Financial Statements

Our financial performance

Revenue
£2,319m (2021: £2,094m)

2018	£1,511m
2019	£1,584m
2020	£1,548m
2021	£2,094m
2022	£2,319m

Profit before tax
£406m (2021: £390m)

2018	£239m
2019	£261m
2020	£185m
2021	£390m
2022	£406m

Net cash
£308m (2021: £515m)

2018	£231m
2019	£267m
2020	£431m
2021	£515m
2022	£308m

Operating profit
£415m (2021: £402m)

2018	£240m
2019	£260m
2020	£196m
2021	£402m
2022	£415m

EPS
65.8p (2021: 53.2p)

2018	31p
2019	35p
2020	25p
2021	53.2p
2022	65.8p

Dividends paid
£115m paid in 2022

2018	£68.3m
2019	£0m
2020	£68.3m
2021 (inc. £54.1m special dividend)	£133.6m
2022	£115.0m

Share buybacks
£250.5m (2021: £50.0m)

2018	£62.2m
2019	£55.2m
2020	£9.8m
2021	£50.0m
2022	£250.5m

Independent auditor's report

To the members of Howden Joinery Group Plc

1. Our opinion is unmodified

In our opinion:

- the financial statements of Howden Joinery Group Plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 24 December 2022, and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of Howden Joinery Group Plc ('the Company') for the 52 week period ended 24 December 2022 (FY22) included in the Annual Report and Accounts, which comprise:

Group (Howden Joinery Group Plc and its subsidiaries)

- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated balance sheet
- Consolidated statement of changes in equity
- Consolidated cash flow statement
- Notes 1 to 26 to the Group financial statements, including the accounting policies in note 1.

Parent Company (Howden Joinery Group Plc)

- Company balance sheet
- Company statement of changes in equity
- Notes 1 to 7 to the Parent Company financial statements, including the accounting policies in note 1.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ("AC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks

We have undertaken a risk assessment to identify those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. We have considered the sector in which the Company operates and the external factors that drives the key underlying risks. We have determined that the accounting for inventory is of significance to our audit given the retail nature of the Group. We have also identified the defined benefit plan given the sensitives to movements in the key assumptions. In addition, the scheme assets include a high proportion of assets (such as unquoted equity, property and credit funds) for which there is no external observable market price ("Level 3 pension assets").

Key Audit Matters	Item
Accounting for inventories (Group)	4.1
Defined benefit pension scheme (Group)	4.2
Recoverability of Parent Company's investment in subsidiaries and debt due from group entities (Parent Company)	4.3

Audit committee interaction

During the year, the AC met 5 times. KPMG are invited to attend all Audit Committee meetings and are provided with opportunities to meet with the Audit Committee in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the Audit Committee in section 4, including matters that required particular judgement for each. We also have opportunities to meet with the Audit Committee Chair outside the formal Audit Committee meetings, to discuss our ongoing audit and developments with regard to the key judgments.

The matters included in the Audit Committee report on page 138 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY22 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the 52 week period ended 24 December 2022 on 12 May 2022. The period of total uninterrupted engagement is for the financial year ended 24 December 2022.

The Group engagement partner is required to rotate every 5 years. As these are the first set of the Group's financial statements signed by Robert Brent, he will be required to rotate off after the FY26 audit.

Total audit fee	£1.1m
Audit related fees (including interim review)	£0.1m
Other services	£nil
Non-audit fee as a % of total audit and audit related fee %	n/a
Date first appointed	12 May 2022
Uninterrupted audit tenure	1 year
Next financial period which requires a tender	2032
Tenure of Group engagement partner	1 year

Materiality (item 6 below)

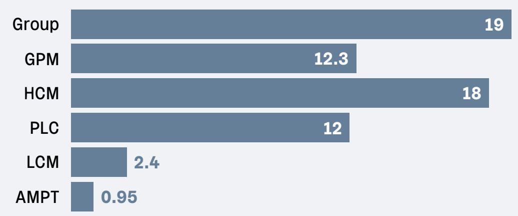
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £19.0m and for the Parent Company financial statements as a whole at £12.0m.

We determined that profit before tax from continuing operations is the benchmark for the Group. As such, we based our Group materiality on profit before tax from continuing operations, of which it represents 4.7%.

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 1.0%

Materiality levels used in our audit (FY22 £m)



Group Group Materiality
GPM Group Performance Materiality
HCM Highest Component Materiality
PLC Parent Company Materiality
LCM Lowest Component Materiality
AMPT Audit Misstatement Posting Threshold

Independent auditor's report continued

To the members of Howden Joinery Group Plc

Group scope (item 7 below)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and the type of procedures to be performed at these components. The audit of all components, including the audit of the parent company, was performed by the Group team.

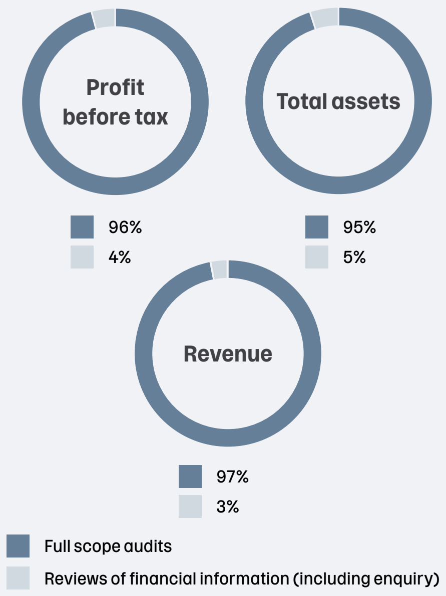
The Group has 14 reporting components. We determined individually financially significant components as those contributing at least 10% of total revenue or total assets. We selected these because these are the most representative of the relative size of the components. We identified 5 components as individually financially significant components and performed full scope audits on these components.

The components within the scope of our work accounted for the percentages illustrated opposite. Our audit of the Group was undertaken to the materiality levels specified above and was performed by a single audit team.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements



The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit.

On page 36, the Group has explained that climate change is its most significant emerging risk. It identifies this both in terms of transitional risks as the world moves towards a zero-carbon economy, and the physical risks presented as climate change. The Group has set its own targets to reduce emissions, as described on page 52.

Climate change impacts the Group in a variety of ways, and pages 59 to 61 describe the associated risks and opportunities identified by the directors. These include the impact of climate risk on the reputation of the Group. However, the Group has not identified any risks which have a material impact on the preparation of the financial statements.

We performed a risk assessment, taking into account climate change risks and commitments made by the Group, of how climate change may impact the financial statements and our audit. This included enquiries of management, consideration of the Group's processes for assessing the potential impact of climate change risk on the financial statements and assessing the TCFD scenario analysis performed by the Group.

We held discussions with our own climate change professionals to challenge our risk assessment.

Based on our risk assessment we determined that the climate related risks to the Group's business, strategy and financial planning do not have a significant impact on balances in the financial statements or on our key audit matters.

We have read the Group's disclosure of climate related information in the front half of the annual report as set out on pages 52 to 61, and considered consistency with the financial statements and our audit knowledge.

3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were :

- Customer confidence in light of the current cost of living challenges, and the possibility of this negatively impacting the group's sales;
- The impact of significant inflationary pressures on the Group's supply chain.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's and Company's current and projected cash and facilities (a reverse stress test).

