HOWDEN JOINERY GROUP PLC

2015 HALF-YEARLY REPORT

HIGHLIGHTS

Chief Executive, Matthew Ingle, said:

"Howdens has performed well, with sales increasing significantly in the first half. Cash generation remains strong, feedback from our depots is positive and we've seen a good start to the second half of the year.

"Howdens' successful business model has always been focused on providing real, personal service to our small builder customers and their end-clients. Through the consistent implementation of this model Howdens has grown into a large, profitable and cash-generative business with significant prospects for further growth.

"The range and extent of the opportunities we have identified, and on which our business model thrives, are increasing. We are opening more customer accounts, designing more kitchens and selling a wider range of product than ever before.

"We are increasing our investment in capacity in all areas of Howdens' business, including in property, people, product and continuity of supply. This investment will support our continuing ability to offer better service to the builder, while meeting growing demand in a rapidly sophisticating market."

Financial results (continuing operations)

The information presented here relates to the 24 weeks to 13 June 2015 and the 24 weeks to 14 June 2014, unless otherwise stated.

- Howden Joinery UK depot revenue increased by 11.1% to £475.8m (up 8.6% on a same depot basis). Group revenue was £482.6m (2014: £435.4m);
- Gross profit margin was 63.7% (2014: 63.2%), reflecting the benefit of exchange rate movements;
- Operating profit rose to £60.9m (2014: £57.6m);
- Profit before tax increased to £59.2m (2014: £57.2m), the net interest charge rising by £1.3m (due to an increase in the pensions finance charge);
- Basic earnings per share increased to 7.1p (2014: 6.6p);
- Share buyback programme underway (£4.1m spent so far);
- Net cash of £223.3m at 13 June 2015 (27 December 2014: £217.7m net cash, 14 June 2014: £161.1m net cash);
- Interim dividend of 2.8p per share declared (2014: 1.9p).

Business developments

- Investment in the future growth of the business remains a priority:
  - in line with our plans, 14 new UK depots opened so far in 2015, bringing total to 603, and three depots opened in northern France;
  - product portfolio enhanced by introduction of new kitchen ranges, and roll-out of granite and premium brand appliances;
  - capital expenditure totalled £11.7m (2014: £17.2m).

Current trading and outlook

- Howden Joinery UK depot revenue increased by 13.1% in the first four week period of the second half of the year;
- The Board is pleased with the positioning of the Group and, while we still have our important "Period 11" to come, the Group is well placed to achieve its expectations for the full year.

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Note for 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 over 600 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 has small operations in France and Belgium, with plans to extend these to Germany and Holland.

Website: www.howdenjoinerygroupplc.com

SUMMARY OF GROUP RESULTS

The information presented here relates to the 24 weeks to 13 June 2015 and the 24 weeks to 14 June 2014.

Continuing operations[1], £m unless stated	**2015**	2014
Revenue		
Group	**482.6**	435.4
including:		
- Howden Joinery UK depots	**475.8**	428.2
Gross profit	**307.3**	275.2
Gross profit margin, %	**63.7**	63.2
Operating profit	**60.9**	57.6
Profit before tax	**59.2**	57.2
Basic earnings per share	**7.1p**	6.6p
Dividend per share	**2.8p**	1.9p
Net cash at end of period	**223.3**	161.1

1 There were no discontinued operations in the first half of 2015. In the first half of 2014, there was an exceptional profit after tax on discontinued operations of £9.8m.

INTERIM MANAGEMENT REPORT

FINANCIAL REVIEW

FINANCIAL RESULTS FOR FIRST HALF OF 2015

The information presented below relates to the 24 weeks to 13 June 2015 and the 24 weeks to 14 June 2014 (continuing operations), unless otherwise stated [1].

The financial performance of the Group during the first half of 2015 benefited from the Group's competitive position and the continuing focus on improving operational performance. We also benefited from stable market conditions.

Total Group revenue increased by £47.2m to £482.6m.

Revenue £m	**2015**	2014
Group	**482.6**	435.4
comprising:		
Howden Joinery UK depots	**475.8**	428.2
Continental Europe	**6.8**	7.2

Howden Joinery UK depots' revenue rose by 11.1%, increasing 8.6% on a same depot basis.

This growth has been achieved through a number of factors and is testament to the strength of our business model. We have continued to open new depots and increased the number of customer accounts. As well as driving an increase in revenue, the business continued to focus on price discipline and margin.

Sales by our depots in continental Europe totalled £6.8m. In constant currency terms, underlying sales of the original 11 French depots were up slightly.

