HOWDEN JOINERY GROUP PLC

2014 PRELIMINARY RESULTS

HIGHLIGHTS

Chief Executive, Matthew Ingle, said:

"Howdens has delivered another good set of results in 2014. Sales exceeded £1bn for the first time in our twenty-year history. Profitability also increased and we saw strong cash flow. As a result, we are recommending a substantial increase in our dividend and announcing a £70m cash return to shareholders by way of a share buyback.

"We have continued to invest in all aspects of the business, improving our operations, pursuing the growth opportunities before us and taking advantage of better market conditions. In the UK, we opened 30 new depots and, in continental Europe, we pushed forward with an expanded trial, opening two depots in Belgium.

"The service proposition that Howdens provides to its small builder customers is supported by the unique combination of 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, to over 350,000.

"Looking at 2015, trading conditions seen in 2014 have continued into the early part of the year. As well as planning to open 30 new depots in the UK, we plan to open seven more depots in northern France.

"The recovery in the market seen since the summer of 2013 and our performance since then has caused us to review our growth prospects. As a result, we have identified the need for increased investment in the business. This is to ensure that we can take advantage of the growth opportunities that we now foresee, and to address the challenges of a more complex market and security of supply. In particular, we plan to increase investment in our manufacturing and logistics operations."

Financial results (continuing operations[1])

The information presented here relates to the 52 weeks to 27 December 2014 and the 52 weeks to 28 December 2013 [2], unless otherwise stated.

- Howden Joinery UK depot revenue increased by 14.3% to £1,075.5m (up 10.8% on same depot basis). Group revenue was £1,090.8m (2013: £956.5m);
- Gross profit margin was 63.7% (2013: 61.7%);
- Operating profit rose from £140.7m to £189.8m;
- Profit before tax increased to £188.8m (2013: £135.0m), the net interest charge falling by £4.7m (due to a decrease in the pensions finance expense);
- Basic earnings per share items increased from 15.9p to 23.2p;
- Net cash of £217.7m at year-end (28 December 2013: £140.5m net cash);
- Final dividend of 6.5p recommended, giving full year dividend of 8.4p per share (2013: 5.5p);
- £70m to be returned to shareholders, through a share repurchase programme.

1 2013 comparatives exclude exceptional items. 2 Restated for amendments to IAS19 – see note 2.

Business developments

- Investment in the future growth of the business continues:
  - 30 new depots opened in UK in 2014, bringing total to 589;
  - French trial extended: 2 depots opened in Belgium; plan to open up to 7 additional depots in northern France in 2015;
  - capital expenditure totalled £32.8m;
  - capital expenditure expected to average £60m p.a. over next three years, as we invest in key aspects of our operations to support further growth.

Current trading

- Howden Joinery UK depot revenue in the first two periods of 2015 rose by 9.9%[1], in line with our expectations;
- Our outlook for the business for 2015 remains unchanged.

1 This excludes the first week, which had one less trading day in 2015 than in 2014.

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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 almost 600 depots. Around one-third of the products it sells are manufactured in the company's own factories in Runcorn, Cheshire, and Howden, East Yorkshire. The business also has small operations in France and Belgium.

Website: www.howdenjoinerygroupplc.com

SUMMARY OF GROUP RESULTS

The information presented here relates to the 52 weeks to 27 December 2014 and the 52 weeks to 28 December 2013.

Continuing operations before exceptional items[1], £m	**2014**	2013 restated[2]
Revenue		
- Group	**1,090.8**	956.5
- Howden Joinery UK depots	**1,075.5**	940.7
Gross profit	**694.5**	590.2
Gross profit margin, %	**63.7**	61.7
Operating profit	**189.8**	140.7
Profit before tax	**188.8**	135.0
Basic earnings per share	**23.2p**	15.9p
Dividend per share	**8.4p**	5.5p
Net cash at end of period	**217.7**	140.5

1 There were no exceptional items from continuing operations in 2014. In 2013, there was an exceptional operating cost before tax of £4.5m from continuing operations.

In 2014, there was an exceptional profit after tax on discontinued operations of £9.1m. There were no discontinued operations in 2013.

