24 February 2022

HOWDENS

Howdens delivers record results

Results summary

£ millions (unless stated)	2021[1]	2020	Change vs 2020	Change vs 2019[3]
Group revenue	2,093.7	1,547.5	+35.3%	+32.2%
UK depots revenue	2,043.3	1,509.6	+35.4%	+31.8%
Gross profit	1,289.0	930.0	+38.6%	+30.7%
Gross profit margin, %	61.6%	60.1%	+150bps	(70)bps
Operating profit	401.7	195.7	+105.3%	+54.5%
Operating profit margin, %	19.2%	12.6%	+660bps	+280bps
Profit before tax	390.3	185.3	+110.6%	+49.7%
Basic earnings per share, p	53.2p	24.9p	+113.7%	+52.0%
Total ordinary dividend per share, p	19.5p	9.1p		
Special dividend, p	-	9.1p		
Cash at end of period	515.3	430.7		

[1] The information presented relates to the 52 weeks to 25 December 2021, the 52 weeks to 26 December 2020 and the 52 weeks to 28 December 2019, unless otherwise stated. The 2021 and 2020 results are presented under IFRS 16, 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.
[3] 2019 included due to the significant impact of COVID-19 on the 2020 results.

Highlights[1]

- Group revenue of £2,093.7m was 35.3% ahead of last year reflecting the strengths of our trade only, in-stock business model.
- UK depot revenue 35.4% ahead of last year and 33.7% ahead on a same depot basis[2].
- Gross margin progression of 61.6% year-over-year with disciplined pricing recovering cost increases.
- Profit before tax of £390.3m, up 110.6% on 2020 and 49.7% on 2019, significantly outpacing revenue growth.
- Good cash generation and the balance sheet remains strong with cash at end of period of £515.3m.
- Final dividend of 15.2p per share bringing total dividend to 19.5p per share with £50m share buy-back completed.
- New £250m share buy-back announced today.
- Good progress on ESG, achieving carbon neutral status at our two principal UK manufacturing facilities this year.

Andrew Livingston, Chief Executive said:

"2021 was a very successful year for Howdens as we both delivered record financial results and progressed our strategic plans for the business. Our performance demonstrates the strength of our trade only, in-stock local business model and our ability to meet heightened demand for our products. I would like to express my thanks to our 11,000 employees for their dedication and commitment to delivering outstanding service to our customers against a continued backdrop of COVID-19 and supply chain challenges.

"We believe there is now potential for at least 950 depots in the UK and we are expanding our presence in France and the Republic of Ireland. We continue to invest in our depot network, market leading products, manufacturing and supply chain, and digital capabilities, all of which improve service to our customers and help us take advantage of market opportunities. Our robust balance sheet gives us the flexibility to continue to invest in our growth plans for the business at the same time as delivering enhanced returns to shareholders through ordinary dividends and share buy-backs."

Operational Developments in the Year

- Opened 31 new depots in the UK, bringing the total to 778 at period end and revamped 62 older UK depots in the year. By the end of 2021 we had 210 UK depots trading in the updated format.
- Opened 10 new depots in France, bringing total to 40 at the period end.
- Introduced 17 new kitchen ranges and grew higher priced kitchen ranges strongly in the year.
- Continued to invest in upgrading our manufacturing capacity and capabilities to support future growth which included investment in capacity for kitchen frontals, solid work surfaces, architrave and skirting products.
- Invested in regional cross docking facilities (XDCs) with 6 operating at the end of the period supporting around 400 depots. XDCs enable improvements in customer service and product availability by optimising inventory and delivering patterns of product to depots across the full product range.
- 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.

Capital expenditure investment is expected to be around £100m in 2022 (2021: £90m) which includes investment in our strategic initiatives. There will also be an additional one-off investment of £10m this year on the acquisition of freehold land to support our investments in additional manufacturing capacity.

Current Trading and Outlook for 2022

The following table shows sales in the first two periods of the new financial year to 19 February 2022 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	17.1%	15.6%	19.5%	18.0%
Continental European depots**	21.4%	18.9%		

* compared with 2021 which had 38.5 trading days, 1 more than 2022 in the UK. The 38.5 trading days in Continental Europe depots are the same in both 2021 and 2022.
** excludes 5 French depots which will be closed in 2022.

We have made an encouraging start to 2022 and are confident in our resilient business model across changing market conditions:

- We are continuing to execute and invest in our strategy and see many attractive medium-term opportunities for profitable growth and increased volumes.
- We are currently offsetting inflationary pressures through price management and cost control, underpinned by our service-led business model and the scale of our manufacturing and sourcing operations.
- We remain watchful of macro-economic uncertainties and vigilant for any potential headwinds in our markets.
- During the second half of 2022 we will be trading against record revenue comparatives which includes our all-important peak trading period.

While it is still early in the new financial year, we have, at present, the momentum for another successful year in 2022 and the plans in place to deliver one.

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Results presentation:
There will be a live audio webcast for analysts and investors at 08:30 UK time today, 24 February 2022: https://brrmedia.news/HWDN_FY21 For more information see: www.howdenjoinerygroupplc.com. The presentation can also be heard by dialling the phone numbers below, where there will be the opportunity to ask questions:

Location	Phone Number
United Kingdom, Local	**+44 (0)330 336 9601**
United States, Local	**+1 323-701-0160**
	Confirmation code: 7136938

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

Note to editors:

1. About Howdens 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 778 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 factories in Runcorn, Cheshire, and Howden, East Yorkshire both of which recently achieved carbon neutral status. The business also operates a total of 40 depots in France and Belgium.

2. Timetable for the final dividend

The timetable for payment of the proposed final dividend of 15.2 pence per ordinary share is as follows:

Ex-dividend date:	**7 April 2022**
Record date:	**8 April 2022**
Payment date:	**20 May 2022**

3. Provisional financial calendar

2022	
Trading update	**28 April 2022**
Annual General Meeting	**12 May 2022**
Half Year Report	**21 July 2022**
Trading update	**3 November 2022**
End of financial year	**24 December 2022**

HOWDENS

Financial Review

Financial Results for 2021[1]

Revenue £m (unless stated)	2021	# of depots	2020
Group:	2,093.7	818	1,547.5
Howden Joinery UK depots - same depot basis	2,017.7	731	1,508.8
UK depots opened in previous two years	25.6	47	0.8
Howden Joinery UK depots – total sales	2,043.3	778	1,509.6
Howden Joinery Continental European depots	50.4		37.9
Local currency revenue (€m)			
France and Belgium – same depot basis	*55.3*	*26*	*41.7*
Depots opened in previous two years	*3.1*	*14*	*0.9*
France and Belgium – total sales	*58.4*	*40*	*42.6*

[1] The information presented relates to the 52 weeks to 25 December 2021 and the 52 weeks to 26 December 2020 unless otherwise stated.
[2] Same depot basis for any year excludes depots opened in that year and the prior year.

