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Company Ashley (Laura) Hldgs PLC
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LAURA ASHLEY HOLDINGS plc ("the Group")

Laura Ashley Holdings plc announces its results for the 52 weeks to 25 January 2014.

Summary

- Profit before taxation (including exceptional items) up 2.0% to £20.5m (2013: £20.1m).
- Total Group sales down 1.4% to £294.5m (2013: £298.8m).
- Full year retail Like-for-Like sales down 0.4%.
- 2nd half Like-for-Like sales up 1.2%.
- International Franchise business growth of 4.2%.
- EPS up 6.4% to 2.15p (2013: 2.02p).
- Strong Balance Sheet with £24.1m cash at the year end.
- Final dividend proposed of 1.0p per share making a total dividend of 3.5p per share for the year (2013: Total dividend 2.0p per share).
- Significant development of Order Management systems during the year.
- Current trading shows Like-for-Like sales growth of 2.0%

Commenting on the results, Tan Sri Dr. K P Khoo, Chairman, said:

"I am encouraged that, despite a challenging first half, we have seen good Like-for-Like sales growth during the second half. We will continue with the progress we have made in developing our brand, growing our product ranges, improving our systems and enhancing our online business. These initiatives, together with the growth of our international franchise business, will remain our primary focus.

The retail environment continues to be both competitive and challenging but we are confident that the quality of our product ranges, the enduring appeal of our great British brand and the loyalty of our many worldwide customers will enable us to make further progress in growing the business.

In the first two months of the current financial year, we have achieved Like-for-Like sales growth of 2.0%. This is an encouraging start to the year and we believe that this progress can be maintained."

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Overview

For the 52 weeks to 25 January 2014, profit before taxation including exceptional items was up 2.0% to £20.5 million (2013: £20.1 million). Profit before taxation excluding exceptional items was down 4.0% to £19.3 million (2013: £20.1 million).

Total Group sales fell by £4.3 million (1.4%) to £294.5 million compared to the previous year of £298.8 million. Full year retail Like-for-Like sales were down by 0.4% on 2013. Over the year, Like-for-Like performance was down 2.2% in the first half but up 1.2% in the second half.

Retail space was reduced by 16,000 square feet (2.0%), and the UK store portfolio decreased by 3 stores, from 212 to 209.

Gross margin rate increased by 0.3% year on year and operating expenses reduced by 0.6% to £106.1 million, (2013: £106.7 million).

The implementation of our new Order Management system will yield benefits to the Group both in terms of order lead time and a better customer experience.

Cash Flow and Balance Sheet

Cash generated from operations in the year was £16.8 million (2013: £22.4 million). A net decrease in cash balances over the year of £10.5 million was recorded with the Group holding £24.1 million in cash as at the year-end (2013: £34.6 million). Dividends of £18.1 million were paid during the year.

Dividend

The Board has recommended a final dividend of 1.0 pence per share. When taken with the anniversary dividend of 0.5 pence per share paid in June 2013, the interim dividend of 1.0 pence per share paid on 30 October 2013 and the bonus dividend of 1.0 pence per share paid in February 2014, the total dividend for the year is 3.5 pence per share (2013: Total dividend of 2.0 pence per share). This dividend will be proposed at the forthcoming AGM and, subject to shareholders' approval, will be paid in due course.

The Board will continue to review dividend payments on the basis of annual profitability, the economic climate and the needs of the business.

UK Retail

As at 25 January 2014, the property portfolio in the UK comprised 209 stores (2013: 212). We have five store types: 130 Mixed Product stores (selling all product categories), 50 Home stores (selling Home products only), 24 Home concession stores, 4 Gifts & Accessories stores and 1 Clearance outlet.

During the year ended 25 January 2014, we opened 2 new stores and closed 5 stores. As a result, total selling space fell by 2.0% to 786,000 square feet. This reduction reflects our portfolio optimisation policy.

Our E-Commerce channel remains a key part of our multi-channel retail strategy, contributing 16.0% of total UK retail sales (14.0% of total Group sales). This participation is consistent with last year. Operating on both mobile and fixed line platforms, Laura Ashley delivers its full product range to France, Germany, Austria, Italy and Switzerland, in addition to the UK.

Product

The UK business is split into four main categories. For the financial year ended 25 January 2014, the relative split of UK sales is as follows: Furniture 30%, Home Accessories 29%, Decorating 23% and Fashion 18%.

Over 40% of our home furnishings sales are from products manufactured in the UK.

Furniture

The Furniture product category includes upholstered and cabinet furniture, beds and mirrors.

Total Furniture sales decreased by 1.4% (LFL -0.8%) for the year ended 25 January 2014.

In an extremely competitive category, we have increased the breadth of our offering in upholstered furniture, cabinet furniture and beds. We have had success with some of the newer ranges. We are now focussed on consolidating this success with the introduction of further updated pieces in our classic styles. We feel that the quality and design of our ranges in this category are unsurpassed in the market and we have continued to develop and improve both this year.

