HOWDEN JOINERY GROUP PLC

HALF YEAR REPORT TO 15 JUNE 2019

SUMMARY OF GROUP RESULTS[1]

£m (unless stated)	2019	2018	% change
Revenue			
- Group	**652.6**	619.4	5.4
- Howden Joinery UK depots	**638.1**	604.7	5.5
Gross profit	**404.2**	379.5	6.5
Gross profit margin, %	**61.9**	61.3	60bp
Operating profit	**77.7**	69.6	11.6
Profit before tax	**78.1**	68.8	13.5
Basic earnings per share	**10.3p**	8.9p	15.7
Dividend per share	**3.9p**	3.7p	5.4
Net cash at end of period	**217.1**	213.3	1.8

[1] The information presented relates to the 24 weeks to 15 June 2019 and the 24 weeks to 16 June 2018, unless otherwise stated.
[2] Same depot basis for any year excludes depots opened in that year and the prior year.

Financial highlights[1]:

- Howden Joinery UK depot revenue grew by 5.5% to £638.1m (2018: £604.7m), and by 3.4% on a same depot basis[2]. Group revenue was £652.6m (2018: £619.4m);
- Gross profit margin of 61.9% (2018: 61.3%), reflected a price increase in January and a more disciplined balance between volumes and price achieved in depots;
- Profit before tax of £78.1m (2018: £68.8m), due to good sales growth with improved gross margin, partly offset by continued investment in the business;
- £46.3m returned to shareholders through our share buyback programmes;
- Net cash of £217.1m at 15 June 2019 (29 December 2018: £231.3m net cash; 16 June 2018: £213.3m net cash).

Chief Executive, Andrew Livingston, said:

"Howdens delivered another positive performance in the first half of 2019, with sales increasing by 5.4%, against tough volume comparators in the prior year. Just as importantly, gross margin improved as we achieved a more disciplined balance between price and volume in our depots. Profit before tax was up strongly, at £78.1m and we ended the half year with £217m in cash, having invested £24m in the business and having returned £46m to shareholders.

"We have made good progress with our new initiatives, focussing on depot openings and our new format, range management and the development of our digital platform. We opened 15 new depots in the period, all in the new format, including five in Northern Ireland and one in France, and are reformatting a further eight of our older UK depots.

"We are encouraged by the start we have made to the year and, despite the economic uncertainties ahead, remain confident in our business model. With our peak trading period still ahead of us, we are on track with our plans for the year as a whole."

Business developments:

- 15 new depots opened in H1 2019, including five in Northern Ireland and one in France, bringing the total to 731;
- Eight new kitchen ranges introduced in H1 2019, with 15 ranges cleared from the business;
- An update of our light oak cabinet and frontals, to a more natural tone;
- Other new product introductions include 25 new Lamona appliances across cooking, laundry and dishwashing products, and 12 new laminate and solid surface worktops;
- Rolling-out 250 of the fastest selling trial hardware lines, across all depots;
- Further progress on developing the new digital offering with significant increases to web visits, online brochure requests and resulting depot contacts;
- Capital expenditure of £24.1m (2018: £17.1m) included new depots, the next phase of Raunds distribution centres and digital.

CURRENT TRADING AND OUTLOOK FOR 2019

In the first four week period of H2 (Period 7, to 13 July 2019), total sales at Howdens Joinery UK depots rose by 7.5% on the same period in 2018, and by 4.8% on a same depot basis[2].

During the course of 2019, we plan to open around 40 depots in the UK, including the five opened in Northern Ireland, and around five in France; 15 depots were opened during H1 2019.

Regarding the Group's financial performance in 2019 compared with the prior year, we continue to expect additional operating costs of £15m in the full year in respect of closing the operations in the Netherlands and Germany, digital upgrades and additional depreciation. These are in addition to the impact of ongoing growth in the business, inflationary pressures, new depots and any impact of foreign exchange rates.

We expect capital expenditure of between £70m and £80m, including further investment in new depots, digital upgrades and the next phase of the Raunds distribution centres.

We remain cautious given economic uncertainties, particularly the impact that Brexit might have. In preparation for a 'No-Deal' Brexit, a number of measures have been taken. Our stocking policy for at-risk items has been adjusted to secure continuity of supply during the transition. As a result, around £12m additional inventory is being held and key suppliers are also making plans to ensure supply. In addition, we are looking closely at the options for our inbound supply routes and have in place appropriate logistics accreditation (Authorised Economic Operator status), to reduce potential customs delays.

Whilst we remain aware of the economic uncertainties that we face, we are encouraged by the start we have made to the year and remain confident in our business model for the future. With our busy Period 11 still ahead of us, we are on track with our plans for the year as a whole.

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Note to editors:
Howden Joinery Group Plc is the parent company of Howden Joinery (Howdens). In the UK, Howdens is engaged in the sale of kitchens and joinery products to trade customers, primarily small local builders, through more than 700 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 operates a total of 23 depots in France and Belgium.

