HOWDEN JOINERY GROUP PLC

2013 PRELIMINARY RESULTS

HIGHLIGHTS

Chief Executive, Matthew Ingle, said:

"Howdens has delivered another good set of results in 2013, making further progress on sales and profitability. We have generated strong cash flow, enabling us to recommend a substantial increase in our dividend.

"We have also continued to invest in all aspects of the business, as we improve our operations and pursue the growth opportunities before us. This included opening new depots, investment in new manufacturing capacity and the service which our existing depots provide, as well as introducing new products.

"The service proposition that Howdens provides its small builder customers is supported by our locally empowered depots and our supply operations. The strength of this has enabled us to continue to increase the number of account holders, who form the bedrock of our business.

"Trading conditions improved in the second half of year. This improvement has continued in the early part of 2014".

Financial results (continuing operations)

The information presented here relates to the 52 weeks to 28 December 2013 and the 53 weeks to 29 December 2012, unless otherwise stated. The inclusion of a 53rd week in 2012 (23 – 29 December) had no impact on revenue, as the business did not trade that week. It is estimated to have increased operating costs by around £5m, reducing 2012 operating profit and profit before tax by the same amount, and reducing profit after tax by around £4m.

- Howden Joinery UK depot revenue increased by 7.8% to £940.7m (up 5.6% on same depot basis), growing around 10% in the second half of the year. Group revenue was £956.5m (2012: £887.1m);
- Gross profit margin was 61.7% (2012: 61.5%);
- Operating profit pre exceptional items rose from £119.8m to £142.5m;
- Profit before tax and exceptional items increased to £138.4m (2012: £112.1m), the net interest charge falling by £3.6m (due to a decrease in the pensions finance expense);
- Basic earnings per share pre exceptional items increased from 14.0p to 16.3p;
- Net cash of £140.5m at year-end (29 December 2012: £96.4m net cash);
- Final dividend of 4.5p recommended, giving full year dividend of 5.5p per share (2012: 3p).

Business developments

- Investment in the future growth of the business continues:
  - 30 new depots opened in 2013, bringing total to 559;
  - capital expenditure totalled £24.7m: two-year programme of investment in our two manufacturing sites completed, 'virtual showroom' implemented in over half of depots;
- Leases on seven legacy properties terminated in 2013, and one 'early release' since then, bringing total remaining to eight.

Current trading

- Howden Joinery UK depot revenue in the first two periods of 2014 rose by 7.3%, in line with our expectations;
- Our outlook for the business for 2014 remains unchanged.

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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 over 550 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.

Website: www.howdenjoinerygroupplc.com

SUMMARY OF GROUP RESULTS

The information presented here relates to the 52 weeks to 28 December 2013 and the 53 weeks to 29 December 2012. The inclusion of a 53rd week in 2012 (23 – 29 December) had no impact on revenue, as the business did not trade that week. It is estimated to have increased operating costs by around £5m, reducing 2012 operating profit and profit before tax by the same amount, and reducing profit after tax by around £4m.

Continuing operations [1], £m unless stated	**2013**	2012
Revenue		
- Group	**956.5**	887.1
- Howden Joinery UK depots	**940.7**	872.5
Gross profit	**590.2**	545.3
Gross profit margin, %	**61.7**	61.5
Operating profit before exceptional items	**142.5**	119.8
Profit before tax and exceptional items	**138.4**	112.1
Basic earnings per share before exceptional items	**16.3p**	14.0p
Exceptional operating cost before tax	**(4.5)**	-
Profit before tax	**133.9**	112.1
Basic earnings per share	**15.7p**	14.0p
Dividend per share	**5.5p**	3p
Net cash at end of period	**140.5**	96.4

1 Discontinued operations in 2013 were immaterial and have therefore been included within continuing operations. In 2012, there was a loss before tax from discontinued operations of £4.4m, arising from the closure of two non-core support businesses.

FINANCIAL REVIEW

FINANCIAL RESULTS FOR 2013 (CONTINUING OPERATIONS[1])

The information presented here relates to the 52 weeks to 28 December 2013 and the 53 weeks to 29 December 2012, unless otherwise stated. The inclusion of a 53rd week in 2012 (23 – 29 December) had no impact on revenue, as the business did not trade that week. It is estimated to have increased operating costs by around £5m, reducing 2012 operating profit and profit before tax by the same amount, and reducing profit after tax by around £4m.

The financial performance of the Group during 2013 benefited from the Group's competitive position and the continuing focus on improving performance. The second half of the year saw an improvement in trading conditions.

Total Group revenue increased by £69.4m to £956.5m.

