HOWDEN JOINERY GROUP PLC

2010 PRELIMINARY RESULTS

The information presented in this document relates to the 52 weeks to 25 December 2010 and the 52 weeks to 26 December 2009, unless otherwise stated.

HIGHLIGHTS

Chief Executive, Matthew Ingle, said:

"Against a tough economic backdrop, Howdens has produced outstanding results for 2010, reflecting the efforts of all our staff, and our unique and robust business model.

"The performance of all aspects of the business has underlined our assessment of the scale of the opportunities before Howdens. Along with the continued strength of the business and its resilient financial performance, these provide the foundations for us to increase our investments in the long term growth of the business.

"Nonetheless, we expect market conditions to continue to be challenging this year and we remain cautious about the outlook. As in recent years, we will continue to adapt our business model to the market and economic conditions we encounter."

Financial results (see note 1 below)

- Howden Joinery UK depot revenue increased by 5.1% to £795.1m (up 3.6% on same depot basis). Group revenue was £807.9m (2009: £769.5m);
- Gross profit margin rose from 56.2% to 59.8%;
- Operating profit increased to £107.4m (2009: £79.5m);
- Profit before tax rose by £32.2m to £100.9m;
- Basic earnings per share increased by 2.8p to 11.1p;
- Helped by a number of 'one-off' items, there was a cash inflow of £32.6m;
- Net cash of £35.0m at 25 December 2010 (26 December 2009: £2.4m net cash).

Business developments

- Continued focus on selling prices and purchasing costs has enabled the gross profit margin to increase by more than 6 percentage points in the last two years;
- Investment in the future growth of the business stepped up:
  - 27 new depots opened in 2010, bringing total to 489;
  - capital expenditure totalled £19.2m;
  - £12.3m investment in operating costs to support growth, including over 180 additional staff in existing depots, and increased new product introduction and brand advertising;
- Further mitigation of legacy property liability, with termination of leases on four more legacy properties since the Interim Management Statement in November 2010;
- Subject to the continued progress of the Group, the Board intends that a prudent dividend should be paid with respect to the current financial year (FY 2011).

Current trading

- Comparative sales performance in the first part of 2011 was materially driven by the weather impact on trading at the start of 2010, Howden Joinery UK depot revenue in the first two periods of 2011 increasing by 14.2%, up 11.6% on a same depot basis. In addition, 2011 sales benefitted from an initiative to capitalise on the busy post-Christmas trading period of the non-trade kitchen market. Excluding these factors, management estimate that underlying growth was around 5%;
- Management's expectations for the year remain unchanged, taking into account economic conditions.

Note 1: There were no exceptional items or discontinued operations in 2010. In 2009, there was an exceptional loss of £0.1m from continuing operations and an exceptional loss of £4.4m from discontinued operations. All figures from the Consolidated Income Statement are before exceptional items from continuing operations.

Enquiries

Investors/analysts:

Gary Rawlinson	
Head of Investor Relations	+44 (0)207 404 5959 (3 March 2011 only)
	+44 (0)207 535 1127
	+44 (0)7989 397527

Media:

Brunswick	+44 (0)207 404 5959
Kate Holgate	
Kate Miller	

Note for editors:

Howden Joinery Group Plc is the parent company of Howden Joinery. In the UK, Howden Joinery is engaged in the sale of kitchens and joinery products to trade customers, primarily small local builders, through nearly 500 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 a small operation in France.

SUMMARY OF GROUP RESULTS

£m unless stated	**2010**	2009
Continuing operations before exceptional items unless stated		
Revenue		
- Group	**807.9**	769.5
- Howden Joinery UK depots	**795.1**	756.4
Gross profit	**483.0**	432.1
Gross profit margin, %	**59.8**	56.2
Operating profit	**107.4**	79.5
Profit before tax		
- excluding exceptional items	**100.9**	68.7
- including exceptional items[1]	**100.9**	68.6
Loss from discontinued items before tax		
- including exceptional items[1]	**-**	(4.4)
Earnings per share from continuing operations		
- basic excluding exceptional items	**11.1p**	8.3p
- basic including exceptional items	**11.1p**	8.3p
Earnings per share from continuing and discontinued operations		
- basic excluding exceptional items	**11.1p**	8.3p
- basic including exceptional items	**11.1p**	7.6p
Net cash at end of period	**35.0**	2.4

1 There were no exceptional items in 2010. Details of exceptional items incurred in 2009 are given in note 3 to the Financial Statements.

FINANCIAL REVIEW

There were no exceptional items or discontinued operations in 2010. In 2009, there was an exceptional loss of £0.1m from continuing operations and an exceptional loss of £4.4m from discontinued operations. All figures from the Consolidated Income Statement are before exceptional items from continuing operations.

FINANCIAL RESULTS FOR 2010

The financial performance of the Group during 2010 benefited from the strength of the Group's unique competitive position. It also benefited from actions taken during the course of 2009 and 2010 to improve financial performance, including opportunities to increase gross profit.

Total Group revenue increased by £38.4m to £807.9m.