We assessed the completeness of the going concern disclosure in note 1 to the financial statements.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of preparation without any material uncertainty for the Group and Parent Company to be appropriate. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 71 is materially consistent with the financial statements and our audit knowledge.

Independent auditor's report continued

To the members of Howden Joinery Group Plc

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability statement that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and uncertainties disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability statement set out on page 73 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Accounting for inventory (Group)

Financial Statement Elements	FY22	Our results
Inventories gross value	£426.8m	FY22: Acceptable
Inventories provision	£53.5m	

Description of the Key Audit Matter	Our response to the risk
Accounting for inventory (quantities and cost) The Group holds a significant amount of inventory across its large depot network and a number of warehouses. As at 24 December 2022, net inventory, after recognising relevant provisions is £373.3 million. The Group's inventory is comprised of a wide product range, typically held in large quantities. The Group conducts periodic inventory counts at its warehouses and annual counts at each of its depots, which are performed throughout the year. It updates its inventory records to reflect the results of the counts. Cost of inventory is based on a standard cost which is updated annually. Variances to standard cost are analysed and apportioned to inventory at the period end. Whilst the quantities and cost of inventory is not considered to represent a significant risk of material misstatement, it is one of the matters that has the greatest effect on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team in order to conclude. **Subjective estimate** The scale of the Group's product range means there is significant management judgement in determining the adequacy and completeness of the inventory obsolescence provision, in particular the provision applied to discontinued and slow-moving product lines. In addition, given the judgement required in determining this provisioning which relies on forward-looking information, we have therefore identified this as an area at higher risk of fraud or error. The effect of these matters is that, as part of our risk assessment, we determined that the inventory obsolescence provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures to address the risk included: • **Tests of detail:** we counted a sample of inventory lines across a sample of the Group's depots and warehouses and compared the results of our counts to the Group's inventory records. Where our counts were performed prior to or after the period-end, we rolled forward or backward our count results to the period-end date and tested any movements in inventory quantities by comparing to relevant supporting documentation. We examined the results of our count procedures using statistical routines. • **Test of detail:** we evaluated the appropriateness of the variances to standard cost which are apportioned to inventory by comparing those variances back to relevant source data and independently recalculating the amount. • **Our sector experience:** we assessed management's methodology and key assumptions supporting the inventory provision, including the expected level of inventory that will not be in demand and respective sales prices, against our knowledge of the business and industry. • **Historical comparisons:** we assessed management's assumptions made in the inventory obsolescence provision by comparing to the historical utilisation. • **Test of detail:** we evaluated the appropriateness of each of the key assumptions within the provision which are supported by data elements back to relevant source data and challenged the level of provision applied by management to discontinued items by independently recalculating the provision percentages. • **Test of detail:** we evaluated the completeness of the provision by testing a sample of current inventory lines for slow moving items or sales prices below cost to evaluate whether additional provisioning is required. • **Assessing transparency:** we assessed the adequacy of the financial statement disclosures about the degree of estimation uncertainty in arriving at the net realisable value. We performed the detailed tests above rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

Communications with the Howden Joinery Group Plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of inventory provisioning including details of our planned substantive procedures and the extent of our control reliance; and
- Our conclusions on the appropriateness of the Group's inventory provisioning methodology, accounting policies and disclosures.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Subjective auditor judgement was required in assessing the adequacy of the inventory obsolescence provision, in particular the provision percentages applied to the discontinued and slow-moving inventory lines.

Our results

We found the carrying value of inventory, including the level of inventory obsolescence provisioning, to be acceptable.

Further information in the Annual Report and Accounts: See the Audit Committee report on page 138 for details on how the Audit Committee considered inventory obsolescence provisioning as an area of significant attention, page 182 for the accounting policy on inventory obsolescence provisioning, and note 12 for the financial disclosures.

Strategic Report
Governance
Financial Statements
Additional Information

Independent auditor's report continued

To the members of Howden Joinery Group Plc

4.2 Defined benefit pension scheme (Group)

Financial Statement Elements	FY22	Our results
Gross defined benefit liability	£930.5m	FY22: Acceptable
Carrying value of assets for which there is no quoted market price in an active market	£677.4m	

Description of the Key Audit Matter

Subjective valuation

A significant level of estimation is required in order to determine the valuation of the gross defined benefit liability. Small changes in the key assumptions (in particular, discount rates, inflation and mortality rates) can have a material impact on the amount recognised in the financial statements.

In addition, the pension asset portfolio includes a high proportion of assets (such as unquoted equity, property and credit funds) with no observable market price ("Level 3 pension assets"), the valuation of which requires significant judgement as a result of valuations being unavailable at the balance sheet date ('lagged valuations'). These holdings together represented 32% (£286.0 million) of the total pension assets held.

There is also a risk that, for certain of these assets, more recent valuations are not expected to be available before the accounts are finalised that should be reflected in the final position.

The effect of these matters is that, as part of our risk assessment, we determined that valuation of the gross defined benefit obligation and Level 3 pension assets have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 22) disclose the sensitivities estimated by the Group.

Our response to the risk

Our procedures to address the risk included:

- **Benchmarking assumptions:** we challenged, with the support of our own actuarial specialists, the key assumptions applied in the estimation of the pension liability, being the discount rate, inflation rate and mortality/life expectancy, by comparing to externally derived data.
- **Actuary's credentials:** we assessed the competence, capabilities and objectivity of the Group's actuarial expert.
- **Assessing valuers' credentials:** we evaluated the scope, competencies and objectivity of the Group's external experts who assisted in determining the key unobservable inputs and market indices used in the valuation of Level 3 pension assets.
- **Methodology choice:** we assessed the process adopted by management to tackle the challenge of 'lagged valuations' for the Level 3 pension assets. We assessed the information provided by the external fund managers, and assessed the risk of material movements to the balance sheet date by reference to external economic benchmark data.
- **Assessing transparency:** we considered the adequacy of the Group's disclosures in respect of the sensitivity of the pension deficit to these assumptions.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the Howden Joinery Group Plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our definition of the Key Audit Matter relating to the valuation of the defined benefit pension obligation and specifically the rationale for the inclusion of the valuation of level 3 pension assets in the definition of our Key Audit Matter;
- We discussed our audit response to the Key Audit Matter which included the use of specialists to challenge the key aspects of management's actuarial valuation; and
- The adequacy of the disclosures, particularly as it relates to the judgement regarding the valuation of Level 3 pension assets.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Subjective and complex auditor judgement was required in evaluating the key actuarial assumptions used by the Group (including the discount rate, inflation and mortality assumptions) as well as evaluating the fair value measurement approach for the Level 3 pension assets.

Our results

We found the valuation of the gross defined benefit pension liability estimation and valuation of level 3 assets to be acceptable.

Further information in the Annual Report and Accounts: See the Audit Committee report on page 138 for details on how the Audit Committee considered validity of pension assumptions and carrying value of assets for which there is no quoted market price in an active market as an area of significant attention, page 192 for the accounting policy on defined benefit pensions, and note 22 for the financial disclosures.

