

# NEXT PLC

**Restatement of Financial Information under  
International Financial Reporting Standards**

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## 1 INTRODUCTION

NEXT plc and its subsidiary companies ('the Group') currently prepare consolidated financial statements in accordance with UK Generally Accepted Accounting Practice ('UK GAAP'). From 2005 the Group is required to prepare its consolidated financial statements under International Accounting Standards and International Financial Reporting Standards (collectively 'IFRS') as adopted by the European Union ('EU').

The Group's first annual report under IFRS will be for the financial year ending 28 January 2006, and its first interim IFRS results will be for the six months ending 30 July 2005. The Group's date of transition to IFRS is 1 February 2004, being the start of the previous period which will be presented as comparative information.

This document sets out the changes in accounting policies arising from the adoption of IFRS, and presents restated information for the opening balance sheet at 1 February 2004, the six months ended 31 July 2004 and the year ended 29 January 2005, which were previously published under UK GAAP.

The adoption of IFRS represents an accounting change only and does not affect the operations or cash flows of the Group.

## 2 BASIS OF PREPARATION

The financial information in this document has been prepared in accordance with IFRS and the accounting policies set out in Section 5 below.

The accounting policies are based on current IFRS, International Financial Reporting Interpretation Committee ('IFRIC') interpretations, and current International Accounting Standards Board ('IASB') exposure drafts that are expected to be issued as final standards and adopted by the EU such that they are effective for the year ended 28 January 2006. In particular, it has been assumed that the amendment to IAS 19 *Employee Benefits* will be endorsed by the EU. These standards are subject to ongoing review and endorsement by the EU and further IFRIC interpretations, and may therefore be subject to change. The Group's first IFRS financial statements may consequently be prepared on the basis of accounting policies or presentations which are different to those set out in this restatement document.

In accordance with IFRS 1 *First Time Adoption of International Financial Reporting Standards*, the Group has elected not to restate comparative information for the impact of IAS 32 and IAS 39 *Financial Instruments*. For the Group's interim results for the six months ending 30 July 2005, the opening balance sheet at 30 January 2005 will be restated in accordance with the requirements of these standards.

The UK GAAP financial information contained in this document does not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. Full accounts for the year ended 29 January 2005 incorporating an unqualified audit report have been delivered to the Registrar of Companies.

### Transitional arrangements (IFRS 1)

In implementing the transition to IFRS, the Group has followed the requirements of IFRS 1, which in general requires IFRS accounting policies to be applied fully retrospectively in deriving the opening balance sheet at the date of transition.

However, IFRS 1 contains certain mandatory exceptions and some optional exemptions to this principle of retrospective application. Significant accounting policy changes, together with the relevant transitional provisions, are set out in Section 4 below.

### 3 SUMMARY OF IMPACT

		Six months to 31 July 2004		Year to 29 January 2005	
		UK GAAP	IFRS	UK GAAP	IFRS
Profit before interest	£m	171.9	171.8	441.1	442.5
Profit after tax	£m	112.5	113.4	301.0	305.4
Earnings per share	p	44.1	44.5	118.5	120.2
Net assets	£m	170.5	144.6	272.7	276.5

The changes having the most significant impact on the restated figures are as follows, and are explained in further detail below:

- The recognition of operating lease incentives and premiums payable in the income statement over the full life of the lease
- The recognition of a fair value charge for share based payments
- The inclusion on the balance sheet of the net deficit of the defined benefit section of the NEXT Group Pension plan
- The cessation of goodwill amortisation
- The timing of the recognition of dividends
- Related deferred tax adjustments

### 4 EXPLANATION OF SIGNIFICANT ADJUSTMENTS

#### 4.1 Leases (IAS 17)

Under UK GAAP, operating lease incentives (capital contributions, premiums paid and rent free periods) were recognised in the profit and loss account over the period to the first rent review. In accordance with IAS 17, lease incentives will now be recognised in the income statement over the full term of the lease.