Gross profit rose by £32.1m to £307.3m. The gross profit margin of 63.7% (2014: 63.2%) reflects the benefit of exchange rate movements. Offsetting this was the impact of increased sales of discontinued products to make way for new ranges.

Selling and distribution costs, administrative expenses and other income increased by £28.8m to £246.4m. In addition to the costs of new depots, this reflects additional costs incurred across the business to support growth. In particular, these related to additional headcount, warehousing, our business in continental Europe, and development of our longer term strategy and plans.

Operating profit increased by £3.3m to £60.9m.

The net interest charge increased by £1.3m to £1.7m, due to a higher finance expense in respect of pensions. The net result was that profit before tax rose by £2.0m to £59.2m. The tax charge on profit before tax was £13.2m, an effective rate of tax of 22.3%.

Basic earnings per share were 7.1p (2014: 6.6p).

At 13 June 2015, the pension deficit shown on the balance sheet was £79.5m (27 December 2014: £142.6m). The decrease in the deficit in the period was due to an increase in the discount rate used to calculate liabilities and asset returns, and the Group's contribution to fund the deficit.

There was a net cash inflow from operating activities of £20.3m. This was after a cash contribution to the Group's pension deficit of £20.8m.

Working capital increased by £18.0m. Within this, debtors at the end of the period were £16.7m higher than at the beginning of the period and stock levels increased by £13.9m, reflecting the seasonality of sales. Offsetting this, creditors increased by £12.6m, and included the then still to be paid 2014 final dividend.

Also included within net cash flows from operating activities was tax paid totalling £15.8m.

Payments to acquire fixed and intangible assets totalled £11.7m (2014: £17.2m).

As part of its £70m share repurchase programme, announced on 25 February 2015, in the period the Group acquired 800,000 shares for consideration of £4.1m. These shares are held in treasury.

Reflecting the above, there was a £5.6m net cash inflow in the first half of the year, the Group having net cash at the end of the period of £223.3m (27 December 2014: £217.7m net cash, 14 June 2014: £161.1m net cash). Excluding payments in respect of the contribution to the pension deficit, there was a cash inflow of £26.4m.

DIVIDEND

It is the Group's policy to pay an interim dividend equal to one third of the previous year's full dividend (2014: 8.4p).

Reflecting this, the Board has approved the payment of an interim dividend of 2.8p per share (2014: 1.9p). It will be paid on 20 November 2015 to shareholders on the register at close of business on 23 October 2015.

Note 1 There were no discontinued operations in the first half of 2015. In the first half of 2014, there was an exceptional profit after tax from discontinued operations of £9.8m.

OPERATIONAL REVIEW

The business model of Howden Joinery is "To supply from local stock nationwide the small builder's ever-changing, routine, integrated kitchen and joinery requirements, assuring best local price, no-call-back quality and confidential trade terms".

Since it started in autumn 1995, the business has opened new depots and increased turnover continuously, except for a 12-month period in 2008-9.

Even today, with over 600 depots across the UK, we continue to see the opportunity to transform the scale of the business, seeing scope for at least 700 depots. We continue to invest in all aspects of the growth and performance of the business, including new depots and depot operations, new and existing employees, product development, and manufacturing and distribution.

UK depot network and operations

14 new depots have been opened in the UK so far this year, bringing the total to 603. A number of other depots are at various stages of the acquisition/shopfitting process, the opening programme being in line with our expectations to open 30 depots this year.

When we interact with our builder-customers' clients during the design of their new kitchen, we use our 'My kitchens' website to enable them to view visualisations of their new kitchen. Until now, this included static pictures and a video of the kitchen. This has now been enhanced with the addition of a facility that enables a 360^{0} panorama of the new kitchen to be viewed on an iPad and other devices.

Product and marketing

We continue to enhance our product offering, having introduced a number of new products during the first half of the year across all product categories. Notable amongst these were the introduction of 13 new kitchens. These included 'tongue and groove' options within our popular Burford family and a new Stockbridge family of ultra smooth matt kitchens, along with the extension of stone coloured options to most of our existing kitchen families and the introduction of ivory coloured options to a number of our kitchen ranges.

Last autumn, we trialled selling affordable granite worktops from stock, beginning in a small number of depots. At the start of this year, the trial was extended, granite now being sold from 200 depots, with more planned for the second half of the year.

Since its launch in 2009, our Lamona range of kitchen appliances has been very successful. Whilst we continue to invest in the range, as we develop it further, we are undertaking a trial of some additional branded appliances in a limited number of depots. At this stage, we have decided to sell AEG and Neff appliances throughout our depot portfolio.

We continue to invest in our marketing communications and brand advertising.

