SUMMARY OF GROUP RESULTS[1]

£m	2020	2019	% change
Revenue			
- Group	**1,547.5**	1,583.6	(2.3)
- Howden Joinery UK depots	**1,509.6**	1,550.3	(2.6)
Gross profit	**930.0**	986.2	(5.7)
Gross profit margin, %	**60.1%**	62.3%	(220)bp
Operating profit	**195.7**	260.0	(24.7)
Operating profit margin, %	**12.6%**	16.4%	(380)bp
Profit before tax	**185.3**	260.7	(28.9)
Basic earnings per share, p	**24.9p**	35.0p	(28.8)
Dividend per share, p	**9.1p**	3.9p	133.3
Special dividend per share, p	**9.1p**	-	N/A
Net cash at end of period	**430.7**	267.4	61.1

[1] *The information presented relates to the 52 weeks to 26 December 2020 and the 52 weeks to 28 December 2019, unless otherwise stated. The 2020 results are presented under IFRS 16 for the first time, 2019 results have not been restated.*
[2] *Same depot basis for any year excludes depots opened in that year and the prior year. See Financial Review on page 4.*

Financial highlights[1]:

- Whilst the COVID-19 pandemic had a significant impact on Howdens, the Group adapted and traded robustly overall with revenue of £1,547.5m (2019: £1,583.6m). Howden Joinery UK depot revenue reduced by 2.6% to £1,509.6m (2019: £1,550.3m), and by 4.5% on a same depot basis[2];
- Gross profit margin of 60.1% (2019: 62.3%), reflected mix changes, pricing and the impact of carrying fixed costs during reduced levels of production due to COVID-19;
- Profit before tax was £185.3m (2019: £260.7m), reflecting the lower gross profit, together with a modest increase in operating costs;
- 2020 final dividend of 9.1p per share recommended and special dividend of 9.1p per share to be paid (in lieu of the cancelled final dividend for 2019), totalling £108m;
- Net cash of £430.7m (2019: £267.4m), enhanced by the timing of c.£60m of supplier payments due after year end. The Group repaid Government support received earlier in the year ahead of the year end.

Chief Executive Officer, Andrew Livingston, said:

"Howdens performed well during 2020. We adapted to COVID trading conditions and progressed our strategic plans for the business. Our performance demonstrates the strength of our trade only business model and our ability to evolve the business while prioritising the health and wellbeing of our staff and customers.

"Following a sharp drop in sales in quarter two when the UK entered its first national lockdown, our performance improved significantly in the second half, with sales up 16% compared to the equivalent period in 2019, as we benefitted from pent-up demand and the consumer's desire to invest in their homes. The year ended strongly with profit and cash flow ahead of expectations and we were able to repay the Government furlough and other support taken earlier in the year. We are also pleased to be resuming dividend payments.

"Given the COVID-related and other economic uncertainties, we remain cautious about underlying market conditions; however, we are encouraged by the progress made in 2020 and remain confident in our business model for the future."

Operational developments:

- On 24 March 2020, in response to the COVID-19 pandemic, Howdens announced the temporary closure of all its UK depots, along with most of its manufacturing and distribution operations. From late April, in line with Government guidance and with additional safe working processes in place, Howdens began a phased reopening of its depots, manufacturing and distribution facilities. By period 6, all sites were open and operating safely, and the strong second half benefitted from our ability to meet pent-up demand and the consumer's desire to invest in their homes;
- 16 new depots opened in the UK during 2020, bringing the total to 748 at year end;
- Four new depots opened in France, bringing the total in France and Belgium to 30 at year end;
- Ended the year with 63 kitchen ranges having introduced 18 new ones, with the new Hockley ranges having cabinet doors manufactured by Howdens;
- Good progress was made developing the digital offering, with the Howdens.com web platform improving brand awareness and leading to increased web visits, brochure requests and depot contacts. The online trade customer area is seeing a significant increase in adoption and usage;
- Capital expenditure of £69.7m (2019: £61.1m) included the final phase of our Raunds distribution centre, new depots, depot refurbishments and digital investments.

CURRENT TRADING AND OUTLOOK FOR 2021

The following table shows sales in the first two periods of the new financial year (to 20 February 2021) in absolute terms, on a same depot (LFL) basis[2] and adjusted for working days.

Revenue growth (%)	Periods 1-2		Periods 1-2 Adj*	
	%	LFL%	%	LFL %
UK depots	**5.1**	**4.5**	**7.1**	**6.5**
Continental European depots	**32.3**	**31.2**	**38.6**	**37.5**

* Excluding the first week of the year when depots were closed in 2021, compared with 2020 which had 2.5 trading days.

We have made a solid start to the year although we have seen some greater caution from end consumers on allowing trades people into their homes under the current lockdown. We therefore remain cautious about the ongoing impact that COVID-19 may have.

So far in 2021 we have implemented price increases across a range of products as we manage the drivers around margin and aim to get the right balance between price and volume. We are experiencing pressure from commodity prices, increasing freight costs and product mix, with a higher than usual proportion of sales coming from lower margin products. We believe that Howdens is in a strong position in an uncertain market and we continue to invest in new depots, digital investments and enhanced depot stock replenishment while incurring some inflationary cost increases. These investments are partially offset by the ending of the double-running costs of our legacy national distribution centre and the new Raunds development, incurred in 2020.

Capital expenditure of around £80m is expected in 2021, including around 45 new depots and 40 depot refurbishments, in-house manufacturing further investment in digital and maintenance deferred from 2020.

With respect to Brexit and COVID-19, we continue to monitor our supply chain closely and have increased stock levels. Our Brexit planning has meant that, to date, there has not been a material impact on our business and we are effectively managing through the short-term challenges.

Whilst we are aware of the economic uncertainties that we face, we remain confident in our business model for the future.

[2] *Same depot basis for any year excludes depots opened in that year and the prior year. See Financial Review on page 4.*

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Note to editors:
Howden Joinery Group Plc is the parent company of Howden Joinery (Howdens). In the UK, Howdens is engaged in the sale of kitchens and joinery products to trade customers, primarily small local builders, through approximately 750 depots. Around one-third of the products it sells are manufactured in the company's own factories in Runcorn, Cheshire, and Howden, East Yorkshire. The business also operates a total of 30 depots in France and Belgium.

Results presentation:
There will be an audio webcast for analysts and investors at 08.30 UK time today, 25 February 2021: https://brrmedia.news/azzyp. For more information see: www.howdenjoinerygroupplc.com. The presentation can also be heard via a phone link, where there will be the opportunity to ask questions, details below:

Confirmation code: 6769773

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FINANCIAL CALENDAR

2021	
Trading update	29 April
Annual General Meeting	6 May
Half Year Report	22 July
Trading update	4 November
End of financial year	25 December

FINANCIAL REVIEW

FINANCIAL RESULTS FOR 2020[1]

REVENUE

Revenue £m	2020	2019
Group:	1,547.5	1,583.6
Howden Joinery UK depots - same depot basis	1,470.5	1,540.5
UK depots opened in previous two years	39.1	9.8
Howden Joinery UK depots – total sales	1,509.6	1,550.3
Howden Joinery Continental European depots	37.9	33.3
Revenue €m		
France and Belgium – same depot basis	*38.3*	*37.4*
Depots opened in previous two years	*4.3*	*0.3*
France and Belgium – total sales	*42.6*	*37.7*

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[2] Same depot basis for any year excludes depots opened in that year and the prior year.

Total Group revenue was £1,547.5m (2019: £1,583.6m).

Howden Joinery UK depot revenue reduced 2.6% to £1,509.6m (2019: £1,550.3m). UK revenue reduced by 4.5% on a same depot basis[2] to £1,470.5m (2019: £1,540.5m); this excludes the additional revenue from depots opened in 2019 and 2020 of £39.1m (2019: £9.8m).

In the first half, Howden Joinery UK revenue was 1.1% higher in the first quarter and 55.9% lower in the second quarter, and 0.8% lower and 56.9% lower, respectively, on a same depot basis[2].

The table below shows the progression in UK sales following the initial impact of COVID-19 at the beginning of period 4, with the second half showing strong growth of 15.8% compared to the same period last year (13.6% on a same depot basis)[2].