2 Restated for amendments to IAS19 – see note 2.

FINANCIAL REVIEW

FINANCIAL RESULTS FOR 2014

The information presented here relates to the 52 weeks to 27 December 2014 and the 52 weeks to 28 December 2013, (continuing operations before exceptional items), unless otherwise stated [1].

The financial performance of the Group during 2014 benefited from the Group's competitive position and the continuing focus on improving operational performance. We also benefited from the continuation of improved market conditions seen since the summer of 2013.

Total Group revenue increased by £134.3m to £1,090.8m.

Revenue £m	**2014**	2013
Group	**1,090.8**	956.5
comprising:		
Howden Joinery UK depots	**1,075.5**	940.7
Howden Joinery French depots	**15.3**	15.8

Howden Joinery UK depot revenue rose by 14.3% to £1,075.5m, increasing by 10.8% on a same depot basis.

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

Sales by our French depots of £15.3m increased by 2% on a same depot basis in constant currency terms, whilst falling slightly on a reported basis. Profitability has improved following changes to the commercial strategy in our French depots.

Gross profit rose by £104.3m to £694.5m. The gross profit margin for the year increased to 63.7% (2013: 61.7%). This reflected the continuing focus on efforts within supply to reduce the cost of manufactured and bought-in products, and price discipline and margin achievement across all depots. It also included a benefit from the strengthening of the pound against both the euro and US dollar.

Selling and distribution costs, and administrative expenses increased by £55.2m to £504.7m. The increase reflects the costs of new depots, investment in growth and the impact of inflation, including on payroll costs.

Operating profit increased by £49.1m to £189.8m.

The net interest charge fell by £4.7m to £1.0m, due to a lower finance expense in respect of pensions. The net result was profit before tax rose by £53.8m to £188.8m.

The tax charge on profit before tax was £40.1m, an effective rate of tax of 21.2%.

Basic earnings per share were 23.2p (2013: 15.9p).

In 2014, there was an exceptional profit after tax from discontinued operations of £9.1m. This mainly comprised income of £11.1m arising from the release of a tax creditor (following partial resolution of a dispute with HMRC regarding the tax treatment of certain expenses relating to our legacy properties), partially offset by a charge of £2.2m relating to an increase in the provision for our remaining legacy properties.

At 27 December 2014, the pension deficit shown on the balance sheet was £142.6m (28 December 2013: £54.3m). The increase in the deficit was due to higher liabilities arising primarily from a decrease in the discount rate, which more than offset the Group's contribution to fund the deficit and better than expected asset returns.

We saw strong cash flow in 2014.

There was a net cash inflow from operating activities of £147.8m. This was after a cash contribution to the Group's pension schemes, in excess of the operating charge, of £32.8m[2] and payments relating to legacy properties totalling £5.3m.

Excluding the legacy property payments, underlying working capital was broadly unchanged. Increases in stock and debtors were offset by an increase in trade creditors.

Also included within net cash flows from operating activities was tax paid totalling £30.3m.

Payments to acquire fixed and intangible assets totalled £32.8m (2013: £24.7m).

Reflecting the above, there was a net cash inflow of £77.2m in 2014, the Group having net cash of £217.7m at the end of the year (28 December 2013: £140.5m net cash).

1 There were no exceptional items from continuing operations in 2014. In 2013, there was an exceptional operating cost before tax of £4.5m from continuing operations.

In 2014, there was an exceptional profit after tax on discontinued operations of £9.1m. There were no discontinued operations in 2013.

2 As previously announced, an additional one-off payment for the pension year ending April 2015 of £10m will be paid in 2015.

DIVIDEND AND RETURN OF SURPLUS CASH TO SHAREHOLDERS

The Group's dividend policy is to target 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 2014, in light of this policy, the Board has decided to recommend to shareholders a final dividend of 6.5p, giving a total dividend for the year of 8.4p (2013: 5.5p). This equates to a dividend cover of 2.75x, the Board intending to pursue a progressive dividend policy in future years.

As previously stated, the Board intends to target a capital structure that is both prudent and recognises the benefits of operational and financial leverage, and, after considering our capital requirements, to return surplus cash to shareholders as appropriate. The Group has significant property leases for the depot network, and continues to have 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 through the annual working capital cycle without incurring bank debt.

The Board has reviewed the cash balances in light of the Group's future investment opportunities, expected peak working capital requirements and trading outlook. As a result, it has decided to return £70m of cash to shareholders by way of a share repurchase programme. This will commence shortly and will be implemented over the course of the next two years.