Total Group revenue of £2,093.7m was ahead by 35.3% (2020: 1,547.5m). UK depot revenue grew 35.4% to £2,043.4m (2020: £1,509.6m). UK revenue increased by 33.7% on a same depot basis[2] to £2,017.7m (2020: £1,508.8m); this excludes the additional revenue from depots opened in 2021 and 2020 of £25.6m (2020: £0.8m).

Depot revenue in Continental Europe was £50.4m (2020: £37.9m). On a local currency basis, revenue at our depots in France and Belgium increased by 37.3% on a same depot basis[2].

Gross Profit

Gross profit was £1,289.0m (2020: £930.0m; 2019: £986.2m). The £359m increase compared with 2020 reflected a positive volume and mix impact of £282m and higher pricing of £107m. There were also £30m of cost pressures reflecting the net impact of higher commodity, freight costs and foreign exchange. These factors contributed to an increase in gross margin of 150 basis points versus the prior year to 61.6% (2020: 60.1%; 2019 62.3%) as we appropriately balanced mix with higher overall volumes.

The £303m increase compared with 2019 reflected growth in sales volumes and mix of £254m and changes in price of £91m partly offset by £42m of product cost pressures. This included the net impact of significant increases in input costs including commodities, freight and transportation partially offset by initiatives to reduce costs.

Operating Profit

Operating profit was strongly ahead of last year and 2019 at £401.7m (2020: £195.7m; 2019: £260.0m on a pre IFRS 16 basis) and the operating profit margin was 19.2% (2020: 12.6%; 2019 16.4%).

Selling and distribution costs and administrative expenses (SD&A) increased by 20.8% to £887.3m (2020: £734.3m; 2019: £726.2m). As expected, costs increased due to continued investment in areas across the business. Compared to 2020 this included £11m on UK depots opened in 2020 and 2021 and £13m on French depots opened in the period. We also invested £28m in warehouse and transportation initiatives which included the investment in regional XDCs and £10m in marketing and digital costs. £70m of additional costs were also incurred in the existing depot network as a result of the significant increase in volumes and there was also a £21m increase in other operating costs.

SD&A costs increased in 2021 compared with 2019 by £161.1m. Investment in executing our strategy included £33m on new depots in the UK opened since 2019, and £22m on new depots in France. Other growth initiatives included logistics investments of £38m (including XDCs) and £13m of marketing and digital investment. This was partly offset by £17m of the non-repeat benefit from depot closure costs in Germany and the Netherlands, and lease amortization charges consequent upon adopting IFRS 16. Between 2019 and 2021 the increase in revenue in the older UK depots resulted in £50m of additional costs.

Profit Before and After Tax

The net interest charge was £11.4m (2020: £10.4m; 2019: £0.7m credit, on a pre IFRS 16 basis) principally reflecting the additional interest rate expense on our lease liabilities. Profit before tax of £390.3m was strongly ahead of the prior year (2020: £185.3m; 2019: £260.7m).

The tax charge on profit before tax was £75.8m (2020: £37.7m; 2019: £51.7m) as a result of the higher operating profit and represented an effective tax rate of 19.4% (2020: 20.3%; 2019: 19.8%). As a result, profit after tax was £314.5m (2020: £147.6m; 2019: £209.0m). Reflecting the above and the reduced share count following share buy backs, basic earnings per share were 53.2p (2020: 24.9p; 2019 35.0p).

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 will review the potential scale of any claim with our advisers before deciding whether to make a claim under these rules.

Cash

The net cash inflow from operating activities was £437.4m (2020: £329.5m). Net working capital increased by £1.7m due to higher levels of business activity. Debtors at the end of the period were £39m higher than at the beginning of the period, creditors were £84m higher and stock was £47m higher due to our actions to increase levels of safety stock to support our customers. Capital expenditure was £85.9m (2020: £69.7m). Corporation tax payments were £73.1m (2020: £32.2m), and dividends amounted to £133.6m (2020: nil). Share buy backs totalled £50.0m (2020: £9.8m) and the cash contribution to the Group's pension schemes in excess of the operating charge was £18.5m (2020: £22.2m). The interest and principal paid on lease liabilities totalled £85.8m (2020: £87.6m).

Reflecting the above, there was a net cash inflow of £84.6m (2020: £163.3m), leaving the Group with cash at the year end of £515.3m (26 December 2020: £430.7m). 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 has primarily focused 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 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.

Within its definition of surplus capital, the Board believes it is appropriate for the Group to be able to operate through the annual working capital cycle without incurring bank debt, noting that there is seasonality in working capital balances through the year, particularly in advance of our peak trading period in the second half. We also take into account that the Group has a significant property lease exposure for the depot network, and a large defined benefit pension scheme that has only recently moved into a surplus.

Howdens has a prudent risk appetite towards balance sheet management, an approach which has been borne out over the past two years with the balance sheet being a source of great strength through the challenges of the pandemic. In the crisis phase of COVID-19 the Board took decisive action to conserve capital, and as markets have recovered, we have progressively reinstated our capital priorities including the return to paying dividends in 2021 and also the return of surplus capital in the second half of the year. These returns were only initiated after having repaid all government support received early in the pandemic.

The Board has recently reviewed its capital allocation policy considering the current economic environment to ensure it is clearly defined and retains a disciplined approach to enhance shareholder value. This prioritises our strategy of continuing to invest in depots, manufacturing and logistics capabilities and related strategic investments while delivering a progressive dividend. Our policy will be that where year end cash is in excess of £250m we expect to return surplus cash to shareholders, which 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 with a leverage of approximately 0.7x EBITDA after taking into account lease liabilities.

On this basis, the Board has decided that the Group will undertake a £250m share buyback programme which we aim to complete over the next 12 months. This is in addition to the £50m share buyback programme announced with the half year results, which was completed during the second half of 2021.

During 2020, no interim dividend was paid, but a final dividend of 9.1p per ordinary share and a special dividend of 9.1p per ordinary share were paid in June 2021 in respect of 2020. Taking into account the Group's prospects and strong financial position, in July 2021 the Board declared an interim dividend of 4.3p per ordinary share. The Group's unchanged dividend policy is to target a dividend cover of between 2.5x and 3.0x and Board is recommending a final dividend for 2021 of 15.2p per ordinary share, giving a total dividend of 19.5p per ordinary share. The final dividend will be paid on 20 May 2022 to shareholders on the register on 8 April 2022.

Pensions

At 25 December 2021, the defined benefit pension scheme was in a surplus at £141m (26 December 2020: deficit of £48m) on an IAS 19 basis. This movement from a deficit to a surplus was primarily a result of an increase in the net discount rate which was a benefit of £113m, a £25m cash contribution and an increase in asset returns of £58m. The current service, administrative and finance charges totalled £7m. The defined benefit pension scheme closed for future accrual from 31 March 2021. The scheme's funding level on an IAS19 basis was 104.1% (2020: 99.0%) at the end of the financial year and in accordance with the scheme rules, deficit contributions were suspended in July 2021. Due to the scale of the scheme with around £1.6bn of assets and liabilities, it is possible that the scheme could return to a deficit position on a technical provisions basis. If this were the case, then deficit contributions of £2.5m per month would recommence.

