

27th March, 2008

LAURA ASHLEY HOLDINGS plc
("the Company")

Laura Ashley today announces results for the 52 weeks to 26 January 2008
demonstrating 5 years of consecutive profit growth.

Financial Highlights

- Total Group sales up 5.6% to £237.6m (2007: £225.0m)
- UK retail sales up 7.2% to £187.2m
- UK retail like-for-like sales down 8.7% or down 5.9% after accounting for adjustments resulting from the continued store-realignment programme
- Margin rate continues to improve with a 2 percentage point increase this year
- Profit before tax up 62.3% to £19.8m (2007: £12.2m). This amount includes non-recurring items: profit £4.0m (2007: loss £0.5m).
- Final dividend proposed of 1.0 pence per share (20% of nominal value), making the total dividend 2.0 pence per share for the year (40% of nominal value) (2007: 1.0 pence per share)
- Continued strong cash generation and an ungeared balance sheet

Operational Summary

- Store expansion and realignment programme succeeding. Position at 26 January 2008: 208 stores (751,000 sq. ft.) (2007: 189 stores (624,000 sq. ft.))
- Capital expenditure: £10.9m invested in the business, including £1m in new warehouse management system (2007: £5.6m)
- Growing strength of online sales
- Ongoing sourcing improvements and better product mix
- 2007 and 2008 winner of the Homes and Gardens 'Retailer of the Year Award'

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

"We are pleased to have delivered our fifth year of continuous profit growth, despite a challenging trading environment. The improved profitability is the result of our successful store expansion and realignment programme, improved product offering and continued focus on operational efficiency.

Although our like-for-like sales have declined, we do not view this as a cause for concern. Our total sales and margin rate have both seen continued improvement.

Whilst we are confident that our strong brand and product offering are compelling, we remain cautious about the general trading conditions in the retail market for the year ahead."

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Overview

For the 52 weeks to 26 January 2008, we are pleased to report an increase in profit before tax of 62.3% to £19.8m, compared to £12.2m in the previous year. The profit of £19.8m includes a pension credit of £2.3m which has occurred as a result of a transfer value exercise that was completed on 16 July 2007. In addition, in the year ended 26 January 2008, we have also benefited from gains on disposals of various properties and related assets amounting to £1.7m.

Total group sales were up by £12.6m (5.6%) to £237.6m, compared to the previous year of £225.0m. Margin rate continues to improve, with a 2 percentage point increase this year. The improved total retail sales position was primarily due to increased UK sales in all categories. For the year ended 26 January 2008, total UK store sales were up 7.2% to £187.2m (LFL -8.7%). Total sales growth has primarily been driven by our store realignment programme. However, some of the new stores that we have opened have impacted sales from existing stores, which has impaired LFL sales. We believe a more accurate sales LFL, excluding existing stores impacted by new stores, to be -5.9%. Through our store realignment programme, we have increased total selling space and total sales in the UK. In addition, other than Furniture which has remained flat, margin rates across all other categories have increased year on year.

We have again increased margins as a result of our ongoing improvements in sourcing, more focused promotions and better product mix. In line with increased turnover and the addition of new stores, operating expenses (excluding the impact of non-recurring items) have increased by 7.8% to £97.3m (2007: £90.2m).

The Board has recommended a final dividend of 1.0 pence per share. When combined with the two interim dividends, both 0.5 pence, this takes the total dividend for the year to 2.0 pence per share (40% of nominal value) (2007: 1.0 pence per share).

Product

The UK business is split into four main categories. The relative split of UK sales is as follows: Home Accessories 30%, Furniture 28%, Decorating 23% and Fashion 19%. In common with many retailers in the UK, we have experienced tough trading conditions that have adversely impacted sales performance in all product categories.

Home Accessories

The Home Accessories product category includes lighting, gifts, bed linen, rugs, throws and cushions, and epitomises Laura Ashley's focus on distinctive, inspirational and quality product offerings.

During the year ended 26 January 2008, sales of Home Accessories were up 5.5% (LFL -10.0%). Our casual dining range, mirrored accessories and photo frames have all performed well, as has our recently launched toiletry range. Laura Ashley continues to seek inspiration from a wide variety of sources and we refresh a large proportion of our range every season. It is this innovation and willingness to take creative risks that makes Laura Ashley a leader in high-street design, particularly in lighting.

Margin improvement in this category has been driven both by better sourcing, which has resulted in higher intake margins, and by lower markdown levels.

Furniture

The Furniture product category includes upholstered furniture, beds and cabinet furniture. Laura Ashley differentiates its offering from that of other retailers by the exciting use of colour and fabrics, and our mix of classic and contemporary furniture shapes.