#### 4.2 Share based payment (IFRS 2)

Under IFRS 2, the charge recognised in the income statement for share options, long term incentive plans and other share based payments will be based on the 'fair value' of the awards, calculated using an option pricing model. This contrasts to UK GAAP, where the charge recognised was based on the 'intrinsic value' of awards, being the difference between the market value of the shares at the date of the award and the option exercise price.

In accordance with the transitional provisions of IFRS 2, the Group has applied the fair value model to all grants of equity instruments after 7 November 2002 that had not vested as at 1 February 2004.

For equity-settled share based payments, the fair value determined at the date of grant is expensed through the income statement on a straight line basis over the vesting period, based on the Group's estimate of the number of shares that will eventually vest. Fair value is measured by use of a Black-Scholes model.

## **4.2 Share based payment (IFRS 2) (continued)**

For cash-settled share based payments, the fair value of the liability is determined at each balance sheet date and the charge recognised through the income statement over the period in which the related employee services are received by the Group. Under UK GAAP a similar approach was followed, but the liability was instead based on the intrinsic value of the awards, being the difference between the market value of shares at each balance sheet date and the option exercise price.

## **4.3 Employee benefits (IAS 19)**

### *Retirement obligations*

Under UK GAAP, the cost to the Group of the defined benefit section of the Group pension scheme was charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the Group. The pension provision in the balance sheet represented the differences between contributions paid and cumulative amounts charged to profit; the assets and liabilities of the scheme itself were not recognised on the Group's balance sheet.

IAS 19 requires the operating and financing costs of defined benefit pensions to be recognised separately in the income statement, but permits a number of alternative accounting treatments for actuarial gains and losses. The Group has elected to recognise all actuarial gains and losses in full in the period in which they occur, directly in equity via the statement of recognised income and expense. This option has been selected for consistency, as it is most similar to the treatment required under UK GAAP (FRS 17) that has previously been disclosed by way of a note in the Group's financial statements.

The retirement benefit obligation recognised in the balance sheet under IAS 19 represents the present value of the defined benefit liabilities under the projected unit credit method, as reduced by the market value of scheme assets.

### *Short term benefits*

IAS 19 requires holiday pay to be accrued for when the corresponding services have been received from employees. This results in the recognition of a provision of £2.7m on transition to IFRS.

## **4.4. Other adjustments**

These adjustments are included within the 'Other' column in Appendices I to III, with major line item components referenced to the notes below.

### *a Goodwill and business combinations (IFRS 3)*

The Group has elected to take the exemption available under IFRS 1 not to apply IFRS 3 retrospectively to business combinations occurring prior to the date of transition to IFRS. Goodwill arising on such acquisitions has therefore been retained at its UK GAAP carrying value at 1 February 2004, having been satisfactorily tested for impairment at that date.

Under UK GAAP goodwill was amortised over its useful economic life, but under IFRS no amortisation charge will be made. This increases reported profit for the year ended 29 January 2005 by £4.3m. Instead, goodwill recognised in the balance sheet will be subject to a review for impairment on at least an annual basis, or more frequently if events or changes in circumstance indicate that the carrying value may be impaired.

Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated as an asset and will not be included in determining any subsequent profit or loss on disposal.

#### 4.4. Other adjustments (continued)

##### *b Dividends (IAS 10)*

Dividends will now be recognised only when they are declared and approved, rather than accrued for in the period to which they relate. Compared to the current treatment this will have the effect of deferring the recognition of dividends to the following half year. In addition, dividends will be shown as a movement directly in equity instead of through the income statement.

##### *c Property, plant & equipment (IAS 16)*

IAS 16 requires residual values to be based on prices current at the balance sheet date, whereas under UK GAAP residual values are based on prices prevailing at the date of acquisition. In the case of the Group's freehold and long leasehold property, the majority of which are recorded at historical cost, residual values assessed under IFRS are greater than the corresponding book values. Consequently, the depreciation charged on these properties after transition to IFRS will be zero, subject to an annual review of residual values. This increases reported profit for the year ended January 2005 by £1.9m.

