

# Worthington Group plc

## FINANCIAL STATEMENTS

for the year ended 31 March 2011

Registration Number 527186

# Worthington Group plc

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**DIRECTORS**

A Cooke  
P Townsend

**COMPANY SECRETARY**

P D Cosec Limited  
1 The Green  
Richmond  
Surrey  
TW9 1PL

**REGISTERED OFFICE**

1 The Green  
Richmond  
Surrey  
TW9 1PL

**AUDITORS**

Shipleys LLP  
10 Orange Street  
Haymarket  
London  
WC2H 7DQ

**FINANCIAL ADVISERS**

Beaumont Cornish Ltd  
2<sup>nd</sup> Floor Bowman House  
29 Wilson Street  
London  
EC2M 2SJ

**REGISTRARS**

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

**SOLICITORS**

Field Fisher Waterhouse LLP  
35 Vine Street  
London  
EC3N 2AA

**BANKERS**

HSBC PLC  
100 King Street  
Manchester  
M60 2HD

## Worthington Group plc Chairman's Statement

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I am pleased to report that there has been much progress made since my appointment and that of Peter Townsend, as Chief Executive, last July. The Company recorded a profit after taxation of £2,077,000 (2010: loss of £316,000) which included a number of non cash items relating principally to the Company's investment property in Keighley and the pension scheme. These and other developments are discussed more fully below.

Cash balances in the year reduced from £831,000 to £247,000 at the year end point. This was partly due to a loan of £350,000 made by the Company in November 2010, which has been repaid since the year end, together with payments to the pension scheme and substantial costs in relation to a scheme for the redevelopment of the Keighley property.

Our change to a standard listing during the year received over 99% support from shareholders and we remain confident that the work and expense that was brought about preparing for this change will ultimately produce significant advantage and savings for the Company's future prospects.

The pension scheme deficit reduced by £398,000 to £2,842,000 (2010: £3,240,000) in the year after the inclusion in the income statement of an interest expense of £110,000 (2010: £242,000). I am pleased to confirm, as previously announced, that the Company and Trustees reached agreement on future contributions to the Scheme following the full triennial actuarial review of the scheme to April 2010. It has been agreed that the employer will now contribute £110,000 per annum plus a 20% share of profits made in the financial year. The annual PPF levy previously borne by the Scheme will now be paid by the Company. During the process the Company received a rebate of £120,000 with regard to the release of over provisions made in the Scheme with respect to PPF levies previously reserved by the Actuary.

The pension scheme funding risk continues to represent the principal risk factor faced by the Company. We continue, in conjunction with the Trustees to closely monitor the performance of the Scheme's investments which total £8.26m (2010: £8.20m) together with the schemes liabilities. During the year the Trustees took the decision to change the investment manager of the equity and bond portion of the portfolio and at the same time to liquidate the Scheme's bond holdings of some £3m. At the year end the scheme was holding £3.3m of cash (2010: £106,000) although a significant portion of this has been earmarked for a specific investment.

We have worked closely with Trimmings by Design our associated company, in which we have a 44% interest. Having considered various proposals we feel that the existing agreement, properly administered and controlled, continues to be in the best interests of both companies. Draft accounts for the year ended 31 December 2010 show Trimmings has returned to profitability following increased activity and they have in the last few weeks, paid Worthington a dividend of £44,000 which will be reflected in the next financial year.

Turning to the Keighley property we have taken the opportunity to demolish buildings as tenants have left to save on rates and prepare the site for redevelopment. Our main tenant has given notice to vacate the property at the end of July and we hope to start on Phase 2 of the demolition works in early August with an anticipated 12 week demolition schedule. Significantly we were originally quoted £300,000 for the demolition works but we have managed to alter our timings and avail ourselves of significant saving by reclaiming a considerable amount of the stone and metal work within the buildings and now expect the demolition cost to be negligible or potentially produce a small profit.

As is normal with a redevelopment on this scale, we have, in preparation for the application and in conjunction with our consultants, worked closely with the planners to draw up what we hope will be an acceptable scheme. As we reported earlier planning permission has now been submitted for a multi use development to include; Residential, a Hotel, a Cinema, Retail outlets and Industrial use.

## Worthington Group plc Chairman's Statement

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During the process the council rezoned part of our site to allow residential use and they have provided some additional land adjacent to our site allowing better access and taking up the Industrial use previously covering our existing site which could have restricted our plans. The Directors believe, having consulted with their professional advisers that the anticipated development costs will be approximately £30 Million and produce a significant return for the Company.

We have posted a copy of the block plan of the proposed development on our website [www.worthingtongroupplc.co.uk](http://www.worthingtongroupplc.co.uk) for shareholders to view. Our consultants lead us to believe that our plan will receive planning permission within 12 weeks although this is a process over which we have no influence and it is always possible that we will yet be asked to make further amendments to the plans. For the development to be in a position to proceed we will have to invest further funds, from our own resources, to comply with all the likely planning requirements.

We remain confident that we will receive significant planning permission and the Board has therefore reassessed the fair value of the property to £4m which we feel better represents the value of the land at this time. This has produced an accounting profit of £2.2m which has been included in the income statement in the current year. The pension fund Trustees have acknowledged that as this is purely an accounting profit at this time, none of the increased profit will attract an additional contribution to the pension fund. We would potentially anticipate a further revaluation once the planning permission is received and the Company is on track to significantly benefit from the potential value within the development. We are currently in discussions with various potential tenants and occupiers and hope that these discussions will lead to formal Heads of Terms and ultimately Agreements to Lease – which we believe could effectively underwrite the development costs.