There will be a live audio webcast at 08.30 UK time today, 25 July 2019. For details and more information, please see: www.howdenjoinerygroupplc.com

FINANCIAL CALENDAR

2019	
Trading update	7 November 2019
End of financial year	28 December 2019
2020	
2019 Preliminary Results	27 February 2020
Trading update	30 April 2020
Annual General Meeting	7 May 2020
Half Year Report	23 July 2020
Trading update	5 November 2020

FINANCIAL REVIEW

FINANCIAL RESULTS FOR FIRST HALF OF 2019[1]

REVENUE

Revenue £m	2019	2018
Group	**652.6**	619.4
comprising:		
Howden Joinery UK depots	**638.1**	604.7
Continental Europe	**14.5**	14.7

[1] The information presented relates to the 24 weeks to 15 June 2019 and the 24 weeks to 16 June 2018, unless otherwise stated.
[2] Same depot basis for any year excludes depots opened in that year and the prior year.

Total group revenue increased to £652.6m (2018: £619.4m). Howden Joinery UK depot revenue rose by 5.5% to £638.1m (2018: £604.7m). UK revenue increased by 3.4% on a same depot basis[2] to £624.9m in 2019 (2018: £604.2m); this excludes the additional revenue from depots opened in 2018 and 2019 of £13.2m in 2019 (2018: £0.5m).

Depot revenue in Continental Europe was £14.5m (2018: £14.7m), reflecting the closure of operations in Germany and the Netherlands, in January 2019. On a local currency basis, sales at our French and Belgian depots increased by 4.0%.

GROSS PROFIT

Gross profit increased £24.7m to £404.2m (2018: £379.5m). This change reflected a £37m benefit from increasing prices in January 2019, resulting from a more disciplined approach to margins at the depots. This was partly offset by the £8m effect from higher input costs and discontinued products, a net volume and mix impact of £2m and the £2m negative impact from exchange rate movements. The gross profit margin increased to 61.9% (2018: 61.3%).

OPERATING PROFIT

Selling and distribution costs and administrative expenses (SD&A) increased by £16.6m to £326.5m (2018: £309.9m). As expected, cost increases were due to continued investments in areas across the business, including £7m in new depots, a £4m increase in costs in existing depots, primarily relating to payroll, and other cost increases to support growth, including digital upgrades, of £4m. There was a net reduction in other costs of £3m and the costs of closing the depots in Germany and the Netherlands were £5m. As a result, operating profit rose to £77.7m (2018: £69.6m).

PROFIT BEFORE AND AFTER TAX

There was a net interest credit of £0.4m (2018: £0.8m charge). Profit before tax was up 13.5% to £78.1m (2018: £68.8m).

The tax charge on profit before tax was £16.4m (2018: £14.3m), representing an effective rate of tax of 21.0%, in line with the previous year (2018: 20.8%).

As a result, profit after tax was £61.7m (2018: £54.5m). Reflecting the above and the reduced share count following share repurchases, basic earnings per share was up 15.7% to 10.3p (2018: 8.9p).

PENSIONS

At 15 June 2019, the pension deficit shown on the balance sheet was £6.9m (29 December 2018: £36.0m). The decrease in the deficit was primarily due to actuarial gains of £19.5m, arising mainly from a change in actuarial assumptions which increased liabilities by £106.7m offset by increased asset returns of £126.2m, and due to employer contributions of £18.9m.

On 28 June 2018, we announced that, following the triennial actuarial valuation of the scheme as at 5 April 2017, we had reached agreement with the Trustees of the defined benefit pension scheme in relation to the schedule of payments required to fund the scheme deficit. We will make annual deficit contributions of £30m per annum for up to five years until June 2023.

The funding position will be monitored on an ongoing basis, and deficit contributions will be suspended should the scheme's funding position improve to at least 100 percent of the scheme's funding basis for two consecutive months and resumed if the funding position subsequently falls back below 100 percent.

SHARE REPURCHASES

In March 2018, we announced a £60m share repurchase programme, of which we had £30.0m remaining at the start of 2019. In February 2019, we announced a further share buyback programme of £50m to be completed during the next two years.

The Group acquired 9.1m shares for a consideration of £46.3m, to 15 June 2019. This completed the February 2018 share repurchase programme and leaves £33.7m of the March 2019 programme remaining.

CASH

There was a net cash inflow from operating activities of £56.3m (2018: £26.4m). This was after a cash contribution to the Group’s pension schemes, in excess of the operating charge, of £9.8m (2018: £4.5m).

Working capital increased by £9.8m. Debtors at the end of the period were £17.0m higher than at the beginning of the period and stock levels increased by £21.3m, mainly due to the introduction of new product ranges, more depots and contingency stock relating to the Group’s Brexit plans. Creditors increased by £28.5m. We paid tax totalling £20.8m (2018: £21.1m).

