

LAURA ASHLEY

ENVIRONMENTAL REPORT 2003

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1. Introduction

This report covers environmental management activity and environmental performance in Laura Ashley Holdings in the UK for the calendar year 2003. This is the second year of reporting our environmental stewardship activities: this document presents performance information relating to the most significant environmental aspects for our business.

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 our website (www.lauraashley.com). This Policy is currently under review. The Policy will continue to provide an overall guideline for the different divisions within the group, but will give stronger direction for the development of environmental improvement programmes throughout the Group.

An Environmental Manager, reporting to the Group Risk Manager, co-ordinates and monitors the implementation of the Environmental Policy in the individual divisions of the Group: Manufacturing, Retail, Central Services and Distribution (which includes both Laura Ashley Distribution and Premier Home Logistics). 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.

3. Performance & Achievements

There have been no significant changes in the nature of Laura Ashley Holding's activities during 2003, so the issues given group-wide attention remain the same as last year: fuel, utilities and waste. Some key points from the past year are summarised below:

- Laura Ashley has not been found in breach of any UK legislation during the year 2003 and has complied with all current regulations.
- The PPC permit for one of Texplan Manufacturing's sites became effective from March and we have continued to operate in line with the requirements of the permit imposed by the Environment Agency.
- Texplan Manufacturing remains within the British Apparel and Textile Confederation sectoral Climate Change Levy Agreement which requires this division to meet energy efficiency targets in return for a rebate of its Climate Change Levy payments.
- We continue to be listed on the "FTSE4Good" index, a stockmarket index whose membership is screened so that it provides investment opportunities for ethical investment funds.
- All Halon 1301 was removed from fire extinguishing systems during the year, and disposed of by electric arc plasma destruction. This is reported to capture and destroy 99.999% of the halon in cylinders, and we believe it to be the best available option environmentally.
- Work continues to ensure that all packaging material passing through the business is tracked and recorded to ensure that our systems for reporting to the Environment Agency under the Producer Responsibility (Packaging Waste) Regulations are as accurate as reasonably possible.
- The extension of the ISO14001 environmental management system to the whole of the Manufacturing division has not yet been completed, in part because the scope of the management system is being extended to incorporate both Quality and Environmental issues.
- Outside the UK one of our franchise operations - Laura Ashley Japan - achieved certification to ISO 14001 in September 2003. Long term objectives and targets within the business' Environmental Management System include commitments to reduce waste,

implement green purchasing policies and raise awareness of environmental issues through training.

Operating performance

Quantified data is provided in subsequent sections for the same environmental aspects (energy consumption, transport, CO₂ emissions, waste production and water consumption) as last year. In most cases the figures are directly comparable with those for 2002. However, this is the first full year of operations for Premier Home Logistics, so figures reported this year for Distribution cannot be compared directly with those for 2002.

3.1 Energy

Energy consumption for each of the four divisions (Manufacturing, Distribution, Central Services and Retail) is shown in Figure 1. This covers consumption of gas, electricity and other fuels used for power and heating. Gas consumed for textile processing in our Manufacturing division remains our largest energy demand at 17 million kWh. Our second largest energy demand comes from electricity consumption in Retail outlets¹ at just above 10 million kWh for 2003 – slightly higher (3%) than last year. As for 2002, Gas use in Retail is not reported here. Consumption is not measured but cost records indicate that it remains a minor item.