Once we have secured planning permission we will be better placed to determine how we should proceed. We will consider seeking funding to undertake the development ourselves in its entirety or in stages, each phase potentially funding the next part of the development or consider if we should seek an experienced joint venture partner to take the project forward. We may also seek to sell the site outright with the benefit of planning permission and potentially funding and use the funds to pursue other opportunities.

We have also investigated a number of potential mergers and acquisitions which have involved considerable due diligence but we have managed to keep the professional costs associated with this activity to no more than £35,000. These costs will be reflected within next year's accounts, but as yet we have not found an opportunity that we could confidently put to shareholders that properly reflects the current position of the Company or the significant potential we have from the development.

As Chairman I am aware that as Chief Executive Peter Townsend should be significantly incentivised to continue the work he is undertaking for the Company and as is normal in such circumstances, as soon as it is appropriate to do so, I intend to take steps to put in place a substantial options package for him so that his interests are properly aligned with those of the shareholders.

The Board is extremely confident as to the Company's current position and we remain enthusiastic and ready to take the Company forward.

**Tony Cooke**  
**Chairman**

29 July 2011

The Directors submit their Report together with the audited Financial Statements for the year ended 31 March 2011.

### **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 pages 2 and 3 is incorporated in the report by reference. The Directors do not consider it necessary to include information about employment, environmental, social or community issues in the Directors' Report. Further information on the business is set out below.

### **Capital Structure**

Following the purchase of all the Deferred Ordinary Shares of 1p each for £1 on 31 March 2011 the Company now has one class of share being the New Ordinary Shares 10p each. The New Ordinary Shares are listed on the London Stock Exchange and carry rights to vote at general meetings and to receive dividends.

### **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 those of rental income receivable on the Company's property assets together with the level of Head office costs and the performance of the managers of the Pension Scheme's assets

The Pension Scheme's property investments are monitored quarterly against the IPD All Balanced Funds Weighted Average. The investments produced a profit of 9.9% (2010: 13.4 %) versus the benchmark return of a profit of 8.4% (2010: 11.7 %).

The rest of the scheme investments are monitored on a quarterly basis by the Board following receipt of valuation reports by the investment managers. Any performance issues or concerns are discussed with the managers on a regular basis and corrective actions are agreed where necessary.

### **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 equity share capital.

# Worthington Group plc

## DIRECTORS' REPORT

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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.

### **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.

### **Results and Dividends**

For the year under review the Company made a profit before taxation of £2,077,000 (2010: loss £316,000). After a tax charge of £nil (2010: £nil), the amount transferred to reserves was £2,077,000 (2010: from reserves £316,000).

No interim dividend has been paid during the year (2010: nil per share) and the Directors are not recommending the payment of a final dividend (2010: nil).

### **Directors who held Office during the Year**

The Directors of the Company who held office during the year are as follows:

A Cooke (appointed 6 July 2010)  
P Townsend (appointed 6 July 2010)  
J C Dwek CBE (resigned 1 September 2010)  
D M Shalom (resigned 7 October 2010)  
M Edelson (resigned 6 July 2010)

#### **Anthony Ralph Cooke (Non Executive Chairman)**

Anthony has worked as a financial professional in the City of London for over 20 years, in both corporate and investment banking. For 12 years he was an international corporate and sovereign debt lender for Wells Fargo and another US bank and moved on to become General Manager of EMEA operations and was a senior credit officer with substantial approval authority.

Anthony then moved into stock broking and equity corporate finance for a period of 10 years. During this time he provided financial advice, led floatations and raised equity finance for a wide range of companies in the UK, Australia and in Eastern Europe. He was also Corporate Finance Director of a major French bank's subsidiary. In a varied career he has also served as Vice Chairman of a Community and Mental Health NHS Trust overseeing the Finance Director and establishing and chairing the audit committee.

#### **Peter Townsend (Chief Executive Director)**

Following a successful career within banking, predominantly within Lombard North Central where he was involved with both consumer and corporate finance including a period within the credit sanction and quality control departments, he moved into Business Management. He rose to become the financial director and company secretary of the very successful £120m turnover L+C Group where he made many city contacts. Peter ultimately took the lead role in the sale of the L+C Group to Inchcape Plc.

Under the Company's Articles of Association every Director of the Company is entitled to be indemnified against all costs, charges, losses, expenses and liabilities incurred in the execution of their duties.

### **Directors' Interests in Ordinary Shares of the Company**

As at 31 March 2011 the directors had no beneficial interests in the shares of the Company (31 March 2010 – nil).

### **Directors' Interests in Contracts**

During the year the sum of £88,000 (2010: nil) was paid to Corporate Services Associates Ltd for consultancy services in respect of Anthony Cooke and Peter Townsend. Peter Townsend is a director and shareholder of Corporate Services Associates Ltd.

### **Substantial Shareholdings**

The Company has been notified of the following interests of 3% or more in the Company as of 29 July 2011 in accordance with chapter 5 of the Disclosure and Transparency Rules:

	<b>10p Ordinary shares</b>	<b>%</b>
Regenesi Holdings Ltd	2,596,625	22.0
J C Dwek	1,379,308	11.7
Liberty Capital Ltd	890,000	7.6
S Wicks	355,027	3.0

### **Risk Management**

The Company's risk management policy is explained in Note 17 and is further explained on page 8 in the Board report on Corporate Governance.

