21 July 2022

HOWDENS

Continued strong sales and operating performance, well ahead of pre-COVID-19 levels

Results summary

£ millions (unless stated)	2022[1]	2021	Change vs 2021	Change[3] vs 2019
Group revenue	913.1	784.9	+16.3%	+39.9%
UK revenue	889.3	764.1	+16.4%	
Gross profit	565.0	481.0	+17.5%	
Gross profit margin, %	61.9%	61.3%	+60bps	
Operating profit	149.1	124.3	+20.0%	+91.9%
Operating profit margin, %	16.3%	15.8%	+50bps	
Profit before tax	145.0	119.2	+21.6%	+85.7%
Basic earnings per share, p	19.6p	16.4p	+19.5%	
Interim dividend per share, p	4.7p	4.3p	+9.3%	
Cash at end of period	249.7	476.2		

[1] The information presented relates to the 24 weeks to 11 June 2022, and the 24 weeks to 12 June 2021, unless otherwise stated. The 2022 and 2021 results are presented under IFRS 16, 2019 results have not been restated for IFRS 16.
[2] Same depot basis for any year excludes depots opened in that year and the prior year. See Financial Review on page 4.
[3] 2019 included to show pre-COVID-19 financial performance.

Highlights[1]

- Group revenue of £913.1m was 16.3% ahead of last year and 39.9% ahead of pre-COVID levels in 2019.
- UK revenue 16.4% up on last year and 13.5% ahead on a same depot basis[2]. UK revenue in P7 grew by 8% against tough prior year comparatives and was 44% ahead of 2019.
- Gross margins ahead of last year at 61.9% with disciplined pricing recovering input cost increases.
- Profit before tax of £145.0m, up 21.6% on 2021 and 85.7% on 2019, outpaced revenue growth.
- Strong cash generation with cash at end of period of £249.7m.
- Continued investment in our strategic initiatives. Brought forward investment in some strategically important projects into 2022 with capex guidance for the current year increased by £20m to £130m.
- Management believes that the addressable market for UK kitchen and joinery products is larger than previous estimates at around £11bn, providing Howdens with significant future growth opportunities.
- Strong returns to shareholders. Interim dividend up 9.3% to 4.7p per share (2021:4.3p) and £139.5m of the previously announced £250m share buy back completed in the period.
- In May 2022, Howdens committed to the Science Based Targets Initiative signifying our intention to significantly reduce our emissions throughout the supply chain and to achieve net-zero by 2050.

Andrew Livingston, Chief Executive said:

“Howdens delivered a strong financial performance in the first half, well ahead of pre-COVID levels in 2019, as we continued to manage effectively ongoing inflationary and supply chain pressures. Our sector leading service and well-established and focused growth strategy ensured we continued to outperform the market. Our kitchen and joinery markets are large and attractive and we are prioritising investment in future growth through execution of our strategic initiatives.

“Howdens has good momentum going into the second half of the year which includes our all-important peak trading period. We will continue to manage inflationary pressures according to market conditions to achieve the right balance between pricing and volume. We are confident in our resilient business model while recognising that we will be trading against record revenue comparatives. While watchful of market conditions and consumer sentiment, the Group remains on track with its outlook for the full year.”

Operational developments

- Opened 10 new depots and revamped 34 older depots in the UK, with 7 new depots in France and 1 in the Republic of Ireland (ROI). Operating with 788 UK depots, 42 in France and Belgium and 1 in ROI.
- Launched 19 new kitchen ranges in the first half with more emphasis on higher priced kitchen ranges and ensuring our most popular styles are accessible to all budgets.
- Further investment in manufacturing with new frontal lines and a second architrave and skirting line at our Howdens factory to be operational in the second half. Continued investment in upgrading our solid surface worktop capabilities alongside greater capacity.
- Rolled out our regional cross docking centres (XDCs) which are now supporting around 530 depots providing industry leading product availability and improved stock management.
- Invested in our digital platform which amongst other things saves our trade customers time and money and supports them in optimising the procurement process for end users.

Current trading and outlook for 2022

The following table shows sales in the first four week period of the second half in absolute terms, on a same depot (LFL) basis[2].

Revenue growth (%)	**Period 7[1] vs 2021**		**Period 7[1] vs 2019**	
	%	**LFL%**	**%**	**LFL %**
UK revenue	+8%	+6%	+44%	+36%
International revenue[2]	+20%	+13%	+166%	+108%

[1] same depot basis (LFL) for any year excludes depots opened in that year and the prior year.
[2] excludes 5 French depots which were closed in H1 2022.

We are making good progress on our strategic initiatives and will continue to invest in these and bring forward some capital investments that underpin our leading market positions and that will drive future earnings. Our capex guidance for the current year increased by £20m to £130m, including the previously announced £10m of one-off costs relating to the purchase of additional land at our Howden manufacturing site.

Howdens has good momentum going into the second half of the year which includes our all-important peak trading period. We will continue to manage inflationary pressures according to market conditions to achieve the right balance between pricing and volume. We are confident in our resilient business model while recognising that we will be trading against record revenue comparatives. While watchful of market conditions and consumer sentiment, the Group remains on track with its outlook for the full year.

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Results presentation:
There will be an **in-person** analyst and investor presentation at 0830 (UK time) today at UBS, 5 Broadgate, London EC2M 2QS. A live video webcast and slide presentation of this event will be available on https://stream.brrmedia.co.uk/broadcast/62b99c8171203e42c1fbf58c. We recommend you register at 0815 (UK time). For more information see: www.howdenjoinerygroupplc.com.

The presentation can also be heard by dialling the phone numbers below:

Location	Phone Number
UK-Wide:	+44 (0) 33 0551 0200
UK Toll Free:	+44 (0) 808 109 0700
USA	+1 212 999 6659
USA Toll Free	+1 866 966 5335

Quote **HOWDEN** when prompted by the operator.

The webcast will be recorded and available on our website after the event at: www.howdenjoinerygroupplc.com

Notes to editors:

1. About Howden Joinery Group Plc

Howden Joinery Group Plc is the parent company of Howden Joinery (Howdens). In the UK, Howdens sells kitchens and joinery products to trade customers, primarily small local builders, through 788 depots. In 2021, the business generated revenues of around £2.1 billion and profit before tax of £390.3 million. Around one-third of the products it sells are manufactured in house at its principal factories in Runcorn, Cheshire, and Howden, East Yorkshire both of which recently achieved carbon neutral status. The business also operates a total of 43 depots in France, Belgium and the Republic of Ireland.

2. Timetable for the interim dividend

The timetable for payment of the proposed interim dividend of 4.7p per ordinary share is as follows:

Ex-dividend date:	13 October 2022
Record date:	14 October 2022
Payment date:	18 November 2022

3. Provisional financial calendar

2022	
Trading update	3 November 2022
End of financial year	24 December 2022
2023	
Full year results	23 February 2023

HOWDENS

Financial review

Financial results for H1 2022[1]

Revenue £m (unless stated)	2022	# of depots at period end	2021
Howden Joinery UK - same depot basis[2]	866.9	747	763.5
UK depots opened in previous two years	22.4[3]	41	0.6
Howden Joinery UK depots	889.3	788	764.1
Howden Joinery International depots	23.8	43	20.8
Group	913.1	831	784.9

Local currency revenue €m (unless stated)	2022	# of depots at period end	2021
France and Belgium – same depot basis[2]	25.0	25[4]	21.1
Depots opened in previous two years	2.5	17	-
Revenue from closed depots	0.7	-	2.7
Republic of Ireland (from April 2022)	-	1	-
International depots	28.2	43	23.8

[1] The information presented relates to the 24 weeks to 11 June 2022, and the 24 weeks to 12 June 2021, unless otherwise stated.
[2] Same depot basis for any year excludes depots opened in that year and the prior year.
[3] 2022 includes additional 3rd party sales generated by the recently acquired Sheridans' solid work surface business.
[4] 5 French depots were closed in the first half.