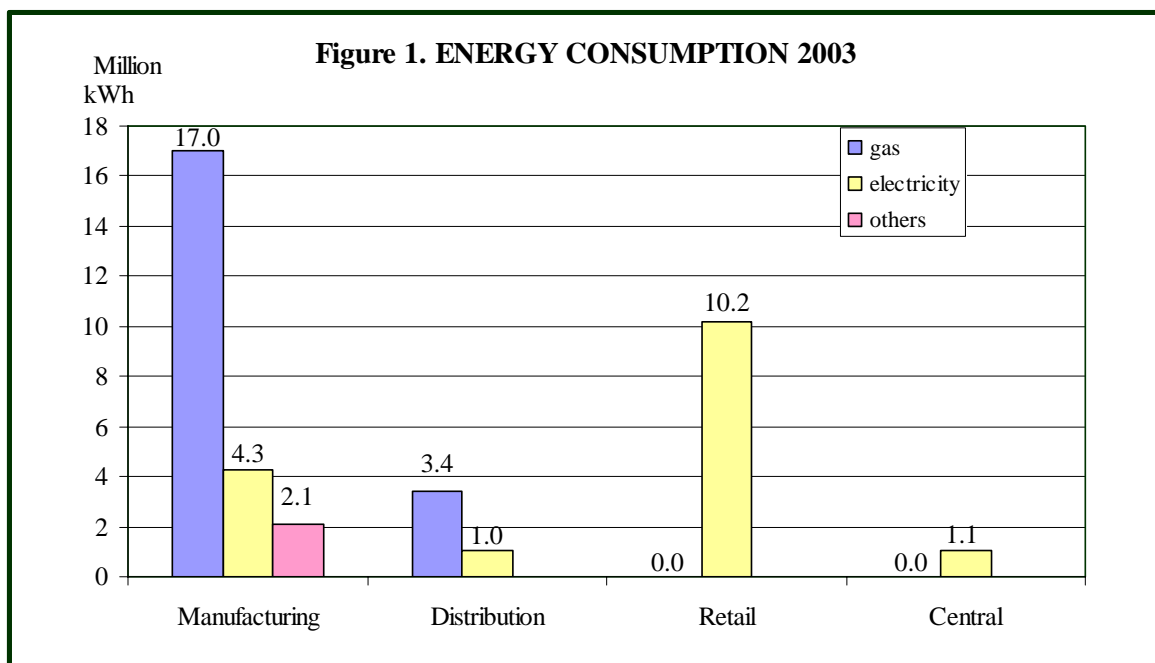


Figure 1b provides a direct comparison between 2002 and 2003 consumption for electricity and gas (the main fuels used) across the group. The 18% reduction in electricity consumption in Manufacturing between 2002 and 2003 is the result of a mix of efficiency improvements and changes in production patterns. Higher gas use in Distribution is associated with operation of PHL for a full year. The difference between energy consumption for Retail in 2002 and 2003 is not significant in numerical terms.

¹ NB: The figure reported for electricity consumption in Retail outlets does not include consumption in units located in Homebase stores, as this is not metered separately from that of the host stores.