- In our latest kitchen collection brochure, we have introduced a new format to highlight each kitchen family and have added a flooring section. We have redesigned our appliance literature, introducing lifestyle photographs to make it more appealing and aspirational for end-consumers.
- To further raise awareness of the Howdens brand, we are attending 17 county shows and agricultural fairs throughout the UK during the summer.

Where appropriate, our branding now includes the Royal Arms, following the award to Howden Joinery of a Royal Warrant By Appointment to Her Majesty The Queen. This features on our websites and our vehicle fleet livery, and in our marketing material.

Manufacturing and logistics operations

Our UK-based manufacturing and logistics operations play a vital role in ensuring that we are able to supply our small builder customers from local stock nationwide at all times, having the flexibility to respond to each depot's individual needs. We continue to invest in these operations so as to ensure that this aspect of the Howdens model is never compromised, even during our critical 'Period 11', when sales are more than double the level seen in other periods.

The replacement of 460 'trailer units' for our fleet of lorries has begun, more than half having already been delivered. These have been custom-designed and built to meet our requirements, and have a revised livery that has been designed to have more visual impact and improve brand awareness. This follows last year's replacement of the fleet's 100 'tractor units'.

Continental Europe

Following our decision to extend our trial in northern France by adding a second phase of seven new depots, three of these have now been opened, with the remainder to follow later this year. Our plans to open an additional outlet further south in France and a depot in Holland, both towards the end of this year, are on course. We also intend to begin a trial in Germany, where we plan to open a depot in the first half of 2016.

CURRENT TRADING AND OUTLOOK

The good sales performance seen in the first half of 2015 has continued in the first four weeks of the second half of the year. In this period, total sales of Howden Joinery UK depots rose by 13.1% on the same period in 2014.

With our confidence in our growth prospects, we are increasing our investment in capacity in all areas of Howdens' business, including in property, people, product and continuity of supply. This investment will support our continuing ability to offer better service to the builder, while meeting growing demand in a rapidly sophisticating market.

The Board is pleased with the positioning of the Group and, while we still have our peak trading period (Period 11) to come, the Group is well placed to achieve its expectations for the full year.

GOING CONCERN

The Group meets its day-to-day working capital requirements through cash generated from operations. If required, the Group also has access to an asset-backed lending facility of £140m which expires in July 2016.

The Group's forecasts and projections have been stress-tested for reasonably possible adverse variations in economic conditions and trading performance. The results of this testing show that the Group should be able to operate within the level of its current facility and covenants. After making due enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

RELATED PARTIES

Related Party transactions are disclosed in Note 12 to the condensed set of financial statements. There have been no material changes to the related party transactions described in the last Annual Report & Accounts.

RISKS AND UNCERTAINTIES

The Board continually assesses and monitors the key risks of the business. The principal risks and uncertainties that could have a material impact on the Group's performance over the remaining 28 weeks of the financial year have not changed from those which are set out in detail on pages 20 to 21 of the Group's 2014 Annual Report & Accounts, and which are summarised below:

- Market conditions – a severe downturn in market conditions could impact on our ability to achieve sales and profit forecasts, which in turn could put pressure on our cash availability and banking covenants;
- Failure to implement the Group's business model and culture – could have an adverse effect on the Group's future financial condition and profitability;
- Failure to maximise exploiting the growth potential of the businesses – could adversely affect the Group's ability to obtain maximum benefit from its growth potential;
- Continuity of supply - could adversely affect the Group's ability to implement the business model;
- Loss of key personnel – could adversely affect the Group's operations.

A copy of the Group's 2014 Annual Report & Accounts is available on the Group's website, www.howdenjoinerygroupplc.com.

CAUTIONARY STATEMENT

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

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 24 weeks and description of principal risks and uncertainties for the remaining 28 weeks of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

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

By order of the Board

Matthew Ingle	Mark Robson
Chief Executive Officer	Deputy Chief Executive and Chief Financial Officer