Board Changes

We announced in February 2022 that Richard Pennycook had indicated his intention to retire from the Board with effect from 17 September 2022. Richard was appointed as Howdens' Chairman in May 2016, having joined the Board in September 2013, initially as a non-executive Director and Chairman of the Audit committee. His retirement aligns with the Company's Board succession plan and good governance practice, including the UK Corporate Governance Code requirement for a chair to step down after nine years on the Board. A process is already underway to identify and appoint his successor. The Board would like to express its thanks to Richard for the significant contribution he has made to Howdens and his outstanding stewardship of the Board.

Operational Review

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. Expand our presence in selective countries 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

High service levels, including local proximity and immediate availability are very important to our customers and we have continued to extend our UK depot footprint in 2021. We are opening all new depots in our updated format which is designed to provide the best environment in which to do business and to make space utilisation and productivity gains in a cost-effective way, by using vertical racking in the warehouse section of the depot.

In 2021, we opened 31 new depots, up from the 16 opened in 2020. We now believe there is potential for at least 950 depots in the UK, including c.25 in Northern Ireland, and we plan to open around 25 new depots in 2022. 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 depots and customers.

During the year, including relocations, we reformatted a total of 62 depots, taking the total number of revamped depots to 103 at the year-end. The scale and scope of the revamps has been refined, with an average cost per depot of circa £225,000 going forward with an average payback of less than 4 years. Including relocations, we plan to re-format around 70 more depots in 2022 and to re-rack the warehouses of a further 35 sites without other modifications at that time.

At the end of 2021, including new depots we had 210 UK depots trading in the updated format. By the end of 2022 we expect to have increased this to around 305 UK depots and, to have re-racked the warehouses of 133 depots without other modifications. By the end of 2022, these new refurbished depots and reracks will represent around 55% of our UK estate.

2. Improving Our Product Range And Supply Management

Range Management

As product lifecycles shorten, managing the number of kitchen ranges efficiently is crucial for both our customers, who want best availability, and for profitability. We are managing range introductions and clearances so that our 2022 current range count is around 80, organised in nine families. New products for 2021 featured 17 new kitchen ranges with total sales well ahead of 2020 and 2019. We are now placing greater emphasis on building out our share of higher priced kitchens where we have been historically under-represented. Such kitchens contributed more to our kitchen mix by volume in 2021, in a year in which sales and volumes across all price bands increased.

New product introductions for 2022 features 20 new kitchens and include:

- launching new products across entry level kitchen ranges which have traditionally been our strongest performers;
    - by adding new ranges in both modern and shaker styles including the introduction of our new entry priced smooth shaker kitchen family Witney, which is available in three matt colours;
- introducing more higher priced kitchens including adding new colours for our timber shaker families introduced last year; 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.

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, each of which have individual and changing day to day requirements. In 2021 we continued to hold “safety” stock as a contingency against unexpected demand patterns and interruptions to supply and we are utilising multi modal freight routes to ship in-bound goods and materials where appropriate. Last year we broadened the range of products we protect in this way and increased the number of weeks cover we have on some lines. In 2022, we will continue with our policies on safety stocks 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. In 2019, investment in manufacturing technology enabled us to make the kitchen frontals for our popular Hockley kitchen ranges. We then 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 is scheduled to be completed in July 2022, enabling us to service in-house more of the substantial increase in demand we have seen for these products.

We are also upgrading our bespoke solid surface worktop capabilities, which is a growing segment of the market, supporting our strategy to increase our share of the higher priced segment of the kitchen market. We first partnered with three fabrication companies to develop a design, template and fit capability and then acquired the assets of a solid surface fabricator which we branded as Howdens Work Surfaces (“HWS”). We have subsequently been investing in expanding HWS’s capacity and, to support this further. In February 2022 we acquired Sheridan Fabrications Ltd, a leading industry specialist for the manufacture, fabrication, laser templating and installation of premium worksurfaces. The acquisition increases our manufacturing capacity and will lead to lower installation costs, with associated margin benefits. The business is based in Normanton, West Yorkshire and employs around 200 people.

To support continued growth plans we have acquired 5 acres of land and, subject to detailed planning, we are committed to acquire an additional 20 acres of land to extend our factory at Howden, East Yorkshire. In particular, we will increase the manufacturing capacity for cabinets with new panel machining and rigid assembly lines and a new machining line for shaker doors. With this investment, we plan to have the capability to manufacture kitchen doors for most of our ranges and we expect that the new lines will be operating by early 2025. At the same time, we will retain the benefits of sourcing from external suppliers, who will continue to provide around half of our kitchen frontals. We also plan to invest in a new, purpose-built warehouse and distribution near the Howden site and once built, both the picking and dispatch will migrate there. This will enable the Howden site to be dedicated primarily to manufacturing, allowing it to flow and operate more efficiently, with room for further expansion if needed.

Regional cross docking centre (‘XDCs’)

In 2020 we initiated a programme to make an improvement to stock replenishment via XDCs. We know that our customers value our high levels of stock availability and XDCs improve stock replenishment by supplementing depots’ core weekly deliveries with a daily top-up service. This improves the service levels they can deliver to customers and frees up more time and resources to focus on sales and service reducing the need for inter-depot stock transfers.

This year we have significantly increased 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 year end, we had 6 XDCs operating in the UK with the service available to around 400 depots, up from 120 at the end of 2020. We plan to roll out the XDC service to all our depots during 2022, taking the number of XDCs to 12 in total.

3. Developing Our Digital Platforms

Our digital strategy reinforces our model of strong local relationships between depots and their customers by raising brand awareness and further supports the business model with new services and ways to trade. It also frees up time for depot staff and customers to use more productively. In 2021 we have seen increased activity on our web platform and growth in our social media presence. “Impressions” were present in 28% more organic search results a month with site visits at 24 million, 11% ahead of last year. The time users spent looking at pages increased by 20% and the number of pages viewed per session was up 11%. Across our social media sites our follower base was c.400,000, up 49%, with our monthly reach up 34% and 1.3m users actively engaging monthly.

Take-up and usage of online account facilities which enable our trade customers to manage their accounts and make payments at any time, continues to increase. New account registrations exceeded 100,000 for the year and the service is being used across the week, both in and out of hours on average twice weekly per account. Payments made per account increased 70%. In February 2021, “Anytime Ordering” was launched, providing efficiencies for depots and customers alike. Developed with input from customers, features of the service include enabling account holders to see their confidential prices, order product and quote for individual jobs out of hours. There is also a scheduler for customers to select a collection depot and pick-up time of their choosing and we have seen average weekly logins on our trade platform increase by 160%. In Autumn 2021, we launched new search functionality on www.howdens.com to help our customers with both improved product search and extended search results to connect to documents and other features.

We have also invested in capabilities which help end users interact with Howdens on-line at each stage of their buying decision. For example, at the turn of the year, we launched “Real Kitchens” which utilises user generated content to showcase Howdens’ kitchens in peoples’ homes. Image views were 17.2 million in 2021 and this content is being used both by consumers and our designers to streamline the buying and design process.