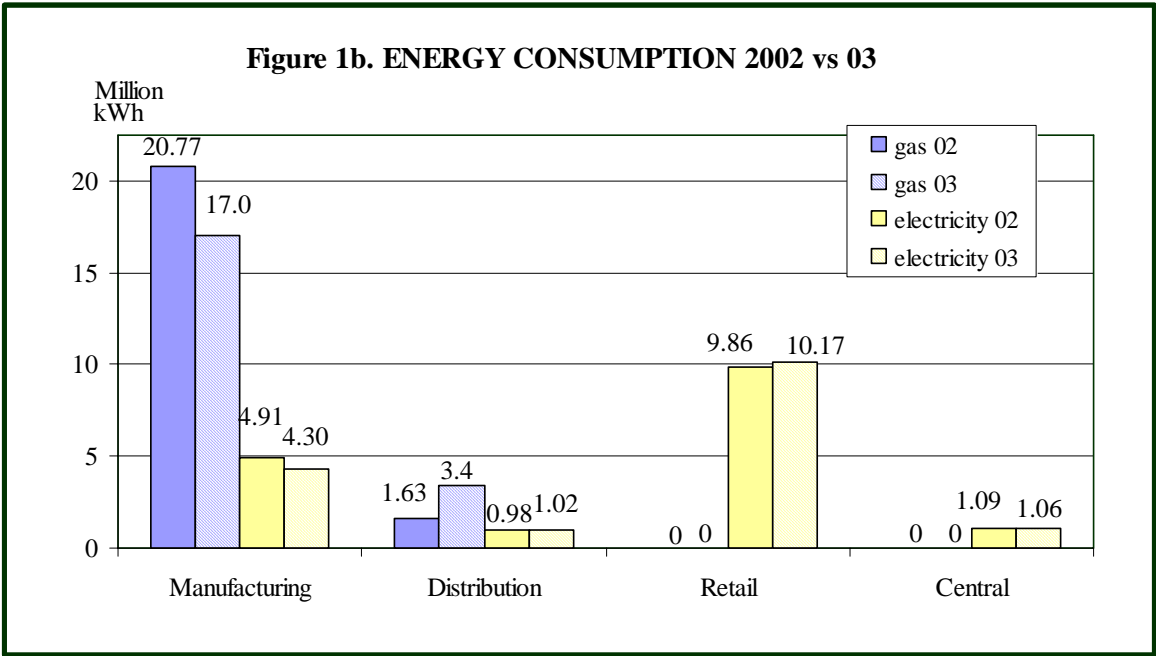
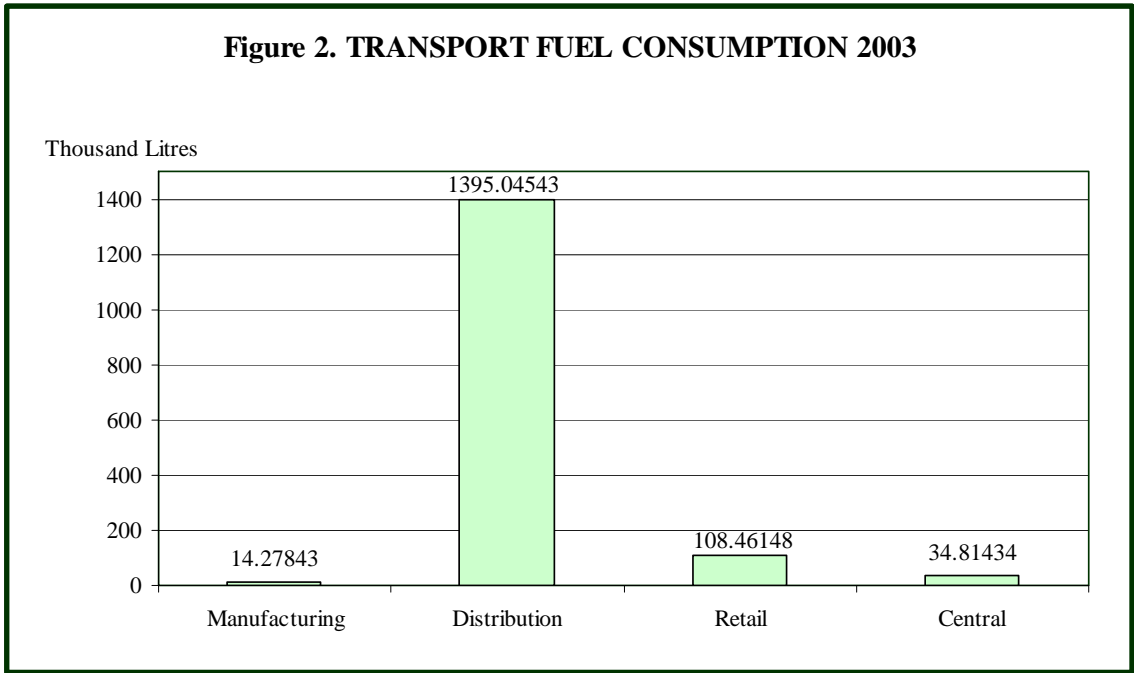
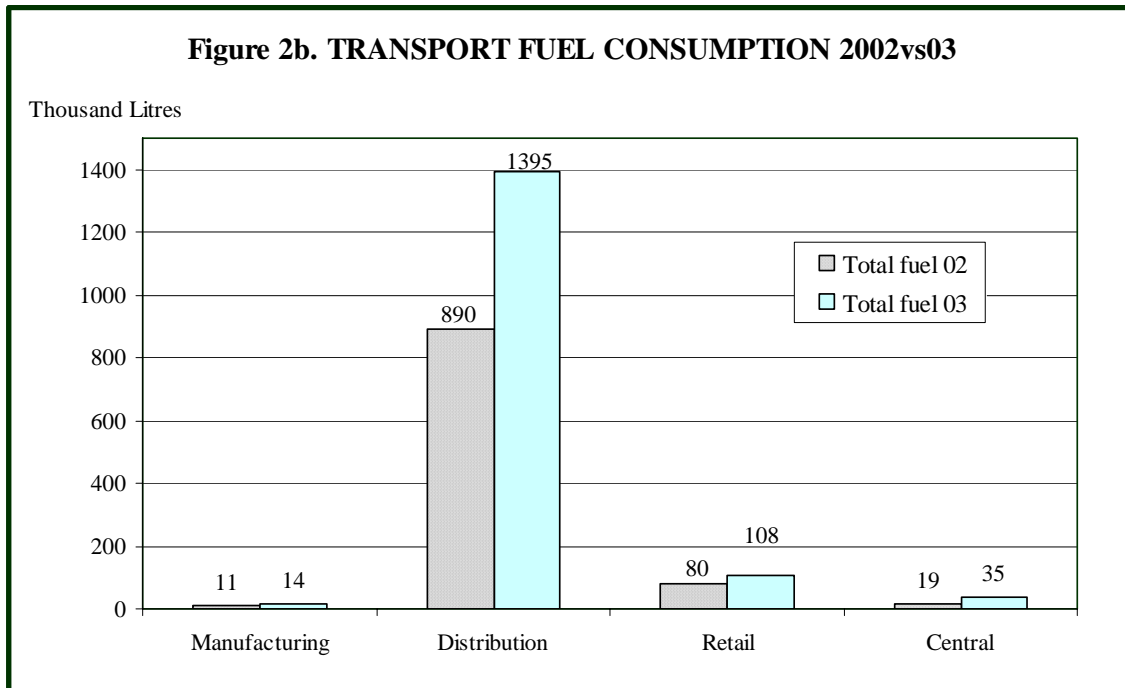