4.3 Recoverability of parent company's investment in subsidiaries and debt due from group entities (parent company)

Financial Statement Elements	FY22	Our results
Investments in subsidiaries	£699.0m	FY22: Acceptable
Amounts owed by wholly-owned subsidiary companies	£103.3m	

Description of the Key Audit Matter

Low risk, high value

The carrying amount of the parent Company's investments in subsidiaries and intra-group debtor balance represents 66% of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.

Our response to the risk

Our procedures to address the risk included:

- **Comparing valuations:** comparing the carrying amount of the company's investments in subsidiaries with the expected value of the business based on forecasted dividends to ultimately be received from the trading entity within the Group.
- **Tests of detail:** Assessing 100% of group debtors to identify, with reference to the relevant debtors' draft balance sheet whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making.

We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the Howden Joinery Group Plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of parent company investments in subsidiaries and intra-Group receivables including details of our planned substantive procedures and the extent of our control reliance;
- The prior year restatement made to the Parent company balance sheet relating to the recoverability of the investments and debts due from Group entities, and the associated disclosures.
- In addition we have discussed the prior year restatement made to the Parent company balance sheet relating to lease accounting, as disclosed in note 6.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- The valuation of investments where the carrying value exceeded the net asset value and the inclusion of dividends to be received by the parent company from other Group entities.

Our results

We found the company's conclusion that there is no impairment of its investments in subsidiaries or intra-group debtor balance to be acceptable.

Further information in the Annual Report and Accounts: See the Audit Committee report on page 128 for details on how the Audit Committee considered parent company investments and intra-Group receivables as an area of significant attention, page 209 for the accounting policy on parent company investments and intra-Group receivables, and note 3 for the financial disclosures.

Independent auditor's report continued

To the members of Howden Joinery Group Plc

5. Our ability to detect irregularities, and our response

Fraud - identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors including the long-term incentive plan for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

Risk communications

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Fraud risks

As required by auditing standards, and taking into account possible pressures to meet profit targets and market expectations, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the inventory obsolescence provisions and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited opportunities to fraudulently adjust revenue recognition given the high volume and low value nature of purchases.

We identified a fraud risk related to the inventory obsolescence provision in response to possible pressures to meet profit targets or market expectations.

Link to KAMs

Further detail in respect of the inventory obsolescence provision is set out in the key audit matter disclosures in section 4 of this report.

Procedures to address fraud risks

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by users outside of their expected business area and those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Laws and regulations - identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Risk communications

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Direct laws context and link to audit

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension scheme legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Most significant indirect law/ regulation areas

The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety and employment laws recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report continued

To the members of Howden Joinery Group Plc

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£19.0m
Materiality for the group financial statements as a whole

What we mean	Basis for determining materiality and judgements applied
A quantitative reference for the purpose of planning and performing our audit.	Materiality for the Group financial statements as a whole was set at £19.0m. This was determined with reference to a benchmark of Group profit before tax from continuing operations ('PBTCO'). We determined that Group profit before tax from continuing operations ('PBTCO') is the main benchmark for the Group as this is the primary measure by which stakeholders and the market assess the performance of the group. Our Group materiality of £19.0m was determined by applying a percentage to the Group profit before tax from continuing operations. When using a benchmark of Group profit before tax to determine overall materiality, KPMG's approach for public interest entities considers a guideline range 3% - 5% of the measure. In setting overall Group materiality, we applied a percentage of 4.7% to the benchmark. Materiality for the Parent Company financial statements as a whole was set at £12.0m, determined with reference to a benchmark of Parent Company total assets, of which it represents 1.0%.

£12.3m
Performance materiality

What we mean	Basis for determining materiality and judgements applied
Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.	We have considered performance materiality at a level of 65% of materiality for Howden Joinery Group Plc Group financial statements as a whole to be appropriate. The Parent Company performance materiality was set at £7.8m, which equates to 65% of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality based on an increased aggregation risk, having considered our risk assessment of the entity's control environment.

£0.95m
Audit misstatement posting threshold

What we mean	Basis for determining materiality and judgements applied
This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to Howden Joinery Group Plc's Audit Committee.	We set our audit misstatement posting threshold at 5% of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £19.0m compares as follows to the main financial statement caption amounts:

	Total Group Revenue FY22	Group profit before tax FY22	Total Group Assets FY22
Financial statement Caption	£2,319.0m	£405.8m	£2,032.7m
Group Materiality as % of caption	0.8%	4.7%	0.9%

7. The scope of our audit

Group scope

What we mean

How the Group audit team determined the procedures to be performed across the Group.

The Group has 14 reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance, those which were significant due to risk and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the group financial statements as a whole.

We determined individually financially significant components as those contributing at least 10% of total revenue, total net assets or total assets. We selected these because these are the most representative of the relative size of the components. We identified 5 components as individually financially significant components and performed full scope audits on these components.

The components within the scope of our work accounted for the following percentages of the Group's results, with the prior year comparatives indicated in brackets:

Scope	Number of components	Range of materiality applied	Group revenue	Total profits and losses that made up Group PBT	Group total assets
Full scope audits	5	£2.4m - £18.0m	97%	96%	95%
Reviews of financial information (including enquiry)	9	£2.0m - £10.0m	3%	4%	5%
Total	14		100%	100%	100%

The remaining 3% of total Group revenue, 4% of total profits and losses that made up Group profit before tax and 5% of total Group assets is represented by 9 reporting components, none of which individually represented more than 5% of any of total Group revenue, total profits and losses that made up Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on all of the financially significant components, including the audit of the Parent Company, was undertaken to the materiality levels specified above and performed by the Group team.

Independent auditor's report continued

To the members of Howden Joinery Group Plc

8. Other information in the annual report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility	Our reporting
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.	Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic Report and Directors Report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

Our responsibility	Our reporting
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.	In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility	Our reporting
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and: • the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; • the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and • the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.	Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.
We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.	We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility	Our reporting
Under the Companies Act 2006, we are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	We have nothing to report in these respects.

9. Respective Responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 146, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Brent
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

8 March 2023

Consolidated income statement

	Notes	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Continuing operation:			
Revenue	2, 3	2,319.0	2,093.7
Cost of sales		(907.8)	(804.7)
Gross profit		1,411.2	1,289.0
Operating expenses		(996.0)	(887.3)
Operating profit	4	415.2	401.7
Finance income	5	3.8	-
Finance costs	6	(13.2)	(11.4)
Profit before tax		405.8	390.3
Tax on profit	7	(31.6)	(75.8)
Profit for the period attributable to the equity holders of the parent		374.2	314.5
Earnings per share:			
Basic earnings per 10p share	8	65.8p	53.2p
Diluted earnings per 10p share	8	65.6p	53.0p

Consolidated statement of comprehensive income

	Notes	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Profit for the period		374.2	314.5
Items of other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension scheme	22	(183.0)	170.4
Deferred tax on actuarial gains and losses on defined benefit pension scheme	7	34.8	(33.5)
Change of tax rate on deferred tax	7	11.0	(8.5)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		2.1	(2.3)
Other comprehensive income for the period		(135.1)	126.1
Total comprehensive income for the period attributable to equity holders of the parent		239.1	440.6