Shares that are bought in the market by our brokers will either be held in treasury, to use for future obligations for company share schemes, or cancelled.

OPERATIONAL REVIEW

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

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

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

UK depot network and operations

During the course of 2014, 30 new depots were opened, bringing the total number of depots trading at the end of the year to 589. In addition, two depots were relocated and three were extended.

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 account holders' 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, along with other material designed to support product sales. Often, this will be accompanied by a refurbishment of the office in which the designers work. This project to roll-out 'virtual showrooms' across all of our depots has been completed.

To support our account holders and improve our service to their clients, we undertook a project to install A3 printers in all of our depots. These provide builders with a technical drawing of each kitchen design that is much more usable on-site. They also allow more impressive visualisations of the kitchen to be provided to the builder's client. This project has also been completed.

Our account base continues to grow, having increased by over 40,000 net new accounts in 2014. Initiatives to stimulate account openings meant this was double the number seen in previous years. While there has been a significant increase in accounts in recent years, our debt collection performance continues to be robust.

Product and marketing

We continue to enhance our product offering, having introduced a number of new products during 2014 across all our product categories.

Notable amongst these were eighteen new kitchens, which included: six gloss options and two matt options in our Greenwich family; three options in a new, lower-priced, gloss integrated handle range, Clerkenwell; and three options in a new, premium, Tewkesbury framed family.

To ensure we cater for all budgets and price points, we have introduced a number of new products, including: a premium touch control Lamona pyrolytic oven, combination microwave and warming drawer; a collection of premium handles and a range of competitively priced rose handles; and a new ‘entry priced’ rigid cabinet.

In addition, we continue to enhance our other product offerings, including new products in our worktops and backboards, sinks, doors and flooring ranges. We also started a trial of selling affordable granite worktops from stock, beginning in a small number of depots. Initial results from this have been encouraging and the trial has recently been extended to an additional 40 depots.

We continue to invest in our marketing communications and brand advertising. As well as updating our range of marketing literature and the Howdens website (www.howdens.com), we embarked on a partnership with pottery designer and manufacturer Emma Bridgewater. Emma designed for us a pair of Howdens mugs and fluted bowls that were given away with every kitchen plan for limited periods, the partnership being featured in our adverts and on the Howdens website. To further raise awareness of the Howdens brand, we attended 13 county shows and agriculture fairs throughout the UK during the summer.

Manufacturing and logistics operations

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

We are close to completing a two-year project to replace obsolete boilers and the associated heating infrastructure at our site in Howden with a state-of-the-art biomass heating system. This will ensure that we continue to be compliant with environmental emissions legislation and will reduce manufacturing costs, as the heat generated attracts payments provided by the Renewable Heat Incentives programme.

We have completed the replacement of the 100 'tractor units' for our fleet of lorries. These are Euro 6 compliant and are fitted with the latest technology for environmental compliance. In addition, they have enhanced safety features, including:

- crash avoidance technology that assists the driver when it detects the risk of a collision; and
- forward facing cameras for incident recording, to help with accident investigation and insurance claims.

Replacement of 400 'trailer units' for our fleet of lorries will begin in the spring.

Continental Europe

As we set out at the interim results in July, we have amended the pricing strategy in our French depots. As a result, we have seen an improvement in the financial performance of the depots, notwithstanding the widely reported economic headwinds in the country.

This has given us the confidence to add a second phase of depots to our operations in northern France, our plan being to open seven new depots during the second half of 2015.

It has also given us the confidence to extend the trial, both in France and in other countries in continental Europe. First, we have opened two depots in Belgium that are the same format as our existing French depots and will allow us to learn about a slightly different market. Second, we have opened an outlet with a new format and branding further south in France, with another planned to be opened late in 2015. This is larger than existing depots, and will be used to test a number of new initiatives. We also intend to begin a trial in Holland, where we plan to open a similar larger format depot towards the end of this year.

GROUP DEVELOPMENTS

Legacy properties

The Group continues to reduce its legacy property portfolio.

One lease was terminated in 2014, at a cost of just over £3m, and one lease, with less than six months remaining, was released early. In addition, the leases of two properties expired during the year.