##### *d Deferred taxation (IAS 12)*

IAS 12 takes a balance sheet approach to deferred tax whereby deferred tax is recognised in the balance sheet by applying the appropriate tax rate to the temporary differences arising between the carrying value of assets and liabilities and their tax base. This contrasts to UK GAAP (FRS 19), which considers timing differences arising in the income statement.

Adjustments made to the financial statements on the transition to IFRS result in related adjustments to deferred tax, particularly with regard to lease incentives, share based payments and post-retirement benefits. Due to the excess of capital losses brought forward within the Group, changes to capital deferred tax assets do not affect reported deferred tax balances. Net deferred tax assets have also been reclassified from deferred tax liabilities.

##### *e Borrowing costs (IAS 23)*

Under UK GAAP, the Group had a small amount of capitalised interest (£0.8m) included within property stocks. No other capitalised interest was included in the book values of any other current or fixed assets. Under IFRS, the Group is required to apply its policy of non-capitalisation consistently across all classes of asset. Accordingly, the capitalised interest is written off on transition to IFRS (resulting in a correspondingly increased profit on the subsequent disposal of property).

##### *f Cumulative translation differences*

Under IFRS, exchange differences arising on consolidation on the translation of overseas subsidiaries are required to be recognised as a separate equity reserve. On disposal of an overseas subsidiary, the cumulative exchange gain or loss associated with that subsidiary is recognised in the income statement as part of the profit or loss on disposal.

The Group has utilised the exemption available in IFRS 1 whereby cumulative translation differences are deemed to be zero at the date of transition to IFRS; the profit or loss on all subsequent disposals will therefore exclude any translation differences arising prior to 1 February 2004.

##### *g Reclassifications*

Carrying values of previously revalued assets have been treated as deemed cost on transition to IFRS, in accordance with the provisions of IFRS 1. Accordingly, the Group's revaluation reserve has been reclassified to other reserves.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The financial statements have been prepared on the historical cost basis except for pension assets and liabilities and share based payment liabilities which are measured at fair value. The principal accounting policies adopted are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The results and net assets of associated undertakings are incorporated into these financial statements using the equity method of accounting.

### Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided to customers outside of the Group, stated net of returns and value added and other sales taxes.

### Goodwill

Goodwill arising on acquisition is initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the acquired entity's identifiable assets and liabilities at the date of acquisition.

Goodwill is not amortised, but is reviewed for impairment at least annually; any impairment is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Property, plant & equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided to write down the cost of fixed assets to their estimated residual values over their remaining useful lives by equal annual installments.

The depreciation rates generally applicable are summarised as follows:

Freehold and long leasehold buildings	2.0%
Plant, shop fronts and retail fittings	
in the high street retailing business	16.7%-50.0%
All other plant, fixtures, fittings, IT assets and vehicles	6.67%-50.0%
Leasehold improvements	over the period of the lease

### Stock

Stock is valued at the lower of cost or net realisable value. Net realisable value is based on estimated selling prices less further costs to be incurred to disposal.

### **Debtors**

Trade receivables are stated at original invoice amount less an allowance for doubtful debts using an arrears based method, which is designed to provide fully for those debts which will be irrecoverable.

### **Share based payments**

The fair value of employee share options granted on or after 7 November 2002 is calculated using the Black-Scholes model. The resulting cost is charged in the income statement over the vesting period of the option, and is adjusted for the expected and actual number of options vesting.

For cash-settled share based payments, the fair value of the liability is determined at each balance sheet date and the charge recognised through the income statement over the period in which the related services are received by the Group.

### **Deferred tax**

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is calculated at the rates of taxation enacted or substantively enacted at the balance sheet date, and is not discounted.

### **Foreign currencies**

Transactions in foreign currencies, which are those other than the functional currency of an entity, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date. Resulting exchange gains or losses are recognised in the income statement for the period.

Upon consolidation, the assets and liabilities of the Group's overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Overseas subsidiary undertakings' income and expense items are translated at the weighted average rate during the period. Differences on translation are recognised as a separate equity reserve. On disposal of an overseas subsidiary, the cumulative exchange differences for that subsidiary are recognised in the income statement as part of the profit or loss on disposal.

