LAURA ASHLEY

Interim Report 2013

Contents

Summary

- Total Group sales down 5.6% to £137.3m (2012: £145.4m).
- Like for like retail sales down by 2.2%.
- Gross margin improvement of 1.3%.
- Underlying Profit before taxation (excluding exceptional items) down £0.5m to £7.8m (2012: £8.3m).
- Profit before taxation (including exceptional items) down £0.9m to £7.4m (2012: £8.3m).
- E-Commerce revenue down by 3.7%.
- £17.8m net cash balance and a clean inventory position.
- Interim dividend maintained at 1.00 pence per share (2012: 1.00 pence per share).
- Trading for the eight weeks to 21 September 2013 is down 1.3% like for like, reflecting continued underperformance of the fashion category.

Chairman's statement

"The first half of 2013 has proved to be a challenging one for us. A period of prolonged cold weather impacted fashion sales as customers continued to wear winter clothing and did not buy into Spring Summer ranges later in the season. The subsequent switch into a long spell of very hot weather, particularly throughout July, had a negative impact on Home Furnishing sales. This contributed to an overall like for like reduction in retail sales of 2.2% and a profit fall (before exceptional items) of £0.5m to £7.8m.

As we enter the second half of 2013, we remain confident in both the quality of our product ranges and the underlying strength of our brand, which celebrates its 60th anniversary this year. Traditionally our performance has been weighted to the second half with particular emphasis on the final months of the year. We will continue to adjust our store portfolio to ensure it delivers a profitable core business and outside the UK, international expansion remains a key focus."

Tan Sri Dr Khoo Kay Peng
Chairman

Overview
For the 26 weeks to 27 July 2013, total Group sales declined by 5.6% to £137.3m compared with the same period last year (2012: £145.4m). Total UK retail sales declined by 5.9% to £120.0m (2012: £127.5m). Like-for-like sales fell by 2.2% over the same period. E-commerce sales contracted by £0.7m to £19.7m (2012: £20.4m). The gross margin rate rose by 1.3% during the period.

Profit before taxation, excluding exceptional items, was down 6.0% to £7.8m, (2012: £8.3m). Profit before taxation, including exceptional items was down 10.8% to £7.4m (2012: £8.3m).

Operating expenses, excluding exceptional items, fell by 1% compared to the same period last year.

Cash Flow and Balance Sheet
The net cash balance at 27 July 2013 was £17.8m. There are no bank borrowings and inventory is clean and in line with requirements.

Dividend
The Board has approved the payment of an interim dividend of 1.00 pence per share (2012: 1.00 pence per share). The interim dividend will be paid on 30 October 2013 to all shareholders on the register at the close of business on 4 October 2013. The ex dividend date will be 2 October 2013. A special interim dividend was paid to shareholders on 5 June 2013.

UK Retail
As at 27 July 2013, the property portfolio in the UK comprised 209 stores (January 2013: 212). The portfolio is as follows: 130 Mixed Product stores, 50 Home stores, 24 Home concession stores, 4 Gifts & Accessories stores and 1 Clearance outlet. During the first half, two new stores were opened and five were closed reducing total selling space by 2.4% to 786,000 square feet.

Our store realignment programme will continue throughout the second half as we remain focused on optimising space in our existing portfolio.

We remain committed to a multi-channel strategy. E-Commerce, Mail Order and Retail Stores continue to work in a highly complementary way to drive sales. Total E-Commerce sales were down 3.7% on last year and represent 16.4% of total UK Retail sales (2012: 16.0%).

Significant systems enhancements in customer ordering were undertaken during the first half of 2013 which naturally had some impact on operations but will improve the performance of the business and enhance the customer experience going forward. Work also continues on website improvement and enhancement as we continue to implement our multi channel strategy.

Product

The UK business is split into four main categories. For the 26 weeks ended 27 July 2013, the relative split of UK sales is as follows: Furniture 31%, Home Accessories 26%, Decorating 24% and Fashion 19%.