### **Donations**

No charitable or political donations were made by the Company during the year (2010: £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 7 and 8.

### **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.

### **Statement of Disclosure to Auditors**

Each of the persons who is a Director at the date of 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  
**Anthony Cooke**  
**29 July 2011**

# Worthington Group plc

## REPORT ON CORPORATE GOVERNANCE

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The Board of Directors supports the principle and is committed to maintaining standards of corporate governance in line with the 2008 FRC Combined Code which sets out the Principles of Good Governance and the Code of Best Practice. The Board considers that the Company has complied with the provisions of the code throughout the year under review (and subsequently up to the date of this report) except in those areas mentioned in the summary of the Company's procedures below:

### **Board Composition**

The Board currently comprises one Executive Director and one independent Non-Executive Chairman. 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 Chairman 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.

### **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 Chairman.

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 consists of the Non-Executive Chairman who reviews the financial statements prior to the approval by the Board. Although other Directors 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 Chief Executive. 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.

### **Audit Committee continued**

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.

### **Remuneration Committee**

The members of this committee are the Chairman and Chief Executive. The Chairman of the Remuneration Committee is Anthony Cooke, 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. 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.

### **Internal Control continued**

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 Chief Executive who does not enter into speculative derivative transactions.
- Financial controls have been established which are appropriate and these are regularly reviewed by the Chief Executive. 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.

All members of the committees attended all meetings.

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.

### **Investor Relations**

The Chairman and the Chief Executive meet and communicate with institutional investors as appropriate and encourage communication through participation of investors at the Annual General Meeting and throughout the year.

Worthington Group plc  
 DIRECTORS' REMUNERATION REPORT

The Board's Remuneration Committee, which currently comprises Tony Cooke and Peter Townsend, 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 who served during the financial year ended 31 March 2011 were as follows:

	<b>2011</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>
	<b>Salary</b>	<b>Benefits</b>	<b>Total</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>Salary &amp; Benefits</b>	<b>Salary &amp; Benefits</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Executive Directors</b>				
Peter Townsend (appointed 6 July 2010)	<b>9</b>	-	<b>9</b>	-
J C Dwek (to date of resignation 1 September 2010)	<b>1</b>	-	<b>1</b>	2
David Shalom (to date of resignation 7 October 2010)	<b>14</b>	-	<b>14</b>	10
<b>Non-Executive Directors</b>				
Anthony Cooke (appointed 6 July 2010)	-	-	-	-
Michael Edelson (to date of resignation 6 July 2010)	<b>1</b>	-	<b>1</b>	3
	—	—	—	—
Aggregate remuneration	<b>25</b>	-	<b>25</b>	15
	==	==	==	==

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 £34,340 (2010: £34,340).

The present Directors positions are currently not pensionable. Peter Townsend is currently paid a salary at a rate of £12,000 per annum

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. At 31 March 2011 none of the Directors in office at the end of the 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 2011 was 15p and the high and low share prices during the year were 29.5p and 9p respectively.

# Worthington Group plc

## DIRECTORS' REMUNERATION REPORT

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### 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.

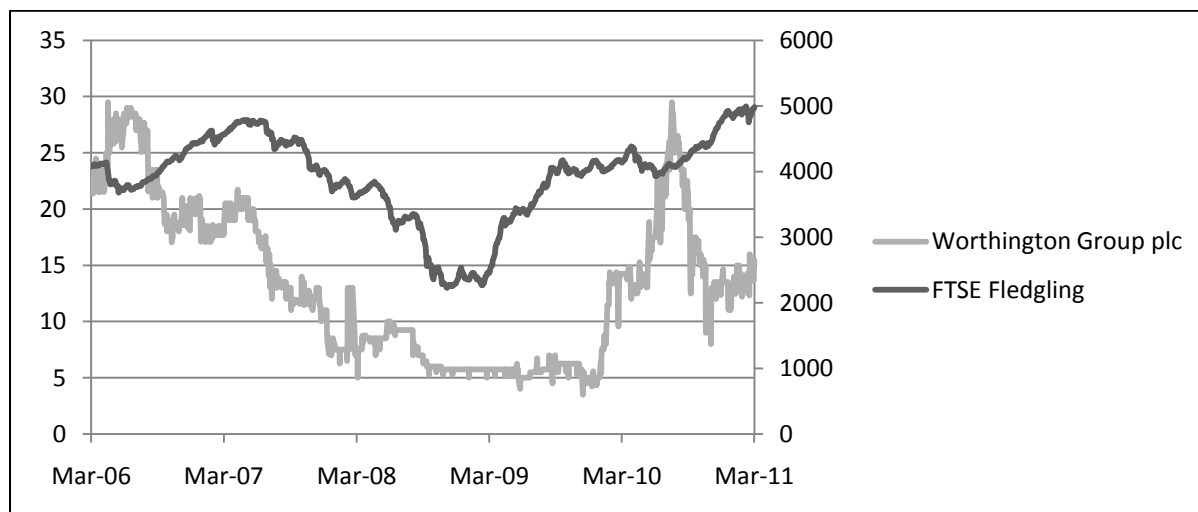
### Directors' Service Agreements

Peter Townsend has an employment and services agreement with the Company for £12,000 per annum. This contract is for an initial period of two years and thereafter subject to 24 months notice.

### Performance graph

The following graph shows the Company's performance compared with the performance of the FTSE Fledgling Index since 1 April 2006. 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.

