

LAURA ASHLEY

ENVIRONMENTAL REPORT 2006



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LAURA ASHLEY GROUP ENVIRONMENTAL POLICY

Our activities cover a wide range of manufacturing, distribution and retailing operations and as such the company recognises and accepts that concern for the environment is an integral and fundamental part of its business strategy and operating methods.

Due to the diverse nature of the business this Policy is a guideline for the different divisions within Laura Ashley who are encouraged to adopt a policy specific to their environmental impacts.

The Board of Laura Ashley Holdings plc will endeavour to ensure that the Environmental Policy is reviewed annually and implemented throughout the group.

We are committed to:

- A programme of continual environmental improvement by encouraging the adoption of business specific environmental management systems.
- Ensuring compliance with all relevant environmental legislation, other environmental regulations and standards of relevance to the industry sectors in which we operate.
- The prevention of pollution and reducing any impacts of the Group's operations on the environment and local community.
- Developing objectives and targets to manage all potentially significant environmental aspects.
- Developing meaningful indicators for the group and encouraging divisions of Laura Ashley to report on energy, waste and fuel consumption.
- Operating and maintaining company vehicles as far as reasonably practical with due regard to environmental issues.
- Operating wherever possible using substances and plants which will not significantly affect the environment and to assessing in advance the environmental impact of any new processes or products.
- Monitoring waste production (products and packaging) within all divisions, and seeking to reduce, reuse and recycle waste where possible.
- Encouraging suppliers and contractors to implement policies that protect the environment.

*Lillian Tan, Chief Executive Officer
June 2006*

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1. BOARD STATEMENT

This is Laura Ashley's fifth annual environmental report, covering the environmental performance of our business units in England and Wales in the calendar year 2006. The body of this report contains information on environmental activities in the Company's various Divisions as well as data on our main environmental aspects.

From the Board's perspective, we are pleased that the Company once again has maintained its excellent record of pollution prevention and compliance with environmental legislation and its position in the FTSE4Good Index. Although we did not achieve all targets within the 2006 time-scale, good progress has been made and revised targets are incorporated in 2007.

At 13,884 tonnes CO₂-equivalent, we maintained our climate change impact (CO₂ emissions) at last year's level. Waste management and collection in Retail and in our PHL Distribution Centre was re-organised, and PHL achieved a remarkable 75% recycling rate.

Our future plans are set out in Section 5.

Signature

Lillian Tan
Chief Executive Officer

2. LAURA ASHLEY AND THE ENVIRONMENT

2.1 Group Profile

Laura Ashley is a well-known retailer of fashion clothing and home furnishings both in the UK and worldwide. Our activities concentrate on designing, manufacturing, sourcing and retailing womenswear, home furnishings and accessories.

From the beginning of its operations, the Company has had a high level of environmental awareness because of the personal interests of the founder, the late Laura Ashley. This tradition has continued to the present day.

We recognise that both our UK operations and our worldwide sourcing and franchising activities have an environmental dimension. The activities of our suppliers, the transport of goods to franchisees and franchise operations are elements that we do not directly control but can only influence; we endeavour to address them through our purchasing policies and franchisee training. However, because they are not under our direct control, their impacts remain outside the scope of this environmental report, although we will consider the way in which we can progressively introduce them in future reports.

2.2 UK Operations

For the purpose of this report we focus on those UK activities and premises, which are under our direct control:

- *manufacturing*, which comprises wallpaper printing and coating, paint mixing and packing and production of made-to-measure curtains/blinds;
- *distribution* activities;
- *retail* operations
- and *central corporate* functions.

These four spheres of activity have different environmental impacts and are treated differently within the business from the standpoint of environmental control and improvement.

Overall, the most environmentally significant aspects of our UK activities are:

- *energy and fuel consumption* in retailing, distribution and manufacturing, and
- the associated *greenhouse gas emissions*;
- *waste* production throughout the business. The majority of waste arising in the business is packaging, which is needed to protect goods until they reach the consumer.
- *water use* in manufacturing;
- *pollution risks* in manufacturing and distribution centres, mainly arising from the presence of chemicals, fuel and oils.

Environmental management within the Company' aims to control the risks associated with those aspects, to comply with all relevant environmental regulations and to prevent pollution across our operations. Overall, our environmental management programme is guided by the Group's Environmental Policy and translated into specific activities relevant to each Division; a full copy of our current Environmental Policy can be found on the first page of this report and on our website (www.lauraashley.com).

3. DIVISION OVERVIEW

3.1 Corporate

In 2006 the Company remained 100% compliant with environmental legislation: we submitted all legally required data and documentation to the relevant environmental authorities and were not prosecuted for any environmental offence. Accredited waste management companies handle waste from all of our sites.

Early in 2006, the functions of Group Risk Manager and Environmental Manager were combined into a new position, reporting directly to the Finance Director. Additional environment expertise was provided by an external resource.

Laura Ashley Holdings remained a member of the FTSE4Good Index, the stockmarket index of socially responsible companies. This now has higher compliance requirements, especially relating to control of issues in members' own supply-chains. We have ensured that our Supplier Manual and Supplier Evaluation Procedures include a detailed section on Social Compliance, covering environmental issues (including timber procurement), human rights, employment principles and working conditions, as well as animal welfare. Since July 2006, the Laura Ashley Social Compliance Code of Conduct has been available on our website (<http://www.lauraashley.com/page/socialcompliance>).

Our buyers, technologists and accredited independent auditors (SGS Group) have conducted audits throughout the year to ensure that our suppliers conform to the terms outlined in our Supplier Manual, operate within the boundaries of our Social Compliance Code of Conduct and are addressing any matters identified. Non-conformities are recorded during these audits and an action plan is produced, which suppliers implement.



For the past few years, Laura Ashley has been registered with RUGMARK, a global non-profit organisation endeavouring to stamp out illegal child labour in the rug industry. RUGMARK funds are used to run welfare programmes, including schools, rehabilitation centres and health care. All Laura Ashley rugs manufactured in India are monitored by and meet the RUGMARK standards.

Restriction of Hazardous Substances in Electrical and Electronic Equipment ('ROHS') Directive (2002/95/EC).

Our procurement staff have been issued with RoHS guidance and information about the potential impact of this regulation on products marketed by Laura Ashley. Furthermore, we ensure that all our suppliers are aware of this regulation since it came into force in England & Wales on 01 July 2006 and we require them to prepare a detailed RoHS Material Declaration Sheet for supplied products. All relevant products are labelled accordingly.

