointment of a new Non-Executive Director in the near future. He has made an excellent contribution to our affairs.

To both of these colleagues I would like to extend our grateful thanks, on your behalf, for their considerable efforts and commitment to the Group, during a very difficult period when we have had to cope with the vagaries and volatility of a fast shrinking textile business, absorb the pension deficit and write off monies which were due to us from the collapsed Independent Insurance Company. It is hard to recall a moment when all of us have not had continually to deal with crisis management.

## Pensions

On the FRS17 basis the net deficit is now down to £2,313,000. During the year reduced contributions to the pension scheme were agreed between the Company and the Trustees, following the 2004 actuarial valuation, which showed the Company was ahead of the agreed plan to clear the deficit over a ten year period. Contributions for 2005/6 have been agreed at some £250,000 per annum, increasing by 3% per annum.

Besides Head Office costs, which have been kept to a minimum, the pension contributions are the only other cash demand annually on the Company, a proportion of which will be funded by the rental income from Keighley.

## Move to AIM

After careful consideration, the Board has concluded that the interests of the Group are best served by a move from the Official List to AIM. It is felt that the AIM market is more appropriate given the size of the Group and the transfer should also help reduce the annual fees.

The Board has today commenced the process to effect this transfer to AIM. Notice will shortly be given of our intention to cancel the listing of the Group shares on the Official List and application will be made for the shares to be admitted to trading on AIM.

## General

Clearly, with the sales of our properties and the subsequent repayment of borrowings, the Company will in the end have a net cash balance and will save interest charges incurred, which for the year just ended amounted to some £137,000.

These results can only be viewed in the light of the expectations for the Group going forward which has now, finally, been tidied up, but not without further unexpected costs from former subsidiaries, which emerged during the year, and which have had to be dealt with through the profit and loss account. Furthermore, we are now in the process of winding up our dormant subsidiaries and settling the tax affairs all of which will incur some costs.

In truth, the last few years have not been easy for the Company. Some of our problems were undoubtedly inherited, others forced on us by changing market conditions. However, it is no use looking back, what we have to do now is take advantage of our vastly improved situation.

## J C Dwek CBE

*Chairman*

18 July 2005

# Directors' Report

The Directors submit their Report together with the audited Financial Statements for the year ended 31 March 2005.

## Principal Activity and Review of Business

The principal activity of the Group has been the provision of a wide range of accessories and components for the lingerie industry plus pocketings and waistbands to be used in garment making. Following the joint venture the principal activity will be that of property development.

The principal activity of the Company is that of a holding company.

A review of the Group activity and likely future developments is contained in the Chairman's Statement.

## Results and Dividends

For the year under review, the Group made a loss before taxation of £1,465,000 (2004: loss of £2,122,000). After a tax charge of £44,000 (2004: £7,000), the amount transferred from reserves was £1,509,000 (2004: £2,129,000).

No interim dividend has been paid during the year (2004: nil per share) and the Directors are not recommending the payment of a final dividend (2004: nil).

## Directors

The present Directors of the Company are shown on page 1. Timothy Guy Roberts resigned as finance director at the AGM on the 6 August 2004 and David Michael Shalom was appointed on the same day. All the other Directors served throughout the year. Roger Michael Green has indicated his intention to resign at the forthcoming AGM in August and the Board is currently seeking a suitable replacement. John Keith Smith resigned as a Director on 18 July 2005 following the transfer of the Group's principal subsidiary business to a joint venture. In accordance with the Articles of Association Joseph Claude Dwek retires by rotation at the Annual General Meeting and being eligible offers himself for re-election. David Michael Shalom having been appointed by the Board is to be re-appointed at the Annual General Meeting.

## Profiles of Directors

**Joseph Claude Dwek CBE FTI (Chairman)** – joined the Board and was appointed Executive Chairman on 27 April 1999. He also took over the role of Chief Executive on 31 January 2004. He has over 35 years experience in textile related businesses and was Chief Executive of Bodycote International plc from 1972 to 1999 when he retired and Chairman to 1998. He is a Board member of the NorthWest Development Agency and is currently a Director of City Invoice Finance Ltd, Jerome Group Plc, Penmarric Plc, Opal Property Group Ltd and Mercury Recycling Ltd.

He recently completed his term of office as Chairman of The Mersey Basin Campaign and The Healthy Waterways Trust. He is also a member of the Board of the DTI Environmental Innovations Advisory Group, and also holds a number of other appointments.

**David Michael Shalom ACA (Finance Director)** – joined the Board on 6 August 2004 as Finance Director on a part-time basis. Having qualified with Deloitte & Touche's audit division in 1991 he subsequently spent four years in their Corporate Recovery division. In 1995 David joined Coral Products plc, a fully listed company and was appointed Finance Director in 1997, aged 30. In 2002 he became Finance Director of a private textile importers before leaving in 2004 to take up his present role as a consultant in a specialist financial consulting practice involved in Corporate Finance and the provision of part-time Executive Directorships to smaller businesses.

**Roger Michael Green FCA (Senior Independent Non-Executive Director)** – joined the Board on 27 April 1999. He was Finance Director of Bodycote International plc from 1972 until he retired in 1998. During that period of office he was involved in numerous acquisitions and disposals and was part of the team which implemented a successful corporate strategy for the development of the business. He is also a Non-Executive Director of Personal Group Holdings plc and Straight plc.

## Share Capital Re-organisation

During the year following approval of the Scheme by shareholders at the Annual General Meeting on 6 August 2004 the company's 118,070,163 old ordinary 10p shares in issue were converted into 11,807,016 New Ordinary 10p shares and 1,062,631,467 deferred ordinary 1p shares (see note 18 to the financial statements).

## Directors' Interests in Ordinary Share in the Company

The beneficial interests of the Directors in office at the year end in the New Ordinary Shares of the Company as at 31 March 2004 and at 31 March 2005 (or date of resignation) are detailed below (adjusted for the share capital re-organisation above). The Directors' interests in Options are detailed in the Board Report on Remuneration.

	31 March 2005 Beneficial	31 March 2004 Beneficial
J C Dwek	1,904,308	1,854,308
T G Roberts	16,500	16,500
R M Green	10,000	10,000

There have been no changes to the interests of the Directors between the year end and 13 July 2005.

### Directors' Interests in Contracts

No Director was, or is materially interested in any contract during or at the end of the financial year which was significant in relation to the business of the Group.

### Substantial Shareholdings

With the exception of J C Dwek, the Chairman, who holds 16.1% of the Issued Ordinary Shares (as noted above) the Directors have not been notified of any interests of 3% or more in the Company as of 18 July 2005.

### Employment Policy

During the financial year, the Group has maintained its policy of encouraging employee participation and involvement in affairs which affect their interests as employees. The involvement of employees at all levels is encouraged through their attendance at, or participation in, production and health and safety meetings at site level. Employees are kept up to date with the performance and progress of the Group, and the contribution to the Group made by their site and are advised of health and safety issues. It is the policy of the Group to support the employment of disabled persons wherever practicable and to ensure as far as possible that they participate in career development opportunities available to staff. Should an employee become disabled, the Group, where practicable, seeks to continue the employment and arrange appropriate training.

### Donations

No charitable or political donations were made by the Group during the year.

### Corporate Governance and the Code of Best Practice

A statement as to the extent that the Company has complied with the provisions of the Code of Best Practices is set out on pages 6 and 7.

### Events since the Balance Sheet Date

In June 2005 an option was granted to a builder for the sale of the site at Eccleshill in Bradford for approximately £1m. Planning approval is being sought and once received the completion of the sale will take place assuming the option is exercised and a profit on disposal of some £600,000 is expected.