Worthington Group plc vs FTSE Fledgling index



This report was approved by the Board of Directors on 29 July 2011 and signed on its behalf by:

**Anthony Cooke**  
Chairman

## Worthington Group plc

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors have chosen to prepare the Company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provide relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Directors' responsibility statement**

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 profit or loss of the Company taken as a whole; and
2. the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company taken as a whole, together with a description of the principal risks and uncertainties

On behalf of the Board

**Anthony Cooke**  
*Chairman*  
29 July 2011

Worthington Group plc  
INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WORTHINGTON GROUP PLC

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We have audited the financial statements of Worthington Group plc for the year ended 31 March 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As more fully explained in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of; whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

**Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2011 and of the Company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Worthington Group plc  
INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF WORTHINGTON GROUP PLC

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**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Benjamin Bidnell (Senior Statutory Auditor)  
For and on behalf of Shipleys LLP, Statutory Auditor  
Chartered Accountants and Statutory Auditors  
Orange Street  
Haymarket  
London  
WC2H 7DQ

29 July 2011

Worthington Group plc  
 INCOME STATEMENT  
 For the year ended 31 March 2011

	Note	Total 2011 £'000	Total 2010 £'000
Revenue	4	140	147
Cost of sales		(154)	(12)
<b>Gross profit</b>		<b>(14)</b>	135
Administrative expenses		(151)	(7)
Pension expenses		32	(67)
<b>Operating (loss)/profit</b>		<b>(133)</b>	61
Investment revenues	7	88	169
Fair value gain on investment property	12	2,200	-
Pension Finance costs	8	(110)	(242)
Share of results of associate	9	32	(79)
Provision for impairment losses	13	-	(225)
<b>Profit/(loss) before taxation</b>		<b>2,077</b>	(316)
Taxation	10	-	-
<b>Profit/(loss) after taxation for year</b>	<b>5</b>	<b>2,077</b>	(316)
Earnings per ordinary share from continuing operations			
– Basic	11	17.6p	(2.7p)
– Fully diluted	11	N/A	N/A

The notes on pages 20 to 36 form part of these financial statements

All items are derived from continuing operations.

Worthington Group plc  
 STATEMENT OF COMPREHENSIVE INCOME  
 For the year ended 31 March 2011

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	Note	2011 £	2010 £
Profit/(loss) for the year		2,077	(316)
Actuarial profit/(loss) on retirement benefit obligation	22	328	(539)
		<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the year</b>		<b>2,405</b>	<b>(855)</b>
		<hr/>	<hr/>
Attributable to:			
<b>Owners of the parent</b>		<b>2,405</b>	<b>(855)</b>
		<hr/>	<hr/>

Worthington Group plc  
 STATEMENT OF FINANCIAL POSITION  
 For the year ended 31 March 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
<b>Non-current assets</b>					
Investment property	12	4,000		1,800	
Interests in associates	13	157		125	
Other financial assets	14	800		800	
			4,957		2,725
<b>Current assets</b>					
Trade and other receivables	15	483		15	
Cash and bank balances		247		831	
			730		846
<b>Total assets</b>			<b>5,687</b>		<b>3,571</b>
<b>Current liabilities</b>					
Trade and other payables	16	208		99	
		208		99	
<b>Non-current liabilities</b>					
Retirement benefit obligation	22	2,842		3,240	
		2,842		3,240	
<b>Total liabilities</b>			<b>(3,050)</b>		<b>(3,339)</b>
<b>Net assets</b>			<b>2,637</b>		<b>232</b>
<b>Equity</b>					
Called-up share capital	19	1,181		11,807	
Share premium account	20	9,836		9,836	
Other reserve	20	10,626		-	
Retained earnings	20	(19,006)		(21,411)	
<b>Total equity</b>			<b>2,637</b>		<b>232</b>

The financial statements were authorised for issue by the Board of Directors on 29 July 2011 and were signed on its behalf by:

**Peter Townsend** - Chief Executive

The notes on pages 20 to 36 form part of these financial statements.

Worthington Group plc  
 CHANGES IN EQUITY  
 For the year ended 31 March 2011

	<b>Share Capital £'000</b>	<b>Share Premium £'000</b>	<b>Other Reserve £'000</b>	<b>Retained Earnings £'000</b>	<b>Total £'000</b>
At 1 April 2009	11,807	9,836	-	(20,556)	1,087
Total comprehensive income for the year	-	-	-	(855)	(855)
At 31 March 2010	11,807	9,836	-	(21,411)	232
Purchase and cancellation of deferred shares	(10,626)	-	10,626	-	-
Total comprehensive income for the year	-	-	-	2,405	2,405
<b>Balance as at 31 March 2011</b>	<b>1,181</b>	<b>9,836</b>	<b>10,626</b>	<b>(19,006)</b>	<b>2,637</b>

On 31 March 2011 the company issued 1 new ordinary share for £1 and repurchased for £1 all of the Deferred Ordinary shares in issue for cancellation. A capital reserve has been created in respect of the cancelled shares.

