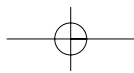
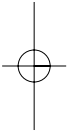


LAURA ASHLEY
interim report 2006



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summary

- Profit before tax of £3.0m (2005: -£0.2m).*
- Total Group sales (including royalties) up 5.8% to £106.5m (2005: £100.7m).
- UK retail sales up 10.3% to £81.6m (2005: £73.9m).**
- UK retail like-for-like sales up 13.2% with better margin performance.**
- Continued cost management and increased productivity across the business.
- Successful realignment of the UK retail store portfolio continues.

*Excluding the benefit of one-off property gains, profit before tax of £3.0m (2005: -£0.4m).

**Excluding Mail Order and Internet sales.

This strong improvement from last year is the result of management's continued focus on product enhancement, margin improvement, increased efficiency and a successful store realignment strategy. Despite challenging retail conditions in the UK, we believe that our recovery will continue, underpinned by solid operational efficiency throughout the business.

Lillian Tan Lian Tee
Chief Executive Officer

chief executive officer's statement

overview

The financial performance of the Group has shown continued improvement in the first 6 months of this financial year. For the 26 weeks to 29 July 2006, we are pleased to report a profit before tax of £3.0 million, compared to a loss of £0.2 million for the same period in the previous year. There are no one-off property gains included within the reported £3.0 million profit. For the same period last year, one-off property gains totalled £0.2 million.

Total Group sales (including royalties) for the 6 months to 29 July 2006 rose £5.8 million (5.8%) to £106.5 million with an increase in UK retail sales*** of £7.6 million (10.3%) to £81.6 million (2005: £73.9 million). UK like-for-like sales increased by 13.2%, albeit against weak prior year comparatives, driven by a continued strong performance in the Home product categories and a positive Fashion sales performance. In this environment of growing sales, we have increased margins as a result of improvements in underlying gross product performance, savings in distribution costs and reduced stock losses.

Operating expenses have increased during the period,

in line with higher sales. We are continuing to focus on driving greater efficiencies across the business. The supply chain remains a particular area of focus and we remain committed to seeking ongoing improvements.

product

The UK business is split into four main categories. The relative split of UK sales is as follows: Furniture 29%, Home Accessories 28%, Decorating 24% and Fashion 19%. Across the Home categories (Furniture, Home Accessories, Decorating), margin improvement has been based on reduced promotional activity, better buying and improved product ranges with an increasing percentage of our product now being sourced from Asia and Eastern Europe. The teams in Home have focussed on increasing the quality of the products and ensuring that they are keeping pace with design trends, while working to improve the supply chain, getting products to stores faster and more efficiently.

For Fashion, in addition to our existing supply arrangements in the Far East, we have increased our sourcing from Eastern Europe, Turkey and India. This is resulting in improved lead times and lower cost prices.

furniture

The furniture product category includes upholstered furniture, beds and cabinet furniture. During the 6 months ended 29 July 2006, Furniture sales were up 3.5% (LFL 1.5%).

The focus in the Furniture category has been to improve the margin rate and seek greater efficiencies in the supply chain, whilst maintaining a strong product range that remains highly attractive to our customers. The market trend continues to be for distinctive printed fabrics on upholstered furniture (such as the Stowe print). Ours is a balanced offer that combines traditional ranges such as the Garrett and the more modern striped fabric on upholstered furniture such as the Chenille.

home accessories

The Home Accessories product category includes lighting, gift, bed linen, rugs, throws and cushions. During the 6 months to 29 July 2006, sales of Home Accessories rose 13.7% (LFL 10.1%).

There has been a strong performance in this category from gift (for example, storage and mirrored jewellery boxes) and lighting products. Recognising the success

of our expanded accessories ranges, such as top of bed, we continue to innovate and develop new and distinctive product offerings in this category.

decorating

This category includes curtains, fabric, paint, accessories and wall coverings. During the 6 months to 29 July 2006, Decorating sales were up 12.7% (LFL 10.7%).