Home Accessories

During the year ended 25 January 2014, sales of Home Accessories increased by 0.8% (LFL +1.2%).

We are pleased that our Home Accessories offering has continued the growth of recent years. Our targeted range of gift products, coordinated bed linen, design led lighting ranges and soft furnishings have improved in quality, design and variety. These ranges have also proved particularly popular with our franchise customers and will continue to

expand.

Decorating

This category includes curtains, blinds, fabric, paint, decorative accessories and wall coverings.

During the year ended 25 January 2014, Decorating sales were up by 1.9% (LFL +2.2%).

The cornerstone of our home business, decorating products with their unique prints, colour and designs, continue to be well received by our customers. Significant growth in readymade curtains and paint, manufactured by Laura Ashley in the UK, has been behind much of the success in this category while our inspirational wallpaper and fabric designs continue to evolve and enhance our coordinated home offering.

These product ranges have also helped to differentiate our Interior Design Service from the rest of the high street. This service has grown by 19% over the year.

Fashion

For the year ended 25 January 2014, UK retail Fashion sales decreased by 6.5% (LFL -5.2%).

Following a disappointing like-for-like drop of 6.7% for the first half of 2013/14, the second half improved significantly to a drop of 3.8% and, very encouragingly, there was like-for-like growth of 1.5% for the 4th quarter. We feel confident that we have addressed the challenges faced during the past twelve months with our fashion collections and have a clearer understanding of what our customers demand in quality, price and style.

International Operations

International business now accounts for 11% of total Revenue.

Our international franchising operations continue to be an important part of our business and, as at 25 January 2014, there were 286 (2013: 266) franchised stores in 32 (2013: 28) territories worldwide. They now include stores in Armenia, Poland, Estonia and Qatar. Further agreements are expected to be signed later this year.

Franchise revenues grew by 4.2% to £28.2 million over the year.

Licensing income decreased by 21% to £3.3 million. This reduction primarily reflects one off promotional licensing during 2012, not being repeated during 2013. Licenses were awarded during 2013 for new categories, which included branded kitchens and beauty products.

Exceptional Items.

A net gain of £1.2 million was recorded in the year. This reflects the disposal of short term investments which was offset by the cost of store closures.

Hotel

The hotel has now been refurbished and has officially been launched as a Laura Ashley boutique hotel. We expect the hotel revenue to grow significantly this year.

Current Trading and Outlook

In the first two months of the current financial year, we have achieved Like-for-Like sales growth of 2.0%. This is an encouraging start to the year and we believe that this progress can be maintained.

Acknowledgements

The success of the Group is due, in no small part, to the hard work and commitment of the staff, management and my fellow Board members. For this, I wish to convey my thanks and appreciation.

For their continued support and loyalty to the Group, I would like to thank our customers, shareholders and suppliers.

Group Statement of Comprehensive Income

For the financial year ended 25 January 2014

	Note	2014 £m	2013 £m
Revenue		294.5	298.8
Cost of sales		(169.3)	(172.8)
Gross profit		125.2	126.0
Operating expenses		(106.1)	(106.7)
Profit from operations		19.1	19.3
Share of operating profit of associate		0.5	1.4
Dividends received		0.1	-
Finance income		0.2	0.2
Finance costs		(0.6)	(0.8)
Profit before taxation and exceptional items		19.3	20.1
Exceptional items		1.2	-
Profit before taxation		20.5	20.1
Taxation	6	(4.8)	(5.4)
Profit for the financial year		15.7	14.7
Other comprehensive income:			
Actuarial gain on defined benefit pension schemes	7	1.9	1.4
Deferred tax effect	7	(0.4)	(0.3)
Total that will not be subsequently reclassified to profit and loss		1.5	1.1
Exchange differences on translation of investments		(0.2)	(1.2)
Other reserve movements		(0.7)	0.2
Available for sale investment reclassified to income statement		(1.8)	3.4
Total that may be subsequently reclassified to profit and loss		(2.7)	2.4
Other comprehensive (loss)/ income for the year net of taxation		(1.2)	3.5
Total comprehensive income for the year		14.5	18.2
Earnings per share - basic and diluted - calculated based on profit for the financial year			
Adjusted earnings per share (excluding exceptional items)	2	2.15p	2.02p
	2	1.99p	2.02p