The Board of Directors supports the principle and is committed to maintaining standards of corporate governance in line with the Combined Code, issued by the UK Listing Authority in 1998, which sets out the Principles of Good Governance and the Code of Best Practice. A summary of the Company's procedures for applying the principles and the extent to which the provisions of the Combined Code have not been applied are set out below.

## Board Composition

The Board currently comprises two Executive Directors, including the Chairman and one independent Non-Executive Director. In keeping with a Company the size of Worthington and the Board's determination to reduce costs to a minimum Joe Dwek CBE, the Chairman has also been appointed Chief Executive. In this respect the company does not comply with the Combined Code which recommends the separation of the roles of Chairman and Chief Executive. The Board has made available appropriate training for the Directors as they feel is required. This is provided at the expense of the Company. The Non-Executive Director is considered by the Board to be independent of management and free from any business or other relationship which could materially interfere with the exercise of his independent judgement. The Non-Executive Director was initially appointed for a fixed term to serve for a period not exceeding three years, following which the appointment was extended by mutual agreement.

All Directors are subject to retirement and re-election by rotation in accordance with the requirements of the Companies Act 1985, and Directors appointed since the previous Annual General Meeting are subject to re-election at the first Annual General Meeting after their appointment.

The role of Company Secretary is currently performed by the Finance Director, David Shalom.

## Operation of the Board

The Board schedules meetings once a month throughout the year. It has a formal schedule of matters specifically reserved for its decision and approval such as the appointment of Directors, major items of capital expenditure and Group borrowings. The Board is supplied with appropriate and timely information to enable it to discharge its duties and requests additional information as it requires. A procedure exists for Directors to seek independent professional advice at the expense of the Company and all Directors have access to the Company Secretary and may also address specific issues to the independent Non-Executive Director.

## Board Committees

The Board has a number of standing committees, all of which have written terms of reference setting out their authority and duties as follows:

*Audit Committee* The committee met twice during the period to review financial statements prior to the approval by the Board. The committee has consisted of one Non-Executive Director, Roger Green, who continues to review the financial statements prior to the approval by the Board. The committee also reviews the scope and results of the external audit and its cost effectiveness and the independence and objectivity of the auditors. Although other Directors, including the Finance Director, attend audit committee meetings, the committee meets for private discussions with the external auditors. The Company does not comply with the guidance for composition (as required under D. 3. 1 of the Combined Code) as there is only one member.

*Remuneration Committee* The members of this committee are the Chairman and Chief Executive, Joe Dwek CBE, and the independent Non-Executive Director, Roger Green. The Chairman of the Remuneration Committee is Joe Dwek, who the Company believes is the best person to chair the meeting. The committee meets as required but not less than once a year. Its responsibilities include making recommendations to the Board, withi Comladn terms of referencd,oo the Compan'r xecutiverRemuneration and it (cost and) ] TJT\*-0.00011 Tc0.2499 Tw[ (e te

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# Report on Corporate Governance

The Combined Code recommended that Directors review the effectiveness of the Group's system of internal control. This extends the previous recommendation in respect of financial controls to cover all controls including operational and compliance controls and risk management.

Guidance for Directors *Internal Control: Guidance for Directors on the Combined Code* (The Turnbull report) was published in September 1999. A formal risk assessment to evaluate the risks faced by the Worthington Manufacturing division of the Group was carried out at the year end. The review process was carried out by senior management who evaluated financial, operational and compliance controls and risk management as recommended by the Turnbull Committee.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group is in place and continued up to the date of approval of these accounts. This process accords with the Turnbull guidance and is regularly reviewed by the Board.

The control framework established by the Directors to review the effectiveness of controls is as follows:

- The Group has a comprehensive budgeting system which covers profitability, assets, liabilities and cashflow. The budget is agreed by the Board which receives monthly reports detailing all aspects of financial performance against budget and prior year. The Board also controls capital expenditure.
- The Board meets monthly and reviews the Group's operational performance and strategy. Regular meetings are held with the Managing Director of the remaining trading division and reports are used to review financial performance compared with the agreed budget and prior year's performance.
- The treasury function is undertaken by the Group finance team which does not enter into speculative derivative transactions. The treasury department is run as a service centre rather than a profit centre. This function monitors the control of cash and bank borrowings.

- Financial controls have been established which are appropriate to the local businesses and these are regularly reviewed by local management in consultation with the Group finance team. The Group does not have a dedicated internal audit function but rather uses its own financial staff to perform internal audit as and when required. This is considered to be appropriate given the size of the Group, the costs involved and the close involvement of management in the operations.
- The Board has specified procedures for the appraisal and authorisation of all capital expenditure. Projects are monitored as part of the monthly reporting.
- The audit committee discusses internal control and also considers control issues raised by external auditors.

At present the Company has not included the associated undertaking within its internal control review. However, John Taylor, previously Group Chief Executive is a Director of the associated undertaking and forwards all financial reports to the Group Board.

## Going Concern

The Group currently meets its day to day working capital requirements through the support of its bankers. The bank has indicated that it is not committed to renewing the Group's facilities when they are reviewed on 2 January 2006. At the year end total bank borrowings were £2,292,000. In the event that these facilities are not renewed and are repaid on demand, the Chairman has indicated that he will introduce the necessary funds to support the Group. On this basis, the Directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a failure to receive such support from the Chairman should the bank not renew its facilities.

## Investor Relations

The Chairman and Chief Executive and the Group Finance Director meet and communicate with institutional investors. At the Annual General Meeting this year, full disclosure will be made of the proxy votes cast for and against each resolution.

# Board Report on Remuneration

The Board's Remuneration Committee, which currently comprises Joe Dwek (Chairman and Chief Executive) and the Non-Executive Director makes recommendations to the Board within agreed terms of reference in determining specific remuneration packages for each of the Executive Directors, including pension rights.

Members of the Committee who have a personal financial interest in the matters to be decided are not involved in decisions. In arriving at its recommendations, the Committee has access to professional advice from both within and outside the Company.

## Policy on Remuneration

Each remuneration package is reviewed against a background of published comparative information on the remuneration of Executive Directors in similar positions, taking into account, the industry, the region of employment, the type of work and the size of the Company. The extent to which the recommended remuneration is above or below average takes account of the Director's qualifications and length of service with the Group,

the Director's actual performance and the performance of the Group. This will remain the policy for forthcoming years.

## Pension Arrangements for Directors of Worthington Group plc

Each Executive Director of Worthington Group plc under the age of 65 years is entitled to be a member of one of the Group's pension schemes where this is provided in their service agreement.

## Other Benefits for Directors

Where their service agreements provide:

- Executive Directors of Worthington Group plc and their immediate families are entitled to private medical insurance.
- The dependants of an Executive Director under the age of 65 are entitled to a lump sum benefit of four times the previous year's salary in the event of death in service.
- Executive Directors are entitled to the use of a Company car.

## Directors' Emoluments

The emoluments of the Directors during the financial year ended 31 March 2005 were as follows:

	2005 Salary £'000	2005 Benefits £'000	2005 Total Salary & Benefits £'000	2004 Total Salary & Benefits £'000
<i>Executive Directors</i>				
Joseph Dwek (Executive Chairman and Chief Executive)	2	–	2	2
Tim Roberts (Director)	24	–	24	70
David Shalom (Finance Director)	19	–	19	–
John Smith (Executive Director)	97	12	109	115
<i>Non-Executive Directors</i>				
Roger Green	8	–	8	8
Total remuneration	<u>150</u>	<u>12</u>	<u>162</u>	<u>195</u>

Salary and benefits for Tim Roberts are shown up to his resignation on 6 August 2004.