Waste Electrical and Electronic Equipment ('WEEE') Directive (2002/96/EC)

This European Directive is being implemented nationally at different times and according to different criteria. Hence we registered all our Irish stores as retailers under the Irish WEEE Regulation in 2006; we will also need to register in Ireland as a producer. However, in the UK, the Directive only became law on 02 January 2007. Laura Ashley will also register in the UK both as a producer and a retailer of WEEE, using the British Retailer Consortium and WEEELink compliance schemes. In 2007, Laura Ashley's clocks will be our first products to carry the WEEE logo, but only a very few of our products will be subject to WEEE regulations.

As a producer of WEEE we are under a legal obligation to provide our customers with information on how they can legally dispose of WEEE items when they no longer need them. We will use the same internet-based mechanism as we now use to fulfil our Customer Information Obligations under the Packaging Regulations (see below). We endeavour will also ensure that, where we are not deemed a producer, our suppliers are properly registered so that compliance with the regulations passes along the whole supply chain.

Hazardous Waste (England and Wales) Regulations (2005)

Since July 2005 when these Regulations came into force, several of our units have been registered for hazardous waste collections: Texplan Manufacturing and our Distribution Centres in Newtown and Bardon. All certificates are held at the relevant site and renewed annually.

Packaging Regulations 2005

Under these Regulations, companies are obliged to arrange for the recovery and recycling of set quantities of packaging material calculated from the total packaging that they handle, broken down by material type. These quantities are referred to as 'the obligation' and calculated using the previous year's records.

We have fully complied with the Regulations' requirements for the year 2006 (both in the UK and the Republic of Ireland) and provided all necessary evidence to the relevant authorities. Our packaging returns for 2006 amounted to 1552 tonnes in total (80% of which being paper-based products). In Northern Ireland, a small amount of PRNs (Packaging Recovery Notes) had to be purchased to meet our obligation.

To discharge our legal responsibility to inform our customers of recycling opportunities, we provide them with a web-based service (provided by "wasteconnect") linked from our corporate website (<http://www.lauraashley.com/page/wasterecycling>). This information format is considered more environmentally friendly than a paper-based alternative.

3.2 Manufacturing

The re-organisation of our textile manufacturing operations in our plants in Wales, which started in 2005 with outsourcing fabric preparation, was extended to printing and finishing in 2006. These processes are now carried out in 4 external mills, 2 in the UK and 2 in Turkey. Both UK mills are Integrated Pollution Prevention & Control (IPPC) registered and fully conform to UK legislation. Both Turkish mills are subject to and conform to Turkish legislation. These regulations cover environmental issues with formal assessments of environmental impact, strict effluent control with

bi-annual checks, detailed health and safety policies and employee welfare. Both Turkish mills have been audited in accordance with our Supplier Evaluation Criteria.

Most of the redundant machinery from the plants in Wales was decommissioned and sold; the remaining redundant machinery will be offered for sale in 2007. Unused stocks of dyes (which have a relatively short shelf-life and could not be sold on) were disposed off as hazardous wastes in compliance with applicable legislation.

These operational changes are reflected in our environmental impacts: energy and water consumed in Manufacturing have been substantially reduced (more details to be found in Section 4 Operating Performance); the variety and amount of chemicals used have also been reduced. The activities associated with our wallpaper and paint manufacturing still necessitate the operation of our effluent treatment plant on site, but the volume of waste water passing through it is now much lower, although this reduction does not totally eliminate associated environmental risks, which continue to be monitored. Similarly, waste arising from our UK manufacturing activities is now lower.

Annual solvent usage in wallpaper manufacturing amounted to nearly 7.4 tonnes in 2006; this is slightly higher than last year's usage of 7.3 tonnes and in line with higher unit volumes. Since 2000/2001 we have used only low-solvent and water-based materials in our paint manufacturing and textile processing.

Pollution Prevention and Control Regulations 2000

Because of the changes to our processing activities since 2005, our Texplan site - which was required to hold an IPPC permit (originally granted in January 2003, based on the scale of textile processing taking place at the time) - has been consulting with the Environment Agency on its new status under the PPC Regulations. This matter was not concluded in 2006 and is expected to be resolved in 2007.

Climate Change Levy Agreement

We remain party to the British Apparel and Textile Confederation Climate Change Levy Agreement.

3.3 Distribution

In 2006 there were two distinct strands to our distribution operations: distribution of goods to retail units is managed by our Distribution Centre (DC) based in Newtown (Wales), and direct delivery to customers which is controlled by our subsidiary, Premier Home Logistics (PHL) based in Leicestershire.

At PHL, we focused on improving our waste management at the site. Following a waste review and a change of contractors in 2005, 2006 was the first full year when PHL operated under the new arrangement, being serviced by one contractor only. Pallets are repaired whenever possible, plastic and polystyrene have been regularly recycled as well as cardboard, and recycling rates have increased substantially: we now recycle 75% of our waste, which consists mostly of cardboard. Following the successful introduction of an office recycling scheme, PHL received 2 awards for recycling paper: a Green Impact Award from Groundwork (Leicester & Leicestershire) and a Silver Award from Environ for saving the equivalent of 160 tonnes of CO₂ through paper recycling.

We have rationalised the heating requirement across our Newtown DC site, decommissioning several heaters, which reduced installed output by 3,000,000 BTU's, and consequently also reduced our energy requirements and greenhouse gas emissions. To date we have also replaced approximately 50% of our old fluorescent light fittings with low energy/high frequency fittings which have an estimated 40% energy saving; we will continue this process. All discarded fluorescent lights were disposed off as hazardous waste in compliance with the current legislation. For several years we have been recycling a substantial amount of cardboard, paper and plastics; in 2006 we sent over 280 tonnes of materials (including over 5 tonnes of scrap metals) for recycling, which amounts to approximately 60% of waste generated.



3.4 Retail

In 2006 we fully deployed Phase 1 of our new Retail Waste Management Strategy, bringing an increasing number of shops into our agreement with a nationwide waste contractor. As part of Phase 2 of our Strategy, we have investigated the feasibility of recycling retail wastes (cardboard and plastics). This study has shown that, because of the nature of our retail outlets – the majority of which are high-street premises with very limited storage facilities – recycling would be impractical, and sometimes even in contravention of health and safety regulations as our current delivery system limits the potential for backhauling wastes. We will continue to monitor the situation and explore recycling possibilities wherever practical.

