

LAURA ASHLEY

ENVIRONMENTAL REPORT 2002

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LAURA ASHLEY

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 more specific environmental policy covering key environmental issues that are specific to their business operations.

At a corporate level, the Board of Laura Ashley Holdings plc. is committed to:

- A programme of continual environmental improvement throughout the business
- Ensuring compliance to all relevant environmental legislation
- The prevention of pollution
- Encouraging divisions of Laura Ashley to report on energy, waste and fuel consumption with the aim of setting performance indicators
- Operate and maintain company vehicles as far as reasonably practical with due regard to environmental issues
- Operating wherever possible using substances and plant which will not significantly affect the environment and to assess in advance the environmental impact of any new processes or products
- Encouraging suppliers and contractors to implement policies that protect the environment.

This policy will be made publicly available through the following sources:

- www.lauraashley.com
- Annual report
- Communicated to employees via a staff booklet

The Board of Laura Ashley Holdings plc. will make every endeavour to ensure that the Environmental Policy is implemented throughout the group and it will be reviewed on an annual basis.

For any further information please contact us on the following e-mail address:

Risk.Management@lauraashley.com

1. Introduction

This report covers environmental management activity and environmental performance in Laura Ashley Holdings for the calendar year 2002. This is the first environmental report that has been produced for the Group as a whole. It summarises our environmental stewardship activities and brings together performance data relating to key impacts from across the Group. The report covers our UK operations.

2. Organisation

Environmental management within Laura Ashley Holdings is governed by the group's Environmental Policy, a full copy of which can be found on the first page of this report and on our website (www.lauraashley.com)

An environmental manager, reporting to the Group Risk Manager, co-ordinates and facilitates the implementation of these principles in the individual divisions of the Group: Manufacturing; Retail; Central and Distribution (which includes both Laura Ashley distribution and Premier Home Logistics, our home delivery service). Implementation in each division follows the same basic principles – understanding issues and measuring baseline performance; establishing responsibilities and setting targets; acting to achieve these targets and monitoring progress.

For each division relevant environmental issues have been identified and priorities allocated. A number of issues have been identified that are common to all divisions within the group, namely usage of fuel and other utilities and waste production. Efforts in the past year have focused on these group-wide issues as well as the key priority of regulatory compliance.