22 July 2015

Condensed consolidated income statement

	Notes	**24 weeks to 13 June 2015 unaudited £m**	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Continuing operations:				
Revenue – sale of goods		**482.6**	435.4	1,090.8
Cost of sales		**(175.3)**	(160.2)	(396.3)
Gross profit		**307.3**	275.2	694.5
Selling & distribution costs		**(208.1)**	(183.0)	(423.9)
Administrative expenses		**(38.3)**	(34.6)	(80.8)
Operating profit		**60.9**	57.6	189.8
Finance income		**0.3**	0.3	0.6
Finance expense		**(0.1)**	-	(0.1)
Other finance expense - pensions		**(1.9)**	(0.7)	(1.5)
Profit before tax		**59.2**	57.2	188.8
Tax on profit	6	**(13.2)**	(14.9)	(40.1)
Profit after tax		**46.0**	42.3	148.7
Discontinued operations:				
Exceptional item – loss on discontinued operations	14	**-**	(1.7)	(2.1)
Exceptional item – tax on discontinued operations	14	**-**	11.5	11.2
Profit after tax		**-**	9.8	9.1
Profit for the period attributable to the equity holders of the parent		**46.0**	52.1	157.8
Earnings per share:				
From continuing operations				
Basic earnings per 10p share	7	**7.1p**	6.6p	23.2p
Diluted earnings per 10p share	7	**7.1p**	6.6p	23.0p
From continuing and discontinued operations				
Basic earnings per 10p share	7	**7.1p**	8.1p	24.6p
Diluted earnings per 10p share	7	**7.1p**	8.1p	24.4p

Condensed consolidated statement of comprehensive income

	Notes	**24 weeks to 13 June 2015 unaudited £m**	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Profit for the period		**46.0**	52.1	157.8
Items of other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains/(losses) on defined benefit pension plan	10	**44.2**	(30.0)	(119.6)
Deferred tax on actuarial gains/losses on defined benefit pension plan		**(8.8)**	6.0	23.9
Deferred tax on pension contributions		**-**	-	(6.3)
Current tax on pension contributions		**-**	-	6.8
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		**(0.6)**	(0.2)	(0.2)
Other comprehensive income for the period		**34.8**	(24.2)	(95.4)
Total comprehensive income for the period attributable to equity holders of the parent		**80.8**	27.9	62.4

Condensed consolidated balance sheet

	Notes	**13 June 2015 unaudited £m**	14 June 2014 unaudited £m	27 December 2014 audited £m
Non-current assets				
Intangible assets		**3.9**	3.6	3.4
Property, plant and equipment	9	**107.9**	103.1	107.1
Deferred tax asset		**24.4**	22.4	40.3
Bank borrowings net of prepaid fees		**0.1**	0.6	0.3
		136.3	129.7	151.1
Current assets				
Bank borrowings net of prepaid fees		**0.6**	0.6	0.6
Current tax asset		**2.8**	-	-
Inventories		**157.0**	134.8	143.1
Trade and other receivables		**149.8**	139.5	133.1
Investments		**45.0**	-	85.0
Cash at bank and in hand		**177.7**	160.0	131.9
		532.9	434.9	493.7
Total assets		**669.2**	564.6	644.8
Current liabilities				
Trade and other payables		**(242.9)**	(208.8)	(186.1)
Current tax liability		**-**	(0.4)	(7.9)
Current borrowings		**-**	(0.1)	-
		(242.9)	(209.3)	(194.0)
Non-current liabilities				
Non-current borrowings		**-**	-	(0.1)
Pension liability	10	**(79.5)**	(72.4)	(142.6)
Deferred tax liability		**(2.6)**	(3.6)	(2.6)
Provisions	11	**(9.0)**	(12.7)	(10.6)
		(91.1)	(88.7)	(155.9)
Total liabilities		**(334.0)**	(298.0)	(349.9)
Net assets		**335.2**	266.6	294.9
Called up equity				
Share capital		**65.2**	64.6	64.7
Share premium account		**87.5**	87.5	87.5
ESOP reserve		**7.0**	(1.5)	2.4
Treasury shares		**(4.1)**	-	-
Other reserves		**28.1**	28.1	28.1
Retained earnings		**151.5**	87.9	112.2
Total equity		**335.2**	266.6	294.9

Condensed consolidated statement of changes in equity

	Share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Other reserves £m	Retained earnings £m	Total £m
24 weeks to 13 June 2015							
At 27 December 2014 - audited	**64.7**	**87.5**	**2.4**	**-**	**28.1**	**112.2**	**294.9**
Accumulated profit for the period	**-**	**-**	**-**	**-**	**-**	**46.0**	**46.0**
Dividend declared	**-**	**-**	**-**	**-**	**-**	**(42.0)**	**(42.0)**
Net actuarial gains on defined benefit pension plan	**-**	**-**	**-**	**-**	**-**	**35.4**	**35.4**
Deferred tax on share schemes	**-**	**-**	**-**	**-**	**-**	**(2.5)**	**(2.5)**
Current tax on share schemes	**-**	**-**	**-**	**-**	**-**	**3.5**	**3.5**
Currency translation differences	**-**	**-**	**-**	**-**	**-**	**(0.6)**	**(0.6)**
Net movement in ESOP	**-**	**-**	**4.6**	**-**	**-**	**-**	**4.6**
Purchase of shares into treasury	**-**	**-**	**-**	**(4.1)**	**-**	**-**	**(4.1)**
Issue of new shares	**0.5**	**-**	**-**	**-**	**-**	**(0.5)**	**-**
At 13 June 2015 - unaudited	**65.2**	**87.5**	**7.0**	**(4.1)**	**28.1**	**151.5**	**335.2**

During the current period, the Group issued 5,289,319 shares.