Energy efficiency measures are always considered in all of our new store projects: for instance, energy-efficient lighting and electrical equipment that qualifies for enhanced capital allowances are used wherever possible.

4. OPERATING PERFORMANCE

We had set ourselves 10 main targets for 2006 but did not meet all of them. Overall we reached an average score of 72% achievement against target; Table 1 (next page) summarises our progress. The scores were determined by an internal committee.

Performance data¹ on our main environmental impacts has been collected and results are provided in subsequent sections, including comparisons with previous years' performances when relevant. However, because of operational changes, as well as some methodological changes², direct comparisons may not always be a true reflection of performance. Explanations are given wherever relevant to ensure clarity and transparency.

This year again the issues given attention are the same as in previous reports:

- energy consumption;
- greenhouse gas emissions;
- water use
- and waste management.

In 2006 our total gas and electricity consumption amounted to 32 million kWh - a little lower (93%) than in 2005, but our distribution fleets covered the same amount of miles (3 million). Our total CO₂ emissions, at 13,884 tonnes, are only 1.35% higher than in 2005. Waste volumes were lower in Manufacturing but slightly higher Distribution and much higher in Retail. Water consumption in Manufacturing was reduced by 25%.

¹ Statistical estimates have been used when metered records and measured data were unavailable.

² In some cases, data sources changed between 2005 and 2006; such occurrences will be notified when relevant.

Table 1: Achievement against targets

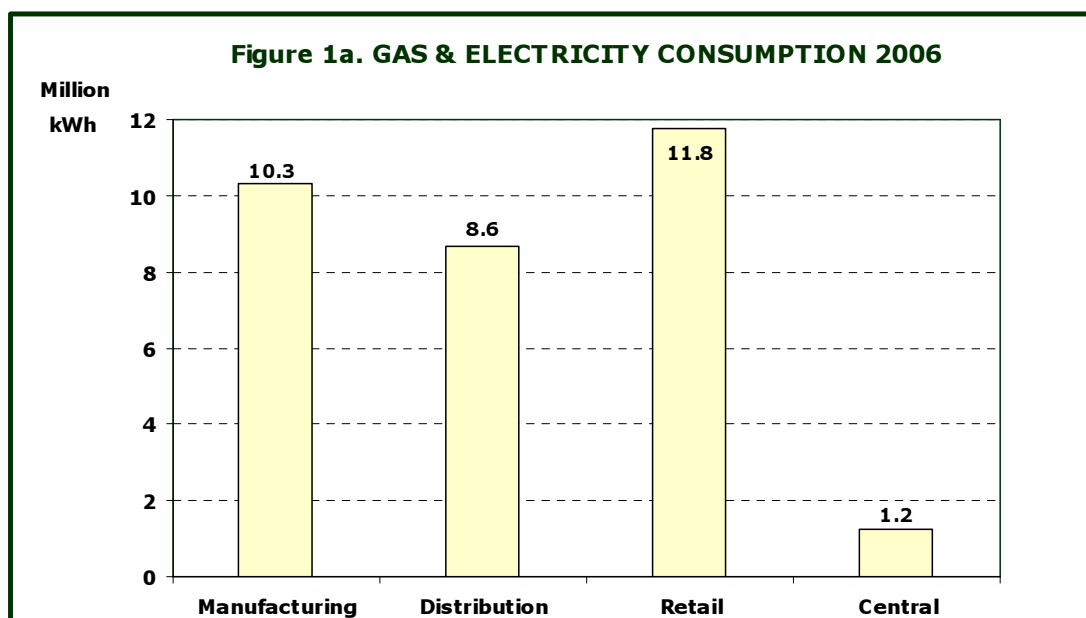
	Targets for 2006	Achievement	Score
Corporate targets			
1	Review the Corporate Environmental Policy	Policy has been available to employees on the Intranet and in their Health and Safety Handbook. The Corporate Environmental Policy was reviewed internally in 2006 and found to be satisfactory. The Policy will be reviewed again in 2007.	100%
2	Maintain 100% compliance with environmental legislation	No environmental prosecutions received in 2006	100%
3	Implement purchasing policies for timber	Manufacturing have been purchasing from sustainably managed resources (under PEFC and FSC schemes). Moving towards being PEFC-audited during 2007, The Policy is not finalised although some progress has been made.	50%
4	Improve environmental reporting process	The gathering of environmental data from within the Group has again proved to be a complex process. A revised reporting structure will be adopted.	40%
5	Review packaging use	Packaging study not yet carried out, although our buyers have been working with suppliers to minimise packaging of products and good progress has been made in recycling of packaging at our Distribution Centres.	50%
Retail targets			
6	Develop and deliver improved Waste Management Strategy	Investigated recycling feasibility with help of current waste management company. Resulted in revealing Phase II of Waste Strategy as currently impractical due to diversity of real estate, current logistics strategy and low overall cost benefit	75%
7	Improve awareness of environmental issues in retail shops	Progress not extended beyond Corporate Target 1 level. Hazardous Waste registration took place in latter part of reporting year and awareness level will need to be aligned to compliance schemes chosen by Laura Ashley. To be carried over into 2007	50%
Distribution targets			
8	Review waste management practices at Newtown DC and develop improvement plan	Review carried out, which did not reveal any potential improvement. It was considered that extending the services of the current waste management provider for retail and PHL DC to Newtown DC would not bring any benefit	100%
Manufacturing targets			
9	Review waste management practices at Texplan and develop improvement plan.	Review carried out, which did not reveal any potential improvement. It was considered that extending the services of the current waste management provider for retail and PHL DC to Texplan would not bring any benefit. A more detailed reporting plan is required.	75%
10	Work with environmental regulators to ensure process changes remain in compliance with environmental legislation.	Texplan remains in compliance, and continues to liaise with Environment Agency regarding permit surrender; matter not closed yet. Will be progressed in 2007.	80%



4.1 Energy

Power and Heating

Energy consumption for each of the four Divisions (Manufacturing, Distribution, Central Services³ and Retail) is shown in Figure 1a. This covers consumption of gas and electricity used for power and heating.