Total Group revenue of £913.1m was ahead by 16.3% (2021: £784.9m). UK depot revenue grew 16.4% to £889.3m (2021: £764.1m) and by 13.5% on a same depot basis[2] to £866.9m (2021: £763.5m); this excludes the additional revenue from depots opened in 2022 and 2021 of £22.4m (2021: £0.6m).

Revenue in our International depots was £23.8m (2021: £20.8m). On a local currency basis, revenue at our depots in France and Belgium increased by 18.5% on a same depot basis[2].

Gross profit

Gross profit was £565.0m (2021: £481.0m). The £84m increase compared with 2021 reflected proactive price increases early in the period that contributed £75m and a positive volume and mix impact of £34m. This more than offset £25m of cost increases reflecting the impact of higher commodity prices, freight costs and a weaker sterling exchange rate. These factors contributed to an increase in gross margin of 60 basis points versus the prior year to 61.9% (2021: 61.3%).

Operating profit

Operating profit was 20.0% ahead of last year at £149.1m (2021: £124.3m) and the operating profit margin was 16.3% (2021: 15.8%).

Selling and distribution costs and administrative expenses (SD&A) increased by £59.2m to £415.9m (2021: £356.7m) as a result of inflation alongside planned investment in specific areas to support our strategic initiatives. Compared to 2021 this included £7m on UK depots opened in 2021 and 2022 and £7m on International depots opened in the same period. We also invested £12m in warehouse and transportation initiatives which included the investment in regional XDCs that support our differentiated service levels and

£4m in marketing and digital costs. £27m of additional costs were also incurred in the existing depot network as a result of the higher volumes and there was also a £2m increase in other operating costs.

Profit before and after tax

The net interest charge was £4.1m (2021: £5.1m) principally reflecting additional finance income relating to the final salary pension scheme. Profit before tax of £145.0m was 21.6% ahead of the prior year (2021: £119.2m).

The tax charge on profit before tax was £30.7m (2021: £22.1m) as a result of the higher operating profit and represented an effective tax rate of 21.2% (2021: 18.5%). As a result, profit after tax was £114.3m (2021: £97.1m). Reflecting the above and the reduced share count following the share buy back programme, basic earnings per share were ahead by 19.5% at 19.6p (2021: 16.4p).

During 2020 we were granted a patent on a new plastic leg design which we have incorporated into our sales of c.5m of kitchen cabinet units. We applied for the patent in 2017 and there is a potential to claim tax relief under HMRC patent box rules. We are in the process of reviewing the technical aspects of any potential claim with our advisers and HMRC before deciding whether to make a claim under these rules.

Cash

The net cash inflow from operating activities was £62.8m (2021: £93.8m). Net working capital increased by £104.0m to support higher levels of business activity. Receivables at the end of the period were £14.1m higher than at the beginning of the period, with good ageing, and we are monitoring this closely. Payables were £22.3m higher and stock was £112.1m higher due to our actions to increase levels of safety stock to de-risk our in-stock business model particularly ahead of our peak trading period. Capital expenditure was £56.0m (2021: £23.8m) as we accelerated the execution of our strategic initiatives. Corporation tax payments were £42.4m (2021: £40.1m), and dividends amounted to £88.9m (2021: nil). Share buybacks totalled £139.5m (2021: nil). The interest and principal paid on lease liabilities totalled £30.9m (2021: £27.0m).

Reflecting the above, there was a net cash outflow of £265.6m (2021: inflow of £45.5m), leaving the Group with cash at the period end of £249.7m (12 June 2021: £476.2m). The Group has access to a £140m asset backed lending facility which remained undrawn at the balance sheet date.

Capital allocation and returns to shareholders

Our approach to capital allocation continues to focus on achieving sustainable profit growth by investing in and developing our vertically integrated business. We also want to maintain and grow our ordinary dividend in line with earnings growth to reward shareholders with an attractive ongoing income stream. After allowing for these uses of cash, Howdens remains committed to returning any surplus capital to shareholders.

Our capital allocation policy is that where year end cash is in excess of £250m we expect to return surplus cash to shareholders. This provides sufficient headroom to support organic growth, our working capital requirements and ongoing investments in our strategic priorities. At this level of cash, the balance sheet will remain strong.

On this basis, the Board is recommending an interim dividend for 2022 of 4.7p per ordinary share (2021: 4.3p per share) representing an increase of 9.3%. Following the reinstatement of ordinary dividends last year, we are rebasing the split between the interim dividend and final dividend in 2022 to smooth the impact of the exceptional trading performance in the second half of 2021. This will ensure balanced dividend growth in the year while maintaining an overall dividend cover of between 2.5x and 3.0x for the year as a whole. The interim dividend will be paid on 18 November 2022 to shareholders on the register on 14 October 2022.

The Board announced a £250m share buyback programme with the Full Year results earlier this year. During the period, we bought back 19.0m shares to the value of £139.5m, at an average purchase price of 734 pence per share. We expect to complete the share buyback during the second half of 2022.

Pensions

At 11 June 2022, the defined benefit pension scheme was in surplus at £143.7m (24 December 2021: surplus of £140.8m) on an IAS 19 basis. The scheme was closed for future accrual on 31 March 2021.

The Recovery Plan sets out that if the funding level on a Technical Provisions (TP) basis is above 100% for two consecutive months then deficit contributions cease and if they are below 100% for two consecutive months then contributions of £2.5m per month recommence. In July 2021, in accordance with the terms of the plan deficit contributions were suspended.

Board changes

In March 2022, Howdens announced that Peter Ventress will join the Board on 1 July 2022 as Chairman Designate and a Non-Executive Director and will assume the role of Chairman from 17 September 2022. The Company announced earlier in the year that Richard Pennycook had indicated his intention to retire with effect from 17 September 2022 and the Board wishes him well in his future endeavours and thanks him for his strong leadership and wise counsel.

Peter is currently Chairman of Bunzl plc and Galliford Try plc. He was previously CEO of Berendsen plc from 2010 to 2016 and prior to that he held several senior executive roles at Staples Inc. the office supplies retailer. Peter is stepping down as Chairman of Galliford Try in September 2022.

Operational review

Update on the UK kitchen and joinery markets

We have recently conducted some further research into the size and structure of the UK kitchen and joinery markets. The work undertaken was based on a number of existing 3rd party sources supplemented by management estimates. The findings support our view that the UK Kitchen and Joinery markets are large and fragmented with the opportunity for Howdens to continue to grow its market share. Industry definitions of what constitutes a kitchen vary greatly with analysis often understating the size of non-residential kitchen sales and the independent segment which is served by several thousand small businesses and is difficult to analyse.

Management believes that based on its recent proprietary research the kitchen market is larger than previously estimated at around £6.5bn. The UK joinery market is also large and very fragmented at around £4bn across the four segments of joinery, doors, flooring and hardware where we operate. Consequently, we believe our addressable market in the UK for the markets we currently operate in is around £11bn compared with Howdens' UK revenue of around £2.0bn last year. We are investing commensurately in our strategic initiatives as outlined below.