Furniture

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

Furniture sales for the 26 weeks to 27 July 2013 increased by 0.5% over the same period last year with like-for-like sales up 0.7%. We are encouraged by the growth of this high ticket category. We continue to focus on quality, innovation and style. As well as the introduction of new shapes and fabrics, additions to our most popular ranges have been welcomed by the customer. These include "snugglers" to the upholstery offer, re-colourations of best selling fabrics and the extension of popular cabinet ranges in newer colours.

Home Accessories

The Home Accessories product category includes lighting, gifts, bed linen, rugs, throws, cushions and children's accessories.

Home Accessories sales for the 26 weeks to 27 July 2013 decreased by 2.3% over the same period last year with like-for-like performance down by 2.7%. Like for like sales, across all UK retailers fell by 2.4% within this category. Our product offer in this category is stronger as we enter the second half and has enough quality and diversity to set us apart from the competition. We will continue to complement the main decorating themes with our accessories, particularly cushions, throws and rugs, whilst at the same time introducing distinctive and unique pieces within our gift category.

Decorating

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

Decorating sales for the 26 weeks to 27 July 2013 decreased by 1.7%, with like-for-like sales down 1.6%. Like for like sales, across all UK retailers fell by 0.5% within this category. In spite of a soft Spring/Summer performance, our co-ordinated design offering has enduring customer appeal. Early Autumn response to our readymade curtains and paint ranges, suggest a stronger season lies ahead.

Fashion

This category includes: adult and girls (2-8 years) fashion, fashion accessories and perfumery.

Fashion sales for the 26 weeks to 27 July 2013 decreased by 6.9% over the same period last year, with like-for-like sales down 6.6%. Although a disappointing season, we are focused on getting back to like for like growth with good value, good quality and design led products.

Hotel
The Laura Ashley hotel, The Manor, was officially launched on 1 August 2013. The hotel has 49 bedrooms each individually designed using Laura Ashley home furnishings. Both customer and media response has been extremely positive.

International Operations
Our international franchising operations are an important part of our multi-channel business. As at 27 July 2013, there were 280 franchised stores (266 as at January 2013) in 28 territories worldwide. Additional stores were opened in Japan, Australia, South Korea, Taiwan, Hong Kong, Spain and Bulgaria during the first half of the financial year. New agreements have been signed in the Baltics, Poland and Armenia, and store openings are planned in each of these territories during the second half of the year.

Franchise and licensing revenue decreased by 3.6% to £15.1m (2012: £15.6m) during the 26 weeks to 27 July 2013.

Current Trading and Outlook
Trading for the eight weeks to 21 September 2013 is down 1.3% like for like, reflecting continued underperformance of the fashion category.

Tan Sri Dr Khoo Kay Peng
Chairman

Responsibility Statement

We confirm that to the best of our knowledge:

(a) The condensed set of financial statements has been prepared in accordance with IAS 34;

(b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of material related party transactions and changes therein).

By order of the Board
Seán Anglim
Chief Financial Officer

Condensed Group Statement of Comprehensive Income
For the 26 weeks ended 27 July 2013

	Note	**26 weeks to 27 July 2013 (unaudited) £m**	26 weeks to 28 July 2012 (unaudited) £m	52 weeks to 26 January 2013 (audited) £m
Revenue	2	**137.3**	145.4	298.8
Cost of sales		**(77.0)**	(83.4)	(172.8)
Gross profit		**60.3**	62.0	126.0
Operating expenses		**(53.4)**	(54.0)	(106.7)
Profit from operations		**6.9**	8.0	19.3
Share of operating profit of associate		**0.7**	0.4	1.4
Dividend received		**0.1**	-	-
Finance income		**0.2**	-	0.2
Finance costs		**(0.1)**	(0.1)	(0.8)
Profit before taxation excluding exceptional items		**7.8**	8.3	20.1
Exceptional items	8	**(0.4)**	-	-
Profit before taxation		**7.4**	8.3	20.1
Taxation		**(1.9)**	(2.1)	(5.4)
Profit for the financial period*		**5.5**	6.2	14.7
Other comprehensive income:				
Actuarial loss on defined benefit pension scheme		**(1.0)**	-	(0.1)
Deferred tax effect		**0.2**	-	-
Total that will not be subsequently reclassified to profit and loss:		**(0.8)**	-	(0.1)
Exchange differences on translation of investments		**(0.7)**	-	(1.2)
Other reserve movements		**0.1**	-	0.2
Unrealised investment (loss)/gain		**(1.0)**	1.0	3.4
Deferred tax effect		**0.4**	-	-
Total that may be subsequently reclassified to profit and loss:		**(1.2)**	1.0	2.4
Other comprehensive (loss)/income for the period net of tax		**(2.0)**	1.0	2.3
Total comprehensive income for the period		**3.5**	7.2	17.0
***Earnings per share – basic and diluted calculated based on profit for the financial period**		**0.76p**	0.85p	2.02p