Revenue £m	**2010**	2009
Group	**807.9**	769.5
comprising:		
Howden Joinery UK depots	**795.1**	756.4
Howden Joinery French depots	**12.8**	12.0
Hygena Cuisines*	**-**	1.1
* ceased in H1 2009		

Howden Joinery UK depot revenue rose by 5.1% to £795.1m, increasing 3.6% on a same depot basis. Trading conditions were stable throughout the year, although sales at the start of the year were impacted by severe weather conditions.

Sales by our ten French depots of £12.8m were up 12.6% in constant currency terms.

Gross profit rose by £50.9m to £483.0m. This primarily reflects the continuing focus in our depots on the gross profit margin of every sale and the benefit of a small price increase implemented early in the year. In addition, gross profit benefited from the impact on the cost of goods sold of purchasing and manufacturing efficiencies, with exchange rate movements only having a limited impact.

As a result, the gross profit margin for the year was 59.8% (2009: 56.2%), more than 6 percentage points higher than in 2008.

Selling and distribution costs and administrative expenses increased by £23.0m to £375.6m. This reflects the costs of new depots, investment in operations to support the growth of the business (see below) and the impact of inflation, particularly on payroll costs, as well as the reversal of 'one-off' savings that occurred in 2009.

Operating profit increased by £27.9m to £107.4m.

The net interest charge fell by £4.3m to £6.5m, due to the lower level of debt in 2010 and the reduced finance expense in respect of pensions. The net result was profit before tax and exceptional items rose by £32.2m to £100.9m.

The tax charge on profit before tax was £34.0m, an effective rate of tax of 33.7%. This tax rate mainly reflects the impact of depreciation on capital expenditure that is disallowable for tax purposes and other non-deductible expenditure. It also reflects the impact of the reduction in the UK Corporation Tax rate to 27% on deferred tax assets and the resulting deferred tax charge to the Income Statement.

Basic earnings per share before exceptional items were 11.1p (2009: 8.3p).

At 25 December 2010, the pension deficit shown on the balance sheet was £135.7m (26 December 2009: £196.3m), the reduction mainly arising from a change in the inflation assumptions from RPI to CPI for determining the minimum increase to pensions earned between 1997 and 2006. This follows the UK Government's intention to change the statutory inflation measure. The impact of a decrease in the net discount rate (i.e. the difference between the discount rate and the assumed rates of increase in salaries, deferred pension revaluation and pensions in payment) was offset by an increase in the schemes' assets.

Net cash inflows from operating activities were £51.5m. This included payments relating to 'legacy' properties totalling £37.5m and a cash contribution to the Group's pension schemes, in excess of the operating charge, totalling £25.4m.

Excluding the 'legacy' property payments, underlying working capital movements generated a cash inflow of £3.4m. Within this, stock levels at the end of the year were £19.2m higher than at the end of 2009, reflecting stock in new depots, new products and a higher level of sales anticipated in January 2011. This was offset by an increase in creditors of £22.2m, the level of debtors being virtually unchanged. In respect of debtors, we have seen an improvement in the age-profile of debtors and a reduction in the level of bad debt write-off.

Also included within net cash flows from operating activities was tax paid totalling £16.0m.

Payments to acquire fixed and intangible assets totalled £18.2m (2009: £8.1m).

As a result of the above, there was a net cash inflow of £32.6m in 2010, the Group having net cash of £35.0m at 25 December 2010 (26 December 2009: £2.4m net cash). Excluding the payments relating to 'legacy' properties and the pension deficit contribution, there was a cash inflow of £95.5m.

Looking forward, net cash flow in 2011 is expected to be significantly different from that seen in 2010 because of a number of factors:

- a £8m higher pension deficit contribution, in line with the three-year agreement reached in 2009;
- a larger tax payment to HMRC, which will include the impact of higher profits; and
- increased capital expenditure and investment in working capital, to support the growth of the business.

In addition, we will continue to pursue deals to terminate legacy property leases, which historically have delivered very high returns - we have already completed three deals so far this year (see below).

DIVIDEND

No dividend has been recommended for the year to 25 December 2010. However, given the encouraging results and the strengthening financial position of the Group, the Board intends that a prudent dividend should be paid with respect to the current financial year (FY 2011), subject to the continued progress of the Group.

OPERATIONAL REVIEW

The overriding strategic goal of Howden Joinery is "To supply from local stock nationwide the small builder's ever-changing routine kitchen and joinery requirements, assuring no-call-back quality and best local price".

In July 2010, in our Half-Yearly Report, we said that the opportunity to transform the scale of the business was apparent and that, as the performance of the business was improving and legacy issues were diminishing, we were stepping up investment in the future growth of Howden Joinery.

During 2010, this investment in growth saw not only a step-up in capital expenditure but also increased expenditure in a number of other areas.

Depot network

During the course of 2010, 27 new depots were opened, bringing the total trading at the end of the year to 489. In addition, three depots were relocated and two depots were extended.

Staffing levels were increased in existing depots of all ages to facilitate their growth, numbers growing by over 180 during the year.