Strategic initiatives

Howdens has made good progress on its strategic initiatives which are aimed at increasing profit and volumes and we expect these opportunities to deliver profitable growth and market share gains over the medium term. The four strategic initiatives are:

1. Evolving our depot model by using space more efficiently to provide the best environment in which to do business with our customers.
2. Improving our range and supply management to help customers' buying decisions, to improve service and to enhance productivity in our manufacturing, sourcing and supply chain activities.
3. Developing our digital platforms to raise brand awareness, support the business model and to deliver productivity gains for depots and customers;
4. Expanding our presence in selective countries with attractive profit pools outside the UK.

These ongoing investments support the execution of our growth strategy and are within our overall capital expenditure guidance. Progress on each of these initiatives is reviewed below:

1. Evolving our depot model

Since the start of the year, we have made good progress in finding new depot sites and we are now planning to open 30 new depots in 2022, having opened 10 in the first half. We are opening all new depots in our updated format which is designed to provide the best environment in which to do business with our customers. We now believe there is potential for at least 1,000 depots in the UK, including c.25 in Northern Ireland, versus the 788 trading at the end of the period. This will be supported by our cross docking (XDC) facility which enables depots to optimise stock and provide high levels of service across the product range.

We have also continued with our revamp programme for existing depots, concentrating on our older estate where the largest incremental sales uplifts are expected. The programme is delivering additional sales and has received very positive feedback from depot teams and customers. In the first half, including relocations, we have we reformatted a total of 34 depots, taking the total number of revamped depots to 137 at the period end. The revamps have an average cost per depot of around £275,000 going forward with an average payback of less than 4 years. Including relocations, we have accelerated our planned programme in 2022 and now expect to reformat around 90 depots this year and to re-rack the warehouses of a further 39 sites without other modifications at that time.

By the end of 2022 we expect to have around 330 UK depots trading in the new format and, to have re-racked the warehouses of a further 137 depots without other modifications. By the end of 2022, these new refurbished depots and re-racks will represent around 58% of our UK estate.

2. Improving our product range and supply management

Range Management

In 2022, we expect our range count will be around 80, organised in nine families. We have reorganised our range architecture into fewer families by removing duplications and improving the balance between new product introductions and discontinuations. New product introductions for 2022 feature 20 new kitchens and include:

- Launching new products across entry level kitchen ranges which have traditionally been our strongest performers. We have added new ranges in both modern and shaker styles including a new entry priced smooth shaker kitchen family Witney, which is available in three matt colours;
- We are now placing greater emphasis on building out our share of higher priced kitchens where we have been historically under-represented. This has included adding new colours for our timber shaker families introduced in 2020; and launching a new builder friendly “in-frame” solution, a look often associated with high street independents; and
- refreshing our most successful families with new market leading colours.
- We continue to innovate in other categories including new grey laminate door ranges; flooring with new herringbone colours and further additions to our leading integrated appliance brand, Lamona.

Manufacturing and supply chain

Our dedicated manufacturing and supply chain is critical to the success of our in-stock offer. We supply all product, whether manufactured or sourced, to all depots. During the period we continued to hold enhanced safety stock as a contingency against unexpected demand patterns and interruptions to supply to support our customers.

We keep under review what we believe it is best to make or buy, balancing cost and overall supply chain availability, resilience and flexibility. Last year we committed to further investment to make frontals for more of our kitchen ranges, at the same quality as we can source externally but at a lower cost and at a reduced lead time to delivery. We expect the new frontal lines located at our Howdens site to be operational in the second half of 2022. Our second architrave and skirting line will also be operational in the second half enabling us to service in house more of the substantial increase in demand we have seen for these products.

We are also upgrading our solid surface worktop capabilities, which is an attractive segment of the market, supporting our strategy to increase our share of the higher priced kitchen segment. Earlier this year we acquired Sheridan Fabrications Ltd, a leading industry specialist for the manufacture, fabrication, laser templating and installation of premium worksurfaces. This supports our ambition to develop our Howdens Work Surfaces (HWS) operations as the market leading supply and fit business. We are continuing to invest in expanding our capacity which will lead to lower installation costs with associated margin benefits. We have now rolled out HWS to all regions and solid surface worktop orders have significantly increased on the prior period.

Our plans to extend our factory at Howden, East Yorkshire announced with the 2021 Full Year results are on track. In particular, we are increasing the manufacturing capacity for cabinets with new panel machining and rigid assembly lines and a new machining line for more door styles. We are also investing in a new, purpose-built warehouse and distribution centre near the Howden site which will house both the picking and dispatch. This will free up more space at the Howden site to be dedicated primarily to manufacturing, allowing it to flow and operate more efficiently, with room for further expansion.

Regional cross docking centre ('XDCs')

As previously announced, we have initiated a programme to make an improvement to stock replenishment. with facilities that supplement the depot's core weekly replenishment with a next day service via a regional cross docking centre (or XDC). This optimises the service levels our depots can deliver to customers by rebalancing inventory and frees up more time and resources to focus on sales and service reducing the need for inter-depot stock transfers.

This year we are continuing to increase the number of depots serviced by XDCs and feedback from depots and customers using the service has been very positive. By rebalancing where we hold stock and changing the delivery pattern of some lines to depots, depots can allocate more warehouse space to faster selling lines and can reduce stocks of slower moving lines while providing a high level of service across the product range. By the end of the period the service was available to around 530, depots up from around 400 at the year end. We are planning for the XDC service to be operating in around 725 depots or c. 90% of our UK depots by the end of 2022.

3. Developing our digital platforms

Our digital strategy reinforces our model of strong local relationships between depots and their customers by raising brand awareness, supporting the business model with new services and ways to trade with us and delivering productivity benefits for depot employees and customers.

In 2022, we are adding to our capabilities for the builder, including new functions which will improve our digital offerings. The Trade App which puts more aspects of the local depot in the hands of our customers was launched in February this year. This replicated core features of the online trade platform including customers' account details and credit status making them readily accessible on the move. Customers can also view their open orders and new features include rapid check in at any depot, order status updates and an easy order collection function.

We continue to see high levels of engagement with our web platforms and growth in our social media presence which also stimulates interest in viewing our products and services on Howdens.com. "Impressions" were present in 19% more organic search results a month with site visits at 10 million. The time users spent looking at pages increased by 84% and the number of pages viewed per session was up 2%. Across our social media sites our follower base was c.432,000, up 24%, with 1.3 million users actively engaging monthly.

4. Developing our international operations

Our continental European operations, predominantly based in France continue to make good progress. The business model for France is similar to the UK with a market size in kitchens of around €4.0bn. The French market has low penetration rates of integrated kitchens and most are purchased through DIY outlets and specialist small independent businesses. The UK market was structured similarly before Howdens introduced the trade only, in stock model in the 1990's.

Since 2019 we have been opening depots in small clusters within cities which benefit from word of mouth between customers and our ability to build a local and trusted brand. Clustering also helps to build the Howdens culture within our business teams. By the end of 2022, we expect to have increased the number of depots trading to 60, including 35 located in the Paris area, having opened 7 so far this year.

We have also now opened for business in the Republic of Ireland. We are using a similar approach to that in France, to fit the population distribution there. Our initial phase of openings will be clustered around Dublin, and our inaugural Sandyford depot opened in April, with four to follow in the second half. The depot managers and teams are being trained in the UK in advance to speed up the induction process.