Group Balance Sheet

As at 25 January 2014

	Note	2014 £m	2013 £m
Non-current assets			
Intangibles		2.4	2.3
Property, plant and equipment		23.3	23.6
Deferred tax asset		1.9	2.6
Investment in associate		4.4	5.2
Investment in quoted shares		-	6.7
		32.0	40.4
Current assets			
Inventories		52.3	47.4
Trade and other receivables		32.2	22.6
Cash and cash equivalents		24.1	34.6
		108.6	104.6
Total assets		140.6	145.0
Current liabilities			
Current tax liabilities		2.1	2.5
Trade and other payables		79.9	71.6
		82.0	74.1
Non-current liabilities			
Retirement benefit liabilities	7	8.8	11.1
Deferred tax liabilities	7	0.3	0.3
Provisions and other liabilities		0.9	-
		10.0	11.4
Total liabilities		92.0	85.5
Net assets		48.6	59.5
Equity			
Share capital		37.3	37.3
Share premium		86.4	86.4
Own shares		(0.8)	(0.8)
Retained earnings		(74.3)	(63.4)
Total equity		48.6	59.5

Group Statement of Changes in Shareholders' Equity

As at 25 January 2014

	Note	Share Capital £m	Share Premium £m	Own Shares £m	Retained Earnings £m	Total Equity £m
Balance as at 29 January 2012 as reported		37.3	86.4	(0.8)	(62.5)	60.4
Adjustment arising from adoption of IAS 19R	7	-	-	-	(6.1)	(6.1)
Deferred tax effect of IAS 19R adjustment	7	-	-	-	1.5	1.5
Balance as at 29 January 2012 restated		37.3	86.4	(0.8)	(67.1)	55.8
Profit for the financial year		-	-	-	14.7	14.7
Dividends paid		-	-	-	(14.5)	(14.5)

Other comprehensive income restated	-	-	-	3.5	3.5
Balance as at 26 January 2013 restated	37.3	86.4	(0.8)	(63.4)	59.5
Profit for the financial year	-	-	-	15.7	15.7
Dividends paid	-	-	-	(25.4)	(25.4)
Other comprehensive income	-	-	-	(1.2)	(1.2)
Balance as at 25 January 2014	37.3	86.4	(0.8)	(74.3)	48.6

Group Statement of Cash Flow

For the financial year ended 25 January 2014

	Notes	2014 £m	2013 £m
Operating activities			
Net cash inflow generated from operations	3	16.8	22.4
Corporation tax paid		(5.4)	(4.9)
Dividends paid		(18.1)	(14.5)
Dividends received		0.3	0.1
Finance income		0.2	0.2
Finance costs		(0.6)	(0.8)
		(6.8)	2.5
Investing activities			
Purchase of property, plant and equipment		(3.2)	(1.9)
Purchase of intangible assets		(0.5)	(1.0)
		(3.7)	(2.9)
Net decrease in cash and cash equivalents	4	(10.5)	(0.4)

Reconciliation of Net Cash Flow to Movement in Net Funds

For the financial year ended 25 January 2014

	Note	2014 £m	2013 £m
Net decrease in cash and cash equivalents		(10.5)	(0.4)
Net funds at the beginning of the financial year		34.6	35.0
Net funds at the end of the financial year	4	24.1	34.6

1 Basis of Preparation

Consolidated financial statements and accounting policies

The preliminary announcement for the year ended 25 January 2014 has been prepared in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as adopted by the European Union.

These consolidated financial statements have been prepared using the historical cost convention, modified for certain items carried at fair value, as stated in the accounting policies. Details of the accounting policies applied are those set out in Laura Ashley Holdings Plc's Annual Report 2014.

The annual financial information presented in this announcement for the year ended 25 January 2014 is based on, and is consistent with, that in the audited financial statements of Laura Ashley Holdings Plc and its subsidiaries ('the Group') for the year ended 25 January 2014, and those financial statements will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's report on those financial statements is unqualified and does not contain any statement under Section 498(2) or (3) of the Companies Act 2006.

IAS 19 'Employee Benefits' became effective on 1 January 1999 and was amended in June 2011. It prescribes the accounting and disclosures for employee benefits. The revised standard has been applied by the Group in the year ending 25 January 2014. The impact of adopting this revised standard is outlined in note 7.

Statutory Accounts

Information in this preliminary announcement does not constitute statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 26 January 2013 have been filed with the Registrar of Companies. The auditor's report on these accounts was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

The Group's Annual Report for the year ended 25 January 2014 will be made available in due course and can be viewed and downloaded from the Group's website at www.lauraashley.com. The Annual Report will be circulated in due course to those shareholders who have elected to receive a copy in printed form.

2 Earnings per Share

Earnings per share is calculated by dividing the profit for the financial year by the weighted average number of ordinary shares during the year (excluding treasury shares of 18,272,500).