This means that there are now five legacy properties remaining, with net annual rent and rates of less than £1m.

INVESTMENT PROGRAMME

We have undertaken a review of the medium and longer term growth prospects for the business and have identified more significant opportunities than previously foreseen. Kitchens continue to grow in complexity as kitchen users expect increasing functionality as well as a constant flow of new designs. At the same time, our account base continues to grow, and we are focused on delivering better and better local service to more and more builders.

Following on from this review, we have been considering how to ensure that we are best placed to deal with and take advantage of what the future might bring.

In respect of our supply operations, a number of areas have been identified for investment in the coming years. These include preparing for future growth and improved resilience of our cabinet manufacturing operations, a new national distribution centre (NDC) for bought-in products, increased manufacturing capacity in non-cabinet products and replacing aged manufacturing assets. As a result, we expect capital expenditure across the business to average around £60m per annum over the next three years. The exact phasing of this will depend on the timing of the building and fitting-out of the new NDC.

CURRENT TRADING AND OUTLOOK FOR 2015

Howden Joinery UK depot sales in the first two periods of 2015 (to 21 February) were up 9.9% on the same period last year (this excludes the first week, which had one less trading day in 2015 than in 2014), in line with our expectations. Along with the evidence we have of trading prospects, this would suggest that market conditions remain unchanged.

The Group remains committed to its view that the number of depots in the UK can be increased from its current level of 589 to at least 700. During the course of 2015, we are currently planning to open up to 30 depots in the UK.

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. If required, the Group also has access to an asset backed lending facility of £140m 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.

In each of the following sections, all except the last paragraph describe each risk and its possible impact. The final paragraph describes the steps that are taken to mitigate each risk.

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 2014 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	M Robson
Chief Executive	Deputy Chief Executive and Chief Financial Officer

25 February 2015

Consolidated income statement

Continuing operations:	Notes	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 restated* Before exceptional items £m	Exceptional items** £m	Total £m
Revenue – sale of goods		**1,090.8**	956.5	-	956.5
Cost of sales		**(396.3)**	(366.3)	-	(366.3)
Gross profit		**694.5**	590.2	-	590.2
Selling & distribution costs		**(423.1)**	(375.5)	-	(375.5)
Administrative expenses		**(81.6)**	(74.0)	(4.5)	(78.5)
Operating profit		**189.8**	140.7	(4.5)	136.2
Finance income	5	**0.6**	0.4	-	0.4
Finance expense	6	**(0.1)**	(0.4)	-	(0.4)
Other finance expense - pensions	6	**(1.5)**	(5.7)	-	(5.7)
Profit before tax		**188.8**	135.0	(4.5)	130.5
Tax on profit	7	**(40.1)**	(33.7)	0.5	(33.2)
Profit after tax		**148.7**	101.3	(4.0)	97.3
Discontinued operations:					
Exceptional item - loss on discontinued operations		**(2.1)**	-	-	-
Exceptional item – tax on discontinued operations		**11.2**	-	-	-
Profit after tax	12	**9.1**	-	-	-
Profit for the period attributable to the equity holders of the parent		**157.8**	101.3	(4.0)	97.3
Earnings per share:					
From continuing operations					
Basic earnings per 10p share	8	**23.2p**			15.3p
Diluted earnings per 10p share	8	**23.0p**			15.2P
From continuing and discontinued operations					
Basic earnings per 10p share	8	**24.6p**			15.3P
Diluted earnings per 10p share	8	**24.4p**			15.2p

*Restated for amendments to IAS 19 – see note 2. **See note 4.

Consolidated statement of comprehensive income

	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 restated* £m
Profit for the period	**157.8**	97.3
Items of other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on defined benefit pension scheme	**(119.6)**	73.0
Deferred tax on actuarial losses/(gains) on defined benefit pension scheme	**23.9**	(16.8)
Effect of change in UK tax rate on deferred tax on cumulative actuarial loss	**-**	(1.6)
Deferred tax on pension contributions	**(6.3)**	-
Current tax on pension contributions	**6.8**	-
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(0.2)**	0.5
Other comprehensive income for the period	**(95.4)**	55.1
Total comprehensive income for the period attributable to equity holders of the parent	**62.4**	152.4

*Restated for amendments to IAS 19 – see note 2.