Payments to acquire fixed and intangible assets totalled £24.1m (2018: £17.1m). We expect full year capital expenditure to be between £70m and £80m.

Reflecting the above, there was a £14.2m net cash outflow in the first half of the year (2018: £27.8m), the Group having net cash at the end of the period of £217.1m (29 December 2018: £231.3m net cash; 16 June 2018: £213.3m net cash).

DIVIDEND

It is the Group‘s policy to pay an interim dividend equal to one third of the previous year’s full dividend. Reflecting this, the Board has approved the payment of an interim dividend of 3.9p per share (2018: 3.7p) which will be paid on 22 November 2019 to shareholders on the register at close of business on 25 October 2019.

OPERATIONAL REVIEW

Howdens has a clear objective: to help our trade customers achieve exceptional results for their customers and to profit from doing so. When our customers succeed, we succeed.

Our model is a powerful combination of locally empowered depot management teams served by a dedicated supply chain, which is both cost effective and critical to the success of our in-stock offer. A key feature of Howdens' success is our trade customer focus, which underpins everything we do.

UK DEPOT ROLLOUT AND OPERATIONS

We have opened 14 new depots in the UK so far this year, taking the total number of depots trading at the end of H1 2019, to 708. All of the new depots are in the new format, described below. A number of other depots are at various stages of the acquisition/shop-fitting process and we continue to expect to open around 40 new depots this year, including the five that we have already opened in Northern Ireland.

Our account base remains stable at approximately 470,000 customers. Although this is similar to the prior year, we are improving customer loyalty and are seeing sales per customer grow with our core customers buying more kitchens from us. The number of new credit accounts opened in H1 2019 was similar to the prior year, with new customer spending up and profit per new account increasing, reflecting lower acquisition costs.

New depot format and roll-out

Howdens depots typically have an average size of around 10,000 square feet. The new depot format, using new vertical racking in the warehouse section, has the potential to make productivity gains from reduced picking times and reduces storage space required by around 25%.

Where this new racking has been tested, the space has been reallocated to provide a more open front area, bringing depot staff closer to customers, and approximately doubling the space available to display a wider range of kitchen designs. There is also space for a small goods picking area behind the counter with an improved range of everyday essential items, including hardware, which is currently being trialled as a way of encouraging footfall and incremental kitchen sales. The fit-out cost of a new format depot is around £350,000, broadly in line with the cost of our previous format.

Separately, we are trialling the new format in some of our older depots. We initially converted three older depots to the new format and expect to have converted a further eight depots by the end of September 2019. We are trialling various ways of reformatting, with different capital investment requirements, in order to determine the best way to benefit from this opportunity. Although early feedback has been positive from both customers and depot teams, we will wait until they have all traded through our busy Period 11 before we draw any conclusions.

The new format also offers the potential to open up a number of new, smaller, infill depots of around 6,000 square feet, in rural locations and big cities. In the first half, four of those opened were of this smaller size and we expect to open around a dozen more of these in the second half. With the new, smaller sized depots the number of UK depots could potentially reach around 850.

PRODUCT AND MARKETING

We introduced eight new kitchen ranges in H1 2019. New product initiatives and launches during the period included:

- an update of our light oak cabinet and frontals to a more natural oak tone;
- nine light-coloured laminate worktops, along with three new solid surface worktops, to complement the growing number of darker kitchen colours; and
- 25 Lamona appliances, adding new technologies in cooking, laundry and dishwashing products, while strengthening our core Lamona oven choice with the introduction of a new low price point fan oven.

During H2 2019, we expect to bring a further four new ranges to market in time for peak Period 11 trading, which will bring our total kitchen range introductions to 12 for the year.

Range management

Managing the number of kitchen ranges efficiently is crucial for both our customers, who want best availability, and also for our own profitability, as the number of ranges and the products within a range add significant complexity to our supply chain and the inventory that we hold. Going forward, we intend to be have fewer, higher performing, kitchen ranges.

A key part of this is the timely discontinuation of underperforming ranges and the management of clearance stock from the business. During H1 2019, 15 ranges were cleared from the business, with a further six to be cleared by the end of the year.

By the end of 2019, we would expect to have around 65 current kitchen ranges which we think is the appropriate number for the current market.

Commercial structure

As part of our focus on range management, we have merged the commercial functions across the business into a single commercial structure, organised into product categories. This structure, headed by a new Commercial Director, will provide clearer accountability for product range decisions as well as supply chain benefits.

The changes will remove duplication of effort, ease communication and bring our commercial team closer to depot managers. Through this structure we aim to ensure that the business is well planned at least 18 months out with our suppliers, that we are being offered innovative products first and that we are offering the best value to our customers.

