



WORTHINGTON

**Worthington Group plc**

Report and Accounts  
for the year ended 31 March 2009

Company number: 527186

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# Directors and Advisers

## Directors

Joseph Claude Dwek, CBE FTI  
David Michael Shalom, ACA  
Michael Edelson

*Chairman and Chief Executive*<sup>2 3</sup>  
*Finance Director*  
*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

HSBC Bank plc  
100 King Street  
Manchester  
M60 2HD

## Solicitors

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

## Auditors

UHY Hacker Young Manchester LLP  
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

Head office rent receipts net of property and other costs produced a surplus of £10,000 for the year (2008: £23,000) before adjusting for non cash items – which are discussed in detail below. After allowing for non cash charges the Company produced a loss for the period of £487,000 (2008: profit of £49,000).

Net asset value has decreased by £2,266,000 in the year to £1,087,000 (2008: £3,353,000), mainly as a result of a fall in the value of the pension scheme assets following a turbulent year in the markets, which adversely affected the values of most classes of asset.

Trimmings by Design (“Trimmings”), in which we have a 44% shareholding, had a difficult year, as did many similar companies, as a result of reduced demand from its retail customers. We received a cash dividend from them of £66,000 in the year (2008: £44,000). However, Trimmmings produced a loss for the year, with our share of the trading losses included in these accounts amounting to £56,000 (2008: Profit £66,000). Given the loss incurred and a forecasted loss for the coming year we have made an impairment provision of £145,000 against the goodwill on our balance sheet together with additional provisions of £109,000 against the value of goodwill sitting on the balance sheet of Trimmmings itself.

Turning to the pension scheme the income and expenditure account, in accordance with IAS 19, includes a non cash charge of £166,000 (2008: £39,000) in respect of the pension scheme net finance cost. Payments into the scheme to reduce the deficit during the period amounted to £223,000 (2008: £264,000) but despite this the scheme deficit on an IAS 19 basis increased to £2,641,000 (2008: £918,000). Whilst the scheme liabilities reduced slightly the value of the scheme assets fell considerably as a result of the market turbulence, resulting in the large increase in the deficit.

The pension scheme funding risk continues to represent the principal risk factor faced by the Company. The investment performance of the scheme assets against benchmarks, together with the levels of head office costs and the rental income continue to be monitored closely by the Board as key performance indicators.

We continue to investigate various planning schemes to realise the maximum value out of the Keighley site but we will have to be patient whilst we wait for the property market to improve. Meanwhile the property is almost fully let to established tenants. Both rental income and head office costs were in line with our expectations.

Since the year end we have received a settlement offer in respect of the legal claim made by us relating to the incorrect registering of a legal charge over the assets sold to the joint venture, Worthington Manufacturing. Following negotiation we have now agreed to settle the matter for a modest sum after costs. The financial statements for the year include a credit of £40,000 in this respect.

Finally, in the last few weeks, we have agreed and completed the lending on a closed bridging loan of £600,000 at attractive interest rates, secured via a first charge over the property. The professional valuation of the property is substantially in excess of the loan advanced.

We continue to look for acquisition opportunities whilst we look at various schemes to develop the Keighley property and will continue to utilise the cash reserves to generate the best returns we can whilst not exposing them to undue risk.

**J C Dwek CBE**

*Chairman*

18 June 2009

# Directors' Report

The Directors submit their Report together with the audited Financial Statements for the year ended 31 March 2009.

## Principal Activity and Review of Business

The principal activity of the Company is that of property development and management.

A review of the business is contained in the Chairman's Statement on page 2. An analysis of the principal risks and uncertainties facing the Company is set out below.

### Capital Structure

The Company has two classes of share being New Ordinary Shares of 10p each and Deferred Ordinary Shares of 1p each. The New Ordinary Shares are listed on the London Stock Exchange and carry rights to vote at general meetings and to receive dividends. The Deferred Ordinary shares carry the same rights as the New Ordinary 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 prior written consent of the Directors and have the right to repayment of the paid up capital only on winding up or return of capital.

The new Ordinary Shares represent 10% of the paid up capital and the Deferred shares 90% and is unchanged from 2008.

### Principal Risks and Uncertainties

All businesses face a range of risks and uncertainties, being subject to risk factors from internal and external sources. The Board considers the likelihood and significance of risk factors when putting in place risk management procedures to ensure risk mitigation.

The following is considered to be the key risk facing the Company.

#### **The Company is exposed to funding risks in relation to the defined benefits under its pension scheme.**

The Company operates a defined benefit pension scheme. At present, in aggregate, there is an actuarial deficit between the value of projected liabilities of the scheme and the value of the assets it holds. The Company is making contributions towards the deficit in line with agreements reached with the scheme Trustees based on the recommendations of actuaries. The amount of the deficit may be further affected by a number of factors including declines in investment returns and changes in mortality and interest rates, which may require the Company to increase the amount of cash contributions to these schemes, thereby reducing cash available to meet the Company's other obligations or business needs.

### Key Performance Indicators

Key performance indicators (KPIs) that are monitored by the Board are that of rental income receivable on the Company's property assets together with the level of Head office costs.

The Board considers an annual rental income for the property of £150,000 to be an appropriate target and for this rental income to cover all Head office costs.

In addition the Board monitors the investment performance of the managers of the Pension Scheme's assets against benchmark indices.