Consolidated balance sheet

	Notes	27 December 2014 £m	28 December 2013 £m
Non-current assets			
Other intangible assets		**3.4**	3.7
Property, plant and equipment		**107.1**	95.5
Deferred tax asset		**40.3**	23.2
Bank borrowings net of prepaid fees		**0.3**	0.9
		151.1	123.3
Current assets			
Bank borrowings net of prepaid fees		**0.6**	0.1
Inventories		**143.1**	123.4
Trade and other receivables		**132.9**	122.4
Investments		**85.0**	-
Cash at bank and in hand		**131.9**	139.7
		493.5	385.6
Total assets		**644.6**	508.9
Current liabilities			
Trade and other payables		**(185.9)**	(158.4)
Current tax liability		**(7.9)**	(18.7)
Current borrowings		**-**	(0.1)
		(193.8)	(177.2)
Non-current liabilities			
Non-current borrowings		**(0.1)**	(0.1)
Pension liability		**(142.6)**	(54.3)
Deferred tax liability		**(2.6)**	(3.6)
Provisions	9	**(10.6)**	(12.0)
		(155.9)	(70.0)
Total liabilities		**(349.7)**	(247.2)
Net assets		**294.9**	261.7
Equity			
Called up share capital		**64.7**	64.3
Share premium account		**87.5**	87.5
ESOP reserve		**2.4**	(6.3)
Other reserves		**28.1**	28.1
Retained earnings		**112.2**	88.1
Total equity		**294.9**	261.7

The financial statements were approved by the Board on 25 February 2014 and were signed on its behalf by Mark Robson – Deputy Chief Executive and 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 £m	Total £m
As at 29 December 2012	64.2	87.2	(19.0)	28.1	(47.7)	112.8
Accumulated profit for the period*	-	-	-	-	97.3	97.3
Net actuarial gain on defined benefit scheme*	-	-	-	-	56.2	56.2
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**
Accumulated profit for the period	-	-	-	-	157.8	157.8
Net actuarial loss on defined benefit scheme	-	-	-	-	(95.7)	(95.7)
Deferred tax on pension contributions	-	-	-	-	(6.3)	(6.3)
Current tax on pension contributions	-	-	-	-	6.8	6.8
Current tax on share schemes	-	-	-	-	5.0	5.0
Deferred tax on share schemes	-	-	-	-	(1.9)	(1.9)
Currency translation differences	-	-	-	-	(0.2)	(0.2)
Net movement in ESOP	-	-	8.7	-	-	8.7
Issue of new shares	0.4	-	-	-	(0.4)	-
Dividends declared and paid	-	-	-	-	(41.0)	(41.0)
As at 27 December 2014	**64.7**	**87.5**	**2.4**	**28.1**	**112.2**	**294.9**

The ESOP Reserve includes shares in Howden Joinery Group plc with a market value on the balance sheet date of £23.8m (2013: £36.2m), 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.

*Restated for amendments to IAS 19 – see note 2.

Consolidated cash flow statement

	Notes	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 restated* £m
Group operating profit before tax and interest			
Continuing operations		**189.8**	136.2
Discontinued operations		**(2.1)**	-
Group operating profit before tax and interest		**187.7**	136.2
Adjustments for:			
Depreciation and amortisation included in operating profit		**20.8**	18.7
Share-based payments charge		**6.4**	8.4
Loss on property, plant and equipment, and intangible assets		**0.4**	-
Exceptional items (before tax)		**2.1**	4.5
Operating cash flows before movements in working capital		**217.4**	167.8
Movements in working capital and exceptional items			
Increase in stock		**(19.7)**	(7.5)
Increase in trade and other receivables		**(10.5)**	(26.4)
Increase in trade and other payables and provisions		**23.7**	11.7
Difference between pensions operating charge and cash paid		**(32.8)**	(32.9)
Net cash flow – exceptional items		**-**	(4.5)
		(39.3)	(59.6)
Cash generated from operations		**178.1**	108.2
Tax paid		**(30.3)**	(21.0)
Net cash flow from operating activities	11	**147.8**	87.2