### **Employee benefits**

The Group operates a pension scheme which consists of defined benefit and defined contribution sections. The assets of the scheme are held in a separate trustee administered fund. The Group also provides other, unfunded, post-employment benefits to certain scheme members.

The pension cost of the defined contribution section is charged as incurred.

The cost of providing benefits under the defined benefit section and the unfunded arrangement are determined separately using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit section and unfunded liabilities as reduced by the fair value of defined benefit scheme assets.



**Employee benefits (continued)**

Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised directly in equity and are presented in the statement of recognised income and expense. Other income and expenses associated with the defined benefit section are recognised in the income statement.

**Leasing commitments**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets used by the Group which have been funded through finance leases are capitalised in fixed assets and the resulting lease obligations are included in creditors. The assets are depreciated over their useful lives and the interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to income on a straight line basis over the period of the lease.

Premiums payable, rent free periods and capital contributions receivable on entering an operating lease are also released to income on a straight line basis over the lease term.

## **6 INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF NEXT PLC**

We have audited the accompanying preliminary International Financial Reporting Standards ("IFRS") financial statements of the Group for the year ended 29 January 2005 which comprise the opening IFRS Consolidated Balance Sheet as at 1 February 2004, the Consolidated Income Statement and the Consolidated Statement of Recognised Income and Expense for the year ended 29 January 2005 and the Consolidated Balance Sheet as at 29 January 2005, together with the related accounting policies note set out in Section 5 and the Appendices I and III.

This report is made solely to the Group in accordance with our engagement letter dated 13 June 2005. Our audit work has been undertaken so that we might state to the Group those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Group for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

These preliminary IFRS financial statements are the responsibility of the Group's directors and have been prepared as part of the Group's conversion to IFRS. They have been prepared in accordance with the basis set out in Section 2, which describes how IFRS have been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at 28 January 2006.

Our responsibility is to express an independent opinion on the preliminary IFRS financial statements based on our audit. We read the other information accompanying the preliminary IFRS financial statements and consider whether it is consistent with the preliminary IFRS financial statements. This other information comprises the description of significant changes in accounting policies set out in Section 4 and the reconciliations from UK GAAP to IFRS set out in Appendices I and III. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the preliminary opening balance sheet. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the preliminary IFRS financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the preliminary IFRS financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the preliminary IFRS financial statements. We believe that our audit provides a reasonable basis for our opinion.

### *Emphasis of matter*

Without qualifying our opinion, we draw attention to the fact that Section 2 explains why there is a possibility that the preliminary IFRS financial statements may require adjustment before constituting the first IFRS financial statements. Moreover, we draw attention to the fact that, under IFRS only a complete set of financial statements with comparative financial information and explanatory notes can provide a fair presentation of the Group's financial position, results of operations and cash flows in accordance with IFRS.

### **Opinion**

In our opinion, the preliminary IFRS financial statements for the year ended 29 January 2005 has been prepared, in all material respects, in accordance with the basis set out in Section 2, which describes how IFRSs have been applied under IFRS 1, including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted, when management prepares its first complete set of IFRS financial statements as at 28 January 2006.

Ernst & Young LLP  
Registered Auditors  
London  
15 July 2005

## Consolidated Income Statement

	Six months to July 2004 £m <i>Unaudited</i>	Year to January 2005 £m
Revenue	<u>1,293.5</u>	<u>2,858.5</u>
Profit from operations	171.1	440.3
Share of results of associates	<u>0.7</u>	<u>2.2</u>
Profit before interest	171.8	442.5
Finance costs	<u>(9.2)</u>	<u>(18.2)</u>
Profit before tax	162.6	424.3
Tax	<u>(49.2)</u>	<u>(118.9)</u>
Profit attributable to equity holders of the parent	<u>113.4</u>	<u>305.4</u>
Earnings per share	44.5 p	120.2 p
Diluted earnings per share	43.7 p	118.4 p