Environment, social and governance (ESG)

We actively manage risks and identify opportunities across the business to improve our environmental, social and governance performance to minimise our impact on the environment. We want to create an inclusive environment and make a positive contribution to the communities we serve as well as all our stakeholders, including our customers, staff, communities, suppliers and shareholders. We believe that our business needs to be worthwhile for all concerned.

Our people are our most important asset and in recent years Howdens has achieved consistently high scores in our all-employee engagement surveys. Earlier this year we participated in the UK's Best Big Companies survey and were pleased to maintain our 2-star accreditation which means we demonstrated an 'outstanding' commitment to employee engagement, which is benchmarked against hundreds of other companies in the UK. During the first half we were also pleased to be awarded the ISO 45001 international standard for health and safety across the UK depot network. This builds on us achieving the standard in our factories and supply chain network in 2020.

Howdens recently committed to set near and long-term company-wide emission reductions in line with science-based net zero with the Science Based Targets Initiative (SBTi). The Company is the first major UK kitchen supplier to make this commitment and we now have 18 months to submit a roadmap to SBTi, that will get us to net zero by 2050.

In 2021 we were proud to achieve carbon neutral manufacturing in our two major UK factory sites and this year we have commenced the process to include our two recently acquired solid surface worktop factories. We also continue to make good progress on our objective to ensure that 100% of our kitchen door frontals are FSC or PEFC certified by the end of 2022 which would independently certify that the wood comes from responsibly managed forests.

We have also recently commenced a trial of Hydrotreated Vegetable Oil (HVO) in our vehicle fleet as an alternative to diesel which is a major contributor to our Scope 1 greenhouse gas emissions. If successful, replacing diesel with HVO has the potential to reduce our own fleet emissions significantly with no negative impact on fuel efficiency or maintenance costs.

Going concern

The directors have adopted the going concern basis in preparing the condensed financial statements and have concluded that there are no material uncertainties leading to significant doubt about the Group's going concern status. The reasons for this are explained below.

Going concern review period

This going concern review period covers the period of 12 months after the date of approval of these financial statements. The directors consider that this period continues to be suitable for the Group.

Assessment of principal risks

The directors have reached their conclusion on going concern after assessing the Group's principal risks, including the risks arising from trading in a COVID-19 and Post-Brexit environment, alongside the ongoing war in the Ukraine.

Whilst all the principal risks could have an impact on the Group's performance, the specific risks which could most directly affect going concern are the risks relating to continuity of supply, changes in market conditions, and product relevance. The directors note that the Group is currently holding additional amounts of fast-moving inventory as a specific mitigation against supply chain disruption, and they consider that the other effects of these risks would be reflected in lower sales and/or lower margins, both of which are built into the financial scenario modelling described below.

Review of trading results, future trading forecasts and financial scenario modelling

The directors have reviewed the Group's balance sheet at the half-year end, and have noted the appropriate levels of working capital, including the £250m cash and cash equivalents balance. They have also reviewed trading results and financial performance in the first half of 2022, as well as trading in the weeks between the half-year end and the date of approval of the half-year results.

They have also considered three financial modelling scenarios prepared by management:

1) A "base case" scenario. This is based on the latest 2022 Group forecast, made in June 2022. The basis of this scenario has been approved by the Board.

It assumes future sales and profit growth in line with management and market expectations as well as significant capital expenditure to support that growth and cash outflows for dividends and share buybacks in line with our announced plans and capital allocation model.

2) A "severe but plausible" downside scenario. This scenario starts with the base case described above – and models a going concern period where those sales are down by 7% and margin is down by 200 basis points.

This level of reduction in sales and margin has been chosen as it was the worst 12 month year-on-year actual fall ever experienced in the Group's 27-year history. It is worse than the combined effect of COVID and Brexit on 2020 actual performance where sales were down 2.3% on the previous year and margin was down by 200 basis points.

This scenario includes capital expenditure which is lower than in the base case, but which is still in line with our announced strategic priorities for growth, namely: new depot openings and refurbishments; investment in our manufacturing sites, investment in digital and expanding our international operations. This scenario models a reduction in most of the variable cost base proportionate to the reduction in sales. It includes dividends at a level of dividend cover in line with the Group's stated capital allocation model, but it assumes no share buybacks.

3) A "reverse stress-test" scenario. This scenario starts with the severe but plausible downside model and reduces sales even further, to find the maximum reduction in sales that could occur with the Group still remaining cash positive over the whole going concern period, without the need to draw on our borrowing facility or to take further mitigating actions other than those detailed immediately below.

Capital expenditure in this scenario has been reduced to a "maintenance" level. Variable costs have been reduced in proportion to the reduction in sales on the same basis as described in the severe but plausible downside scenario. It assumes no dividends or share buybacks are paid.

In the first two scenarios the Group has positive cash and significant headroom throughout the going concern period after meeting its commitments.

In the reverse stress-test scenario, the results show that sales would have to fall by a significant amount over and above the fall modelled in the plausible downside scenario before the Group would have to draw on borrowing facilities or take further mitigating actions. The likelihood of this level of fall in sales is considered to be remote.

Borrowing facility and covenants

The Group has a bank facility which allows borrowing of up to £140m, which expires in December 2023 and whose other main details are set out in note 19 to the December 2021 Group financial statements. The facility has not been used at any time since it was set up. As part of the scenario modelling described above, we have tested the borrowing facility covenants and the facility remains available under all of the scenarios.

Conclusion

Taking all the factors above into account, the directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and they have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the going concern review period set out above. Accordingly, they continue to adopt the going concern basis in preparing these half-yearly condensed consolidated financial statements.

Principal risks and uncertainties

The principal risks and uncertainties that could have a material impact on the Group's performance over the remaining half of the financial year have not changed from those which are set out in detail in the Group's 2021 Annual Report and Accounts, and which are summarised below.

- Market conditions – Challenging market conditions could affect our ability to achieve sales and profit forecasts, impacting on our cash position. Exchange rates fluctuation could increase our cost of goods sold. This risk has increased due to multiple factors influencing conditions including inflation, geopolitical events and macroeconomic forecasts.
- Supply chain – Any disruption to our relationship with key suppliers or interruption to manufacturing and distribution operations could affect our ability to deliver the in-stock business model and to service our customer's needs. If this happened, we could lose customers and sales.
- Business model and culture – if we lose sight of our model and culture, we may not serve our customers successfully and our long-term profitability may suffer.
- Maximising growth – if we do not understand and exploit our growth opportunities in line with our business model and risk appetite, or if we do not meet the related growth challenges, we will not get maximum benefit from our growth potential.
- People – Our operations could be adversely affected if we were unable to attract, retain and develop our colleagues; or, if we lost a key member of our team.
- Health and Safety – Poor management or an incident could compromise the safety and wellbeing of individuals, and the reputation and viability of the business.
- Cyber security incident – Events such as ransomware attacks continue to rise globally. A major security breach could cause a key system to be unavailable and/or sensitive data to be compromised.
- Product – if we do not offer the builder the products that they and their customers want, we could lose sales and customers.
- Business continuity and resilience – We have some business operations and locations in our infrastructure that are critical to business continuity and are essential for ensuring our customers can get the product and services they want when they need them.

Geopolitical risk

Russia, Ukraine crisis

As the Russia/Ukraine tensions grew and Russian forces increased on the border, we conducted an emerging risk review of the potential impact that a conflict in that region could have on our business. The review looked at financial and operational areas and included risk to supply chain, cyber security and energy prices. We took swift action to mitigate those areas we could and continue to monitor the situation to ensure our risk mitigation remains appropriate.