Howden Joinery UK Revenue	2020 £m	2019 £m	Change %
Quarter 1 (periods 1 – 3)	304.6	301.3	1.1
Period 4	15.3	113.6	(86.5)
Period 5	48.7	109.2	(55.4)
Period 6	84.8	113.9	(25.5)
First half (periods 1-6)	453.4	638.1	(29.0)
Second half (periods 7-13)	1,056.2	912.2	15.8

Depot revenue in Continental Europe increased by 13.6% to £37.9m (2019: £33.3m). On a local currency basis, sales at our depots in France and Belgium increased by 13.0% and by 2.5% on a same depot basis[2]. Local currency sales in the second half increased 38.0% compared to the same period last year, and by 23.7% on a same depot basis[2].

GROSS PROFIT

Gross profit reduced to £930.0m (2019: £986.2m). This change reflected a negative volume and mix impact of £29m, lower pricing of £16m, input cost pressures of £5m and an additional £6m of COVID-19 costs as we carried fixed costs with lower production levels. These factors resulted in a gross profit margin of 60.1% (2019: 62.3%).

OPERATING PROFIT

Operating profit reduced to £195.7m (2019: £260.0m), principally due to lower revenue and gross profit and higher operating costs. The operating profit margin was 12.6% (2019: 16.4%).

Selling and distribution costs and administrative expenses (SD&A) increased to £734.3m (2019: £726.2m). As expected, costs increased due to continued investments in areas across the business, including £14m in UK depots opened in 2019 and 2020 and £9m of additional costs to support growth, including the Raunds distribution facility and digital developments. The lower activity levels resulted in £7m lower costs in existing depots and the adoption of IFRS 16 for the first time, reduced operating costs by £8m. There was also the absence of £6m depot closure costs in Germany and the Netherlands, incurred in the prior year.

PROFIT BEFORE AND AFTER TAX

The net interest charge of £10.4m (2019: £0.7m credit) reflects an additional charge of £10.3m following the implementation of the lease standard IFRS 16 and lower bank interest receivable. Profit before tax was £185.3m (2019: £260.7m).

The tax charge on profit before tax was £37.7m (2019: £51.7m), representing an effective rate of tax of 20.3% (2019: 19.8%). As a result, profit after tax was £147.6m (2019: £209.0m).

Reflecting the above and the reduced share count following share repurchases, basic earnings per share were 24.9p (2019: 35.0p).

SHAREHOLDER RETURNS

In March 2020, the Group announced that its dividend and share buy-back programmes were suspended and would resume once the Group had greater clarity about the impact on the business of COVID-19. Therefore, the Group cancelled the share repurchase programmes, did not pay the proposed 2019 final dividend of 9.1p per ordinary share and did not pay an interim dividend in 2020 (2019: 3.9p per share). Ahead of this decision, the Group acquired 1.8m shares for a consideration of £9.8m, relating to the £50m 2019 share repurchase programme. These shares were cancelled.

The Board's approach to capital structure is unchanged, targeting a capital structure that is both prudent and recognises the benefits of operational and financial leverage. The Board also retains our policy to return surplus cash to shareholders, having considered, amongst other things, the capital requirements of the Group. The Group has significant property lease exposure for the depot network and continues to have a deficit in the Group pension fund. Taking into account this underlying level of gearing, the Board believes it is appropriate for the Group to be able to operate through the annual working capital cycle without incurring bank debt.

The Board regularly reviews the Group's cash balances considering future investment opportunities, expected peak working capital requirements, trading outlook and dividend payments. Against this backdrop and recognising the strong trading and cash performance in the second half of 2020, the Board has decided to resume dividend payments.

The Group's unchanged dividend policy is to target a dividend cover of between 2.5x and 3.0x, with one third of the previous year's dividend being paid as an interim dividend each year.

As a result, the Board will recommend to shareholders a 2020 final dividend of 9.1p per ordinary share, equating to a dividend cover of 2.7 times.

In addition, the Board has decided that the Group will pay a special dividend of 9.1p per ordinary share, equivalent to the cancelled 2019 final dividend.

The final dividend payment in respect of 2020 of 9.1p per share will, if approved by shareholders, be paid on 18 June 2021, with an ex-dividend date of 20 May 2021 and a record date of 21 May 2021. The special dividend of 9.1p per share will be paid on the same timetable as the final dividend. The cash being returned to shareholders through these dividend payments totals £107.8m.

The Board expects to announce a 2021 interim dividend with its results in July of 3.0p per share, in line with its policy of the interim dividend representing one third of the prior year's total dividend.

The Group's strong balance sheet has positioned the business well in these challenging times and provides us with a robust foundation to face the ongoing uncertainty with confidence. The Board will review the level of shareholder returns once we see more stability in our market and the broader economy.

CASH

As soon as the impact of COVID-19 became clear, the Group took a number of actions in order to preserve cash, including suspending shareholder returns, deferring non-essential capital expenditure and agreeing a deferral of payments towards the Group pension deficit. In addition, the Group benefitted from available UK Government support, including furlough receipts, tax payment deferrals and business rate reductions, which we have since been able to repay.

Overall for 2020, there was a net cash inflow from operating activities of £329.2m (2019: £221.4m). This was after a cash contribution to the Group's pension schemes in excess of the operating charge of £22.2m (2019: £26.9m).

Net working capital reduced by £70.3m, mainly due to an increase in creditors of £91.2m as a result of high levels of stock received late in the year and shipping delays of inbound stock. The impact of the high level of creditors is expected to reverse in the first quarter of 2021. Stock increased £23.2m due to COVID-19 and Brexit contingency planning and depot openings. Debtors were down £2.3m.

Payments to acquire fixed and intangible assets including new depots, digital upgrades and investment in the Raunds distribution centre, totalled £69.7m (2019: £61.1m). Corporation tax payments were £32.2m (2019: £46.2m), share repurchases totalled £9.8m (2019: £55.2m) and the interest and principal paid on lease liabilities totalled £87.6m. There were no dividends paid (2019: £70.6m).

Reflecting the above, there was a net cash inflow of £163.3m (2019: £36.1m), leaving the Group with net cash at year end of £430.7m (28 December 2019: £267.4m net cash).

The Group has access to a £140m asset backed lending facility which remained undrawn at the balance sheet date.

PENSIONS

At 26 December 2020, the pension deficit shown on the balance sheet was £47.7m (28 December 2019: £56.6m). The decrease in the deficit was primarily due to an increase in asset returns of £133.2m and a £46.0m cash contribution, partly offset by a £145.9m increase in liabilities (the main elements of which are a £203.7m increase in liabilities primarily due to a reduction in the net discount rate and a £37.9m decrease in liabilities due to adopting updated longevity assumptions).

On 28 June 2018, we announced that, following the triennial actuarial valuation of the scheme as at 5 April 2017, we had reached agreement with the Trustees of the defined benefit pension scheme in relation to the schedule of payments required to fund the scheme deficit. We will make annual deficit contributions of £30m per annum for up to five years until June 2023. The triennial actuarial review as at April 2020 is in progress and expected to complete in 2021. Following a period of consultation, the defined benefit pension scheme will close to future accrual from 31 March 2021.

The funding position will be monitored on an ongoing basis, and deficit contributions will be suspended should the scheme's funding position improve to at least 100 percent of the scheme's funding basis for two consecutive months and resumed if the funding position subsequently falls back below 100 percent.

The contribution to the pension deficit in the financial year ended 26 December 2020 was £30.0m (2019: £30.0m).

IFRS 16 - LEASES

The Group adopted IFRS 16 for the first time in the current year. The effects of adoption are shown in detail at note 7 to the condensed financial statements, together with our revised accounting policies.

The effect of IFRS 16 on the Income Statement in 2020 compared to the previous accounting standard, IAS 17, was an increase in operating profit of £8.1m. This is more than offset by an increase in interest charges of £10.3m.

Under IFRS 16 we now recognise leases on the balance sheet. The addition to gross assets of £544m represents our right to use the leased asset and the increase in gross liabilities of £581m reflects the present value of our obligation to make future lease payments.

OPERATIONAL REVIEW

What Howdens stands for: To help our trade customers achieve exceptional results for their customers and to profit from doing so. When our customers succeed, we succeed.

Our model is a powerful combination of locally empowered depot management teams served by a dedicated supply chain, which is both cost effective and critical to the success of our in-stock offer. A key feature of Howdens success is our trade customer focus, which underpins everything we do.

