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Summary

- Loss before tax (excluding property profits) £0.4 million (2004: loss of £2.3 million), an improvement in net profitability of £1.9 million.
- Loss before tax (including property profits) £0.2 million (2004: loss of £1.5 million).
- Group turnover down 14.7% to £100.7 million (2004: £118.0 million).
- Total UK sales (including Mail Order and E-Commerce) down 15.6%, like-for-like sales down 11.8%.
- Gross margin rate maintained.
- Continued cost savings across the business.
- Planned realignment of UK store portfolio continues with 9 stores closed and 4 new stores opened in the first half (total UK stores at 30 July 2005: 179).

Chief Executive Officer's Statement

Overview

The general economic environment experienced during the 26 week period to the end of July 2005 has been challenging for the retail sector. However, the financial results of the Group have shown continued, steady improvement, driven by ongoing efficiency improvements and cost savings.

For the 26 weeks ended 30 July 2005, Laura Ashley recorded total Group turnover of £100.7 million (2004: £118.0 million). The majority of this reduction was accounted for by lower UK sales, particularly the planned reduction of Fashion sales. Total UK retail sales, including Mail Order and E-Commerce, for the 26 weeks to 30 July 2005 were down by £15.8 million (15.6%) to £85.4 million. Total UK retail like-for-like ("LFL") sales for the period were down 11.8%.

The Group recorded a loss before taxation of £0.2 million that included the benefit of £0.2 million of one-off property gains. For the same period last year, the Group recorded a loss before taxation of £1.5 million that included the benefit of £0.8 million of one-off property gains.

Operating expenses have reduced significantly. The savings are the result of the ongoing rationalisation of the UK store portfolio together with improved efficiency across all areas of the business and the benefit of cost saving measures implemented in the 2004/5 financial year.

Product

We indicated on 14 April 2005 that, henceforth, we would change the way we report retail performance. This decision reflects a truer picture of the way the business is managed. The relative split of total UK retail sales in the first half is as follows: Furniture 32%, Decorating 24%, Home Accessories 28% and Fashion 16%.

Furniture

The Furniture product category includes upholstered furniture, beds and cabinet furniture. During the 26 weeks to 30 July 2005, Furniture sales declined by 8.2% (LFL -8.1%). The Furniture performance reflects the current downturn in the housing market and the drop in consumer confidence. In general, customers have been more cautious when purchasing 'big ticket' items and this is borne out by the British Retail Consortium (BRC) figures for the corresponding period. We have also seen better performance in the more directional product areas such as distressed leather upholstery, glass cabinet furniture and our oak modular ranges.

Decorating

The Decorating product category includes made to measure curtains, fabric, ready made curtains, paint and wallpaper. During the 26 weeks to 30 July 2005, Decorating sales declined by 11.3% (LFL -8.7%). As with the Furniture category, Decorating was negatively impacted by the tough housing market and the drop in consumer confidence.

Chief Executive Officer's Statement

continued

We are seeing the purchase of higher price products slowing in areas such as made to measure curtains and blinds. Despite this, we are still seeing a returning trend for customers to improve their homes with wallpaper and we have had great success with fashionable statement wallpaper (such as the Kimono and Erin prints) inspired by our archives.

Home Accessories

The Home Accessories product category includes lighting, gift, bed linen, rugs, throws and cushions.

During the 26 weeks to 30 July 2005, sales of UK Home Accessories declined by 4.1% (LFL -2.0%). The Home Accessories category has performed better than our other categories because our customers are able to choose a number of items and successfully update the look of a room in a quick and cost effective way. The reintroduction of our casual dining range has proved to be a success. As a result this area has grown significantly for Autumn/Winter 2005 with the use of signature prints from the archive. We have seen better performance in glass lighting and quilted bedspreads, reflecting the key consumer trends in these product areas.

Fashion

During the 26 weeks to 30 July 2005, UK Fashion sales declined by 48.8% (LFL -35.5%). The reduction in sales was planned as part of our repositioning of Fashion as a niche clothing brand. As a

result, the Fashion category now represents 16% of total UK retail sales (2004: 25%). Fashion still represents a very significant proportion of our international franchise business. Fashion finished the Spring/Summer season with a clean stock position and positive sales reactions to those products with a special Laura Ashley look which have drawn on our rich design heritage.