A system enabling each depot to send its local marketing material by text message to their customers en bloc rather than individually was introduced in the autumn. A new depot 'information system' was introduced, making technical information more easily accessible for our staff and customers.

Manufacturing and logistics operations

A number of projects were undertaken to increase capacity and improve efficiency within our manufacturing and logistics operations. These included the automation of 'end of line' processes at our Runcorn factory and the introduction of voice automation for small parts picking in our warehouses.

Supporting this, the roll-out of new IT systems to all our manufacturing plants was completed and a new warehouse management system was implemented in our distribution centre in Northampton. These systems facilitate improved production planning and stock control.

Product and marketing

At the end of 2009, we developed the concept of the 'family' range of kitchens, which focused on a number of our best selling kitchens and the finishes that they were available in. During the course of the year, 12 new kitchens were introduced, broadening the appeal of four key ranges. We also continued to develop and improve our 'own brand' Lamona range of appliances, sinks and taps; extended the range of Bosch appliances to cover all categories; and introduced a number of new internal doors.

These new product introductions were supported by a number of events to inform our depot employees about the new products and to seek their views on products being considered for future introduction. As well as regularly updating our Kitchens catalogue, we introduced a new Appliance, sinks and taps catalogue, a smaller A5 version of the Kitchens catalogue and a new Accessories catalogue. We also undertook a number of new advertising campaigns aimed at raising awareness of the Howdens brand, thereby supporting our small builder customers.

GROUP DEVELOPMENTS

Legacy properties

The Group continues to reduce its 'legacy property' portfolio.

After November's Interim Management Statement, the lease of one property was terminated prior to the year-end. This meant that the leases of 12 properties were terminated during the year, at a cost of £19.4m, mitigating future liabilities that would have totalled nearly £75m. In addition, three leases expired during the year. Since the year-end, the leases of three properties have been terminated at a cost of £3.9m, mitigating future liabilities that would have totalled over £12m, with one additional lease having expired.

As a result, the number of legacy properties now stands at 36, compared with 55 at the end of 2009. Included within this are 17 properties that are fully or part occupied by tenants.

The profile of properties remaining and the net annual rent and rates (current values) for the associated leases going forward, before any mitigating action is taken, is shown below.

	Current	As at 31 Dec 2011	31 Dec 2014	31 Dec 2019	31 Dec 2024
Number of properties[1]	36	35	21	10	3[3]
Net annual rent and rates, £m[2]	11.1	11.1	6.0	4.5	0.4

Estimated future costs associated with these properties were provided for in 2009 and previous years.

1. *Vacant and tenanted.*
2. *Gross rent & rates less payments by tenants.*
3. *All leases expire during the course of 2025.*

CURRENT TRADING AND OUTLOOK FOR 2011

Howden Joinery UK depot total sales in the first two periods of 2011 (to 19 February) were up 14.2% on the same periods last year, with sales on a same depot basis up 11.6%. This increase was materially driven by the weather impact on trading at the start of 2010. In addition, 2011 sales benefitted from an initiative to capitalise on the busy post-Christmas trading period of the non-trade kitchen market. Excluding these factors, management estimate that underlying growth was around 5%.

For the rest of 2011, we expect market conditions to continue to be challenging and we remain cautious about the outlook. As in recent years, we will continue to adapt our business model to the market and economic conditions we encounter.

As a result, our expectations for the year remain unchanged.

The Group remains committed to its view that the number of depots in the UK can be increased to at least 650 in the longer term. During the course of 2011, we are currently planning to open around 30 depots as part of our investment in the next stage of Howdens' longer term growth and development.

Since its inception in 1995, Howden Joinery has grown rapidly and has gained a significant share of the UK kitchen market. Today, it sells some 400,000 kitchens a year. Even in these challenging market conditions, we would expect our market share growth to continue, as the business continues to benefit from the growth of our depots that have yet to reach maturity and we open new depots.

RISKS AND UNCERTAINTIES

The Board considers that the principal risks to achieving its business goals are as set out below (not in any order of priority).

MANAGEMENT OF COMMERCIAL RISK AND UNCERTAINTIES

Defined benefit pension scheme

Accounting for pensions and other post-retirement benefits involves judgement about uncertain events, including estimated retirement dates, salary levels, mortality rates, inflation rates, rates of return on scheme assets and determination of discount rates for measuring plan obligations. The assumptions used from year to year may vary, which will affect future results of operations. Any difference between these assumptions and the actual outcome also affects future results of operations. Pension assumptions are discussed and agreed with the independent actuaries in December each year. These assumptions are used to determine the projected benefit obligation at the year-end and hence the liability or asset recorded on the Group's balance sheet.

At 25 December 2010, the Group's defined benefit pension scheme had a deficit of £135.7m (2009: £196.3m). Changes in this deficit are affected by the assumptions made in valuing the liabilities and the market performance of the assets. In 2010, there was a £64.4m reduction in the deficit arising from a change in the inflation assumptions from RPI to CPI for determining the minimum increase to pensions earned between 1997 and 2006. This follows the UK Government's intention to change the statutory inflation measure. The discount rate used for measuring the defined benefit liabilities decreased from 5.65% in 2009 to 5.50% in 2010.