The Group's results shown above are derived entirely from continuing operations.

Condensed Group Balance Sheet
As at 27 July 2013

	At 27 July 2013 (unaudited) £m	Restated [1] At 28 July 2012 (unaudited) £m	At 26 January 2013 (audited) £m
Non-current assets			
Intangibles	**2.4**	2.0	2.3
Property, plant and equipment	**22.7**	24.2	23.6
Deferred tax asset	**2.1**	1.7	1.5
Investment in associate	**5.3**	5.6	5.2
Investment in quoted shares	**5.8**	4.3	6.7
	38.3	37.8	39.3
Current assets			
Inventories	**53.5**	51.0	47.4
Trade and other receivables	**24.8**	23.2	22.6
Cash and cash equivalents	**17.8**	27.8	34.6
	96.1	102.0	104.6
Total assets	**134.4**	139.8	143.9
Current liabilities			
Current tax liabilities	**2.2**	2.1	2.5
Trade and other payables	**68.8**	70.1	71.6
	71.0	72.2	74.1
Non-current liabilities			
Retirement benefit liabilities	**7.6**	6.7	6.6
Deferred tax liabilities	**0.3**	0.5	0.3
Provisions and other liabilities	**-**	0.1	-
	7.9	7.3	6.9
Total liabilities	**78.9**	79.5	81.0
Net assets	**55.5**	60.3	62.9
Equity			
Share capital	**37.3**	37.3	37.3
Share premium	**86.4**	86.4	86.4
Own shares	**(0.8)**	(0.8)	(0.8)
Retained earnings	**(67.4)**	(62.6)	(60.0)
Total equity	**55.5**	60.3	62.9

1. Comparative figures for intangible assets and property, plant and equipment have been restated for the 26 weeks ended 28 July 2012. This is to improve the transparency of information presented about the assets held by the company, as stated in the financial statements for the year ended 26 January 2013.

Condensed Group Statement of Changes in Shareholders' Equity
As at 27 July 2013

	Share capital £m	Share premium £m	Own shares £m	Retained earnings £m	Total equity £m
Balance as at 28 January 2012	37.3	86.4	(0.8)	(62.5)	60.4
Profit for the period ended 28 July 2012	-	-	-	6.2	6.2
Dividend paid	-	-	-	(7.3)	(7.3)
Other comprehensive income	-	-	-	1.0	1.0
Balance as at 28 July 2012	37.3	86.4	(0.8)	(62.6)	60.3
Profit for the period ended 26 January 2013	-	-	-	8.5	8.5
Dividend paid	-	-	-	(7.2)	(7.2)
Other comprehensive income	-	-	-	1.3	1.3
Balance as at 26 January 2013	37.3	86.4	(0.8)	(60.0)	62.9
Profit for the period ended 27 July 2013	-	-	-	5.5	5.5
Dividend paid	-	-	-	(10.9)	(10.9)
Other comprehensive income	-	-	-	(2.0)	(2.0)
Balance as at 27 July 2013	**37.3**	**86.4**	**(0.8)**	**(67.4)**	**55.5**