UK Operations

Retail Stores

At 30 July 2005, the property portfolio in the UK comprised 179 stores. We have three main store types: 79 mixed product stores (selling all product categories), 51 Home stores (selling the full range of Home products) and 49 Home concession stores.

As part of the ongoing process of realigning our property portfolio, during the first half of the current financial year, five Home concession stores and four mixed product stores were closed. We have previously stated our intention to add up to 100,000 square feet of new, mainly Home, retail space over the next two years. In line with this strategy, we have opened four new Home stores in the 26 weeks to 30 July 2005 and expect to open another six in the second half of the current financial year.

Mail Order and E-Commerce

Sales through our direct channel (Mail Order and E-Commerce) now represent 13% of our total UK retail business (2004: 11%) and are a vital part of our multi-channel retail strategy. Total Mail

Chief Executive Officer's Statement

continued

Order and E-Commerce sales were £11.5 million, down 2.8% on last year. This was mainly caused by a decision to withdraw from selling Fashion through Mail Order to focus on Home products.

Growth in E-Commerce sales continued at 31%, in addition to driving sales through our stores. We now have over 280,000 registered E-Commerce customers and we continue to invest in the development of this important retail channel. A higher margin rate together with cost savings has resulted in an improvement in the net profitability of our direct business.

Manufacturing

The consolidation of our manufacturing operations into one purpose-built site is now complete.

In addition to the cost savings that arise through operating from one site, the eventual disposal of the land and buildings in Carno, Powys is expected to generate a one-off property profit.

International Operations

Franchising

In the 26 weeks to 30 July 2005, Franchise sales were down 12.5% to £10.8 million. This was caused by difficult retail markets experienced by some of our Franchise partners. There are currently 205 franchised stores in 28 countries worldwide.

Licensing

In the 26 weeks to 30 July 2005, Licensing income increased by 7.8% to £1.8 million.

In particular, we have seen increasing revenues from Japan. We continue to develop further Licensing opportunities globally.

Despite reduced gross profit from reduced Franchise sales, the increase in royalties and licensing income has meant that total gross profit levels in our International Operations have been maintained.

Brand

The business continues to capitalise on the strength of the Laura Ashley brand in order to generate increased revenue streams both in the UK and internationally. All brand activities have been consolidated into one Group company.

Pension Fund

Laura Ashley operates a defined benefit pension scheme. In common with many other UK companies, the present value of the pension scheme liabilities exceeds the market value of the assets. At 30 July 2005, the resulting deficit was valued under International Accounting Standard 19 (IAS 19) at £13.2 million. The scheme has been closed to new members since 2002. Earlier this year, a schedule of payments was agreed with the trustees of the scheme to clear the deficit over a fixed number of years. The schedule of proposed payments will be reviewed on a regular basis. With effect from 1 September 2005, active members of the scheme were transferred to a new defined contribution scheme. As a result, the accrual of benefits under the defined benefit scheme ceased along with

Chief Executive Officer's Statement

continued

the risk and uncertainty related to final salary schemes of this type. Benefits already accrued by active and deferred members up to this date were unaffected.

International Financial Reporting Standards

The financial information shown in this Interim Report has been compiled under International Financial Reporting Standards and the comparative figures for the previous periods have consequently been restated. Details of the changes required under IFRS are shown in notes 8 to 12 of the accounts. Full details of the Group's accounting policies can be found at www.lauraashley.com.

Dividend

In light of the Group's current financial results, an interim dividend will not be paid.

Current Trading

As previously explained, current trading statistics at this point in the financial calendar do not serve as a useful indicator of overall performance. In the 33 weeks to 17 September 2005, like-for-like trading was broadly in line with that of the first half. Although we go into the second half with our business in better shape than before, market conditions in the UK high street remain extremely difficult and our performance will depend upon how consumer confidence progresses in the coming months. In response to this period of uncertainty we will continue to drive efficiencies and increase productivity throughout our business.