Brexit

The Trade and Cooperation Agreement that came into force at the end of the transitional period on the 24th of December 2020 provides a framework for trade between the UK and the EU. Any breakdown of this agreement has the potential to bring with it some risk for all companies operating within both the UK and the European Union. The main potential risk areas for Howdens relate to our expansion plans in Republic of Ireland, the impact to the Belfast Agreement, the current free trade agreements with the EU and potential further market and currency volatility stemming from consumer /investor uncertainty.

COVID-19

Some of our principal risks continue to be impacted by the pandemic to some degree. The extent of the impact of COVID-19 on our business is dependent on the path the pandemic takes going forward, both in the UK and abroad. We continue to have a low appetite for COVID-19 risk and remain agile to mitigate its potential effects as much as reasonably possible.

Cautionary statement

Certain statements in this Half Year results announcement are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Responsibility statement

We confirm that, to the best of our knowledge:

(a) the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
(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 24 weeks and description of principal risks and uncertainties for the remaining 28 weeks of the year); and
(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

By order of the Board

Andrew Livingston	Paul Hayes
Chief Executive Officer	Chief Financial Officer

20 July 2022

Independent review report to Howden Joinery Group Plc

Conclusion

We have been engaged by the company to review the condensed consolidated financial statements in the half-yearly financial report for the 24 weeks ended 11th June 2022 which comprises condensed consolidated balance sheet of Howden Joinery Group Plc and the related condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements in the half-yearly financial report for the 24 weeks ended 11th June 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.
This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the latest annual financial statements of the group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed consolidated financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Robert Brent
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5SG
20 July 2022

Condensed consolidated income statement

	Notes	24 weeks to 11 June 2022 unaudited £m	24 weeks to 12 June 2021 unaudited £m	52 weeks to 25 December 2021 audited £m
Continuing operations:				
Revenue - sale of goods	4	913.1	784.9	2,093.7
Cost of sales		(348.1)	(303.9)	(804.7)
Gross profit		**565.0**	**481.0**	**1,289.0**
Selling & distribution costs		(359.6)	(304.8)	(756.5)
Administrative expenses		(56.3)	(51.9)	(130.8)
Operating profit		**149.1**	**124.3**	**401.7**
Finance income	7	1.5	-	-
Finance costs	7	(5.6)	(5.1)	(11.4)
Profit before tax		**145.0**	**119.2**	**390.3**
Tax charge	6	(30.7)	(22.1)	(75.8)
Profit for the period attributable to the equity holders of the parent		**114.3**	**97.1**	**314.5**
Earnings per share		**pence**	**pence**	**pence**
Basic earnings per 10p share	8	19.6	16.4	53.2
Diluted earnings per 10p share	8	19.5	16.3	53.0

Condensed consolidated statement of comprehensive income

	Notes	24 weeks to 11 June 2022 unaudited £m	24 weeks to 12 June 2021 unaudited £m	52 weeks to 25 December 2021 audited £m
Profit for the period		114.3	97.1	314.5
Items of other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains on defined benefit pension plan	11	2.8	63.4	170.4
Deferred tax on actuarial gains on defined benefit pension plan		(0.5)	(13.2)	(33.5)
Change of rate on deferred tax		(0.2)	-	(8.5)
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		0.3	(1.1)	(2.3)
Other comprehensive income for the period		**2.4**	**49.1**	**126.1**
Total comprehensive income for the period, attributable to equity holders of the parent		**116.7**	**146.2**	**440.6**

Condensed consolidated balance sheet

	Notes	11 June 2022 unaudited £m	12 June 2021 unaudited (restated – note 2) £m	25 December 2021 audited £m
Non-current assets				
Intangible assets		35.5	25.0	22.6
Property, plant and equipment	10	329.5	254.5	295.8
Lease right-of-use assets		576.3	533.5	555.8
Pension asset	11	143.7	32.0	140.8
Deferred tax asset		-	7.7	13.4
Prepaid credit facility fees		-	0.5	0.3
		1,085.0	853.2	1,028.7
Current assets				
Inventories		415.6	284.3	301.6
Trade and other receivables		223.8	208.1	205.8
Cash and cash equivalents		249.7	476.2	515.3
		889.1	968.6	1,022.7
Total assets		**1,974.1**	**1,821.8**	**2,051.4**
Current liabilities				
Lease liabilities		(76.2)	(69.8)	(57.5)
Trade and other payables	14	(409.0)	(398.6)	(384.7)
Current tax liability		(8.3)	(0.5)	(25.9)
Provisions	12	(9.5)	-	-
		(503.0)	(468.9)	(468.1)
Non-current liabilities				
Lease liabilities		(546.4)	(510.1)	(533.7)
Deferred tax liability		(30.1)	(9.2)	(37.7)
Provisions	12	(9.4)	(15.3)	(20.4)
		(585.9)	(534.6)	(591.8)
Total liabilities		**(1,088.9)**	**(1,033.5)**	**(1,059.9)**
Net assets		**885.2**	**818.3**	**991.5**
Equity				
Share capital		57.9	60.3	59.8
Capital redemption reserve		7.3	4.9	5.4
Share premium		87.5	87.5	87.5
ESOP and share based payments		8.5	(1.1)	5.9
Treasury shares		(25.5)	(27.1)	(27.1)
Retained earnings		749.5	693.8	860.0
Total equity		**885.2**	**818.3**	**991.5**

Condensed consolidated statement of changes in equity

24 weeks to 11 June 2022	Share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP and share-based payments £m	Treasury shares £m	Retained earnings £m	Total £m
As at 25 December 2021 - audited	59.8	5.4	87.5	5.9	(27.1)	860.0	991.5
Profit for the period	-	-	-	-	-	114.3	114.3
Other comprehensive income in the period	-	-	-	-	-	2.4	2.4
Total comprehensive income for the period	-	-	-	-	-	116.7	116.7
Current tax on share schemes	-	-	-	-	-	0.5	0.5
Deferred tax on share schemes	-	-	-	-	-	0.7	0.7
Movement in ESOP	-	-	-	4.2	-	-	4.2
Buyback and cancellation of shares	(1.9)	1.9	-	-	-	(139.5)	(139.5)
Transfer of shares from treasury into share trust	-	-	-	(1.6)	1.6	-	-
Dividends	-	-	-	-	-	(88.9)	(88.9)
As at 11 June 2022 - unaudited	**57.9**	**7.3**	**87.5**	**8.5**	**(25.5)**	**749.5**	**885.2**

The ESOP Reserve includes shares in Howden Joinery Group plc with a market value on the balance sheet date of £26.4m (June 2021: £36.9m, December 2021 £41.7m), which are held by the Group's Employee Share Trusts in order to meet share options and awards made under the Group's various share-based payment schemes.
The item "Movement in ESOP" consists of the share-based payment charge in the period, together with any receipts of cash from employees on exercise of share options and the purchase price of own shares sold on the exercise of share options.
At the current period end there were 5.2 million ordinary shares held in treasury, each with a nominal value of 10p (June 2021: 5.6 million shares, December 2021: 5.6 million shares).