Revenue £m	**2013**	2012
Group	**956.5**	887.1
comprising:		
Howden Joinery UK depots	**940.7**	872.5
Howden Joinery French depots	**15.8**	14.6

Howden Joinery UK depot revenue rose by 7.8% to £940.7m, increasing by 5.6% on a same depot basis. Having seen underlying revenue[2] in the first half of the year grow in line with the 4 to 5% seen since late 2009, it grew by around 10% in the second half of the year as volumes increased.

This growth was achieved through a number of factors and is a testament to the strength of the business model. As well as seeing an increase in revenue growth in the second half of the year, the business continued to focus on price discipline and margin (see below). In addition, we have continued to see an increase in the number of customer accounts.

Sales by our French depots of £15.8m saw a small increase on a same depot basis in constant currency terms.

Gross profit rose by £44.9m to £590.2m. The gross profit margin for the year increased slightly to 61.7% (2012: 61.5%). This reflected the continuing focus on price discipline and margin achievement across all depots.

Selling and distribution costs, and administrative and other operating expenses (before exceptional items) increased by £22.2m to £447.7m. The increase reflects the costs of new depots, investment in growth, and the impact of inflation, including on payroll costs.

Operating profit before exceptional items increased by £22.7m to £142.5m.

The net interest charge fell by £3.6m to £4.1m, due to a lower finance expense in respect of pensions. The net result was profit before tax and exceptional items rose by £26.3m to £138.4m.

The tax charge on profit before tax and exceptional items was £34.6m, an effective rate of tax of 25.0%.

Basic earnings per share from continuing operations excluding exceptional items were 16.3p (2012: 14.0p).

As previously reported, an exceptional operating cost before tax of £4.5m was incurred. This was in relation to the reconfiguration of our transport operations to better reflect the geographical mix of our sales in the UK and improve service to our depots. This restructuring involved one-off closure, relocation and reorganisation costs.

Basic earnings per share were 15.7p (2012: 14.0p).

We saw strong cash flow in 2013.

There was a net cash inflow from operating activities of £87.2m. This was after payments relating to legacy properties totalling £10.4m and a cash contribution to the Group's pension schemes, in excess of the operating charge, of £34.7m.

Excluding the legacy property payments, underlying working capital increased by £11.8m. Increases in stock and debtors were partly offset by an increase in trade creditors. The increase in debtors arose from the last two days of period 11 falling into November in 2013, the due date being after the year-end.

Also included within net cash flows from operating activities was tax paid totalling £21.0m.

Payments to acquire fixed and intangible assets totalled £24.7m (2012: £24.2m).

Reflecting the above, there was a net cash inflow of £44.1m in 2013, the Group having net cash of £140.5m at the end of the year (29 December 2012: £96.4m net cash).

At 28 December 2013, the pension deficit shown on the balance sheet was £54.3m (29 December 2012: £154.5m). The reduction in the deficit partly reflected an increase in the scheme's assets, arising from the Group's contribution to fund the deficit and better than expected asset returns. In addition, an increase in the net discount rate (the difference between the discount rate and inflation rate assumptions used to calculate liabilities) reduced the scheme's liabilities.

The balance sheet deficit, calculated under IAS19, is not used to determine the funding of the deficit, for which we have an agreement in place that runs until April 2015. At 2013 year-end, this 'funding' deficit was estimated to be around £100m higher than the balance sheet deficit.

1 Discontinued operations in 2013 were immaterial and have therefore been included within continuing operations. In 2012, there was a loss before tax from discontinued operations of £4.4m in 2012, arising from the closure of two non-core support businesses.
2 Excluding the impact of the different number of trading weeks in the first half and second half of 2013 compared with the same periods in 2012.

DIVIDEND

As previously stated, the Board intends to target a capital structure that is both prudent and recognises the benefits of financial leverage, and, after considering all other uses of capital, to return surplus capital to shareholders, by way of either ordinary dividends or alternative returns of capital.

The Group has significant property leases for the depot network, and currently has a material deficit in the Group pension fund and a small number of remaining legacy liabilities related to the Group's former ownership of MFI. Taking into account this underlying level of gearing, the Board believes it is appropriate for the Group to be able to operate throughout the working capital cycle without incurring bank debt.

The Board has reviewed the Group's dividend policy and has decided that it will move to an earnings per share dividend cover of between 2.5x and 3x, with one third of the previous year's dividend being paid as an interim dividend each year.

Given the operational performance of the business and the cash generation in the year, in light of this policy, the Board has decided to recommend to shareholders a final dividend of 4.5p, giving a total dividend for the year of 5.5p (2012: 3p). This equates to a dividend cover of just under 3x.

The Board continues to monitor the cash balances in light of the Group's future investment opportunities, expected peak working capital requirements and the trading outlook. To the extent the Group has sustainable levels of capital in excess of expected requirements, the Board expects to return it to shareholders.