	2014	2013
Profit for the financial year (£m)	15.7	14.7
Exceptional gain (£m)	1.2	-
Weighted average number of ordinary shares ('000) - basic and diluted	727,763	727,763
Earnings per share	2.15p	2.02p
Adjusted earnings per share (excluding exceptional items)	1.99p	2.02p

3 Reconciliation of Profit from Operations to Net Cash Inflow from Operations

	2014	2013
	£m	£m
Profit from operations	19.1	19.3
Exceptional cost	(2.0)	-
Exchange losses	1.1	-
Amortisation charge	0.4	0.4

Depreciation charge	3.2	3.8
Loss on disposal of property, plant and equipment	0.3	0.1
(Increase)/decrease in inventories	(4.9)	5.7
Increase in receivables	(1.6)	(0.8)
Increase/ (decrease) in payables	1.0	(6.0)
Movement in provisions	0.2	(0.1)
Net cash inflow from operations	16.8	22.4

4 Analysis of Net Funds

	At 26 Jan 2013 £m	Cash Flow £m	At 25 Jan 2014 £m
Cash and cash equivalents	34.6	(10.5)	24.1

5 Segmental Analysis

	-----Retail-----			Total Retail £m	Total Non-Retail £m	Total £m
	Stores £m	E-Commerce & Mail Order £m	Hotel £m			
2014						
Revenue	215.6	44.7	1.4	261.7	32.8	294.5
Contribution	16.3	8.8	(0.5)	24.6	14.7	39.3
Share of profit of associate				-	0.5	0.5
Dividends received				-	0.1	0.1
Indirect overhead costs				(20.2)	-	(20.2)
Finance income				0.2	-	0.2
Finance costs				(0.6)	-	(0.6)
Exceptional items				1.2	-	1.2
Profit before taxation				5.2	15.3	20.5

	-----Retail-----			Total Retail £m	Total Non-Retail £m	Total £m
	Stores £m	E-Commerce & Mail Order £m	Hotel £m			
2013						
Revenue	218.9	46.2	1.3	266.4	32.4	298.8
Contribution	13.8	11.3	(0.1)	25.0	13.4	38.4
Share of profit of associate				-	1.4	1.4
Indirect overhead costs				(19.1)	-	(19.1)
Finance income				0.2	-	0.2
Finance costs				(0.8)	-	(0.8)
Profit before taxation				5.3	14.8	20.1

The reported segments are consistent with the Group's internal reporting for performance measurement and resources allocation. The Group does not allocate indirect overhead costs between its retail and non-retail segments. As significant elements of the indirect overhead costs arise from the retail segment, it is decided that the entire indirect costs are allocated to this segment.

Retail revenue reflects sales through Laura Ashley's Managed Stores, Mail Order, E-Commerce and Hotel. Non-retail revenue includes Licensing, Franchising and Manufacturing. Contribution is stated after deducting direct operating expenses, buying, marketing and administrative costs.

Non-Current Assets

Revenue

	2014	2013	2014	2013
	£m	£m	£m	£m
Destination				
UK & Ireland	27.6	35.2	264.3	269.9
Continental Europe	-	-	4.0	4.4
Other	4.4	5.2	26.2	24.5
	32.0	40.4	294.5	298.8

6 Taxation

The taxation charge for the year comprises taxation for the Group and the associate on current and prior years' taxable profits.

The effective tax rate for the current year is lower than the rate of UK Corporation tax primarily due to capital gains covered by capital losses in the Group, which eliminate the impact of excess depreciation over capital allowances, the decrease in the Group's overall deferred tax asset due to the reduction in the UK tax rate and the higher tax rate in Japan.

In the previous year, the effective tax rate was higher than the rate of UK Corporation tax mainly due to excess of depreciation over capital allowances and the decrease in the value of the Group's overall deferred tax asset due to the reduction in the UK tax rate.

7 Prior Year adjustment

In June 2011, the IASB issued revisions to IAS 19 Employee Benefits (IAS 19R). IAS 19R eliminates the "corridor method", under which the recognition of actuarial gains and losses was deferred. The full defined benefit obligation net of plan assets is now recorded on the balance sheet, with changes resulting from re-measurements recognised immediately in other comprehensive income. In addition, IAS 19R requires net interest expense/income to be calculated as the product of the net defined benefit liability/asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets.

The effect of this adjustment is as follows:

Other comprehensive income	Reported		Restated
	2013	IAS 19R	2013
	£m	£m	£m
Actuarial (loss)/ gain on defined benefit pension scheme	(0.1)	1.5	1.4
Deferred tax effect	-	(0.3)	(0.3)
Total that will not be subsequently reclassified to profit and loss restated	(0.1)	1.2	1.1
Balance sheet	Reported		Restated
	2013	IAS 19R	2013
	£m	£m	£m
Retirement benefit liabilities	(6.7)	(4.4)	(11.1)
Statement of changes in Shareholders' Equity			£m
Retained earnings as at 29 January 2012 as reported			(62.5)
Adjustment to recognise actuarial losses previously deferred			(6.1)
Deferred tax effect of adjustment			1.5
Retained earnings as at 29 January 2012 restated			(67.1)


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