Worthington Group plc  
**CASH FLOW STATEMENT**  
For the year ended 31 March 2011

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	<b>2011</b>	2010
	<b>£'000</b>	£'000
<b>Cash flow from operating activities</b>		
Operating (loss)/profit	<b>(133)</b>	61
Movement in trade and other receivables	<b>(71)</b>	70
Movement in trade and other payables	<b>109</b>	(83)
Payments to pension scheme	<b>(180)</b>	(182)
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(275)</b>	(134)
<b>Cash flows from investing activities</b>		
Interest received	<b>41</b>	169
Loans advanced	<b>(350)</b>	-
	<hr/>	<hr/>
<b>Net cash (used)/generated by investing activities</b>	<b>(309)</b>	169
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(584)</b>	35
Opening cash and cash equivalents	<b>831</b>	796
	<hr/>	<hr/>
<b>Closing cash and cash equivalents</b>	<b>247</b>	831
	<hr/> <hr/>	<hr/> <hr/>

# Worthington Group plc

## NOTES TO THE FINANCIAL STATEMENTS

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### 1. General information

Worthington Group plc is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006.

The Company's functional currency is £ sterling.

#### Interpretations of standards

The Company has adopted the following as of 1 April 2010:

IFRS 3 (revised), "Business Combinations" requires all acquisition related costs to be expensed and adjustments to contingent consideration classified as debt to be recognised in profit or loss rather than as an adjustment to goodwill. It allows the choice on an acquisition by acquisition basis of measuring the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's share of the acquiree's net assets. The Company has applied the revised standard prospectively from 1 April 2010 for combinations completed after that date with no impact in the year ended 31 March 2011.

IAS 27 (revised), "Consolidated and Separate Financial Statements" requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions no longer result in the recognition of goodwill or gains and losses. When control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Company has applied the revised standard from 1 April 2010 with no material impact in the year ended 31 March 2011. The revision to IAS 27 contained consequential amendments to IAS 28, "Investments in Associates" and IAS 31 "Interests in Joint Ventures".

The following accounting standards, interpretations and amendments have been adopted by the Company since 1 April 2010 with no significant impact on its results or financial position:

IFRS 1	(revised), "First-time Adoption" and amendment to IFRS1 for Additional Exemptions.
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRS 2	Amendment "Group Cash-settled Share-based Payment Transactions"
IAS 32	Amendment "Financial Instruments: Presentation - Classification of Rights Issues"
IAS 39	Amendment "Financial Instruments: Recognition and Measurement – Eligible Hedged Items"

#### Annual Improvement to IFRSs (2009)

The following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2011 or later periods, but which have not been adopted by the Company:

IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments" is effective from 1 July 2010.
IFRS 1	Amendment "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters" is effective from 1 July 2010.
IAS 24	Amendment "Related Party Disclosures" is effective from 1 January 2011.
IFRIC 14	Amendment "Pre-payments of a Minimum Funding Requirement" is effective from 1 January 2011.

## 1. General information (continued)

IFRS 1	Amendment “Hyperinflation and Fixed Dates” is effective from 1 July 2011.
IFRS 7	Amendment “Financial Instrument Disclosures”: Transfers of Financial Assets is effective from 1 July 2011.
IAS 12	Amendment “Deferred Tax: Recovery of Underlying Assets” is effective from 1 January 2012.
IAS 27	(revised 2011) “Separate Financial Statements” is effective from 1 January 2013.
IAS 28	(revised) “Associate and Joint Venture” is effective from 1 January 2013.
IFRS 9	“Financial Instruments” is effective from 1 January 2013.
IFRS 10	“Consolidated Financial Statements” is effective from 1 January 2013.
IFRS 11	“Joint Arrangements” is effective from 1 January 2013.
IFRS 12	“Disclosures of Interest in Other Entities” is effective from 1 January 2013.
IFRS 13	“Fair Value Measurement” is effective from 1 January 2013.

Annual improvements to IFRSs (2010) is primarily effective from 1 January 2011.

The adoption of these standards, interpretations and amendments is not expected to have a material effect on the results of operations or financial position of the Company.

## 2. Significant Accounting Policies

### Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS).

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

The principal accounting policies adopted 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 Statement of Financial Position 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.

Any goodwill included in the carrying amount of the investment is assessed for impairment as part of its investment.

### Goodwill

The Company has elected not to apply IFRS3 “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.

## **2. Significant Accounting Policies - continued**

### **Impairment of tangible assets**

At each reporting date, the Company reviews the carrying amount of its tangible assets to determine whether there is any 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 of other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any impairment loss is immediately recognised in the Income Statement.

### **Revenue**

Revenue is measured at the fair value of the consideration received 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 2006 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 all temporary timing differences which result in an obligation at the date of the statement of financial position 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. Temporary 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.

### **Retirement Benefit costs**

The Company operated a defined benefit scheme during the year. 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 the employees in the scheme. The deficit in the scheme is included as a liability on the Statement of Financial Position.

Actuarial gains and 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 Comprehensive Income.

## **2. Significant Accounting Policies - continued**

### **Financial Instruments**

The following are the Company's accounting policies for financial instruments:-

#### **(i) Recognition**

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

#### **(ii) Trade 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 Directors consider them to be recoverable. 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 accruals 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 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.

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

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

The key assumptions concerning the future, and other key sources of estimation and uncertainty at the date of the Statement of Financial Position that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, relate to the Company's defined benefit pension 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. Operating segments**

The Company has adopted IFRS 8 with effect from 1 April 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Executive to allocate resources and assess performance.

As a result, following adoption of IFRS 8, the Company's only reportable segment remains property rental and management in the UK.

Included in revenues arising from the Company's only reportable segment are revenues of approximately £140,000 which arose from the Company's three largest customers being £98,000, £22,000 and £20,000 respectively.