Tough trading conditions have adversely impacted Furniture to a greater extent than the other product categories. During the year ended 26 January 2008, Furniture sales were up 0.5% (LFL -12.8%).

We continue to work on product differentiation and innovation in our furniture category. Our well-known ranges are regularly refreshed and updated to meet customer demand and to ensure that they remain relevant to contemporary living.

Laura Ashley also offers individual statement pieces which can be developed and complemented by other items of furniture in future. More direct overseas sourcing of certain furniture ranges has driven margin benefits.

Decorating

This category includes curtains, fabric, paint, decorative accessories and wall coverings. During the year ended 26 January 2008, Decorating sales were up 6.9% (LFL -5.6%) reflecting the growing trend for customers to update rooms on a regular basis in-line with changing fashions.

Laura Ashley was ahead of the recent wallpaper trend, and we have been building on this strength whilst continuing to add new designs to our archive. Statement wallpapers have continued to perform well. A new colour palette has been successful across numerous product categories and we have introduced a number of exciting decorative accessories.

Faster lead times and our UK manufacturing base for this category allow us to react quickly and effectively to consumer demand. The benefits of this strategy can be seen in the success of our Made-To-Measure curtain range.

We have seen margin rate growth due to changes in product mix and sourcing arrangements.

Fashion

For the year ended 26 January 2008, UK retail Fashion sales increased by 7.7% (LFL -4.4%). The Fashion category has seen the largest improvement in margin rate, driven by a policy of restricting markdown largely to sale periods and the increased use of planned, in-season point-of-sale promotions.

In the spring summer season, dresses were amongst our strongest sellers, with both plain and printed woven linen dresses a particular success. In the autumn winter season, sales have been strong on our newly-expanded range of coats.

Our use of Laura Ashley archive prints in both seasons attracted a great deal of positive publicity and has refreshed the brand to attract an audience that is diverse in age and interest.

UK Operations

Retail Stores

At 26 January 2008, the property portfolio in the UK comprised 208 stores. We have three main store types: 110 mixed product stores (selling all product categories), 67 Home stores (selling the full range of Home products) and 31 Home concession stores.

During the year ended 26 January 2008, we opened 33 new stores totalling 155,000 square feet and closed 14 mainly smaller stores totalling 29,000 square feet. As a result, total selling space increased by 20% to 751,000 square feet.

We intend to continue our store development programme, subject to our normal property selection criteria.

Direct

Our E-Commerce and Mail Order channels remain a vital part of our multi-channel retail strategy, now representing 11% of total UK retail sales. Total E-commerce and Mail Order sales were up 1.0% on last year. Within this figure and reflecting the trend we have seen over the last 4 years, E-Commerce sales were up 30.5% and Mail Order sales were down 13.5%.

We now have 529,000 registered E-Commerce customers (2007: 416,000). Our website and various catalogues remain important marketing tools for the brand.

International Operations

Franchising

At 26 January 2008, there were 204 franchised stores in 27 countries worldwide. Franchising continues to be an important part of the Laura Ashley brand and we are making good progress on the review of our franchise operations.

In the year ended 26 January 2008, Franchise revenues increased by 6.8% to £20.3m.

Licensing

In the year ended 26 January 2008, Licensing income decreased by 29.2% to £3.4m due mainly to a fourth-quarter underperformance in North America.

Dividend

The Board has recommended a final dividend of 1.0 pence per share. When taken with a first interim dividend of 0.5 pence per share and a second interim dividend of 0.5 pence per share (approved on 16 September 2007 and 16 January 2008 respectively) this takes the total dividend for the year to 2.0 pence per share (2007: 1.0 pence per share). This dividend will be proposed at the AGM on 2 June 2008 and subject to shareholder approval, will be paid on 6 June 2008 to all shareholders on the register at the close of business on 9 May 2008. The Board will continue to review dividend payments on the basis of annual profitability, taking into account the future development of the business.

Current trading

For the 7 weeks to 15 March 2008, total retail sales increased by 5.2%. For the same period, like-for-like sales were down 8.8%. Margin rates have continued to improve.

The outlook for the UK economy is uncertain for 2008 so, whilst we are confident that our strong brand and product offering are compelling, we remain cautious about the general trading conditions in the retail market for the year ahead.