Lillian Tan

Chief Executive Officer

Independent Review Report

to Laura Ashley Holdings plc

Introduction

We have been instructed by the company to review the financial information for the 26 weeks ended 30 July 2005 which comprises the group income statement, group balance sheet, statement of changes in shareholders' equity, group cashflow statement and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with accounting standards issued by the International Accounting Standards Board and adopted by the European Union. This interim report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" and the requirements of International Financial Reporting Standard 1, "First Time Adoption of International Financial Reporting Standards" relevant to interim reports.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing full annual financial statements for the first time in accordance with accounting standards issued by the International Accounting Standards Board and adopted by the European Union. The accounting standards and International Financial Reporting Interpretations Committee's interpretations that will be applicable and adopted for use in the European Union at 28 January 2006 are not known with certainty at the time of preparing this financial information.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly, we do not

Independent Review Report

to Laura Ashley Holdings plc
continued

express an audit opinion on the financial information.

This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 26 weeks ended 30 July 2005.

Chantrey Vellacott DFK LLP
Chartered Accountants
Registered Auditors
London
21 September 2005

Group Income Statement

For the 26 weeks ended 30 July 2005

	26 weeks to 30 July 2005 (unaudited) £m	Restated 26 weeks to 31 July 2004 (unaudited) £m	Restated 52 weeks to 29 January 2005 (audited) £m
Revenue	100.7	118.0	238.9
Cost of sales	(59.3)	(69.9)	(137.9)
Gross profit	41.4	48.1	101.0
Operating expenses	(41.6)	(49.4)	(96.3)
(Loss)/profit from operations	(0.2)	(1.3)	4.7
Share of operating profit of associate	0.1	0.2	0.4
Net interest payable	(0.1)	(0.4)	(0.7)
(Loss)/profit before taxation	(0.2)	(1.5)	4.4
Taxation	0.1	0.4	(1.3)
(Loss)/profit for the period	(0.1)	(1.1)	3.1
(Loss)/earnings per share – basic and diluted	(0.01)p	(0.15)p	0.42p

The Group's results shown above are derived entirely from continuing operations.

The Group has applied IAS 19 "Employee Benefits" for the first time in its interim financial statements for 2005. IAS 19 requires that the operating and financing costs of retirement benefits scheme be recognised immediately in the Income Statement. The impact of IAS 19 in the Income Statement for the 26 weeks ended 30 July 2005 is a reduction in the net operating expenses of £0.2 million and an increase in the net financing costs of £0.2 million.

The comparative Income Statements have been restated to take into account the impact of IAS 19. The reconciliation from Generally Accepted Accounting Practice ("GAAP") to International Financial Reporting Standards ("IFRS") for the comparative Income Statements is set out in notes 8 and 9.

Group Balance Sheet

As at 30 July 2005

	At 30 July 2005 (unaudited) £m	Restated at 31 July 2004 (unaudited) £m	Restated at 29 January 2005 (audited) £m
Non-current assets			
Property, plant and equipment	29.8	31.9	31.9
Deferred tax asset	4.0	4.1	4.3
Investment in associate	3.4	3.3	3.5
	37.2	39.3	39.7
Current assets			
Inventories	35.2	40.5	34.9
Trade and other receivables	19.5	26.1	23.1
Cash and cash equivalents	18.3	10.3	16.1
	73.0	76.9	74.1
Total assets	110.2	116.2	113.8
Current liabilities			
Trade and other payables	37.4	46.5	39.9
Non-current liabilities			
Bank borrowings	4.3	5.0	5.1
Retirement benefit obligations	13.2	13.8	14.2
Provisions and other liabilities	0.3	0.5	0.2
	17.8	19.3	19.5
Total liabilities	55.2	65.8	59.4
Net assets	55.0	50.4	54.4
Equity			
Share capital	37.3	37.3	37.3
Share premium	86.4	86.4	86.4
Own shares	(0.8)	(0.8)	(0.8)
Retained earnings	(67.9)	(72.5)	(68.5)
Total equity	55.0	50.4	54.4

The comparative Balance Sheets have been restated to account for the impact of IAS 19.

See notes 11 and 12 for the reconciliations from GAAP to IFRS.