OPERATIONAL REVIEW

The business model 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".

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 550 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.

Depot network and operations

During the course of 2013, 30 new depots were opened in the UK, bringing the total trading at the end of the year to 559. In addition, seven depots were extended and one depot was relocated.

In the summer of 2012, we began trials of a 'virtual showroom' that is designed to support our 1,000 depot-based kitchen designers. When working with our builder–customers' clients in our depots, this allows kitchen designs to be shown on a large HD television screen or projected on to a wall in the depot in a large high definition format, as well as showing other material designed to support product sales. Often, this will be accompanied by a refurbishment of the office in which the designers work. These are now being rolled-out across our depots, around 350 having been completed so far, with the remainder due for completion by the middle of 2014.

Our account base continues to grow, having increased by over 20,000 net new accounts in 2013. While there has been a significant increase in accounts in recent years, our debt collection performance continues to improve.

Product and marketing

We continue to enhance our product offering, having introduced a number of new products during 2013 across all our product categories. Notable amongst these were: six new kitchens – three shaker options in our Greenwich family, a gloss graphite option in our Glendevon and Integrated Handle families, and a stone option in our Tewkesbury family, which has been further enhanced as our premium range by a number of additional decorative elements and glazed wall units; and black and white single fan Lamona ovens, with matching hobs and extractors. To ensure we cater for all budgets and price points, a number of lower priced accessories, sinks, taps and joinery door options, based on already successful designs, have been introduced. To support our builder-customers, we introduced a range of cabinets that have pre-fitted accessories. Reflecting our confidence in the quality of our products, we enhanced the guarantee on our kitchen cabinets to 25 years and extended our two-year Lamona appliance guarantee to include lighting products.

Supporting our sales effort, as well as regularly updating our collection of product literature, we have introduced a flooring catalogue to further promote this product category. With the builder in mind, we have also introduced two smaller format kitchen brochures: a quick reference guide and a pocket guide.

A new version of the Howdens product website (www.howdens.com) was launched. Major improvements to this included the automatic resizing of the website to suit the device on which it is being viewed and improved navigation around the site, making it easier for users to use. The content has also been enhanced, with the addition of further product movies designed to help bring the kitchen to life. The new website coincided with the launch of the Howden App.

Manufacturing and logistics operations

Our UK-based manufacturing and logistics operations play a key role in ensuring that we are able to supply our small builder customers from local stock nationwide. We continue to invest in these operations so as to ensure that this key aspect of the Howdens model is never compromised.

The £20m two-year programme of investment in new production facilities at our two manufacturing sites has been completed. The new cabinet production lines at our Howden and Runcorn factories have been installed and commissioned, and are fully operational.

The new £1.5m painted skirting board and architrave production facility at our Howden factory is also fully operational.

We have reconfigured our transport operations to better reflect the geographical mix of our sales in the UK and improve service to our depots.

We are currently undertaking a two-year project to replace obsolete boilers and the associated heating infrastructure at our Howden site. This will ensure that we continue to be compliant with environmental emissions legislation. The costs of this will be offset by renewable energy incentives.

GROUP DEVELOPMENTS

Legacy properties

The Group continues to reduce its legacy property portfolio.

Six leases were terminated in 2013, at a cost of £7.5m. In addition, the lease of one property expired during the year. Since the end of the year, a property, with less than six months of the lease remaining, was released early.

This means that there are now eight legacy properties remaining, with net annual rent and rates of less than £2m.

CURRENT TRADING AND OUTLOOK FOR 2014

Howden Joinery UK depot sales in the first two periods of 2014 (to 22 February) were up 7.3% on the same periods last year, in line with our expectations. While fewer trading days and other one-off factors contributed to this being lower than the underlying 10% sales growth seen in the second half of last year, taking these factors and the evidence we have of trading prospects into account would suggest that market conditions remain unchanged.

We will continue to invest in the long term growth and development of the business.

The Group remains committed to its view that the number of depots in the UK can be increased from its current level of 559 and believes that this number could be at least 700. During the course of 2014, we are currently planning to open up to 30 depots as part of our investment in the next stage of Howdens' longer term growth and development.

We are well positioned and look forward to continued growth. As in recent years, we will act quickly and appropriately adapt our business model to the market and economic conditions we encounter.

GOING CONCERN

The Group meets its day to day working capital requirements through cash generated from operations and, if required, by utilising an asset backed lending facility of £160m until May 2014, and £140m thereafter until the facility expires in July 2016.

The Group's forecasts and projections have been stress-tested for reasonably possible adverse variations in 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 Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers that the Group’s principal risks and uncertainties, together with an indication of actions taken to manage and mitigate them, are as detailed below. They do not comprise all risks associated with the Group and are not set out in any order of priority. Additional risks not presently known to management or currently deemed to be less material may also have an adverse effect on the Group’s business in the future.