Group Income Statement
For the financial year ended 26 January 2008

	Note	2008 £m	2007 £m
Revenue		237.6	225.0
Cost of sales		(125.8)	(123.1)
Gross profit		111.8	101.9
Operating expenses		(93.3)	(90.7)
Profit from operations		18.5	11.2
Share of operating profit of associate		0.3	0.4
Finance income		1.0	0.9
Finance costs		-	(0.3)
Profit before taxation		19.8	12.2
Taxation		(5.8)	(4.2)
Profit for the financial year		14.0	8.0
Earnings per share - basic and diluted	1	1.90p	1.08p

Group Balance Sheet
As at 26 January 2008

	2008	2007
	£m	£m
Non-current assets		
Property, plant and equipment	35.4	29.0
Deferred tax asset	1.8	3.7
Investment in associate	3.6	3.3
Investment in quoted shares	2.1	0.6
	42.9	36.6
Current assets		
Inventories	39.5	37.7
Trade and other receivables	26.7	20.8
Cash and cash equivalents	29.2	31.7
	95.4	90.2
Total assets	138.3	126.8
Current liabilities		
Current tax liabilities	(1.2)	2.5
Obligation under finance lease	-	0.2
Trade and other payables	69.3	50.0
	68.1	52.7
Non-current liabilities		
Retirement benefit liabilities	6.5	12.3
Deferred tax liabilities	1.4	-
Provisions and other liabilities	0.4	0.1
	8.3	12.4
Total liabilities	76.4	65.1
Net assets	61.9	61.7
Equity		
Share capital	37.3	37.3
Share premium	86.4	86.4
Own shares	(0.8)	(0.8)
Retained earnings	(61.0)	(61.2)
Total equity	61.9	61.7

Group Statement of Changes in Shareholders' Equity
As at 26 January 2008

	Share Capital	Share Premiu m	Own Shares	Retained Earnings	Total Equity
	£m	£m	£m	£m	£m
Balance as at 29 January 2006	37.3	86.4	(0.8)	(63.9)	59.0
Profit for the financial year ended 27 January 2007	-	-	-	8.0	8.0
Dividends paid	-	-	-	(3.7)	(3.7)
Exchange differences on translation of investments	-	-	-	(0.6)	(0.6)
Purchase of own shares	-	-	-	(1.0)	(1.0)
Balance as at 27 January 2007	37.3	86.4	(0.8)	(61.2)	61.7
Profit for the financial year ended 26 January 2008	-	-	-	14.0	14.0
Dividends paid	-	-	-	(11.1)	(11.1)
Exchange differences on translation of investments	-	-	-	0.1	0.1
Purchase of own shares	-	-	-	(2.2)	(2.2)
Unrealised investment loss	-	-	-	(0.6)	(0.6)
Balance as at 26 January 2008	37.3	86.4	(0.8)	(61.0)	61.9

Group Cash Flow Statement
For the financial year ended 26 January 2008

	Notes	2008 £m	2007 £m
Operating activities			
Cash generated from operations	2	27.2	23.5
Corporation tax paid		(6.0)	(3.5)
Dividends paid		(11.1)	(3.7)
Finance income		1.0	0.9
Finance cost		-	(0.3)
		11.1	16.9
Investing activities			
Purchase of property, plant and equipment		(10.9)	(5.6)
Sale of property, plant and equipment		1.7	0.2
Purchase of investment		(2.1)	(0.7)
Net cash received from associate		0.1	0.1
		(11.2)	(6.0)
Financing activities			
Repurchase of own shares		(2.2)	(1.0)
Payment of finance lease obligations		(0.2)	(0.3)
		(2.4)	(1.3)
Net (decrease)/increase in cash and cash equivalents	3	(2.5)	9.6

Reconciliation of Net Cash Flow to Movement in Net Funds
For the financial year ended 26 January 2008

	Note	2008 £m	2007 £m
Net (decrease)/increase in cash and cash equivalents		(2.5)	9.6
Cash inflow from changes in loans and leases		0.2	0.3
Change in net funds resulting from cash flows		(2.3)	9.9
Net funds at the beginning of the financial year		31.5	21.6
Net funds at the end of the financial year	3	29.2	31.5

1 Earnings per share

Earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares during the year (excluding treasury shares).

	2008	2007
Basic and diluted earnings attributable to ordinary shareholders (£m)	14.0	8.0
Weighted average number of ordinary shares ('000) - basic and diluted	736,224	741,202
Earnings per share	1.90p	1.08p

2 Reconciliation of profit/(loss) from operations to net cash inflow from operating activities

	2008	2007
	£m	£m
Profit from operations	18.5	11.2
Depreciation charge	4.3	5.6
Profit on sale of property, plant and equipment	(1.7)	(0.1)
Increase in inventories	(1.8)	(2.7)
(Increase)/decrease in receivables	(5.9)	1.9
Increase in payables	19.3	8.7
Movement in provisions	(5.5)	(1.1)
Net cash inflow from operating activities	27.2	23.5

3 Analysis of net funds

	At 27 Jan 2007 £m	Cash Flow £m	At 26 Jan 2008 £m
Cash and cash equivalents	31.7	(2.5)	29.2
Obligations under finance leases	(0.2)	0.2	-
Net funds	31.5	(2.3)	29.2