The scheme's property investments are monitored against the IPD All Balanced Funds Weighted Average. The investments produced a loss of 23.9% (2008: 1.2% profit) versus the benchmark return of a loss of 27.1% (2008: 2.8% loss).

The rest of the scheme investments are monitored against a benchmark index comprising 50% FTSE All Share and 50% FTSE Actuaries Govt Securities UK Gilts TR over 15 years. For the calendar year of 2008 the scheme investments produced a loss of 11.2% (2007: profit 2.1%) versus the benchmark return of a loss of 9.7% (2008: profit 4.2%).

### Capital Management

The Board reviews periodically the Company's objectives with regard to capital and the policies and processes in place to manage that capital. The Board regards the capital of the Company to comprise entirely of equity share capital.

The level of capital is compared to the Company's needs from time to time to ensure it is adequate. Given that the Company's assets comprise a single investment property, an investment in an associate together with a loan note and cash, no milestones or objectives have been set by the Board other than to seek out new businesses which would enhance the earnings of the Company in the longer term.

## Results and Dividends

For the year under review the Company made a loss before taxation of £487,000 (2008: profit of £49,000). After a tax charge of £nil (2008: £nil), the amount transferred from/(to) reserves was £487,000 (2008: (£49,000)).

No interim dividend has been paid during the year (2008: nil per share) and the Directors are not recommending the payment of a final dividend (2008: nil).

## Directors

The Directors of the Company were as follows:

**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 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 Penmarric plc, Opal Property Group Ltd and Mercury Recycling Group plc. He 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 become a consultant involved in the provision of Executive and Non-Executive Directorships to smaller businesses.

# Directors' Report

**Michael Edelson (Non-Executive Director)** – joined the Board on 5 September 2005. Michael's current directorships include being the non-executive chairman of EXC plc, Sterling Green Group plc and Daily Internet plc. He is also executive chairman of London & City Credit Corporation Limited. Historically, he has been a director of a number of companies admitted to trading on AIM, including ASOS plc, Prestbury Group plc, Chelford Group plc, Host Europe plc, Knutsford Group plc, Mercury Recycling Group plc and Singer and Friedlander AIM3 VCT plc and has been on the board of Manchester United Football Club Limited since 1982.

## Directors' Interests in Ordinary Shares of the Company

The beneficial interests of the Directors in office at the year end in the Ordinary Shares of the Company as at 31 March 2008 and at 31 March 2009 are detailed below. The Directors' interests in share options are detailed in the Board Report on Remuneration.

	31 March 2009 No.	31 March 2008 No.
J C Dwek	1,904,308	1,904,308

There have been no changes to the interests of the Directors between the year end and 18 June 2009.

## 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 Company.

## Substantial Shareholdings

In addition to the holdings of J C Dwek above, the Directors have been notified of the following interests of 3% or more in the Company as of 18 June 2009:

	Shares	%
R Reed	1,180,000	10.0%
Porterhouse Securities Ltd – Retirement benefit scheme	752,125	6.4%
S Wicks	355,027	3.0%

## Employment Policy

During the financial year, the Company 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 and employees are kept up to date with the performance and progress of the Company. It is the policy of the Company 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 Company, where practicable, seeks to continue the employment and arrange appropriate training.

## Risk Management

The Company's risk management policy is explained in Note 17 and is further explained on page 6 in the Board report on Corporate Governance.

## Donations

No charitable or political donations were made by the Company during the year (2008: £nil).

## 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 Practice is set out on pages 5 and 6.

## Supplier Payment Policy

The Company does not follow a standard code of practice but operates a prompt payment policy in settling outstanding debts. It is Company policy that payments to suppliers are made in accordance with the terms agreed, provided that these suppliers have also complied with applicable terms and conditions. There were no trade payables at either year end.

## Special Business at the Annual General Meeting

The Notice of Annual General Meeting will be sent to shareholders under separate cover to this report and details the items of business for the Annual General Meeting which will be held on Friday 4 September 2009. Resolutions 1 to 6 are termed ordinary business while resolutions 7 to 8 will be special business.

Resolutions 7 and 8 have become routine business at the Annual General Meetings of most public companies and relate to:

- renewal of the powers for the Directors to allot equity securities for cash (Resolution 7);
- renewal of the authority for the Company to purchase certain of its own shares (Resolution 8). This authority was not exercised during the year.

## Statement of Disclosure to Auditors

Each of the persons who is a Director, at the date approval of this annual report confirms that:

- (a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

**David M Shalom**  
*Secretary*

18 June 2009

# Report on Corporate Governance

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 2006, 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.

All Directors are subject to retirement and re-election by rotation in accordance with the requirements of the Companies Act 2006, 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 as required 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 Company 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.

The Chairman undertakes a review of the performance of the Board and its Committees on an annual basis. The Chairman, where appropriate, makes recommendations to the Board to propose new members or seek the resignation of existing Directors.

## 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 once during the period to review financial statements prior to the approval by the Board. The committee has consisted of one Non-Executive Director, Michael Edelson who reviews the financial statements prior to the approval by the Board. 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.

The audit committee is responsible for the development, implementation and monitoring of the Company's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements of the Audit Committee, and day to day responsibility to the Financial Director. The policy states that the external auditors are jointly responsible to the board and the Audit Committee and that the Audit Committee is the primary contact.

The Company's policy on external audit sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Company, subject to de minimis levels.