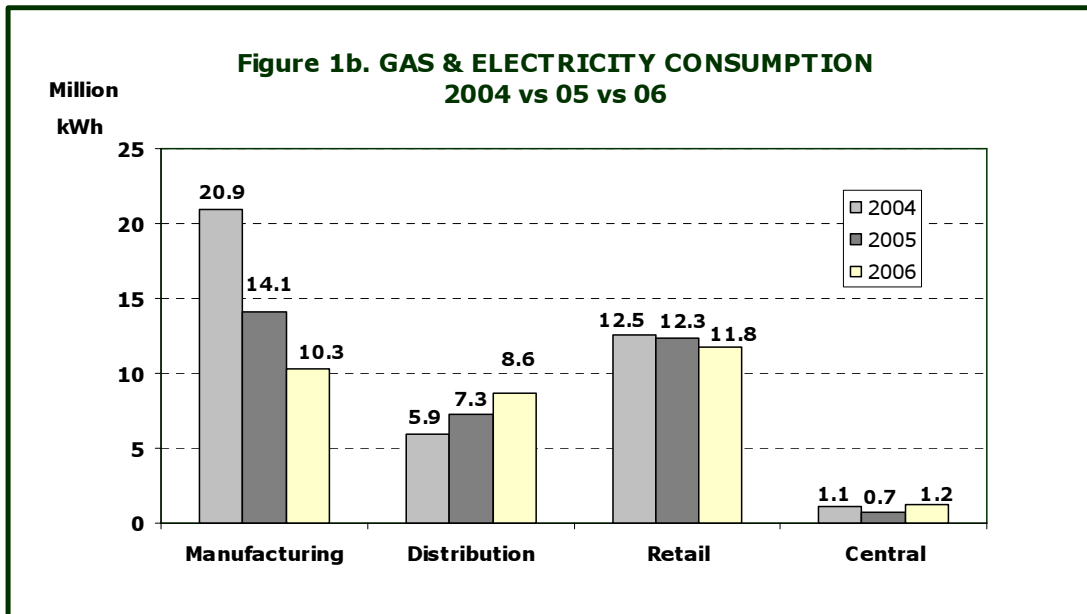


The changes introduced in our manufacturing organisation in 2005 were continued in 2006. Textile processing is no longer being undertaken in our UK premises. This translated into a substantial reduction in our energy consumption compared to previous years. As a result, electricity for our retail outlets now constitutes our largest energy demand. In 2006, this amounted to 11.8 million kWh against 10.3 and 8.6 million kWh (for both gas and electricity) in Manufacturing and Distribution respectively. Consequently, energy in Retail (and the associated climate change impact – see Section 4.2 on Greenhouse Gases) is now one of the most significant environmental aspects of Laura Ashley's activities.

Note that electricity consumption in retail units located within Homebase stores is not metered separately from that of the host stores, so it is estimated at 1 million kWh on the basis of our average high-street shop consumption (and this is included in the overall Retail consumption shown in Figure 1a). As in previous years, gas use in Retail is not reported here; consumption is not measured but cost records indicate that it remains a minor item.

Figure 1b provides a direct comparison for energy consumption (both electricity and gas) across the Group over the last 3 years. However, because of the changes in manufacturing organisation, year-on-year comparison for this Division is not meaningful. The increase in consumption reported for Distribution can be partly explained by changes and improvement in our data collection.

³ "Central Services" refers to our Head Office premises in London, as opposed to "Corporate" which refers to our group-wide activities



Transport

Figure 2a shows aggregated mileage driven by company vehicles, either for distributing goods or business travel. Obviously distribution services dominate our transport impacts and are by far the largest users of vehicle fuel, mostly diesel. Only a few cars are petrol-fuelled, and their total mileage (just over 40,000 miles) does not even represent 1% of overall mileage (4.7 million miles). In 2006, our total diesel consumption amounted to 1.15 million litres.

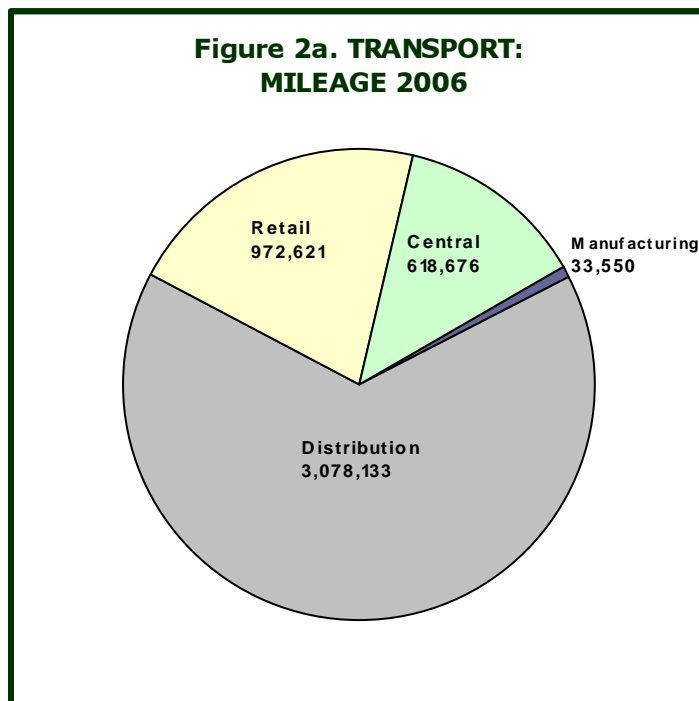
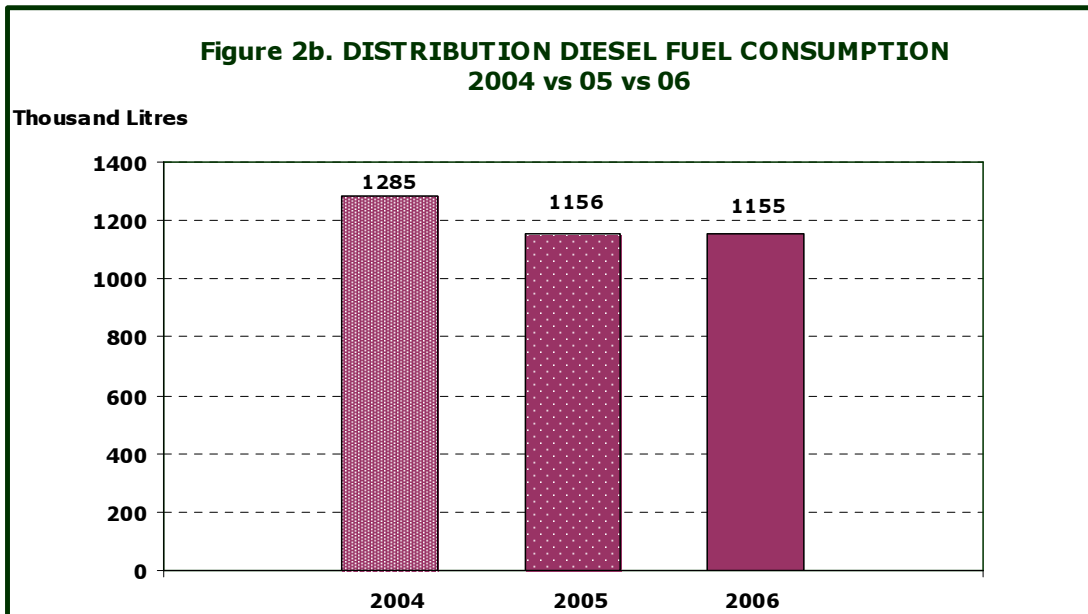