DIGITAL

We are continuing to develop the new platform for our website as we enhance our digital capability to reinforce the Howdens model. Our investment in digital will reinforce the strong local relationships and improve communications between depots and their builder customers, including through offering streamlined operating processes to free up depot staff and customers' time. It will also increase awareness of the Howdens brand and offer among end consumers.

The new web platform, which has enriched product content and improved search optimisation, has moved Howdens.com into more prominent search positions, raising brand awareness with consumers. As a result, traffic to the site, of which over half is now from smart phones, is up 42% and depot contacts made via the website have increased by 30%.

In the second half, further improvements will be made to our digital offering in line with our aim to put "a tradesperson's local depot in their pocket". A secure customer-only area of the website will be tested, where builders can manage their accounts, make payments and interface more efficiently with their local depot. We will also be testing a more efficient account opening process for new trade customers.

CONTINENTAL EUROPE

At the end of the first half, there were 23 depots across France (21) and Belgium (2), with the Belgian depots continuing to be run within the French field structure. Rebranding to Howdens was completed during the period. As reported in February, the single depot operations in the Netherlands and Germany were closed in January 2019.

We believe there is the potential for a viable business based in France and we have appointed a French national to lead our business there. The French market has low penetration rates of integrated kitchens and most kitchens are purchased through DIY outlets and specialist shops, which is similar to the way the UK market was structured when Howdens was founded.

Based on the way current depots perform in their local areas we think both the French trade customer and end consumer can see the benefits of buying a kitchen though the trade. We also believe that depots in small clusters within cities perform better, partly due to word of mouth between customers and also because of our ability to build a local and trusted brand. Clustering also helps to build the Howdens culture within our business teams. We have decided to develop our operation in France by way of a city-based strategy and have opened a new depot near Versailles in June. We plan to open at least four more depots this year, including three around Paris and one in Lille.

GOING CONCERN

The Group meets its day-to-day working capital requirements through cash generated from operations. Following its renewal in February 2019, the Group also has access to an asset-backed lending facility of £140m, which expires in December 2023.

The Group's forecasts and projections have been stress-tested for reasonably possible adverse variations in economic conditions and trading performance. The results of this testing show that the Group should be able to operate within the level of its current net cash balances and its committed bank facility, and that it would not breach the facility 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 financial statements.

RELATED PARTIES

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

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that could have a material impact on the Group's performance over the remaining half of the financial year have not changed from those which are set out in detail in the Group's 2018 Annual Report & Accounts, and which are summarised below.

1) Failure to maximise the growth potential of the business – if we do not understand and exploit our growth opportunities in line with our business model and risk appetite, or if we do not meet the related growth challenges, we will not get maximum benefit from our growth potential.
2) Deterioration of business model and culture – if we lose sight of our model and culture we may not serve our customers successfully and our long-term profitability may suffer.
3) Changes in market conditions – weaker market conditions could affect our ability to achieve sales and profit forecasts. Weaker exchange rates could increase our cost of goods sold.
4) Interruption to continuity of supply – could compromise our ability to deliver our in-stock business model.
5) Loss of key personnel – could adversely affect the Group's operations.
6) Health and Safety – could compromise the safety and wellbeing of individuals and the reputation and viability of the business.
7) Cyber security incident – could cause a key system and/or sensitive data to be compromised.
8) Product design relevance – if we do not offer the builder the products that they and their customers want, we could lose sales and customers.
9) Credit control failure – could affect our ability to continue to support our customers via their nett monthly trade accounts, and potentially our ability to collect debts.

Brexit
The uncertainty around the nature of the UK's exit from the EU continues to have an influence on a number of our principal risks, particularly the 'No-Deal' scenario. These influences are summarised in the table below:

Risk Area	What it means	What we are doing	Managed within Risk nos. above
<u>Trade and Customs</u> -UK exits Single Market -UK exits Customs Union -Regulatory Differences	-Product Tariffs -Supply Chain Delays -Regulatory Uncertainty	-Modelling risks & opportunities -Obtained importer accreditation -Managing stock levels -Reviewing Supplier Contracts	1 2 3 4
<u>People and Immigration</u> -No free movement	-Labour shortages for us, our suppliers and our customers	-Evaluating workforce composition -Working with our migrant workers	1 4
<u>Strategy & Business Plan</u> -Uncertainty: • Consumer • Investor • Political • Exchange rates	-Impact on Sales; and, Strategic Decisions -Increased costs	-Modelling challenges and opportunities -Optimising strategic plans	1 2 3 4

The business has established a Brexit Committee who regularly meet to discuss the likely exit scenarios to ensure our exit plans remain appropriate.

