

10 April 2015

LAURA ASHLEY HOLDINGS plc
(“the Group”)

Laura Ashley Holdings plc announces its results for the 53 weeks to 31 January 2015.

Summary

- Profit before taxation up 14.6% to £23.5m (2014: £20.5m).
- Total Group sales up 3.1% to £303.6m, 53 weeks (2014: £294.5m, 52 weeks).
- Full year retail Like-for-Like sales up 1.3%.
- 2nd half Like-for-Like sales up 1.5%.
- Online growth of 8.6%.
- EPS up 16.7% to 2.51p (2014: 2.15p).
- Strong Balance Sheet with £27.8m cash at the year end.
- Final dividend proposed of 1.0p per share making a total dividend of 2.0p per share for the year (2014: Total dividend 3.5p per share).
- Current trading shows Like-for-Like sales growth of 3.0%.

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

Set against the ongoing challenges of a competitive retail sector, I am pleased to report year on year increases of 3.1% in sales and 14.6% in profit before taxation. I am particularly pleased with our strong online growth and the enhancements made to our digital platform. This gives us the ability to showcase our distinctive products and bring our iconic British brand to a broader, worldwide consumer base. I am also very proud that over 35% of all retail Home sales come from products manufactured in the UK.

We are committed to developing and growing the international franchise, licensing and online business as well as focussing on giving a high quality, multi-channel experience to our domestic and international customers.

We are optimistic that the growth of recent years will continue as we develop, grow and improve our product ranges and optimise our business model. The strength and appeal of our Brand, allied to the enduring loyalty of our many worldwide customers, gives us confidence for future growth.

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Overview

For the 53 weeks to 31 January 2015, profit before taxation including exceptional items was up 14.6% to £23.5 million (2014: £20.5 million). Profit before taxation excluding exceptional items was up 18.7% to £22.9 million (2014: £19.3 million).

During the 53 week period (last year : 52 weeks), total Group sales grew by £9.1 million (3.1%) to £303.6 million compared to the previous year of £294.5 million. Full year retail Like-for-Like sales were up by 1.3% on 2014. Like-for-Like performance was up 1.2% in the first half and up 1.5% in the second half.

Retail space fell by 25,000 square feet (3.2%), as the UK store portfolio decreased by 4 stores, from 209 to 205.

Gross margin rate was flat year on year and operating expenses fell by 0.8% to £105.3 million, (2014: £106.1 million).

Cash Flow and Balance Sheet

Cash generated from operations in the year was £23.8 million (2014: £16.8 million). A net increase in cash balances over the year of £3.7 million was recorded with the Group holding £27.8 million in cash at the year-end (2014: £24.1 million). Dividends of £21.8 million were paid during the year.

Dividend

The Board has recommended a final dividend of 1.0 pence per share. When taken with the interim dividend of 1.0 pence per share paid on 1 October 2014, the total dividend for the year is 2.0 pence per share (2014: Total dividend of 3.5 pence per share). This dividend will be proposed at the forthcoming AGM and, subject to shareholders' approval, will be paid on 3 July 2015 to all shareholders on the Register at close of business on 12 June 2015. The ex dividend date will be 11 June 2015.

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 31 January 2015, the property portfolio in the UK comprised 205 stores (2014: 209). We have five store types: 125 Mixed Product stores (selling all product categories), 49 Home stores (selling Home products only), 26 Home concession stores, 4 Gifts & Accessories stores and 1 Clearance outlet.

During the year ended 31 January 2015, we opened 3 new stores and closed 7 stores. As a result, total selling space fell by 3.2% to 761,000 square feet.

With growth of 8.6% over last year, our E-Commerce channel played a key part in our multi-channel retail strategy. 17.8% of total UK retail sales (16.0% of total Group sales) were generated through our digital platforms. Laura Ashley now operates a fully translated French site and also delivers its full product range to Germany, Austria, Italy and Switzerland, in addition to the UK. A fully translated German site will be launched later this year.

Our Interior Design Service has continued to evolve, improve and differentiate us from the rest of the High Street. Turnover generated by Interior Design has grown by 10% over last year.

Product

The UK business is split into four main categories. For the financial year ended 31 January 2015, the relative split of UK sales is as follows: Furniture 30%, Home Accessories 30%, Decorating 23% and Fashion 17%.

Over 35% 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 0.3% (LFL +0.5%) for the year ended 31 January 2015.

This category's performance was encouraging in an increasingly competitive market. We have seen particular success in bedroom furniture, mattresses and with our newer, wooden furniture ranges. The quality, design and diversity of our ranges differentiate us from the competition in this category. All of our bespoke upholstered furniture is manufactured in the UK to the highest standards for both our domestic and commercial customers.