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Condensed consolidated statement of changes in equity – continued

24 weeks to 12 June 2021 (restated – note 2)	Share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP and share-based payments £m	Treasury shares £m	Retained earnings £m	Total £m
As at 26 December 2020 - audited	60.3	4.9	87.5	(3.5)	(28.2)	599.8	720.8
Profit for the period	-	-	-	-	-	97.1	97.1
Other comprehensive income in the period	-	-	-	-	-	49.1	49.1
Total comprehensive income for the period	-	-	-	-	-	146.2	146.2
Movement in ESOP	-	-	-	3.5	-	-	3.5
Reclaim of forfeited dividends	-	-	-	-	-	0.2	0.2
Proceeds from sale of forfeited shares	-	-	-	-	-	1.8	1.8
Transfer of shares from treasury into share trust	-	-	-	(1.1)	1.1	-	-
Dividends	-	-	-	-	-	(54.2)	(54.2)
As at 12 June 2021 - unaudited	**60.3**	**4.9**	**87.5**	**(1.1)**	**(27.1)**	**693.8**	**818.3**

52 weeks to 25 December 2021	Share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP and share-based payments £m	Treasury shares £m	Retained earnings £m	Total £m
As at 26 December 2020 - audited	60.3	4.9	87.5	(3.5)	(28.2)	599.8	720.8
Profit for the period	-	-	-	-	-	314.5	314.5
Other comprehensive income for the period	-	-	-	-	-	126.1	126.1
Total comprehensive income for the period	-	-	-	-	-	440.6	440.6
Current tax on share schemes	-	-	-	-	-	(0.1)	(0.1)
Deferred tax on share schemes	-	-	-	-	-	1.3	1.3
Movement in ESOP	-	-	-	10.5	-	-	10.5
Reclaim of forfeited dividends	-	-	-	-	-	0.2	0.2
Proceeds from sale of forfeited shares	-	-	-	-	-	1.8	1.8
Buyback and cancellation of shares	(0.5)	0.5	-	-	-	(50.0)	(50.0)
Transfer of shares from treasury into share trust	-	-	-	(1.1)	1.1	-	-
Dividends	-	-	-	-	-	(133.6)	(133.6)
At 25 December 2021 - audited	**59.8**	**5.4**	**87.5**	**5.9**	**(27.1)**	**860.0**	**991.5**

Condensed consolidated cash flow statement

	Notes	24 weeks to 11 June 2022 unaudited £m	24 weeks to 12 June 2021 unaudited £m	52 weeks to 25 December 2021 audited £m
Group operating profit before tax and interest		**149.1**	**124.3**	**401.7**
Adjustments for:				
Depreciation and amortisation of owned assets		19.6	16.8	40.6
Depreciation, impairment and loss on termination of leased assets		36.3	33.3	74.8
Share-based payments charge		4.2	3.2	10.1
Decrease in prepaid credit facility fees		0.3	0.1	0.3
Write down of property, plant and equipment and intangible assets		-	0.1	3.2
Profit on disposal of property plant & equipment		(0.3)	-	-
Operating cash flows before movements in working capital		**209.2**	**177.8**	**530.7**
Movements in working capital				
Increase in inventories		(112.1)	(29.3)	(46.6)
Increase in trade and other receivables		(14.1)	(41.5)	(39.2)
Increase in trade and other payables and provisions		22.3	43.3	84.1
Difference between pension operating charge and cash paid		(0.1)	(16.4)	(18.5)
		(104.0)	(43.9)	(20.2)
Cash generated from operations		**105.2**	**133.9**	**510.5**
Tax paid	6	(42.4)	(40.1)	(73.1)
Net cash flows from operating activities		**62.8**	**93.8**	**437.4**

Condensed consolidated cash flow statement – continued

	Notes	24 weeks to 11 June 2022 unaudited £m	24 weeks to 12 June 2021 unaudited £m	52 weeks to 25 December 2021 audited £m
Cash flows used in investing activities				
Payments to acquire property, plant and equipment and intangible assets		(56.0)	(23.8)	(85.9)
Receipts from sale of property, plant and equipment and intangible assets		-	0.2	0.1
Acquisition of subsidiary – net of cash acquired	15	(14.6)	-	-
Interest received		1.4	-	-
Net cash used in investing activities		**(69.2)**	**(23.6)**	**(85.8)**
Cash flows from financing activities				
Payments to acquire own shares		(139.5)	-	(50.0)
Receipts from release of shares from share trust		0.1	0.3	0.4
Dividends paid to Group shareholders	9	(88.9)	-	(133.6)
Repayment of principal on lease liabilities		(25.3)	(22.0)	(74.8)
Interest paid - including on lease liabilities		(5.6)	(5.0)	(11.0)
Inflow from receipt of forfeited dividends		-	0.2	0.2
Inflow from sale of forfeited shares		-	1.8	1.8
Net cash used in financing activities		**(259.2)**	**(24.7)**	**(267.0)**
Net increase/(decrease) in cash and cash equivalents		**(265.6)**	**45.5**	**84.6**
Cash and cash equivalents at beginning of period		515.3	430.7	430.7
Cash and cash equivalents at end of period		**249.7**	**476.2**	**515.3**

Notes to the Condensed Consolidated Financial Statements

1 General information

The results for the 24 week periods ended 11 June 2022 and 12 June 2021 are unaudited but have been reviewed by the Group's auditor, whose report on the current period forms part of this document. The information for the 52 week period ended 25 December 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies, and is available via the Group's website at www.howdenjoinerygroupplc.com. The auditor's report on those accounts was not qualified or modified, did not draw attention to any matters by way of emphasis, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2 Accounting policies and basis of preparation

The condensed consolidated set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted for use in the UK.

Basis of preparation

These condensed consolidated financial statements are prepared on the going concern basis, as we explain in detail in the “Going Concern” section of the interim management report, above. The Group's business activities, together with the factors likely to affect its future development, performance, and position are set out in the interim management report, which precedes these condensed consolidated financial statements and includes a summary of the Group's financial position, its cash flows, and borrowing facilities, its principal risks, and a discussion of why the directors consider that the going concern basis is appropriate.

The annual financial statements of the group for the 52 weeks ended 24 December 2022 will be prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, this condensed consolidated set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company’s published consolidated financial statements for the 52 weeks ended 25 December 2021 which were prepared in accordance with International Financial Reporting Standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, except that:

- the taxation charge for the half-year is calculated by applying the annual estimated effective tax rate to the profit for the period, and;
- we are disclosing an additional accounting policy, below, for business combinations and goodwill. Details of the acquisition in the current period are disclosed at note 15.

Accounting policy for business combinations and goodwill

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether it includes, at a minimum, an input and substantive process and whether it has the ability to produce outputs.

The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any excess of consideration over net assets acquired is recognised on acquisition as goodwill, and tested for impairment at least annually. Any gain on a bargain purchase is recognised in profit or loss immediately.

The measurement period for finalising fair values will remain open for a maximum of 12 months from the acquisition date so long as relevant information is still outstanding. If the fair value of assets and liabilities changes during the measurement period, there will be a corresponding change in the amount of goodwill recognised. Any such changes will be reported in the financial statements of the period during which they are recognised.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

Restatement of prior period

In the prior period, a special dividend (£54.1m) was recognised in the interim financial statements. This dividend had been declared in the Group's 2021 Annual Report, but it was an interim dividend and so in accordance with the relevant guidance it should not have been recognised until it was paid. The comparatives have been restated accordingly. There is no impact on the 2021 full year audited accounts as the special dividend was paid on 18 June 2021 as originally declared.

3 Segmental results

Basis of segmentation

Information reported to the Group's Chief Executive is focused on one operating segment, Howden Joinery. Thus, the information required in respect of segmental disclosure can all be found in the condensed consolidated income statement, and condensed consolidated balance sheet.