As part of the secured lending facilities announced on 17 February 2006, the Company and the Trustees, together with the Pensions Regulator, reached agreement with regard to the funding of the remaining deficit. The Trustees have been granted security over the Group's shares in Howden Joinery Limited.

As part of the triennial valuation, which was completed in 2009, the Group and its pension trustees agreed a schedule of contributions until April 2012. The payment schedule is based on the Group's profit performance, which means that payments will be reduced should performance deteriorate significantly. The next triennial valuation will be completed in 2011 and a new payment schedule will then be agreed.

Legacy properties

At the end of 2010, the Group was responsible for a total of 40 properties. These properties included non-trading MFI properties excluded from the sale of MFI in October 2006 and properties guaranteed by the Group, the liabilities for which reverted to the Group following the administration of MFI and Sofa Workshops. We have already substantially reduced the total number of legacy properties for which we are liable and we continue to work to mitigate our current and future liabilities. As a result, total property provisions at the 2010 year-end totalled £54.4m, compared with £84.4m in 2009. These provisions are reviewed on a regular basis to ensure that the Group is adequately covered in respect of reasonably foreseeable events.

Since the year-end, we have agreed with landlords to terminate three leases and one lease has expired. As a result, the Group is currently responsible for a total of 36 properties with a net annual rent and rates liability of £11.1m.

Market conditions

The Group's products are sold to professional fitters for installation in public and private housing, predominantly in the repair, maintenance and improvement market. The results are consequently dependent on levels of activity in these markets, which in turn are impacted by many factors including general economic conditions, consumer confidence, interest rates and credit availability, unemployment, demographic trends and, in the short term, weather. We monitor the market closely and can take swift management action as necessary to address any adverse change and ensure that the business is aligned to market conditions.

IT systems

The business involves high transaction volumes and complex logistics. We are therefore heavily dependent on the resilience of both the application software and the data-processing and network infrastructure in our depots, logistics operations and back-office functions. A serious failure could immediately and materially affect our business. The Group has a detailed disaster recovery plan in place. Our main data centre in Northampton has high levels of resilience built into it and we also have a physically separate third party disaster-recovery site in Harrogate.

Continuity of supply

Any disruption to the relationship with key suppliers or interruption to manufacturing operations could adversely affect the Group's ability to meet its sales and profit plans. With suppliers, the Group strives to maintain dual supply wherever possible in the event that a key supplier is unable to deliver goods or services. Good supplier relations are maintained by regular communication, an annual supplier conference and prompt settlement of invoices. Within our manufacturing operations, we adopt best practice health & safety and fire prevention procedures.

Failure to implement business strategy

The future success of Howden Joinery's business depends on the successful implementation of the Company's strategy and culture. In particular, if the Group fails to implement Howdens' business model in the locally enabled, decentralised manner envisaged, there may be an adverse affect on the Group's future financial condition and results of operations.

Product design leadership

If there was a misalignment between the products we offer and the requirements of our customers and the current trends in the market, there may be an adverse change on the Group's future financial condition and results of operations. Active engagement with suppliers, independent research and, critically, depot managers and their designers encourages and enables product development activity.

Loss of key personnel

The Group's success depends largely on the skills, experience and performance of some key members of its management team. The loss of any key members of the Group's management may adversely affect the Group's financial condition and results of operations. The Group utilises the Remuneration Committee to ensure that team members are appropriately compensated for their roles.

MANAGEMENT OF FINANCIAL RISK AND UNCERTAINTIES

The Group holds financial instruments for one principal purpose: to finance its operations. The Group does not currently use derivative financial instruments to reduce its exposure to interest or exchange rate movements. The Group finances its operations by a mixture of cash flows from operations and longer term loans from banks. Treasury operations are managed within policies and procedures approved by the Board.

The main risks arising from the Group's financial instruments are funding and liquidity risk, interest rate risk, counterparty risk and foreign currency risk discussed below.

No speculative use of derivatives, currency or other instruments is permitted. The Treasury function does not operate as a profit centre and transacts only in relation to the underlying business requirements.

Funding and liquidity

The Group's objective with respect to managing capital is to maintain a balance sheet structure that is both efficient in terms of providing long-term returns to shareholders and safeguards the Group's ability to continue as a going concern. As appropriate, the Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, returns of capital to shareholders, issuing new shares or the level of capital expenditure.

During 2010, the Group had a £160m asset-backed bank facility which is due to expire in May 2014.

The Group's committed borrowing facility contains certain financial covenants which have been met throughout the 2010 year. The covenants are tested every four weeks and are based around: (i) fixed charges; (ii) tangible net worth; and (iii) earnings before interest, tax, depreciation and amortisation (EBITDA) for Howden Joinery Limited.

In addition, our pension trustees, who carry a charge over the share capital of Howden Joinery Limited, have a separate covenant test around the EBITDA of Howden Joinery Limited.

The current economic conditions create uncertainty around the Group's trading position, particularly over the level of demand for the Group's products and the exchange rate between sterling and both the Euro and the US dollar. The Group's latest forecasts and projections have been stress-tested for reasonably possible adverse variations in trading performance and show that the Group will operate within the terms of its borrowing facility and covenants for the foreseeable future.