CAUTIONARY STATEMENT

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

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge:

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

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

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

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

By order of the Board

Andrew Livingston
Chief Executive Officer
24 July 2019

Mark Robson
Deputy Chief Executive and Chief Financial Officer

Condensed consolidated income statement

	Notes	24 weeks to 15 June 2019 unaudited £m	24 weeks to 16 June 2018 unaudited £m	52 weeks to 29 December 2018 audited £m
Revenue – sale of goods		**652.6**	619.4	1,511.3
Cost of sales		**(248.4)**	(239.9)	(579.1)
Gross profit		**404.2**	379.5	932.2
Selling & distribution costs		**(275.7)**	(262.8)	(594.4)
Administrative expenses		**(50.8)**	(47.1)	(97.7)
Operating profit		**77.7**	69.6	240.1
Finance income		**0.6**	0.3	0.7
Other finance expense - pensions		**(0.2)**	(1.1)	(2.3)
Profit before tax		**78.1**	68.8	238.5
Tax on profit	6	**(16.4)**	(14.3)	(48.1)
Profit for the period attributable to the equity holders of the parent		**61.7**	54.5	190.4
Earnings per share:				
Basic earnings per 10p share	7	**10.3p**	8.9p	31.3p
Diluted earnings per 10p share	7	**10.2p**	8.9p	31.2p

Condensed consolidated statement of comprehensive income

	Notes	24 weeks to 15 June 2019 unaudited £m	24 weeks to 16 June 2018 unaudited £m	52 weeks to 29 December 2018 audited £m
Profit for the period		**61.7**	54.5	190.4
Items of other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains on defined benefit pension scheme	10	**19.5**	59.3	59.3
Deferred tax on actuarial gains on defined benefit pension scheme		**(3.4)**	(11.3)	(11.3)
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		**(0.9)**	(0.2)	(0.2)
Other comprehensive income for the period		**15.2**	47.8	47.8
Total comprehensive income for the period attributable to equity holders of the parent		**76.9**	102.3	238.2

Condensed consolidated balance sheet

	Notes	15 June 2019 unaudited £m	16 June 2018 unaudited £m	29 December 2018 audited £m
Non-current assets				
Intangible assets		**23.6**	19.9	23.1
Property, plant and equipment	9	**194.7**	178.7	187.1
Deferred tax asset		**5.5**	13.6	11.2
Long-term prepayments		**1.1**	-	-
		224.9	212.2	221.4
Current assets				
Inventories		**247.6**	222.8	226.3
Trade and other receivables		**203.2**	188.9	186.0
Cash at bank and in hand		**217.1**	213.3	231.3
		667.9	625.0	643.6
Total assets		**892.8**	837.2	865.0
Current liabilities				
Trade and other payables		**(310.6)**	(291.9)	(232.9)
Current tax liability		**(13.3)**	(12.9)	(20.2)
		(323.9)	(304.8)	(253.1)
Non-current liabilities				
Pension liability	10	**(6.9)**	(46.6)	(36.0)
Deferred tax liability		**(1.5)**	(1.8)	(1.5)
Provisions	11	**(6.9)**	(8.4)	(7.3)
		(15.3)	(56.8)	(44.8)
Total liabilities		**(339.2)**	(361.6)	(297.9)
Net assets		**553.6**	475.6	567.1
Equity				
Share capital		**60.6**	62.0	61.5
Share premium account		**87.5**	87.5	87.5
ESOP reserve		**(9.3)**	(10.7)	(8.8)
Treasury shares		**(29.3)**	(32.9)	(32.9)
Retained earnings		**444.1**	369.7	459.8
Total equity		**553.6**	475.6	567.1

Condensed consolidated statement of changes in equity

	Share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained earnings £m	Total £m
24 weeks to 15 June 2019						
At 29 December 2018 – audited	**61.5**	**87.5**	**(8.8)**	**(32.9)**	**459.8**	**567.1**
Accumulated profit for the period	**-**	**-**	**-**	**-**	**61.7**	**61.7**
Other comprehensive income in the period	**-**	**-**	**-**	**-**	**15.2**	**15.2**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**76.9**	**76.9**
Current tax on share schemes	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Deferred tax on share schemes	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Movement in ESOP	**-**	**-**	**3.1**	**-**	**-**	**3.1**
Buyback and cancellation of shares	**(0.9)**	**-**	**-**	**-**	**(45.4)**	**(46.3)**
Transfer of shares from treasury into share trust	**-**	**-**	**(3.6)**	**3.6**	**-**	**-**
Dividends declared	**-**	**-**	**-**	**-**	**(47.4)**	**(47.4)**
At 15 June 2019 – unaudited	**60.6**	**87.5**	**(9.3)**	**(29.3)**	**444.1**	**553.6**

The ESOP Reserve includes shares in Howden Joinery Group plc with a market value on the balance sheet date of £30.9m (June 2018: £43.1m, December 2018 £27.1m), 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 item "Movement in ESOP" consists of the share-based payment charge in the period, together with any receipts of cash from employees on exercise of share options.

At the current period end there were 6.0 million ordinary shares held in treasury, each with a nominal value of 10p (June 2018: 6.7 million shares, December 2018: 6.7 million shares).