4. Developing Our International Operations

In 2019 we refocussed our international operations on a city-based approach in France serving solely trade customers. The business’ performance has been encouraging and has given us confidence to accelerate our investment in more depots in this region. Revenues of €58.4m were 37% ahead of 2020 and 55% ahead of 2019. We believe appreciation of the advantages of our trade only, in-stock model with our high service levels and competitive pricing is growing and our account base grew by 37% in 2021. We opened 10 depots in France in 2021, ending the year with a total of 40 in France and Belgium and we plan to expand our footprint to 60 depots by the end of 2022, 40 being located in the Paris area.

In 2022, we will also be opening for business in the Republic of Ireland. As in France we will be using a “city-based” approach which fits the population distribution of the region. Initially we will test the model with 5 depots around Dublin, and we expect all of these to be open by June 2022. The depot teams will be supported by our UK infrastructure and the Group’s digital platform.

Environment, Social and Governance (ESG)

We actively manage risks and identify opportunities across the business to improve our environment, social and governance performance. The Board has detailed oversight of our ESG performance and we are determined to minimise our impact on the environment and make a positive contribution to all our stakeholders, including our customers, staff, communities, suppliers and shareholders. That means that our business needs to be worthwhile for all concerned.

During 2020, we carried out a wide-ranging strategic review of our ESG performance. This identified four priority commitments for 2021, including enhanced reporting and disclosure aligned with the Taskforce on Climate-Related Financial Disclosures (TCFD) and we have made good progress towards full implementation this year. An Executive Committee member has been assigned responsibility for delivery of each commitment.

The four main commitments are:

Zero Waste to Landfill	Carbon Neutral Manufacturing	Behavioural Health and Safety Leader	Reporting and Disclosure
Maintain zero waste to landfill in manufacturing and distribution. Zero waste to landfill in depots over time, with target of less than 5% by end of 2022.	Carbon neutral manufacturing by the end of 2021.	Maintain international safety standard ISO 45001 in our manufacturing and distribution operations. Achieve ISO45001 in our depot network by the end of 2021.	Progressive, phased implementation of high quality TCFD reporting. Implement the ISS ESG reporting platform in 2021.

The review also confirmed Howdens' five material focus areas. These 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 including charitable donations and our nationwide work with Leonard Cheshire Disability.

Summary of 2021 performance

In our first year since formalising our ESG strategy, we have continued to work on improving and expanding our reporting and making progress on each of our four main commitments. A highlight during this year was certification of the achievement of our target of 100% carbon neutral manufacturing at our two major UK manufacturing sites in Howden, East Yorkshire, and Runcorn, Cheshire. We have also continued to focus on waste reduction and building on the achievement of our target of zero waste to landfill in our manufacturing and distribution facilities last year. We are now committed to reducing waste in our depot network and during 2021 we achieved 99% depot waste avoiding landfill across all 778 UK depots, which was achieved from a baseline performance of 60% in 2019. With respect to carbon emissions while our overall gross emissions increased by 12% given higher activity levels though our turnover ratio improved by 17% to 27.3 tCO_2e per £m of revenue.

Howdens is committed to embedding safety as a core value driver in everything we do and we have worked hard to drive better performance. While there was some disruption to the business due to COVID-19 in 2021 our accident frequency rate was flat year-on-year which was encouraging as we held the gains in performance made in recent years. This was achieved despite a significant increase in activity levels, new staff and changes to working practices due to COVID-19. Despite several years of improving trends the Company's reportable injuries per 100,000 employees under RIDDOR (Reporting of Injuries Diseases and Dangerous Occurrences Regulation), increased in 2021 to 196 reportable injuries (2020: 162). We are determined to improve our RIDDOR performance in 2022 and have engaged with our leadership teams and specialists in the business as well as employees to ensure we learn the lessons and continue to reduce overall accident rates.

Further details of the Group's ESG strategy and performance can be found in the 2021 Annual Report and Accounts which will be available shortly on the Group's website www.howdenjoinerygroupplc.com.

Going Concern

The directors have adopted the going concern basis in preparing the 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. Pages 13 to 18 give more detail on these risks, their potential impacts and mitigations, and include a discussion of the effects of COVID and Brexit. While 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 stock items 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 below.

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

The directors have reviewed trading results and financial performance in 2021, as well as early weeks' trading in 2022. They have reviewed the Group balance sheet at December 2021, particularly noting that the Group is debt-free, has cash and cash equivalents of £515m, and has appropriate stock levels. They have also considered three financial modelling scenarios prepared by management:

1. A "base case" scenario. This is based on the final 2021 Group forecast, made in November 2021 and including the actual results of the 2021 peak sales period. The basis of this scenario has been approved by the Board. It assumes future revenue 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.
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 2%. This level of reduction in sales and margin has been chosen as it replicates the worst fall ever experienced in the Group's 25-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 2%. 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; additional investment in our manufacturing sites, and additional investment in digital. This scenario models a reduction in most of the variable cost base proportionate to the reduction in turnover. It includes dividends at a level of dividend cover in line with the Group's stated policy, 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 borrow or take further mitigating actions. Capital expenditure in this scenario has been reduced to a "maintenance" level. Variable costs have been reduced in proportion to the reduction in turnover on the same basis as described in the severe but plausible downside scenario. It assumes no dividends or share buybacks.

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 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 facilities available but not included in the scenario modelling

The Group has a bank facility which allows borrowing of up to £140m, which expires in December. The facility has not been used at any time since it was set up. All the going concern scenarios are modelled on the basis that the Group does not draw on this facility.

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 financial statements.

Long Term Prospects and Viability

Assessment of long-term prospects

The Directors have assessed the Group's long-term prospects, solvency and liquidity, with particular reference to the factors below:

Current position

- History of profitable trading, with strong net profit margins.
- Cash and cash equivalents balance at December 2021 of £515m.
- Debt-free. Consistently cash-generative. Proven ability to maintain strong cash balances whilst also investing for growth and returning cash to shareholders.
- £140m borrowing facility, due to expire in December 2023. Unused, to date.
- Strong relationships with suppliers and customers, built on trust.
- Proven ability to flex the operating cost base in a severe economic downturn.
- Robust disaster recovery and business continuity framework.

Strategy and business model

- Proven, successful business model.
- Demonstrated agility and resilience of the business model to adverse economic conditions.
- Clear strategic direction.

Robust assessment of principal risks

- The Directors' role in the risk identification, management, and assessment process is outlined on pages 13 to 18, together with details of the principal risks and mitigations.
- The Directors are satisfied that they have carried out a robust assessment of the Group's principal risks over the viability period on the basis already described in the going concern disclosure directly above.

Assessment of Viability

Time period and scenario modelling

The Directors' review of the Group's long-term viability used a three-year period to December 2024. This was considered to be the most suitable period as it aligns with the Group's strategic planning process. The financial modelling to support the assessment of viability was based on the three scenarios used for the going concern assessment and detailed above.