The cash drawdown against the bank facility at the year-end was £5.5m and, after taking into account other utilisation of the facilities for terminable indemnities, the Group was left with £149.9m of available funds.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings may be managed when necessary by borrowing on a fixed rate basis and entering into rate swaps, rate caps and forward rate agreements. The Group's policy objective has been to undertake transactions of this nature only when net debt exceeds £150m. Net debt has not exceeded £150m during the year.

Counterparty risk

Group Treasury policy on investment restricts counterparties to those with a minimum Standard and Poor's/Moody's long term credit rating of AA- and a short term credit rating of A-1/P-1. Investments mainly consist of bank deposits and certificates of deposit. The Group continuously reviews the credit quality of counterparties, the limits placed on individual credit exposures and categories of investments.

Foreign currency risk

The most significant currencies for the Group are the US dollar and the Euro. It is difficult to pass the prescribed tests under IAS 39 'Financial Instruments: Recognition and Measurement' to ensure the ability to hedge account for derivative currency transactions. As the resultant volatility cannot be avoided in the profit and loss account, it is the view of the Board that routine transactional conversion between currencies are completed at the relevant spot exchange rate. This policy is reviewed on a regular basis.

The net favourable impact of exchange rates on currency transactions in the year, compared to the previous year, was to reduce cost of sales by £2.4m to £324.9m. The Group does not have many overseas assets/liabilities, so the impact of currency translation is not material.

Set out in the table below are the principal exchange rates versus the UK pound affecting the Group's profits.

Principal exchange rates versus UK pound (£)	2010 Average	2010 Year-end	2009 Average	2009 Year-end
United States dollar (US$)	1.55	1.54	1.57	1.60
Euro (€)	1.17	1.18	1.12	1.12

No new accounting standards which have an implication for the Group came into effect during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors confirm that to the best of their knowledge:

- the 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 Company and the undertakings including the consolidation taken as a whole; and

- the review of operations and finance along with other documents which are incorporated into the directors' report, together include a fair review of the development and performance of the business and the position of the Company 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

M Ingle	M Robson
Chief Executive Officer	Chief Financial Officer
2 March 2011	2 March 2011

Consolidated income statement

	Notes	52 weeks to 25 December 2010 Total £m	52 weeks to 26 December 2009 Before exceptional items £m	Exceptional items (note 3) £m	Total £m
Continuing operations:					
Revenue – sale of goods		**807.9**	769.5	-	769.5
Cost of sales		**(324.9)**	(337.4)	-	(337.4)
Gross profit		**483.0**	432.1	-	432.1
Selling & distribution costs		**(315.5)**	(294.0)	-	(294.0)
Administrative expenses		**(60.1)**	(58.6)	-	(58.6)
Other operating expenses	3	**-**	-	(0.1)	(0.1)
Operating profit		**107.4**	79.5	(0.1)	79.4
Finance income	4	**0.3**	0.2	-	0.2
Finance expense	5	**(1.5)**	(3.0)	-	(3.0)
Other finance expense - pensions	5	**(5.3)**	(8.0)	-	(8.0)
Profit before tax		**100.9**	68.7	(0.1)	68.6
Tax on profit	6	**(34.0)**	(18.5)	-	(18.5)
Profit after tax		**66.9**	50.2	(0.1)	50.1
Discontinued operations:					
Loss before tax		**-**	-	(4.4)	(4.4)
Tax on loss	6	**-**	-	-	-
Loss after tax		**-**	-	(4.4)	(4.4)
Profit for the period attributable to the equity holders of the parent		**66.9**	50.2	(4.5)	45.7
Earnings per share:		**pence**			pence
From continuing operations					
Basic earnings per 10p share	7	**11.1**			8.3
Diluted earnings per 10p share	7	**10.8**			8.3
From continuing and discontinued operations					
Basic earnings per 10p share	7	**11.1**			7.6
Diluted earnings per 10p share	7	**10.8**			7.5

Consolidated statement of comprehensive income

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Profit for the period	**66.9**	45.7
Items of other comprehensive income:		
Actuarial gains/(losses) on defined benefit pension schemes	**40.5**	(87.0)
Deferred tax on actuarial (gains)/losses on defined benefit pension schemes	**(11.3)**	24.4
Deferred tax on share schemes	**-**	2.1
Currency translation differences	**(0.8)**	(0.7)
Other comprehensive income for the period	**28.4**	61.2
Total comprehensive income for the period attributable to equity holders of the parent	**95.3**	(15.5)