During the year Penmarric Plc received a fee of £2,750 for Joe Dwek's services. During the year Lawson Alexander Blank Ltd received a fee of £19,140 for David Shalom's services.

Since the acquisition of Jerome Group plc the Company has assumed responsibility for the payment of a pension to a former Director, W Jerome, which amounted to £32,614 in the current year.

The auditors are required to report on the information contained in this section of the report.

# Board Report on Remuneration

## Senior Executive Share Option Scheme

The Board believes that the involvement of Senior Executives in the Senior Executive Share Option Scheme is an incentive to stimulate performance, which in turn should yield increased shareholder value. The Company operates two schemes by which Directors and Senior Executives can subscribe for Ordinary Shares in the Company.

The interests in share options for Directors in office at the end of the year are as follows:

	<b>Exercise Price</b>	<b>31 March 2004</b>	<b>31 March 2005</b>	<b>Earliest Exercise Date</b>	<b>Expiry Date</b>
J K Smith	169.6	7,862	7,862	23.8.02	23.8.09

No options were granted, exercised or lapsed during the year.

The market price of the Company's shares on 31 March 2005 was 18.5p and the high and low share prices during the year was 18.5p and 35.0p respectively.

Options may only be exercised in the event that the increase in the earnings per share is not less than the increase in Retail Prices Index over the same period.

The auditors are required to report on the information contained in this section of the report.

## Directors' Service Agreements

John Smith has a rolling service agreement with the Company dated 17 August 1992, the agreement being terminable by 6 months notice by either party. There are no service agreements between the Chairman, any other Director and the Company or its subsidiaries.

By order of the Board  
**Joe Dwek CBE**  
*Chairman*

18 July 2005

# Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# Report of the Independent Auditors to the members of Worthington Group plc

We have audited the financial statements of Worthington Group plc for the year ended 31 March 2005 which comprise the Profit and Loss Account, the Balance Sheets, the Cash Flow Statement, the Statement of Recognised Gains and Losses and the related notes. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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

## Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Standards 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 United Kingdom Auditing Standards.

We report to you our audit opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Company Information and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes an 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2005 and of the losses and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**UHY Hacker Young**  
*Chartered Accountants*  
*Registered Auditor*  
Manchester

18 July 2005

# Consolidated Profit and Loss Account

For the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
<b>Turnover</b>	2, 3	<b>4,812</b>	9,197
Cost of sales		<b>(3,429)</b>	(6,928)
<b>Gross profit</b>		<b>1,383</b>	2,269
Distribution costs		<b>(285)</b>	(698)
Administrative expenses – excluding exceptional items		<b>(1,759)</b>	(2,715)
– exceptional items	6	<b>(872)</b>	(938)
		<b>(2,631)</b>	(3,653)
<b>Group operating loss</b>	3	<b>(1,533)</b>	(2,082)
Share of operating profits of associated undertaking		<b>149</b>	137
<b>Total operating loss: Group and share of associated undertaking</b>		<b>(1,384)</b>	(1,945)
Profit/(loss) on disposal of fixed assets		<b>37</b>	(58)
<b>Loss before interest and taxation</b>		<b>(1,347)</b>	(2,003)
Interest payable and similar charges:			
Group	5	<b>(86)</b>	(80)
Share of interest of associated undertaking	5	<b>(32)</b>	(39)
<b>Loss on ordinary activities before taxation</b>		<b>(1,465)</b>	(2,122)
Taxation	7	<b>–</b>	42
Share of taxation of associated undertaking	7	<b>(44)</b>	(49)
<b>Loss on ordinary activities after taxation</b>		<b>(1,509)</b>	(2,129)
Dividends payable		<b>–</b>	–
<b>Retained loss for the year</b>	20	<b>(1,509)</b>	(2,129)
<b>Loss per share – basic</b>			
– before exceptional items and disposals	8	<b>(5.4p)</b>	(9.6p)
– after exceptional items and disposals	8	<b>(12.8p)</b>	(18.0p)

The Group has no recognised gains or losses in either the current or preceding year other than those reported above and the prior year adjustments reported in Note 11 for £110,000.

There is no material difference between the historical-cost profit and the profit for the year shown above.

The notes on pages 16 to 30 form part of these financial statements.

# Consolidated Balance Sheet

At 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	As restated 2004 £'000
<b>Fixed assets:</b>					
Tangible assets	9		1,013		5,367
Investments: Interest in associated undertaking	11	811		803	
			811		803
			1,824		6,170
<b>Current assets:</b>					
Current asset investments	12	3,480		–	
Stocks	13	283		690	
Debtors: amounts falling due within one year	14	1,172		1,775	
Debtors: amounts falling due after more than one year	15	869		946	
Cash at bank and in hand		1		1	
		5,805		3,412	
<b>Creditors: amounts falling due within one year</b>	16	(1,980)		(2,171)	
<b>Net current assets</b>			3,825		1,241
<b>Total assets less current liabilities</b>			5,649		7,411
<b>Creditors: amounts falling due after more than one year</b>	17		(1,321)		(1,574)
<b>Net assets</b>			4,328		5,837
<b>Capital and reserves:</b>					
Called up share capital	19		11,807		11,807
Share premium account	20		9,836		9,836
Capital redemption reserve	20		128		128
Profit and loss account	20		(17,443)		(15,934)
<b>Shareholders' funds</b>			4,328		5,837

All shareholders' funds are equity.

The financial statements were approved by the Board on 18 July 2005, and were signed on its behalf by:

**Joe Dwek CBE**  
*Executive Chairman*

**David Shalom**  
*Finance Director*

The notes on pages 16 to 30 form part of these financial statements.

# Parent Company Balance Sheet

At 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	As restated 2004 £'000
<b>Fixed assets:</b>					
<i>Investments:</i>					
Investment in subsidiary undertakings	10	181		181	
Investment in associated undertaking	11	400		400	
			<b>581</b>		581
			<b>581</b>		581
<b>Current assets:</b>					
Debtors: amounts falling due within one year	14	18		36	
Debtors: amounts falling due after more than one year	15	7,120		10,304	
Cash at bank and in hand		–		–	
			<b>7,138</b>	10,340	
<b>Creditors: amounts falling due within one year</b>	16	<b>(1,484)</b>		<b>(975)</b>	
<b>Net current assets</b>			<b>5,654</b>		9,365
<b>Total assets less current liabilities</b>			<b>6,235</b>		9,946
<b>Creditors: amounts falling due after more than one year</b>	17		<b>(1,321)</b>		<b>(1,571)</b>
<b>Net assets</b>			<b>4,914</b>		8,375
<b>Capital and reserves:</b>					
Called-up share capital	19		<b>11,807</b>		11,807
Share premium account	20		<b>9,836</b>		9,836
Profit and loss account	20		<b>(16,729)</b>		(13,268)
<b>Shareholders' funds</b>			<b>4,914</b>		8,375

All shareholders' funds are equity.