Consolidated balance sheet

	Notes	24 December 2022 £m	25 December 2021 £m
Non-current assets			
Intangible assets	9	35.9	22.6
Property, plant and equipment	10	398.7	295.8
Lease right-of-use assets	11	614.3	555.8
Pension asset	22	-	140.8
Deferred tax asset	7	35.9	13.4
Prepaid credit facility fees		1.0	0.3
		1,085.8	1,028.7
Current assets			
Inventories	12	373.3	301.6
Corporation tax	7	32.3	-
Trade and other receivables	13	233.3	205.8
Cash and cash equivalents	18	308.0	515.3
		946.9	1,022.7
Total assets		2,032.7	2,051.4
Current liabilities			
Lease liabilities	11	(95.3)	(57.5)
Trade and other payables	14	(433.9)	(384.7)
Current tax liability	7	-	(25.9)
Provisions	15	(12.0)	-
		(541.2)	(468.1)
Non-current liabilities			
Pension liability	22	(41.5)	-
Lease liabilities	11	(570.0)	(533.7)
Deferred tax liability	7	(3.8)	(37.7)
Provisions	15	(4.5)	(20.4)
		(619.8)	(591.8)
Total liabilities		(1,161.0)	(1,059.9)
Net assets		871.7	991.5
Equity			
Share capital	16	56.1	59.8
Capital redemption reserve	16	9.1	5.4
Share premium	16	87.5	87.5
ESOP and share-based payments	16	11.7	5.9
Treasury shares	16	(25.5)	(27.1)
Retained earnings	16	732.8	860.0
Total equity		871.7	991.5

The financial statements were approved by the Board and authorised for issue on 6 March 2023 and were signed on its behalf by

Paul Hayes
Chief Financial Officer

Consolidated statement of changes in equity

	Share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP and share-based payments £m	Treasury shares £m	Retained earnings £m	Total £m
At 26 December 2020	60.3	4.9	87.5	(3.5)	(28.2)	599.8	720.8
Accumulated profit for the period	-	-	-	-	-	314.5	314.5
Other comprehensive income for the period	-	-	-	-	-	126.1	126.1
Total comprehensive income for the period	-	-	-	-	-	440.6	440.6
Current tax on share schemes	-	-	-	-	-	(0.1)	(0.1)
Deferred tax on share schemes	-	-	-	-	-	1.3	1.3
Movement in ESOP	-	-	-	10.5	-	-	10.5
Reclaim of forfeited dividends	-	-	-	-	-	0.2	0.2
Proceeds from sale of forfeited shares	-	-	-	-	-	1.8	1.8
Buyback and cancellation of shares	(0.5)	0.5	-	-	-	(50.0)	(50.0)
Transfer of shares from treasury into share trust	-	-	-	(1.1)	1.1	-	-
Dividends	-	-	-	-	-	(133.6)	(133.6)
At 25 December 2021	59.8	5.4	87.5	5.9	(27.1)	860.0	991.5
Accumulated profit for the period		-	-	-	-	374.2	374.2
Other comprehensive income for the period	-	-	-	-	-	(135.1)	(135.1)
Total comprehensive income for the period	-	-	-	-	-	239.1	239.1
Current tax on share schemes	-	-	-	-	-	0.4	0.4
Deferred tax on share schemes	-	-	-	-	-	(1.3)	(1.3)
Movement in ESOP	-	-	-	7.4	-	-	7.4
Buyback and cancellation of shares	(3.7)	3.7	-	-	-	(250.5)	(250.5)
Transfer of shares from treasury into share trust	-	-	-	(1.6)	1.6	-	-
Dividends	-	-	-	-	-	(115.0)	(115.0)
At 24 December 2022	56.1	9.1	87.5	11.7	(25.5)	732.8	871.7

The item 'Movement in ESOP' consists of the share-based payment charge in the year, together with any receipts of cash from employees on exercise of share options.

At the current period end there were 5,237,907 ordinary shares held in treasury, each with a nominal value of 10p (2021: 5,567,555 shares of 10p each).

We present a description of the nature and purpose of each reserve at note 16.

Consolidated cash flow statement

	Notes	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Operating profit		415.2	401.7
Adjustments for:			
Depreciation and amortisation of owned assets	9, 10	44.0	40.6
Depreciation, impairment and loss on termination of leased assets	11	80.8	74.8
Share-based payments charge		7.3	10.1
(Increase)/decrease in prepaid credit facility fees		(0.7)	0.3
(Profit)/loss on disposal of property, plant and equipment and intangible assets		(0.1)	3.2
Operating cash flows before movements in working capital		546.5	530.7
Movements in working capital			
Increase in inventories		(69.8)	(46.6)
(Increase) in trade and other receivables		(23.7)	(39.2)
Increase in trade and other payables and provisions		41.8	84.1
Difference between pensions operating charge and cash paid		2.0	(18.5)
		(49.7)	(20.2)
Cash generated from operations		496.8	510.5
Tax paid		(101.5)	(73.1)
Net cash flow from operating activities		395.3	437.4
Cash flows used in investing activities			
Payments to acquire property, plant and equipment and intangible assets		(140.8)	(85.9)
Receipts from sale of property, plant and equipment and intangible assets		0.7	0.1
Acquisition of subsidiary - net of cash acquired	26	(14.6)	-
Interest received		1.1	-
Net cash used in investing activities		(153.6)	(85.8)
Cash flows used in financing activities			
Payments to acquire own shares		(250.5)	(50.0)
Receipts from release of shares from share trust		0.1	0.4
Inflow from receipt of forfeited dividends		-	0.2
Inflow from sale of forfeited shares		-	1.8
Dividends paid to Group shareholders		(115.0)	(133.6)
Interest paid - including on lease liabilities		(13.1)	(11.0)
Repayment of principal on lease liabilities		(66.1)	(74.8)
Net cash used in financing activities		(444.6)	(267.0)
Net (decrease)/increase in cash and cash equivalents		(202.9)	84.6
Cash and cash equivalents at beginning of period		515.3	430.7
Effect of movements in exchange rates on cash held		(4.4)	-
Cash and cash equivalents at end of period	18	308.0	515.3

We present an analysis of cash and non-cash changes in liabilities due to financing activities in note 18.

Notes to the consolidated financial statements

The order of the notes is set out below. Significant accounting policies and, where applicable, information relating to significant judgements and sources of estimation uncertainty are presented as part of the related note.

General information

Company and currency details

Howden Joinery Group Plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 2006. Its registered office address is 40 Portman Square, London W1H 6LT. The nature of the Group's operations and principal activities are set out in the Strategic Report.

These financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates. Foreign operations are included on the basis set out below.

Foreign currency transactions

Transactions in foreign currency are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate at the balance sheet date. Foreign exchange gains and losses are recognised in the income statement.

Foreign operations

The assets and liabilities of foreign operations are translated into sterling at foreign exchange rate at the balance sheet date. The results and cash flows of overseas subsidiaries are translated into sterling on an average exchange rate basis, weighted by the actual results of each month.

Exchange differences arising from the translation of the results and net assets of overseas subsidiaries are taken to equity via the statement of comprehensive income.

Accounting period

The Group's accounting period covers the 52 weeks to 24 December 2022. The comparative period covered the 52 weeks to 25 December 2021.