**5. Profit for the year**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Profit for the year is stated after charging:		
Impairment loss recognised on interests in associates	-	225
Fees paid to the auditors are analysed as follows:		
– audit fees	<b>12</b>	13
– tax consultancy	<b>1</b>	2
	<b>—————</b>	<b>—————</b>

Worthington Group plc  
 NOTES TO THE FINANCIAL STATEMENTS

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**6. Employees**

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

	<b>2011</b>	2010
	<b>Number</b>	Number
Management	<b>1</b>	2
	<u>          </u>	<u>          </u>

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

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Wages and salaries	<b>24</b>	13
Social security costs	<b>1</b>	-
	<u>          </u>	<u>          </u>
	<b>25</b>	13
	<u>          </u>	<u>          </u>

An analysis of Directors' remuneration is disclosed in the audited part of the Directors' Remuneration Report on page 10.

**7. Investment revenues**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Loan note interest	<b>52</b>	52
Interest and arrangement fees on bridging loans	<b>35</b>	116
Interest on bank deposits	<b>1</b>	1
	<u>          </u>	<u>          </u>
	<b>88</b>	169
	<u>          </u>	<u>          </u>

**8. Pension Finance Costs**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Pension scheme net finance charge	<b>110</b>	242
	<u>          </u>	<u>          </u>

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

**9. Share of results of associates**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Share of profits/ (losses)	<b>57</b>	(60)
Associates' net finance costs	<b>(25)</b>	(23)
Taxation of profits less losses of associates	<b>-</b>	4
	<b>32</b>	(79)
	<b>=====</b>	<b>=====</b>

**10. Taxation**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Current taxation	<b>-</b>	-
Deferred taxation (note 18)	<b>-</b>	-
	<b>-</b>	-
	<b>=====</b>	<b>=====</b>

The charge for the year can be reconciled to the loss per the Income Statement as follows:-

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Profit/(loss) before taxation	<b>2,077</b>	(316)
	<b>=====</b>	<b>=====</b>
Taxation at the UK corporation tax rate of 28% (2010: 28%)	<b>582</b>	(89)
Taxation effect of:		
Non-deductible expenses	<b>-</b>	85
Share of results in associate	<b>(9)</b>	4
Capital allowances in excess of depreciation	<b>(3)</b>	(8)
Losses carried forward	<b>32</b>	(4)
Other taxation adjustments	<b>14</b>	12
Fair value gain	<b>(616)</b>	-
	<b>-</b>	-
Taxation expense for the year	<b>=====</b>	<b>=====</b>

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

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**11. Earnings per share**

The earnings per share has been calculated using the weighted average number of ordinary shares in issue during the relevant financial periods. The weighted average number of shares in issue during the year was 11,807,013 (2010:11,807,013) and the profit after taxation was £2,077,000 (2010: loss £316,000). There is no difference between the basic and diluted losses per share in either year.

**12. Investment property**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Fair value		
At 31 March	<b>4,000</b>	1,800
	<hr/>	<hr/>

A detailed planning application was submitted on 22 July 2011 to redevelop the investment property in Keighley. The directors have revalued the property to £4m (2010:£1.8m), having regard to the stage of the planning process and their view as to the eventual worth of the property upon receipt of planning permission. This has produced an accounting gain on the fair value of the investment property of £2.2m in the year but does not reflect any increase in the cash position at this time.

Revenues receivable in respect of the property amounted to £140,000 (2010: £147,000). Operating costs in respect of the property amounted to £154,000 (2010: £12,000). The operating costs in 2011 included some £20,000 in respect of business rates, which related to prior years following the determination of a rating appeal, as well as some £110,000 of costs related to the planning application including architects and legal fees and monies paid to Corporate Services Associates Ltd for consultancy services.

The main tenant of the property has given notice to quit in July and accordingly the rental income will effectively cease as the final small tenant leaves at the end of August. As tenants vacate the property the directors plan to continue to demolish the vacant areas to avoid business rates and also prepare the land for eventual redevelopment.

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

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**13. Interests in associate**

The following is the associated undertaking in which the Company holds an investment.

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 furnishing, blinds and lighting markets.

Below is a summary of the movement in interest in associate:

	<b>Total £'000</b>
At 1 April 2010	
Share of profits	<b>125</b>
Additions	<b>32</b>
	<hr/>
At 31 March 2011	<b>157</b>
	<hr/> <hr/>

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

	<b>2011 £'000</b>	2010 £'000
Assets	<b>2,032</b>	1,892
	<hr/>	<hr/>
Liabilities	<b>1,109</b>	1,086
	<hr/>	<hr/>
Revenue	<b>2,845</b>	2,634
	<hr/>	<hr/>
Profit/ (loss)	<b>74</b>	(186)
	<hr/> <hr/>	<hr/> <hr/>

The Directors believe they have an influence over Trimmings by Design Ltd through the Company's 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 2010 in its financial year ended 31 March 2011.

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

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**13. Interests in associate continued**

The Company tests the investment in the associate annually for impairment or more frequently if there are indications that it might be impaired. In 2010 a provision of £225,000 was made against the carrying value of the investment in Trimmings by Design Limited following continued losses and a budgeted loss forecast for the current financial year.

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

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

**14. Other Financial assets**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Loan notes	<b>800</b>	800
	<u>800</u>	<u>800</u>

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 associate 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**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Trade and other receivables falling due within one year:		
Loans receivable	<b>350</b>	-
Prepayments and accrued income	<b>133</b>	15
	<u>483</u>	<u>15</u>

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

On 10 November 2010 the Company advanced £350,000 to a third party by way of loan with interest payable at 2.5% per month. The loan and interest has been repaid since the year end.