Consolidated cash flow statement - continued

	Notes	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 restated* £m
Net cash flows from operating activities		**147.8**	87.2
Cash flows used in investing activities			
Payments to acquire property, plant and equipment, and intangible assets		**(32.8)**	(24.7)
Receipts from sale of property, plant and equipment, and intangible assets		**0.3**	-
Interest received		**0.6**	0.4
Net cash used in investing activities		**(31.9)**	(24.3)
Cash flows from financing activities			
Interest paid		**(0.1)**	(0.1)
Receipts from issue of own share capital		**-**	0.4
Receipts from release of shares from share trust		**2.3**	4.3
Decrease/(increase) in prepaid loan fees/loans		**0.1**	(1.1)
Repayment of capital element of obligations under finance leases		**-**	(0.1)
Dividends paid to Group shareholders		**(41.0)**	(23.3)
Net cash used in financing activities		**(38.7)**	(19.9)
Net increase in cash and cash equivalents		**77.2**	43.0
Cash and cash equivalents at beginning of period		**139.7**	96.7
Cash and cash equivalents at end of period	11	**216.9**	139.7

There are no cash flows from discontinued operating, investing or financing activities.

*Restated for amendments to IAS19 – see note 2.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of presentation and preparation

The Group's accounting period covers the 52 weeks to 27 December 2014. The comparative period covered the 52 weeks to 28 December 2013.

The preliminary results for the year ended 27 December 2014 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 2013 Annual Report and Accounts, which is available on the Group's website (www.howdenjoinerygroupplc.com), other than as detailed in note 2 below. 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 28 December 2013 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 27 December 2014 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 Adoption of new accounting standard in the period

The Group has implemented IAS19 (revised) for the first time in the current period. The revised standard has been adopted retrospectively and in accordance with the transitional provisions set out in IAS19.173. The prior period has been restated where relevant. The main effects of adopting this standard are outlined below:

- The administration costs of the defined benefit pension scheme, which were previously deducted from returns on assets, are now added to the pension expense and thus form part of administrative expenses.
- The interest income on plan assets, which forms part of the net pensions finance charge, is now calculated at the same rate used to calculate the interest expense on the pension liability. The rate was previously based on the expected returns on the various asset types held in the investment portfolio, but it is now based on the discount rate and derived from high-quality corporate bond yields.
- As the Group has always recognised actuarial gains and losses in full and immediately, there is no effect on the prior period defined benefit obligation.

The result of the restatement of the prior period was to give a decrease in the profit, and an equal and opposite increase in other comprehensive income. This resulted in no change to total comprehensive income or to net assets. As the profit decreased, so did the restated EPS. Further details of the amounts of these changes and the line items affected are given in note 13, where the impact on the current period is also shown.

3 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 27 December 2014 £m	52 weeks to 28 December 2013 £m
Capital additions	**32.9**	24.7
Depreciation and amortisation	**(20.8)**	(18.7)

4 Continuing operations – exceptional items

Exceptional items for the 52 weeks to 27 December 2014

There were no exceptional items in the period from continuing operations. However, there were discontinued exceptional items and these are analysed in note 12.

Exceptional items for the 52 weeks to 28 December 2013

During the 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 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)**

5 Finance income

	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 £m
Bank interest receivable	**0.6**	0.4
Total finance income	**0.6**	0.4

6 Finance expenses and other finance expense – pensions

	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 £m
Finance expenses		
Interest payable on bank loans	**-**	(0.1)
Finance charge on remeasuring creditors to fair value	**-**	(0.1)
Other interest	**-**	(0.2)
Total finance expenses	**(0.1)**	(0.4)

The finance charge on remeasuring creditors to fair value in the prior period related to an element of the property provision which was for empty properties with long leases remaining. In the current period, following continued property disposals and lease expiries, the charge was less than £0.1m.

	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 restated* £m
Other finance expense - pensions		
Pensions finance expense	**(1.5)**	(5.7)

* Restated for amendments to IAS19 – see note 2.