3. Performance & Achievements

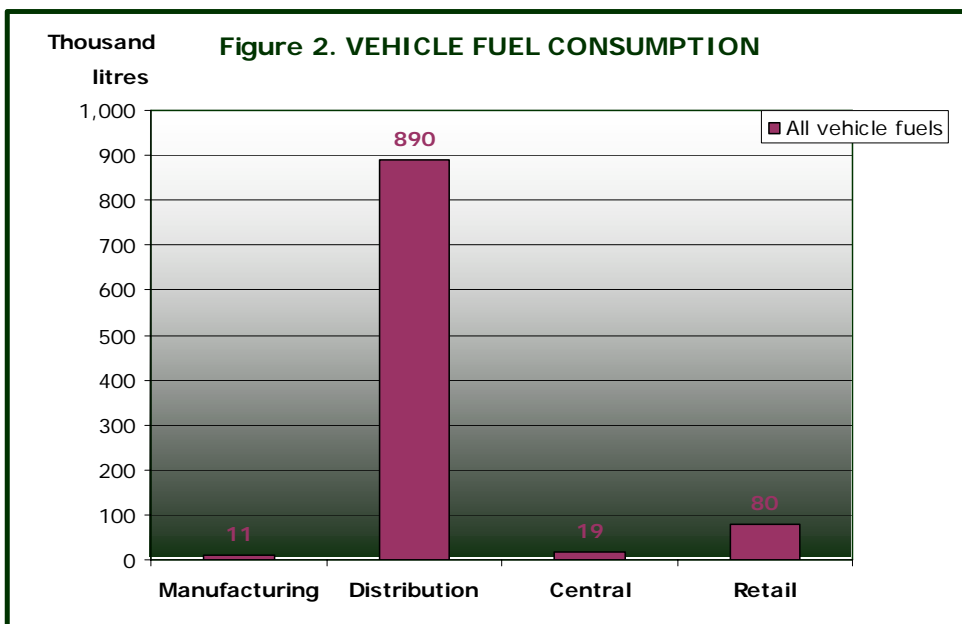
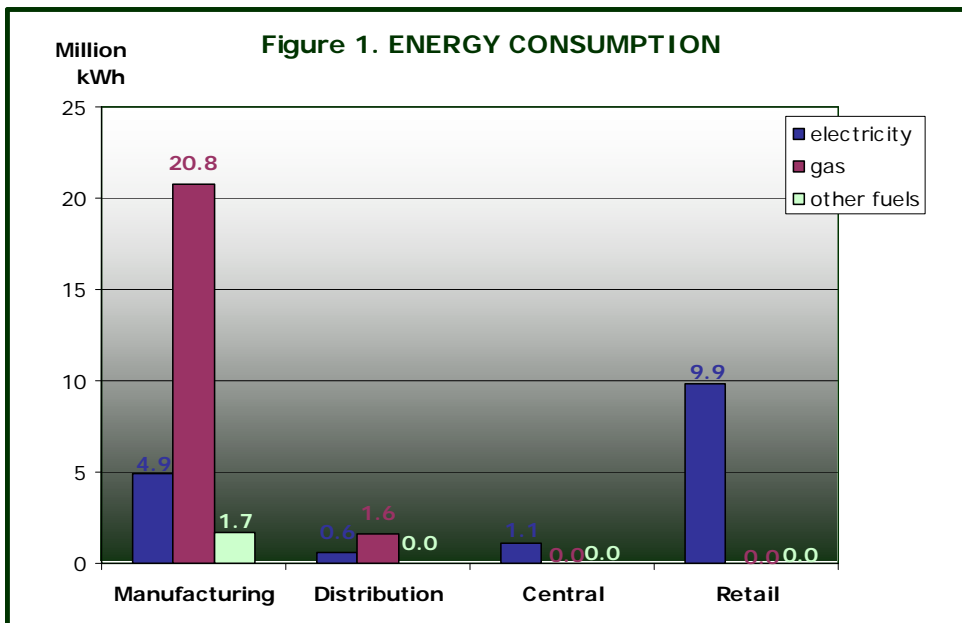
The Group was not in breach of any environmental legislation during the year, but legislative compliance received much attention. In addition to the annual submission to the Environment Agency under the Packaging Waste Regulations, an application for a permit under the Pollution Prevention and Control Regulations 2000 (an "IPPC Permit") was made for one of Texplan Manufacturing's sites. This was required by the transitional timetable for the introduction of this new pollution control regime to the textile processing sector. A draft permit was issued for the site in January 2003, and we expect to finalise this during the first Quarter. This site also operates an environmental management system accredited to ISO 14001 for which a certificate was first obtained in 2001, and is party to the British Apparel and Textile Confederation's negotiated agreement with the Government. The latter requires improvements in energy efficiency in exchange for a rebate of Climate Change Levy payments. We met the first "milestone" target within this agreement by reducing energy consumption per metre of cloth processed by 1½%.

While the IPPC permit application took up considerable resources, a number of steps forward were made elsewhere in the Group. A waste segregation system was established at the Premier Home Logistics (PHL) distribution centre which opened in May 2002, enabling packaging wastes to be recycled. We are now

providing information about convenient recycling facilities to our customers through our website, in collaboration with Wasteconnect. Considerable effort has also gone into setting up data collection routines throughout the group for the common issues of energy consumption (and related greenhouse gas emissions), water use and waste management. We intend to use data collected in this way to assess the performance of our environmental programmes year-on-year. Summary data covering January to December 2002 is presented below. Note that the information for distribution includes part-year data from PHL operations which commenced in May 2002.