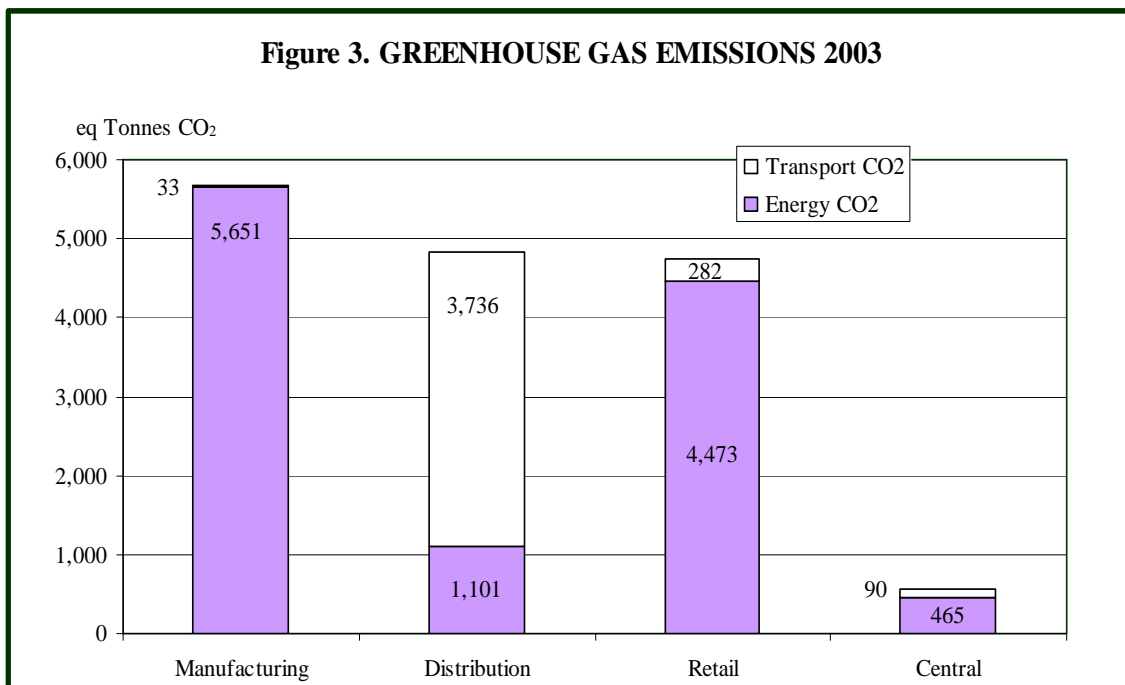
Figure 2 shows aggregated consumption of diesel and petrol, either for distributing goods or for personal transport. Distribution services are by far the largest users of vehicle fuel, and diesel is used much more than petrol; total petrol consumption represents 3.4% of total fuel use.