1. The base case scenario takes the base case described in the discussion of going concern above and extends it over the viability assessment period. It assumes an increase in sales and profit, capital expenditure in line with our plans for growth and investment in our strategic priority areas, and cash outflows for shareholder returns.
2. The severe but plausible downside scenario takes the same decline over the going concern period as described in the discussion of going concern above, and then assumes a phased recovery over the rest of the 3 year period. It assumes that sales recover cautiously. On gross margin, which had been modelled at 2% down on the base case over the going concern period, the model assumes an improvement of 1% each subsequent year, thereby returning to the base case margin level by the end of the viability assessment period. It assumes capital expenditure which is less than the base case, but which is still in line with investing in our strategic priorities, dividends in line with our current level of dividend cover, and no share buybacks.

3. In the reverse stress-test scenario, the model assumes a phased recovery of margin and profit on the same bases as for the severe but plausible downturn scenario. This is then stress-tested to find the maximum amount by which sales in the first year would have to fall before the Group would no longer be cash positive at any point in the viability assessment period, without borrowing or taking further mitigating actions.

The Directors consider that the reasonably foreseeable financial effects of any reasonably likely combination of the Group's principal risks are unlikely to be greater than those effects which were modelled in the severe but plausible downside and reverse stress-test scenarios.

Results of Scenario Modelling

The results of the base case and plausible downside scenario modelling showed that the Group would have sufficient cash over the viability assessment period and would not need to use its borrowing facility. The reverse stress-test showed that the level of fall in sales required in the first year of the viability assessment period before the Group would need to use its borrowing facility at any point over the viability period was over three times the fall modelled in the severe but plausible downturn scenario.

Conclusion

Having considered the Group's current position, strategy, business model and principal risks in their evaluation of the prospects of the business, and having reviewed the outputs of the scenario modelling, the Directors concluded that they have a reasonable expectation that the Group will continue to operate and to meet its liabilities in full and as they fall due during the three-year period to December 2024.

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. 2021 presented some significant risk challenges with the ongoing COVID-19 pandemic impacting on a number of our principal risks. These are explained in more detail below.

1. Supply chain

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 supply chain operations which gives us increased capacity and agility.
- We are also investing in new warehouse space to support our distribution capabilities and equip them for growth.
- Increased stock holding of at-risk products to help ensure continuity of supply during continued Brexit uncertainty and COVID-19 difficulties.
- Obtained Authorised Economic Operator (AEO) preferred importer/exporter status to reduce potential customs delays.

Mitigation Actions in 2021

- Increased our safety stocks further, to reduce the potential risk of global supply constraints.

- Increased warehousing capacity with the use of our third distribution centre in Raunds.
- Increased the number of deliveries to our depots during our peak trading period to ensure availability.
- Secured HGV driver resources ahead of demand, ensuring continuity of supply to the depots.

2. Market conditions

Risk and Impact

- Our products are mostly sold to small builders and installed in owner occupied and 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.

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 chain 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.

Mitigation Actions in 2021

- Maintained focus on continuing COVID-19 impacts across our supply chain and business.
- Frequent scenario planning based on latest information to ensure our plans were appropriate to changing market conditions

3. 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.

Mitigation Actions in 2021

- Regular ‘Town Hall’ meetings held to bring together teams and discuss our successes and challenges ahead.
- Embarked on our ESG programme enhancement, with a key element focussing on re-enforcing our core values and further embedding our equality, diversity and inclusion standards
- Worthwhile foundation created to further develop our charitable efforts and support our business model through training of our builder customers.

4. Maximising growth

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, and 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.
- Plans to continue with our expansion of our operations in France and other territories.

Mitigation Actions in 2021

- Converted more UK depots to the new depot environment.
- Opened more depots in the UK.
- Opened more depots in France.
- Strengthened our solid worksurface offering with the introduction of Howden Worksurfaces.
- Improved our service offering through our core logistics sites to ensure our ability to support growth.

5. People

Risk and Impact

- The success of our business is fundamentally driven by our people, their strength of spirit, drive, and unwavering customer focus.
- 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.

Mitigating factors

- We support our colleagues with a wide variety of apprenticeships, accreditations and development programmes across all areas of our business.
- 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.
- We work continuously to ensure that appropriate continuity and succession plans are in place. We will continue to focus on leadership development and succession planning.

Mitigation Actions in 2021

- We continued to ensure our working environments remained COVID-19 safe for all of our workers and brought in remote working for all of our offices, in line with Government advice, to reduce the Health and Safety risk to all personnel.
- Wellbeing programme introduced, with targeted training for our staff based on their role
- Equality, diversity and inclusion (EDI) Programme further developed with specific goals established.
- Increase in Apprenticeship offerings.
- Joined the Government Kickstart employment programme and supported 51 Kickstart roles.

6. Health and safety

Risk and Impact

- Howdens is about people and relationships. We have 778 depots, about 11,000 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 behaviours.
- 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, led by the Executive Committee.
- Rapid implementation of a COVID-19 governance framework and risk mitigations secured a safe working environment as the pandemic developed.

Mitigation Actions in 2021

- Maintained COVID-19 safe practices in line with government advice.
- Increased Health and Safety resources in France to support on-going expansion.
- Continued to provide regular updates to all staff on our response to changing Covid 19 guidance and regulation in all the countries in which we operate.

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 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.

Mitigation Actions in 2021

- We continue to review our cyber security posture and engage with 3rd party expertise to provide insight and assurance.
- Further development of our multi-factor authentication (MFA) and tools for staff required to work remotely owing to Government guidance.
- Face to face, targeted awareness training at key staff meetings throughout the year.

8. Product

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. Several new products were introduced during the year across all product categories.

Mitigation Actions in 2021

- 17 new kitchen ranges launched.
- Solid worksurface offering brought in-house.
- Restructured our Product Team providing greater insight and resilience.
- Further developed our website & marketing offering to builders and end-users to provide new tools to make their lives easier.

9. Business continuity and resilience

Risk and Impact

- We have key business operations and locations in our infrastructure that are critical to business continuity. These operations are essential for ensuring our customers can get the product and services they want when they need them.
- They include areas such as, our Credit Control Department, our Manufacturing & Logistics operations and key IT systems.

Mitigating factors

- We maintain and regularly review our understanding of what our critical operations are.
- We ensure resilience by design, building high levels of protection into key operations and spreading risk across multiple sites where possible.
- We ensure appropriate business continuity plans are in place for these and have a Group wide incident management team and procedures established.

Mitigation Actions in 2021

- On-going monitoring of the potential COVID-19 impacts on the continuity of our operations.
- Reviewed our continuity plans covering our sourcing and logistics approaches to support peak trading.

COVID-19 risks

COVID-19 continues to have an effect on our business. Our rapid implementation of an appropriate governance framework and risk mitigations during 2020 allowed us to maintain a safe working environment and continue to trade throughout 2021. Over the year we have learned that several of the actions we took were key to ensuring the impact that COVID was minimised. These actions included:

- Working closely with our suppliers and optimising stockholding for high-risk products.
- Using our supply chain resilience to respond to inbound transport disruption.
- Rapid roll out of new IT platforms allowing our staff to continue to work and serve our customers
- Prompt deployment of equipment and training for employees to enable remote working.