To fulfil its responsibility regarding the independence of external auditors, the Audit Committee reviewed:

- the changes in key external audit staff in the external auditors' plan for the current year;
- the arrangements for day to day management of the audit relationship;
- a report from the external auditors describing their arrangements to identify, report and manage any conflict of interests; and
- the overall extent of non-audit services provided by the external auditors, in addition to their case-by-case approval of the provision of non-audit services by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed.

- the arrangements for ensuring the external auditors' independence and objectivity;
- the external auditors' fulfilment of the agreed audit plan and variations from the plan
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- the content of the external auditors' reporting on internal control.

# Report on Corporate Governance

## Remuneration Committee

The members of this committee are the Chairman and Chief Executive, Joe Dwek CBE, and the independent Non-Executive Director, Michael Edelson. 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, within agreed terms of reference, on the Company's framework of executive remuneration and its cost and determining on their behalf specific remuneration packages for each of the Executive Directors, including pension rights and share options.

## Nomination Committee

The members of this committee are the Chairman and Chief Executive, Joe Dwek CBE, and the independent Non-Executive Director Michael Edelson. The committee meets as required but not less than once a year. Its responsibilities include reviewing the Board structure, size and composition, nominating candidates to the Board to fill Board vacancies when they arise and recommending Directors who are retiring by rotation to be put forward for re-election. The Company does not comply with the guidance for composition (as required under A. 5. 1 of the Combined Code) as a majority of members are not non-executive.

## Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

No internal audit function has been established. The costs of such a function outweigh any benefits given the close day to day involvement of the Directors in the Company's activity.

The Combined Code recommended that Directors review the effectiveness of the Company'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.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Company is in place and continued up to the date of approval of these accounts. This process accords with the current 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 Company has a comprehensive budgeting system which covers profitability, assets, liabilities and cash flow. The budget is agreed by the Board which receives quarterly reports detailing all aspects of financial performance against budget. The Board also controls capital expenditure.
- The Board meets at least four times per annum and reviews the Company's operational performance and strategy.
- The treasury function is undertaken by the Finance Director who does not enter into speculative derivative transactions.
- Financial controls have been established which are appropriate and these are regularly reviewed by the Finance Director. The Company 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 Company, 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 quarterly 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 Board.

## Going Concern

The Company currently meets its day to day working capital requirements out of cash balances and the Directors consider the cash balances are sufficient to meet the Company's needs for the next 12 months. On this basis the Directors consider it appropriate to prepare the financial statements on the going concern basis.

## Investor Relations

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

# Directors' Remuneration Report

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 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.

## Directors' Emoluments

The emoluments of the Directors during the financial year ended 31 March 2009 were as follows:

	2009 Salary £'000	2009 Benefits £'000	2009 Total Salary & Benefits £'000	2008 Total Salary & Benefits £'000
<i>Executive Directors</i>				
Joseph Dwek (Executive Chairman and Chief Executive)	2	–	2	2
David Shalom (Finance Director)	10	–	10	12
<i>Non-Executive Director</i>				
Michael Edelson	3	–	3	3
Total remuneration	15	–	15	17

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 £34,100 (2008: £32,167).

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

## Senior Executive Share Option Scheme

The Company maintains two schemes by which Directors and Senior Executives can subscribe for Ordinary Shares in the Company. The Board's policy is not to grant any options or awards under the scheme until such time as a new business opportunity has been identified. At 31 March 2009 none of the Directors in office at the end of year had any share options.

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

The mid market price of the Company's shares on 31 March 2009 was 5.75p and the high and low share prices during the year was 10p and 5.75p respectively.

## Remuneration Policy

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

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

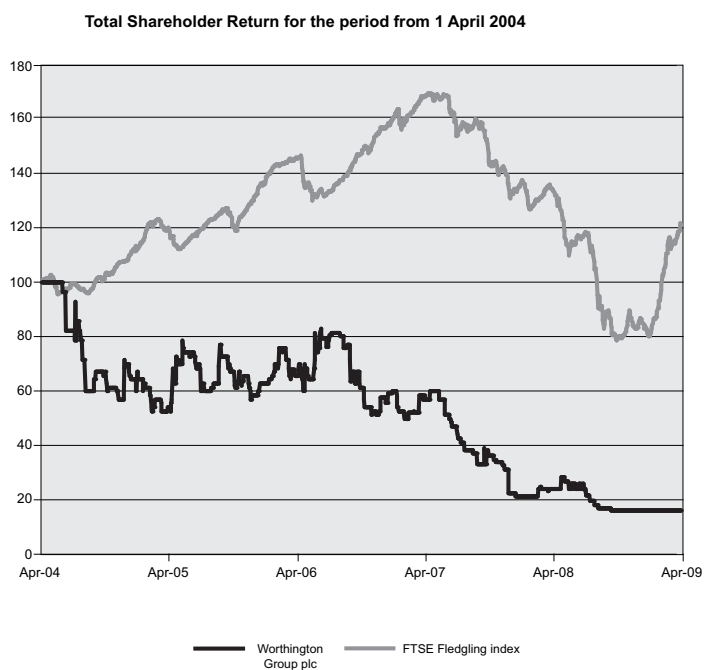
## Directors' Service Agreements

There are no service agreements between the Chairman, any other Director and the Company or its subsidiaries.

# Directors' Remuneration Report

## Performance graph

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE Fledgling Index since 1 April 2004. The FTSE Fledgling index has been selected for this comparison as it reflects the trends for companies that are too small to be included in the FTSE All Share and tends to be the index against which analysts judge the performance of the Company.