Figure 2a showing total mileage driven by company vehicles (cars and HGVs)

Diesel fuel consumption by our Distribution fleets has remained constant over the last 2 years (see Figure 2b), and so has mileage - which amounted to 3.04 million miles in 2006 and 2.99 million miles in 2005. The reduction of 10% in diesel fuel consumption in 2005 is mostly attributable to a 15% reduction in total distance travelled.

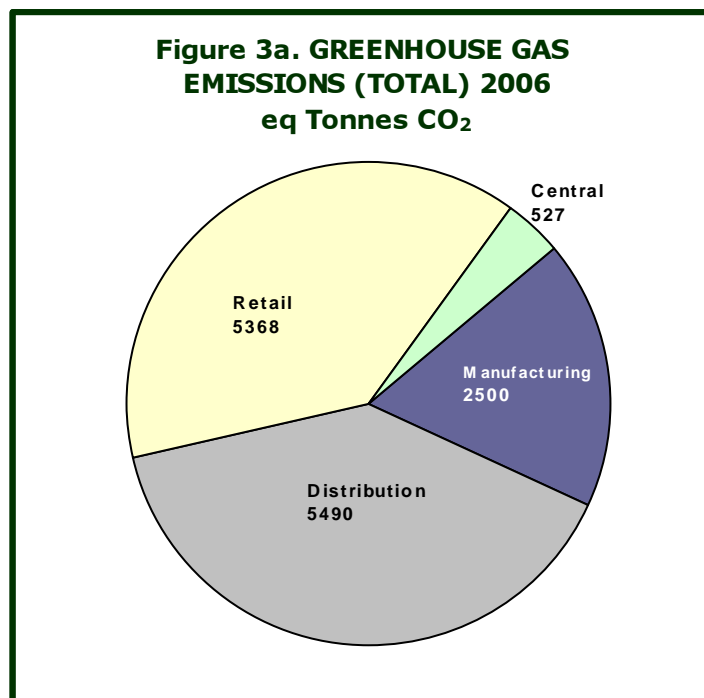




4.2 Greenhouse Gases

Overall, carbon dioxide (CO₂) emissions associated with our consumption of fossil fuels for transport, energy, lighting and heating amounted to 13,884⁴ tonnes CO₂-equivalent in 2006. This hardly changed (less than 1% increase) compared to 2005's reported total of 13,755 tonnes.

Figure 3a (next page) shows the contributions to this total amount from our various Divisions. Distribution and Retail are now our 2 main sources of emissions (40% each); CO₂ emissions from Manufacturing represented only 18% of the 2006 total.



⁴ Equivalence factors published by the UK Government have been used to calculate our CO₂ emissions. There are no process emissions of greenhouse gases other than CO₂ from Laura Ashley UK operations.

Figure 3b further illustrates the sources of those contributions, showing that electricity consumption in Retail is the highest single source of CO₂ (5172 tonnes), followed by fuel in Distribution (3103 tonnes). CO₂ emissions from gas and electricity used in Manufacturing and Distribution are now very similar. Emissions from our Central operations (not illustrated here because of their relatively small contribution – see Figure 3a) result mostly (80%) from office heating and lighting.

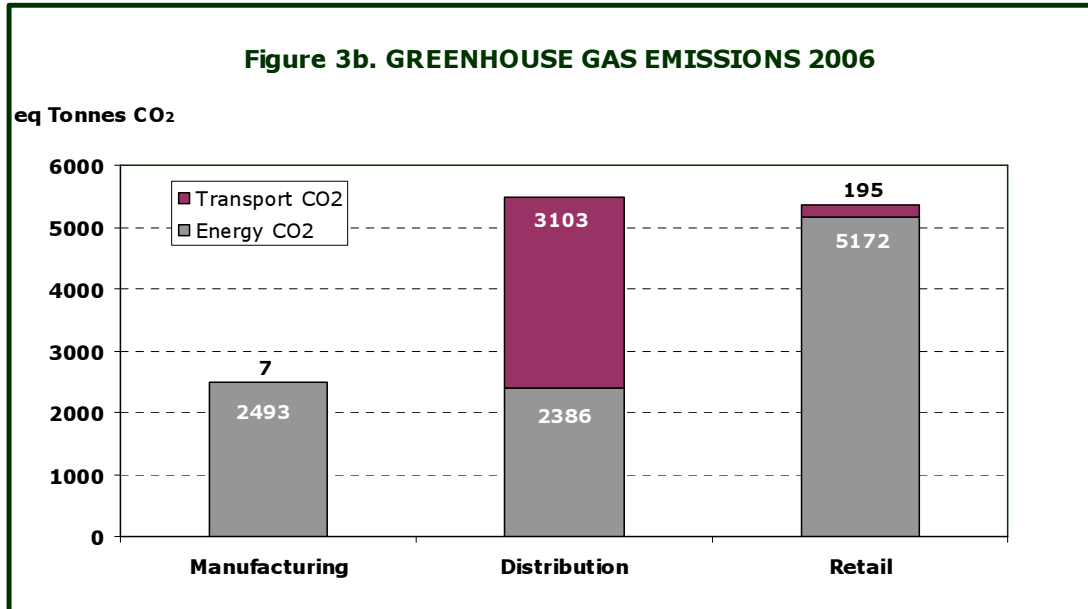
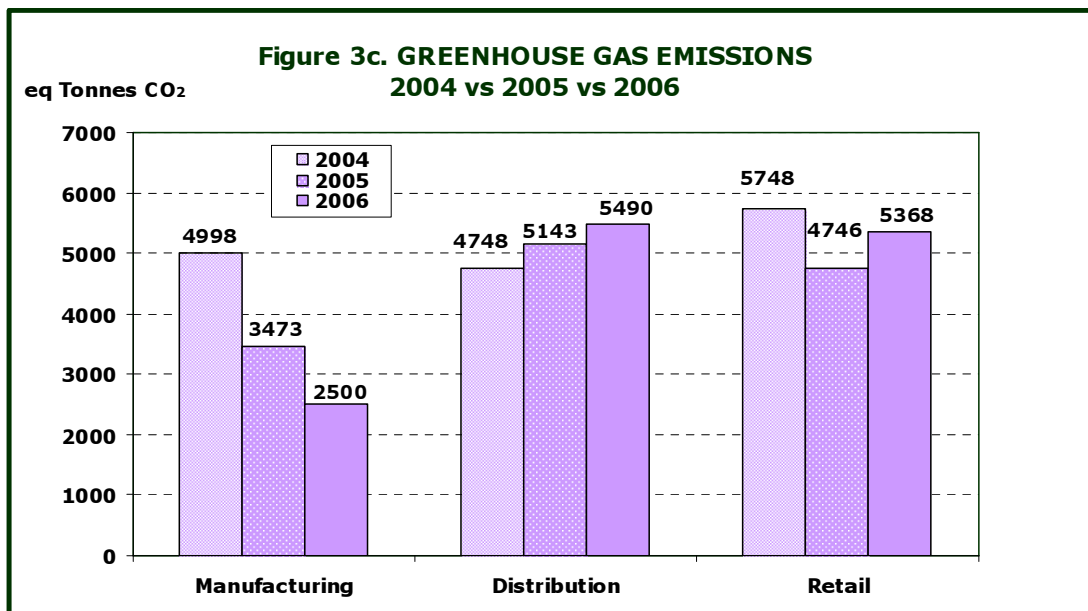