These actions continue to help deal with the impacts of Covid-19 into 2022, including our ongoing management of new variants. Further to this, our learning will help us be better prepared for any future pandemics as well as improve our wider business continuity management approach.

Brexit risks

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 in the UK and the European Union. The main areas of potential risk for Howdens include:

Free Trade and Customs Risks

- Loss of free trade status – Tariffs or quotas in imported goods leading to higher prices
- Exit from the customs arrangements – Supply chain delays due to new customs regime and increased administrative burden.
- No regulatory co-operation – Regulatory uncertainty should standards diverge, potentially affecting sales of UK goods in the EU and vice versa.

Strategy and Business Plan Risks

- Consumer/Investor uncertainty – Potentially impacting on sales and future growth strategy.
- Currency and stock market volatility – Increased costs due to currency fluctuations.

We continue to actively monitor the ongoing relationship between the EU and UK and reconsider our mitigation plans and potential impacts as part of our risk process.

Cautionary Statement

Certain statements in this Full 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.

Directors' Responsibility Statement

The 2021 Annual Report and Accounts which will be issued in March 2022, 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 23 February 2022, 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	Paul Hayes
Chief Executive Officer	**Chief Financial Officer**

23 February 2022

HOWDENS

Consolidated income statement

	Notes	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Continuing operations:			
Revenue		2,093.7	1,547.5
Cost of sales		(804.7)	(617.5)
Gross profit		1,289.0	930.0
Selling & distribution costs		(756.5)	(636.7)
Administrative expenses		(130.8)	(97.6)
Operating profit	3	401.7	195.7
Finance income		–	0.6
Finance costs		(11.4)	(11.0)
Profit before tax		390.3	185.3
Tax on profit	4	(75.8)	(37.7)
Profit for the period attributable to the equity holders of the parent		314.5	147.6
Earnings per share:			
Basic earnings per 10p share	5	53.2p	24.9p
Diluted earnings per 10p share	5	53.0p	24.8p

Consolidated statement of comprehensive income

	Notes	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Profit for the period		314.5	147.6
Items of other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit pension scheme	7	170.4	(12.7)
Deferred tax on actuarial gains and losses on defined benefit pension scheme	4	(33.5)	2.4
Change of tax rate on deferred tax	4	(8.5)	1.1
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(2.3)	0.5
Other comprehensive income for the period		126.1	(8.7)
Total comprehensive income for the period attributable to equity holders of the parent		440.6	138.9

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Consolidated balance sheet

	Notes	25 December 2021 £m	26 December 2020 £m
Non-current assets			
Intangible assets		22.6	24.3
Property, plant and equipment		295.8	248.8
Lease right-of-use assets		555.8	544.2
Pension asset	7	140.8	–
Deferred tax asset		13.4	17.0
Prepaid credit facility fees		0.3	0.6
		1,028.7	834.9
Current assets			
Inventories		301.6	255.0
Trade and other receivables		205.8	166.6
Cash and cash equivalents		515.3	430.7
		1,022.7	852.3
Total assets		2,051.4	1,687.2
Current liabilities			
Lease liabilities		(57.5)	(70.0)
Trade and other payables		(384.7)	(300.4)
Current tax liability		(25.9)	(22.2)
		(468.1)	(392.6)
Non-current liabilities			
Pension liability	7	–	(47.7)
Lease liabilities		(533.7)	(510.5)
Deferred tax liability		(37.7)	(1.7)
Provisions		(20.4)	(13.9)
		(591.8)	(573.8)
Total liabilities		(1,059.9)	(966.4)
Net assets		991.5	720.8
Equity			
Share capital		59.8	60.3
Capital redemption reserve		5.4	4.9
Share premium		87.5	87.5
ESOP reserve		5.9	(3.5)
Treasury shares		(27.1)	(28.2)
Retained earnings		860.0	599.8
Total equity		991.5	720.8

The financial statements were approved by the Board and authorised for issue on 23 February 2022 and were signed on its behalf by:

Paul Hayes
Chief Financial Officer

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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 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	587.9
Accumulated profit for the period	–	–	–	–	–	147.6	147.6
Other comprehensive income for the period	–	–	–	–	–	(8.7)	(8.7)
Total comprehensive income for the period	–	–	–	–	–	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
Accumulated 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	59.8	5.4	87.5	5.9	(27.1)	860.0	991.5

The ESOP reserve includes shares in Howden Joinery Group Plc with a market value on the balance sheet date of £41.7m (2020: £35.9m), which are held by the Group's Employee Share Trusts 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 5,567,555 ordinary shares held in treasury, each with a nominal value of 10p (2020: 5,775,230 shares).

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Consolidated cash flow statement

	Notes	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Operating profit		401.7	195.7
Adjustments for:			
Depreciation and amortisation of owned assets		40.6	34.5
Depreciation, impairment and loss on termination of leased assets		74.8	79.5
Share-based payments charge		10.1	3.6
Decrease in prepaid credit facility fees		0.3	0.3
Write downs of property, plant and equipment and intangible assets		3.2	–
Operating cash flows before movements in working capital		530.7	313.6
Movements in working capital and exceptional items			
Increase in inventories		(46.6)	(23.2)
(increase)/decrease in trade and other receivables		(39.2)	2.3
Increase in trade and other payables and provisions		84.1	91.2
Difference between pensions operating charge and cash paid		(18.5)	(22.2)
		(20.2)	48.1
Cash generated from operations		510.5	361.7
Tax paid		(73.1)	(32.2)
Net cash flow from operating activities		437.4	329.5
Cash flows used in investing activities			
Payments to acquire property, plant and equipment and intangible assets		(85.9)	(69.7)
Receipts from sale of property, plant and equipment and intangible assets		0.1	–
Interest received		–	0.6
Net cash used in investing activities		(85.8)	(69.1)
Cash flows used in financing activities			
Payments to acquire own shares		(50.0)	(9.8)
Receipts from release of shares from share trust		0.4	0.3
Inflow from receipt of forfeited dividends		0.2	–
Inflow from sale of forfeited shares		1.8	–
Dividends paid to Group shareholders		(133.6)	–
Interest paid - including on lease liabilities		(11.0)	(10.4)
Repayment of principal on lease liabilities		(74.8)	(77.2)
Net cash used in financing activities		(267.0)	(97.1)
Net increase in cash and cash equivalents		84.6	163.3
Cash and cash equivalents at beginning of period		430.7	267.4
Cash and cash equivalents at end of period		515.3	430.7

Notes to the consolidated financial statements

1 Basis of presentation and preparation

Accounting period

The Group's accounting period covers the 52 weeks to 25 December 2021. The comparative period covered the 52 weeks to 26 December 2020.

Statement of compliance and basis of preparation, including going concern

The Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No1606/2002 as it applies in the European Union.

The accounting policies, presentation methods and methods of computation followed are the same as those detailed within the 2020 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 25 December 2021. The statutory accounts for the 52 weeks to 24 December 2020 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 25 December 2021 will be filed in due course. The auditors' report on both the 2021 and 2020 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.