Market conditions

The Group’s products are predominantly sold to small local builders for installation in public and private housing, mainly in the repair, maintenance and improvement markets.

The Group’s results are consequently dependent on levels of activity in these markets, which 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. A severe downturn in market conditions could impact on our ability to achieve our sales and profit forecasts. This could in turn put pressure on our cash availability and banking covenants.

We monitor the market closely and can take swift management action as necessary in response to adverse changes, with the aim that the business is aligned to market conditions and, consequently, that we should have sufficient cash and borrowing facilities for business needs and adequate covenant headroom.

Failure to implement the Group’s business model and culture

The future success of the business depends on the successful implementation of the Group’s business model and locally-enabled, entrepreneurial culture.

In particular, if the Group fails to implement its business model in the locally-enabled, decentralised manner envisaged, there may be an adverse effect on the Group’s future financial condition and profitability.

Led by the actions of the Board and Executive Committee, the business model and the Howdens culture are at the centre of the activities and the decision-making processes of the Group, and are continually emphasised. The Executive and senior management regularly visit our depots and factories, and hold regular events during which they reinforce the importance of the Group’s business model and culture. Throughout the business, successful implementation of the Group’s business model and culture forms the basis of the incentive structure.

Failure to maximise exploiting the growth potential of the business

The Group considers that there is significant potential for growth, and has identified this as a strategic opportunity and aim.

If the growth opportunities are not understood and exploited in line with our business model, or if current structures and skills within the Group are not aligned to meet the challenges of growth, there may be an adverse effect on the Group's ability to obtain maximum benefit from this growth potential.

The Group places continuing focus on the opportunities, challenges and additional requirements related to growth. The potential for growth is incorporated into group strategic plans and budgets, and existing structures and skills are reviewed in the context of growth, and adjusted where necessary.

Continuity of supply

The Group's business model requires that every depot can supply product from local stock.

Any disruption to the relationship with key suppliers or interruption to manufacturing operations could adversely affect the Group's ability to implement the business model.

With suppliers, the Group tries to maintain dual supply wherever possible to mitigate the effects if a key supplier was unable to deliver goods or services. We also enter into long term contracts to secure supply of our key materials. Good supplier relations are maintained by prompt settlement of invoices, regular communication and an annual supplier conference. Within our manufacturing operations, we adopt best practice health & safety and fire prevention procedures. Business continuity plans are in place for key production processes. The Group has recently made significant investment in its manufacturing facilities, to enable manufacturing capacity to match our expected growth, as well as providing further cabinet production capacity which now provides additional cover in the event of an interruption to manufacturing operations.

Loss of key personnel

The skills, experience and performance of key members of the Group's management team make a large contribution to the Group's success.

The loss of a key member of the Group's management team could adversely affect the Group's operations.

The Group uses the Remuneration Committee to ensure that key team members are appropriately compensated for their contributions and incentivised to continue their careers with the Group.

CAUTIONARY STATEMENT

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

DIRECTORS' RESPONSIBILITY STATEMENT

The following statement will be contained in the 2013 Annual Report and Accounts.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and the undertakings including the consolidation taken as a whole;

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

- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's and Company's performance, business model and strategy.

By order of the Board

M Ingle Chief Executive	M Robson Chief Financial Officer

26 February 2014

Consolidated income statement

		52 weeks to 28 December 2013			
		Before exceptional items	Exceptional items	Total	53 weeks to 29 December 2012
Continuing operations:	Notes	**£m**	**£m**	**£m**	£m
Revenue – sale of goods		**956.5**	**-**	**956.5**	887.1
Cost of sales		**(366.3)**	**-**	**(366.3)**	(341.8)
Gross profit		**590.2**	**-**	**590.2**	545.3
Selling & distribution costs		**(375.5)**	**-**	**(375.5)**	(359.1)
Administrative expenses		**(72.2)**	**(4.5)**	**(76.7)**	(66.4)
Operating profit		**142.5**	**(4.5)**	**138.0**	119.8
Finance income	4	**0.4**	**-**	**0.4**	0.2
Finance expense	5	**(0.4)**	**-**	**(0.4)**	(0.6)
Other finance expense - pensions	5	**(4.1)**	**-**	**(4.1)**	(7.3)
Profit before tax		**138.4**	**(4.5)**	**133.9**	112.1
Tax on profit	6	**(34.6)**	**0.5**	**(34.1)**	(24.1)
Profit after tax		**103.8**	**(4.0)**	**99.8**	88.0
Discontinued operations:					
Loss before tax	11	**-**	**-**	**-**	(4.4)
Tax on loss	6	**-**	**-**	**-**	0.6
Loss after tax		**-**	**-**	**-**	(3.8)
Profit for the period attributable to the equity holders of the parent		**103.8**	**(4.0)**	**99.8**	84.2
Earnings per share:					
From continuing operations					
Basic earnings per 10p share	7			**15.7p**	14.0p
Diluted earnings per 10p share	7			**15.5P**	13.9p
From continuing and discontinued operations					
Basic earnings per 10p share	7			**15.7P**	13.4p
Diluted earnings per 10p share	7			**15.5p**	13.3p