Within this category, wallpaper has continued to perform well reflecting the continued trend for statement wallpapers in home decorating. Ready-made curtains have again performed well and have seen strong margin rate improvement. Our more decorative accessory products have also recorded a strong performance.

fashion

Last year, we repositioned Fashion as a niche clothing brand. Our strategy was to reduce the number of ranges and the selling space during a period of consolidation as we sought to improve the product offering.

During the 6 months to 29 July 2006, UK retail Fashion sales increased by 35% albeit against a weak prior year comparative (LFL 45.5%). This increase has

chief executive officer's statement continued

not been at the expense of margin rate, which has been maintained over the period.

Particular successes in the first half were from our own heritage prints as well as current trend prints in dresses, skirt and tops. An especially popular print this season was Tropical Hibiscus.

UK operations retail stores

As of 29 July 2006, the property portfolio in the UK comprised 178 stores. Total selling space has increased by 3% to 547,000 square feet. We have three main store types: 86 mixed product stores, 55 Home stores and 37 Home concession stores.

We have continued to build on our strategy of identifying more cost effective locations and have opened 6 new stores, in the first half, totalling 33,000 square feet of selling space. As part of the process of realigning our stores, 8 stores were closed (14,000 square feet) during the first half.

mail order and e-commerce

Sales through our Mail Order and E-Commerce channels now represent 12% of total UK retail sales. This represents a slight decrease compared to last year (2005: 13%) due to the significant increase in UK retail sales. However, Mail Order and

E-Commerce remain at the core of our multi-channel retail strategy. In total, Mail Order and E-Commerce sales remained flat. Within this, Internet sales were up 29.0% and now account for 31% of total direct sales. Mail Order sales were down 10.0% reflecting the general market trend towards E-Commerce at the expense of more traditional direct sales channels.

In March 2006, we launched a new website and, for Autumn/Winter 2006, the majority of the Fashion collection will be available online. There are currently 383,000 registered users (2005: 328,000).

international operations franchising

For the 6 months ended 29 July 2006, Franchise revenue decreased by 18% to £9.8 million mainly due to reduced sales in the Far East and the closure of our Middle East franchise operation. We are actively seeking a replacement for our Middle East franchise, although we currently do not expect this to be in place before 2007.

As explained earlier this year, the reduced Fashion offer adversely impacted Franchise sales for the year ended 28 January 2006. This effect has continued into the first half of the current year. However,

we expect the improvements that have benefited UK Fashion sales in the first half, to have a positive impact on our international operations going forward.

Franchising will always be an important part of the Laura Ashley brand. We are currently reviewing the strength and quality of our existing franchise partners and the franchise agreements under which they operate before we further expand this part of our business. There are currently 194 franchised stores in 28 countries.

licensing

Licensing income is up 17% to £2.1 million, driven mainly by improvements in US licensing revenue.

manufacturing

Following the consolidation of manufacturing onto one site in Wales, further restructuring has resulted in the outsourcing of fabric printing overseas. Our Texplan manufacturing operation continues to manufacture wallpaper, paint, made-to-measure curtains and blinds and investment has brought new developments in digital printing. Third party business at Texplan remains small, but is increasing.

dividend

In July 2006, we paid our first dividend since 1997. There will be no interim dividend this year. The Board will take a decision regarding a final dividend at the appropriate time, based on the performance of the business during the year as a whole.

current trading

On 19 July 2006, we said in a statement that like-for-like UK retail sales were up 14.3% in the first 24 weeks to 15 July 2006. In the 31 weeks to 2 September 2006, like-for-like UK retail sales were up 13.1%. Despite challenging UK retail conditions, all our product offerings remain resilient and we have confidence in the outlook for the Company.