Statement of Changes in Shareholders' Equity

As at 30 July 2005

	Share Capital £m	Share Premium £m	Own Shares £m	Retained Earnings £m	Total Equity £m
Balance as at 1 February 2004	37.3	86.4	(0.8)	(62.0)	60.9
Adoption of IAS 19	–	–	–	(8.6)	(8.6)
Restated	37.3	86.4	(0.8)	(70.6)	52.3
Loss for the 6 months ended 31 July 2004	–	–	–	(1.1)	(1.1)
Adoption of IAS 19	–	–	–	(0.8)	(0.8)
Balance as at 31 July 2004	37.3	86.4	(0.8)	(72.5)	50.4
Profit for the 6 months ended 29 January 2005	–	–	–	4.2	4.2
Exchange differences on translation of investments	–	–	–	(0.1)	(0.1)
Actuarial loss on defined benefit pension scheme	–	–	–	(0.1)	(0.1)
Balance as at 29 January 2005	37.3	86.4	(0.8)	(68.5)	54.4
Loss for the 6 months ended 30 July 2005	–	–	–	(0.1)	(0.1)
Actuarial gain on defined benefit pension scheme	–	–	–	0.7	0.7
Balance as at 30 July 2005	37.3	86.4	(0.8)	(67.9)	55.0

Group Cash Flow Statement

For the 26 weeks ended 30 July 2005

	26 weeks to 30 July 2005 (unaudited) £m	26 weeks to 31 July 2004 (unaudited) £m	52 weeks to 29 January 2005 (audited) £m
Operating activities			
Cash generated from operations	4.3	(1.9)	7.2
Corporation tax paid	(0.7)	(0.4)	(0.8)
Net finance income/(cost)	0.2	(0.3)	(0.3)
	3.8	(2.6)	6.1
Investing activities			
Purchase of property, plant and equipment	(1.1)	(1.5)	(3.8)
Sale of property, plant and equipment	0.1	1.1	1.6
Net cash received from associate	0.1	0.1	0.1
	(0.9)	(0.3)	(2.1)
Financing activities			
Loan repaid	(0.5)	(1.0)	(1.8)
Payment of finance lease obligations	(0.2)	(0.9)	(1.2)
	(0.7)	(1.9)	(3.0)
Net increase/(decrease) in cash and cash equivalents	2.2	(4.8)	1.0

Reconciliation of Net Cash Flow to Movement in Net Funds

For the 26 weeks ended 30 July 2005

	26 weeks to 30 July 2005 (unaudited) £m	26 weeks to 31 July 2004 (unaudited) £m	52 weeks to 29 January 2005 (audited) £m
Net increase/(decrease) in cash and cash equivalents	2.2	(4.8)	1.0
Cash inflow from changes in loans and leases	0.5	1.9	3.0
Change in net cash resulting from cash flows	2.7	(2.9)	4.0
New finance leases	–	–	(1.0)
Change in net funds during the period	2.7	(2.9)	3.0
Net funds at the beginning of the period	9.8	6.8	6.8
Net funds at the end of the period	12.5	3.9	9.8

Notes

1 Basis of preparation

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the Group for the 52 weeks ending 28 January 2006 be prepared in accordance with IFRS adopted for use in the EU.

The Group adopted IFRS with effect from 30 January 2005. Our transition date is 1 February 2004, being the start date of the previous period for which we will present the full comparative information in our 2006 annual report and accounts.

This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that are either endorsed by the EU and effective (or available for early adoption) at 28 January 2006 or are expected to be endorsed and effective (or available for early adoption) at 28 January 2006 which is the Group's first annual reporting date under IFRS. Based on the IFRS adopted by the Group and those to be adopted later, the directors have made assumptions about the accounting policies expected to be applied when the first annual IFRS financial statements are to be prepared in 2006. As such, the accounting policies for that annual period will be determined only when the annual financial statements are prepared for the 52 weeks ending 28 January 2006.

The preparation of this financial information which is under IFRS, resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The revised accounting policies have been applied consistently to all periods presented in this financial information. The most significant revised accounting policy is in relation to the Group's pension arrangement where a provision for retirement benefit obligations has been made in full in the Balance Sheet to reflect the market value of the assets of the scheme. This provision is made in compliance with IAS 19 'Employee Benefits'.

2 Accounting policies

The Group's accounting policies have been updated following the transition to IFRS and are available on the Group's website at www.lauraashley.com.