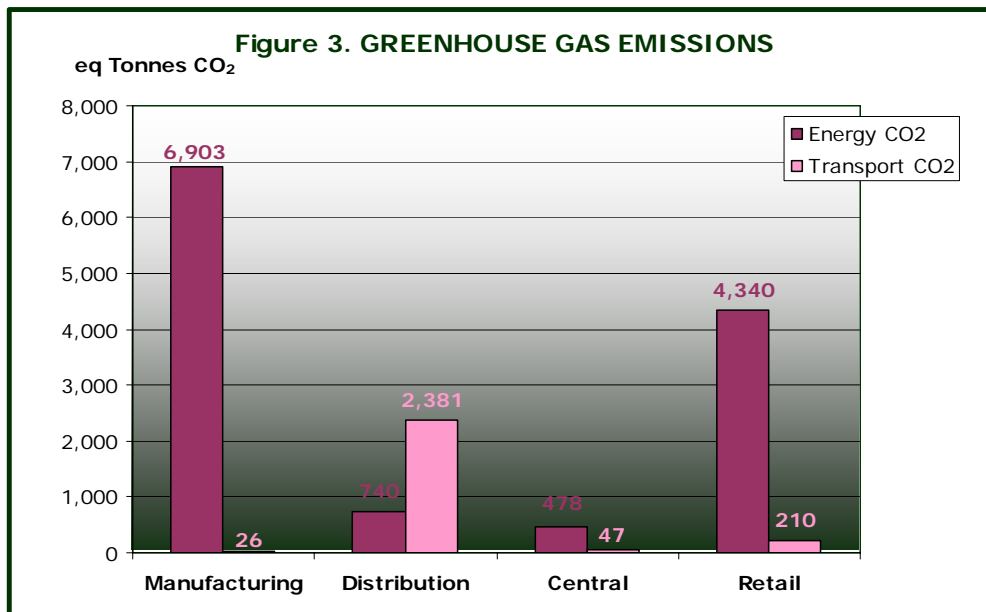
3.1 Energy

Energy consumption for each of the four divisions (Manufacturing; Distribution; Central Services; Retail) is shown in Figure 1 (gas, electricity and other fuels used to heat buildings and operate equipment) and Figure 2 (vehicle fuels).



The large contribution to the total energy consumption made by gas for manufacturing results from its use for direct heating and for steam generation in textile processing. Figure 2 shows that fuel use in our distribution fleets (both that serving Laura Ashley stores and our PHL home delivery service) is by far the largest use of vehicle fuels. Both of these energy use areas, as well as electricity consumption in our shops, are the subject of active programmes aimed at improving energy efficiency. Some gas is used in our retail premises but this is not measured at present: from our records of costs we know that gas consumption is markedly less than electricity use in this division.

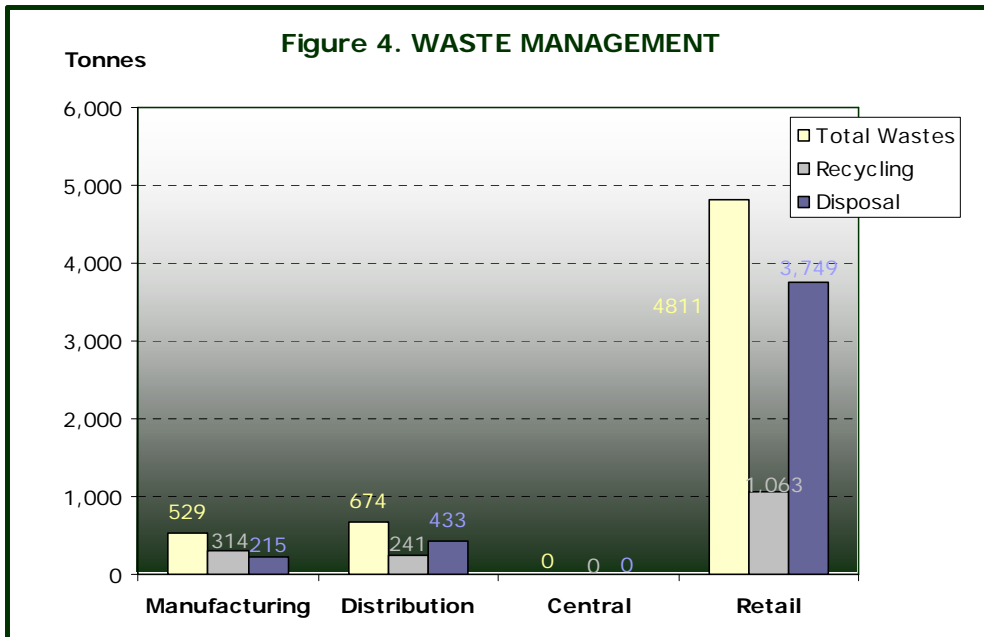
The Greenhouse Gas emissions associated with all of our energy consumption are shown in Figure 3.



This representation of the most important environmental impact arising from our energy use reinforces the priorities that we have set for our energy efficiency programmes.