## Consolidated Statement of Recognised Income and Expense

	Six months to July 2004 £m <i>Unaudited</i>	Year to January 2005 £m
Exchange differences on translation of foreign operations	0.9	0.6
Actuarial gains/(losses) on defined benefit pension schemes	5.2	(10.5)
Deferred tax recognised directly in reserves	<u>0.4</u>	<u>3.2</u>
Net income/(expense) recognised directly in equity	6.5	(6.7)
<b>Profit for the period</b>	<u>113.4</u>	<u>305.4</u>
<b>Total recognised income and expense for the period</b>	<u>119.9</u>	<u>298.7</u>

## Consolidated Balance Sheet

	January 2005 £m	July 2004 £m <i>Unaudited</i>	January 2004 £m
<b>Non-current assets</b>			
Property, plant & equipment	424.0	378.5	355.7
Intangible assets	36.2	36.2	36.2
Interests in associates	1.5	1.1	1.0
Deferred tax assets	24.0	22.9	22.4
	<u>485.7</u>	<u>438.7</u>	<u>415.3</u>
<b>Current assets</b>			
Inventories	301.6	281.8	268.6
Trade and other receivables	437.4	370.2	379.6
Cash and cash equivalents	72.3	61.6	62.3
	<u>811.3</u>	<u>713.6</u>	<u>710.5</u>
<b>Total assets</b>	<u>1,297.0</u>	<u>1,152.3</u>	<u>1,125.8</u>
<b>Current liabilities</b>			
Bank overdrafts	(22.3)	(10.8)	(8.4)
Unsecured bank loans	-	(90.0)	(60.0)
Trade and other payables	(506.3)	(428.3)	(418.9)
Current tax liability	(59.8)	(56.1)	(59.9)
	<u>(588.4)</u>	<u>(585.2)</u>	<u>(547.2)</u>
<b>Net current assets</b>	222.9	128.4	163.3
<b>Non-current liabilities</b>			
Corporate bond	(300.0)	(300.0)	(300.0)
Net retirement benefit obligation	(92.6)	(81.4)	(86.4)
Provisions	(10.0)	(10.0)	(10.0)
Other liabilities	(29.5)	(31.1)	(31.7)
	<u>(432.1)</u>	<u>(422.5)</u>	<u>(428.1)</u>
<b>Total liabilities</b>	<u>(1,020.5)</u>	<u>(1,007.7)</u>	<u>(975.3)</u>
<b>Net assets</b>	<u>276.5</u>	<u>144.6</u>	<u>150.5</u>
<b>EQUITY</b>			
Share capital	26.1	26.2	26.5
Share premium account	0.6	0.6	0.6
Capital redemption reserve	3.8	3.7	3.4
ESOP reserve	(93.3)	(93.5)	(72.8)
Share based payment reserve	5.5	3.2	1.6
Foreign currency translation	0.6	0.9	-
Other reserves	(1,439.5)	(1,437.1)	(1,434.9)
Retained earnings	1,772.7	1,640.6	1,626.1
<b>Total equity</b>	<u>276.5</u>	<u>144.6</u>	<u>150.5</u>