RESPONDING TO COVID-19

On 24 March 2020 we announced the closure of all UK depots, manufacturing and distribution facilities, having already closed depots in Continental Europe. Thereafter, a phased re-opening of our facilities was undertaken, initially with a skeleton staff and restricted trading hours, as we established ways of operating safely in a socially distanced environment. Throughout lockdown we maintained an emergency provision to support the NHS, care providers and vulnerable people. By the start of period 6 on 18 May 2020, all depots were trading, albeit not at full scale, with closer to a full complement of staff and Saturday opening.

During this time our priorities were to take care of our people, including providing financial support for those on furlough, and working with Trade Unions and Works Councils to ensure a safe environment for those returning to work. We preserved cash where possible, by initially deferring new depot openings and some refurbishments but continuing with essential works, such as the move to the new Raunds distribution facilities. We ensured that we maintained sufficient stock in depots and supported our customers and their communities, re-opening depots safely and as soon as possible. In addition, we introduced new services such as "call and collect" and a remote kitchen design service.

These actions had a significant impact on our performance in the second half and with all depots open and more customers working we were well placed to benefit from pent up demand and the trend of consumers wishing to invest in their homes. We extended our traditional Period 11 sale period across Periods 10 and 11 which helped customers book in more kitchen fits, our supply chain management and the ability of depots to service demand. Sales in the second half were up 16% on the equivalent period in 2019, exceeding our expectations in latter periods. Throughout 2020 we continued to pay our landlords in full and supported our suppliers. With the benefit of a strong trading performance in the second half, we were able to repay the £22m furlough payments received from the UK Government and other support taken earlier in the year.

STRATEGIC INITIATIVES

Howdens has made good progress on its strategic initiatives with potential to increase volumes and profit across the business. These are around our core building blocks of Trade Service and Convenience, Trade Value and Product Leadership. The four strategic initiatives are:

1. Evolving our depot model
2. Improving range and supply management
3. Digital development
4. International.

Progress on each of these priorities is reviewed below.

UK DEPOT ROLLOUT AND OPERATIONS

During 2020, COVID-19 slowed our depot opening programme as we preserved cash and focussed on operating the existing depots safely. As a result, 16 new depots were opened (2019: 39 new depots and one depot closed), bringing the total number of depots trading at the end of the year to 748. All new depots are in the new format, described below, aimed at creating the best depot environment in which to do business with our customers.

Updated depot format and roll-out

Howdens depots typically have an average size of around 10,000 square feet. The new format, using vertical racking in the warehouse section, has the potential to deliver productivity gains from reduced picking times and reduces required storage space.

The space freed up by re-racking has been reallocated to provide a more open depot front area. This has enabled us to bring depot staff closer to customers, and approximately double the space available to display a wider range of kitchen designs. There is also space for a small goods picking area behind the counter with an improved range of everyday essential items, including hardware, to add incremental profit and as a way of encouraging footfall and incremental kitchen sales. The fit-out cost of a new depot in the updated format is around £350,000, broadly in line with the cost of our previous format.

This format also offers the potential to open new, smaller, infill depots of around 6,000 square feet, in rural locations and big cities. Including the smaller sized depots, the number of UK depots could potentially reach around 850.

During the year, 30 older depots were converted to the new format at an average cost of around £225,000. Vertically racked product storage was also introduced to 17 depots to provide additional space, without further modification. By the end of 2020, we had a total of 117 depots with vertically racked product storage, comprising 76 new depots opened and 41 re-furbished in the new format, together with a further 79 depots which were re-racked without other modifications.

During 2021, we are planning to open around 35 new depots, including some more in Northern Ireland. We also plan to convert 40 of our older depots to the new format and introduce vertically racked product to around a further 20 depots, without further modifications.

By the end of 2021, assuming our depots plans for this year are implemented, we will have a total of around 192 new format depots, comprising 111 new depots and 81 refurbished depots, and 99 depots that have been re-racked without other modifications.

PRODUCT AND MARKETING

Consumers expect new product from Howdens and new kitchen ranges introduced each year represent a significant portion of sales as life cycles shorten. We introduced 18 new kitchen ranges in 2020, including two new styles and with more colour options for existing ranges, including our new handle-less cabinet platform to meet demand for a Linear look at more affordable price points. Our new ranges were launched and in stock earlier than in 2019 and synchronised with a promotional offer. This earlier introduction meant we were well positioned with product when we returned to all-depot trading following the temporary closure which started in late March.

All our new ranges were in place by the end of Period 7, well ahead of our traditional peak trading period, and sales of new ranges were ahead of the prior year in the second half. In 2021, our new product plan features 16 new kitchen ranges, including a more traditional style timber shaker range, Elmbridge. We are also adding a number of new colourways and new lines and products to enable customers to accessorise kitchens for a more personalised look. All new kitchens will be in stock before the end of the second quarter, well ahead of peak autumn trading and four weeks earlier than in 2020.

Range management

Managing the number of kitchen ranges efficiently is crucial for both our customers, who want best availability, and for our profitability, as the number of ranges and the products within a range add significant complexity to our supply chain and the inventory that we hold.

A key part of this is the timely discontinuation of underperforming ranges and the management of clearance stock from the business. At the start of 2020, we had 67 current kitchen ranges, including initial stock of some ranges launched in 2020, and ended with 63 ranges, having cleared more ranges than we added, during 2020. We believe around 65 current ranges is the appropriate number for our market at present and we will be managing range clearances and introductions to around this number in 2021.

DIGITAL

We are continuing to develop the new platform for our website as we enhance our digital capabilities to reinforce the Howdens model. Our investment in digital will enhance the strong local relationships and improve communications between depots and their builder customers, including through offering streamlined operating processes to free up depot staff and customers' time. During 2020, our digital investments were particularly effective in maintaining continuity at a time when traditional relationships and ways of doing business were disrupted.

2020 saw increased activity on our web platform and growth in our social media presence, which stimulates interest in viewing our products on Howdens.com. As a result, visitors to the site increased by 53% year on year, depot contacts made via the website increased by 88% and brochure requests increased by 39%. Across social media sites our follower base more than doubled to 213,000 followers with 8 million users per month being reached.

With movement restricted in the UK, Howdens.com provided a key customer access point to the business and we extended the range of on-line services provided. We rolled out on-line account facilities with 30% of credit account holders registered to use the service, with around 43% of users making a payment and 68% viewing documents. We launched a call and collect service which, along with our in-depot measures, allowed us to trade safely following "Lockdown". With no planning meetings permitted in our depots or customers' homes, a new on-line kitchen design service was also made available. This is now a permanent feature of our offer.

During February 2021, we introduced "Anytime Ordering" on our trade platform, representing a major upgrade to our "Call and Collect" service. This will enable customers to see their confidential prices, order product and quote for jobs out-of-hours and schedule product collection. This service will be integrated with our lead management system to assist depots in managing their customer relationships in a digital way.

MANUFACTURING AND SUPPLY

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, each of which have individual and changing day to day requirements.

Operating under COVID-19 conditions has meant finding ways to re-engineer how factories operate and the distribution of product to depots. Following the temporary closure of our sites in late March, in preparation for a phased return to work, our leadership and engineering teams assessed and designed, with employee consultation, a series of social distancing measures and safe working processes and practises.

In April, with these additional safety measures in place, we were able to re-open our manufacturing sites in Howden and Runcorn and associated distribution facilities. Since re-opening, we have continued to maintain a high level of safeguards while working through processes with "COVID bottlenecks". We are now able to manufacture all products whilst maintaining social distancing and our efficiency, whilst below pre-COVID levels, is much improved. This has enabled us to accommodate the significant rise in second half volumes.

We continue with our policy of holding increased levels of safety stock and back-up sources of supply when we believe this is necessary to protect our "in-stock offer" against potential disruptions to our supply chain. We first did this as part of our Brexit planning and again ahead of lockdown. Utilising our "disaster recovery" capacity helped us maintain stock availability and we also took temporary additional storage space prior to availability of the new warehouse capacity that came on stream with the new Raunds facilities in September, as planned.

We keep under review what we believe it is best to make or to buy, both in terms of cost and overall supply chain resilience and flexibility. In 2019, we increased investment in manufacturing technology which enabled us to manufacture doors for the new Hockley kitchen range introduced last year. We intend to increase further our capability in this area which will enable us to manufacture around a half of our kitchen frontal requirements in future. The new frontal facility will be located at our Howden site and is expected to be operational in the second half of 2022.

A second architrave and skirting line will also be commissioned as the first is now fully utilised, having seen volumes rise substantially in recent years. The second line is expected to be operational during the first half of 2022.