Notes

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3 Segmental analysis

	26 weeks to 30 July 2005	26 weeks to 31 July 2004	52 weeks to 29 January 2005
	Total (unaudited)	Total (unaudited)	Total (audited)
	£m	£m	£m
Revenue			
Retail	86.1	102.1	206.5
Non-retail	14.6	15.9	32.4
	100.7	118.0	238.9

Retail revenue reflects sales through Laura Ashley's managed stores, Mail Order and E-Commerce. Non-retail revenue includes Licensing, Franchising and Manufacturing.

(Loss)/profit before taxation

Branch contribution			
Retail	6.1	6.9	18.5
Non-retail	3.5	3.7	9.1
	9.6	10.6	27.6
Indirect overhead costs	(9.8)	(11.9)	(22.9)
Operating (loss)/profit	(0.2)	(1.3)	4.7
Share of operating profit of associate	0.1	0.2	0.4
Net interest receivable/(payable)	(0.1)	(0.4)	(0.7)
(Loss)/profit before taxation	(0.2)	(1.5)	4.4

Retail branch contribution reflects contribution through Laura Ashley's managed stores, Mail Order and E-Commerce.

Branch contribution is stated after deducting direct operating expenses, buying, marketing and administrative costs.

Notes

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4 Principal exchange rates

	26 weeks to 30 July 2005		26 weeks to 31 July 2004		52 weeks to 29 January 2005	
	Average	Period End	Average	Period End	Average	Period End
US Dollar	1.85	1.75	1.81	1.82	1.83	1.88
Euro	1.46	1.45	1.49	1.51	1.47	1.45
Japanese Yen	199	197	199	203	198	195

5 Taxation

Taxation has been calculated by applying the forecast full year effective rate of tax in the individual fiscal territories to the results for this period.

6 (Loss)/earnings per share

	26 weeks to 30 July 2005 (unaudited)	Restated	Restated
		26 weeks to 31 July 2004 (unaudited)	52 weeks to 29 January 2005 (audited)
(Loss)/earnings attributable to ordinary shareholders (£m)	(0.1)	(1.1)	3.1
Weighted average number of ordinary shares ('000) (basic and diluted)	743,547	743,547	743,547
(Loss)/earnings per share	(0.01)p	(0.15)p	0.42p

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares during the period (excluding those shares held by the Laura Ashley Employee Benefit Trust).

Notes

continued

7 Reconciliation of operating (loss)/profit to net cash inflow/(outflow) from operating activities

	26 weeks to 30 July 2005 (unaudited) £m	26 weeks to 31 July 2004 (unaudited) £m	52 weeks to 29 January 2005 (audited) £m
Operating (loss)/profit	(0.4)	(1.2)	4.8
Depreciation charge	3.2	3.3	6.3
Profit on sale of property, plant and equipment	(0.2)	(0.8)	(1.0)
Change in inventories	(0.2)	1.3	6.9
Change in receivables	3.6	(5.3)	(2.2)
Change in payables	(1.8)	1.3	(6.7)
Change in provisions and other liabilities	0.1	(0.5)	(0.9)
Net cash inflow/(outflow) from operating activities	4.3	(1.9)	7.2

8 Reconciliation of loss for the 26 weeks ended 31 July 2004

	UK GAAP £m	Effect of transition to IFRS (IAS 19) £m	IFRS £m
Revenue	118.0	–	118.0
Cost of sales	(69.9)	–	(69.9)
Gross profit	48.1	–	48.1
Operating expenses	(49.3)	(0.1)	(49.4)
Loss from operations	(1.2)	(0.1)	(1.3)
Share of operating profit of associate	0.2	–	0.2
Net interest payable	(0.2)	(0.2)	(0.4)
Loss before taxation	(1.2)	(0.3)	(1.5)
Taxation	0.4	–	0.4
Loss for the period	(0.8)	(0.3)	(1.1)

The impact of the transition to IFRS is an increase in the net operating expenses and net financing costs of £0.1 million and £0.2 million respectively.