Consolidated statement of comprehensive income

	52 weeks to 28 December 2013 £m	53 weeks to 29 December 2012 £m
Profit for the period	**99.8**	84.2
Items of other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit pension scheme	**69.6**	(52.0)
Deferred tax on actuarial (gains)/losses on defined benefit pension scheme	**(15.9)**	13.0
Effect of change in UK tax rate on deferred tax on cumulative actuarial loss	**(1.6)**	(7.5)
Items that will be reclassified subsequently to profit or loss:		
Currency translation differences	**0.5**	(0.3)
Other comprehensive income for the period	**52.6**	(46.8)
Total comprehensive income for the period attributable to equity holders of the parent	**152.4**	37.4

Consolidated balance sheet

	Notes	28 December 2013 £m	29 December 2012 £m
Non-current assets			
Other intangible assets		**3.7**	4.0
Property, plant and equipment		**95.5**	89.3
Deferred tax asset		**23.2**	46.1
Bank borrowings net of prepaid fees		**0.9**	1.0
		123.3	140.4
Current assets			
Bank borrowings net of prepaid fees		**0.1**	-
Inventories		**123.4**	115.9
Trade and other receivables		**122.4**	96.0
Cash at bank and in hand		**139.7**	96.7
		385.6	308.6
Total assets		**508.9**	449.0
Current liabilities			
Trade and other payables		**(158.4)**	(137.1)
Current tax liability		**(18.7)**	(16.9)
Current borrowings		**(0.1)**	(1.2)
		(177.2)	(155.2)
Non-current liabilities			
Non-current borrowings		**(0.1)**	(0.1)
Pension liability		**(54.3)**	(154.5)
Deferred tax liability		**(3.6)**	(4.3)
Provisions	9	**(12.0)**	(22.1)
		(70.0)	(181.0)
Total liabilities		**(247.2)**	(336.2)
Net assets		**261.7**	112.8
Equity			
Called up share capital		**64.3**	64.2
Share premium account		**87.5**	87.2
ESOP reserve		**(6.3)**	(19.0)
Other reserves		**28.1**	28.1
Retained earnings		**88.1**	(47.7)
Total equity		**261.7**	112.8

The financial statements were approved by the Board on 26 February 2014 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 reserve £m	Retained profit/ loss £m	Total £m
As at 24 December 2011	63.4	85.1	(22.8)	28.1	(83.6)	70.2
Accumulated profit for the period	-	-	-	-	84.2	84.2
Net actuarial loss on defined benefit scheme	-	-	-	-	(39.0)	(39.0)
Effect of change in UK tax rate on deferred tax on cumulative actuarial loss	-	-	-	-	(7.5)	(7.5)
Current tax on share schemes	-	-	-	-	2.0	2.0
Deferred tax on share schemes	-	-	-	-	1.9	1.9
Effect of change in UK tax rate on deferred tax on cumulative balance on share schemes	-	-	-	-	(0.4)	(0.4)
Currency translation differences	-	-	-	-	(0.3)	(0.3)
Net movement in ESOP	-	-	3.8	-	-	3.8
Issue of new shares	0.8	2.1	-	-	-	2.9
Dividends declared and paid	-	-	-	-	(5.0)	(5.0)
As at 29 December 2012	64.2	87.2	(19.0)	28.1	(47.7)	112.8
Accumulated profit for the period	-	-	-	-	99.8	99.8
Net actuarial gain on defined benefit scheme	-	-	-	-	53.7	53.7
Effect of change in UK tax rate on deferred tax on cumulative actuarial loss	-	-	-	-	(1.6)	(1.6)
Current tax on share schemes	-	-	-	-	4.6	4.6
Deferred tax on share schemes	-	-	-	-	3.1	3.1
Effect of change in UK tax rate on deferred tax on cumulative balance on share schemes	-	-	-	-	(1.0)	(1.0)
Currency translation differences	-	-	-	-	0.5	0.5
Net movement in ESOP	-	-	12.7	-	-	12.7
Issue of new shares	0.1	0.3	-	-	-	0.4
Dividends declared and paid	-	-	-	-	(23.3)	(23.3)
As at 28 December 2013	**64.3**	**87.5**	**(6.3)**	**28.1**	**88.1**	**261.7**