The financial statements were approved by the Board on 18 July 2005, and were signed on its behalf by:

**Joe Dwek CBE**  
*Executive Chairman*

**David Shalom**  
*Finance Director*

The notes on pages 16 to 30 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 March 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	25		<b>(230)</b>		714
<b>Dividends from associates</b>			<b>66</b>		66
<b>Returns on investments and servicing of finance:</b>					
Interest paid		<b>(84)</b>		(73)	
Interest element of finance lease rental (payments)	27	<b>(2)</b>		(7)	
			<b>(86)</b>		(80)
<b>Capital expenditure and financial investment:</b>					
Purchase of tangible fixed assets (net of finance leases)		<b>(38)</b>		(220)	
Sale of tangible fixed assets		<b>121</b>		521	
Investment in associated undertaking	11	<b>-</b>		(35)	
			<b>83</b>		266
<b>Net cash (outflow)/inflow before financing</b>			<b>(167)</b>		966
<b>Financing:</b>					
Capital element of finance lease rental payments	27	<b>(28)</b>		(72)	
Debt due within one year:					
Repayments of long term borrowings	27	<b>(250)</b>		(246)	
			<b>(278)</b>		(318)
<b>(Decrease)/increase in cash in the year</b>	27		<b>(445)</b>		648

The notes on pages 16 to 30 form part of these financial statements.

# Notes to the Financial Statements

## 1. Accounting policies

### Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, and are in accordance with applicable accounting standards. The Company has taken advantage of the exemption allowed by S230(4) Companies Act 1985 from presenting its own profit and loss account. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements:

### Going concern

The Group currently meets its day to day working capital requirements through the support of its bankers. The bank has indicated that it is not committed to renewing the Group's facilities when they are reviewed on 2 January 2006. At the year end total bank borrowings were £2,292,000. In the event that these facilities are not renewed and are repaid on demand, the Chairman has indicated that he will introduce the necessary funds to support the Group. On this basis, the Directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a failure to receive such support from the Chairman should the bank not renew its facilities.

### Basis of consolidation

The consolidated accounts include the financial statements of the Company and all of its subsidiary undertakings made up to 31 March 2005. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The Group's share of the profits less losses of associates is included in the consolidated profit and loss account and its interest in their net assets is included in the consolidated balance sheet.

### Goodwill

Goodwill arising on an acquisition of a subsidiary is the difference between the fair value of the consideration paid and associated costs and the fair value of the assets and liabilities acquired. Negative goodwill arises when the fair value of the assets and liabilities acquired is greater than the consideration paid. Following the adoption of FRS 10 goodwill which has previously been written off to the goodwill reserve has now been transferred to the profit and loss reserve and will remain there until such time as the related business is disposed of or terminated. The profit or loss on disposal of the business will include any goodwill previously taken to reserves. Negative goodwill arising on the acquisition of Jerome Group plc has been capitalised and released to the profit and loss account over the period in which the fair value of the non monetary assets purchased on the same acquisition are recovered, whether through depreciation or sales. Purchased goodwill arising on the acquisition of the minority interest in the associated undertaking has been capitalised and is being amortised over ten years from 1 April 2000, which was considered to be its useful economic life.

### Turnover

Turnover represents sales to external customers at invoiced amount less value added tax.

### Development Expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

### Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets except for freehold land over their expected useful lives on a straight line basis. It is calculated using the following rates:

Freehold buildings	–	2% – 2.5% per annum
Leasehold land and buildings	–	Equity over length of lease
Fixtures, fittings, tools and equipment	–	10% – 25% per annum
Plant and machinery	–	10% – 20% per annum
Motor vehicles	–	25% per annum

Some plant and equipment is depreciated at 10% on cost for five years and thereafter at 20% on the reducing balance method, adjusted for activity levels.

### Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost includes material only. Net realisable value is based on estimated selling price less further costs to completion and disposal.

### Foreign currency

Transactions in foreign currencies are converted into sterling at the date on which settlement takes place. Balances in foreign currency bank accounts are translated at the rate prevailing on the balance sheet date and any exchange gains or losses are taken to the profit and loss account.

# Notes to the Financial Statements

## 1. Accounting policies – continued

### Deferred taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

As it is unlikely that trading losses will be utilised in the foreseeable future, no deferred tax asset has been recognised as at 31 March 2005.

### Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in value.

### Leased assets

Where assets are financed by leasing agreements 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 over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balances of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

### Post-retirement benefits

The Group operated two pension schemes during the year, a defined contribution scheme and a defined benefit scheme. Contributions to the Group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of this scheme are held separately from those of the Group in an independently administered fund.

The Group's defined benefit scheme provides benefits based upon final pensionable pay. The assets of the scheme are held separately from those of the Group, and contributions are charged to the profit and loss account so as to spread the cost of pensions over service lives of employees in the scheme.

## 2. Turnover, profits and net assets

Turnover and profit before taxation is attributable to the Group's principal activity. Turnover is derived from the following markets:

	<b>2005</b>	2004
	<b>£'000</b>	£'000
United Kingdom	<b>2,150</b>	4,770
Eire and the rest of Europe	<b>365</b>	326
Rest of the World	<b>2,297</b>	4,101
	<b>4,812</b>	9,197

A further analysis of turnover and pre-tax profits originating overseas has not been given since, in the opinion of the directors, the amounts involved are not material.

The principal activities of the Group are manufacture, importation and distribution of textile components. These are regarded as a single activity for segmental reporting purposes.

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Net assets by class of business:		
Manufacture, importation and distribution of textile components	<b>4,328</b>	5,837

# Notes to the Financial Statements

## 3. Operating loss

The following shows an analysis of the existing and discontinued operations for the current year together with the comparatives:

	2005	2004		Total £'000
	Total £'000	Continuing Operations £'000	Discontinued Operations £'000	
Turnover	4,812	8,656	541	9,197
Cost of sales	(3,429)	(6,420)	(508)	(6,928)
Gross profit	1,383	2,236	33	2,269
Distribution costs	(285)	(529)	(169)	(698)
Administration expenses	(2,631)	(3,062)	(591)	(3,653)
Other operating income	-	-	-	-
Group operating loss	(1,533)	(1,355)	(727)	(2,082)

		2005 £'000	2004 £'000
Total operating loss is stated after charging/(crediting):			
Depreciation	- owned assets	819	1,009
	- assets held under finance lease	-	19
		819	1,028
Development expenditure		-	21
Amortisation of goodwill	- group companies	-	(48)
	- associated undertaking	29	29
Auditors' remuneration	- audit services	19	28
Hire of plant and machinery		7	8
Operating lease rentals	- equipment	50	103
	- receivable on equipment	-	(40)

Auditors remuneration relating to the audit of the parent company amounted to £5,000 (2004: £5,000).

Non-audit fees payable to the auditors and their associates during the year amounted to £19,000 and were principally for taxation services (2004: £36,938).

## 4. Employees

The average number of persons employed by the Group during the year, including Executive Directors, was as follows:

	2005 Number	2004 Number
Management	7	10
Administration	7	11
Production and sales	60	128
	74	149

Staff costs for all employees, including Executive Directors, consist of:

	2005 £'000	2004 £'000
Wages and salaries	1,241	2,715
Social security costs	107	264
Pension costs	345	399
	1,693	3,378

# Notes to the Financial Statements

## 5. Interest payable and similar charges

	2005 £'000	2004 £'000
Bank loans and overdrafts repayable within five years	84	73
Interest on finance leases	2	7
	<u>86</u>	<u>80</u>
Share of interest of associated undertaking	32	39
	<u>118</u>	<u>119</u>

## 6. Exceptional Items

	2005 £'000	2004 £'000
Redundancy costs	215	258
Impairment of fixed assets	629	542
Other closure costs	28	138
	<u>872</u>	<u>938</u>

## 7. Taxation on loss on ordinary activities

	2005 £'000	2004 £'000
Current tax	–	42
Adjustments in respect of prior periods	–	42
Share of tax in associated undertaking	(44)	(49)
	<u>(44)</u>	<u>(7)</u>

### *Factors affecting the current tax charge/(credit) for the year*

The current tax charge for the year is lower (2004: lower) than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

### *Current tax reconciliation*

Loss on ordinary activities before tax	(1,465)	(2,122)
Current tax at 30% (2004: 30%)	(440)	(637)

### *Effects of:*

Expenses not deductible for tax purposes	206	51
Non taxable income	(11)	–
Capital allowances for period in excess of depreciation	(29)	164
Creation/(utilisation) of tax losses	345	471
Other	(27)	–
Adjustment to tax charge in respect of previous periods	–	(42)
	<u>44</u>	<u>7</u>

The Group has tax losses carried forward which can be used against future taxable profits.