	Share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
24 weeks to 14 June 2014						
At 28 December 2013 - audited	64.3	87.5	(6.3)	28.1	88.1	261.7
Accumulated profit for the period	-	-	-	-	52.1	52.1
Dividend declared	-	-	-	-	(28.8)	(28.8)
Net actuarial losses on defined benefit pension plan	-	-	-	-	(24.0)	(24.0)
Deferred tax on share schemes	-	-	-	-	(3.6)	(3.6)
Current tax on share schemes	-	-	-	-	4.6	4.6
Currency translation differences	-	-	-	-	(0.2)	(0.2)
Net movement in ESOP	-	-	4.8	-	-	4.8
Issue of new shares	0.3	-	-	-	(0.3)	-
At 14 June 2014 - unaudited	64.6	87.5	(1.5)	28.1	87.9	266.6

During the period above, the Group issued 3,662,341 shares.

Condensed consolidated statement of changes in equity - continued

	Share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
52 weeks to 27 December 2014						
As at 28 December 2013 - audited	64.3	87.5	(6.3)	28.1	88.1	261.7
Accumulated profit for the period	-	-	-	-	157.8	157.8
Dividends declared and paid	-	-	-	-	(41.0)	(41.0)
Net actuarial loss on defined benefit plan	-	-	-	-	(95.7)	(95.7)
Deferred tax on pension contributions	-	-	-	-	(6.3)	(6.3)
Current tax on pension contributions	-	-	-	-	6.8	6.8
Deferred tax on share schemes	-	-	-	-	(1.9)	(1.9)
Current tax on share schemes	-	-	-	-	5.0	5.0
Currency translation differences	-	-	-	-	(0.2)	(0.2)
Net movement in ESOP	-	-	8.7	-	-	8.7
Issue of new shares	0.4	-	-	-	(0.4)	-
As at 27 December 2014 - audited	64.7	87.5	2.4	28.1	112.2	294.9

During the period above, the Group issued 3,759,135 shares.

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Condensed consolidated cash flow statement

	Notes	**24 weeks to 13 June 2015 unaudited £m**	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Group operating profit before tax and interest:				
continuing operations		**60.9**	57.6	189.8
discontinued operations		**-**	(1.7)	(2.1)
		60.9	55.9	187.7
Adjustments for:				
Depreciation and amortisation included in operating profit		**9.4**	9.4	20.8
Share-based payments charge		**3.8**	3.1	6.4
Loss on disposal of property, plant and equipment, and intangible assets		**0.8**	0.1	0.4
Exceptional items (before tax)		**-**	1.7	2.1
Operating cash flows before movements in working capital		**74.9**	70.2	217.4
Movements in working capital and exceptional items				
Increase in stock		**(13.9)**	(11.4)	(19.7)
Increase in trade and other receivables		**(16.7)**	(17.1)	(10.7)
Increase in trade and other payables and provisions		**12.6**	20.4	23.9
Difference between pensions operating charge and cash paid		**(20.8)**	(12.6)	(32.8)
		(38.8)	(20.7)	(39.3)
Cash generated from operations		**36.0**	49.5	178.1
Tax paid		**(15.8)**	(13.9)	(30.3)
Net cash flows from operating activities		**20.3**	35.6	147.8

Condensed consolidated cash flow statement - continued

	Notes	**24 weeks to 13 June 2015 unaudited £m**	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Net cash flows from operating activities		**20.3**	35.6	147.8
Cash flows used in investing activities				
Payments to acquire property, plant and equipment, and intangible assets		**(11.7)**	(17.2)	(32.8)
Receipts from sale of property, plant and equipment, and intangible assets		**-**	0.2	0.6
Interest received		**0.3**	0.2	0.3
Net cash used in investing activities		**(11.4)**	(16.8)	(31.9)
Cash flows used in financing activities				
Interest paid		**-**	-	(0.1)
Receipts from release of shares from share trust		**0.8**	1.7	2.3
Payments to acquire own shares		**(4.1)**	-	-
Decrease/(increase) in prepaid fees and loans		**0.2**	(0.2)	0.1
Dividends paid to Group shareholders	8	**-**	-	(41.0)
Net cash (used in)/from/ financing activities		**(3.1)**	1.5	(38.7)
Net increase in cash and cash equivalents		**5.8**	20.3	77.2
Cash and cash equivalents at beginning of period	13	**216.9**	139.7	139.7
Cash and cash equivalents at end of period	13	**222.7**	160.0	216.9