Home Accessories

During the year ended 31 January 2015, sales of Home Accessories increased by 3.5% (LFL +4.8%).

Continued growth in this category has been based on ever improving and broader product ranges. From classic to contemporary styles, our bed linen, lighting ranges, gift items and soft furnishings have continued to enhance our overall Home offering. We aim to maintain growth in this category with particular emphasis on our new kitchen ranges and our expanded seasonal offering.

Decorating

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

During the year ended 31 January 2015, Decorating sales fell by 1.5% (LFL -0.9%).

The Laura Ashley handwriting is defined by both the rich heritage and design led nature of our decorating product. The brand is synonymous with its printed fabric and wallpaper ranges, which underpin and inspire the Home Collections. All of our bespoke curtains, wallpaper and paint are manufactured in our own factory in the UK. This is a source of great pride to us.

Fashion

For the year ended 31 January 2015, UK retail Fashion sales decreased by 2.8% (LFL -0.1%).

Our fashion product continues to receive very positive feedback from our customers despite its flat, year-on-year performance. We are continuing to review quality, price, style and fit, and are encouraged by responses to our collections due to be in store later this year.

International Operations

Generating 10.3% of total Group revenue, our international Franchising operations are a very important part of our business and, as at 31 January 2015, there were 303 (2014: 286) franchised stores in 30 territories worldwide. Further franchise agreements are expected to be signed later this year.

In spite of overall store growth, franchise revenues fell by 1.5% to £27.8 million over the year. This was largely due to a weaker Japanese economy and the challenges facing some mainland European economies.

Licensing income increased by 3.0% to £3.4 million reflecting good levels of organic growth amongst a stable Licensee base. Several new License agreements are expected to be approved during the current year.

Exceptional Items.

A net gain of £0.6 million was recorded in the year. This primarily reflects the gain on disposal of a freehold property.

Hotels

Turnover from the Manor hotel grew by 37% to £1.9 million during the year.

A second Laura Ashley branded hotel, The Belsfield, was opened during the year under license. Located on the shores of Lake Windermere, this stunning retreat has been well received by both customers and media alike.

Current Trading and Outlook

In the first two months of the current financial year, we have achieved Like-for-Like sales growth of 3.0%. Whilst the consumer markets in which the Group operates face a number of challenges, we are encouraged by this growth and believe that we can maintain this for the foreseeable future.

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.

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

Group Statement of Comprehensive Income

For the financial year ended 31 January 2015

	Notes	2015 £m	2014 £m
Revenue	5	303.6	294.5
Cost of sales		(174.5)	(169.3)
Gross profit		129.1	125.2
Operating expenses		(105.3)	(106.1)
Profit from operations		23.8	19.1
Share of operating (loss)/ profit of associate		(0.5)	0.5
Dividend received		-	0.1
Finance income		-	0.2
Finance costs		(0.4)	(0.6)
Profit before taxation and exceptional items		22.9	19.3
Exceptional items		0.6	1.2
Profit before taxation		23.5	20.5
Taxation	6	(5.2)	(4.8)
Profit for the financial year*		18.3	15.7
Other comprehensive income:			
Actuarial (loss)/ gain on defined benefit pension schemes		(9.4)	1.9
Deferred tax effect		2.0	(0.4)
Total that will not be subsequently reclassified to profit and loss		(7.4)	1.5
Exchange differences on translation of investments		2.3	(0.2)
Other reserve movements		(3.4)	(0.7)
Available-for-sale investment transferred to income statement		-	(1.8)
Total that may be subsequently reclassified to profit and loss		(1.1)	(2.7)
Other comprehensive expense for the year net of taxation		(8.5)	(1.2)
Total comprehensive income for the year		9.8	14.5

*Earnings per share – basic and diluted – calculated based on

profit for the financial year	2	2.51p	2.15p
Adjusted earnings per share (excluding exceptional items)	2	2.43p	1.99p

Group Balance Sheet

As at 31 January 2015

	Notes	Group	
		2015 £m	2014 £m
Non-current assets			
Intangible assets		2.0	2.4
Property, plant and equipment		21.2	23.3
Deferred tax assets		3.6	1.9
Investment in associate		3.7	4.4
Investment in subsidiaries		-	-
		30.5	32.0
Current assets			
Inventories		51.0	52.3
Trade and other receivables		22.1	32.2
Cash and cash equivalents	4	27.8	24.1
		100.9	108.6
Total assets		131.4	140.6
Current liabilities			
Current tax liabilities		2.1	2.1
Trade and other payables		66.7	79.9
		68.8	82.0
Non-current liabilities			
Retirement benefit liabilities		17.8	8.8
Deferred tax liabilities		0.2	0.3
Provisions and other liabilities		0.7	0.9
		18.7	10.0
Total liabilities		87.5	92.0
Net assets		43.9	48.6
Equity			
Share capital		37.3	37.3
Share premium		86.4	86.4
Own shares		(0.8)	(0.8)
Retained earnings		(79.0)	(74.3)
Total equity		43.9	48.6