No corporation tax charge has been provided for 2005 as a result of the availability of various reliefs.

# Notes to the Financial Statements

## 8. Loss per share

The loss per share has been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of shares in issue during the year after adjusting for the share capital re-organisation was 11,807,013 (2004: 11,807,013) and the loss after exceptional items and taxation was £1,509,000 (2004: £2,129,000). There is no difference between the basic and diluted loss per share in either year.

A reconciliation of basic losses per share with the loss per share before exceptional items and disposals is as follows:

	2005 £'000	2005 No of shares '000	2005 Pence per share	2004 £'000	2004 No of shares '000	2004 Pence per share
Basic loss per share	(1,509)	11,807	(12.8p)	(2,129)	11,807	(18.0p)
Add:						
Exceptional items	872	–	7.4p	938	–	8.4p
Disposals	–	–	–	58	–	–
Loss per share before exceptional items and disposals	<u>(637)</u>	<u>11,807</u>	<u>(5.4p)</u>	<u>(1,133)</u>	<u>11,807</u>	<u>(9.6p)</u>

We have provided an alternative loss per share figure to reflect the ongoing trading of the business.

## 9. Tangible assets

Group	Freehold Land and buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost:				
At 1 April 2004	4,530	5,101	264	9,895
Additions	–	38	–	38
Transfer to current asset investments	(3,779)	–	–	(3,779)
Disposal of assets	–	(4,196)	(260)	(4,456)
<b>At 31 March 2005</b>	<b><u>751</u></b>	<b><u>943</u></b>	<b><u>4</u></b>	<b><u>1,698</u></b>
Depreciation:				
At 1 April 2004	297	4,116	115	4,528
Provision for year	67	120	3	190
Impairment charge	–	629	–	629
Transfer to current asset investments	(299)	–	–	(299)
Disposal of assets	–	(4,248)	(115)	(4,363)
<b>At 31 March 2005</b>	<b><u>65</u></b>	<b><u>617</u></b>	<b><u>3</u></b>	<b><u>685</u></b>
Net book value:				
<b>At 31 March 2005</b>	<b><u>686</u></b>	<b><u>326</u></b>	<b><u>1</u></b>	<b><u>1,013</u></b>
At 31 March 2004	4,233	985	149	5,367

# Notes to the Financial Statements

## 9. Tangible assets – continued

	Freehold Land and buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
<b>Company</b>				
Cost:				
At 1 April 2004	–	–	73	73
Disposal of assets	–	–	(73)	(73)
<b>At 31 March 2005</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Depreciation:				
At 1 April 2004	–	–	73	73
Disposal of assets	–	–	(73)	(73)
<b>At 31 March 2005</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
Net book value:				
<b>At 31 March 2005</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
At 31 March 2004	–	–	–	–

The net book value of the Group's tangible fixed assets include an amount of £nil (2004: £48,000) in respect of assets held under finance leases.

## 10. Investment in subsidiary undertakings

	<b>Company 2005 £'000</b>
At 1 April 2004 and 31 March 2005	<b>181</b>

The trading subsidiary undertakings at 31 March 2005, all of which are included in the consolidation and are registered and operate in England, were as follows:

Name	Activity	Class of share	% held direct	% held indirect
Worthington Manufacturing Limited	Manufacturing	Ordinary	100	–
Worthington Fabrics Limited	Manufacturing	Ordinary	–	100

Details of the Group's principal operating subsidiaries are stated on page 31.

A list of all subsidiary undertakings will be included in the Company's annual return.

# Notes to the Financial Statements

## 11. Interest in associated undertaking

	<b>Group</b>		<b>Group</b>	<b>Group</b>		<b>Group</b>	<b>Company</b>	Restated
	<b>net assets</b>	<b>Goodwill</b>	<b>Total</b>	<b>net assets</b>	<b>Goodwill</b>	<b>Total</b>	<b>Total</b>	Company
	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April	<b>629</b>	<b>174</b>	<b>803</b>	582	203	785	<b>400</b>	356
Prior year adjustment	-	-	-	-	-	-	-	44
As restated	<b>629</b>	<b>174</b>	<b>803</b>	582	203	785	<b>400</b>	400
Movement in share of net assets	<b>103</b>	-	<b>103</b>	113	-	113	-	-
Goodwill	-	<b>(29)</b>	<b>(29)</b>	-	<b>(29)</b>	<b>(29)</b>	-	-
Investment	-	-	-	35	-	35	-	35
Less: provision	-	-	-	(35)	-	(35)	-	(35)
Dividend received	<b>(66)</b>	-	<b>(66)</b>	(66)	-	(66)	-	-
At 31 March	<b>666</b>	<b>145</b>	<b>811</b>	629	174	803	<b>400</b>	400

A prior year adjustment has been made to the carrying value of the associate to correct dividends which were previously credited to the cost of investment in the company. The impact of this adjustment has been to increase the cost of investment by £110,000 and to reduce the loss brought forward by the same figure.

The following is the associated undertaking in which the Company holds 44% of the issued share capital (£1 Ordinary Shares): Trimmings by Design Limited, a company registered in England and Wales whose financial year end is 31 December. The main activity of this company is the specialist design and manufacture of high quality passementerie and trimmings for the interior decorating, soft furnishings, blinds and lighting markets.

The goodwill on acquisition is being amortised over a period of 10 years from 1 April 2000.

## 12. Current asset investments

These comprise properties which are held for the purpose of development and re-sale and are stated at cost less provisions for permanent diminution.

	<b>2005</b>	2004
	<b>£'000</b>	<b>£'000</b>
Properties	<b>3,480</b>	-

## 13. Stocks

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Raw materials and consumables	<b>263</b>	533	-	-
Work in progress	<b>20</b>	157	-	-
	<b>283</b>	690	-	-

# Notes to the Financial Statements

## 14. Debtors: amounts falling due within one year

	<b>Group</b> <b>2005</b> <b>£'000</b>	Group 2004 £'000	<b>Company</b> <b>2005</b> <b>£'000</b>	Company 2004 £'000
Trade debtors	964	1,509	–	–
Other debtors	152	135	4	29
Prepayments and accrued income	56	131	14	7
	<u>1,172</u>	<u>1,775</u>	<u>18</u>	<u>36</u>

## 15. Debtors: amounts falling due after more than one year

	<b>Group</b> <b>2005</b> <b>£'000</b>	Group 2004 £'000	<b>Company</b> <b>2005</b> <b>£'000</b>	Company 2004 £'000
Amounts owing from subsidiary undertakings	–	–	6,320	9,504
Other debtors	69	146	–	–
Loan notes	800	800	800	800
	<u>869</u>	<u>946</u>	<u>7,120</u>	<u>10,304</u>

The loan notes were issued on the disposal of Nottingham Braid and A J Worthington (Leek) in December 1999 and the amount is owed by Trimmings by Design, an associated company in which the Group have a 44% interest. Interest of 6.75% is charged on the loan notes which are redeemable on the earlier of the liquidation or sale of Trimmings by Design or 31 December 2200.