Notes

continued

9 Reconciliation of profit for the 52 weeks ended 29 January 2005

	UK GAAP	Effect of transition to IFRS (IAS 19)	IFRS
	£m	£m	£m
Revenue	238.9	–	238.9
Cost of sales	(137.9)	–	(137.9)
Gross profit	101.0	–	101.0
Operating expenses	(96.2)	(0.1)	(96.3)
Profit from operations	4.8	(0.1)	4.7
Share of operating profit of associate	0.4	–	0.4
Net interest payable	(0.4)	(0.3)	(0.7)
Profit before taxation	4.8	(0.4)	4.4
Taxation	(1.3)	–	(1.3)
Profit for the period	3.5	(0.4)	3.1

The impact of the transition to IFRS is an increase in the net operating expenses and net financing costs of £0.1 million and £0.3 million respectively.

Notes

continued

10 Reconciliation of net assets as at 31 January 2004

	UK GAAP	Effect of transition to IFRS (IAS 19)	IFRS
	£m	£m	£m
Non-current assets			
Property, plant and equipment	33.9	–	33.9
Deferred tax asset	–	3.7	3.7
Investment in associate	3.4	–	3.4
	37.3		41.0
Current assets			
Inventories	41.8	–	41.8
Trade and other receivables	20.8	–	20.8
Cash and cash equivalents	15.1	–	15.1
	77.7		77.7
Total assets	115.0	3.7	118.7
Current liabilities			
Trade and other payables	47.4	–	47.4
Non-current liabilities			
Bank borrowings	5.6	–	5.6
Retirement benefit obligations	–	12.3	12.3
Provisions and other liabilities	1.1	–	1.1
	6.7		19.0
Total liabilities	54.1	12.3	66.4
Net assets	60.9	(8.6)	52.3

The impact of implementing IAS 19 is to recognise a pension liability of £12.3 million in the Group's Balance Sheet. The net impact is a reduction in the consolidated net assets of £8.6 million after deducting the related deferred tax of £3.7 million.

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continued

11 Reconciliation of net assets as at 31 July 2004

	UK GAAP	Effect of transition to IFRS (IAS 19)	IFRS
	£m	£m	£m
Non-current assets			
Property, plant and equipment	31.9	–	31.9
Deferred tax asset	–	4.1	4.1
Investment in associate	3.3	–	3.3
	35.2		39.3
Current assets			
Inventories	40.5	–	40.5
Trade and other receivables	26.1	–	26.1
Cash and cash equivalents	10.3	–	10.3
	76.9		76.9
Total assets	112.1	4.1	116.2
Current liabilities			
Trade and other payables	46.5	–	46.5
Non-current liabilities			
Bank borrowings	5.0	–	5.0
Retirement benefit obligations	–	13.8	13.8
Provisions and other liabilities	0.5	–	0.5
	5.5		19.3
Total liabilities	52.0	13.8	65.8
Net assets	60.1	(9.7)	50.4

The impact of implementing IAS 19 is to recognise a pension liability of £13.8 million in the Group's Balance Sheet. The net impact is a reduction in the consolidated net assets of £9.7 million after deducting the related deferred tax of £4.1 million.

Notes

continued

12 Reconciliation of net assets as at 29 January 2005

	UK GAAP	Effect of transition to IFRS (IAS 19)	IFRS
	£m	£m	£m
Non-current assets			
Property, plant and equipment	31.9	–	31.9
Deferred tax asset	–	4.3	4.3
Investment in associate	3.5	–	3.5
	35.4		39.7
Current assets			
Inventories	34.9	–	34.9
Trade and other receivables	23.1	–	23.1
Cash and cash equivalents	16.1	–	16.1
	74.1		74.1
Total assets	109.5	4.3	113.8
Current liabilities			
Trade and other payables	39.9	–	39.9
Non-current liabilities			
Bank borrowings	5.1	–	5.1
Retirement benefit obligations	–	14.2	14.2
Provisions and other liabilities	0.2	–	0.2
	5.3		19.5
Total liabilities	45.2	14.2	59.4
Net assets	64.3	(9.9)	54.4

The impact of implementing IAS 19 is to recognise a pension liability of £14.2 million in the Group's Balance Sheet. The net impact is a reduction in the consolidated net assets of £9.9 million after deducting the related deferred tax of £4.3 million.