7 Tax

(a) Tax in the income statement

	Continuing operations		Discontinued operations		Total	
	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 *restated £m	**52 weeks to 27 December 2014 £m**	52 weeks to 28 December 2013 *restated £m	**52 weeks to 27 December 2014 £m**	52 weeks to 28 December 2013 *restated £m
Current tax:						
Current year	**44.1**	28.1	**-**	-	**44.1**	28.1
Adjustments in respect of previous years	**(1.7)**	(0.8)	**(11.2)**	-	**(12.9)**	(0.8)
Total current tax	**42.4**	27.3	**(11.2)**	-	**31.2**	27.3
Deferred tax:						
Current year	**(0.6)**	5.5	**-**	-	**(0.6)**	5.5
Adjustments in respect of previous years	**(1.7)**	0.4	**-**	-	**(1.7)**	0.4
Total deferred tax	**(2.3)**	5.9	**-**	-	**(2.3)**	5.9
Total tax charged/(credited) in the income statement	**40.1**	33.2	**(11.2)**	-	**28.9**	33.2

UK corporation tax is calculated at 21.5% (2013: 23.25%) 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 27 December 2014 £m	52 weeks to 28 December 2013 *restated £m
Deferred tax (credit)/charge to equity on actuarial (loss)/gain on pension scheme	**(23.9)**	16.8
Deferred tax charge to other comprehensive income on pension contributions	**6.3**	-
Current tax credit to other comprehensive income on pension contributions	**(6.8)**	-
Deferred tax charge/(credit) to equity on share schemes	**1.9**	(3.1)
Current tax credit to equity on share schemes	**(5.0)**	(4.6)
Charge to equity re. tax rate change**	**-**	2.6
	(27.5)	11.7

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 27 December 2014 £m	52 weeks to 28 December 2013 restated* £m
Profit before tax:		
Continuing operations	**188.8**	130.5
Discontinued operations	**(2.1)**	-
	186.7	130.5
Tax at the UK Corporation tax rate of 21.5% (2013: 23.25%)	**40.1**	30.3
IFRS2 share scheme charge	**0.2**	-
Expenses not deductible for tax purposes	**2.1**	2.2
Overseas losses not utilised	**0.2**	-
Change of tax rate**	**0.1**	0.4
Non-qualifying depreciation	**0.7**	0.7
Tax adjustments in respect of previous years in relation to legacy properties***	**(11.1)**	-
Other tax adjustment in respect of previous years	**(3.4)**	(0.4)
Total tax charged in the income statement	**28.9**	33.2

* Restated for amendments to IAS19 – see note 2.

** 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 21% to 20% from 1 April 2015. All deferred tax assets and liabilities have been recognised at 20%. Current and deferred taxes are therefore calculated at different rates for the period.

*** See note 12 (c).

8 Earnings per share

	52 weeks to 27 December 2014			52 weeks to 28 December 2013 restated*		
	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	**148.7**	**640.7**	**23.2**	97.3	636.6	15.3
Effect of dilutive share options	**-**	**6.2**	**(0.2)**	-	5.6	(0.1)
Diluted earnings per share	**148.7**	**646.9**	**23.0**	97.3	642.2	15.2
From discontinued operations						
Basic loss per share	**9.1**	**640.7**	**1.4**			
Effect of dilutive share options	**-**	**6.2**	**-**			
Diluted loss per share	**9.1**	**646.9**	**1.4**			
From continuing and discontinued operations						
Basic earnings per share	**157.8**	**640.7**	**24.6**	97.3	636.6	15.3
Effect of dilutive share options	**-**	**6.2**	**(0.2)**	-	5.6	(0.1)
Diluted earnings per share	**157.8**	**646.9**	**24.4**	97.3	642.2	15.2

* Restated for amendments to IAS19 – see note 2.

9 Dividends

	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 £m
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the 52 weeks to 27 December 2014 – 1.9p/share	**12.2**	-
Final dividend for the 52 weeks to 28 December 2013 – 4.5p/share	**28.8**	-
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
	41.0	23.3
Dividends proposed at the end of the period (but not recognised in the period)		
Proposed final dividend for the 52 weeks to 27 December 2014 - (6.5p/share)	**41.6**	
Proposed final dividend for the 52 weeks to 28 December 2013 - (4.5p/share)		28.4

The directors propose a final dividend in respect of the 52 weeks to 27 December 2014 of 6.5p per share, payable to ordinary shareholders who are on the register of shareholders at 22 May 2015 and payable on 19 June 2015.

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 2015 Annual General Meeting and has not been included as a liability in these financial statements.