## 16. Creditors: amounts falling due within one year

	<b>Group</b> <b>2005</b> <b>£'000</b>	Group 2004 £'000	<b>Company</b> <b>2005</b> <b>£'000</b>	Company 2004 £'000
Bank overdrafts (secured – see note 17)	721	276	641	126
Bank loans (secured – see note 17)	250	250	250	250
Trade creditors	643	971	7	4
Other creditors	–	–	416	422
Directors loan	50	–	50	–
Tax and social security	53	112	48	48
Obligations under finance leases	6	33	–	–
Accruals and deferred income	257	529	72	125
	<u>1,980</u>	<u>2,171</u>	<u>1,484</u>	<u>975</u>

# Notes to the Financial Statements

## 17. Creditors: amounts falling due after more than one year

	<b>Group</b> <b>2005</b> <b>£'000</b>	Group 2004 £'000	<b>Company</b> <b>2005</b> <b>£'000</b>	Company 2004 £'000
Bank loans (secured)	<b>1,321</b>	1,571	<b>1,321</b>	1,571
Obligations under finance leases	-	3	-	-
	<b><u>1,321</u></b>	<u>1,574</u>	<b><u>1,321</u></b>	<u>1,571</u>

The bank overdrafts are secured by debentures and floating charges over the assets of the Group.

In August 2002 the Company borrowed £2 million to finance the rebuilding of Fence Avenue. The loan is repayable in equal monthly instalments over 10 years and interest is charged at 1.5% above bank base rate.

In March 2003 the Company entered into an arrangement to borrow £250,000 repayable in equal monthly instalments over 5 years at an interest rate of 1.5% above bank base rate.

The loans are secured by debentures and floating charges over the assets of the Group.

(i) Obligations under finance leases are due as follows:

	<b>Group</b> <b>2005</b> <b>£'000</b>	Group 2004 £'000	<b>Company</b> <b>2005</b> <b>£'000</b>	Company 2004 £'000
Within less than 1 year	<b>6</b>	33	-	-
Within 1 - 2 years	-	3	-	-
	<b><u>6</u></b>	<u>36</u>	<u>-</u>	<u>-</u>

(ii) Treasury Policy

Group Treasury Policies

The Group's treasury department manages the Group's liquidity, funding and exposure to foreign exchange rates in a way that ensures the most effective financing of the Group's operations. Any transactions involving derivatives will be made to limit risks and exposures without engaging in speculative transactions. The department operates within policies approved by the Board and is not engaged as a separate profit centre.

The significant financial risks and exposures to the Group are in respect of liquidity, interest rates and foreign currency transactions. These are managed by the treasury department in line with policies and guidelines maintained by the Board. These policies have remained unchanged in the year.

As earnings streams are identified in the future, borrowings will be sought to meet foreseeable needs and maintain reasonable headroom for contingencies. These borrowings will be structured or hedged to meet earnings.

Financing and Interest Rate Risk

At 31 March 2005 the Group's net debt was £2,297,000 (2004: £2,132,000). The Group financed its operations through a mixture of retained profit, cash and overdraft.

The Group's policy for managing foreign currency risk is to buy and sell on a regular basis against actual levels of exposure. No contracts were in existence at 31 March 2005.

The exposure to interest rate risk will be limited in future by seeking to match financing costs of borrowings as closely as possible with the revenues generated by our assets. All borrowings are denominated in sterling at a fixed rate of interest above bank base rate.

As at 31 March 2005 no financial instruments, including derivatives, were in place. The Group had only limited amounts of currency dealings and the use of derivatives or interest rate swaps was not, at this time, felt necessary.

No fair value tables have been calculated because the values of the Group's financial assets and liabilities is considered to be equivalent to their book value.

# Notes to the Financial Statements

## 17. Creditors: amounts falling due after more than one year – continued

	2005 £'000	2004 £'000
The maturity of Group bank borrowings was as follows:		
Due in one year or less, or on demand	971	526
Between 1 and 2 years	250	250
Between 2 and 5 years	654	750
5 years or more	417	571
	<u>2,292</u>	<u>2,097</u>
The Group had available undrawn committed facilities as follows:		
Expiring in:		
One year or less	29	280
More than one year but not more than two years	–	–
	<u>29</u>	<u>280</u>

## 18. Deferred taxation

The elements of deferred tax are as follows:

	2005		2004	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	–	243	–	(213)
Short term timing differences	–	–	–	(14)
Unutilised trading losses	–	(754)	–	(1,770)
	<u>–</u>	<u>(511)</u>	<u>–</u>	<u>(1,997)</u>

The Group has an unrecognised deferred tax asset largely in respect of tax losses, which has not been recognised as the likelihood of the Group utilising these losses in the foreseeable future is thought to be remote.

## 19. Share Capital

	2005 £'000	2004 £'000
Authorised:		
52,736,850 new Ordinary Shares of 10p each (2004: 159,000,000 old Ordinary Shares of 10p each)	5,274	15,900
1,062,631,467 Deferred Ordinary Shares of 1p each (2004: nil)	10,626	–
	<u>15,900</u>	<u>15,900</u>
Allotted, called up and fully paid:		
11,807,016 new Ordinary Shares of 10p each (2004: 118,070,163 old Ordinary Shares of 10p each)	1,181	11,807
1,062,631,467 Deferred Ordinary Shares of 1p each (2004: nil)	10,626	–
	<u>11,807</u>	<u>11,807</u>

On 6 August 2004, shareholders approved a share capital re-organisation converting the 118,070,163 old ordinary 10p shares in issue into 11,807,016 new ordinary 10p shares and 1,062,631,467 deferred ordinary 1p shares.

The Deferred Ordinary Shares of 1p each carry the same rights as the new Ordinary 10p shares save that they do not carry any rights to vote at general meetings or any rights to receive dividends. The Deferred Ordinary Shares are not capable of transfer at any time without the prior written consent of the Directors and have the right to repayment of the paid up capital only on any winding up or return of capital.

Under the provisions of the Worthington Group plc Senior Executive Share Option Scheme the options outstanding at 31 March 2005 granted but not taken up totalled 18,595 (2004: 46,095) shares exercisable between 23 August 1999 and 23 August 2010 at prices between 169.6p and 189.2p inclusive (after adjustment for the share capital re-organisation). The reduction relates to lapses in options as a result of employees leaving the Group.

Further Ordinary Shares may be issued from time to time under the Senior Executive Share Option Scheme.

Between the year end and the date of these accounts no options in respect of shares had lapsed.

# Notes to the Financial Statements

## 20. Reserves

	Note	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
<b>Group:</b>					
Opening reserves at 1 April 2004		9,836	128	285	(16,219)
Prior year transfer		–	–	(285)	285
As restated		9,836	128	–	(15,934)
Retained loss for year		–	–	–	(1,509)
<b>At 31 March 2005</b>		<b>9,836</b>	<b>128</b>	<b>–</b>	<b>(17,443)</b>
<b>Company:</b>					
Opening reserves at 1 April 2004			9,836	257	(13,635)
Prior year transfer			–	(257)	257
At 1 April 2004			9,836	–	(13,378)
Prior year adjustment	11		–	–	110
As restated			9,836	–	(13,268)
Retained loss for year			–	–	(3,461)
<b>At 31 March 2005</b>			<b>9,836</b>	<b>–</b>	<b>(16,729)</b>

The cumulative total of goodwill written off against Group Profit and Loss Account Reserve at 31 March 2005 in respect of acquisitions prior to 1 April 1998 when FRS 10: Goodwill and intangible assets was adopted, amounts to £1,280,000 (2004: £1,280,000). This goodwill arose on the acquisition of Hulme Homberg, a division of Worthington Manufacturing Limited and will be released on the disposal of this business.