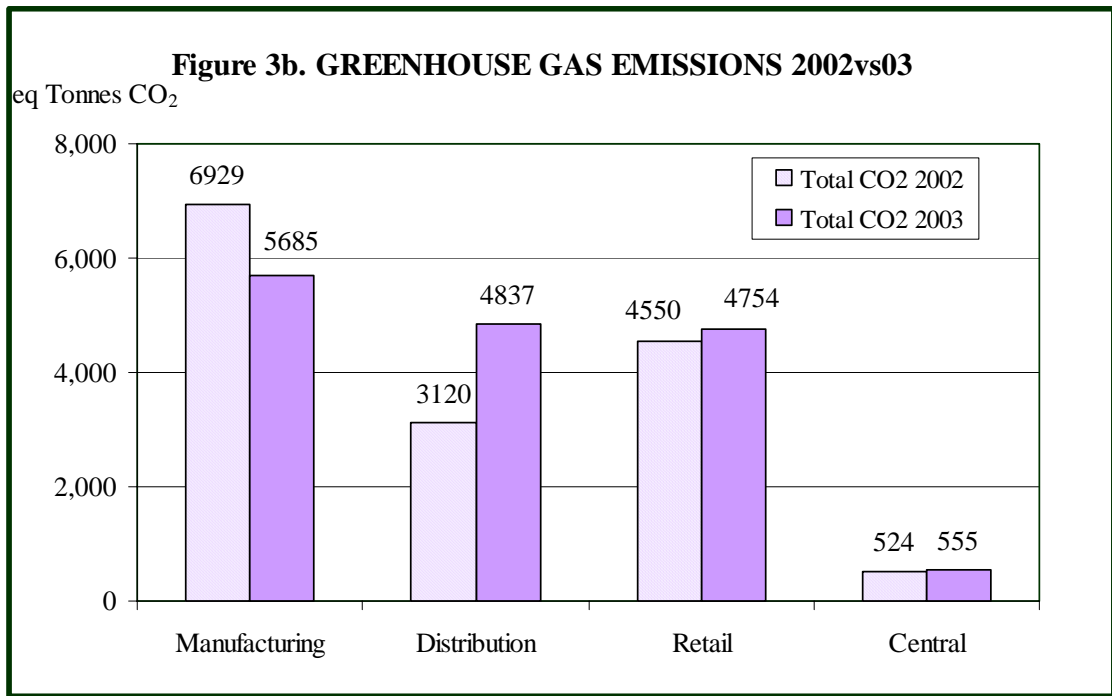
The total vehicle fuel consumption reported for Distribution, at 1395 thousand litres, is much higher than that for last year. However this year's figure covers the first full year of operation for the Premier Home Logistics (PHL) home delivery service, which commenced operation mid-2002. Fuel consumption monitoring in Distribution remains a priority, both for control of environmental impact and for cost control.



The impact on long-term climate patterns of carbon dioxide (CO₂) emissions remains the most significant impact associated with energy and fuel use. The CO₂ emissions associated with our energy consumption (for both fuel and transport) are shown in Figure 3. Equivalence factors published by the UK Government have been used to calculate these figures. There are no process emissions of greenhouse gases other than CO₂ from Laura Ashley operations. The pattern of emissions represented in Figure 3 sets the priorities for energy management activity within Laura Ashley in the UK.