The ESOP Reserve includes shares in Howden Joinery Group plc with a market value on the balance sheet date of £36.2m (2012: £37.8m), 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 28 December 2013 £m**	53 weeks to 29 December 2012 £m
Group operating profit before tax and interest			
Continuing operations		**138.0**	119.8
Discontinued operations		**-**	(4.4)
Group operating profit before tax and interest		**138.0**	115.4
Adjustments for:			
Depreciation and amortisation included in operating profit		**18.7**	16.9
Share-based payments charge		**8.4**	2.7
Exceptional items (before tax)		**4.5**	3.3
Operating cash flows before movements in working capital		**169.6**	138.3
Movements in working capital and exceptional items			
(Increase)/decrease in stock		**(7.5)**	2.6
Increase in trade and other receivables		**(26.4)**	(0.7)
Increase/(decrease) in trade and other payables and provisions		**11.7**	(16.2)
Difference between pensions operating charge and cash paid		**(34.7)**	(41.7)
Net cash flow – exceptional items		**(4.5)**	(0.5)
		(61.4)	(56.5)
Cash generated from operations		**108.2**	81.8
Tax paid		**(21.0)**	(16.9)
Net cash flow from operating activities	10	**87.2**	64.9

Consolidated cash flow statement - continued

	Notes	**52 weeks to 28 December 2013 £m**	53 weeks to 29 December 2012 £m
Net cash flows from operating activities		**87.2**	64.9
Cash flows used in investing activities			
Payments to acquire property, plant and equipment, and intangible assets		**(24.7)**	(24.2)
Interest received		**0.4**	0.2
Receipts from sale of property, plant and equipment, and intangible assets		**-**	0.3
Net cash used in investing activities		**(24.3)**	(23.7)
Cash flows from financing activities			
Interest paid		**(0.1)**	(0.6)
Receipts from issue of share capital		**0.4**	2.9
Receipts from release of shares from share trust		**4.3**	1.1
Decrease in loans		**(1.1)**	(2.2)
Repayment of capital element of obligations under finance leases		**(0.1)**	(0.1)
Dividends paid to Group shareholders		**(23.3)**	(5.0)
Net cash used in financing activities		**(19.9)**	(3.9)
Net increase in cash and cash equivalents		**43.0**	37.3
Cash and cash equivalents at beginning of period		**96.7**	59.4
Cash and cash equivalents at end of period	10	**139.7**	96.7

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 10. 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 28 December 2013. The comparative period covered the 53 weeks to 29 December 2012.

The preliminary results for the year ended 28 December 2013 have been prepared in accordance with the 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. They therefore comply with Article 4 of the EU IAS Regulation. The accounting policies, presentation methods and methods of computation followed are the same as those detailed within the 2012 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 53 weeks to 29 December 2012 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 28 December 2013 will be filed in due course. The auditors' report 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 reports

(a) Basis of segmentation

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

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

(b) Other information

	52 weeks to 28 December 2013 £m	53 weeks to 29 December 2012 £m
Capital additions	**24.7**	24.2
Depreciation and amortisation	**(18.7)**	(16.9)

3 Continuing operations – exceptional items

Exceptional items for the 52 weeks to 28 December 2013

During the current period, the Group reconfigured its transport operations to better reflect the geographical mix of its sales in the UK and to improve service to its depots. This restructuring involved closure, relocation and reorganisation costs.

The costs are shown below, together with the associated tax credit.

The reconstruction was completed by the end of the current period. £4.5m of the expenses were paid in the period and are shown in the consolidated cash flow statement.

	52 weeks to 28 December 2013 £m
Exceptional costs before tax	(4.5)
Tax on exceptional costs	0.5
Exceptional costs after tax	**(4.0)**

There were no continuing exceptional items in the 53 weeks to 29 December 2012. There were discontinued exceptional items in the 53 weeks to 29 December 2012 and these are analysed in Note 11.

4 Finance income

	52 weeks to 28 December 2013 £m	53 weeks to 29 December 2012 £m
Bank interest receivable	**0.4**	0.2
Total finance income	**0.4**	0.2

5 Finance expenses and other finance expense – pensions

	52 weeks to 28 December 2013 £m	53 weeks to 29 December 2012 £m
Finance expenses		
Interest payable on bank loans	**(0.1)**	(0.4)
Finance charge on remeasuring creditors to fair value	**(0.1)**	(0.2)
Other interest	**(0.2)**	-
Total finance expenses	**(0.4)**	(0.6)

Further details of the finance charge on remeasuring creditors to fair value in the current period are given in note 9.