We identified the need to upgrade our solid surface worktop offer and acquired the assets of a large UK fabricator, including a recently commissioned factory with plant and machinery located near our Howden site. The assets were acquired at a competitive price with significant savings in lead time to being able to manufacture when compared with building our own facility. We expect operations to commence during 2021.

Regional cross dock centre ("XDC")

We are introducing a way to improve service and availability further by looking at where we hold stock and delivery patterns to depots. We know that customers value our high level of stock availability and we are aiming to improve stock replenishment by supplementing the depot's core weekly deliveries with a next day top up service via a regional cross docking centre (XDC). By rebalancing where we hold stock and changing the delivery pattern of some lines to depots, we are making it simpler and more efficient for depots to deliver superior service levels and product availability, while freeing up time and resources spent on stock management, including inter depot product transfers. The service is available to 120 depots and we expect to increase this to around 250 depots during the second quarter of 2021.

CONTINENTAL EUROPE

At the beginning of 2020, we had 27 depots across France (25) and Belgium (2), with the Belgian depots continuing to be run within the French field operations structure.

In France, lockdown occurred a little earlier than the UK and all depots closed on 17 March 2020. At this point sales were up around 3% on the prior year. By adopting the same safety-first approach and taking similar measures to the UK we re-opened for business offering a "call and collect" service, with depots starting to trade again during the first two periods of the second quarter. The French Government ended lockdown on 11 May and depots were opened to more normal ways of trading with appropriate safety measures in place. While first half sales were down around 20% compared with last year as a result of lockdown, sales increased significantly in the final two periods of the first half. The strong performance continued in the second half, with local currency revenue up 38.0% compared with the second half of 2019, 23.7% on a same depot basis[2]. This resulted in sales for 2020 being up 13.0% compared to 2019, up 2.5% on a same depot basis[2].

We believe there remains the potential for a viable business based in France. The French market has low penetration rates of integrated kitchens and most kitchens are purchased through DIY outlets and specialist shops. This is similar to the way the UK market was structured when Howdens was founded 25 years ago.

Based on the way current depots perform in their local areas we think both the French trade customer and end consumer can see the benefits of buying a kitchen though a trade channel. We also believe that depots in small clusters within cities perform better, partly due to word of mouth between builder customers and because of our ability to build a local and trusted brand.

Clustering also helps to build the Howdens culture within our business teams. We are therefore developing our operation in France by way of a city-based strategy, with four depots opened in 2020 and one depot closed. We expect to open a further eleven depots in France, in 2021.

BOARD CHANGES

On 16 October 2020, it was announced that Mark Robson, Howdens Deputy Chief Executive and Chief Financial Officer (DCEO & CFO), would be moving on from his role on 26th December 2020 and would be succeeded as Chief Financial Officer (CFO) by Paul Hayes, previously CFO of Consort Medical Plc. Paul joined Howdens on 2nd November 2020 and became an executive director and member of Howdens' Board on 27th December 2020.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

Howdens is a growing business and sustainable behaviour will help us continue to grow in a way that preserves our culture, supports our business model, mitigates our risks and addresses the needs of our stakeholders.

We describe the Howdens culture as being "worthwhile for all concerned" and "creating the conditions that allow everyone to succeed". That means that our business needs to be worthwhile for our staff, our customers, our suppliers, the environment and the communities we work in.

During 2020, the Group carried out a wide-ranging strategic review of its ESG priorities. It identified four main commitments (listed below), which each have Executive Committee member ownership.

Main commitments

The four main commitments are:

1) Zero waste to landfill – this was achieved in manufacturing and distribution operations in 2020 and the aim is to achieve this in depots as well, over time;
2) Carbon neutral manufacturing by the end of 2021, with a review of opportunities for our depot and distribution operations over the longer term;
3) Behavioural health and safety leader - including training in Equality, Diversity and Inclusion (EDI) for all managers and achieving ISO45001 for all depots by the end of 2021; and
4) ESG reporting and disclosure to be highly effective, including KPIs, with progressive, phased implementation of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

In addition to the main commitments, the review also identified a range of other additional focus areas and research projects. It included engaging with key stakeholders to test our assessment of our material ESG areas, as well as selecting and aligning our targets to the UN Sustainable Development Goals (UNSDGs).

Material areas

The five material areas are:

1) People: keeping them safe, embracing diversity and inclusion, and offering rewarding careers;
2) Sustainable supply chain: certified wood, responsible purchasing and efficient distribution;
3) Sustainable product: developing new sustainable products, re-engineering existing products and having a sustainable sourcing strategy;
4) Environment and operations: reducing waste, responsible operations and lowering emissions; and
5) Communities: local community projects and our nationwide work with Leonard Cheshire Disability.

Further details of the Group's ESG strategy and review can be found in the 2020 Annual Report and Accounts which is available of the Group's website [www.howdenjoinerygroupplc.com.](http://www.howdenjoinerygroupplc.com)

GOING CONCERN

The directors have adopted the going concern basis in preparing these accounts 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.

Assessment of principal risks

The directors have reached their conclusion on going concern after assessing the principal risks, including the risks arising from COVID-19 and Brexit.

Five main themes relating to COVID-19 and Brexit risks, and which were subject to particular scrutiny by the directors were:

Theme	Mitigations and other considerations
Can we source the necessary supplies of raw materials and finished goods? • Are suppliers able to make and deliver? Will suppliers be able to remain in business? • Transport of goods into and out of EU	• Increased stockholdings of key products • Strong relationships with suppliers. Continuing to place orders and receive stock • Long term supply arrangements • Obtained preferred importer/exporter status to reduce potential customs delays
Can we continue to manufacture, distribute and sell? • Safe working practices	• Safe working practices across factories, warehousing, distribution, depots, and offices • Robust disaster recovery capability
How will customer demand be affected? • How will our builder-customers be affected? • How will end-consumer confidence be affected?	• Long term relationships with builders give us good visibility of future market trends and end-consumer demand • Regularly reviewing our forecasting models
Can we maintain sales volumes and margins? • Changing consumer tastes • Competitor actions • Pressure on input costs and sales prices	• Continued new product introduction, strong in-stock position, excellent service, support and convenience for our customers • Flexible operating model that can react quickly
Do we have sufficient financial resources and working capital? • Sufficient underlying cash • Sufficient working capital	• Substantial cash balance increases resilience against uncertainties • Ability to review distributions and capital allocation model as economic conditions change

Consumer and regulatory reactions to COVID-19 make prediction of future levels of demand difficult. Management have taken actions to secure availability of stock and raw materials, to secure workplaces and distribution routes to meet reasonably foreseeable levels of sales. The principal remaining uncertainties are therefore around the timing and level of demand.

Review of actual trading results, future trading forecasts and downside scenario modelling

The directors have reviewed trading results and financial performance in 2020, as well as early weeks trading in 2021. They have reviewed the Group balance sheet at December 2020, and the appropriate levels of working capital, including higher inventory and cash balances.

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

1. **A "base case" scenario**. This is based on the Group's latest budget, which was approved by the Board in January 2021.

   This scenario assumes capital expenditure in line with the announced plans for new depot openings and additional investment in our manufacturing sites. It also includes a cash outflow for the dividend payment which the Board will propose at the Annual General Meeting in May 2021, and which is detailed in note 5 to the Group Financial Statements.

2. **A "plausible downside" scenario**. This scenario starts with 2019 sales – taking the view that 2019 was the last normal full year of trading – and models a going concern period where those sales are reduced by 7% and margin is at 2020 levels. This compares to 2020 actual performance where sales were down 2.3% on 2019.

   This scenario maintains the same cost base as the base case, despite assuming a reduction in sales. It assumes capital expenditure and dividends at the same level as the base case.

3. **A "reverse stress-test" scenario**. This scenario starts with the plausible downturn 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 borrow or take mitigating actions.

   This scenario maintains the same cost base as the base case, despite assuming a reduction in sales. It assumes capital expenditure at around two thirds of the level of the base case – which is broadly at a level which would cover maintenance capex, plus the full planned investment in new manufacturing and digital capability, plus half of the planned new depot openings and refurbishments. It assumes no dividend.

In the first two scenarios the Group has significant cash 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 40% before the Group would have to draw on borrowing facilities or take further mitigating actions. The likelihood of this level of fall in sales was considered to be remote.

Borrowing facilities and mitigating actions
All of these scenarios are modelled on the basis that the Group does not draw on its existing £140m borrowing facility that could provide additional headroom.