Figure 3c shows the changes in our CO₂ emissions over the past 3 years, which reflect the changes in fuel consumption used for transport and energy requirements in Manufacturing, Distribution and Retail.



4.3 Waste

In 2006, the various Laura Ashley UK Divisions produced a total of 4227 tonnes of waste, of which 642 tonnes (or 15.3%) were recycled or recovered and 82.5 tonnes were hazardous waste. This amounted mostly to a one-off disposal of unusable dyes following our Manufacturing re-organisation.

Figure 4a clearly shows that a substantial portion of our waste arises in our Retail units. It is important to note that the tonnage quoted (2346 tonnes) and shown for Retail waste remains an estimate rather than an actual measure. Once again, we have drawn on the records compiled to comply with the Producer Responsibility Obligations (Packaging Waste) Regulations 1997 to estimate our Retail wastes in 2006 (as we did in previous years).

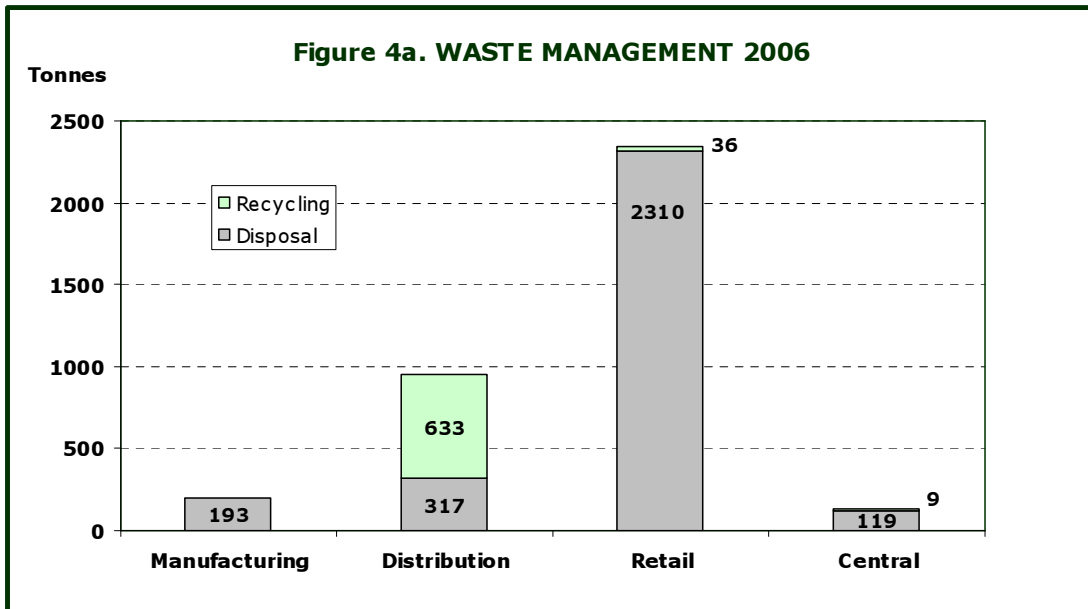
Since late 2005, more and more retail units are serviced by our new waste management contractor. Therefore, collection records are centralised, giving us an alternative source of waste information.

We recognise that these estimations carry a degree of uncertainty but we believe that using collection records will constitute a basis for future comparison, as more shops will then be included in our nationwide retail management contract and these records will become more representative.

