

LAURA ASHLEY HOLDINGS PLC

Results for the 26 weeks to 26 July 2014

Summary

- Total Group sales up 4.9% to £144.0m (2013: £137.3m)
- Like-for-like retail sales up by 1.2%
- Profit before taxation up £1.1m (14.9%) to £8.5m (2013: £7.4m)
- Profit before taxation (excluding exceptional items) up £0.7m (9%) to £8.5m (2013: £7.8m)
- e-Commerce revenue up by 6.1%
- International business up by 13.6%
- £13.8m net cash balance
- Second Laura Ashley Hotel launched
- Interim dividend maintained at 1.00 pence per share (2013: 1.00 pence per share)
- Trading for the five weeks to 30 August is up 8% on a like-for-like basis, taking the cumulative like-for-like performance for the year to +2.3%.

Commenting on the results, Tan Sri Dr Khoo Kay Peng, Chairman, said:

“In what continues to be an extremely competitive sector, we are pleased to report an increase in profit before taxation of 14.9% and sales growth of 4.9% over the first half compared to the same period last year. We are particularly pleased with growth of 13.6% in our international business and with the improved performance of our e-Commerce business. We are very proud of the second Laura Ashley hotel, The Belsfield, which was launched at the end of July 2014 to both customer and media acclaim.

We look forward to the rest of this year with confidence in the strength of our brand, in the quality of our products and in the loyalty of our many customers. We will continue to develop our international presence as well as focusing on our UK retail business with continued enhancement of our website, for both our domestic and international customers, and improvements to our store portfolio.”

Enquiries:

Laura Ashley Holdings plc
Seán Anglim CFO / Joint COO

020 7880 5100

Media Enquiries

Brunswick

Anita Scott

020 7404 5959

James Olley

Corporate Broker

Cantor Fitzgerald Europe

Richard Redmayne

020 7894 7000

Mark Percy

Overview

For the 26 weeks to 26 July 2014, total Group sales increased by 4.9% to £144.0m compared with the same period last year (2013: £137.3m). Total UK retail sales increased by 3.8% to £124.6m (2013: £120.0m). Like-for-like sales grew by 1.2% over the same period. e-Commerce sales grew by £1.3m (6.1%) to £22.5m (2013: £21.2m).

Profit before taxation, excluding exceptional items, increased by 9.0% to £8.5m, (2013: £7.8m). Profit before taxation, including exceptional items grew by 14.9% to £8.5m (2013: £7.4m).

Operating expenses, excluding exceptional items, fell by 0.7% compared to the same period last year.

Cash Flow and Balance Sheet

The net cash balance at 26 July 2014 was £13.8m. There are no bank borrowings and inventory is in line with requirements.

Dividend

The Board has approved the payment of an interim dividend of 1.00 pence per share (2013: 1.00 pence per share). The interim dividend will be paid on 3 October 2014 to all shareholders on the register at the close of business on 19 September 2014. The ex dividend date will be 17 September 2014.

UK Retail

As at 26 July 2014, the property portfolio in the UK comprised 208 stores (January 2014: 209). The portfolio is as follows: 128 Mixed Product stores, 49 Home stores, 26 Home concession stores, 4 Gifts & Accessories stores and 1 Clearance outlet. During the first half, two new stores were opened and three were closed, reducing total selling space by 1.3% to 776,000 square feet.

Our multi-channel strategy is at the heart of our UK retail business with e-Commerce, Mail Order and Retail Stores working together to drive sales and deliver a positive and comprehensive customer experience. Total e-Commerce sales were up 6.1% on last year and now represent 18.0% of total UK Retail sales (2013: 17.7%).

Product

The UK business is split into four main categories. For the 26 weeks ended 26 July 2014, the relative split of UK sales is as follows: Furniture 30%, Home Accessories 27%, 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 26 July 2014 decreased by 2.2% over the same period last year with like-for-like sales down 1.2%. Whereas this product category was the only one to under perform compared to last year, we were nonetheless, encouraged by the performance of the new products which were introduced this season. New ranges have also been launched for the second half, which will add variety to our collections and will encourage sales.