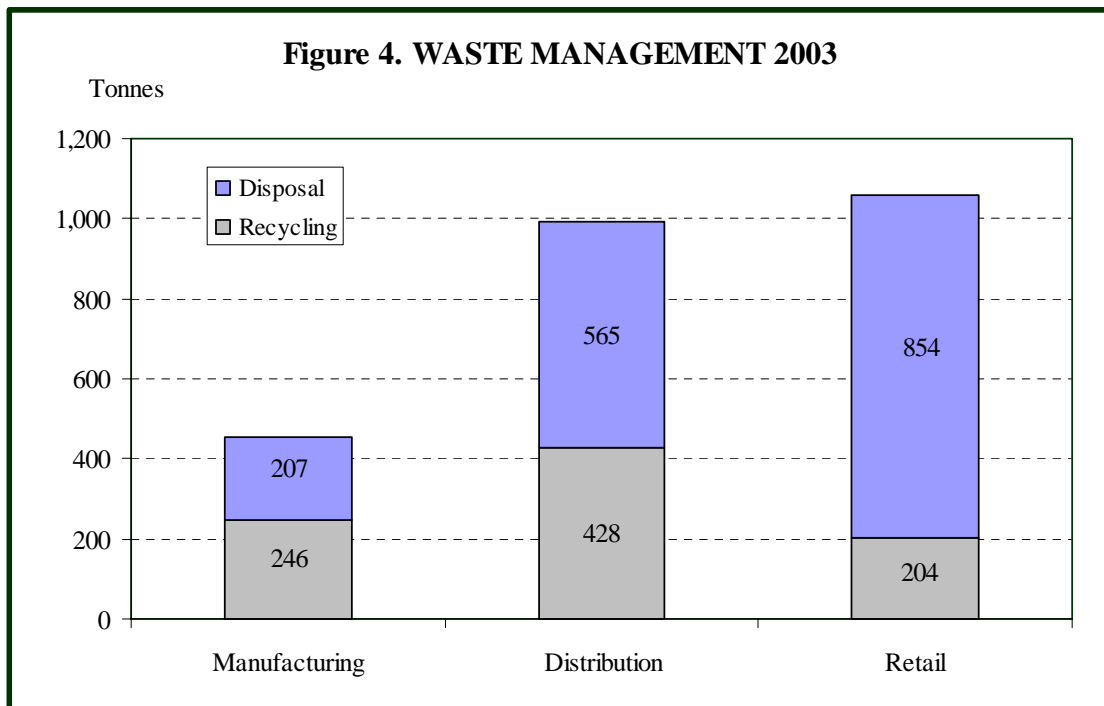


Overall, Greenhouse Gas emissions associated with our activities are approximately 5% higher in 2003 than they were in 2002 (15831 tonnes CO₂ against 15124 tonnes): a large part of the increase linked to full operation of PHL has thus been offset by lower consumption in Manufacturing. Figure 3b makes this comparison graphically.



3.3 Waste

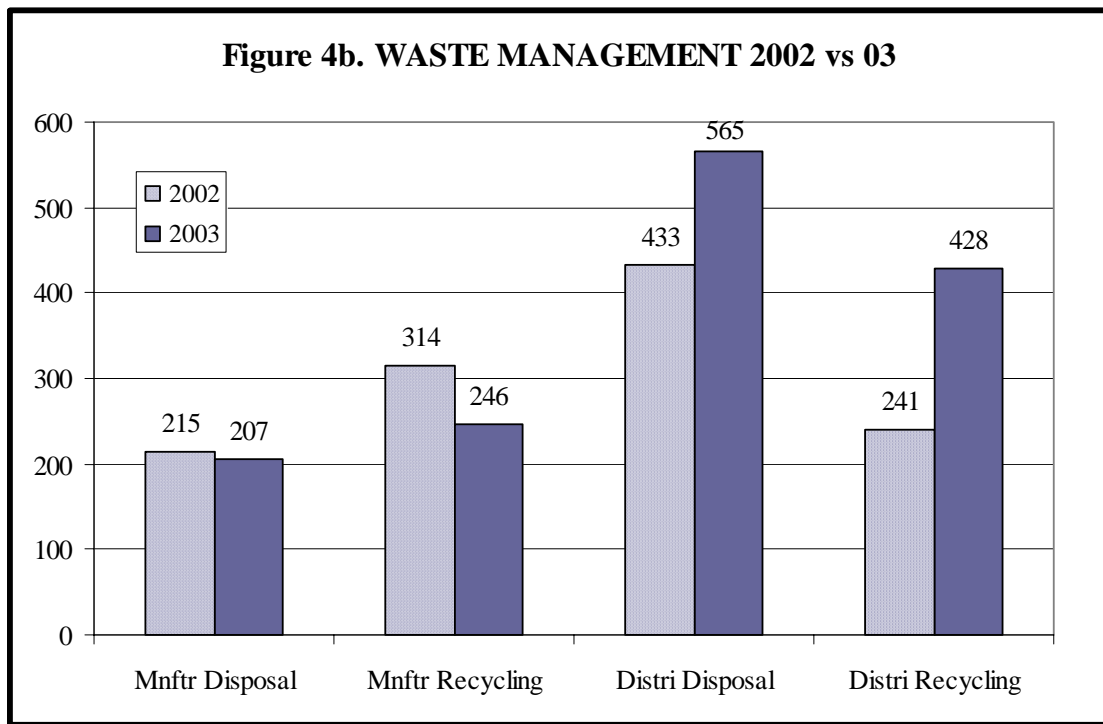
Figure 4 shows waste production and recycling in Manufacturing, Retail and Distribution divisions. Waste from our Central Operations is not reported: no mechanism is currently available to gather accurate data for waste arisings here. This division covers solely office activities and waste production in this area of our operations is believed to be small compared to the other divisions