Condensed consolidated statement of changes in equity - continued

	Share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained earnings £m	Total £m
24 weeks to 16 June 2018						
At 30 December 2017 - audited	**62.8**	**87.5**	**(10.7)**	**(36.2)**	**350.8**	**454.2**
Accumulated profit for the period	**-**	**-**	**-**	**-**	**54.5**	**54.5**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**47.8**	**47.8**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**102.3**	**102.3**
Current tax on share schemes	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Deferred tax on share schemes	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Net movement in ESOP	**-**	**-**	**3.3**	**-**	**-**	**3.3**
Buyback and cancellation of shares	**(0.8)**	**-**	**-**	**-**	**(37.5)**	**(38.3)**
Transfer of shares from treasury into share trust	**-**	**-**	**(3.3)**	**3.3**	**-**	**-**
Dividends declared	**-**	**-**	**-**	**-**	**(45.9)**	**(45.9)**
At 16 June 2018 - unaudited	**62.0**	**87.5**	**(10.7)**	**(32.9)**	**369.7**	**475.6**

	Share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained earnings £m	Total £m
52 weeks to 29 December 2018						
At 30 December 2017 -audited	**62.8**	**87.5**	**(10.7)**	**(36.2)**	**350.8**	**454.2**
Accumulated profit for the period	-	-	-	-	190.4	190.4
Other comprehensive income for the period	-	-	-	-	47.8	47.8
Total comprehensive income for the period	-	-	-	-	238.2	238.2
Current tax on share schemes	-	-	-	-	0.1	0.1
Deferred tax on share schemes	-	-	-	-	(0.1)	(0.1)
Net movement in ESOP	-	-	5.2	-	-	5.2
Buyback and cancellation of shares	(1.3)	-	-	-	(60.9)	(62.2)
Transfer of shares from treasury into share trust	-	-	(3.3)	3.3	-	-
Dividends declared and paid	-	-	-	-	(68.3)	(68.3)
At 29 December 2018 -audited	**61.5**	**87.5**	**(8.8)**	**(32.9)**	**459.8**	**567.1**

Condensed consolidated cash flow statement

	Notes	**24 weeks to 15 June 2019 unaudited £m**	24 weeks to 16 June 2018 unaudited £m	52 weeks to 29 December 2018 audited £m
Group operating profit before tax and interest		**77.7**	69.6	240.1
Adjustments for:				
Depreciation and amortisation included in operating profit		**15.4**	13.3	30.2
Share-based payments charge		**2.5**	2.5	4.3
Loss on disposal of property, plant and equipment, and intangible assets		**1.1**	-	-
Operating cash flows before movements in working capital		**96.7**	85.4	274.6
Movements in working capital				
Increase in stock		**(21.3)**	(14.5)	(18.0)
Increase in trade and other receivables		**(17.0)**	(51.1)	(48.2)
Increase in trade and other payables and provisions		**28.5**	32.2	16.5
Difference between pensions operating charge and cash paid		**(9.8)**	(4.5)	(16.3)
		(19.6)	(37.9)	(66.0)
Cash generated from operations		**77.1**	47.5	208.6
Tax paid		**(20.8)**	(21.1)	(45.4)
Net cash flows from operating activities		**56.3**	26.4	163.2

Condensed consolidated cash flow statement – continued

	Notes	**24 weeks to 15 June 2019 unaudited £m**	24 weeks to 16 June 2018 unaudited £m	52 weeks to 29 December 2018 audited £m
Net cash flows from operating activities		**56.3**	26.4	163.2
Cash flows used in investing activities				
Payments to acquire property, plant and equipment, and intangible assets		**(24.1)**	(17.1)	(44.3)
Receipts from sale of property, plant and equipment, and intangible assets		**0.1**		0.1
Interest received		**0.4**	0.3	0.7
Net cash used in investing activities		**(23.6)**	(16.8)	(43.5)
Cash flows from financing activities				
Payments to acquire own shares		**(46.3)**	(38.3)	(62.2)
Receipts from release of shares from share trust		**0.5**	0.8	0.9
(Increase)/Decrease in long-term prepayments		**(1.1)**	0.1	0.1
Dividends paid to Group shareholders	8	**-**	-	(68.3)
Net cash used in financing activities		**(46.9)**	(37.4)	(129.5)
Net (decrease)/increase in cash and cash equivalents		**(14.2)**	(27.8)	(9.8)
Cash and cash equivalents at beginning of period		**231.3**	241.1	241.1
Cash and cash equivalents at end of period		**217.1**	213.3	231.3

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 General information

The results for the 24 week periods ended 15 June 2019 and 16 June 2018 are unaudited but have been reviewed by the Group's auditor, whose report on the current period forms part of this document. The information for the 52 week period ended 29 December 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies, and is available via the Group's website at www.howdenjoinerygroupplc.com. The auditor's report on those accounts was not qualified or modified, did not draw attention to any matters by way of emphasis, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2 Accounting policies

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

Basis of preparation

The Group's business activities, together with the factors likely to affect its future development, performance, and position are set out in the interim management report, which precedes these condensed financial statements and includes a summary of the Group's financial position, its cash flows, and borrowing facilities, and a discussion of why the directors consider that the going concern basis is appropriate.