Impairment of assets

The carrying amount of the Group's assets is reviewed at least annually to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

Apart from in the case of trade and other receivables, and inventories, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For trade and other receivables and inventories which are considered to be impaired, the carrying amount is reduced through the use of an allowance for estimated irrecoverable amounts. Changes in the carrying value of this allowance are recognised in the income statement.

Statement of compliance and basis of preparation

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards.

The financial statements have been prepared on the historical cost basis, modified for certain items carried at fair value, as stated in the accounting policies.

These consolidated financial statements include the accounts of the Company and all entities controlled by the Company (its subsidiaries, together referred to as 'the Group') from the date control commences until the date that control ceases.

'Control' is defined as the Group having power over the subsidiary, exposure or rights to variable returns from the subsidiary, and the ability to use its power to affect the amount of returns from the subsidiary. Further details of all subsidiaries are given in the 'Additional Information' section at the back of this Annual Report. All subsidiaries are 100% owned and the Group considers that it has control over them all.

Going concern

The Directors have undertaken a robust assessment and concluded that it is appropriate to prepare the financial statements on the going concern basis. They have not identified any material uncertainties. Full details are set out in the strategic review, starting on page 71.

The going concern review period covers the period of 12 months after the date of approval of these financial statements. The Board has considered the trading results and financial performance in 2022, and the Group balance sheet at 24 December 2022, noting that the Group is debt-free, has cash and cash equivalents of £308m, and appropriate levels of working capital. The Group also has a five-year, committed, multi-currency revolving credit facility of up to £150m which expires in September 2027 and which was not drawn at the year end.

Management have modelled various scenarios including:

- A 'base case' scenario. This is based on the final 2022 Group forecast, prepared in November 2022 and including the actual results of the 2022 peak sales period.
- A 'severe but plausible' downside scenario based on the worst 12-month year-on-year actual fall ever experienced in the Group's history. This is more significant than the combined effect of COVID and Brexit on 2020 actual performance.
- A 'reverse stress-test' scenario.

Notes to the consolidated financial statements continued

General information continued

In the base case and the severe but plausible downside scenarios, the Group has significant headroom throughout the going concern period after meeting its commitments. In the reverse stress-test scenario, the results show that sales would have to fall by a significant amount over and above the fall modelled in the severe but plausible downside scenario before the Group would have to take further mitigating actions. The likelihood of this level of fall in sales is considered to be remote.

Taking all the factors above into account, the directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to remain in operational existence for the going concern review period set out above.

Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following standards, amendments to standards, and interpretations, were in issue but not yet effective for the Group in these financial statements:

Annual Improvements 2018-2020 cycle
Amendments to IAS 37: Costs of fulfilling an onerous contract
Amendments to IAS 16: Property, plant and equipment
Amendment to IFRS 3: Business Combinations
Amendments to IAS 1: Presentation of financial statements and IFRS Practice Statement 2: Disclosure of accounting policies
Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction
IFRS 17: Insurance Contracts
Amendments to IAS 1 - Classification of liabilities as Current or Non-Current
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The Directors anticipate that the adoption of the standards and interpretations mentioned above will have no significant impact on the Group's financial statements when the relevant standards come into effect.

Significant accounting judgements and major sources of estimation uncertainty

The Group recognises significant judgement and estimation uncertainty in connection with its defined benefit pension scheme. It also recognises estimation uncertainty over making allowances against the carrying value of inventory. More details are given in the relevant notes.

Other significant accounting policies

These are presented as part of the related note to the financial statements.

Earnings

2 Revenue

Accounting policy

The Group recognises revenue when it has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. Revenue from sales of goods is recognised on collection or delivery of the goods. Revenue from services is recognised when the customer accepts that the services are complete.

We measure revenue at the fair value of the consideration received or receivable, excluding sales taxes and discounts. We recognise interest income as it accrues and measure it using the effective interest rate method.

3 Segmental reporting

(a) Basis of segmentation, and other general information

Information reported to the Group's Executive Committee, which is regarded as the chief operating decision maker, is focused on one operating segment, Howden Joinery. Thus, the information required in respect of profit or loss, assets and liabilities, can all be found in the relevant primary statements and notes of these consolidated financial statements.

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

(b) Geographical information

The Group's operations are mainly located in the UK, with a small presence in France, Belgium and the Republic of Ireland. The Group has depots in each of these locations, with the first depot in the Republic of Ireland opening in 2022. The number of depots in each location at the current and prior period ends is shown in the five year record which is located towards the back of this Annual Report. The Group's manufacturing and sourcing operations are located in the UK.

The following table analyses the Group's revenues from external customers by geographical market, irrespective of the origin of the goods:

Revenues from external customers	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
UK	2,256.1	2,043.3
France, Belgium and Ireland	62.9	50.4
	2,319.0	2,093.7

The following is an analysis of the carrying amount of assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

Carrying amount of assets	24 December 2022 £m	25 December 2021 £m
UK	1,903.1	1,991.9
France, Belgium and Ireland	129.6	59.5
	2,032.7	2,051.4

Non-current assets	24 December 2022 £m	25 December 2021 £m
UK	975.4	982.8
France, Belgium and Ireland	74.5	32.5
	1,049.9	1,015.3

Additions to property plant and equipment and intangible assets	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
UK	122.7	82.8
France, Belgium and Ireland	24.5	7.0
	147.2	89.8

Notes to the consolidated financial statements continued

Earnings continued

4 Operating profit

Operating profit has been arrived at after (charging)/crediting:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Net foreign exchange (loss)/gain	(0.7)	5.2
Depreciation of property plant and equipment	(36.5)	(31.5)
Amortisation of intangible assets	(7.5)	(9.1)
Depreciation and impairment of lease right-of-use assets	(80.8)	(74.8)
Cost of inventories recognised as an expense	(893.1)	(789.9)
Write down of inventories	(14.0)	(20.0)
Profit/(loss) on disposal of fixed assets	-	(3.2)
Increase in allowance for expected credit losses on trade debts	(1.6)	(2.9)
Staff costs	(624.1)	(553.3)
Auditor's remuneration for audit services	(1.1)	(0.7)

All of the items above relate to continuing operations.

A more detailed analysis of auditor's total remuneration is given below:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Audit services:		
Fees paid to the Company's auditor for the audit of the Company's annual financial statements	(0.2)	(0.2)
Fees paid to the Company's auditor and their associates for other services to the Group:		
- the audit of the subsidiary companies pursuant to legislation	(0.9)	(0.5)
Total audit fees	(1.1)	(0.7)
Other services:		
Audit related assurance services (review of the half-year results)	(0.1)	(0.1)
Tax compliance services	-	-
Tax advisory services	-	-
Total non-audit fees	(0.1)	(0.1)

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Corporate Governance Report. No services were provided pursuant to contingent fee arrangements.

5 Finance income

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Bank interest receivable	1.1	-
Other finance income - pensions	2.7	-
	3.8	-

6 Finance costs

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Interest expense on lease liabilities	(13.1)	(11.0)
Other finance expense - pensions	-	(0.4)
Other interest	(0.1)	(0.0)
Total finance costs	(13.2)	(11.4)

7 Current and deferred tax

Accounting policy

Income tax

The tax expense represents the sum of current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is based on taxable profit for the financial period and any adjustments to tax payable or receivable for prior years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years as well as items that are never taxable or deductible.