The Group and Company had revaluation reserves of £285,000 and £257,000 respectively. These reserves related to assets which were disposed of in prior years and as such should have been stated at £Nil. A prior year adjustment has been made in these accounts to correct this fundamental error. The effect of this adjustment is to reduce the Group revaluation reserve and reduce the Group Profit and Loss deficit by £285,000 and to reduce the Company revaluation reserve and reduce the Company Profit and Loss deficit by £257,000.

## 21. Reconciliations of movements in shareholders' funds

	Note	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	As restated Company 2004 £'000
Opening shareholders' funds at 1 April		5,837	7,966	8,375	9,035
Prior year adjustment	11	–	–	–	110
As restated		5,837	7,966	8,375	9,145
Loss after tax for the financial year		(1,509)	(2,129)	(3,461)	(770)
Closing shareholders' funds at 31 March		<b>4,328</b>	<b>5,837</b>	<b>4,914</b>	<b>8,375</b>

# Notes to the Financial Statements

## 22. Contingent liabilities

The Company guarantees bank borrowings of its subsidiary undertakings. At the year end the liabilities covered by these guarantees totalled £93,000 (2004: £150,000).

## 23. Pension schemes

The Group operated two pension schemes during the year. The cost to the Group of these schemes was £321,812 (2004: £369,000) with £nil owing at the year end.

All employees are entitled to join the Group's newly established Stakeholder Exempt Group Personal Pension Plan in which defined contributions are made and the costs are accounted for as they become due.

The Group also operates a funded defined benefit arrangement for employees in which the assets are held in separate trustee administered funds. This pension scheme is presently closed to new members. The pension cost of this scheme is assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The Company sponsors the Jerome Group Plc Retirement Benefits Plan which is a defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2004 and the results have been adjusted and updated on an approximate basis to 31 March 2005.

The contributions made by the employer over the financial year have been £281,000. During scheme year 2005/06, the employer will contribute £20,800 per month, and the monthly contribution will increase by 3% p.a. thereafter. The contribution rate will be reviewed following the triennial valuation of the scheme due as at 5 April 2007.

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 31 March 2005 calculated in accordance with the requirements of FRS17. They also require disclosure of the items which would appear in the profit and loss account and in the statement of total recognised gains and losses were the full requirements of FRS17 in place. For the purposes of these financial statements, all of these figures are illustrative only and do not impact on the actual 31 March 2005 balance sheet or on this year's performance statements.

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	<b>2005</b>	2004	2003
	%	%	%
Rate of increase in salaries	<b>N/A</b>	4.50	4.00
Rate of increase in pensions	<b>3.00</b>	3.00	2.50
Revaluation rate for deferred pensioners	<b>3.00</b>	3.00	2.50
Discount rate	<b>5.60</b>	5.70	5.60
Inflation assumption	<b>3.00</b>	3.00	2.50

Illustrative Balance Sheet Figures:

	<b>Expected long term rate of return</b>	<b>Value at 31 March 2005</b>	Expected long term rate of return	Value at 31 March 2004	Expected long term rate of return	Value at 31 March 2003
	%	£'000	%	£'000	%	£'000
Equities	<b>7.5%</b>	<b>4,597</b>	7.6%	4,706	7.6%	3,757
Bonds	<b>4.7%</b>	<b>2,869</b>	4.8%	2,755	5.2%	2,574
Property	<b>7.5%</b>	<b>466</b>	7.6%	56	6.0%	168
Cash	<b>4.7%</b>	<b>320</b>	4.0%	217	3.8%	205
		<b>8,252</b>		7,734		6,704
Present value of scheme liabilities		<b>10,565</b>		10,402		9,719
Deficit in the scheme		<b>(2,313)</b>		(2,668)		(3,015)

The Group has not recognised a deferred tax asset in respect of the pension scheme deficit as the likelihood of the Group being able to use losses arising from future payments towards the deficit is thought to be remote.

# Notes to the Financial Statements

## 23. Pension schemes – continued

If the amounts above had been recognised in the financial statements, the Company's net assets and profit and loss reserve at 31 March 2005 and 31 March 2004 would be as follows

	<b>31 March 2005 £'000</b>	31 March 2004 £'000
Net assets excluding pension liability	<b>4,328</b>	5,837
Pension liability	<b>(2,313)</b>	(2,668)
Net assets including pension liability	<b>2,015</b>	3,169
Profit and loss reserve excluding pension liability	<b>(17,728)</b>	(16,219)
Pension reserve	<b>(2,313)</b>	(2,668)
Profit and loss reserve	<b>(20,041)</b>	(18,887)

Illustrative charge to the profit and loss account over the financial year:

	<b>Year Ending 31 March 2005 £'000</b>	Year Ending 31 March 2004 £'000
<b>Operating charge</b>		
Current service cost	–	9
Total operating charge	–	9
<b>Other finance charges</b>		
Interest on pension scheme liabilities	<b>578</b>	533
Expected return on pension scheme assets	<b>(496)</b>	(433)
Net finance charge	<b>82</b>	100
Total charge to profit and loss account	<b>82</b>	109

Illustrative amounts which would be included within the Statement of Total Recognised Gains and Losses (STRGL):

	<b>Year Ending 31 March 2005 £'000</b>	Year Ending 31 March 2004 £'000	Year Ending 31 March 2003 £'000
<b>Difference between expected and actual return on scheme assets:</b>			
Gain/(loss)	<b>318</b>	968	(1,822)
Percentage of scheme assets	<b>3.9%</b>	12.5%	27.2%
Experience gains and losses arising on the scheme liabilities:			
Gain/(loss)	–	(44)	443
Percentage of present value of scheme liabilities	–	0.4%	4.6%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:			
Loss	<b>(162)</b>	(788)	(212)
Percentage of present value of scheme liabilities	<b>1.5%</b>	7.6%	2.2%
Total amount recognised in STRGL:			
Gain/(loss)	<b>156</b>	136	(1,591)
Percentage of scheme liabilities	<b>1.5%</b>	1.3%	16.4%

# Notes to the Financial Statements

## 23. Pension schemes – continued

Movement in deficit during the year	Year Ending 31 March 2005 £'000	Year Ending 31 March 2004 £'000
Deficit in scheme at beginning of year	(2,668)	(3,015)
Movement in year:		
Current service cost	–	(9)
Net finance charge	(82)	(100)
Contributions	281	320
Past service costs	–	–
Actuarial gain	156	136
Deficit in scheme at end of year	<u>(2,313)</u>	<u>(2,668)</u>

## 24. Capital and leasing commitments

	Group 2005 £'000	Group 2004 £'000
Contracted capital expenditure not provided for in the accounts	<u>–</u>	<u>19</u>

At 31 March 2005, the Group had annual commitments under non-cancellable operating leases as set out below:

	Equipment 2005 £'000	Equipment 2004 £'000
Operating leases which expire:		
Within 1 year	39	63
Within 2 - 5 years	11	56
	<u>50</u>	<u>119</u>

## 25. Reconciliation of operating loss to net cash inflow from operating activities

	2005 £'000	2004 £'000
Operating loss before exceptional costs	(661)	(1,144)
Exceptional costs	(872)	(938)
Operating loss	<u>(1,533)</u>	<u>(2,082)</u>
Depreciation/impairment and amortisation of goodwill	819	980
Provision against investment	–	35
Decrease in stocks	407	193
Decrease in debtors	680	5,024
Decrease in creditors	(603)	(3,436)
Net cash (outflow)/inflow from operating activities	<u>(230)</u>	<u>714</u>