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

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**16. Trade and other payables**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Trade and other payables falling due within one year:		
Other creditors	<b>32</b>	34
Taxation and social security	<b>(1)</b>	5
Accruals and deferred income	<b>177</b>	60
	<hr/> <b>208</b> <hr/>	<hr/> 99 <hr/>

The directors consider that the carrying value of trade and other payables approximates to their fair value.

**17. Financial instruments**

The Company policy as regards financial instruments is 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.

The risk of default by borrowers in respect of loans advanced is mitigated by the Company taking additional security where appropriate.

**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. As at 31 March 2011 short term deposits were not earning interest.

**Foreign currency risk**

The Company does not trade in foreign currencies.

**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 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 business which would enhance the earnings of the Company in the longer term.

The Company's overall strategy remains unchanged from 2010. The Company is not subject to any externally imposed capital requirements.

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

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**18. Deferred Taxation**

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

	<b>2011</b>	2010
	<b>£'000</b>	£'000
<b>Deferred Tax liabilities</b>		
Revaluation gain	<b>899</b>	187
Accelerated tax depreciation	-	81
<b>Deferred Tax assets</b>		
Allowable losses	<b>(888)</b>	(268)
Accelerated tax depreciation	<b>(11)</b>	-
	<u>          </u>	<u>          </u>
	-	-
	<u>          </u>	<u>          </u>

At the date of the Statement of Financial Position the Company has total unused tax losses of £5,497,940 (2010: £5,375,485). The Company recognises deferred tax assets only to the extent that they cover deferred tax liabilities as the likelihood of the Company utilising further losses in the foreseeable future is thought to be remote.

**19. Share Capital**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Authorised:		
<b>New ordinary Shares of 10p each</b>		
52,736,850 (2010: 52,736,850)	<b>5,274</b>	5,274
<b>Deferred Ordinary shares of 1p each</b>		
Nil (2010: 1,062,631,467)	-	10,626
	<u>          </u>	<u>          </u>
	<b>5,274</b>	15,900
	<u>          </u>	<u>          </u>
Allotted, called up and fully paid:		
<b>New ordinary Shares of 10p each</b>		
11,807,014 (2010: 11,807,013)	<b>1,181</b>	1,181
<b>Deferred Ordinary shares of 1p each</b>		
Nil (2010: 1,062,631,467)	-	10,626
	<u>          </u>	<u>          </u>
	<b>1,181</b>	11,807
	<u>          </u>	<u>          </u>

On 31 March 2011 the Company issued one New ordinary 10p share and purchased and cancelled the entire issued deferred ordinary shares capital of 1p each for £1 on the same day.

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

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**19. Share Capital continued**

Under the provisions of the Worthington Group plc Senior Executive Share Option Scheme the options outstanding at 31 March 2011 granted but not taken up totalled Nil ( 2010: Nil ) shares exercisable.

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

**20. Reserves**

	<b>Share Premium account £'000</b>	<b>Other reserve £'000</b>	<b>Retained earnings £'000</b>
At 1 April 2010	9,836	-	(21,411)
Actuarial profits on retirement benefit obligations	-	-	328
Capital reserve on cancellation of deferred ordinary shares	-	10,626	-
Retained earnings for the year	-	-	2,077
	<hr/>	<hr/>	<hr/>
At 31 March 2011	9,836	10,626	(19,006)
	<hr/>	<hr/>	<hr/>

The balance in the share premium account is the premium on issue of the Company's equity share capital, comprising the New Ordinary 10p shares.

A capital reserve has been created following the purchase and cancellation of the deferred ordinary shares of 1p on 31 March 2011 for £1.

**21. Contingent Liabilities**

The Company at its year end had no contingent liabilities.

**22. Retirement benefit schemes**

The Company operated a defined benefit plan in the UK during the year. Contributions to the defined benefit scheme totalled £180,000 (2010: £182,100). The costs of running the scheme is charged to the Income Statement and amounted to £52,000 (2010: £68,000).

The Company sponsors the Jerome Group Plc Retirement Benefits Plan which is a partly funded defined benefit arrangement. A full actuarial valuation at 5 April 2010 is currently being finalised and the preliminary results have been updated to 31 March 2011 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

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**22. Retirement benefit schemes - continued**

The contributions made by the employer over the financial year have been £180,000. Following the three yearly full actuarial review as at 5 April 2010 it has been agreed that the employer will now contribute £110,000 per annum plus a 20% share of profits made in the financial year. In addition the PPF levy previously borne by the Scheme will now be paid by the Company. This revised schedule of contributions has been agreed with the Trustees and will be submitted to the Pensions Regulator by the end of June.