2 Segmental reporting

(a) Basis of segmentation, and other general information

Information reported to the Group's Executive Committee is focused on one operating segment, Howden Joinery. Thus, the information required in respect of profit or loss, assets and liabilities, can all be found in the relevant primary statements and notes of these consolidated financial statements.

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

(b) Other information

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Capital additions	89.8	67.0
Depreciation and amortisation	(40.6)	(34.5)

(c) Geographical information

The Group's operations are mainly located in the UK, with a small presence in France and Belgium. The Group has depots in each of these three countries. The number of depots in each location at the current and prior period ends is shown in the five year record which is located towards the back of this Annual Report. The Group's manufacturing and sourcing operations are located in the UK.

The following table analyses the Group's revenues from external customers by geographical market, irrespective of the origin of the goods:

Revenues from external customers

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
UK	2,043.3	1,509.6
Continental Europe	50.4	37.9
	2,093.7	1,547.5

The following is an analysis of the carrying amount of assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

Carrying amount of assets

	25 December 2021 £m	26 December 2020 £m
UK	1,991.9	1,638.2
Continental Europe	59.5	49.0
	2,051.4	1,687.2

Non-current assets (excluding deferred tax assets)

	25 December 2021 £m	26 December 2020 £m
UK	982.8	795.1
Continental Europe	32.5	22.8
	1,015.3	817.9

Additions to property plant and equipment and intangible assets

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
UK	82.8	63.1
Continental Europe	7.0	3.9
	89.8	67.0

3 Operating profit

Operating profit has been arrived at after (charging)/crediting:

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Net foreign exchange gain	5.2	0.4
Depreciation of property plant and equipment	(31.5)	(28.7)
Amortisation of intangible assets	(9.1)	(5.8)
Depreciation and impairment of lease right-of-use assets	(74.8)	(79.5)
Cost of inventories recognised as an expense	(789.9)	(611.0)
Write down of inventories	(20.0)	(6.8)
Loss on disposal of fixed assets	(3.2)	–
Increase in allowance for expected credit losses on trade debts	(2.9)	(1.5)
Staff costs	(553.3)	(461.7)
Auditor’s remuneration for audit services	(0.8)	(0.6)

All of the items above relate to continuing operations.

4 Tax

(a) Tax in the income statement

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Current tax:		
Current year	77.3	33.6
Adjustments in respect of previous periods	(0.5)	0.6
Total current tax	76.8	34.2
Deferred tax:		
Current year	0.4	4.8
Effect of changes in tax rate	(1.7)	–
Adjustments in respect of previous periods	0.3	(1.3)
Total deferred tax	(1.0)	3.5
Total tax charged in the income statement	75.8	37.7

UK Corporation tax is calculated at 19% (2020: 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 25 December 2021 £m	52 weeks to 26 December 2020 £m
Deferred tax charge/(credit) to other comprehensive income on actuarial difference on pension scheme	33.5	(2.4)
Change of rate effect on deferred tax	8.5	(1.1)
Deferred tax (credit)/charge to equity on share schemes	(1.3)	0.2
Current tax charge/(credit) to equity on share schemes	0.1	(0.1)
Total charge/(credit) to other comprehensive income or changes in equity	40.8	(3.4)

(c) Reconciliation of the total tax charge

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

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Profit before tax	390.3	185.3
Tax at the UK corporation tax rate of 19% (2020: 19%)	74.1	35.2
IFRS2 share scheme charge	(0.3)	0.2
Expenses not deductible for tax purposes	1.7	0.5
Overseas losses not utilised	2.2	1.4
Non-qualifying depreciation	0.6	1.1
Super deduction - capital allowances	(0.6)	–
Rate change	(1.7)	–
Other tax adjustments in respect of previous years	(0.2)	(0.7)
Total tax charged in the income statement	75.8	37.7

Patent box

During 2020 we were granted a patent on a new plastic leg design which we have incorporated into our sales of circa 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 will review the potential scale of any claim with our advisers before deciding whether to make a claim under these rules.

5 Earnings per share

	52 weeks to 25 December 2021			52 weeks to 26 December 2020		
From continuing operations	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	314.5	591.2	53.2	147.6	592.3	24.9
Effect of dilutive share options	–	2.1	(0.2)	–	2.7	(0.1)
Diluted earnings per share	314.5	593.3	53.0	147.6	595.0	24.8

6 Dividends

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Amounts recognised as distributions to equity holders in the period:		
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	–
Special dividend for the 52 weeks to 26 December 2020 - 9.1p/share	54.1	–
	133.6	–

	52 weeks to 25 December 2021 £m
Dividends proposed at the end of the period (but not recognised in the period):	
Proposed final dividend for the 52 weeks to 25 December 2021 – 15.2p/share	89.3
	89.3

The Directors propose a final dividend in respect of the 52 weeks to 25 December 2021 of 15.2p per share, payable to ordinary shareholders who are on the register of shareholders at 8 April 2022 and payable on 20 May 2022.

The proposed final dividend for the current period is subject to the approval of the shareholders at the 2022 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.

7 Retirement benefit obligations

(a) Overview of all retirement benefit arrangements

Defined contribution: auto-enrolment plan

The Group operates an auto-enrolment defined contribution plan for employees. Under the terms of this scheme, employees make pension contributions out of their salaries, and the Group also makes additional contributions.

The total cost charged to income in respect of this plan in the current period of £26.5m (2020: £12.2m) represents the Group's contributions due and payable in respect of the period. All of this amount was paid in the period as was also the case in the previous period.

Defined contribution: other plan

The Group operates another defined contribution plan for its employees. The assets of this plan are held separately from those of the Group, and are under the control of the scheme trustees. This plan began operation during 2006.

The total cost charged to income in respect of this plan in the current period of £0.7m (2020: £1.3m) represents the Group's contributions due and paid in respect of the period.

Defined benefit plan

Characteristics and risks of the plan:

The Group operates a funded pension plan which provides benefits based on the career average pensionable pay of participating employees. This plan was closed to new entrants from April 2013. In November 2020, the Company entered into a consultation process with affected employees and collective bargaining groups regarding the potential closure of the defined benefit Howden Joinery Pension Plan to future accrual. The outcome of the consultation was that the Plan closed to future accrual from 31 March 2021.

The assets of the plan are held separately from those of the Group, being held in a trustee-administered pension plan and invested with independent fund managers. The trustee directors of the plan comprise three member-elected trustees, two independent trustees, and three Group-appointed trustees. All trustees are required to act in the best interests of the plan beneficiaries.

The plan exposes the Group to actuarial risks, such as longevity risk, interest rate risk, inflation risk and market (investment) risk.