## APPENDIX I

### Reconciliation of Net Assets at 1 February 2004

	UK GAAP £m	Leases IAS 17 £m	Share Based Payment IFRS 2 £m	Employee Benefits IAS 19 £m	Other † £m	Effect of transition to IFRS £m	Restated under IFRS £m
<b>Non-current assets</b>							
Property, plant & equipment	355.7	-	-	-	-	-	355.7
Intangible assets	36.2	-	-	-	-	-	36.2
Interests in associates	1.0	-	-	-	-	-	1.0
Deferred tax assets	-	3.3	1.0	20.4	(2.3) d	22.4	22.4
	<u>392.9</u>						<u>415.3</u>
<b>Current assets</b>							
Inventories	269.4	-	-	-	(0.8) e	(0.8)	268.6
Trade and other receivables	378.5	1.1	-	-	-	1.1	379.6
Cash and cash equivalents	62.3	-	-	-	-	-	62.3
	<u>710.2</u>						<u>710.5</u>
<b>Total assets</b>	<u>1,103.1</u>						<u>1,125.8</u>
<b>Current liabilities</b>							
Bank overdrafts	(8.4)	-	-	-	-	-	(8.4)
Unsecured bank loans	(60.0)	-	-	-	-	-	(60.0)
Trade and other payables	(448.3)	(29.9)	-	(2.7)	62.0 b	29.4	(418.9)
Current tax liability	(59.9)	-	-	-	-	-	(59.9)
	<u>(576.6)</u>						<u>(547.2)</u>
<b>Net current assets</b>	<u>133.6</u>						<u>163.3</u>
<b>Non-current liabilities</b>							
Corporate bond	(300.0)	-	-	-	-	-	(300.0)
Deferred tax liabilities	(8.7)	-	-	-	8.7 d	8.7	-
Net retirement benefit obligation	(21.0)	-	-	(65.4)	-	(65.4)	(86.4)
Provisions	(10.0)	-	-	-	-	-	(10.0)
Other liabilities	(31.7)	-	-	-	-	-	(31.7)
	<u>(371.4)</u>						<u>(428.1)</u>
<b>Total liabilities</b>	<u>(948.0)</u>						<u>(975.3)</u>
<b>Net assets</b>	<u>155.1</u>	<u>(25.5)</u>	<u>1.0</u>	<u>(47.7)</u>	<u>67.6</u>	<u>(4.6)</u>	<u>150.5</u>
<b>EQUITY</b>							
Share capital	26.5	-	-	-	-	-	26.5
Share premium account	0.6	-	-	-	-	-	0.6
Capital redemption reserve	3.4	-	-	-	-	-	3.4
ESOP reserve	(72.8)	-	-	-	-	-	(72.8)
Revaluation reserve	14.0	-	-	-	(14.0) g	(14.0)	-
Share based payment reserve	-	-	1.6	-	-	1.6	1.6
Foreign currency translation	-	-	-	-	-	-	-
Other reserves	(1,448.9)	-	-	-	14.0 g	14.0	(1,434.9)
Retained earnings	1,632.3	(25.5)	(0.6)	(47.7)	67.6	(6.2)	1,626.1
<b>Total equity</b>	<u>155.1</u>	<u>(25.5)</u>	<u>1.0</u>	<u>(47.7)</u>	<u>67.6</u>	<u>(4.6)</u>	<u>150.5</u>

† : Notes refer to Section 4.4

## APPENDIX II

### Reconciliation of Profit for the six months ended 31 July 2004

	UK GAAP <i>Unaudited</i> £m	Leases IAS 17 £m	Share Based Payment IFRS 2 £m	Employee Benefits IAS 19 £m	Other † £m	Effect of transition to IFRS £m	Restated under IFRS £m
<b>Revenue</b>	<b><u>1,293.5</u></b>	-	-	-	-	-	<b><u>1,293.5</u></b>
Profit from operations	171.2	(2.6)	(1.0)	0.3	3.2 a,c	(0.1)	171.1
Share of results of associates	<u>0.7</u>	-	-	-	-	-	<u>0.7</u>
Profit before interest	171.9	-	-	-	-	-	171.8
Finance costs	<u>(9.2)</u>	-	-	-	-	-	<u>(9.2)</u>
Profit before tax	162.7	0.6	0.5	(0.1)	-	1.0	162.6
Tax	<u>(50.2)</u>	-	-	-	-	-	<u>(49.2)</u>
<b>Profit for the period</b>	<b><u>112.5</u></b>	<b><u>(2.0)</u></b>	<b><u>(0.5)</u></b>	<b><u>0.2</u></b>	<b><u>3.2</u></b>	<b><u>0.9</u></b>	<b><u>113.4</u></b>
Earnings per share	44.1 p						44.5 p
Diluted earnings per share	43.4 p						43.7 p