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 26 July 2014 increased by 2.9% over the same period last year with like-for-like performance up by 4.3%, which significantly outperformed the market. Our star performers in this category were lighting and our increasingly popular gifts and accessories ranges. The strength of this category lies in its diversity, quality and how it complements our decorating themes. We have also increased our seasonal gifting and accessories ranges.

Decorating

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

Decorating sales for the 26 weeks to 26 July 2014 increased by 0.8%, with like-for-like sales up 1.3% which outperformed the market during the period. Decorating lies at the heart of the business. Our signature designs, colours and prints are both the foundation and inspiration for the Laura Ashley home furnishing style. Our best performing products in this category were our readymade curtains and paint ranges.

Fashion

This category includes adult fashion, fashion accessories and perfumery.

Fashion sales for the 26 weeks to 26 July 2014 decreased by 2.6% over the same period last year, with like-for-like sales up 0.1%, which under performed the market for this period. We are encouraged by the success of many of our ranges during the first half and are optimistic that this will continue over the coming seasons as we improve the design and quality of our products.

Hotel

In addition to the company owned hotel in Elstree, Laura Ashley has recently partnered, under brand licence, with a hotel in Windermere to launch Laura Ashley Hotel-The Belsfield. Located by the shores of Lake Windermere, this 62 room hotel has been decorated entirely in Laura Ashley product to create a truly stunning retreat. Customer, social media and press response has been extremely favourable.

International Operations

Our international Franchising and Licensing operations are an increasingly important part of our business. As at 26 July 2014, there were 296 franchised stores (286 as at January 2014) in 32 territories worldwide. Additional stores were opened in Japan, Australia, South Korea and Russia.

Franchise and Licensing revenue grew by 13.6% to £17.1m (2013: £15.1m) during the 26 weeks to 26 July 2014.

Current Trading and Outlook

Trading for the five weeks to 30 August is up 8% on a like-for-like basis, taking the cumulative like-for-like performance for the year to +2.3%.

Responsibility Statement

We confirm that to the best of our knowledge:

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

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

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).

Condensed Group Statement of Comprehensive Income For the 26 weeks ended 26 July 2014

	Note	26 weeks to 26 July 2014 (unaudited) £m	26 weeks to 27 July 2013 (unaudited) £m	52 weeks to 25 January 2014 (audited) £m
Revenue	2	144.0	137.3	294.5
Cost of sales		(83.2)	(77.0)	(169.3)
Gross profit		60.8	60.3	125.2
Operating expenses		(53.0)	(53.4)	(106.1)
Profit from operations		7.8	6.9	19.1
Share of operating profit of associate		0.7	0.7	0.5
Dividend received		-	0.1	0.1
Finance income		-	0.2	0.2
Finance costs		-	(0.1)	(0.6)
Profit before taxation excluding exceptional items		8.5	7.8	19.3
Exceptional items		-	(0.4)	1.2
Profit before taxation		8.5	7.4	20.5
Taxation		(2.2)	(1.9)	(4.8)
Profit for the financial period*		6.3	5.5	15.7
Other comprehensive income:				
Actuarial (loss)/income on defined benefit pension scheme		-	(1.0)	1.9
Deferred tax effect		-	0.2	(0.4)
Total that will not be subsequently reclassified to profit and loss		-	(0.8)	1.5
Exchange differences on translation of investments		1.0	(0.7)	(0.2)
Other reserve movements		(1.2)	0.1	(0.7)
Unrealised investment (loss)/gain/sale of investment transferred to income statement		-	(1.0)	(1.8)
Deferred tax effect		-	0.4	-
Total that may be subsequently reclassified to profit and loss		(0.2)	(1.2)	(2.7)
Other comprehensive loss for the period net of tax		(0.2)	(2.0)	(1.2)
Total comprehensive income for the period		6.1	3.5	14.5
*Earnings per share – basic and diluted calculated based on profit for the financial period				
		0.87p	0.76p	2.15p