## 26. Reconciliation of net cash flow to movement in net debt

	<b>2005</b>	2004
	<b>£'000</b>	£'000
Increase in cash in the year	<b>(445)</b>	648
Cash flows from debt and finance leases	<b>280</b>	325
	<hr/>	<hr/>
Change in net debt resulting from cash flows	<b>(165)</b>	973
New finance leases	<b>-</b>	-
	<hr/>	<hr/>
Movement in net debt in the year	<b>(165)</b>	973
Net debt at 1 April	<b>(2,132)</b>	(3,105)
	<hr/>	<hr/>
Net debt at 31 March	<b>(2,297)</b>	(2,132)
	<hr/>	<hr/>

## 27. Analysis of changes in net debt

At

Other

# Trading Record Highlights

	<b>2005</b>	2004	2003	2002	2001
	<b>£'000</b>	£'000	£'000	£'000	£'000
Turnover	<b>4,812</b>	9,197	13,523	20,595	21,371
Profit/(loss) before taxation	<b>(1,465)</b>	(2,122)	606	(1,838)	1,566
Capital employed	<b>4,328</b>	5,837	7,966	7,423	8,396
Earnings/(loss) per share (pence)	<b>(12.8p)</b>	(18.0p)	5.0p	(8.0p)	13.0p
Dividend per share (pence)	–	–	–	–	5p

Earnings and dividends per share have been adjusted for the rights issue in January 2000 and the share capital re-organisation in 2004.

## Principal Operating Subsidiary

### Textile Services Division

Worthington Manufacturing Limited  
(incorporating Hulme Holmberg and  
Henderson, Holmes & Reiss)  
107 Heather Close  
Lyme Green Trading Estate  
Macclesfield  
Cheshire  
SK11 0LR

### Directors

John Smith (Managing)  
David Shalom

Manufacturers of a wide range of accessories and components for the lingerie industry. Hot melt and spray laminators of fabrics. Manufacturers of pocketings and waistbands.

On 18 July 2005 the goodwill and plant and machinery of Worthington Manufacturing Ltd was transferred to a joint venture company at net book value.

# Notice of Annual General Meeting

Notice is hereby given that the fifty-second Annual General Meeting of Worthington Group plc will be held on Thursday 18 August 2005 at 4.00 pm at Dunham Forest Golf Club, Oldfield Lane, Altrincham, Cheshire WA14 4TY, to consider and if thought fit pass the following resolutions of which resolutions 1 to 6 are proposed as ordinary resolutions 7 and 8 as special resolutions and to consider in accordance with s142 of the Companies Act 1985 whether any, and if so what, steps should be taken to deal with the situation that the net assets of the Company are less than half of its called up share-capital.

1. To receive and adopt the Directors' Report, the Report of the Auditors and the Financial Statements of the Company for the year ended 31 March 2005.
2. To receive and adopt the Report on Directors' remuneration.
3. To re-elect Joseph Claude Dwek as Director who retires by rotation and being eligible offers himself for re-election.
4. To re-elect David Michael Shalom as Director who retires by rotation and being eligible offers himself for re-election.
5. To re-elect UHY Hacker Young as Auditors of the Company and to authorise the Directors to determine the Auditors' remuneration.
6. To consider and, if thought fit, to pass the following resolution as an ORDINARY RESOLUTION:

"That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985, in substitution for any existing power to allow relevant securities to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £4,092,983 during the period commencing on the date of the passing of this Resolution and expiring at the conclusion of the Annual General Meeting of the Company in 2006 or 15 months from the date of the passing of this resolution, whichever comes first, but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements."

## As Special Business

7. To consider and, if thought fit, to pass the following resolution as a SPECIAL RESOLUTION:

"That, subject to the passing of Resolution 6 set out in the Notice of this Meeting:

- (a) the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority given by the said Resolution 6, as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
  - (i) the allotment of equity securities in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the agreements of any recognised regulatory body or Stock Exchange in any territory or otherwise, howsoever arising);
  - (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £613,947;

and shall expire at the conclusion of the Annual General Meeting of the Company in 2006 or 15 months from the date of the passing of this Resolution, whichever comes first, except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry, the Directors may allot equity securities in pursuance of such offers or agreements;

- (b) all authorities previously conferred under Section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect; and
- (c) words and expressions defined in, or for the purposes of Part IV of the Act shall bear the same meanings herein."

# Notice of Annual General Meeting

8. To consider and, if thought fit, to pass the following resolution as a SPECIAL RESOLUTION:

“That the Company be hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of Ordinary Shares of 10p each of the Company (“Ordinary Shares”) in such manner and on such terms as the Directors of the Company may from time to time determine, provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 590,350 Ordinary Shares;
- (b) the minimum price which may be paid for an Ordinary Shares is 10p;
- (c) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for an Ordinary Share taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased;
- (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2006, or the date falling 15 months after the passing of this Resolution, whichever is the earlier, unless such authority is revoked, varied or renewed prior to such time; and
- (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.”

## Notes

1. A Member entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) vote in his or her place. A proxy need not be a member of the Company.
2. To be effective, a form of proxy must be deposited at the office of the Company’s registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3BR not less than 48 hours before the time fixed for the meeting. A proxy card is attached.
3. The Registers of Directors’ Interests in the Shares of the Company and the Directors’ Service Contracts with the Company will be available for inspection at the Registered Office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date of the meeting and also on the date and at the place of the meeting for one hour prior to the meeting and during the meeting.

By order of the Board

**D M Shalom**

*Company Secretary*

18 July 2005

Registered Office:

Suite One  
Courthill House  
66 Water Lane  
Wilmslow  
Cheshire  
SK9 5AP

# Shareholders' Notes

# Form of Proxy

I/We .....

of .....

as Member(s) of WORTHINGTON GROUP plc hereby appoint the Chairman of the Meeting or

.....  
 as my/our proxy to vote for me/us and on my/our behalf as indicated below at the Annual General Meeting of the Company to be held on 18 August 2005 and at every adjournment thereof.

RESOLUTIONS		
<i>Ordinary Business</i>	FOR	AGAINST
1. Adoption of Report and Accounts		
2. Adoption of Report on Directors' remuneration		
3. To re-elect Joseph Claude Dwek as a Director		
4. To re-elect David Michael Shalom as a Director		
5. Re-election of UHY Hacker Young as Auditors		
6. General Authority to the Directors to allot Shares		
<i>Special Business</i>		
7. Authorisation of the Directors to allot Equity Securities pursuant to Section 95 Companies Act 1985		
8. Authority to enable Company to purchases its own Shares		

Dated this ..... day of .....2005

Signed .....

## Notes

- (1) The appointment of a proxy will not preclude you from attending and voting at the meeting in person.
- (2) Please indicate how you wish your votes to be cast by placing "X" in the box provided. On receipt of this form duly signed but without any specific direction as to how you wish your votes to be cast, you will be deemed to have authorised your proxy to vote, or to abstain from voting, as they think fit.
- (3) A corporation may execute either under seal or under the hand of an officer or attorney duly authorised in writing. In the case of joint shareholders, the signature of the first named joint shareholder on the register will be accepted to the exclusion of all other joint shareholders.
- (4) To be valid, this proxy must be filled in, signed and deposited at the office of the Company's registrars Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3BR or posted in time to be delivered there, not later than 11.00 am on 16 August 2005.

SECOND FOLD

BUSINESS REPLY SERVICE  
Licence No. BM3865



**Neville Registrars Limited**  
**Neville House**  
**18 Laurel Lane**  
**Halesowen**  
**West Midlands**  
**B63 3BR**

FIRST FOLD

THIRD FOLD AND TUCK IN