In the reverse stress-test scenario, the EBITDA covenant in the Group's existing £140m facility would need to be renegotiated or partially waived for the facility to be available. However, our stress testing looks at the level of fall in sales before the Group would need to borrow, and so it does not assume that the facility will be available.

Whilst the plausible downturn and stress-test scenarios assume reduced sales, they both assume the same cost base as in the base case scenario. They do not assume, for example, reduced transport and delivery costs, a lower headcount, lower bonuses or tax payments. They do not assume any Government assistance – for example through furlough payments or business rates relief – nor do they assume any restructuring actions which the Group could take.

All these assumptions build additional elements of prudence into the scenario modelling.

Conclusion on going concern
Taking all of 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 Company and Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Our approach to risk is adaptive. We aim to protect what we have while responding to opportunities to grow and create value.

2020 presented some significant risk challenges with the COVID-19 pandemic impacting on a number of our principal risks. These are explained in more detail below. With the Brexit transition period ending on 31 December 2020, a number of areas of uncertainty gained clarity helping remove some of our Brexit related risks, with our key remaining residual Brexit risk exposure highlighted below.

Principal risks

The following describes our principal risks, the possible impact arising from them and what we do to mitigate them.

1. Failure to maximise growth potential of the business

Risk and impact

- We see a significant potential for growth. This brings both opportunities and challenges.
- If we don't innovate, recognise and exploit our growth opportunities in line with our business model and risk appetite, or if we don't align structures and skills to meet the challenges of growth, we won't get maximum benefit from our growth potential.

Mitigating factors

- The opportunities and challenges related to growth are a major area of focus throughout the business, at all levels.
- We continue to invest in our depot environment, people, services, and systems in the UK and France, as well as our manufacturing and distribution capabilities to equip them for growth.
- Growth activities are reviewed in the light of our risk appetite, values, business model and culture.

2. Deterioration of business model and culture

Risk and impact

- Our future success depends on continuing to maintain our values, our unique business model and our locally enabled, entrepreneurial culture.
- If we lose sight of our values, model or culture we will not successfully service the needs of the local small builder and their customers, and our long-term profitability may suffer.

Mitigating factors

- Our values, business model and culture are at the centre of our activities and decision-making processes, and they are led by the actions of the Board, Executive Committee and senior management.
- The Board and Executive Committee regularly visit our depots and factories, our logistics and support locations and hold events to reinforce the importance of our values, model and culture.

3. Changes in market conditions

Over 2020 the scoring of this risk has increased as a result of the COVID-19 Pandemic and the potential impact it could have had on our marketplace.

Risk and impact

- We buy a significant proportion of raw materials and finished products in euros and US dollars. If sterling weakens, our input costs increase.

- Our products are mostly sold to small builders and installed in owner-occupied, private and public sector rented housing, mainly in the repair, maintenance and improvement markets. If activity falls in these markets, it can affect our sales and if activity increases we need to be ready to capitalise on opportunities.

Mitigating factors

- We have proven expertise in managing both selling prices and costs. This continues to be a main area of focus.
- We have a good track record of dealing with changes in market conditions. We monitor activity across our supply change and depots closely, using the good relationships we have to give us early warnings of changing conditions. This enables us to take swift mitigating action to emerging market risk factors.

4. Interruption to continuity of supply

Risk and impact

- Howdens is an in-stock business. Our customers expect this and rely on it.
- 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.

Mitigating factors

- We build strong relationships with our suppliers, focused on integrity, fairness and respect, and which are worthwhile for all concerned.
- Where appropriate we enter into long-term contracts to secure supply of key products, services and raw materials.
- Wherever possible we have multiple-sourcing strategies for our key products, to reduce the effect of a supply failure.
- We have invested in our manufacturing operations and this investment gives us an enhanced disaster recovery capability.
- We have invested in new warehouse space to support our distribution capabilities and equip them for growth.
- Brexit uncertainty and COVID-19 difficulties led us to increase stock holding of at-risk products to help ensure continuity of supply.
- Obtained Authorised Economic Operator preferred importer/exporter status to reduce potential customs delays post-Brexit.

5. Loss of key personnel

Risk and impact

- The skills, experience and performance of key members of our management team make a major contribution to the success of the business.
- The loss of a key member of the Group's management team could adversely affect the Group's operations.

Mitigating factors

- We use the Remuneration Committee to ensure that key team members are appropriately compensated for their contributions and incentivised to continue their careers with us.
- Work is ongoing to ensure that appropriate continuity and succession plans are in place. We will continue to focus on leadership development and succession planning.
- We ensured our working environments remained COVID safe for all our workers and introduced remote working for all our offices to reduce the Health and Safety risk to all personnel.

6. Health and safety

Risk and impact

- Howdens is about people and relationships. We have over 750 depots, 10,000 employees, hundreds of suppliers and hundreds of thousands of customers.
- Care for the health and safety of employees, customers, suppliers and everyone who comes into contact with Howdens is integral to our values and to our behaviour.
- If we do not ensure safe ways of working across the business, this could compromise the safety and wellbeing of individuals and the reputation and viability of the business.

Mitigating factors

- Since the beginning of our business, we have invested in safe ways of working. We have developed dedicated health and safety teams and formalised systems that help us stay safe.
- We monitor, review and update our practices to take account of changes in our environment or operations and in line with best practice and changing legislation.
- Most importantly, we make sure we keep talking about health and safety at every level of the business
- COVID-19 has been a major Health and Safety risk influence throughout 2020 and we focused much effort on the welfare of our employees and customers. Key activities include COVID-19 Risk assessments, new Safe to Trade approaches in depots and offices and physical and mental welfare focus and training for employees working from home.

7. Cyber security

Risk and impact

- We depend on a core set of critical IT systems which are fundamental to the day-to-day running of the business. These systems are at risk from increasingly sophisticated security threats.
- If we experienced a major security breach, this could result in a key system being unavailable causing operational difficulties, and/or sensitive data to be unavailable or compromised. This could also lead to a breach of customer data.

Mitigating factors

- We place focus on training our people in cyber security, as we recognise that these risks are not always technical and awareness is our first point of control.
- We employ complex technical IT security controls to protect our information and our key systems. We regularly engage external specialists to validate the effectiveness of our controls against industry best practice.
- We have robust disaster recovery and business continuity plans, and we test them regularly.
- We adopt a continuous improvement approach to IT security and continue to invest in the security of our systems.

8. Product design relevance

Risk and impact

- Ensuring that we have products that meet the design, price and quality needs of the small builder, and their customer, is a key focus of the business model and is a critical element of our future success and growth aspirations. Kitchen technology and design do not stand still, and our products must reflect that.
- If we do not support the builder with new products that their customers want, we could lose their loyalty and sales could diminish.

Mitigating Factors

- Our dedicated product team regularly refresh our offerings to meet builders' and end-users' expectations for design, price, quality and availability.
- We work with external design and brand specialists and attend product design fairs to monitor likely future trends.
- Our local depot staff have close relationships with their customers and end-users, and we actively gather feedback from them about changes in trends.
- We work with our suppliers, to develop new and improved products for the future, some of which are unique to Howdens. A number of new products were introduced during the year across all product categories.

9. Credit control failure

Risk and impact

- When a builder comes into one of our depots for the first time, we offer them a trade account, so they can complete the job before paying Howdens. Many of our customers rely on our trade account facilities, as cash flow is often critical to small businesses.
- Failure to provide or service these facilities could affect our ability to continue to support our customers, and potentially our ability to collect debt. This could have a direct impact on both our revenue and our working capital.
- During 2020, to mitigate the potential COVID-19 risk we secured our Credit Control Operations by implementing several changes. These included introducing remote working across the Credit Control team, providing appropriate communication and IT equipment and refreshed our cyber security training.

Mitigating factors

- We have an effective trade account policy used to agree terms with our customers and efficient debt collection processes, which we monitor closely and regularly.
- We have robust systems and tested business continuity plans.
- We maintain good personal relationships with our customers, both at depot level and within the credit control department.
- Our concentration of debt is limited, as our exposure is spread across 400,000 customer trade accounts.

Brexit risks

On the 31st December 2020, the transition period for the UK's withdrawal from the EU ended. From this point forward new rules around trading and immigration, as well as new importing and exporting procedures, applied. This has brought some clarity to areas where before there was uncertainty and addressed many of the pre-Brexit Risks listed in our 2019 Annual Report. Our most significant post-Brexit residual risk is outlined below.