It is calculated as the best estimate of the tax expected to be paid or received. It reflects any uncertainty related to income taxes and is measured using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on the temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is accounted for using the balance sheet liability method. It is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised, based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Notes to the consolidated financial statements continued

Earnings continued

Current tax:

(a) Tax in the income statement

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Current tax:		
Current year	77.2	77.3
Adjustments in respect of previous periods*	(33.6)	(0.5)
Total current tax	43.6	76.8
Deferred tax:		
Current year	2.1	0.4
Adjustments in respect of previous periods*	(14.7)	(1.7)
Effect of changes in tax rate	0.6	0.3
Total deferred tax	(12.0)	(1.0)
Total tax charged in the income statement	31.6	75.8

UK Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdictions.

* The adjustments in respect of previous periods are primarily driven by two items:

As a result of a patent granted in 2021, a tax deduction was taken in relation to the Patent Box legislation for the periods from 2017 to 2021 by resubmitting the relevant tax computations accordingly. This legislation allows the income directly attributable to patented items to be taxed at 10% instead of 19% and the resubmission resulted in a prior year current tax credit of £36.1m.

As a result of the change of the tax rate from 19% to 25%, it was decided that the group would not claim capital allowances other than the deductions available under the capital allowance super deduction regime. This was to preserve the tax benefit available to be realised at a higher tax rate. This adjustment gave rise to a £10.4m debit to current tax and a corresponding £10.4m credit to deferred tax.

(b) Tax relating to items of other comprehensive income or changes in equity

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Deferred tax (credit)/charge to other comprehensive income on actuarial difference on pension scheme	(34.8)	33.5
Change of rate effect on deferred tax	(11.0)	8.5
Deferred tax charge/(credit) to equity on share schemes	1.3	(1.3)
Current tax (credit)/charge to equity on share schemes	(0.4)	0.1
Total(credit)/charge to other comprehensive income or changes in equity	(44.9)	40.8

(c) Reconciliation of the total tax charge

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

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Profit before tax	405.8	390.3
Tax at the UK corporation tax rate of 19% (2021: 19%)	77.1	74.1
IFRS2 share scheme charge	0.3	(0.3)
Expenses not deductible for tax purposes	1.0	1.7
Overseas losses not utilised	2.7	2.2
Non-qualifying depreciation	1.6	0.6
Super deduction - capital allowances	(2.4)	(0.6)
Rate change	0.6	(1.7)
Patent box claim	(9.0)	-
Other tax adjustments in respect of previous years	(40.3)	(0.2)
Total tax charged in the income statement	31.6	75.8

The Group's effective rate of tax is 7.8% (2021: 19.4%). The lower effective tax rate is largely driven by the effect of the Patent Box deduction which was realised during the period as discussed in note 9(a) above.

Deferred tax:

Analysis of deferred tax assets and liabilities, and the movements on them during the period.

	Retirement benefit obligations £m	Accelerated capital allowances £m	Company share schemes £m	Leasing £m	Other temporary differences £m	Total £m
At 26 December 2020	9.1	1.3	0.3	3.1	1.5	15.3
(Charge)/credit to income statement	(2.3)	(1.1)	1.9	(0.5)	1.4	(0.6)
Credit to the income statement - change of rate	-	-	-	0.7	1.0	1.7
Credit outside the income statement- change of rate	(8.5)	-	0.3	-	-	(8.2)
(Charge)/credit outside the income statement	(33.5)	-	1.0	-	-	(32.5)
At 25 December 2021	(35.2)	0.2	3.5	3.3	3.9	(24.3)
(Charge)/credit to income statement	-	12.9	-	0.2	(0.6)	12.5
(Charge) to the income statement - change of rate	-	(0.4)	-	-	(0.2)	(0.6)
Credit outside the income statement - change of rate	11.0	-	0.2	-	-	11.2
(Charge)/credit outside the income statement	34.8	-	(1.5)	-	-	33.3
At 24 December 2022	10.6	12.7	2.2	3.5	3.1	32.1

Deferred tax arising from accelerated capital allowances can be further analysed as a £16.5m asset and a £3.8m liability (2021: £2.7m asset and £2.5m liability).

Notes to the consolidated financial statements continued

Earnings continued

The presentation in the balance sheet is as follows:

	24 December 2022 £m	25 December 2021 £m
Deferred tax assets	35.9	13.4
Deferred tax liabilities	(3.8)	(37.7)
	32.1	(24.3)

At the balance sheet date the group had unused tax losses as disclosed below. These losses are carried forward by particular group companies and may only be offset against profits of that particular company. Deferred tax assets are not recognised in relation to these losses as it is not considered probable that suitable future taxable profits will be available in the relevant company against which the unused losses can be utilised. Specifically, in the case of the trading and non-trading losses this is due to the unpredictability of future profit streams in the relevant entities, while for the capital losses it is due to the future capital gains not currently being forecast to arise. All unrecognised losses may be carried forward indefinitely and have been valued in GBP at the year end closing exchange rate.

The analysis below does not include any tax losses attributable to our former subsidiaries in the Netherlands and Germany, which have now ceased to trade.

	24 December 2022 £m	25 December 2021 £m
Trading losses	77	63
Non-trading losses	20	20
Capital losses	86	86
Total losses	183	169

The losses disclosed above relate to activities both in the UK and in overseas jurisdictions. Of the trading losses, £31m relate to UK activities with the remainder being attributable to Belgium (£1m), Ireland (£2m) and France (£43m). All of the non-trading losses and capital losses are attributable to UK activities.

8 Earnings per share

	52 weeks to 24 December 2022			52 weeks to 25 December 2021		
From continuing operations	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	374.2	568.6	65.8	314.5	591.2	53.2
Effect of dilutive share options	-	2.1	(0.2)	-	2.1	(0.2)
Diluted earnings per share	374.2	570.7	65.6	314.5	593.3	53.0

The difference between the weighted average number of shares used in the calculation of basic earnings per share and the total number of shares in issue at the period end is due to the net effect of time-apportioned adjustments for shares held in treasury, shares held in trust which are not unconditionally vested, and shares bought back and cancelled in the period.

Operating assets and liabilities

9 Intangible assets

(a) Total amounts recognised in the balance sheet

	24 December 2022 £m	25 December 2021 £m
Goodwill	12.4	-
Software	23.5	22.6
	35.9	22.6

(b) Goodwill

The goodwill all arose on the acquisition in the current year of Sheridan Fabrications Ltd. Further details, together with the accounting policy for goodwill, are given in note 26.

(c) Software

Accounting policy

Directly attributable costs incurred for the development of computer software controlled by and for use within the business are capitalised and written off over their estimated useful lives, which are reviewed annually and which range between three and seven years. No amortisation is charged on assets under construction.

Amounts paid to third parties for development of assets not controlled by the Group are expensed over the period where the Group receives the benefit of the use of these assets. Licence fees for using third-party software are expensed over the period the software is in use.