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 General information

The results for the 24 week periods ended 13 June 2015 and 14 June 2014 are unaudited but have been reviewed by the Group's auditor, whose report on the current period forms part of this document. The information for the 52 week period ended 27 December 2014 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies and is available via the Group's website at www.howdenjoinerygroupplc.com. The auditor's report on those accounts was not qualified or modified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2 Accounting policies

The annual financial statements of Howden Joinery Group Plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

Basis of preparation

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out on pages 4 to 7, which include a summary of the Group's financial position, its cash flows and borrowing facilities, and a discussion of why the directors consider that the going concern basis is appropriate.

The same accounting policies, presentation methods and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except that the taxation charge for the half-year is calculated by applying the annual estimated effective tax rate to the profit for the period.

3 Segmental results

Basis of segmentation

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

4 Seasonality of revenue

Howden Joinery sales are more heavily weighted to the second half of the financial year. This partly reflects the fact that there are 24 weeks in the first half of the financial year and 28 weeks in the second half. It also reflects sales in the peak October trading period. In the last two financial years, approximately 60% of sales have been in the second half of the year.

5 Write down of inventories

During the period, the Group has recognised a net charge of £1.3m in respect of writing inventories down to their net realisable value (24 weeks to 14 June 2014 – net charge of £1.5m, 52 weeks to 27 December 2014 – net charge of £4.5m).

6 Tax

Tax for the 24 weeks to 13 June 2015 is charged at 22.3% (24 weeks to 14 June 2014: 5.9% on total operations, 26.0% excluding discontinued operations), representing the tax effects of discrete items arising in the period, together with the best estimate of the average effective tax rate expected for the full year applied to the pre-tax income of the 24 week period.

7 Earnings per share

	24 weeks to 13 June 2015 unaudited			24 weeks to 14 June 2014 unaudited			52 weeks to 27 December 2014 audited		
	Earnings £m	**Weighted average number of shares m**	**Earnings per share p**	Earnings £m	Weighted average number of shares m	Earnings per share p	Earnings £m	Weighted average number of shares m	Earnings per share p
From continuing operations									
Basic earnings per share	**46.0**	**643.4**	**7.1**	42.3	639.7	6.6	148.7	640.7	23.2
Effect of dilutive share options	**-**	**1.5**	**-**	-	1.4	-	-	6.2	(0.2)
Diluted earnings per share	**46.0**	**644.9**	**7.1**	42.3	641.1	6.6	148.7	646.9	23.0
From discontinued operations									
Basic earnings per share				9.8	639.7	1.5	9.1	640.7	1.4
Effect of dilutive share options				-	1.4	-	-	6.2	-
Diluted earnings per share				9.8	641.1	1.5	9.1	646.9	1.4
From continuing and discontinued operations									
Basic earnings per share	**46.0**	**643.4**	**7.1**	52.1	639.7	8.1	157.8	640.7	24.6
Effect of dilutive share options	**-**	**1.5**	**-**	-	1.4	-	-	6.2	(0.2)
Diluted earnings per share	**46.0**	**644.9**	**7.1**	52.1	641.1	8.1	157.8	646.9	24.4

There were no discontinued operations in the first half of 2015.

8 Dividends

Amounts recognised as distributions to equity holders in the period

	24 weeks to 13 June 2015 unaudited £m	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Final dividend for the 52 weeks to 27 December 2014 – 6.5p/share	**42.0**	-	-
Final dividend for the 52 weeks to 28 December 2013 – 4.5p/share	**-**	28.8	28.8
Interim dividend for the 52 weeks to 27 December 2014 – 1.9p/share	**-**	-	12.2
	42.0	28.8	41.0

No dividends were paid in the current period or the 24 weeks to 14 June 2014. The final dividend for the 52 weeks to 27 December 2014 (6.5p per share) was approved at the 2015 AGM in May 2015 and was paid on 19 June 2015. The final dividend for the 52 weeks to 28 December 2013 (4.5p per share) was approved at the 2014 AGM in May 2014 and was paid on 20 June 2014. The interim dividend for the 52 weeks to 27 December 2014 (1.9p per share) was paid on 21 November 2014.

Proposed dividends

On 22 July 2015, the Board approved the payment of an interim dividend of 2.8p per share, to be paid on 20 November 2015 to ordinary shareholders on the register on 23 October 2015.