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

18 June 2009

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRS). Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. The directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

We confirm to the best of our knowledge:-

- 1) The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- 2) The Chairman's Statement and Directors' Report together, include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties faced.

On behalf of the Board

**J C Dwek**  
18 June 2009

# Independent Auditors' Report to the Shareholders of Worthington Group plc

We have audited the financial statements of Worthington Group plc for the year ended 31 March 2009 which comprise the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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, the Directors' Remuneration Report and the financial statements in accordance with applicable law and those International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the financial statements, Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. We also report to you whether, 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 review whether the Report on Corporate Governance reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Report on Corporate Governance and the Trading Record Highlights. We consider the implications for our report if we become aware of any apparent misstatements 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 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 and the part of the Directors' Remuneration Report to be audited. 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 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

# Independent Auditors' Report to the Shareholders of Worthington Group plc

## Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Company's affairs as at 31 March 2009 and of the loss for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

## Separate opinion in relation to IFRSs

As explained in Note 2, the Company in addition to complying with its legal obligation to comply with IFRSs adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the financial statements give a true and fair view, in accordance with IFRSs, of the state of the Company's affairs as at 31 March 2009 and of its loss for the year then ended.

### **UHY Hacker Young Manchester LLP**

*Chartered Accountants and Registered Auditors*

St James's Building  
79 Oxford Road  
Manchester M1 6HT

18 June 2009

# Income Statement

For the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Revenue	4	142	146
Cost of sales		(83)	(43)
<b>Gross profit</b>		<b>59</b>	<b>103</b>
Administrative expenses		(149)	(204)
<b>Operating loss</b>		<b>(90)</b>	<b>(101)</b>
Investment revenues	7	79	123
Finance costs	8	(166)	(39)
Share of results of associate	9	(56)	66
Provision for impairment losses	13	(254)	–
<b>(Loss)/profit before taxation</b>		<b>(487)</b>	<b>49</b>
Taxation	10	–	–
<b>(Loss)/profit after taxation for current year</b>	5	<b>(487)</b>	<b>49</b>
(Loss)/earnings per ordinary share from continuing operations			
– Basic	11	(4.1p)	0.4p
– Fully diluted	11	(4.1p)	0.4p

The notes on pages 16 to 29 form part of these financial statements.

All items are derived from continuing operations.

# Statement of Recognised Income and Expense

For the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Actuarial (loss)/gain on retirement benefit obligation	22	(1,779)	660
Prior period adjustment		–	383
		<hr/>	<hr/>
Net (expense)/income recognised directly in equity		(1,779)	1,043
(Loss)/profit for the financial year		(487)	49
		<hr/>	<hr/>
Total recognised income and expense for the period		(2,266)	1,092
		<hr/>	<hr/>

# Balance Sheet

At 31 March 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
<b>Non-current assets</b>					
Investment property	12	1,800		1,800	
Interests in associates	13	429		805	
Other financial assets	14	800		800	
			3,029		3,405
<b>Current assets</b>					
Trade and other receivables	15	85		32	
Cash and cash equivalents		796		1,000	
			881		1,032
<b>Total assets</b>					
			3,910		4,437
<b>Current liabilities</b>					
Trade and other payables	16	182		166	
		182		166	
<b>Non-current liabilities</b>					
Retirement benefit obligation	22	2,641		918	
		2,641		918	
<b>Total liabilities</b>					
			(2,823)		(1,084)
<b>Net assets</b>					
			1,087		3,353
<b>Equity</b>					
Called-up share capital	19	11,807		11,807	
Share premium account	20	9,836		9,836	
Retained earnings	20	(20,556)		(18,290)	
<b>Total equity</b>					
	20	1,087		3,353	

The financial statements were authorised for issue by the Board of Directors on 18 June 2009, and were signed on its behalf by:

**Joe Dwek CBE**

*Executive Chairman*

**David Shalom ACA**

*Finance Director*

The notes on pages 16 to 29 form part of these financial statements.

# Cash Flow Statement

For the year ended 31 March 2009

	2009 £'000	2008 £'000
<b>Cash flow from operating activities</b>		
Operating loss	(90)	(101)
Movement in trade and other receivables	(40)	289
Movement in trade and other payables excluding pension obligation	17	27
Payments to pension scheme	(223)	(264)
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(336)</b>	<b>(49)</b>
<b>Cash flows from investing activities</b>		
Interest received	66	123
Dividends received from associated undertakings	66	44
	<hr/>	<hr/>
<b>Net cash generated by investing activities</b>	<b>132</b>	<b>167</b>
	<hr/>	<hr/>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(204)</b>	<b>118</b>
Cash and cash equivalents at beginning of year	<b>1,000</b>	<b>882</b>
	<hr/>	<hr/>
Cash and cash equivalents at end of year	<b>796</b>	<b>1,000</b>
	<hr/>	<hr/>