Consolidated balance sheet

	Notes	25 December 2010 £m	26 December 2009 £m
Non current assets			
Goodwill		**2.5**	2.5
Other intangible assets		**4.8**	5.4
Property, plant and equipment		**80.8**	79.5
Investments		**2.0**	2.0
Deferred tax asset		**50.1**	73.6
		140.2	163.0
Current assets			
Inventories		**105.5**	86.3
Trade and other receivables		**95.0**	95.4
Other assets		**0.2**	0.7
Cash at bank and in hand		**38.6**	14.0
		239.3	196.4
Total assets		**379.5**	359.4
Current liabilities			
Trade and other payables		**(136.8)**	(119.4)
Current tax liability		**(18.9)**	(12.8)
Current borrowings		**(1.5)**	(2.3)
		(157.2)	(134.5)
Non current liabilities			
Non current borrowings		**(2.3)**	(10.0)
Pension liability		**(135.7)**	(196.3)
Deferred tax liability		**(5.3)**	(5.5)
Provisions	8	**(55.9)**	(86.8)
		(199.2)	(298.6)
Total liabilities		**(356.4)**	(433.1)
Net assets/(liabilities)		**23.1**	(73.7)
Equity			
Called up share capital		**63.4**	63.4
Share premium account		**85.1**	85.1
ESOP reserve		**(26.0)**	(27.5)
Other reserves		**28.1**	28.1
Retained loss		**(127.5)**	(222.8)
Total surplus/(deficit)		**23.1**	(73.7)

The financial statements were approved by the Board on 2 March 2011 and were signed on its behalf by Mark Robson – Chief Financial Officer.

Consolidated statement of changes in equity

	Called up share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
As at 27 December 2008	63.4	85.1	(27.1)	28.1	(207.3)	(57.8)
Net actuarial loss on defined benefit scheme	-	-	-	-	(62.6)	(62.6)
Foreign exchange	-	-	-	-	(0.7)	(0.7)
Accumulated profit for the period	-	-	-	-	45.7	45.7
Net movement in ESOP	-	-	(0.4)	-	-	(0.4)
Deferred tax on share schemes	-	-	-	-	2.1	2.1
As at 26 December 2009	63.4	85.1	(27.5)	28.1	(222.8)	(73.7)
Net actuarial gain on defined benefit scheme	-	-	-	-	29.2	29.2
Foreign exchange	-	-	-	-	(0.8)	(0.8)
Accumulated profit for the period	-	-	-	-	66.9	66.9
Net movement in ESOP	-	-	1.5	-	-	1.5
As at 25 December 2010	**63.4**	**85.1**	**(26.0)**	**28.1**	**(127.5)**	**23.1**

The ESOP Reserve includes shares in Howden Joinery Group plc with a market value on the balance sheet date of £26.2m (2009: £22.5m), which have been purchased in the open market and which are held by the Group's Employee Share Trusts in order to satisfy share options and awards made under the Group's various share-based payment schemes.

The Other Reserve was created in the year to 30 April 1994, following a Group reconstruction.

Consolidated cash flow statement

	Notes	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Net cash flows from operating activities	9	**51.5**	71.4
Cash flows used in investing activities			
Payments to acquire property, plant and equipment and intangible assets		**(18.2)**	(8.1)
Interest received		**0.3**	0.2
Receipts from sale of property, plant and equipment and intangible assets		**0.3**	1.2
Repayment of investment		**-**	2.0
Net cash used in investing activities		**(17.6)**	(4.7)
Cash flows from financing activities			
Interest paid		**(1.3)**	(3.1)
Decrease in loans		**(7.1)**	(69.7)
Repayment of capital element of obligations under finance leases		**(1.4)**	(1.7)
Decrease in other assets		**0.5**	0.6
Net cash used in financing activities		**(9.3)**	(73.9)
Net increase/(decrease) in cash and cash equivalents		**24.6**	(7.2)
Cash and cash equivalents at beginning of period	9	**14.0**	21.2
Cash and cash equivalents at end of period	9	**38.6**	14.0

For the purpose of the cash flow statement, cash and cash equivalents are included net of overdrafts payable on demand. These overdrafts are excluded from the definition of cash at bank and in hand disclosed on the balance sheet. There were no such overdrafts at the current or prior period ends.

Cash flows from discontinuing operating activities are shown in note 9. There are no cash flows from discontinued investing or financing activities.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The Group's accounting period covers the 52 weeks to 25 December 2010. The comparative period covered the 52 weeks to 26 December 2009.

The preliminary results for the year ended 25 December 2010 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") adopted for use in the European Union and International Financial Reporting Interpretations Committee interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies, presentation methods and methods of computation followed are the same as those detailed within the 2009 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 Section 435 of the Companies Act 2006. The statutory accounts for the 52 weeks to 26 December 2009 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 25 December 2010 will be filed in due course. The auditors' reports on these 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 results

Primary segmental reporting: business segments

(a) Basis of segmentation

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

(b) Other information

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Capital additions	**19.2**	8.8
Depreciation and amortisation	**(18.2)**	(18.1)

3 Exceptional items

There are no exceptional items in the 52 weeks to 25 December 2010.