	24 weeks to 13 June 2015 unaudited £m	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Proposed interim dividend for the 52 weeks to 26 December 2015 - (2.8p/share)	**18.1**		
Proposed interim dividend for the 52 weeks to 27 December 2014 - (1.9p/share)		12.2	
Proposed final dividend for the 52 weeks to 27 December 2014 - (6.5p/share)			41.6

9 Property, plant and equipment

During the period, the Group made additions of £11.6m to property, plant and equipment (24 weeks to 14 June 2014 - £17.2m; 52 weeks to 27 December 2014 - £31.6m). It also disposed of property, plant and equipment with a net book value of £0.8m (24 weeks to 14 June 2014 - £0.3m; 52 weeks to 27 December 2014 - £0.8m) for proceeds of £nil (24 weeks to 14 June 2014 - £0.2m; 52 weeks to 27 December 2014 - £0.3m).

There are non-cancellable commitments to purchase property, plant and equipment of £8.5m at the current period end (24 weeks to 14 June 2014 - £4.9m; 52 weeks to 27 December 2014 - £4.3m).

10 Retirement benefit obligations

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

	24 weeks to 13 June 2015 unaudited £m	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Charged to the income statement			
Defined benefit plan – current service cost	**(7.5)**	(5.8)	(12.4)
Defined benefit plan – administration costs	**(0.7)**	(0.7)	(1.7)
Defined benefit plan - total operating charge	**(8.2)**	(6.5)	(14.1)
Defined benefit plan - net finance charge	**(1.9)**	(0.7)	(1.5)
Defined contribution plans – total operating charge	**(1.7)**	(1.4)	(3.5)
French post-employment benefits	**-**	-	(0.2)
Total net amount charged to profit before tax	**(11.8)**	(8.6)	(19.3)
Charged/(credited) to equity			
Defined benefit scheme – actuarial gains/(losses) net of deferred tax	**35.4**	(24.0)	(95.7)

(b) Other information – defined benefit pension plan

Key assumptions used in the valuation of the plan

	24 weeks to 13 June 2015 unaudited %	24 weeks to 14 June 2014 unaudited %	52 weeks to 27 December 2014 audited %
Rate of increase of pensions in deferment capped at lower of CPI and 5%	**2.25**	2.50	2.15
Rate of CARE revaluation capped at lower of RPI and 3%	**2.50**	2.60	2.45
Rate of increase of pensions in payment:			
pensions with increases capped at the lower of CPI and 5%	**2.55**	2.60	2.45
pensions with increases capped at the lower of CPI and 5%, with a 3% minimum	**3.55**	3.60	3.55
pensions with increases capped at the lower of RPI and 2.5%	**2.30**	2.30	2.25
Rate of increase in salaries	**4.55**	4.60	4.45
Inflation assumption - RPI	**3.55**	3.60	3.45
Inflation assumption - CPI	**2.55**	2.60	2.45
Discount rate	**3.70**	4.45	3.50

Balance sheet

Movements in the deficit during the period are as follows:

	24 weeks to 13 June 2015 unaudited £m	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Deficit at start of period	**(142.6)**	(54.3)	(54.3)
Current service cost	**(7.5)**	(5.8)	(12.4)
Administration cost	**(0.7)**	(0.7)	(1.7)
Employer contributions	**29.0**	19.1	46.9
Other finance charge	**(1.9)**	(0.7)	(1.5)
Actuarial gains/(losses) gross of deferred tax	**44.2**	(30.0)	(119.6)
Deficit at end of period	**(79.5)**	(72.4)	(142.6)

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.

	24 weeks to 13 June 2015 unaudited £m	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Actuarial gain on plan assets	**10.8**	19.1	80.9
Actuarial gains/(losses) on plan liabilities	**33.4**	(49.1)	(200.5)
Total actuarial gains/(losses) before tax	**44.2**	(30.0)	(119.6)

11 Provisions

	Property £m	Warranty £m	French post-retirement benefits £m	Total £m
At 27 December 2014 - audited	6.8	3.6	0.2	10.6
Created in the period	0.6	1.8	-	2.4
Utilised in the period	(0.9)	(1.6)	-	(2.5)
Released in the period	(1.5)	-	-	(1.5)
At 13 June 2015 - unaudited	**5.0**	**3.8**	**0.2**	**9.0**

Property provision

The property provision covers two main area: (i) onerous leases on any non-trading leased properties, and (ii) obligations to make dilapidations payments to landlords of leased properties.

There is a discussion of the main sources of estimation and uncertainty which apply to this provision at note 3 to the Group's 2014 Annual Report & Accounts. The amount of the expected future cash flows has been adjusted to reflect the expected range of possibilities.

The timing of outflows from the provision is variable, and is dependent on property lease expiry dates, on opportunities to surrender leases, and on the timing of dilapidations assessments and works.