An audit of wastes at a small number of retail locations revealed that packaging materials account for the bulk of these. This has enabled us to produce a better estimate for Retail division wastes in 2003 than that made for 2002, drawing on records maintained for compliance with the Producer Responsibility (Packaging Waste) Regulations rather than relying solely on the more approximate survey method employed last year. We believe this provides a more accurate picture of waste

arising in our shops. The figures quoted in Figure 4 for total retail waste and for recycling in retail remain estimates rather than measured values, so there is associated uncertainty regarding the “true” values.

The proportion of wastes recycled was again above 50% of total wastes produced in Manufacturing, while our recycling schemes in Distribution have been better implemented this year, resulting in an average recycling rate of 43% in 2003 compared to 35% in 2002. PHL has made particularly strong improvement in this area. Figure 4b compares 2002 and 2003 performance in Manufacturing and Distribution.



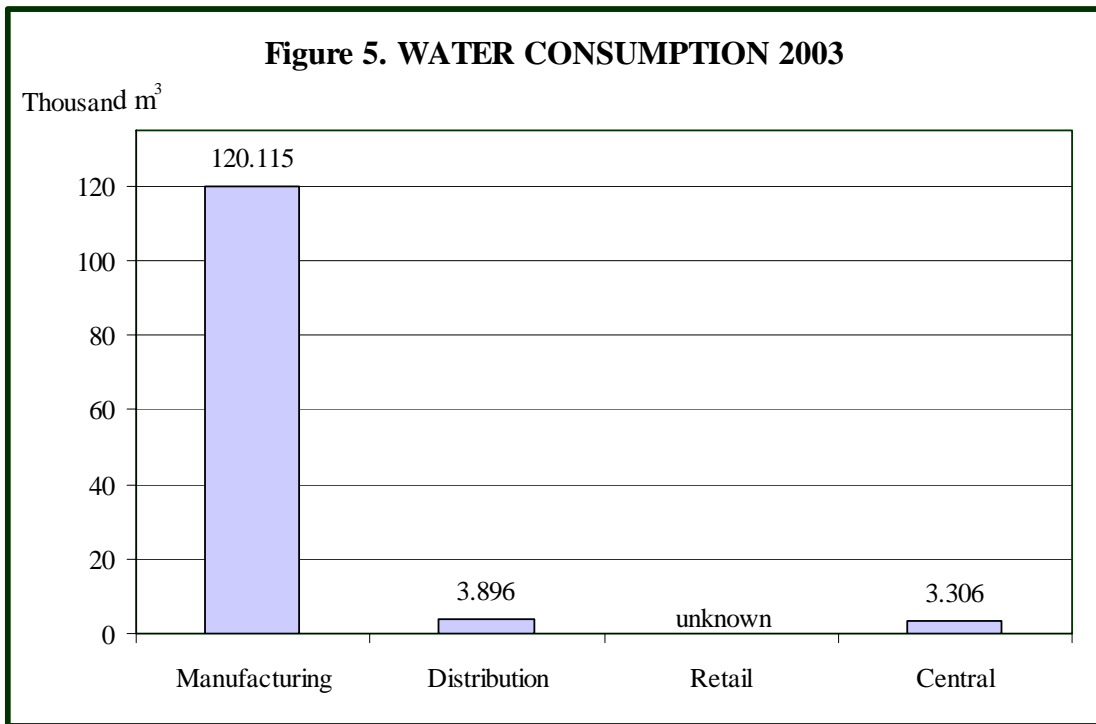
We will continue to take steps to improve the quality of data for retail wastes. More importantly in terms of environmental improvement, we will work to reduce retail waste and to encourage recycling by shops. We already make extensive use of returnable packaging for distribution of goods to our retail outlets.