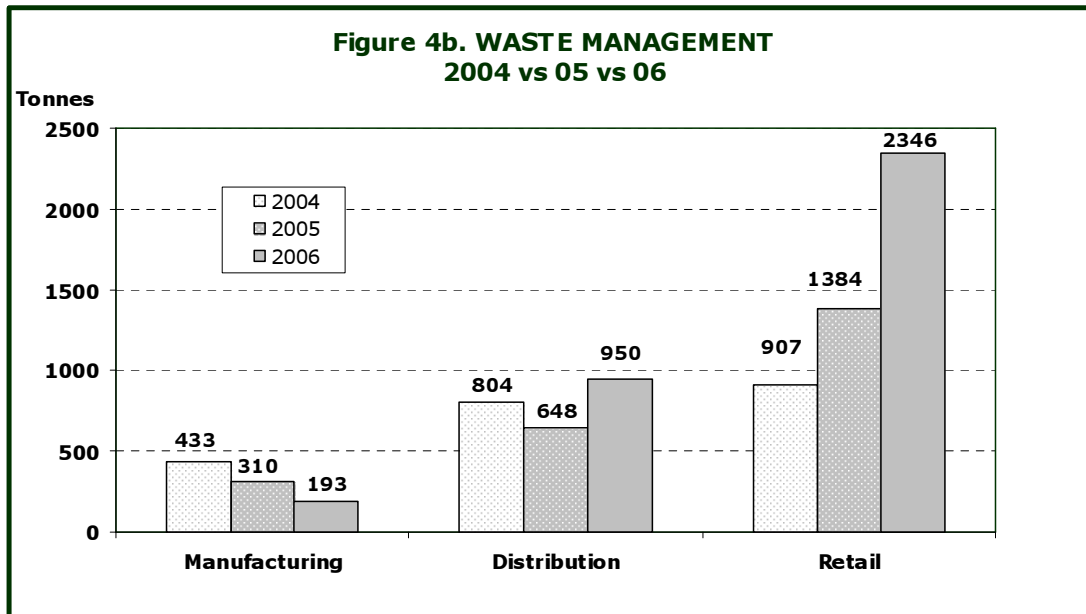
As mentioned in Section 3.4, large-scale recycling of Retail wastes is currently impractical, therefore only a small amount of recycling is taking place in shops where the local conditions enable it. In most cases, the conditions are such (for instance, local council collections) that this is not measured. The amount of 36 tonnes shown in Figure 4a is an estimate compiled by our waste management contractor only for those stores currently covered by the contract.

As illustrated in Figure 4a, recycling is very successfully carried out in Distribution: nearly 60% of all waste was recycled at our Newtown DC in 2006 and an unprecedented 75% at our PHL site. This latter figure results from changes in waste management and waste contractor. At both sites, cardboard is the highest recycled material (488 tonnes in total).

Recycling of office paper in our Central offices totalled 9 tonnes in 2006, compared to 4 tonnes the previous year.



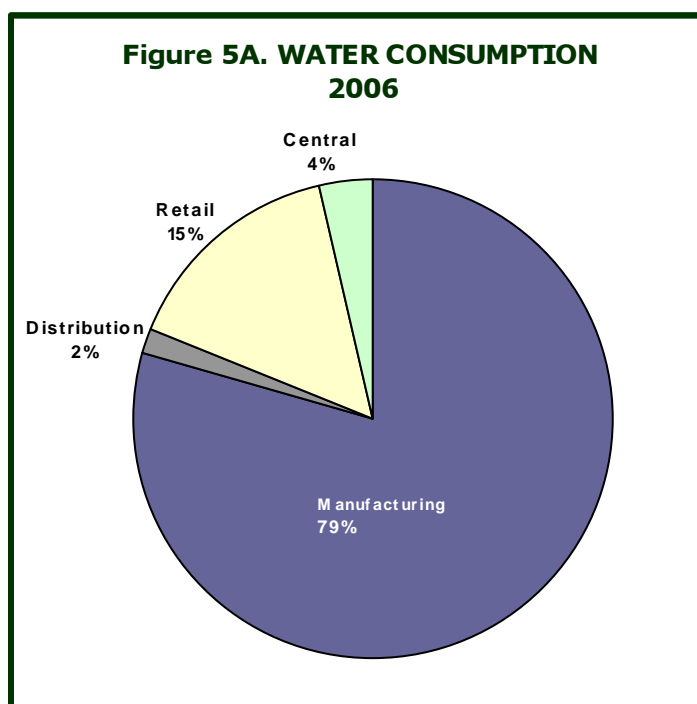
A comparison of waste tonnages for 2004 to 2006 is illustrated in Figure 4b; this shows a substantial increase in Retail wastes (calculated on the basis of our packaging records for all 3 years). The year-on-year increases in Distribution and Retail can be explained by improvements in measuring our packaging, by changes in our product range and more recently by increases in our turnover.

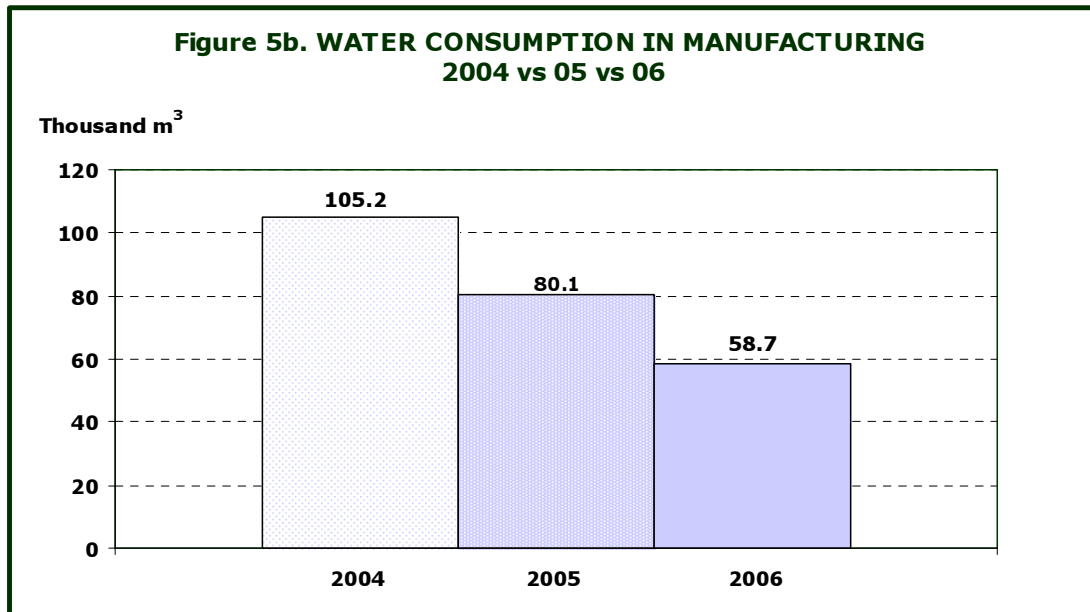


4.4 Water

Total water consumption across all Divisions amounted to 74,000 m³ in 2006. Water consumption for Retail (11,180 m³) is estimated on the same basis as last year.