† : Notes refer to Section 4.4

## APPENDIX II (continued)

### Reconciliation of Net Assets at 31 July 2004

	UK GAAP <i>Unaudited</i> £m	Opening balance sheet adjustment £m	Leases IAS 17 £m	Share Based Payment IFRS 2 £m	Employee Benefits IAS 19 £m	Other † £m	Effect of transition to IFRS £m	Restated under IFRS £m
<b>Non-current assets</b>								
Property, plant & equipment	377.5	-	-	-	-	1.0 <i>c</i>	1.0	378.5
Intangible assets	34.0	-	-	-	-	2.2 <i>a</i>	2.2	36.2
Interests in associates	1.1	-	-	-	-	-	-	1.1
Deferred tax assets	-	22.4	0.6	1.3	(1.7)	0.3 <i>d</i>	22.9	22.9
	<u>412.6</u>							<u>438.7</u>
<b>Current assets</b>								
Inventories	282.6	(0.8)	-	-	-	-	(0.8)	281.8
Trade and other receivables	369.0	1.1	0.1	-	-	-	1.2	370.2
Cash and cash equivalents	61.6	-	-	-	-	-	-	61.6
	<u>713.2</u>							<u>713.6</u>
<b>Total assets</b>	<u>1,125.8</u>							<u>1,152.3</u>
<b>Current liabilities</b>								
Bank overdrafts	(10.8)	-	-	-	-	-	-	(10.8)
Unsecured bank loans	(90.0)	-	-	-	-	-	-	(90.0)
Trade and other payables	(426.2)	29.4	(2.7)	-	-	(28.8) <i>b</i>	(2.1)	(428.3)
Current tax liability	(56.1)	-	-	-	-	-	-	(56.1)
	<u>(583.1)</u>							<u>(585.2)</u>
<b>Net current assets</b>	<u>130.1</u>							<u>128.4</u>
<b>Non-current liabilities</b>								
Corporate bond	(300.0)	-	-	-	-	-	-	(300.0)
Deferred tax liabilities	(9.6)	8.7	-	-	-	0.9 <i>d</i>	9.6	-
Net retirement benefit obligation	(21.5)	(65.4)	-	-	5.5	-	(59.9)	(81.4)
Provisions	(10.0)	-	-	-	-	-	-	(10.0)
Other liabilities	(31.1)	-	-	-	-	-	-	(31.1)
	<u>(372.2)</u>							<u>(422.5)</u>
<b>Total liabilities</b>	<u>(955.3)</u>							<u>(1,007.7)</u>
<b>Net assets</b>	<u>170.5</u>	<u>(4.6)</u>	<u>(2.0)</u>	<u>1.3</u>	<u>3.8</u>	<u>(24.4)</u>	<u>(25.9)</u>	<u>144.6</u>
<b>EQUITY</b>								
Share capital	26.2	-	-	-	-	-	-	26.2
Share premium account	0.6	-	-	-	-	-	-	0.6
Capital redemption reserve	3.7	-	-	-	-	-	-	3.7
ESOP reserve	(93.5)	-	-	-	-	-	-	(93.5)
Revaluation reserve	11.8	(14.0)	-	-	-	2.2 <i>g</i>	(11.8)	-
Share based payment reserve	-	1.6	-	1.6	-	-	3.2	3.2
Foreign currency translation	-	-	-	-	-	0.9 <i>f</i>	0.9	0.9
Other reserves	(1,448.9)	14.0	-	-	-	(2.2) <i>g</i>	11.8	(1,437.1)
Retained earnings	1,670.6	(6.2)	(2.0)	(0.3)	3.8	(25.3)	(30.0)	1,640.6
<b>Total equity</b>	<u>170.5</u>	<u>(4.6)</u>	<u>(2.0)</u>	<u>1.3</u>	<u>3.8</u>	<u>(24.4)</u>	<u>(25.9)</u>	<u>144.6</u>