3.4 Water

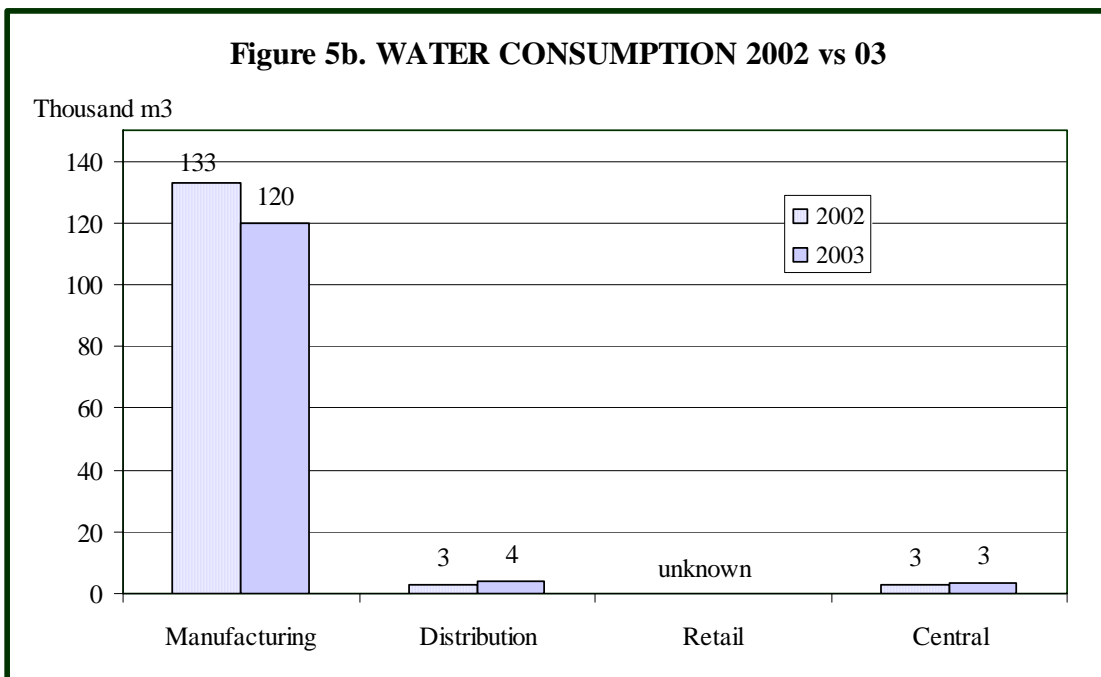
Water consumption is shown in Figure 5². Water is a major input in textile processing and therefore water consumption remains highest - by far - in Manufacturing. Consumption was 10% less in 2003 than in 2002. While in this case it is changes in production patterns that have been largely responsible for the reduction, we have implemented a range of measures to improve water efficiency in textile processing during recent years, so that Manufacturing’s water consumption in 2003 was less than half of its 1997 level.

Water consumption in Retail premises is not specifically measured, but use is solely for domestic purposes (as is the case for our Central division) and therefore likely to be comparatively small.

² The data shown in Figs. 5 and 5b do not include consumption at the main PHL site.



A chart comparing 2003 consumption with 2002 is provided as Figure 5b.



4. The Future

With similar issues facing the business, the objectives for environmental management within the Group during the year ahead are similar to those expressed in 2002. Our priorities for 2004 are:

- The development, review and communication of our Environmental Policy.
- Further development of the integrated Quality and Environmental management system for Manufacturing, with implementation at all sites commencing during 2004.
- Provision of support from the Risk Management Group to ensure that Laura Ashley Holdings' 100% legislative compliance record continues.

- Implementation of a more structured approach to environmental training and awareness-raising throughout the Group, to enable staff to participate more effectively in the delivery of both our Environmental Policy and our Ethical Sourcing Policy.
- Taking further steps to increase the overall proportion of our waste that is recovered, reused and recycled.
- Continuation of our efforts to make data collection systems within Laura Ashley more robust and comprehensive, and to refine the reporting of environmental performance using that data. In particular we intend to identify appropriate measures that can be used to report on a normalised basis in future years, in line with emerging good environmental reporting practice.

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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