4 Seasonality of revenue

In a typical year, Howden Joinery sales are more heavily weighted to the second half of the financial year. This partly reflects the fact that there are 24 weeks in the first half of the financial year and 28 weeks in the second half. It also reflects that our peak trading period falls in the second half of the year. Historically, the typical trend has been that approximately 60% of sales have been in the second half of the year.

5 Write down of inventories

During the period, the Group has recognised a net charge of £9.2m in respect of writing inventories down to their net realisable value (24 weeks to 12 June 2021 - net charge of £7.0m; 52 weeks to 25 December 2021 - net charge of £20.0m).

6 Tax

The half year effective tax rate is 21.2% (24 weeks to 12 June 2021: 18.5%). This is arrived at by applying the estimated full year effective tax rate to the actual half year profit, after adjusting for the tax effect of items which are recognised entirely in the current period and are not spread over the full year (such as actual share option exercises and payments to the pension scheme).

7 Finance income and finance costs

Finance income	24 weeks to 11 June 2022 £m	24 weeks to 12 June 2021 £m	52 weeks to 25 December 2021 £m
Other finance income - pensions	1.2	-	-
Other interest income	0.3	-	-
Total finance income	**1.5**	**-**	**-**

Finance costs	24 weeks to 11 June 2022 £m	24 weeks to 12 June 2021 £m	52 weeks to 25 December 2021 £m
Interest expense on lease liabilities	(5.5)	(5.0)	(11.0)
Other finance expense - pensions	-	(0.1)	(0.4)
Other interest payable	(0.1)	-	-
Total finance costs	**(5.6)**	**(5.1)**	**(11.4)**

8 Earnings per share

	24 weeks to 11 June 2022			**24 weeks to 12 June 2021**			**52 weeks to 25 December 2021**		
	Earnings £m	Weighted average number of shares m	Earnings per share p	Earnings £m	Weighted average number of shares m	Earnings per share p	Earnings £m	Weighted average number of shares m	Earnings per share p
Basic earnings per share	114.3	583.9	19.6	97.1	593.4	16.4	314.5	591.2	53.2
Effect of dilutive share options	-	1.5	(0.1)	-	1.6	(0.1)	-	2.1	(0.2)
Diluted earnings per share	114.3	585.4	19.5	97.1	595.0	16.3	314.5	593.3	53.0

9 Dividends

(a) Amounts recognised as distributions to equity holders in the period

	24 weeks to 11 June 2022 £m	24 weeks to 12 June 2021 (restated – see note 2) £m	52 weeks to 25 December 2021 £m
Final dividend for the 52 weeks to 25 December 2021 - 15.2p/share	88.9	-	-
Interim dividend for the 52 weeks to 25 December 2021 - 4.3p/share	-	-	25.3
Final dividend for the 52 weeks to 26 December 2020 - 9.1p/share	-	54.2	54.2
Special dividend for the 52 weeks to 26 December 2020 - 9.1p/share	-	-	54.1
	88.9	**54.2**	**133.6**

(b) Proposed dividends

On 20 July 2022, the Board approved the payment of an interim dividend of 4.7 pence/share to be paid on 18 November 2022 to ordinary shareholders on the register on 14 October 2022.

	24 weeks to 11 June 2022 £m	24 weeks to 12 June 2021	52 weeks to 25 December 2021 £m
Proposed interim dividend for the 52 weeks to 24 December 2022 - 4.7p/share	26.3		
Proposed interim dividend for the 52 weeks to 25 December 2021 - 4.3p/share		25.5	
Proposed final dividend for the 52 weeks to 25 December 2021 - 15.2p/share			89.3

10 Property, plant and equipment

During the period, the Group made additions to property, plant and equipment ("PPE") of £51.8m (24 weeks to 12 June 2019 - £23.8m; 52 weeks to 25 December 2021 - £79.8m).

There were no disposals of PPE in the current or prior periods which had any significant net book value.

There are non-cancellable commitments to purchase PPE of £25.5m at the current period end (12 June 2021 - £20.4m; 25 December 2021 - £16.1m).

11 Retirement benefit obligations

(a) Total amounts in respect of pensions in the period

	24 weeks to 11 June 2022 £m	24 weeks to 12 June 2021 £m	52 weeks to 25 December 2021 £m
Charged to the income statement:			
Defined benefit plan - current service cost	-	4.8	4.8
Defined benefit plan - administrative costs	1.1	1.0	2.0
Defined benefit plan - total operating charge	1.1	5.8	6.8
Defined benefit plan - net finance (credit)/charge	(1.2)	0.1	0.4
Defined contribution plans - total operating charge	14.1	10.5	27.2
Total charged to profit before tax	**14.0**	**16.4**	**34.4**
Included in other comprehensive income:			
Defined benefit plan - actuarial gains	**(2.8)**	**(63.4)**	**(170.4)**

(b) Other information – defined benefit pension plan

Key assumptions used in the valuation of the plan	24 weeks to 11 June 2022	24 weeks to 12 June 2021	52 weeks to 25 December 2021
Discount rate	3.60%	1.85%	1.90%
Inflation assumption - RPI	3.35%	3.35%	3.30%
Inflation assumption - CPI	2.90%	2.85%	2.85%
Rate of increase of pensions in deferment capped at lower of CPI and 5%	2.90%	2.85%	2.85%
Rate of CARE revaluation capped at lower of RPI and 3%	2.55%	2.55%	2.55%
Rate of increase of pensions in payment:			
- pensions with increases capped at lower of CPI and 5%	2.85%	2.80%	2.80%
- pensions with increases capped at lower of CPI and 5%, with a 3% minimum	3.50%	3.50%	3.50%
- pensions with increases capped at the lower of RPI and 2.5%	2.25%	2.25%	2.20%
Life expectancy (yrs): pensioner aged 65			
- male	86.6	86.6	86.6
- female	88.4	88.4	88.4
Life expectancy (yrs): non-pensioner aged 45			
- male	87.6	87.6	87.6
- female	90.3	90.3	90.3

Balance sheet

The amount included in the balance sheet arising from the Group's obligations in respect of defined benefit retirement benefit scheme is as follows:

	11 June 2022 £m	12 June 2021 £m	25 December 2021 £m
Present value of defined benefit obligations	(1,122.8)	(1,521.3)	(1,512.5)
Fair value of scheme assets	1,266.5	1,553.3	1,653.3
Surplus recognised in the balance sheet	**143.7**	**32.0**	**140.8**

In recognising the pension surplus at the end of the current period, the Group has considered the conditions and guidance given in IAS 19 and IFRIC 14 and has concluded that: it is appropriate to recognise the surplus in full; there is no issue affecting the availability of a refund or reduction in future contributions due to minimum funding requirements, and there is no requirement to recognise an associated liability.