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

Condensed Group Balance Sheet As at 26 July 2014

	At 26 July 2014 (unaudited) £m	At 27 July 2013 (unaudited) £m	At 25 January 2014 (audited) £m
Non-current assets			
Intangibles	2.1	2.4	2.4
Property, plant and equipment	22.1	22.7	23.3
Deferred tax asset	1.9	2.1	1.9
Investment in associate	5.0	5.3	4.4
Investment in quoted shares	-	5.8	-
	31.1	38.3	32.0
Current assets			
Inventories	50.5	53.5	52.3
Trade and other receivables	23.6	24.8	32.2
Cash and cash equivalents	13.8	17.8	24.1
	87.9	96.1	108.6
Total assets	119.0	134.4	140.6
Current liabilities			
Current tax liabilities	2.6	2.2	2.1
Trade and other payables	59.0	68.8	79.9
	61.6	71.0	82.0
Non-current liabilities			
Retirement benefit liabilities	8.8	7.6	8.8
Deferred tax liabilities	0.3	0.3	0.3
Provisions and other liabilities	0.8	-	0.9
	9.9	7.9	10.0
Total liabilities	71.5	78.9	92.0
Net assets	47.5	55.5	48.6
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	(75.4)	(67.4)	(74.3)
Total equity	47.5	55.5	48.6

Condensed Group Statement of Changes in Shareholders' Equity

As at 26 July 2014

	Share capital £m	Share premium £m	Own shares £m	Retained earnings £m	Total equity £m
Balance as at 26 January 2013 (restated as reported at 25 January 2014)	37.3	86.4	(0.8)	(63.4)	59.5
Profit for the period ended 27 July 2013	-	-	-	5.5	5.5
Dividend paid	-	-	-	(10.9)	(10.9)
Other comprehensive loss	-	-	-	(2.0)	(2.0)
Balance as at 27 July 2013	37.3	86.4	(0.8)	(70.8)	52.1
Profit for the period ended 25 January 2014	-	-	-	10.2	10.2
Dividend paid	-	-	-	(14.5)	(14.5)
Other comprehensive income	-	-	-	0.8	0.8
Balance as at 25 January 2014	37.3	86.4	(0.8)	(74.3)	48.6
Profit for the period ended 26 July 2014	-	-	-	6.3	6.3
Dividend paid	-	-	-	(7.2)	(7.2)
Other comprehensive loss	-	-	-	(0.2)	(0.2)
Balance as at 26 July 2014	37.3	86.4	(0.8)	(75.4)	47.5

Condensed Group Cash Flow Statement

For the 26 weeks ended 26 July 2014

	Note	26 weeks to 26 July 2014 (unaudited) £m	26 weeks to 27 July 2013 (unaudited) £m	52 weeks to 25 January 2014 (audited) £m
Operating activities				
Net cash (outflow)/inflow from operations	5	(1.0)	(2.9)	16.8
Corporation tax paid		(1.7)	(2.3)	(5.4)
Dividend paid		(7.2)	(10.9)	(18.1)
Dividend received		-	0.1	0.3
Finance income		-	0.2	0.2
Finance cost		-	(0.1)	(0.6)
		(9.9)	(15.9)	(6.8)
Investing activities				
Purchase of intangible assets		(0.1)	(0.1)	(0.5)
Purchase of property, plant and equipment		(0.4)	(0.9)	(3.2)
Net cash received from associate		0.1	0.1	-
		(0.4)	(0.9)	(3.7)
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Net decrease in cash and cash equivalents		(10.3)	(16.8)	(10.5)

Reconciliation of Net Cash Flow to movement in Net Funds for the 26 weeks ended 26 July 2014

	26 weeks to 26 July 2014 (unaudited) £m	26 weeks to 27 July 2013 (unaudited) £m	52 weeks to 25 January 2014 (audited) £m
Net decrease in cash and cash equivalents	(10.3)	(16.8)	(10.5)
Net funds at the beginning of the period	24.1	34.6	34.6
Net funds at the end of the period	13.8	17.8	24.1

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, this 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 25 January 2014, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU.