Lillian Tan Lian Tee

Chief Executive Officer

***Excluding Mail Order and Internet sales.

group income statement

for the 26 weeks ended 29 July 2006

	26 weeks to 29 July 2006 (unaudited) £m	26 weeks to 30 July 2005 (unaudited) £m	52 weeks to 28 January 2006 (audited) £m
Revenue	106.5	100.7	211.1
Cost of sales	(59.8)	(59.3)	(120.5)
Gross profit	46.7	41.4	90.6
Operating expenses	(44.4)	(41.6)	(85.2)
Profit/(loss) from operations	2.3	(0.2)	5.4
Share of operating profit of associate	0.4	0.1	0.3
Net finance income/(cost)	0.3	(0.1)	0.4
Profit/(loss) before taxation	3.0	(0.2)	6.1
Taxation	(1.1)	0.1	(1.9)
Profit/(loss) for the period	1.9	(0.1)	4.2
Earnings/(loss) per share – basic and diluted	0.26p	(0.01)p	0.56p

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

There were no recognised gains or losses other than those included in the Group Income Statement.

group balance sheet

as at 29 July 2006

	At 29 July 2006 (unaudited) £m	At 30 July 2005 (unaudited) £m	At 28 January 2006 (audited) £m
Non-current assets			
Property, plant and equipment	28.2	29.8	29.1
Deferred tax asset	3.9	4.0	3.9
Investment in associate	3.4	3.4	3.4
Investment in quoted shares	0.7	–	–
	36.2	37.2	36.4
Current assets			
Inventories	40.6	35.2	35.0
Trade and other receivables	21.4	19.5	22.7
Cash and cash equivalents	18.5	18.3	22.1
	80.5	73.0	79.8
Total assets	116.7	110.2	116.2
Current liabilities			
Current tax liabilities	2.2	1.2	1.9
Bank borrowings	–	0.7	–
Obligations under finance leases	0.4	0.3	0.3
Trade and other payables	44.5	34.8	41.3
	47.1	37.0	43.5
Non-current liabilities			
Bank borrowings	–	4.3	–
Obligations under finance leases	–	0.4	0.2
Retirement benefit liabilities	13.3	13.2	13.3
Provisions and other liabilities	0.3	0.3	0.2
	13.6	18.2	13.7
Total liabilities	60.7	55.2	57.2
Net assets	56.0	55.0	59.0
Equity			
Share capital	37.3	37.3	37.3
Share premium	86.4	86.4	86.4
Own shares	(1.8)	(0.8)	(0.8)
Retained earnings	(65.9)	(67.9)	(63.9)
Total equity	56.0	55.0	59.0

group statement of changes in shareholders' equity

for the 26 weeks ended 29 July 2006

	share capital £m	share premium £m	own shares £m	retained earnings £m	total equity £m
Balance as at 29 January 2005	37.3	86.4	(0.8)	(68.0)	54.9
Loss for the 6 months ended 30 July 2005	–	–	–	(0.1)	(0.1)
Actuarial gain on defined benefit pension scheme	–	–	–	0.2	0.2
Balance as at 30 July 2005	37.3	86.4	(0.8)	(67.9)	55.0
Profit for the 6 months ended 28 January 2006	–	–	–	4.3	4.3
Actuarial loss on defined benefit pension scheme	–	–	–	(0.2)	(0.2)
Exchange differences on translation of investments	–	–	–	(0.1)	(0.1)
Balance as at 28 January 2006	37.3	86.4	(0.8)	(63.9)	59.0
Profit for the 6 months ended 29 July 2006	–	–	–	1.9	1.9
Exchange differences on translation of investments	–	–	–	(0.2)	(0.2)
Dividends paid	–	–	–	(3.7)	(3.7)
Purchase of own shares	–	–	(1.0)	–	(1.0)
Balance as at 29 July 2006	37.3	86.4	(1.8)	(65.9)	56.0

group cash flow statement

for the 26 weeks ended 29 July 2006

	26 weeks to 29 July 2006 (unaudited) £m	26 weeks to 30 July 2005 (unaudited) £m	52 weeks to 28 January 2006 (audited) £m
Operating activities			
Cash generated from operations	4.1	4.3	16.0
Corporation tax paid	(0.7)	(0.7)	(1.8)
Net finance income	0.3	0.2	0.3
	3.7	3.8	14.5
Investing activities			
Purchase of property, plant and equipment	(2.0)	(1.1)	(3.3)
Sale of property, plant and equipment	–	0.1	0.5
Purchase of investment	(1.6)	–	–
Net cash received from associate	0.1	0.1	0.1
	(3.5)	(0.9)	(2.7)
Financing activities			
Loan repaid	–	(0.5)	(5.5)
Dividends paid	(3.7)	–	–
Payment of finance lease obligations	(0.1)	(0.2)	(0.3)
	(3.8)	(0.7)	(5.8)
Net (decrease)/increase in cash and cash equivalents	(3.6)	2.2	6.0