Exceptional items charged to the income statement in the 52 weeks to 26 December 2009 are analysed as follows:

	Notes	Other operating expenses £m	**Total £m**
Continuing operations:	a		
Loss on disposal of property, plant and equipment		0.1	**0.1**
Total charged to operating profit		0.1	**0.1**
Tax on exceptional items			**-**
Total exceptional items after tax			**0.1**
Discontinued operations:	b		
Costs and obligations relating to empty properties			**4.4**
Total exceptional items before tax			**4.4**
Tax on exceptional items			**-**
Total exceptional items after tax			**4.4**
Continuing and discontinued operations:			
Total exceptional items before tax			**4.5**
Tax on exceptional items			**-**
Total exceptional items after tax			**4.5**

(a) Continuing operations

The item "Loss on disposal of property, plant and equipment" comprises the net loss on disposals of property, plant and equipment during the current period.

(b) Discontinued operations

As was disclosed in the Contingent Liabilities note to the Group's Annual Report and Accounts for the 52 weeks ended 27 December 2008, the Group is guarantor for certain leases in relation to properties which were held by Sofa Workshop Limited and which were occupied by Sofa Workshop retail operations. During the course of the 52 weeks to 26 December 2009, these contingent liabilities crystallised and the Group began to incur costs in connection with them.

The item "Costs and obligations relating to empty properties" covers the Group's best estimate of the rent, rates and other associated costs of these properties. It includes amounts paid under the property guarantees up to the end of the current period, as well as a provision for expected future amounts payable. The amounts are discounted to their present value where material. The provision element of the exceptional item is included as part of the total additions to the property provision in the period shown in note 8.

4 Finance income

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Bank interest receivable	**-**	0.2
Other interest receivable	**0.3**	-
Total finance income	**0.3**	0.2

5 Finance expenses and other finance expense – pensions

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Finance expenses		
Interest payable on bank loans	**(1.3)**	(2.6)
Finance charge on remeasuring creditors to fair value	**(0.2)**	(0.2)
Interest charge on finance lease payments	**-**	(0.2)
Total finance expenses	**(1.5)**	(3.0)

Further details of the finance charge on remeasuring creditors to fair value in the current period are given in note 8.

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Other finance expense - pensions		
Pension finance expense	**(5.3)**	(8.0)

6 Tax

(a) Tax in the income statement

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Current tax		
Current year	**22.7**	15.2
Adjustments in respect of previous years	**(0.7)**	(2.2)
Total current tax	**22.0**	13.0
Deferred tax		
Current year	**11.2**	4.3
Adjustments in respect of previous years	**0.8**	1.2
Total deferred tax	**12.0**	5.5
Total tax charged to the income statement	**34.0**	18.5

UK Corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the period. The tax in the Income Statement all relates to continuing operations.

(b) Tax relating to items credited to equity

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Deferred tax		
Actuarial gain/(loss) on pension scheme	**11.3**	(24.4)
Credit to equity on share schemes	**-**	(2.1)
Total tax credited to statement of recognised income and expense	**11.3**	(26.5)

The tax relating to items credited to equity all relates to continuing operations.

(c) Reconciliation of the total tax charge

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

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Profit before tax:		
Continuing operations	**100.9**	68.6
Discontinued operations	**-**	(4.4)
	100.9	64.2

	Continuing operations					
	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m	**52 weeks to 25 December 2010 £m**	52 weeks to 26 December 2009 £m	**52 weeks to 25 December 2010 £m**	52 weeks to 26 December 2009 £m
Tax at the UK Corporation tax rate of 28% (2009: 28%)	**28.3**	19.2	**-**	(1.2)	**28.3**	18.0
Expenses not deductible for tax purposes	**3.5** **	0.5 **	**-**	1.2	**3.5**	1.7
Change of tax rate	**1.6** ***	-	**-**	-	**1.6**	-
Non-qualifying depreciation	**0.6**	1.1	**-**	-	**0.6**	1.1
Tax adjustment in respect of previous years	**-**	(1.0)	**-**	-	**-**	(1.0)
IFRS2 share scheme charge*	**-**	(1.0)	**-**	-	**-**	(1.0)
Others	**-**	(0.3)	**-**	-	**-**	(0.3)
Total tax charged in the income statement	**34.0**	18.5	**-**	-	**34.0**	18.5

* Permanent differences arise in relation to share schemes, resulting from a difference between the accounting and tax treatments. In accordance with IAS 12, the excess of current and deferred tax over and above the related cumulative remuneration expense under IFRS 2 has been recognised directly in equity.

** The Group has assumed no tax relief for the payments and provisions made in association with the MFI and Sofa Workshop guarantees until the tax position is agreed with HMRC.

*** On 8 April 2010, the House of Commons approved the Finance Bill which reduces the UK standard rate of Corporation Tax from 28% to 27% with effect from 1 April 2011.