No new or amended financial accounting standards have been adopted in these financial statements.

The statutory audited accounts for the year ended 25 January 2014 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 26 July 2014 (unaudited) £m	26 weeks to 27 July 2013 (unaudited) £m	52 weeks to 25 January 2014 (audited) £m
Revenue			
Retail:			
Stores	103.0	99.9	215.6
e-Commerce & Mail Order	22.5	21.2	44.7
Hotel	0.8	0.6	1.4
Total Retail	126.3	121.7	261.7
Non-Retail	17.7	15.6	32.8
Total Revenue	144.0	137.3	294.5
Retail			
Contribution:			
Stores	7.0	6.4	16.3
e-Commerce & Mail Order	4.6	4.1	8.8
Hotel	(0.2)	(0.1)	(0.5)
Total contribution	11.4	10.4	24.6
Indirect overhead costs	(10.2)	(9.8)	(20.2)
Finance income	-	0.2	0.2
Finance costs	-	(0.1)	(0.6)
Exceptional costs	-	-	1.2
Profit before taxation	1.2	0.7	5.2
Non-Retail			
Contribution	6.6	5.9	14.7
Share of associate profit	0.7	0.7	0.5
Dividend received	-	0.1	0.1
Profit before taxation	7.3	6.7	15.3
Total Retail and Non-Retail			
Contribution	18.0	16.3	39.3
Indirect overhead costs	(10.2)	(9.8)	(20.2)
Share of associated profit	0.7	0.7	0.5
Dividend received	-	0.1	0.1
Finance income	-	0.2	0.2
Finance costs	-	(0.1)	(0.6)
Exceptional costs	-	-	1.2
Profit before taxation	8.5	7.4	20.5

2 Segmental analysis (continued)

	26 weeks to 26 July 2014 (unaudited) £m	26 weeks to 27 July 2013 (unaudited) £m	52 weeks to 25 January 2014 (audited) £m
Non-Current Assets			
Destination			
UK, Ireland & France	26.1	33.0	27.6
Rest of the World	5.0	5.3	4.4
Total Non-Current Assets	31.1	38.3	32.0
Revenue			
Destination			
UK, Ireland & France	126.3	121.7	264.3
Continental Europe	2.8	2.3	4.0
Rest of World	14.9	13.3	26.2
Total Revenue	144.0	137.3	294.5

The reported segments are consistent with the Group's internal reporting for performance measurement and resource allocation. The Group does not allocate indirect overhead costs between its retail and non-retail segments. As significant elements of the indirect overhead costs, being head office expenditure, 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 26 July 2014 (unaudited)	26 weeks to 27 July 2013 (unaudited)	52 weeks to 25 January 2014 (audited)
Profit for the financial period (£m)	6.3	5.5	15.7
Weighted average number of ordinary shares – basic and diluted ('000)	727,763	727,763	727,763
Earnings per share	0.87p	0.76p	2.15 p

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

	26 weeks to 26 July 2014 (unaudited) £m	26 weeks to 27 July 2013 (unaudited) £m	52 weeks to 25 January 2014 (audited) £m
Profit from operations	7.8	6.9	19.1
Exceptional items	-	(0.4)	(2.0)
Exchange loss	-	-	1.1
Amortisation charge	0.3	0.1	0.4
Depreciation charge	1.5	1.7	3.2
Loss on sale of property, plant and equipment	-	-	0.3
Decrease/ (increase) in inventories	1.8	(6.1)	(4.9)
Decrease/(increase) in receivables	8.6	(2.2)	(1.6)
(Decrease)/increase in payables	(20.9)	(2.8)	1.0
Movement in provisions	(0.1)	(0.1)	0.2
Net cash (outflow)/inflow from operating activities	(1.0)	(2.9)	16.8

6 Related party transactions

The related party transactions that have occurred in the 26 weeks ended 26 July 2014 are not materially different in size or nature to those reported in the Group's Annual Report for the financial year ended 25 January 2014.

7 Group pension arrangements

The assets and liabilities of the defined benefit pension scheme are considered on an annual basis at the end of each financial year.