† : Notes refer to Section 4.4

## APPENDIX III

### Reconciliation of Profit for the year ended 29 January 2005

	UK GAAP £m	Leases IAS 17 £m	Share Based Payment IFRS 2 £m	Employee Benefits IAS 19 £m	Other † £m	Effect of transition to IFRS £m	Restated under IFRS £m
<b>Revenue</b>	<b>2,858.5</b>	-	-	-	-	-	<b>2,858.5</b>
Profit from operations	438.9	(6.2)	(2.5)	3.1	7.0 a,c,e	1.4	440.3
Share of results of associates	2.2	-	-	-	-	-	2.2
Profit before interest	441.1						442.5
Finance costs	(18.2)	-	-	-	-	-	(18.2)
Profit before tax	422.9						424.3
Tax	(121.9)	1.3	1.2	0.5	-	3.0	(118.9)
<b>Profit for the period</b>	<b>301.0</b>	<b>(4.9)</b>	<b>(1.3)</b>	<b>3.6</b>	<b>7.0</b>	<b>4.4</b>	<b>305.4</b>
Earnings per share	118.5 p						120.2 p
Diluted earnings per share	116.7 p						118.4 p

† : Notes refer to Section 4.4



## APPENDIX III (continued)

### Reconciliation of Net Assets at 29 January 2005

	UK GAAP £m	Opening balance sheet adjustment £m	Leases IAS 17 £m	Share Based Payment IFRS 2 £m	Employee Benefits IAS 19 £m	Other † £m	Effect of transition to IFRS £m	Restated under IFRS £m
<b>Non-current assets</b>								
Property, plant & equipment	422.1	-	-	-	-	1.9 c	1.9	424.0
Intangible assets	31.9	-	-	-	-	4.3 a	4.3	36.2
Interests in associates	1.5	-	-	-	-	-	-	1.5
Deferred tax assets	-	22.4	1.3	2.8	2.3	(4.8) d	24.0	24.0
	455.5							485.7
<b>Current assets</b>								
Inventories	301.6	(0.8)	-	-	-	0.8 e	-	301.6
Trade and other receivables	436.0	1.1	0.3	-	-	-	1.4	437.4
Cash and cash equivalents	72.3	-	-	-	-	-	-	72.3
	809.9							811.3
<b>Total assets</b>	1,265.4							1,297.0
<b>Current liabilities</b>								
Bank overdrafts	(22.3)	-	-	-	-	-	-	(22.3)
Unsecured bank loans	-	-	-	-	-	-	-	-
Trade and other payables	(538.0)	29.4	(6.5)	-	-	8.8 b	31.7	(506.3)
Current tax liability	(59.8)	-	-	-	-	-	-	(59.8)
	(620.1)							(588.4)
<b>Net current assets</b>	189.8							222.9
<b>Non-current liabilities</b>								
Corporate bond	(300.0)	-	-	-	-	-	-	(300.0)
Deferred tax liabilities	(13.3)	8.7	-	-	-	4.6 d	13.3	-
Net retirement benefit obligation	(19.8)	(65.4)	-	-	(7.4)	-	(72.8)	(92.6)
Provisions	(10.0)	-	-	-	-	-	-	(10.0)
Other liabilities	(29.5)	-	-	-	-	-	-	(29.5)
	(372.6)							(432.1)
<b>Total liabilities</b>	(992.7)							(1,020.5)
<b>Net assets</b>	272.7	(4.6)	(4.9)	2.8	(5.1)	15.6	3.8	276.5
<b>EQUITY</b>								
Share capital	26.1	-	-	-	-	-	-	26.1
Share premium account	0.6	-	-	-	-	-	-	0.6
Capital redemption reserve	3.8	-	-	-	-	-	-	3.8
ESOP reserve	(93.3)	-	-	-	-	-	-	(93.3)
Revaluation reserve	9.4	(14.0)	-	-	-	4.6 g	(9.4)	-
Share based payment reserve	-	1.6	-	3.9	-	-	5.5	5.5
Foreign currency translation	-	-	-	-	-	0.6 f	0.6	0.6
Other reserves	(1,448.9)	14.0	-	-	-	(4.6) g	9.4	(1,439.5)
Retained earnings	1,775.0	(6.2)	(4.9)	(1.1)	(5.1)	15.0	(2.3)	1,772.7
<b>Total equity</b>	272.7	(4.6)	(4.9)	2.8	(5.1)	15.6	3.8	276.5

† : Notes refer to Section 4.4