Water is a major input in our manufacturing processes and therefore consumption remains highest (58,722 m³) in this Division (see Figure 5a) compared to our other activity areas. Changes in Manufacturing, described in Section 3.2, have affected water consumption, which is now 27% lower than in 2005 and nearly half of what it was in 2004 (Figure 5b).





5. THE FUTURE

5.1 Corporate

In 2007 we will again concentrate on maintaining full compliance with environmental legislation. In particular, we will carry on monitoring our product range for RoHS and WEEE compliance. Having registered our stores in both the UK and Eire, we will also ensure that we meet compliance with the WEEE Regulations that apply to our stores in France. We will also review our environmental priorities and Corporate Environmental Policy, which was originally adopted in 2004, in the light of the current profile of the business. We will also seek to better understand and measure the carbon impact of our operations and intend to work with the Carbon Trust on this issue.

We will endeavour to improve the environmental knowledge of all our employees within the Group, and more particularly of those who face a public increasingly interested in and knowledgeable about the environment. Our activities surrounding our WEEE registrations in 2007 will provide an excellent vehicle for raising awareness. We aim to include information in the existing weekly retail communication document and to introduce an environmental awareness element in the store manager training package being delivered regionally by the Group Risk team.

We will consider ways to increase the transparency of supply chain information in order to provide our investors and other stakeholders with the confidence that we have put into place the policies, procedures and checks to meet the FTSE4Good Index Supply Chain Labour Standards Criteria.

We intend to carry on and further develop the work previously undertaken on compliance with the Packaging Regulations in order to reduce the amount of packaging used on some of our products. This will involve continued and closer collaboration with suppliers. However, we expect that the absolute volume of packaging handled will increase because of the changes in our product range and our sales volumes.

We will also work on improving the accuracy and management of our packaging data.

In order to reduce waste, we will investigate opportunities for improving coat hanger recycling and disposing of redundant paint through the Community Repaint Scheme.

5.2 Manufacturing

We intend to conclude the surrender of our IPPC Permit and the application for a Local Authority Pollution, Prevention & Control (LAPPC) permit, as well as finalise any other regulatory requirements resulting from the changes in our manufacturing activities.

5.3 Distribution

In 2007 our main focus in Distribution will be the integration of retail and consumer operations and the replacement of our current HGV fleet by new 'greener' vehicles, complying with the latest and highest environmental standards. We anticipate that these changes, combined with greater opportunities for improved route planning will deliver substantial fuel efficiency gains, reduced CO₂ emissions, a like-for-like reduction in total mileage travelled and lower costs per unit delivered.

Following our good performance in waste management and segregation at PHL we will continue to work closely with our waste contractor to identify new recycling opportunities and try to further increase our recycling rates. However, we anticipate increasing utilisation in our second warehouse, which may increase our overall waste arisings.

In 2007, we also intend to re-introduce PHL's bi-monthly Environmental Forum and work towards formalising the site's environmental management practices into a recognised and accredited system.

At our Newtown DC we plan to reduce waste by contracting a specialist service to repair or recycle damaged pallets.

5.4 Retail

The environmental impact of the waste we produce in stores will remain clearly in focus within Retail during 2007. We will continue to work closely with our appointed waste management contractor and include more stores as they reach the end of their pre-existing waste contractual obligations. This close collaboration will enable us to consider and investigate initiatives that may assist us in our goal to increase the volume of recycling undertaken in our shops. By exploiting a new on-line service provided by our waste management contractor, we will be able to monitor the throughput of waste from all of our stores, and provide regular meaningful feedback to our stores, as well as our distribution centre managers.

Energy and water usage within the Retail division is the second highest in the Group. The focus will be to educate our Retail staff, through in-house training and regular store bulletins, in practical measures that can be taken at store level to improve overall usage. Electricity usage is monitored centrally, and costs are minimised where possible by monitoring the markets. It is envisaged that our electricity management contractor will also be providing an on-line service that will allow monitoring of usage throughout the coming year.

5.5 Targets and Milestones

We have again set ourselves measurable and realistic targets for 2007, some of which reinforce our achievements in 2006. Legislative compliance, supply chain issues and staff awareness of environmental matters will be our main spheres of activities.

We will strive to reach all of these targets in 2007 (detailed in Table 2, next page) and will report on our achievements in the next Environment Report.



Table 2: Targets and major milestones for 2007

	Targets for 2007	Lower milestone	Higher milestone
Corporate targets			
1	Review the Corporate Environmental Policy reflecting 2007 legislative change (WEEE)	Review Policy and obtain board level approval	Re-launch and fully communicate the revised Policy
2	Maintain 100% compliance with environmental legislation	100% compliance	100% compliance
3	Identify all current protocols and policies for timber purchase	Establish clear group policies and supplier auditing objectives	Ensure consistency of policies and need to provide viable environmental reporting data
4	Improve and embed within all divisions, clear environmental reporting requirements	Develop a reporting structure and questionnaire in preparation for 2007 report data gathering	Promote environmental reporting requirements encouraging use of monthly or quarterly data returns
5	Ensure FTSE4Good membership increasing overall transparency of LA supply chain information	Ensure we meet next 3 Criteria of Supply Labour Standards imposed by FTSE, by end Q2/07	Ensure public disclosure of 3 Criteria and ensure environment reporting emphasised internally
Retail targets			
6	Raise awareness of environment issues in stores	Ensure stores receive quarterly information and 'tool-box-talks'	Conduct awareness survey or include provision for awareness capture on RM H&S audit form
7	Provide regional store training emphasising the implications of the WEEE regulations	Produce WEEE guidance document and training objectives for store managers (inc. France)	Deliver training and ensure public disclosure of LA take-back schemes (UK, EIRE and France)
Distribution targets			
8	Raise awareness and improve consistency of environmental activities between PHL and NDC	Review and compare current environmental practices and initiatives at PHL and NDC sites	Develop improvement plan and emphasise key environmental data reporting requirements
Manufacturing targets			
9	Review process activities at Texplan with aim of improving overall accuracy of data capture for all environmental reporting	Review key processes and practices in Texplan; waste disposal/recycling, production and purchasing activities	Develop data reporting improvement plan
10	Work with environmental regulators to ensure process changes remain in compliance with all environmental legislation	Ensure regular progress reports are disclosed by contractor currently handling IPPC to Local Authority permit changeover	Finalise permit changeover within current reporting period

Further Information

For further information on any of the subjects mentioned in this report, please contact the Laura Ashley Risk Management Team:

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