7 Earnings per share

	52 weeks to 25 December 2010			52 weeks to 26 December 2009		
	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	**66.9**	**605.2**	**11.1**	50.1	602.8	8.3
Effect of dilutive share options	**-**	**12.2**	**(0.3)**	-	3.2	-
Diluted earnings per share	**66.9**	**617.4**	**10.8**	50.1	606.0	8.3
From discontinued operations						
Basic loss per share	**-**	**605.2**	**-**	(4.4)	602.8	(0.7)
Effect of dilutive share options	**-**	**12.2**	**-**	-	3.2	-
Diluted loss per share	**-**	**617.4**	**-**	(4.4)	606.0	(0.7)
From continuing and discontinued operations						
Basic earnings per share	**66.9**	**605.2**	**11.1**	45.7	602.8	7.6
Effect of dilutive share options	**-**	**12.2**	**(0.3)**	-	3.2	(0.1)
Diluted earnings per share	**66.9**	**617.4**	**10.8**	45.7	606.0	7.5
From continuing operations excluding exceptional items						
Basic earnings per share	**66.9**	**605.2**	**11.1**	50.2	602.8	8.3
Effect of dilutive share options	**-**	**12.2**	**(0.3)**	-	3.2	-
Diluted earnings per share	**66.9**	**617.4**	**10.8**	50.2	606.0	8.3
From continuing and discontinued operations excluding exceptional items						
Basic earnings per share	**66.9**	**605.2**	**11.1**	50.2	602.8	8.3
Effect of dilutive share options	**-**	**12.2**	**(0.3)**	-	3.2	-
Diluted earnings per share	**66.9**	**617.4**	**10.8**	50.2	606.0	8.3

8 Provisions

	Property provision £m	Other provisions £m	Total £m
At 27 December 2008	115.7	4.1	119.8
Additional provision in the period	12.4	2.1	14.5
Provision released in the period	(0.2)	(1.4)	(1.6)
Utilisation of provision in the period	(43.5)	(2.4)	(45.9)
At 26 December 2009	84.4	2.4	86.8
Additional provision in the period	7.9	1.9	9.8
Provision released in the period	(0.4)	(1.0)	(1.4)
Utilisation of provision in the period	(37.5)	(1.8)	(39.3)
At 25 December 2010	**54.4**	**1.5**	**55.9**

The property provision mainly covers onerous leases. For any such leases, the Group provides for any shortfall between rent payable and rent receivable on any non-trading leased properties. The provision is based on the period until the end of the lease, or until the Group can cover the shortfall by subletting, assigning or surrendering the lease. The property provision also includes amounts for any related shortfalls in business rates on these properties, dilapidations, agents' fees and other professional fees.

During the current period, the property provision has been increased by £0.2m arising from an unwinding of the discount rate over time. None of this amount relates to changes in the discount rate. This amount is shown as a finance charge in note 5. The amount of the expected future cash flows has been adjusted to reflect the expected range of possibilities and, as the outflows under this provision are expected to take place over a number of years, the provision has been discounted to its present value.

Other provisions relate to amounts due in respect of contractual terminations.

9 Notes to the cash flow statement

(a) Net cash flows from operating activities

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Group operating profit before tax and interest		
Continuing operations	**107.4**	79.4
Discontinued operations	**-**	(4.4)
Group operating profit before tax and interest	**107.4**	75.0
Adjustments for:		
Depreciation and amortisation included in operating profit	**18.2**	18.1
Share-based payments charge/(credit)	**1.4**	(0.4)
Loss on disposal of property, plant and equipment and intangible assets	**-**	0.1
Other exceptional items (before tax)	**-**	4.4
Operating cash flows before movements in working capital	**127.0**	97.2
Movements in working capital and exceptional items		
(Increase)/decrease in stock	**(19.2)**	35.0
Decrease in trade and other receivables	**0.4**	3.8
Decrease in trade and other payables and provisions	**(15.3)**	(38.3)
Difference between pensions operating charge and cash paid	**(25.4)**	(20.9)
Net cash flow – other exceptional items	**-**	(0.4)
	(59.5)	(20.8)
Cash generated from operations	**67.5**	76.4
Tax paid	**(16.0)**	(5.0)
Net cash flow from operating activities	**51.5**	71.4

Net cash flow from operating activities comprises:		
Continuing operating activities	**51.5**	71.8
Discontinued operating activities	**-**	(0.4)
	51.5	71.4

(b) Reconciliation of net cash

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Net cash/(debt) at start of period	**2.4**	(61.2)
Net increase/(decrease) in cash and cash equivalents	**24.6**	(7.2)
Net decrease in current asset investments	**(0.5)**	(0.6)
Decrease in bank borrowings	**7.1**	69.7
Decrease in finance leases	**1.4**	1.7
Net cash at end of period	**35.0**	2.4

Represented by:		
Cash and cash equivalents	**38.6**	14.0
Investments	**0.2**	0.7
Bank loans	**(3.4)**	(10.5)
Finance leases	**(0.4)**	(1.8)
	35.0	2.4

(c) Analysis of net cash

	Cash and cash equivalents £m	Current asset investment £m	Bank loans £m	Finance leases £m	Net cash £m
As at 26 December 2009	14.0	0.7	(10.5)	(1.8)	2.4
Cash flow	24.6	(0.5)	7.1	1.4	32.6
As at 25 December 2010	**38.6**	**0.2**	**(3.4)**	**(0.4)**	**35.0**

APPENDIX 1

FINANCIAL CALENDAR

2011

Interim Management Statement	28 April 2011
Half Yearly Report	21 July 2011
Interim Management Statement	10 November 2011
End of financial year	24 December 2011