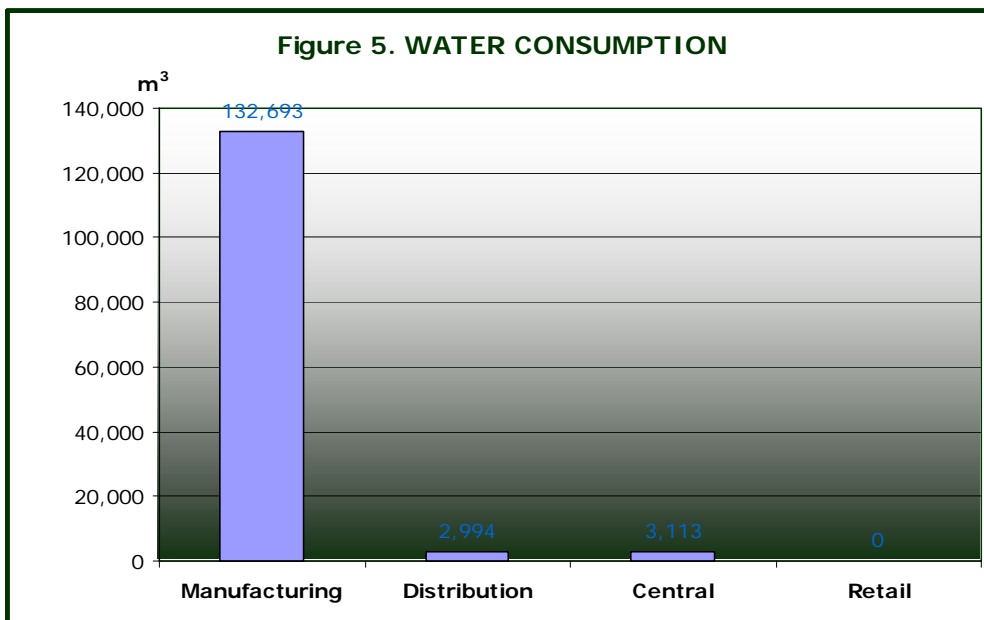
3.2 Waste

Figure 4 shows Waste Production in the various divisions and also the fruits of our in-house recycling and recovery projects. The latter have so far been focused in the manufacturing and distribution divisions, where waste is available in larger concentrations, making recycling both economically and environmentally more attractive. Figures for the retail division are based on an in-house survey of Laura Ashley stores in the UK. Average values from wider surveys of commercial waste in the UK have been used to convert information about waste volumes supplied by our shops into weights, so the figures for the retail division are approximate. Figures for the other divisions are taken from complete site records. We will be evaluating a UK-wide waste management contract for all our “stand-alone” stores (i.e. all those that are not part of large shopping centres or Homebase stores - where the host provides waste handling services) in the coming year: this will provide us with better data for retail waste arisings and enable us to take up more recycling opportunities.



3.3 Water

Figure 5 shows water consumption in the manufacturing and distribution divisions, and in our central offices. Water is vital in the processing of fabrics and hence usage here is much greater here than elsewhere in the group. While water consumption in the retail division is not zero (as the chart shows), it is not yet specifically measured in our retail premises where its use is solely for domestic purposes, as is the case for Central division.



Closer monitoring of water usage has been undertaken in our manufacturing division over the last year to identify opportunities to improve efficiency. Water demand is, however, closely linked to the type of cloth processed as well as the quantity so progress in this respect is harder to monitor with confidence.

Installation of a water meter at our PHL distribution centre was delayed so the data shown here do not include consumption at this site.

4. The Future

We have a number of objectives for environmental management within the Group during the year ahead.

- The Risk Management Group will continue to provide support to all divisions to ensure that our 100% legislative compliance record continues.
- In the Manufacturing division, the coverage of the ISO 14001 system will be extended to take in both sites.
- We will seek to increase the overall proportion of our waste that is recovered by extending projects in the distribution division and seeking opportunities in the retail divisions to use local recycling infrastructure.
- We will be conducting further work to make our data collection systems more robust and comprehensive, and to refine the reporting of environmental performance using that data.
- We are aware of the need to address product-related environmental issues as well as operational ones. Supply chain monitoring at Laura Ashley encompasses both ethical trading themes and environmental affairs. We intend to report more fully on the outcomes of supplier audits in future years.

In future environmental reports we will publicise our progress in these areas and on performance trends for the themes of waste, energy and water.

5. 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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