	52 weeks to 28 December 2013 £m	53 weeks to 29 December 2012 £m
Other finance expense - pensions		
Pensions finance expense	**(4.1)**	(7.3)

6 Tax

(a) Tax in the income statement

	Continuing operations		Discontinued operations		Total	
	52 weeks to 28 December 2013 £m	53 weeks to 29 December 2012 £m	**52 weeks to 28 December 2013 £m**	53 weeks to 29 December 2012 £m	**52 weeks to 28 December 2013 £m**	53 weeks to 29 December 2012 £m
Current tax:						
Current year	**28.1**	21.4	**-**	(0.6)	**28.1**	20.8
Adjustments in respect of previous years	**(0.8)**	(1.1)	**-**	-	**(0.8)**	(1.1)
Total current tax	**27.3**	20.3	**-**	(0.6)	**27.3**	19.7
Deferred tax:						
Current year	**6.4**	4.0	**-**	-	**6.4**	4.0
Adjustments in respect of previous years	**0.4**	(0.2)	**-**	-	**0.4**	(0.2)
Total deferred tax	**6.8**	3.8	**-**	-	**6.8**	3.8
Total tax charged/(credited) in the income statement	**34.1**	24.1	**-**	(0.6)	**34.1**	23.5

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdictions.

(b) Tax relating to items credited to equity

	52 weeks to 28 December 2013 £m	53 weeks to 29 December 2012 £m
Deferred tax credit to equity on actuarial gain/(loss) on pension scheme	**15.9**	(13.0)
Deferred tax credit to equity on share schemes	**(3.1)**	(1.9)
Current tax credit to equity on share schemes	**(4.6)**	(2.0)
Charge to equity re. tax rate change*	**2.6**	7.9
	10.8	(9.0)

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 28 December 2013 £m	53 weeks to 29 December 2012 £m
Profit before tax:		
Continuing operations	**133.9**	112.1
Discontinued operations	**-**	(4.4)
	133.9	107.7

	52 weeks to 28 December 2013 £m	53 weeks to 29 December 2012 £m
Tax at the UK Corporation tax rate of 23.25% (2012: 24.5%)	**31.1**	26.4
IFRS2 share scheme charge**	**-**	(0.6)
Expenses not deductible for tax purposes***	**2.2**	2.0
Reassessment of deferred tax asset on general provisions	**-**	0.3
Change of tax rate*	**0.5**	(3.9)
Non-qualifying depreciation	**0.7**	0.6
Tax adjustment in respect of previous years	**(0.4)**	(1.3)
Total tax charged in the income statement	**34.1**	23.5

* In July 2013 2013, Parliament approved the Finance Bill which reduces the UK standard rate of Corporation Tax from 23% to 21% with effect from 1 April 2014 and 20% from 1 April 2015. All deferred tax assets and liabilities have been recognised at 21% (2012: 23%).

** 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.

*** This arises mainly due to the Group assuming no tax relief for the payments and provisions made in association with the legacy properties until the tax position is agreed with HMRC, as well as other expenses permanently disallowed.

7 Earnings per share

	52 weeks to 28 December 2013			53 weeks to 29 December 2012		
	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	**99.8**	**636.6**	**15.7**	88.0	627.0	14.0
Effect of dilutive share options	**-**	**5.6**	**(0.2)**	-	4.2	(0.1)
Diluted earnings per share	**99.8**	**642.2**	**15.5**	88.0	631.2	13.9
From discontinued operations						
Basic loss per share				(3.8)	627.0	(0.6)
Effect of dilutive share options				-	4.2	-
Diluted loss per share				(3.8)	631.2	(0.6)
From continuing and discontinued operations						
Basic earnings per share	**99.8**	**636.6**	**15.7**	84.2	627.0	13.4
Effect of dilutive share options	**-**	**5.6**	**(0.2)**	-	4.2	(0.1)
Diluted earnings per share	**99.8**	**642.2**	**15.5**	84.2	631.2	13.3

8 Dividends

	52 weeks to 28 December 2013 £m	53 weeks to 29 December 2012 £m
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the 52 weeks to 28 December 2013 – 1.0p/share	**6.3**	-
Final dividend for the 53 weeks to 29 December 2012 – 2.7p/share	**17.0**	-
Interim dividend for the 53 weeks to 29 December 2012 – 0.3p/share	**-**	1.9
Final dividend for the 52 weeks to 24 December 2011 – 0.5p/share	**-**	3.1
	23.3	5.0
Dividends proposed at the end of the period (but not recognised in the period)		
Proposed final dividend for the 52 weeks to 28 December 2013 - (4.5p/share)	**28.4**	
Proposed final dividend for the 53 weeks to 29 December 2012 - (2.7p/share)		16.7

The directors propose a dividend in respect of the 52 weeks to 28 December 2013 of 4.5p per share, payable to ordinary shareholders who are on the register of shareholders at 23 May 2014, and payable on 20 June 2014.