Post-Brexit impact	What this could mean	What we have done
Trade and Customs Risks • Exit from the EU Customs Union	• Supply chain delays as goods sourced from outside the UK come through a new customs regime	• Obtained preferred importer/ exporter status to reduce potential customs delays • Continuously assessed and invested in our stock position to ensure it remains optimal to mitigate customs delays. • Reduced our reliance on the most affected ports.

Going forward this risk will be managed as part of our business as usual risk approach within our principal risk of Interruption to Continuity of Supply.

COVID-19

Our principal risks have been and continue to be impacted by the pandemic to some degree. Management have taken mitigating actions to protect the safety of our staff and customers whilst securing the continued sustainability and viability of the group.

Principal Risk Area	Implications	What we did
People • Health & Safety • Loss of Key Personnel	• Normal operations not safe for COVID-19 Environment • Potential loss of business leadership	• Risk assessed all operations through a COVID-19 lens • Introduced new operating procedures to protect our staff, customers and other stakeholders • Established links with external expertise to ensure approach remains appropriate.
Operations • Supply Continuity • Cyber Security • Credit Control Failure	• Potential supply chain delays • Increased cyber threat's both externally and through increased remote working • Risk to continued operation of critical activities	• Increased safety stock to secure supply during disruption and worked actively with our suppliers • Refreshed cyber training for staff, reinforced existing safe ways of working remotely • Invoked our Business Continuity Plans to secure critical business activities.
Strategy, Model & Culture • Growth • Market Conditions • Model & Culture	• Market uncertainty impacting on sales, strategic decisions and cash holdings • Potential cultural impact of new ways of working	• Modelling challenges and opportunities and optimising strategic plans whilst protecting the cashflow of the business • Adapting leadership approach and using technology to secure culture in new operational environment.

We have a low appetite for COVID-19 risk and aim to mitigate its effects as much as reasonably possible. It remains a key point of focus across the entire business.

CAUTIONARY STATEMENT

Certain statements in this Preliminary 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The 2020 Annual Report and Accounts which will be issued in March 2021, contains a responsibility statement in compliance with DTR 4.1.12 of the Listing Rules which sets out that as at the date of approval of the Annual Report on 24 February 2021, the directors confirm to the best of their knowledge:

- the Group and unconsolidated Company financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and the undertakings included in the consolidation taken as a whole; and

- the performance review contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and the undertakings including the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Andrew Livingston
Chief Executive Officer

Paul Hayes
Chief Financial Officer

24 February 2021

Consolidated income statement

	Notes	52 weeks to 26 December 2020 £m	52 weeks to 28 December 2019 £m
Revenue – sale of goods		**1,547.5**	1,583.6
Cost of sales		**(617.5)**	(597.4)
Gross profit		**930.0**	986.2
Selling & distribution costs		**(636.7)**	(621.7)
Administrative expenses		**(97.6)**	(104.5)
Operating profit		**195.7**	260.0
Finance income		**0.6**	1.1
Finance costs		**(11.0)**	(0.4)
Profit before tax		**185.3**	260.7
Tax on profit	3	**(37.7)**	(51.7)
Profit for the period attributable to the equity holders of the parent		**147.6**	209.0
Earnings per share:			
Basic earnings per 10p share	4	**24.9p**	35.0p
Diluted earnings per 10p share	4	**24.8p**	34.8p

Consolidated statement of comprehensive income

	52 weeks to 26 December 2020 £m	52 weeks to 28 December 2019 £m
Profit for the period	**147.6**	209.0
Items of other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses on defined benefit pension scheme	**(12.7)**	(47.1)
Deferred tax on actuarial losses on defined benefit pension scheme	**2.4**	8.0
Change of tax rate on deferred tax	**1.1**	(0.7)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**0.5**	(1.9)
Other comprehensive income for the period	**(8.7)**	(41.7)
Total comprehensive income for the period attributable to equity holders of the parent	**138.9**	167.3

NOTE: the figures for the 52 weeks to 26 December 2020 include lease depreciation and lease-related interest charges accounted for under IFRS 16, whereas the figures for the previous period account for leases under the previous leasing standard, IAS 17. This difference in treatment is because the Group has adopted IFRS 16 in the current period using the modified retrospective basis, which does not require restatement of prior periods. See note 7 for more detail on the effects of adopting IFRS 16.

Consolidated balance sheet

	Notes	26 December 2020 £m	28 December 2019 £m
Non-current assets			
Intangible assets		**24.3**	24.9
Property, plant and equipment		**248.8**	212.4
Lease right-of-use assets		**544.2**	-
Deferred tax asset		**17.0**	13.5
Long-term prepayments		**0.6**	0.9
		834.9	251.7
Current assets			
Inventories		**255.0**	231.8
Trade and other receivables		**166.6**	193.1
Cash and cash equivalents		**430.7**	267.4
		852.3	692.3
Total assets		**1,687.2**	944.0
Current liabilities			
Lease liabilities		**(70.0)**	-
Trade and other payables		**(300.4)**	(241.4)
Current tax liability		**(22.2)**	(20.3)
		(392.6)	(261.7)
Non-current liabilities			
Pension liability		**(47.7)**	(56.6)
Lease liabilities		**(510.5)**	-
Deferred tax liability		**(1.7)**	(1.5)
Provisions		**(13.9)**	(9.0)
		(573.8)	(67.1)
Total liabilities		**(966.4)**	(328.8)
Net assets		**720.8**	615.2
Equity			
Share capital		**60.3**	60.5
Capital redemption reserve		**4.9**	4.7
Share premium account		**87.5**	87.5
ESOP reserve		**(3.5)**	(6.3)
Treasury shares		**(28.2)**	(29.3)
Retained earnings		**599.8**	498.1
Total equity		**720.8**	615.2

NOTE: the figures as at 26 December 2020 include lease-related right-of-use assets and liabilities, accounted for under IFRS 16. The figures at the previous period account for leases under the previous leasing standard, IAS 17. Under IAS 17, the Group's leases were treated as operating leases and not recognised on the balance sheet. This difference in treatment is because the Group has adopted IFRS 16 in the current period using the modified retrospective basis, which does not require restatement of prior periods. For more detail on the effects of adopting IFRS 16, see note 7.

Consolidated statement of changes in equity

	Share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained profit £m	Total £m
At 29 December 2018	61.5	-	87.5	(8.8)	(32.9)	459.8	567.1
Accumulated profit	-	-	-	-	-	209.0	209.0
Other comprehensive income	-	-	-	-	-	(41.7)	(41.7)
Total comprehensive income	-	-	-	-	-	167.3	167.3
Current tax on share schemes	-	-	-	-	-	0.3	0.3
Deferred tax on share schemes	-	-	-	-	-	0.2	0.2
Movement in ESOP	-	-	-	6.1	-	-	6.1
Buyback and cancellation of shares (Note 1)	(1.0)	4.7	-	-	-	(58.9)	(55.2)
Transfer of shares from treasury into share trust	-	-	-	(3.6)	3.6	-	-
Dividends	-	-	-	-	-	(70.6)	(70.6)
At 28 December 2019	60.5	4.7	87.5	(6.3)	(29.3)	498.1	615.2
Impact of adopting IFRS 16	-	-	-	-	-	(30.9)	(30.9)
Tax effect of adopting IFRS 16						3.6	3.6
Adjusted opening balance after adopting IFRS 16	60.5	4.7	87.5	(6.3)	(29.3)	470.8	587.5
Accumulated profit	-	-	-	-	-	147.6	147.6
Other comprehensive income	-	-	-	-	-	(8.7)	(8.7)
Total comprehensive income	-	-	-	-	-	138.9	138.9
Current tax on share schemes	-	-	-	-	-	0.1	0.1
Deferred tax on share schemes	-	-	-	-	-	(0.2)	(0.2)
Movement in ESOP	-	-	-	3.9	-	-	3.9
Buyback and cancellation of shares	(0.2)	0.2	-	-	-	(9.8)	(9.8)
Transfer of shares from treasury into share trust	-	-	-	(1.1)	1.1	-	-
At 26 December 2020	60.3	4.9	87.5	(3.5)	(28.2)	599.8	720.8

Note 1: This includes a re-presentation of the cancellation of shares to retained earnings and capital contribution reserve for the shares bought back and cancelled before 29 December 2018, under which retained earnings has been reduced by £3.7m and the capital contribution reserve has been increased by £3.7m. This line also records the shares bought back and cancelled in the period ended 28 December 2019, which had an aggregate nominal value of £1m and a cost of £55.2m.