The same accounting policies, presentation methods, and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except that the taxation charge for the half-year is calculated by applying the annual estimated effective tax rate to the profit for the period. The accounting standard IFRS 15: Revenue from Contracts with Customers is applicable for the Group for the first time in 2019 and has been adopted in the current period. As we set out in our 2018 Annual Report, this has not resulted in any adjustments to reported revenue and we continue to recognise revenue on despatch from our depots, as we did under the previous revenue accounting standard, IAS 18.

3 Segmental results - Basis of segmentation

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

4 Seasonality of revenue

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

5 Write down of inventories

During the period, the Group has recognised a net charge of £3.9m in respect of writing inventories down to their net realisable value (24 weeks to 16 June 2018 - net charge of £3.1m; 52 weeks to 29 December 2018 - net charge of £8.8m).

6 Tax

The half year effective tax rate is 21.0% (24 weeks to 16 June 2018: 20.8%). This is arrived at by applying the estimated full year effective tax rate to the actual half year profit, after adjusting for the tax effect of items which are recognised entirely in the current period and are not spread over the full year (such as actual share option exercises and payments to the pension scheme).

7 Earnings per share

	24 weeks to 15 June 2019 unaudited			24 weeks to 16 June 2018 unaudited			52 weeks to 29 December 2018 audited		
	Earnings £m	**Weighted average number of shares m**	**Earnings per share p**	Earnings £m	Weighted average number of shares m	Earnings per share p	Earnings £m	Weighted average number of shares m	Earnings per share p
Basic earnings per share	**61.7**	**600.3**	**10.3**	54.5	611.0	8.9	190.4	608.3	31.3
Effect of dilutive share options	**-**	**2.7**	**(0.1)**	-	2.8	-	-	2.5	(0.1)
Diluted earnings per share	**61.7**	**603.0**	**10.2**	54.5	613.8	8.9	190.4	610.8	31.2

8 Dividends

(a) Amounts recognised as distributions to equity holders in the period

	24 weeks to 15 June 2019 unaudited £m	24 weeks to 16 June 2018 unaudited £m	52 weeks to 29 December 2018 audited £m
Final dividend for the 52 weeks to 29 December 2018 - 7.9p/share	**47.4**	-	-
Final dividend for the 53 weeks to 30 December 2017 - 7.5p/share	**-**	45.9	45.9
Interim dividend for the 52 weeks to 29 December 2018 - 3.7p/share	**-**	-	22.4
	47.4	45.9	68.3

No dividends were paid in the current period, or the 24 week period to 16 June 2018. The final dividend for the 52 weeks to 29 December 2018 (7.9p/share) was approved at the 2019 AGM in May 2019, and was paid on 21 June 2019. The final dividend for the 53 weeks to 30 December 2017 (7.5p/share) was approved at the 2018 AGM in May 2018, and was paid on 22 June 2018. The interim dividend for the 52 weeks to 29 December 2018 (3.7p/share) was paid on 23 November 2018.

(b) Proposed dividends

On 24 July 2019, the Board approved the payment of an interim dividend of 3.9p per share, to be paid on 22 November 2019 to ordinary shareholders on the register on 25 October 2019.

	24 weeks to 15 June 2019 unaudited £m	24 weeks to 16 June 2018 unaudited £m	52 weeks to 29 December 2018 audited £m
Proposed interim dividend for the 52 weeks ended 28 December 2019 – 3.9p/share	**23.2**		
Proposed interim dividend for the 52 weeks ended 29 December 2018 - 3.7p/share		22.5	
Proposed final dividend for the 52 weeks ended 29 December 2018 - 7.9p/share			47.6

9 Property, plant and equipment

During the period, the Group made additions to property, plant and equipment ("PPE") of £22.3m (24 weeks to 15 June 2018 - £16.1m; 52 weeks to 29 December 2018 - £33.0m).

It had no disposals of PPE in the current or prior periods which had any significant net book value.

There are non-cancellable commitments to purchase PPE of £7.5m at the current period end (15 June 2018 - £5.9m; 29 December 2018 - £4.6m).