Movements in this amount during the period are as follows:

	24 weeks to 11 June 2022 £m	24 weeks to 12 June 2021 £m	52 weeks to 25 December 2021 £m
Surplus/(deficit) at start of period	140.8	(47.7)	(47.7)
Current service cost	-	(4.8)	(4.8)
Administration cost	(1.1)	(1.0)	(2.0)
Employer contributions	-	22.2	25.3
Other finance credit/(charge)	1.2	(0.1)	(0.4)
Actuarial gains	2.8	63.4	170.4
Surplus at end of period	**143.7**	**32.0**	**140.8**

Statement of comprehensive income

Amounts taken to equity via the statement of comprehensive income in respect of the Group's defined benefit plan are shown below:

Actuarial gains	24 weeks to 11 June 2022 £m	24 weeks to 12 June 2021 £m	52 weeks to 25 December 2021 £m
Actuarial (loss)/gain on plan assets	(381.8)	(46.3)	58.0
Decrease in plan liabilities due to financial assumptions and experience	381.1	104.5	107.2
Decrease in plan liabilities due to demographic assumptions	3.5	5.2	5.2
Total actuarial gains	**2.8**	**63.4**	**170.4**

12 Provisions

	Property £m	Warranty £m	Closure costs £m	French post-employment benefits £m	Total £m
As at 25 December 2021 - audited	7.0	10.9	2.2	0.3	20.4
Created in the period	0.9	3.4	-	-	4.3
Utilised in the period	(0.5)	(2.7)	(2.1)	-	(5.3)
Released in the period	(0.5)	-	-	-	(0.5)
As at 11 June 2022 - unaudited	**6.9**	**11.6**	**0.1**	**0.3**	**18.9**
Presented as current liabilities	4.1	5.3	0.1	-	9.5
Presented as non-current liabilities	2.8	6.3	-	0.3	9.4
	6.9	**11.6**	**0.1**	**0.3**	**18.9**

In the current reporting period, provisions have been presented as either current or non-current liabilities for the first time. The basis of the allocation is outlined for each type of provision, below. Prior periods have not been analysed.

Property provision

The property provision covers obligations to make dilapidation payments to landlords of leased properties. Following the guidance in the IFRSs governing leases and provisions, our assessment is that, in general, the likelihood of a cash outflow for dilapidations at the time of signing a lease is remote, and therefore it would be unusual for us to recognise any costs relating to dilapidations at that time.

In these cases, the event which changes our assessment of the likelihood of a cash outflow for dilapidations from being remote to being probable, and which therefore triggers our recognition of a provision for that probable outflow, typically occurs as we come towards the end of a lease and we can assess the condition of the leased property and the likelihood of dilapidations being payable.

The timing of any outflows from the provision is variable, and is dependent on the timing of dilapidations assessments and works. Although circumstances will differ from property to property, a typical pattern would be that the outflow would occur within 1-3 years of the provision being made. The amounts provided are specific to each property and are based on our best estimate of the cost of performing any required works or, in cases where we will not be directly contracting for the works to be done, our best estimate of the outflow required to settle any claim from the landlord. Where the amounts involved are significant, we would typically take advice on the likely costs from third-party property maintenance specialists.

For the purposes of allocating this provision between current liabilities and non-current liabilities we have used our best estimate of when we would reasonably expect outflows to occur, based on circumstances at each relevant property.

Warranty provision

The warranty provision relates to the estimated costs of product warranties. As products are sold, the Group makes provision for claims under warranties, based on actual sales and on historical average warranty costs incurred. As claims are made, the Group utilises the provision and then uses the historical data on the rate and amount of claims to periodically revise our expectations of the amount of future warranty costs and therefore the rate at which it is appropriate to provide for warranty costs on each sale in the future.

For the purposes of allocating this provision between current liabilities and non-current liabilities we have used the historical data on timing and amount of claims to estimate the costs for the next 12 months and have classified this as a current liability.

Closure costs

Closure costs relate to a decision made and communicated in 2021 to close 5 depots in France which did not align with our city-based depot expansion plans. The cash outflows from the provision are expected to complete during 2022.

French post-employment benefits provision

This provision relates to a benefit which is payable to employees in our French subsidiary under French law on retirement. It is a lump sum payable on retirement, not a recurring pension. There will only be an outflow from this provision if any of the eligible employees are employed by our French subsidiaries immediately before their retirement.

The provision represents our best estimate of the potential liability and it is calculated based on several factors, mainly the age profile and salary details of the current workforce in France, and the current rate of staff turnover. The calculation to arrive at the best estimate of the required provision is revised periodically by third-party specialists and our provision is adjusted in line with the results of this calculation if necessary.

We have assumed that the whole of this provision is non-current.

13 Related party transactions

There have been no changes to related party arrangements or transactions as reported in the 2021 Annual Report & Accounts.

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. Other transactions which fall to be treated as related party transactions are: those relating to the remuneration of key management personnel, which are not disclosed in the half-yearly report, and which will be disclosed in the Group's next Annual Report; and transactions between the Group and the Group's defined benefit pension plan, which are disclosed in note 11.

14 Trade and other payables

Trade and other payables at 12 June 2021 included £108.3m in respect of dividends which had been approved at that date, but which were not paid until 18 June 2021. There were no such amounts at 11 June 2022 or 25 December 2021.

	11 June 2022 unaudited £m	12 June 2021 unaudited £m	25 December 2021 audited £m
Proposed dividends (see note 9(a))	-	54.2	-
Trade creditors and other payables	409.0	344.4	384.7
	409.0	**398.6**	**384.7**

15 Acquisition of subsidiary

On 13 February 2022, for a total consideration of £15m from existing cash resources, the Group acquired 100% of the shares and voting rights of Sheridan Fabrications Limited ("Sheridans"), a leading industry specialist in the manufacture, fabrication, laser templating and installation of premium worksurfaces. Sheridans employs around 200 people and is based in Normanton, Yorkshire, around 30 miles from the Group's factory at Howden.

The acquisition increases the Group's manufacturing capacity and supports our strategy of increasing our share of this growing market.

The fair value of the major classes of assets and liabilities at acquisition date and the amount of goodwill recognised is shown below:

	Fair value recognised £m
Intangible assets - software	0.4
Property plant & equipment	0.5
Lease right-of-use assets	1.3
Inventories	1.9
Trade and other receivables and prepayments	3.2
Trade and other payables and accruals	(3.2)
Cash	0.4
Borrowings	(1.2)
Total lease liabilities	(1.3)
Net assets acquired	2.0
Goodwill recognised on acquisition	12.4
Consideration paid for the net assets acquired - cash	14.4
Additional consideration paid in cash - treated as settlement of existing debt on acquisition, owed by the Group to Sheridans	0.6
Total consideration paid - cash	**15.0**

The goodwill represents the expected synergies from the acquisition in expanding the Group's activities in its addressable market, including the skills of the assembled Sheridans workforce. None of the goodwill is expected to be deductible for tax purposes. It is presented on the balance sheet as part of the Group's intangible assets.

The gross value of trade receivables on acquisition, excluding the debtor due to Sheridans from the Group, was £2.3m. Their fair value, and the best estimate at acquisition date of the cash flows expected to be collected was £2.1m.

The Group incurred acquisition-related costs of £0.3m, which were expensed in the period and are included in Administrative expenses.

Details of the effect of the acquisition on revenue and profit are as follows:

	Revenue £m	Gross profit £m
Additional amounts recognised in respect of Sheridans in the Group consolidated statement of comprehensive income for the period since acquisition date (13 February 2022)	8.3	1.6
Management's estimate of results for the combined entity for the current reporting period if the acquisition date had been at the beginning of the reporting period (26 December 2021)	915.1	567.0

The figures in the table above exclude revenue and profit from transactions between Sheridans and the Group. The revenue and profit figures for the period since 13 February present leasing transactions on an IFRS 16 basis. The estimated figures for the period between 26 December 2021 and 13 February 2022 are on an FRS 102 basis.

The Sheridans factory and offices, together with the land they stand on – which were not owned by Sheridans Fabrications Limited – were bought for £10m in a separate transaction. This has been accounted for as an asset purchase, and forms part of our reported capital expenditure for the half year.

16 Financial instruments

The carrying amount of trade receivables, trade payables and leases is a reasonable approximation of their fair value.