10 Provisions

	Property £m	Warranty £m	Business closure £m	French post-retirement benefits £m	Total £m
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
Additional provision in the period	3.3	3.6	-	0.2	7.1
Provision released in the period	(0.2)	-	(0.1)	-	(0.3)
Utilisation of provision in the period	(5.3)	(2.9)	-	-	(8.2)
At 27 December 2014	**6.8**	**3.6**	**-**	**0.2**	**10.6**

Property provision

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

Warranty provision

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

Business closure provision

The provision for business closure relates to the costs of closure of the former Group subsidiary company Howden Joinery Supply Division (Asia) Ltd. The closure was almost entirely completed at the end of 2013, but the final small cash outflows were paid in 2014 and the small unutilised remaining provision was released.

French post-employment benefits

This provision relates to a benefit which is payable to employees in our French subsidiaries under French law on retirement. It is a lump sum payable on retirement, not a recurring pension. It will only be payable if any of the eligible employees are employed by our French subsidiary immediately before their retirement.

The provision represents our best estimate of the potential liability and it is calculated based on several factors, mainly the age profile and salary details of the current workforce in France, and the current rate of staff turnover.

11 Notes to the cash flow statement

	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 £m
(a) Reconciliation of net cash		
Net cash at start of period	**140.5**	96.4
(Decrease)/increase in cash	**(7.8)**	43.0
Increase in short term investments	**85.0**	-
Decrease in bank loans/prepaid fees	**(0.1)**	1.1
Decrease in finance leases	**0.1**	-
Net cash at end of period	**217.7**	140.5
Represented by:		
Cash at bank and in hand	**131.9**	139.7
Short term investments	**85.0**	-
Bank loans	**0.9**	1.0
Finance leases	**(0.1)**	(0.2)
	217.7	140.5

(b) Analysis of net cash

	Cash at bank and in hand £m	Short term investments* £m	**Subtotal:** Cash and cash equivalents £m	Bank loans/prepaid loan fees £m	Finance leases £m	**Net cash £m**
As at 28 December 2013	139.7	-	139.7	1.0	(0.2)	140.5
Cash flow	(7.8)	85.0	77.2	(0.1)	0.1	77.2
As at 27 December 2014	**131.9**	**85.0**	**216.9**	**0.9**	**(0.1)**	**217.7**

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

12 Discontinued operations

There were no discontinued operations in 2013.

All discontinued operations in the current period are discontinued exceptional items and are analysed as follows:

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

(a) Increase to discontinued property provisions

During the current period, we have increased the provision for our remaining legacy properties.

(b) Release of discontinued interest accrual

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

(c) Release of tax creditor for discontinued operations

During the current period, we received a First Tier Tribunal judgement which gave a partial resolution of a dispute with HMRC, regarding the tax treatment of certain expenses relating to our legacy properties which had been incurred in prior periods.

In prior years, we had prepared our tax computations for accounts purposes on the basis that the disputed expense items would not be deductible for tax, and we provided for tax on that basis. Now that the judgement has given us certainty that particular expenses may be treated as deductible for tax, we are recognising a credit of £11.1m of tax in the current period.

13 Adoption of revisions to IAS19 in the current period

The revised IAS19 was adopted in the current period. As required, prior periods have been restated as if the revised standard had been in force in those periods.

Further detail of the nature of the revisions is given in note 2. The financial effect is shown below:

	52 weeks to 27 December 2014 £m	52 weeks to 28 December 2013 £m
Income statement		
Admin expenses - increase to defined benefit pensions current service cost	**2.0**	1.8
Other finance charge - pensions. Increase to charge	**6.3**	1.6
Tax credit – deferred tax element of current tax charge	**(1.7)**	(0.9)
Net decrease in profit for the period	**6.6**	2.5
Other Comprehensive Income (OCI)		
Change in gross actuarial gain – increase in OCI	**(8.3)**	(3.4)
Change in deferred tax on actuarial gain – decrease in OCI	**1.7**	0.9
Net increase in OCI for the period	**(6.6)**	(2.5)
Net effect on total income (and net assets)	**-**	-
Earnings per share		
Reduction in basic EPS (pence/share)	**(1.0)**	(0.4)
Reduction in diluted EPS (pence/share)	**(1.0)**	(0.3)

FINANCIAL CALENDAR

2015	
Interim Management Statement	30 Apr
Half Yearly Report	23 July
Interim Management Statement	12 November
End of financial year	26 December