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

The proposed final dividend for the current period is subject to the approval of the shareholders at the 2014 Annual General Meeting and has not been included as a liability in these financial statements.

9 Provisions

	Property £m	Warranty £m	Business closure £m	Total £m
At 24 December 2011	33.0	2.3	-	35.3
Additional provision in the period	1.3	3.2	1.0	5.5
Provision released in the period	(0.1)	-	-	(0.1)
Utilisation of provision in the period	(16.4)	(2.1)	(0.1)	(18.6)
At 29 December 2012	17.8	3.4	0.9	22.1
Additional provision in the period	1.8	2.8	-	4.6
Provision released in the period	(0.2)	(0.3)	-	(0.5)
Utilisation of provision in the period	(10.4)	(3.0)	(0.8)	(14.2)
At 28 December 2013	**9.0**	**2.9**	**0.1**	**12.0**

Property provision

The property provision covers onerous leases on any non-trading leased properties. For some properties, the provision is based on the shortfall between rent payable and rent receivable. For other properties, where negotiations to surrender the lease are in progress, the provision is based on the amount which the landlord has indicated that they are willing to take as a premium to surrender the lease. The provision is based on the period until the end of the lease, or until the Group considers that it can cover the shortfall by subletting, assigning or surrendering the lease. Throughout the course of the year, the Group reviews the range of options for unused properties and maintains on-going discussions with landlords and external agents, with a view to identifying possible lease surrenders and finding tenants. 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 £0.1m 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.

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

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 data to periodically revise the basis on which it makes further provision.

Business closure provision

The provision for business closure relates to the costs of closure of the Group subsidiary company Howden Joinery Supply Division (Asia) Ltd. More details of this are provided in Note 11.

The provision represents management's best estimate of the costs of closing the business, which are mainly staff costs and the costs of closing the company's office in Hong Kong. The remaining outflows from the provision are expected to occur in 2014.

10 Notes to the cash flow statement

	52 weeks to 28 December 2013 £m	53 weeks to 29 December 2012 £m
(a) Net cash flows from operating activities		
Net cash flow from operating activities comprises:		
Continuing operating activities	**87.2**	66.5
Discontinued operating activities	**-**	(1.1)
Discontinued operations – exceptional items	**-**	(0.5)
	87.2	64.9

(b) Reconciliation of net cash

Net cash at start of period	**96.4**	57.1
Net increase in cash and cash equivalents	**43.0**	37.3
Decrease in bank borrowings	**1.1**	2.2
Increase in finance leases	**-**	(0.2)
Net cash at end of period	**140.5**	96.4

Represented by:

Cash and cash equivalents	**139.7**	96.7
Bank loans	**1.0**	(0.1)
Finance leases	**(0.2)**	(0.2)
	140.5	96.4

(c) Analysis of net cash

	Cash and cash equivalents £m	Bank loans £m	Finance leases £m	Net cash £m
As at 29 December 2012	96.7	(0.1)	(0.2)	96.4
Cash flow	43.0	1.1	-	44.1
As at 28 December 2013	**139.7**	**1.0**	**(0.2)**	**140.5**

11 Discontinued operations

Discontinued operations in 2013 were immaterial and have therefore been included within continuing operations.

There were both discontinued operations and discontinued exceptional items in the 53 weeks to 29 December 2012. These items are summarised below. Additional details are given in Note 6 to the Group's 2012 Annual Report and Accounts.

Cash flows from discontinued operations are shown in Note 10.

	53 weeks to 29 December 2012 £m
(a) Discontinued operating loss	
Relating to the closure of Howden Joinery Supply Division (Asia) Ltd	
Expenses	(1.1)
Pre-tax loss	(1.1)
Tax thereon	0.3
Post-tax loss	(0.8)
(b) Discontinued exceptional items	
Relating to the closure of Howden Joinery Supply Division (Asia) Ltd	
Pre-tax loss	(3.5)
Tax thereon	0.4
Post-tax loss	(3.1)
Relating to the closure of Southon Insurance Company Ltd	
Pre-tax profit	0.4
Tax thereon	(0.1)
Post-tax loss	0.3
Accrual for potential interest	
Accrual for potential interest – both pre and post-tax	(0.2)
Discontinued exceptional items subtotal	
Pre-tax exceptional items	(3.3)
Tax thereon	0.3
Post-tax exceptional items	(3.0)
(c) Total discontinued operations	
Pre-tax loss	(4.4)
Tax theron	0.6
Post-tax loss for the period from discontinued operations	(3.8)

FINANCIAL CALENDAR

2014	
Interim Management Statement	1 May
Half Yearly Report	24 July
Interim Management Statement	13 November
End of financial year	27 December