Condensed Group Cash Flow Statement

For the 26 weeks ended 27 July 2013

	Note	**26 weeks to 27 July 2013 (unaudited) £m**	Restated [1] 26 weeks to 28 July 2012 (unaudited) £m	Restated [2] 52 weeks to 26 January 2013 (audited) £m
Operating activities				
Cash (used in)/generated from operations	5	**(2.9)**	3.6	22.4
Corporation tax paid		**(2.3)**	(2.2)	(4.9)
Dividend paid		**(10.9)**	(7.3)	(14.5)
Dividend received		**0.1**	-	-
Finance income		**0.2**	-	0.2
Finance cost		**(0.1)**	(0.1)	(0.8)
		(15.9)	(6.0)	2.4
Investing activities				
Purchase of intangible assets		**(0.1)**	(0.7)	(1.0)
Purchase of property, plant and equipment		**(0.9)**	(0.6)	(1.9)
Net cash received from associate		**0.1**	0.1	0.1
		(0.9)	(1.2)	(2.8)
Net decrease in cash and cash equivalents		**(16.8)**	(7.2)	(0.4)

1. Comparative figures for the 26 weeks to 28 July 2012 have been restated as follows:
    a. to separate out investment in intangibles, previously disclosed within investment in property, plant and equipment; and
    b. to reclassify dividend income as net cash received from associate.

2. Comparative figures for the 52 weeks to 26 January 2013 have been restated to reclassify dividend income as net cash received from associate.

Reconciliation of Net Cash Flow to movement in Net Funds
for the 26 weeks ended 27 July 2013

	26 weeks to 27 July 2013 (unaudited) £m	26 weeks to 28 July 2012 (unaudited) £m	52 weeks to 26 January 2013 (audited) £m
Net decrease in cash and cash equivalents	**(16.8)**	(7.2)	(0.4)
Net funds at the beginning of the period	**34.6**	35.0	35.0
Net funds at the end of the period	**17.8**	27.8	34.6

Notes

1 Basis of preparation

This condensed set of financial statements has been prepared in accordance with the requirements of IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU').

As required by the Disclosure and Transparency Rules of the UK's Financial Services Authority and other than described below, the condensed set of financial statements has been prepared by applying the accounting policies and presentation that were applied in the preparation of the Company's published financial statements for the financial year ended 26 January 2013, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The following amended standards have been adopted in these condensed financial statements:

- IAS 1, 'Financial Statement Presentation', which introduces a grouping of items presented in other comprehensive income. Items that could be reclassified to profit and loss at a future point in time now have to be presented separately from items that will never be reclassified. The amendment affects presentation only and has no effect on the Group's financial position or performance.
- IAS 19 (Revised 2011), 'Employee Benefits' which changes the way defined benefit plans are accounted for, including actuarial gains and losses that are now recognised in full in other comprehensive income and permanently excluded from profit and loss. The comparative periods have not been restated (note 6).

The statutory audited accounts for the year ended 26 January 2013 have been delivered to the Registrar of Companies in England and Wales. The Auditor's report on these accounts was unqualified and did not contain statements under Section 498 of the Companies Act 2006.

These half-year condensed financial statements are unaudited, not reviewed in accordance with 'Interim Standard on Review Engagements (UK and Ireland) 2410' and do not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006.