reconciliation of net cash flow to movement in net funds

for the 26 weeks ended 29 July 2006

	26 weeks to 29 July 2006 (unaudited) £m	26 weeks to 30 July 2005 (unaudited) £m	52 weeks to 28 January 2006 (audited) £m
Net (decrease)/increase in cash and cash equivalents	(3.6)	2.2	6.0
Cash inflow from changes in loans and leases	0.1	0.6	5.8
Change in net cash during the period	(3.5)	2.8	11.8
Net funds at the beginning of the period	21.6	9.8	9.8
Net funds at the end of the period	18.1	12.6	21.6

notes

1 basis of preparation

The interim financial statements have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. These accounts do not constitute the Group's statutory financial statements within the meaning of Section 240 of the Companies Act 1985.

The accounting policies applied in the report are consistent with those applied in the annual report for the year ended 28 January 2006 and are also available on the Company's website at www.lauraashley.com.

The interim financial statements of the Group include the results of Laura Ashley Holdings plc and its subsidiaries and associated company.

2 dividends

During the financial period ended 29 July 2006, the Company paid a final dividend for the year ended 28 January 2006 of 0.5p per ordinary share giving a total dividend of £3.7 million.

notes continued

3 segmental analysis

	26 weeks to 29 July 2006 Total (unaudited) £m	26 weeks to 30 July 2005 Total (unaudited) £m	52 weeks to 28 January 2006 Total (audited) £m
Revenue			
Retail	93.6	86.1	183.4
Non-retail	12.9	14.6	27.7
	106.5	100.7	211.1
Profit/(loss) before taxation			
Branch contribution			
Retail	9.0	6.1	18.0
Non-retail	4.4	3.5	8.3
	13.4	9.6	26.3
Indirect overhead costs	(11.1)	(9.8)	(20.9)
Operating profit/(loss)	2.3	(0.2)	5.4
Share of operating profit of associate	0.4	0.1	0.3
Net finance income/(cost)	0.3	(0.1)	0.4
Profit/(loss) before taxation	3.0	(0.2)	6.1

Retail revenue reflects sales through Laura Ashley's managed stores, Mail Order and E-Commerce.

Non-retail revenue includes Licensing, Franchising and Manufacturing.

Branch contribution is stated after deducting direct operating expenses, buying, marketing and administrative costs.

4 principal exchange rates

	26 weeks to 29 July 2006		26 weeks to 30 July 2005		52 weeks to 28 January 2006	
	average	period end	average	period end	average	period end
US Dollar	1.80	1.87	1.85	1.75	1.81	1.78
Euro	1.45	1.46	1.46	1.45	1.46	1.46
Japanese Yen	208	214	199	197	201	207

5 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.

6 earnings/(loss) per share

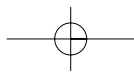
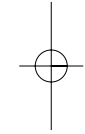
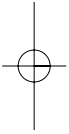
	26 weeks to 29 July 2006 (unaudited)	26 weeks to 30 July 2005 (unaudited)	52 weeks to 28 January 2006 (audited)
Basic and diluted earnings/(loss) attributable to ordinary shareholders (£m)	1.9	(0.1)	4.2
Weighted average number of ordinary shares - basic and diluted ('000)	742,570	743,547	743,547
Earnings/(loss) per share	0.26p	(0.01)p	0.56p