Warranty provision

The warranty provision relates to amounts due in respect of product warranties. As products are sold, the Group makes provision for claims under warranties. As claims are made, the Group utilises the provision and then uses this historical data to periodically revise the basis on which it makes further provision.

12 Related party transactions

There have been no changes to related party arrangements or transactions as reported in the 2014 Annual Report and Accounts.

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. Other transactions which fall to be treated as related party transactions are: those relating to the remuneration of key management personnel, which are not disclosed in the Half-Yearly Report and which will be disclosed in the Group's next Annual Report and Accounts; in addition, transactions between the Group and the Group’s defined benefit pension plan, which are disclosed in Note 10.

13 Notes to the cash flow statement

(a) Net cash flows from operating activities

Net cash flows related to continuing activities alone in each of the periods presented.

(b) Reconciliation of movement in net cash

	24 weeks to 13 June 2015 unaudited £m	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Net cash at start of period	**217.7**	140.5	140.5
Increase/(decrease) in cash and cash equivalents	**45.8**	20.3	(7.8)
(Decrease)/increase in short term investments	**(40.0)**	-	85.0
(Decrease)/increase in bank loans/prepaid fees	**(0.2)**	0.2	(0.1)
Decrease in finance leases	**-**	0.1	0.1
Net cash at end of period	**223.3**	161.1	217.7
Represented by:			
Cash	**177.7**	160.0	131.9
Short-term investments	**45.0**	-	85.0
Bank loans	**0.7**	1.2	0.9
Finance leases	**(0.1)**	(0.1)	(0.1)
	223.3	161.1	217.7

(c) Analysis of net cash

	Cash at bank and in hand £m	Short-term investments* £m	**Subtotal:** Cash and cash equivalents £m	Bank loans/prepaid fees** £m	Finance leases £m	**Net cash £m**
At 27 December 2014 - audited	131.9	85.0	216.9	0.9	(0.1)	217.7
Cash flow	45.8	(40.0)	5.8	(0.2)	-	5.6
At 13 June 2015 - unaudited	**177.7**	**45.0**	**222.7**	**0.7**	**(0.1)**	**223.3**

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

** Closing bank loans at 13 June 2015 comprise £0.6m disclosed in current assets and a non-current asset of £0.1m. Both of these items represent the excess of prepaid loan fees over the amount of current and non-current borrowings which are drawn down at the period end.

As previously announced, the Group's debt facilities are due to expire in July 2016.

14 Discontinued operations

There were no discontinued operations in the current period.

All discontinued operations in the prior periods are discontinued exceptional items and are analysed as follows:

	Notes	24 weeks to 14 June 2014 unaudited £m	52 weeks to 27 December 2014 audited £m
Increase to discontinued operations property provision	(a)	(1.8)	(2.2)
Release of discontinued interest accrual	(b)	0.1	0.1
Exceptional item - loss on discontinued operations		(1.7)	(2.1)
Release of tax creditor for discontinued operations	(c)	11.5	11.1
Tax credit on increase to discontinued property provision		-	0.1
Exceptional profit after tax		9.8	9.1

(a) Increase to discontinued property provisions

During the 52 weeks to 27 December 2014, we increased the provision for our remaining legacy properties.

(b) Release of discontinued interest accrual

In prior periods, the Group had been accruing for possible interest which would be due in relation to overdue tax in the event that we were unsuccessful in our dispute with HMRC relating to discontinued operations (see (c) below). Following the partial resolution of this dispute in the prior period, we obtained certainty that some of this accrual was no longer needed. We therefore released this amount.

(c) Release of tax creditor for discontinued operations

During the 52 weeks to 27 December 2014, the Group received a First Tier Tribunal judgement which gave a partial resolution of a dispute with HMRC, regarding the tax treatment of certain expenses relating to our legacy properties which had been incurred in prior periods.

In prior years, we had prepared our tax computations for accounts purposes on the basis that the disputed expense items would not be deductible for tax, and we provided for tax on that basis. The judgement gave us certainty that particular expenses may be treated as deductible for tax and we therefore recognised a tax credit based on our best estimate of the deductible expenses.

INDEPENDENT REVIEW REPORT TO HOWDEN JOINERY GROUP PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the 24 week period ended 13 June 2015, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report or for the conclusions we have formed.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the 24 week period ended 13 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor, London
22 July 2015

FINANCIAL CALENDAR

2015	
Trading update	12 November 2015
End of financial year	26 December 2015
2016	
2015 Preliminary Results	25 February 2016
Trading update	28 April 2016
Half-Yearly Report	21 July 2016
Trading update	10 November 2016
End of financial year	24 December 2016