The ESOP reserve includes shares in Howden Joinery Group Plc with a market value on the balance sheet date of £35.9m (2019: £38.7m), which are held by the Group's Employee Share Trusts in order to satisfy 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 year, together with any receipts of cash from employees on exercise of share options.

At the current period end there were 5,775,230 ordinary shares held in treasury, each with a nominal value of 10p (2019: 6,015,580 shares).

Consolidated cash flow statement

	Notes	**52 weeks to 26 December 2020 £m**	52 weeks to 28 December 2019 £m
Operating profit before tax and interest		**195.7**	260.0
Adjustments for:			
Depreciation and amortisation of owned assets		**34.5**	34.5
Depreciation of leased assets		**79.5**	-
Share-based payments charge		**3.6**	4.9
Loss on disposal of property, plant and equipment, and intangible assets		**-**	1.4
Operating cash flows before movements in working capital		**313.3**	300.8
Movements in working capital			
Increase in stock		**(23.2)**	(5.5)
Increase/(decrease) in trade and other receivables		**2.3**	(7.1)
Increase in trade and other payables, and provisions		**91.2**	6.3
Difference between pensions operating charge and cash paid		**(22.2)**	(26.9)
		48.1	(33.2)
Cash generated from operations		**361.4**	267.6
Tax paid		**(32.2)**	(46.2)
Net cash flow from operating activities		**329.2**	221.4

Consolidated cash flow statement – continued

	Notes	52 weeks to 26 December 2020 £m	52 weeks to 28 December 2019 £m
Net cash flows from operating activities		**329.2**	221.4
Cash flows used in investing activities			
Payments to acquire property, plant and equipment, and intangible assets		**(69.7)**	(61.1)
Receipts from sale of property, plant and equipment, and intangible assets		**-**	0.3
Interest received		**0.6**	1.1
Net cash used in investing activities		**(69.1)**	(59.7)
Cash flows used in financing activities			
Payments to acquire own shares		**(9.8)**	(55.2)
Receipts from release of shares from share trust		**0.3**	1.1
Decrease/(increase) in long term prepayments		**0.3**	(0.9)
Dividends paid to Group shareholders		**-**	(70.6)
Interest paid – including on lease liabilities		**(10.4)**	-
Repayment of principal on lease liabilities		**(77.2)**	-
Net cash used in financing activities		**(96.8)**	(125.6)
Net increase in cash and cash equivalents		**163.3**	36.1
Cash and cash equivalents at beginning of period		**267.4**	231.3
Cash and cash equivalents at end of period	6	**430.7**	267.4

NOTE: The Group has adopted IFRS 16 in the current period, using the modified retrospective method of adoption which does not require prior period figures to be restated. The main effects on the cash flow statement are: (i) current year operating cash flows add back amortisation of leased assets; (ii) changes in working capital are calculated using the opening asset and liability balances after adjustments on adopting IFRS 16, and (iii) cash flows used in financing activities in the current year include interest and principal payments on leased assets. See note 7 for more detail on the effects of adopting IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of presentation and preparation

The Group's accounting period covers the 52 weeks to 26 December 2020. The comparative period covered the 52 weeks to 28 December 2019.

The Group's financial statements have been prepared in accordance with the IFRSs adopted for use in the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They therefore comply with Article 4 of the EU IAS Regulation.

The accounting policies, presentation methods and methods of computation followed are, with the exception of the adoption of IFRS 16 (see note 7 for further details), the same as those detailed within the 2019 Annual Report and Accounts, which is available on the Group's website (www.howdenjoinerygroupplc.com).

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The financial information set out in this announcement does not constitute the statutory accounts for the Group within the meaning of Sections 434 to 436 of the Companies Act 2006 and is an abridged version of the Group's financial statements for the year 52 weeks to 26 December 2020. The statutory accounts for the 52 weeks to 28 December 2019 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 26 December 2020 will be filed in due course. The auditors' report on both the 2020 and 2019 accounts was not qualified or modified and did not contain any statement under sections 498(2) or (3) of the Companies Act 2006 or any preceding legislation.

Adoption of IFRS 16: Leases in the current period

We have adopted IFRS 16 in the current period, using the modified retrospective basis of adoption. The effect of adoption is shown at note 7.

2 Segmental reports

(a) Basis of segmentation

Information reported to the Group's Executive Committee is focused on one operating segment, Howden Joinery. The information required in respect of the profit or loss, and assets and liabilities can all be found in the consolidated income statement and consolidated balance sheet.

The Howden Joinery business derives its revenue from the sale of kitchens and joinery products.

(b) Other information

	52 weeks to 26 December 2020 £m	52 weeks to 28 December 2019 £m
Capital additions	**67.0**	63.6
Depreciation and amortisation	**(34.5)**	(34.5)

3 Tax

(a) Tax in the income statement

	52 weeks to 26 December 2020 £m	52 weeks to 28 December 2019 £m
Current tax:		
Current year	**33.6**	47.9
Adjustments in respect of previous years	**0.6**	(1.3)
Total current tax	**34.2**	46.6
Deferred tax:		
Current year	**4.8**	5.3
Adjustments in respect of previous years	**(1.3)**	(0.2)
Total deferred tax	**3.5**	5.1
Total tax charged in the income statement	**37.7**	51.7

UK corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdictions.

(b) Tax relating to items of other comprehensive income or changes in equity

	52 weeks to 26 December 2020 £m	52 weeks to 28 December 2019 £m
Deferred tax credit to other comprehensive income on actuarial loss on pension scheme	**(2.4)**	(8.0)
Change of rate effect on deferred tax	**(1.1)**	(0.7)
Deferred tax charge to equity on share schemes	**0.2**	0.2
Current tax credit to equity on share schemes	**(0.1)**	(0.3)
	(3.4)	(7.8)

(c) Reconciliation of the total tax charge

The total tax charge for the year can be reconciled to the result per the income statement as follows:

	52 weeks to 26 December 2020 £m	52 weeks to 28 December 2019 £m
Profit before tax	**185.3**	260.7
Tax at the UK Corporation tax rate of 19% (2018: 19%)	**35.2**	49.5
IFRS2 share scheme charge	**0.2**	0.2
Expenses not deductible for tax purposes	**0.5**	1.9
Overseas losses not utilised	**1.4**	0.4
Non-qualifying depreciation	**1.1**	1.2
Other tax adjustment in respect of previous years	**(0.7)**	(1.5)
Total tax charged in the income statement	**37.7**	51.7

The Group's effective rate of tax is 20.3% (2019: 19.8%).

4 Earnings per share

	52 weeks to 26 December 2020			52 weeks to 28 December 2019		
	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	**147.6**	**592.3**	**24.9**	209.0	596.9	35.0
Effect of dilutive share options	**-**	**2.7**	**(0.1)**	-	3.0	(0.2)
Diluted earnings per share	**147.6**	**595.0**	**24.8**	209.0	599.9	34.8

5 Dividends

	52 weeks to 26 December 2020 £m	52 weeks to 28 December 2019 £m
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the 52 weeks to 28 December 2019 - 3.9p/share	**-**	23.2
Final dividend for the 52 weeks to 29 December 2018 – 7.9p/share	**-**	47.4
	-	70.6

Dividends proposed at the end of the period (but not recognised in the period)

	52 weeks to 26 December 2020 £m
Proposed final dividend for the 52 weeks to 26 December 2020 – 9.1p/share	**53.9**
Special dividend – 9.1p/share	**53.9**

The directors propose a final dividend in respect of the 52 weeks to 26 December 2020 of 9.1p per share, payable to ordinary shareholders who are on the register of shareholders at 21 May 2021 and payable on 18 June 2021.

The directors also declare a special dividend of 9.1p per share, in lieu of the cancelled final dividend for 2019, payable to ordinary shareholders who are on the register of shareholders at 21 May 2021 and payable on 18 June 2021.

The proposed final dividend for the current period is subject to the approval of the shareholders at the 2021 Annual General Meeting and has not been included as a liability in these financial statements.

Dividends have been waived indefinitely on all shares held by the Group's employee share trusts which have not yet been awarded to employees.