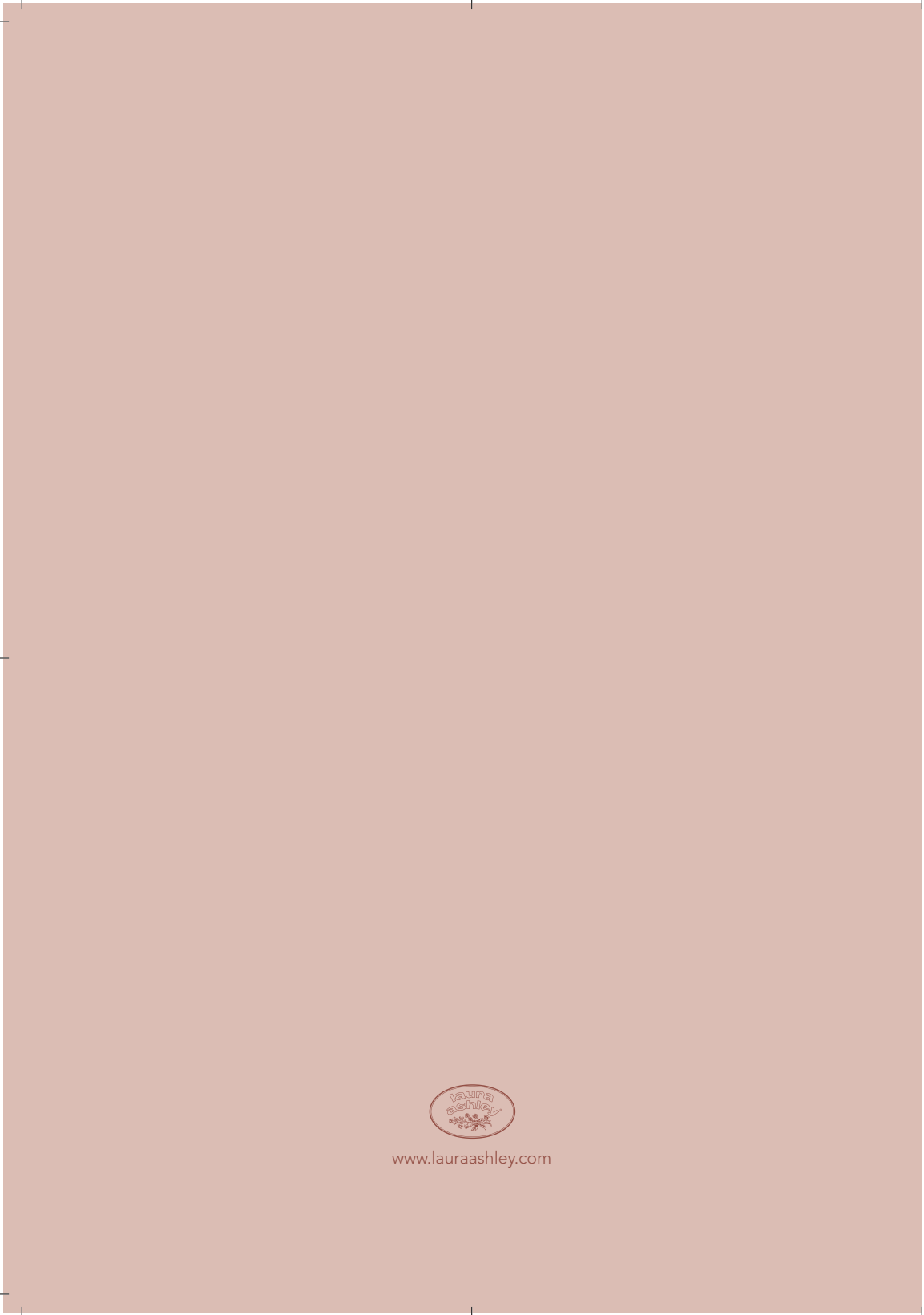
Basic and diluted earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares during the period.

notes continued

7 reconciliation of operating profit/(loss) to net cash inflow from operating activities

	26 weeks to 29 July 2006 (unaudited) £m	26 weeks to 30 July 2005 (unaudited) £m	52 weeks to 28 January 2006 (audited) £m
Operating profit/(loss)	2.3	(0.2)	5.4
Depreciation charge	2.8	3.2	6.1
Profit on sale of property, plant and equipment	–	(0.2)	(0.3)
Change in inventories	(5.6)	(0.2)	(0.1)
Change in receivables	1.3	3.6	0.4
Change in payables	3.2	(2.0)	4.5
Change in provisions and other liabilities	0.1	0.1	–
Net cash inflow from operating activities	4.1	4.3	16.0





www.lauraashley.com