Group Statement of Changes in Shareholder's Equity

As at 31 January 2015

	Share Capital £m	Share Premium £m	Own Shares £m	Retained Earnings £m	Total Equity £m
Balance as at 26 January 2013	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 expense	-	-	-	(1.2)	(1.2)
Balance as at 25 January 2014	37.3	86.4	(0.8)	(74.3)	48.6
Profit for the financial year	-	-	-	18.3	18.3
Dividends paid	-	-	-	(14.5)	(14.5)
Other comprehensive expense	-	-	-	(8.5)	(8.5)
Balance as at 31 January 2015	37.3	86.4	(0.8)	(79.0)	43.9

Group Statement of Cash Flow

For the financial year ended 31 January 2015

		Group	
	Note	2015 £m	2014 £m
Operating activities			
Net cash inflow generated from operations	3	23.8	16.8
Corporation tax paid		(5.2)	(5.4)
Dividends paid		(21.8)	(18.1)
Dividends received		0.1	0.3
Finance income		-	0.2
Finance costs		(0.4)	(0.6)
		(3.5)	(6.8)
Investing activities			
Purchase of property, plant and equipment		(1.8)	(3.2)
Purchase of intangible assets		(0.2)	(0.5)
Sale of investment in shares		8.0	-
Sale of property, plant and equipment		1.2	-
		7.2	(3.7)
Net increase/(decrease) in cash and cash equivalents		3.7	(10.5)

1 Basis of Preparation

Consolidated financial statements and accounting policies

The preliminary announcement for the year ended 31 January 2015 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 2015.

The annual financial information presented in this announcement for the year ended 31 January 2015 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 31 January 2015, 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.

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 25 January 2014 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 31 January 2015 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 late April 2015 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).

	2015	2014
Profit for the financial year (£m)	18.3	15.7
Exceptional gain (£m)	0.6	1.2
Weighted average number of ordinary shares ('000) - basic and diluted	727,763	727,763
Earnings per share	2.51p	2.15p
Adjusted earnings per share (excluding exceptional items)	2.43p	1.99p

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

	2015	2014
	£m	£m
Profit from operations	23.8	19.1
Exceptional gain/ (loss)	0.6	(2.0)
Exchange losses	-	1.1
Amortisation charge	0.6	0.4
Depreciation charge	2.9	3.2
(Profit)/loss on disposal of property, plant and equipment	(0.5)	0.3
Exchange movement on property, plant and equipment	0.1	-
Decrease/(increase) in inventories	1.3	(4.9)
Decrease/(increase) in receivables	2.1	(1.6)
(Decrease)/increase in payables	(5.9)	1.0
Movement in provisions	(1.2)	0.2
Net cash inflow from operations	23.8	16.8

4 Analysis of Net Funds

	At 25 Jan 2014 £m	Cash Flow £m	At 31 Jan 2015 £m
Cash and cash equivalents	24.1	3.7	27.8

5 Segmental Analysis

	-----Retail-----					

	Stores	E-Commerce & Mail Order	Hotel	Total Retail	Total Non-Retail	Total
2015	£m	£m	£m	£m	£m	£m
Revenue	220.6	48.5	1.9	271.0	32.6	303.6
Contribution	19.6	9.6	(0.4)	28.8	13.4	42.2
Share of loss of associate				-	(0.5)	(0.5)
Indirect overhead costs				(18.4)	-	(18.4)
Finance costs				(0.4)	-	(0.4)
Exceptional items				0.6	-	0.6
Profit before taxation				10.6	12.9	23.5

	-----Retail-----					

	Stores	E-Commerce & Mail Order	Hotel	Total Retail	Total Non-Retail	Total
2014	£m	£m	£m	£m	£m	£m
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
Dividend income				-	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

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.

5 Segmental Analysis (continued)

	Non-Current Assets		Revenue	
	2015	2014	2015	2014
	£m	£m	£m	£m
Destination				
UK & Ireland	26.8	27.6	273.9	264.3
Continental Europe	-	-	3.7	4.0
Other	3.7	4.4	26.0	26.2
	30.5	32.0	303.6	294.5

6. Taxation

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

The effective tax rate for the current year is higher than the rate of UK Corporation tax primarily due to the decrease in the Group's overall deferred tax asset due to the reduction in the UK tax rate and non-relievable losses arising in Japan.

In the previous year, the effective tax rate was lower than the rate of UK Corporation tax mainly due to capital gains being 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 rate in Japan.