Accounting and actuarial valuation

Contributions are charged to the consolidated income statement so as to spread the cost of pensions over the employees' working lives with the Group. The present value of the defined benefit obligation, the related current service cost, and past service cost are determined by a qualified actuary using the projected unit method. The most recent completed actuarial valuation was carried out at 5 April 2020 by the plan actuary. The actuary advising the Group has subsequently rolled forward the results of the 5 April 2020 valuation to 25 December 2021. This roll-forward exercise involves updating all the assumptions which are market-based (i.e. inflation, discount rate, rate of increase in pensions and rate of CARE revaluation) to values as at 25 December 2021. We are using CMI 2020 mortality tables, being the most recent tables available.

Funding and estimated contributions

The Group's contributions in the current and prior periods are shown in the tables below. The Group has an agreement with the pension plan trustees to make additional deficit contributions to the plan, over and above the normal level of contributions, of £30m per year until June 2023. Under the agreement, the scheme's funding position is monitored on a monthly basis and deficit contributions are to be suspended if the scheme's funding position is 100% or greater for two consecutive months on a Technical Provisions basis, and is resumed if the funding position subsequently falls back to below 100%.

The scheme's funding reached 100% on a Technical Provisions basis part way through 2021 and remained in surplus on that basis until the year end. Additional deficit contributions were suspended throughout this time. The Group's estimated total cash contributions to the defined benefit plan in the 52 weeks ending 24 December 2022 are £3m.

This is on the assumption that the scheme remains in surplus on the Technical Provisions basis and that there are no additional deficit contributions in the year.

Differences between the defined benefit pension deficit on an IAS 19 basis and on a funding basis

As is mandatory under International Financial Reporting Standards, the Group values its pension deficit in these accounts on an IAS19 basis. As shown below, the IAS19 surplus at the current period end is £140.9m. On a funding basis (also known as a 'Technical Provisions basis', being the basis on which the triennial actuarial valuations are carried out), the funding surplus at the current period end is estimated at £65.6m, this estimate being based on an approximate roll-forward of the 2020 triennial funding valuation, updated for market conditions.

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Notes to the consolidated financial statements continued

(b) Total amounts charged in respect of pensions in the period

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Charged to the income statement:		
Defined benefit plan – current service cost	4.8	20.8
Defined benefit plan – past service cost	-	0.3
Defined benefit plan – administration costs	2.0	2.7
Defined benefit plan – total operating charge	6.8	23.8
Defined benefit plan – net finance charge	0.4	0.6
Defined contribution plans – total operating charge	27.2	13.5
Total net amount charged to profit before tax	34.4	37.9
Charged to equity:		
Defined benefit plan - actuarial (gains)/losses	(170.4)	12.7
Total charge	(136.0)	50.6

(c) Other information – defined benefit pension plan

Key assumptions used in the valuation of the plan	52 weeks to 25 December 2021	52 weeks to 26 December 2020
Rate of increase of pensions in deferment capped at lower of CPI and 5%	2.85%	2.45%
Rate of CARE revaluation capped at lower of RPI and 3%	2.55%	2.35%
Rate of increase of pensions in payment:		
– pensions with increases capped at lower of CPI and 5%	2.80%	2.45%
– pensions with increases capped at lower of CPI and 5%, with a 3% minimum	3.50%	3.35%
– pensions with increases capped at the lower of LPI and 2.5%	2.20%	2.10%
Rate of increase in salaries	4.30%	3.95%
Inflation assumption - RPI	3.30%	2.95%
Inflation assumption - CPI	2.85%	2.45%
Discount rate	1.90%	1.30%
Life expectancy (yrs): pensioner aged 65		
– male	86.6	86.5
– female	88.4	88.3
Life expectancy (yrs): non-pensioner aged 45		
– male	87.6	87.8
– female	90.3	90.5

Sensitivities

	Present value of scheme liabilities at 25 December 2021	Projected 2022 pension cost		
		Total service cost £m	Net interest (credit)/cost £m	Net pension (credit)/expense £m
Assumption				
Current valuation, using the assumptions above	(1,513)	2.5	(2.7)	(0.2)
0.5% decrease in discount rate	(1,675)	2.5	0.3	2.8
0.5% increase in inflation	(1,600)	2.5	(1.0)	1.5
1 year increase in longevity	(1,566)	2.5	(1.6)	0.9

The sensitivities above are applied to the defined benefit obligation at the end of the reporting period, and the projected total service cost for 2022. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide a reasonable approximation. The same amount of movement in the opposite direction would produce a broadly equal and opposite effect.

Balance sheet

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

	25 December 2021 £m	26 December 2020 £m
Present value of defined benefit obligations	(1,512.5)	(1,641.0)
Fair value of scheme assets	1,653.3	1,593.3
Surplus/(deficit) in the scheme, recognised in the balance sheet	140.8	(47.7)

Movements in the present value of defined benefit obligations were as follows:

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Present value at start of period	1,641.0	1,485.3
Current service cost	4.8	20.8
Past service cost	-	0.3
Administration cost	2.0	2.7
Interest on obligation	21.1	28.3
Actuarial losses/(gains):		
– changes in financial and demographic assumptions	(132.9)	165.8
– experience	20.5	(19.9)
Benefits paid, including expenses	(44.0)	(42.3)
Present value at end of period	1,512.5	1,641.0

Movements in the fair value of the plan's assets is as follows:

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Fair value at start of period	1,593.3	1,428.7
Interest income on plan assets	20.7	27.7
Contributions from the Group	25.3	46.0
Actuarial gains	58.0	133.2
Benefits paid, including expenses	(44.0)	(42.3)
Fair value at end of period	1,653.3	1,593.3

Movements in the surplus / (deficit) during the period are as follows:

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Deficit at start of period	(47.7)	(56.6)
Current service cost	(4.8)	(20.8)
Past service cost	-	(0.3)
Administration cost	(2.0)	(2.7)
Employer contributions	25.3	46.0
Other finance charge	(0.4)	(0.6)
Actuarial gains / (losses) gross of deferred tax	170.4	(12.7)
Surplus / (deficit) at end of period	140.8	(47.7)

Income statement

Amounts recognised in the income statement arising from the Group's obligations in respect of the defined benefit plan are shown below.

Amount charged to operating profit:

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Current service cost	4.8	20.8
Past service cost	-	0.3
Administration cost	2.0	2.7
Total service cost	6.8	23.8

The total service cost is included in the financial statement heading Staff Costs.

Amount credited to other finance charges:

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Interest income on plan assets	(20.7)	(27.7)
Interest cost on defined benefit obligation	21.1	28.3
Net charge	0.4	0.6

The actual return on plan assets was £78.7m (52 weeks to 26 December 2020: £160.9m).

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:

	52 weeks to 25 December 2021 £m	52 weeks to 26 December 2020 £m
Actuarial gain on plan assets	58.0	133.2
Actuarial gain/(loss) on plan liabilities	112.4	(145.9)
Net actuarial gain/(loss), before associated deferred tax	170.4	(12.7)

8 Notes to the cash flow statement

Analysis of net cash	Cash at bank and in hand £m	Short-term investments £m	Cash and cash equivalents, and net cash £m
At 26 December 2020	400.7	30.0	430.7
Cash flow	89.6	(5.0)	84.6
At 25 December 2021	490.3	25.0	515.3

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.