# Notes to the Financial Statements

## 1. General information

Worthington Group plc is a company incorporated in the United Kingdom.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 2 – Share Based Payment – amendment relating to vesting conditions and cancellations (effective annual periods beginning on or after 1 January 2009)
- IFRS 3 – Business Combinations – comprehensive revision on applying acquisition method (effective annual periods beginning on or after 1 July 2009)
- IFRS 7 – Financial Instruments: Disclosures (Revised 2009) – Enhanced disclosures about fair value measurements and liquidity risk (commencement annual periods on or after 1 January 2009)
- IFRS 8 – Operating Segments (effective annual periods beginning on or after 1 January 2009)
- IAS 1 – Presentation of Financial Statements – Comprehensive revision including requiring a statement of comprehensive income (effective annual periods beginning on or after 1 January 2009)
- IAS 1 – Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective annual periods beginning on or after 1 January 2009)
- IAS 23 – Borrowing Costs – Comprehensive revision to prohibit immediate expensing (effective on borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009)
- IAS 27 – Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first time adoption and consequential amendments arising from amendments to IFRS 3 (effective annual periods beginning on or after 1 January 2009 and 1 July 2009 respectively)
- IAS 28 – Investments in Associates – Consequential amendments arising from amendments to IFRS 3 (effective annual periods beginning on or after 1 July 2009)
- IAS 31 – Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3 (effective annual periods beginning on or after 1 July 2009)
- IAS 32 – Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation (effective annual periods beginning on or after 1 January 2009)
- IAS 39 – Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items (effective annual periods beginning on or after 1 July 2009). Amendments for embedded derivatives when re-classifying financial instruments (Annual periods ending on or after 30 June 2009)
- IFRIC 13 – Customer Loyalty Programmes (effective annual periods beginning on or after 1 July 2008)
- IFRIC 15 – Agreements for the Construction of Real Estate – Shift for some entities from recognising revenue as construction progresses to recognising revenue at a single time – at completion upon or after delivery (commencement annual periods on or after 1 January 2009)
- IFRIC 17 – Distributions of non-cash assets to owners (effective annual periods beginning on or after 1 July 2008).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company. In addition to the above there are a number of annual improvements to the standards in issue. The Directors believe these will have no material impact on the financial statements.

# Notes to the Financial Statements

## 2. Significant accounting policies

### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared with IFRSs as adopted by the European Union and therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and assets.

The principal accounting policies are set out below:

### Going concern

The Company currently meets its day to day working capital requirements from its cash reserves. On this basis, the Directors consider it appropriate to prepare the financial statements on the going concern basis.

### Investments in associates

Investments in associates are incorporated in the financial statements using the equity method of accounting. They are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Company's share of the net assets, less any impairment. Losses of the associate in excess of the Company's interest in those associates are not recognised.

The excess of cost of acquisition over the Company's share of the fair values of the identifiable net assets at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Company's share of the fair values of the identifiable assets at the date of acquisition is credited to the income statement in the period of acquisition.

### Goodwill

The Company has elected not to apply IFRS 3 "Business Combinations" retrospectively for those business combinations, which occurred prior to 1 January 2004. Accordingly the balance of goodwill under UK GAAP as at 31 December 2003 is deemed the IFRS cost of goodwill at 1 January 2004. Goodwill arising on acquisition of an associate is capitalised and reviewed for impairment annually. Any impairment is immediately recognised in the income statement.

### Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amount of its tangible assets to determine whether there is an indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated (using present value calculations) in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Any impairment loss is recognised immediately.

### Revenues

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable from the rental of properties net of value added tax. Rental income is recognised on a monthly basis and is invoiced in advance.

### Investment property

The investment property is measured at fair value, which is the amount for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which it arises.

Depreciation or amortisation is not provided in respect of the investment property. Although the Companies Act 1985 would normally require systematic annual depreciation of fixed assets, the directors believe that a policy of not providing depreciation or amortisation is necessary in order for the accounts to give a true and fair view.

### Taxation

The tax expense represents the sum of the tax payable and deferred tax.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

# Notes to the Financial Statements

## 2. Accounting policies – continued

### Retirement benefit costs

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

The Company's defined benefit scheme provides benefits based upon final pensionable pay. The assets of the scheme are held separately from those of the Company, and contributions are charged to the income statement so as to spread the cost of pensions over service lives of employees in the scheme. The deficit in the scheme is included as a liability on the balance sheet.

Actuarial gains or losses are recognised in full in the period in which they occur. They are recognised outside the Income Statement and presented in the Statement of Recognised Income and Expense.

### Financial instruments

Following the adoption of IAS 39 from 3 January 2005, the following are the Company's accounting policies for financial instruments.

#### (i) Recognition

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

#### (ii) Trade receivables and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### (iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### (iv) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (v) Loan notes

The loan notes from Trimmings by Design Ltd in which the Company owns a 44% interest are valued at par on the basis that the company continues to be profitable. The loan notes are repayable on a sale or liquidation of the company or on 31 December 2200.

#### (vi) Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of any instrument to the extent that they are not settled in the period in which they arise.

#### (vii) Trade payables and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

# Notes to the Financial Statements

## 3. Critical accounting and key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year, relate to the Company's defined benefit scheme liability and are set out in Note 22 to these financial statements.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of this liability.

## 4. Segmental analysis

The Company has selected business as the primary segment and geography as its secondary segment. Disclosure is in accordance with International Accounting Standard 14. The Company only has one business relating to property rental and management and all operations are continuing and in the UK.

## 5. (Loss)/profit for the year

	2009 £'000	2008 £'000
Loss for the year is stated after charging/(crediting):		
Impairment loss recognised on interests in associates	254	–
Anticipated settlements of legal case and costs	(40)	–
Fees paid to the auditors are analysed as follows:		
– audit fees	13	16
– tax consultancy	2	5
	<hr/>	<hr/>

## 6. Employees

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

	2009 Number	2008 Number
Management	2	2
	<hr/>	<hr/>
	2	2
	<hr/>	<hr/>

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

	2009 £'000	2008 £'000
Wages and salaries	13	14
Social security costs	–	1
	<hr/>	<hr/>
	13	15
	<hr/>	<hr/>

An analysis of Directors' remuneration is disclosed in the audited part of the Directors' Remuneration Report on page 7.