10 Retirement benefit obligations

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

	24 weeks to 15 June 2019 unaudited £m	24 weeks to 16 June 2018 unaudited £m	52 weeks to 29 December 2018 audited £m
Charged to the income statement			
Defined benefit plan – current service cost	**7.9**	9.1	19.8
Defined benefit plan – past service cost (GMP equalisation)*	**-**	-	3.8
Defined benefit plan – administration costs	**1.2**	1.1	2.3
Defined benefit plan - total operating charge	**9.1**	10.2	25.9
Defined benefit plan - net finance charge	**0.2**	1.1	2.3
Defined contribution plans – total operating charge	**4.0**	2.9	7.6
Total charged to profit before tax	**13.3**	14.2	35.8
Credited to equity			
Defined benefit plan – actuarial gains	**(19.5)**	(59.3)	(59.3)

* The past service cost in the 52 weeks to 29 December 2018 relates to a charge recognised in respect of equalising the Guaranteed Minimum Pension ("GMP") entitlements between female and male members of the plan between 1990 and 1997. This was an issue which affected all UK defined benefit pension plans, although it was only after the High Court ruling in a test case in October 2018 that there was some clarity as to the obligations which existed and the range of suitable ways in which to measure them. The plan's actuary applied the principles of the High Court ruling to the specific details of the plan's membership in order to calculate the past service cost shown above.

10 Retirement benefit obligations (continued)

(b) Other information – defined benefit pension plan

Key assumptions used in the valuation of the plan

		24 weeks to 15 June 2019 unaudited	24 weeks to 16 June 2018 unaudited	52 weeks to 29 December 2018 audited
Rate of increase of pensions in deferment capped at lower of CPI and 5%		**2.45%**	2.35%	2.45%
Rate of CARE revaluation capped at lower of RPI and 3%		**2.60%**	2.55%	2.60%
Rate of increase of pensions in payment:				
pensions with increases capped at the lower of CPI and 5%		**2.45%**	2.35%	2.45%
pensions with increases capped at the lower of CPI and 5%, with a 3% minimum		**3.35%**	3.30%	3.35%
pensions with increases capped at the lower of RPI and 2.5%		**2.25%**	2.25%	2.25%
Rate of increase in salaries		**4.45%**	4.35%	4.45%
Inflation assumption – RPI		**3.45%**	3.35%	3.45%
Inflation assumption – CPI		**2.45%**	2.35%	2.45%
Discount rate		**2.30%**	2.75%	2.85%
Life expectancy (years):	pensioner aged 65 - male	**86.4**	87.5	87.4
	pensioner aged 65 - female	**88.1**	89.2	89.0
	non-pensioner aged 45 - male	**87.6**	89.0	88.6
	non-pensioner aged 45 - female	**90.2**	91.7	91.1

10 Retirement benefit obligations (continued)

Balance sheet

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

	15 June 2019 £m	16 June 2018 £m	29 December 2018 £m
Present value of defined benefit obligations	**(1,393.6)**	(1,309.4)	(1,281.7)
Fair value of scheme assets	**1,386.7**	1,262.8	1,245.7
Deficit in the scheme, recognised in the balance sheet	**(6.9)**	(46.6)	(36.0)

Movements in the deficit during the period are as follows:

	24 weeks to 15 June 2019 unaudited £m	24 weeks to 16 June 2018 unaudited £m	52 weeks to 29 December 2018 audited £m
Deficit at start of period	**(36.0)**	(109.3)	(109.3)
Current service cost	**(7.9)**	(9.1)	(19.8)
Past service cost	**-**	-	(3.8)
Administration cost	**(1.2)**	(1.1)	(2.3)
Employer contributions	**18.9**	14.7	42.2
Other finance charge	**(0.2)**	(1.1)	(2.3)
Actuarial gains/(losses) gross of deferred tax	**19.5**	59.3	59.3
Deficit at end of period	**(6.9)**	(46.6)	(36.0)

Statement of comprehensive income

Amounts taken to equity via the statement of comprehensive income in respect of the Group's defined benefit plan are shown below:

Actuarial gains/(losses)	**24 weeks to 15 June 2019 unaudited £m**	24 weeks to 16 June 2018 unaudited £m	52 weeks to 29 December 2018 audited £m
Return on assets	**126.2**	(10.0)	(46.0)
Changes in liabilities due to financial assumptions and experience	**(151.6)**	(8.0)	94.1
Changes in liabilities due to demographic assumptions	**44.9**	77.3	11.2
Total actuarial gains	**19.5**	59.3	59.3

11 Provisions

	Property £m	Warranty £m	Other £m	Total £m
At 29 December 2018 - audited	3.4	3.6	0.3	7.3
Created in the period	0.8	1.6	5.5	7.9
Utilised in the period	(1.8)	(1.7)	(4.6)	(8.1)
Released in the period	(0.2)	-	-	(0.2)
At 15 June 2019 - unaudited	**2.2**	**3.5**	**1.2**	**6.9**

The movement in Other provisions in the period relates to the provision for the costs of closing our operations in Germany and the Netherlands.

12 Related party transactions

There have been no changes to the related party arrangements or transactions as reported in the 2018 Annual Report & Accounts.

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

INDEPENDENT REVIEW REPORT TO HOWDEN JOINERY GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 24 weeks ended 15 June 2019 which comprises the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 24 weeks ended 15 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
24 July 2019