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**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
<b>Defined benefit obligation at start of year</b>	<b>11,443</b>	9,756
Interest cost	<b>625</b>	640
Actuarial (gain)/loss	<b>(402)</b>	1,748
Benefits paid	<b>(561)</b>	(701)
	<hr/>	<hr/>
<b>Defined benefit obligation at end of year</b>	<b>11,105</b>	11,443
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>2011</b>	2010
	<b>£'000</b>	£'000
<b>Fair value of assets at start of year</b>	<b>8,203</b>	7,115
Expected return on assets	<b>515</b>	398
Actuarial (losses)/gain	<b>(74)</b>	1,209
Contributions by employer	<b>180</b>	182
Benefits paid	<b>(561)</b>	(701)
	<hr/>	<hr/>
<b>Defined benefit obligation at end of year</b>	<b>8,263</b>	8,203
	<hr/> <hr/>	<hr/> <hr/>
<b>Deficit in plan</b>	<b>(2,842)</b>	(3,240)
	<hr/> <hr/>	<hr/> <hr/>

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

**22. Retirement benefit schemes - continued**

**Total expense recognised in Income Statement**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Interest on liabilities	<b>625</b>	640
Expected return on assets	<b>(515)</b>	(398)
<b>Total expense</b>	<b>110</b>	242

**Gains/ (losses) recognised in Statement of Comprehensive Income**

	<b>2011</b>	2010
	<b>£'000</b>	£'000
Difference between expected and actual return on plan assets:		
Loss/ (Gain)	<b>(74)</b>	1,209
Experience gains and losses arising on the plan liabilities:		
Gain	<b>571</b>	111
Effects of changes in the demographic and financial assumptions underlying the present value of plan liabilities:		
Loss	<b>(169)</b>	(1,859)
<b>Total gain/ (loss) recognised in Statement of Comprehensive Income</b>	<b>328</b>	(539)

The cumulative amount of actuarial gains and losses recognised in the Statement of Recognised Income since adoption of IAS19 is a loss of £1,412,000.

<b>Assets</b>	<b>31 March</b>	31 March
	<b>2011</b>	2010
	<b>£'000</b>	£'000
Equities	<b>3,808</b>	3,940
Bonds	-	3,165
Property	<b>1,069</b>	993
Cash	<b>3,386</b>	105
	<b>8,263</b>	8,203

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.

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

**22. Retirement benefit schemes - continued**

**Assumptions**

	<b>2011</b>	2010
	%	%
	<b>per annum</b>	per annum
Inflation	3.2	3.7
Rate of discount	5.6	5.6
Allowance for pension in payment increases of CPI/RPI or 5% per annum if less*	3.2	3.7
Allowance for revaluation of deferred pensions of CPI/RPI or 5% per annum if less*	3.2	3.7
Allowance for commutation of pension for cash at retirement	100%	100%
	of post A day	of post A day

\*From 31 March 2011, inflation linked benefits became linked to the changes in the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) as used prior to this date.

The mortality assumptions adopted at 31 March 2011 imply the following life expectancies:

	<b>2011</b>	2010
Male retiring at age 65 in 2010:	<b>21.8 yrs</b>	20.4 yrs
Female retiring at age 65 in 2010:	<b>24.3 yrs</b>	23.2 yrs
Male retiring at age 65 in 2035:	<b>24.2 yrs</b>	21.5 yrs
Female retiring at age 65 in 2035:	<b>26.6 yrs</b>	24.3 yrs

**Expected long term rates of return**

The long-term expected rate of return on cash is determined by reference to bank base rates at the date of the Statement of Financial Position. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the date of the Statement of Financial Position. 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 for the periods commencing:

	<b>1 April</b>	1 April
	<b>2010</b>	2009
	<b>% per annum</b>	% per annum
Equities	<b>8.0</b>	8.75
Bonds	<b>4.5</b>	4.5
Property	<b>7.0</b>	7.0
Cash	<b>0.5</b>	0.5
	<b>6.43</b>	6.55

The actual return on the plan assets over the year ended 31 March 2011 was 5.5%.

Worthington Group plc  
NOTES TO THE FINANCIAL STATEMENTS

**22. Retirement benefit schemes - continued**

The five year history of experience adjustments is as follows:

	<b>2011</b>	2010	2009	2008	2007
	<b>£'000</b>	£'000	£'000	£'000	£'000
Present value defined benefit obligation	<b>(11,105)</b>	(11,443)	(9,756)	(9,838)	(11,633)
Fair value of plan assets	<b>8,263</b>	8,203	7,115	8,920	9,830
	<b>(2,842)</b>	(3,240)	(2,641)	(918)	(1,803)
Deficit in plan	<b>(2,842)</b>	(3,240)	(2,641)	(918)	(1,803)
Experience adjustments on scheme assets	<b>(74)</b>	1,209	(1,663)	(1,189)	135
Experience adjustments on defined benefit obligations	<b>571</b>	111	-	266	-

The best estimate of contributions to be paid by the Company to the plan for the period beginning after 31 March 2011 is £110,000 based upon the current Schedule of Contributions.

**23. Related party disclosures**

During the year the sum of £88,000 (2010: nil) was paid to Corporate Services Associates Ltd for services in respect of Anthony Cooke and Peter Townsend. Peter Townsend is a director and shareholder of Corporate Services Associates Ltd.

Included in other financial assets are loan notes of £800,000 (2010: £800,000) due from Trimmings by Design Limited an associated company in which the Company has a 44% interest. The loan notes are subject to interest at 6.5% amounting to an interest revenue for the period of £52,000 (2010: £52,000) and as at the period end there was £13,000 (2010: £13,000) of unpaid interest within Trade and other receivables.

**24. Control**

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

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 TRADING RECORDS HIGHLIGHTS

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	<b>2011</b>	2010	2009	2008	2007
	<b>£'000</b>	£'000	£'000	£'000	£'000
Revenue	<b>140</b>	147	142	146	313
Profit/ (loss) before taxation	<b>2,077</b>	(316)	(487)	49	(278)
Capital employed	<b>2,637</b>	232	1,087	3,753	2,644
Earnings/ (loss) per share pence	<b>17.6</b>	(2.7)	(4.1)	0.4	(2.4)
Dividend per share pence	-	-	-	-	-