# Notes to the Financial Statements

## 7. Investment revenues

	2009 £'000	2008 £'000
Loan note interest	52	52
Interest on bank deposits	27	71
	<hr/>	<hr/>
	79	123
	<hr/>	<hr/>

## 8. Finance costs

	2009 £'000	2008 £'000
Pension scheme net finance charge	166	39
	<hr/>	<hr/>
	166	39
	<hr/>	<hr/>

## 9. Share of results of associates

	2009 £'000	2008 £'000
Share of (losses)/profits	(57)	109
Associates net finance costs	(14)	(15)
Taxation of profits less losses of associates	15	(28)
	<hr/>	<hr/>
	(56)	66
	<hr/>	<hr/>

# Notes to the Financial Statements

## 10. Taxation

	2009 £'000	2008 £'000
Current tax	–	–
Deferred tax (note 18)	–	–
	<u>–</u>	<u>–</u>
	–	–
The charge for the year can be reconciled to the (loss)/profit per the income statement as follows:		
	2009 £'000	2008 £'000
(Loss)/profit before tax	<u>(487)</u>	<u>49</u>
Tax at the UK corporation tax rate of 28% (2008: 30%)	(136)	15
Tax effect of:		
Non-deductible expenses	87	–
Share of results in associate	16	(20)
Capital allowances in excess of depreciation	(12)	(12)
Losses carried forward	59	17
Other tax adjustments	(14)	–
	<u>–</u>	<u>–</u>
Tax expense for the year	–	–

## 11. Earnings per share

The earnings 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 was 11,807,013 (2008: 11,807,013) and the loss after taxation was £487,000 (2008: profit £49,000). There is no difference between the basic and diluted earnings per share in either year.

	2009 £'000	2009 No. of shares '000	2009 Pence per share	2008 £'000	2008 No. of shares '000	2008 Pence per share
Basic (loss)/earnings per share	<u>(487)</u>	<u>11,807</u>	<u>(4.1p)</u>	<u>49</u>	<u>11,807</u>	<u>0.4p</u>
Basic (loss)/earnings per share from continuing operations	<u>(487)</u>	<u>11,807</u>	<u>(4.1p)</u>	<u>49</u>	<u>11,807</u>	<u>0.4p</u>

## 12. Investment property

	Investment properties £'000
Fair value	
At 1 April 2008 and 31 March 2009	<u>1,800</u>

At 31 March 2006 the Keighley property was valued by Steadman Brierley Chartered Surveyors and Investment Consultants. The valuation was carried out on an open market value basis in accordance with Practice Statements of the RICS Appraisal and Valuation Manual (January 1996). In the opinion of the Directors, the value of the investment property is not less than the book value. This opinion is supported by an interim valuation by a Chartered Surveyor.

Revenue receivable in respect of the property amounted to £142,000 in 2009 (2008: £146,000). Operating costs in respect of the property amounted to £83,000 (2008: £43,000).

# Notes to the Financial Statements

## 13. Interests in associates

The following are the associated undertakings in which the Company holds investments.

Trimmings by Design Ltd, a company registered in England and Wales whose financial year end is 31 December. The Company holds 44% of the Issued Share Capital (£1 Ordinary Shares). 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.

Below is a summary of the movements in interests in associates:

	Goodwill £'000	Net assets £'000	Total £'000
At 1 April 2008	145	660	805
Share of losses	–	(56)	(56)
Dividends received	–	(66)	(66)
Impairment losses recognised	(145)	(109)	(254)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2009</b>	<b>–</b>	<b>429</b>	<b>429</b>
	<hr/>	<hr/>	<hr/>

The following is a summary of the assets and liabilities and post-tax results of the associated company:

	2009 £'000	2008 £'000
Assets	<b>2,158</b>	2,573
Liabilities	<b>1,059</b>	1,141
Revenue	<b>2,836</b>	3,613
(Loss)/profit	<b>(127)</b>	150

The Directors believe they have a significant influence over Trimmings by Design Ltd through their 44% shareholding and its representative on the Board.

Trimmings by Design Ltd has a year end of 31 December which differs from the Company's year end of 31 March. Accordingly under the equity accounting method the Company incorporates Trimmings by Design Ltd for the 12 months to 31 December 2008 in its financial year ended 31 March 2009.

Goodwill acquired in associates is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the associate. The Company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The Company obtains cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flows based on estimated growth rates.

Following losses made in the current year by Trimmings by Design Limited and a budgeted loss for the 2009/10 year the Directors consider that there has been an impairment of the goodwill recognised in the Company's balance sheet. Accordingly full provision has been made against the carrying value of goodwill of £145,000 in respect of its associate with a corresponding charge to the income statement. In addition the Directors have reviewed the net assets of Trimmings by Design and have made provision for the goodwill on its balance sheet. A further charge of £109,000 has therefore been recognised to reflect this.

The Company is not aware of any contingent liabilities in the accounts of the associate.