6 Notes to the cash flow statement

Analysis of cash

	Cash at bank and in hand £m	Short term investments £m	**Cash and cash equivalents £m**
As at 28 December 2019	218.5	48.9	**267.4**
Cash flow	182.2	(18.9)	**163.3**
As at 26 December 2020	**400.7**	**30.0**	**430.7**

The short-term investments had a maturity of less than three months and, as such, were considered to be cash equivalents for the purposes of the cash flow statement.

7 Adoption of IFRS 16 in the current year

The Group has adopted IFRS 16 Leases for the first time in the current period, with a transition date of 29 December 2019. This has replaced the previous lease accounting standard, IAS 17. The previous period has not been restated and is presented under IAS 17.

Transactions affected by IFRS 16

We lease our depot, warehouse, factory and office properties, as well as other assets such as fork lift trucks, lorries, vans and cars. Under IAS 17 these leases were all classified as operating leases and therefore were not recognised on the balance sheet. Rent payments under IAS 17 were charged to income on a straight-line basis. The Group did not have any leases which were classified as finance leases under IAS 17.

The effect of IFRS 16

Under IFRS 16 we now recognise these leases on the balance sheet, causing both our gross assets and gross liabilities to increase. The addition to gross assets represents our right to use the leased asset, and the addition to gross liabilities reflects the present value of our obligation to make future lease payments.

IFRS 16 also has a timing effect on the annual lease expense, which is no longer equal to the rent payable for that year. The total income statement charge under IFRS 16 consists of an operating charge, representing straight line depreciation on the leased asset, plus an interest charge, which will vary over the life of the lease. More interest is charged in the early periods of each lease and less interest is charged in the later periods as the outstanding balance reduces, as with interest on a loan.

Rent-free periods and cash lease incentives are recognised under IFRS 16 as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

In the cash flow statement under IFRS 16 the Group separates the total amount of cash paid for leases into principal and interest elements, both of which are presented within financing activities. Under IAS 17 operating lease payments were presented as operating cash outflows.

Adoption and transition

We have adopted IFRS 16 using the modified retrospective approach. Consequently, we have not restated the 2019 comparative figures on adoption, and we have discounted our leases using incremental borrowing rates as at the transition date.

For all our property leases and some of our vehicle leases – representing approximately 90% of our total lease commitments on adoption by value – we measured the leases on adoption as if IFRS 16 had always been applied since the lease commencement date. The remaining leases are measured as if the lease had started on the transition date.

We have elected to use the following permitted practical expedients on transition for some leases, where applicable:

- to apply the portfolio approach, using a single discount rate for a group of leases which have similar characteristics
- to use hindsight when determining the lease term
- to use the existing onerous lease provision on transition to reduce the right-of-use asset, rather than conducting an impairment review
- to exclude initial direct costs from measurement of the right-of-use asset
- to use the definition of a lease which existed under the previous accounting standard when determining if a contract contains a lease under IFRS 16
- to treat property leases as short-term leases, and to expense their payments, if there is a short period between the old lease ending and the lease renewal being signed. This is explained in more detail in the accounting policy below.

We have not elected to use the practical expedient to not recognise low value leases on transition.

Incremental borrowing rate
Our weighted average incremental borrowing rate on adoption was 1.74%. The range of rates used for individual leases varied from 1.2% to 2.5%.

Reconciliation of IAS 17 lease commitments at 28 December 2019 to opening IFRS 16 lease liability

Reconciliation of closing Dec 19 IAS 17 lease commitments to IFRS 16 opening balances

	£m
Non-cancellable operating lease commitments at 28 December 2019 under IAS 17	586
Cancellable commitments, excluded under IAS 17 but included under IFRS 16 [1]	65
Total lease commitments on an IFRS 16 basis - before discounting	651
Effect of discounting	(83)
Opening lease liability at 29 December 2019 under IFRS 16	568

[1] *IAS 17 required us to analyse "non-cancellable" lease commitments. This meant that we only included property lease commitments until the time of the first break clause in the lease. IFRS 16 requires us to include all payments where we think that we are reasonably likely not to exercise a break clause. Our default position on initial measurement of leases under IFRS 16, based on both our past experience and our current intentions, is to assume that we will not exercise break clauses.*

Analysis of opening balance sheet adjustment

In order to help users better understand the effect of adopting IFRS 16, the following analysis shows its effect on the opening balance sheet and reserves.

		Recognise:	Derecognise:			Transfer:	
	28-Dec-19 Under IAS 17 £m	IFRS16 assets and liabilities £m	prepaid rents £m	rent-free periods and lease incentives £m	initial direct costs £m	property provision to lease assets £m	29-Dec-19 Under IFRS 16 £m
Non-current assets							
Property, plant & equipment	212.4	-	-	-	(9.2)	-	203.2
Lease right-of-use assets	-	548.8	-	-	-	(0.2)	548.6
Current assets							
Trade and other receivables	193.1	-	(15.0)	(9.2)	-	-	168.9
Non-current liabilities							
Lease liabilities	-	(74.1)	-	-	-	-	(74.1)
Provisions	(9.0)	-	-	-	-	0.2	(8.8)
Current liabilities							
Lease liabilities	-	(494.1)	-	-	-	-	(494.1)
Trade and other payables	(241.4)	-	-	21.9	-	-	(219.5)
Reserves							
Dr/(Cr) to opening reserves - before deferred tax	-	19.4	15.0	(12.7)	9.2	-	30.9

Deferred tax

In addition to the amounts shown above, the Group recognised a deferred tax asset of £3.6m on adoption of IFRS 16, and a corresponding credit to reserves.

Judgements on adopting IFRS 16

We do not consider any of the judgements applied in the adoption of IFRS 16 to be significant. For some companies, there is significant judgement in deciding how to treat extension options and break clauses in leases, and therefore how to determine the most likely lease term at the inception of the lease.

We do not have extension options in any of our leases. We typically have break clauses in property leases, but our best assessment at the inception of a lease is that we are virtually certain not to exercise any break clauses and that the lease will run to its maximum term. We do not feel that this involves significant judgement, and this is borne out by us having no significant history of exercising break clauses in the normal course of business.

Some companies consider that there is significant judgement involved in arriving at a suitable incremental borrowing rate. We do not consider that to be the case for us as we feel that our process – which we describe as part of the accounting policy for lease liabilities below - is based on objective third-party data.

Accounting policies under IFRS 16

We assess whether a lease exists at the inception of the related contract. If a lease exists, we recognise a right-of-use asset and a corresponding lease liability with effect from the date the lease commences.

The lease liability

The lease liability is initially measured at the present value of the lease payments due. As the discount rate inherent in our leases is not readily determinable, we use the Group's incremental borrowing rate to discount the payments and arrive at net present value.

The Group does not have a history of borrowing, and therefore it does not have a credit agency credit rating. Therefore, we have derived the incremental borrowing rate by a process of:

- discussion with our bankers to estimate a reasonable proxy credit rating for the Group;
- using an independent third-party borrowing rate curve, giving indicative costs of borrowing for companies with a comparable credit rating over various durations, and
- selecting borrowing rates from the appropriate points on that curve to best match the duration of our lease portfolios.

Our leases are on relatively simple terms. Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives. We do not have variable lease payments which depend on an index, residual value guarantees, purchase options or termination penalties.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

We remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments have changed as a result of a change in an index, or, as is common with property leases, to reflect changes in market rental rates. In these cases, the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

In any cases other than those described immediately above, where a lease contract is modified and the lease modification is not accounted for as a separate lease, the lease liability is remeasured by discounting the revised remaining lease payments using a revised discount rate.

The lease liability is presented as a separate item in the balance sheet and is split between current and non-current portions.

The lease right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability and any initial direct costs of obtaining the lease. It is subsequently measured at cost less accumulated depreciation and any impairment losses.

Whenever we incur an obligation for costs to restore a leased asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right-of-use assets are depreciated over the lease term as this is always shorter than the useful life of the underlying asset. Depreciation starts at the commencement date of the lease. We do not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented as a separate line item in the balance sheet.

Property leases treated as short term leases

From time to time when renewing a property lease, the new lease may not be formally signed before the end date of the previous lease. In these circumstances, although both we and the landlord will have agreed our willingness to renew the lease in principle, and we may also have protection under property law which grants us the right to renew the lease, our interpretation of IFRS 16 is that there is no enforceable right to renew the lease until the new lease is formally signed.

Therefore, we treat any lease payments made in this period between expiry and renewal as short term lease payments under IFRS 16 and we expense them, taking advantage of the IFRS 16 short term lease exemption.