	Intangible assets in use £m	Assets under construction £m	TOTAL £m
Cost			
At 26 December 2020	50.6	2.9	53.5
Exchange adjustments	(0.1)	-	(0.1)
Additions	5.6	4.4	10.0
Disposals	(13.1)	(0.1)	(13.2)
Reclassifications	3.3	(3.3)	-
At 25 December 2021	46.3	3.9	50.2
Exchange adjustments	0.1	-	0.1
Additions	1.8	6.5	8.3
Acquisition of subsidiary (note 26)	0.3	-	0.3
Disposals	(5.2)	(0.1)	(5.3)
Reclassifications	2.5	(2.5)	-
At 24 December 2022	**45.8**	**7.8**	**53.6**
Accumulated depreciation			
At 26 December 2020	(29.2)	-	(29.2)
Exchange adjustments	0.1	-	0.1
Charge for the period	(9.1)	-	(9.1)
Disposals	10.6	-	10.6
At 25 December 2021	(27.6)	-	(27.6)
Exchange adjustments	(0.1)	-	(0.1)
Charge for the period	(7.5)	-	(7.5)
Disposals	5.1	-	5.1
At 24 December 2022	(30.1)	-	(30.1)
Net book value at 24 December 2022	**15.7**	**7.8**	**23.5**
Net book value at 25 December 2021	18.7	3.9	22.6

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

10 Property, plant and equipment

Accounting policy

On adopting IFRS, the Group adopted the transitional provisions of IFRS 1 to use previous revaluations of freehold properties as the new deemed cost at the date of transition to IFRSs.

All property, plant and equipment is stated at cost (or deemed cost, as applicable) less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is provided to write off the difference between their cost and their residual value over their estimated lives on a straight-line basis. The current range of useful lives is as follows:

Freehold property	50 years
Leasehold property improvements and fittings	the period of the lease, or the individual asset's life, if shorter
Plant, machinery & vehicles	3-20 years
Fixtures & fittings	2-15 years

Capital work-in-progress and freehold land are not depreciated.

Residual values, remaining useful economic lives and depreciation periods and methods are reviewed regularly and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

	Freehold property £m	Leasehold property improvements £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Capital WIP £m	TOTAL £m
Cost		£m	£m	£m	£m	£m
At 26 December 2020	42.9	91.9	184.7	182.1	21.5	523.1
Exchange adjustments	-	-	(0.2)	(0.6)	-	(0.8)
Additions	12.2	6.6	8.7	29.6	22.7	79.8
Disposals	-	(7.3)	(12.0)	(4.4)	-	(23.7)
Reclassifications	-	0.9	9.8	0.4	(11.1)	-
At 25 December 2021	55.1	92.1	191.0	207.1	33.1	578.4
Exchange adjustments	-	-	0.1	0.5	-	0.6
Additions	16.2	16.5	12.2	49.6	44.4	138.9
Acquisition of subsidiary (note 26)	0.1	-	0.3	0.1	-	0.5
Disposals	-	(0.3)	(5.3)	(1.3)	-	(6.9)
Reclassifications	1.7	(0.2)	8.1	8.2	(17.8)	-
At 24 December 2022	73.1	108.1	206.4	264.2	59.7	711.5
Accumulated depreciation						
At 26 December 2020	(7.8)	(32.2)	(125.0)	(109.3)	-	(274.3)
Exchange adjustments	-	-	0.1	0.2	-	0.3
Charge for the period	(1.3)	(4.7)	(11.9)	(13.6)	-	(31.5)
Disposals	-	7.3	11.3	4.3	-	22.9
At 25 December 2021	(9.1)	(29.6)	(125.5)	(118.4)	-	(282.6)
Exchange adjustments	-	-	(0.1)	(0.1)	-	(0.2)
Charge for the period	(1.7)	(5.1)	(12.3)	(17.4)	-	(36.5)
Disposals	-	0.3	4.9	1.3	-	6.5
At 24 December 2022	(10.8)	(34.4)	(133.0)	(134.6)	-	(312.8)
Net book value at 24 December 2022	62.3	73.7	73.4	129.6	59.7	398.7
Net book value at 25 December 2021	46.0	62.5	65.5	88.7	33.1	295.8

11 Lease right-of-use assets and lease liabilities

Accounting policy

We assess whether a lease exists at the inception of the related contract. If a lease exists, we recognise a right-of-use asset and a corresponding lease liability with effect from the date the lease commences.

The lease liability

The lease liability is initially measured at the present value of the lease payments due. As the discount rate inherent in our leases is not readily determinable, we use the Group's incremental borrowing rate to discount the payments and arrive at net present value.

The Group does not have a history of borrowing, and therefore it does not have a credit agency credit rating. Therefore, we derive the incremental borrowing rate by a process of:

- discussion with our bankers to estimate a reasonable proxy credit rating for the Group;
- using an independent third-party borrowing rate curve, giving indicative costs of borrowing for companies with a comparable credit rating over various durations, and
- selecting borrowing rates from the appropriate points on that curve to best match the duration of our lease portfolios.

Our leases are on relatively simple terms. Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives. We do not have variable lease payments which depend on an index, residual value guarantees, purchase options or termination penalties.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

We remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments have changed as a result of a change in an index, or, as is common with property leases, to reflect changes in market rental rates. In these cases, the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

In any cases other than those described immediately above, where a lease contract is modified and the lease modification is not accounted for as a separate lease, the lease liability is remeasured by discounting the revised remaining lease payments using a revised discount rate.

The lease liability is presented as a separate item in the balance sheet and is split between current and non-current portions.

The lease right-of-use asset

'The right-of-use asset comprises the initial measurement of the corresponding lease liability and any initial direct costs of obtaining the lease. It is subsequently measured at cost less accumulated depreciation and any impairment losses. Whenever we incur an obligation for costs to restore a leased asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right-of-use assets are depreciated over the lease term as this is always shorter than the useful life of the underlying asset. Depreciation starts at the commencement date of the lease. We do not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented as a separate line item in the balance sheet.

Lease term

It is uncommon for any of our leases to have extension options, although in the case of property leases it is common for us to enter into a new lease of the same property when the current lease expires. It is also uncommon for us to exit any leases before the end of their specified maximum term. Therefore we assume on inception that our leases will run to the maximum term in the lease agreement.

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

Property leases treated as short-term leases when in the process of being renewed

From time to time when renewing a property lease, the new lease may not be formally signed before the end date of the previous lease. In these circumstances, although both we and the landlord will have agreed our willingness to renew the lease in principle, and we may also have protection under property law which grants us the right to renew the lease, our interpretation of IFRS 16 is that there is no enforceable right to renew the lease until the new lease is formally signed.

Therefore, we treat any lease payments made in this period between expiry and renewal as short-term lease payments under IFRS 16 and we expense them, taking advantage of the IFRS16 short-term lease exemption.

Amounts treated as variable lease payments - rent reviews

It is common for property leases to contain a clause whereby the rent is reviewed every five years and adjusted in line with prevailing market rates. The process of agreeing rent reviews can sometimes be a lengthy one, and some reviews are not agreed until after their effective date.

In these cases we will continue to pay rent at the old rate until the rent review is agreed and neither the lease asset nor the lease liability is remeasured. If the new rent is agreed at a higher rate than the old rent, there will be a one-off payment to the lessor, covering the increase in rent for the period between the date from which the rent review was effective and the date on which the rent review was agreed.

This payment is treated as a variable lease payment and is not included in the remeasurement of the lease liability.