# Notes to the Financial Statements

## 14. Other financial assets

	2009 £'000	2008 £'000
Loan notes	800	800

The loan notes totalling £800,000 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 Ltd, an associated company in which the Company has a 44% interest. Interest of 6.5% is receivable on the loan notes which are redeemable on the earlier of the liquidation or sale of Trimmings by Design or 31 December 2200.

## 15. Trade and other receivables

	2009 £'000	2008 £'000
Trade and other receivables falling due within one year		
Prepayments and accrued income	85	32
	<u>85</u>	<u>32</u>

The Directors consider that the carrying value of trade and other receivables is approximately equal to their fair value.

# Notes to the Financial Statements

## 16. Trade and other payables

	2009	2008
	£'000	£'000
Trade and other payables falling due within one year		
Other creditors	33	36
Tax and social security	1	–
Accruals and deferred income	148	130
	<hr/>	<hr/>
	182	166
	<hr/>	<hr/>

The Directors consider that the carrying value of trade and other payables is approximately equal to their fair value.

## 17. Financial instruments

The Company policy as regards financial instruments are set out in the accounting policies. The Company does not trade in financial instruments. The risks and uncertainties facing the Company include but are not limited to:

### *Credit Risk*

The loan notes included in other financial assets amount to a significant concentration of credit risk and the carrying value is reviewed on an ongoing basis.

### *Liquidity Risk*

The Company manages liquidity risk via maintaining adequate cash reserves, and continually monitoring forecast and actual cash flow relating to cost of sales and administrative expenses.

### *Interest Rate Risk*

The Company is exposed to the risk that investment income may be reduced by interest rate cuts in the UK. The Company keeps the majority of its cash deposits in short term fixed rate accounts. At 31 March 2009, short term deposits were earning interest as follows:

Interest rate	Amount
%	£'000
0.35	796
<hr/>	<hr/>

### *Currency Rate Risk*

The Company does not trade in foreign currencies.

## 18. Deferred taxation

The following are the major deferred tax assets and liabilities recognised by the Company during the current and prior reporting period.

	2009	2008
	£'000	£'000
<b>Deferred Tax liabilities</b>		
Revaluation gain	187	187
Accelerated tax depreciation	61	52
<b>Deferred Tax assets</b>		
Allowable losses	(248)	(239)
	<hr/>	<hr/>
	–	–
	<hr/>	<hr/>

At the balance sheet date the Company has total unused tax losses of £5,360,000 (2008: £5,055,000). The Company recognises deferred tax assets only to the extent that they cover deferred tax losses as the likelihood of the Company utilising further losses in the foreseeable future is thought to be remote.

# Notes to the Financial Statements

## 19. Share capital

	2009 £'000	2008 £'000
Authorised:		
52,736,850 New Ordinary Shares of 10p each	5,274	5,274
1,062,631,467 Deferred Ordinary Shares of 1p each	10,626	10,626
	<u>15,900</u>	<u>15,900</u>
Allotted, called up and fully paid:		
11,807,013 New Ordinary Shares of 10p each	1,181	1,181
1,062,631,467 Deferred Ordinary Shares of 1p each	10,626	10,626
	<u>11,807</u>	<u>11,807</u>

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 2009 granted but not taken up totalled Nil (2008: Nil) shares exercisable.

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

## 20. Reserves

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 April 2008	11,807	9,836	(18,290)	3,353
Actuarial losses on retirement benefit obligations	–	–	(1,779)	(1,779)
Retained loss for the year	–	–	(487)	(487)
<b>At 31 March 2009</b>	<u>11,807</u>	<u>9,836</u>	<u>(20,556)</u>	<u>1,087</u>

The balance in the share premium account is the premium on issue of the Company's equity share capital, comprising new Ordinary 10p shares and Deferred shares of 1p less any costs of issue.

## 21. Contingent liabilities

The Company at its year end had no contingent liabilities (2008: £nil).

# Notes to the Financial Statements

## 22. Retirement benefit schemes

The Company operated two pension schemes during the year one of which was a defined benefit scheme. Contributions to the defined benefit scheme totalled £223,000 (2008: £264,000). The costs of running the scheme charged to the income statement amounted to £61,000 (2008: £67,000).

The Company also maintains a Company Personal Pension plan in which defined contributions are made. No contributions to the plan were made in the current year (2008: nil). There are no current employee members and the scheme is being wound-up with members benefits transferred to individual personal pension plans.

The Company sponsors the Jerome Group plc Retirement Benefits Plan which is a partly funded defined benefit arrangement. The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 5 April 2007 and this has been adjusted and updated on an approximate basis to 31 March 2009.

The contributions made by the employer over the financial year have been £223,000. In the scheme year 2009/10, it has been agreed that the employer will contribute £180,000 per annum plus a 17% share of profits made in the financial year in accordance with the schedule of contributions agreed following the results of the 5 April 2007 valuation.

It is the policy of the Company to recognise all actuarial gains and losses in the year in which they occur outside the income statement account and in the statement of recognised income and expense.

### Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2009 £'000	2008 £'000
<b>Defined benefit obligation at start of year</b>	<b>9,838</b>	11,633
Interest cost	659	635
Actuarial (gain)/loss	116	(1,849)
Benefits paid	(857)	(581)
<b>Defined benefit obligation at end of year</b>	<b>9,756</b>	9,838

### Reconciliation of opening and closing balances of the fair value of plan assets

	2009 £'000	2008 £'000
<b>Fair value of assets at start of year</b>	<b>8,920</b>	9,830
Expected return on assets	492	596
Actuarial losses	(1,663)	(1,189)
Contributions by employer	223	264
Benefits paid	(857)	(581)
<b>Fair value of assets at end of year</b>	<b>7,115</b>	8,920
<b>Deficit in plan</b>	<b>(2,641)</b>	(918)

# Notes to the Financial Statements

## 22. Retirement benefit schemes – continued

### Total expense recognised in consolidated income statement

	2009 £'000	2008 £'000
Interest on liabilities	659	635
Expected return on assets	(493)	(596)
<b>Total expense</b>	<b>166</b>	<b>39</b>

### (Losses)/gains recognised in statement of recognised income and expense

	2009 £'000	2008 £'000
Difference between expected and actual return on plan assets:		
(Loss)/gain	(1,664)	(1,189)
Percentage of plan assets	23.4%	13.3%
Experience gains and losses arising on the plan liabilities:		
Gain	–	266
Percentage of present value of plan liabilities	–	2.7%
Effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities:		
(Loss)/gain	(115)	1,583
Percentage of present value of plan liabilities	1.2%	16.1%
<b>Total amount recognised in statement of recognised income and expense:</b>		
<b>Gain/(loss)</b>	<b>(1,779)</b>	<b>660</b>
<b>Percentage of present value of plan liabilities</b>	<b>18.2%</b>	<b>6.7%</b>

The cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expenses since adoption of IAS 19 is a loss of £1,201,000.

### Assets

	31 March 2009 £'000	31 March 2008 £'000
Equities	3,192	3,626
Bonds	2,976	3,703
Property	807	1,187
Cash	140	404
	<b>7,115</b>	<b>8,920</b>

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.

# Notes to the Financial Statements

## 22. Retirement benefit schemes – continued

### Assumptions

	2009 %	2008 %
	per annum	per annum
Inflation	3.1	3.7
Rate of discount	6.8	7.0
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.1	3.7
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.1	3.7
Allowance for commutation of pension for cash at retirement	Nil	Nil
	<hr/>	<hr/>

The mortality assumptions adopted imply the following life expectancies at age 65.

	2009	2008
Male retiring at age 65 in 2009:	<b>20.3 years</b>	20.5 years
Female retiring at age 65 in 2009:	<b>23.2 years</b>	23.4 years
Male retiring at age 65 in 2034:	<b>21.5 years</b>	19.6 years
Female retiring at age 65 in 2034:	<b>24.2 years</b>	22.4 years

Mortality assumptions with respect to the scheme are updated every 3 years as part of the full actuarial review of the scheme – which was last carried out for the period to 5 April 2007.

### Expected long-term rates of return

The expected long-term return on cash is equal to bank base rates at the balance sheet date. 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 and property is based on the rate of return on bonds with an allowance for out-performance.

The expected long-term rates of return are as follows:

	2009 %	2008 %
	per annum	per annum
Equities	8.75	8.6
Bonds	4.0	4.5
Property	8.0	7.5
Cash	2.0	5.2
	<hr/>	<hr/>
<b>Overall for plan</b>	<b>6.55</b>	<b>6.8</b>
	<hr/>	<hr/>

### Actual return on plan assets

The actual return on the plan assets over the year ending 31 March 2009 was minus £1,170,000.

# Notes to the Financial Statements

## 22. Retirement benefit schemes – continued

The five year history of experience adjustments is as follows:

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Present value defined benefit obligation	(9,756)	(9,838)	(11,633)	(11,358)	(10,565)
Fair value of plan assets	7,115	8,920	9,830	9,407	8,252
Deficit in plan	(2,641)	(918)	(1,803)	(1,951)	(2,313)
Experience adjustments on scheme liabilities Amount (£)	(115)	1,849	(217)	(689)	(162)
Percentage of scheme liabilities (%)	1.2%	18.8%	1.9%	6.1%	1.5%
Experience adjustments on scheme assets Amounts (£)	(1,663)	(1,189)	135	856	318
Percentage of scheme assets (%)	23.4%	13.3%	1.4%	9.1%	3.9%

### Best estimate of contributions to be paid to plan for the year ending 31 March 2010

The best estimate of contributions to be paid to the plan for the year ending 31 March 2010 is £180,000.

## 23. Related party disclosures

There are no related party transactions.

## 24. Events after the Balance Sheet Date

The Company has since the year end received and accepted a settlement offer relating to an ongoing legal matter over the plant and machinery transferred to Worthington Manufacturing Ltd which went into administration in 2007. The sum of £40,000 has been recognised in the accounts at 31 March 2009 in this respect.

Since the year end the Company has completed the lending on a closed bridging loan of £600,000 secured via a first charge over a property with a professional valuation substantially in excess of the loan advanced.

## 25. Control

In the opinion of the directors there is no single controlling party of the Company.

# Trading Record Highlights

	<b>2009</b>	2008	2007	2006	2005
	<b>£'000</b>	£'000	£'000	£'000	£'000
			As restated		
Revenue	<b>142</b>	146	313	1,596	4,908
(Loss)/profit before taxation	<b>(487)</b>	49	(278)	274	(1,154)
Capital employed	<b>1,087</b>	3,353	2,644	2,985	2,015
Earnings/(loss) per share (pence)	<b>(4.1p)</b>	0.4p	(2.4p)	2.3p	(9.8p)
Dividend per share (pence)	–	–	–	–	–

# Shareholders' Notes

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