2 Segmental analysis

	26 weeks to 27 July 2013 (unaudited) £m	26 weeks to 28 July 2012 (unaudited) £m	52 weeks to 26 January 2013 (audited) £m
Revenue			
Retail:			
Stores	**99.9**	106.1	218.9
E-Commerce & Mail Order	**21.2**	22.5	46.2
Hotel	**0.6**	0.7	1.3
Total Retail	**121.7**	129.3	266.4
Non-Retail	**15.6**	16.1	32.4
Total Revenue	**137.3**	145.4	298.8
Retail			
Contribution:			
Stores	**6.4**	6.0	13.8
E-Commerce & Mail Order	**4.1**	5.4	11.3
Hotel	**(0.1)**	-	(0.1)
Total contribution	**10.4**	11.4	25.0
Indirect overhead costs	**(9.8)**	(9.5)	(19.1)
Dividend received	**0.1**	-	-
Finance income	**0.2**	-	0.2
Finance costs	**(0.1)**	(0.1)	(0.8)
Profit before taxation	**0.8**	1.8	5.3
Non-Retail			
Contribution	**5.9**	6.1	13.4
Share of associate profit	**0.7**	0.4	1.4
Profit before taxation	**6.6**	6.5	14.8
Total Retail and Non-Retail			
Contribution	**16.3**	17.5	38.4
Indirect overhead costs	**(9.8)**	(9.5)	(19.1)
Share of associated profit	**0.7**	0.4	1.4
Dividend received	**0.1**	-	-
Finance income	**0.2**	-	0.2
Finance costs	**(0.1)**	(0.1)	(0.8)
Profit before taxation	**7.4**	8.3	20.1

2 Segmental analysis (continued)

	26 weeks to 27 July 2013 (unaudited) £m	26 weeks to 28 July 2012 (unaudited) £m	52 weeks to 26 January 2013 (audited) £m
Non-Current Assets			
Destination			
UK, Ireland & France	**33.0**	32.1	34.1
Other Continental Europe	**-**	0.1	-
Rest of the World	**5.3**	5.6	5.2
Total Non-Current Assets	**38.3**	37.8	39.3
Revenue			
Destination			
UK, Ireland & France	**121.7**	129.3	269.9
Continental Europe	**2.3**	3.0	4.4
Rest of World	**13.3**	13.1	24.5
Total Revenue	**137.3**	145.4	298.8

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.

3 Taxation

Taxation has been calculated by applying the forecast full year effective rate of tax in the individual fiscal territories to the results for this period.

4 Earnings per share

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

	26 weeks to 27 July 2013 (unaudited)	26 weeks to 28 July 2012 (unaudited)	52 weeks to 26 January 2013 (audited)
Profit for the financial period (£m)	**5.5**	6.2	14.7
Weighted average number of ordinary shares – basic and diluted ('000)	**727,763**	727,763	727,763
Earnings per share	**0.76p**	0.85p	2.02p

5 Reconciliation of profit from operations to net cash (outflow)/inflow from operating activities

	26 weeks to 27 July 2013 (unaudited) £m	26 weeks to 28 July 2012 (unaudited) £m	52 weeks to 26 January 2013 (audited) £m
Profit from operations	**6.9**	8.0	19.3
Exceptional losses	**(0.4)**	-	-
Amortisation charge	**0.1**		0.4
Depreciation charge	**1.7**	2.2	3.8
Loss on sale of property, plant and equipment	**-**	-	0.1
Exchange movement on property, plant and equipment	**-**	0.2	-
(Increase)/decrease in inventories	**(6.1)**	2.1	5.7
Increase in receivables	**(2.2)**	(1.4)	(0.8)
Decrease in payables	**(2.8)**	(7.5)	(6.0)
Movement in provisions	**(0.1)**	-	(0.1)
Net cash (outflow)/inflow from operating activities	**(2.9)**	3.6	22.4

6 Group pension arrangements

The assets and liabilities of the defined benefit scheme have been considered at 27 July 2013 in a manner consistent with the requirements of IAS 19 (Revised 2011). Over the period from 26 January 2013 to 27 July 2013 the unfunded value of obligations has improved from a deficit of £11.1 million to a deficit of £7.5 million. The unfunded obligation of £7.5 million at 27 July 2013 is the full funding shortfall and has been calculated without setting aside any unrecognised losses. It is expected that the disclosures for the full year to January 2014 will be made on a similar basis.

7 Related party transactions

The related party transactions that have occurred in the 26 weeks ended 27 July 2013 are not materially different in size or nature to those reported in the Group's Annual Report for the financial year ended 26 January 2013.

8 Exceptional items

Exceptional costs amounting to £0.4 million, incurred in the 26 weeks ended 27 July 2013, related to store closures.