The lease asset and liability are remeasured from the rent review agreement date, based on the future agreed cashflows at the new agreed rent.

Nature of the Group's leasing activities

Around 90% of our leases by value are for depot, warehouse, and office properties. A typical depot lease would be for a period of 10 to 15 years, with warehouse and factory leases being for significantly longer and typical office lease periods being shorter. We also lease other smaller assets such as fork lift trucks, lorries, vans and cars, with typical lease periods ranging up to around 5 years.

Amounts recognised in the balance sheet

	24 December 2022 £m	25 December 2021 £m
Right-of-use assets		
Property	565.6	510.9
Vehicles, plant & machinery	48.7	44.9
	614.3	555.8
Additions to right-of-use assets in the period	141.6	70.0

The additions to right-of-use assets in 2022 includes £1.3m acquired as part of a business combination (see note 26).

	24 December 2022 £m	25 December 2021 £m
Lease liabilities		
Current	(95.3)	(57.5)
Non-current	(570.0)	(533.7)
	(665.3)	(591.2)

Amounts recognised in the income statement

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Included in net operating expenses		
Depreciation of right-of-use assets:		
- property	65.4	58.0
- vehicles, plant & machinery	16.3	15.2
Impairment and net (gain)/loss on lease termination	(0.9)	1.6
Total - recognised in net operating costs	80.8	74.8
Expense relating to short-term leases	5.4	3.7
Variable lease payments, not included in the measurement of lease liabilities	2.9	1.6
Included in finance costs		
Interest expense on lease liabilities	13.1	11.0

Cash flows and maturity analysis of lease liabilities

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Total cash outflow for leases	79.2	85.8

	24 December 2022 £m	25 December 2021 £m
Maturity analysis of lease liabilities		
Contractual undiscounted cashflows due		
- within 1 year	109.9	68.0
- 1 to 5 years	285.4	263.5
- more than 5 years	371.6	352.5
	766.9	684.0

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

12 Inventories

! Estimation uncertainty – allowances against the carrying values of inventories

In order to achieve the accounting objective that inventories are stated at the lower of cost and net realisable value, the Group carries an allowance against products which it estimates may not sell at a price above cost, or where we may be holding levels of product in excess of estimated future demand. The Group bases these estimates on regular reviews of stock levels, as well as of product lifecycles, selling prices achieved in the market and historical sales profiles of products after they have been discontinued. These estimates are regularly reviewed against actual experience, and revised to reflect any differences, but the accuracy of the estimates at any point in time can be affected by the extent to which current products may not follow historical patterns.

Both the gross inventory balance and the amount of the allowance against carrying value are material items and we would expect this to remain the case as the Group grows in size, and as consumer demand for regular introductions of new product continues.

We derive our allowance against carrying value based on specific kitchen ranges and stock items where a decision has been made to discontinue future sales or where our monitoring of current sales indicates that the rate of sales is in decline and the product may be coming to the end of its life cycle. The level of judgement and estimation involved requires assessing the obsolescence risk across a high volume of SKUs, which can have different risk profiles. As such, the allowance is specific in nature and does not lend itself to meaningful sensitivity analysis in the same way as a figure which is derived by a general formula. The potential range of reasonable outcomes could be material. In the analysis of the allowance below, we have separately identified the aggregate gross value of stock against which an allowance has been made.

Once a decision is made to discontinue future sales of a product, it will still be available for sale in depots for a standard period of time, after which any remaining units of that product will be removed from sale. Our stock allowance is calculated so that the carrying value of any unsold units is progressively written down to nil over the period during which they are available for sale. The rate at which the units are written down to nil is based on actual historical experience of realised selling prices for previous similar products, and recognises that higher selling prices are typically achievable at the beginning of the period than at the end of the period. Rates are reviewed regularly against historical experience and are adjusted if necessary.

Accounting policy

Inventories are stated at the lower of cost and net realisable value. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity, calculated using a standard cost which is regularly updated to reflect average actual costs. An allowance is made for obsolete, slow-moving, or defective items where appropriate.

	24 December 2022 £m	25 December 2021 £m
Raw materials	24.3	16.0
Work in progress	6.2	5.6
Finished goods and goods for resale	396.3	322.9
Allowance against carrying value of inventories	(53.5)	(42.9)
	373.3	301.6

The aggregate carrying amount of specific inventories against which allowances have been made is given below:

	2022		2021	
	Gross value of stock £m	Allowance against carrying value £m	Gross value of stock £m	Allowance against carrying value £m
Stock with no allowance against it	323.3	-	269.7	-
Stock with an allowance	103.5	(53.5)	74.8	(42.9)
	426.8	(53.5)	344.5	(42.9)

13 Other financial assets

Accounting policy

Trade receivables do not contain a significant financing component and are stated at their nominal value, reduced by an allowance for expected credit losses. This approximates to their fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses. This uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due.

To determine expected credit losses, the Group uses historical observed default rates for these different groups of receivables, adjusted for forward-looking estimates. The default rates and forward-looking estimates are revised at each reporting date.

Trade and other receivables

	24 December 2022 £m	25 December 2021 £m
Trade receivables (net of allowance)	173.5	166.5
Prepayments	55.2	34.3
Other receivables	4.6	5.0
	233.3	205.8

An analysis of the Group's allowance for expected credit losses on debtors is as follows:

	24 December 2022 £m	25 December 2021 £m
Balance at start of period	15.8	12.9
Acquired with subsidiary (note 26)	0.2	-
Increase in allowance recognised in the income statement	1.6	2.9
Balance at end of period	17.6	15.8

Trade receivables – exposure to credit risk and allowance for expected credit losses

We have no significant concentration of credit risk, as our exposure is spread over a large number of customer accounts. We charge interest at appropriate market rates on balances which are in litigation.

Before accepting any new credit customer, we obtain a credit check from an external agency to assess the potential customer's credit quality, and then we set credit limits on a customer-by-customer basis. We review credit limits regularly, and adjust them if circumstances change. In the case of one-off customers, our policy is to require immediate payment at the point of sale, and not to offer credit terms.

The historical level of customer default is low as a percentage of sales, and we consider the credit quality of period end trade receivables to be high. We regularly review trade receivables which are past due but not impaired, and we make an allowance against them based on any expected credit losses. We base our assessment both on past experience and also on whether there are any other likely significant future factors which might affect recoverability and influence our assessment of expected credit losses. We maintain regular contact with customers with overdue debts and, where necessary, we take legal action to recover the receivable.

We wrote off £7.9m of debts in the period (2021: £5.6m). Included within our aggregate trade receivables balance are specific debtor balances with customers totalling £44.7m before allowance for expected credit losses (2021: £42.6m before allowance) which are past due as at the reporting date. We have assessed these balances for recoverability and we believe that their credit quality remains intact.

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

An ageing analysis of these past due trade receivables is as follows:

	24 December 2022 £m	25 December 2021 £m
1-30 days past due	22.6	24.8
31-60 days past due	6.1	5.6
61-90 days past due	3.8	2.6
90+ days past due	12.2	9.6
Total overdue amounts, excluding allowance for doubtful receivables	44.7	42.6

There were no trade receivables which would have been impaired at either period end were it not for the fact that their credit terms were renegotiated. The Group does not renegotiate credit terms.

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand together with demand deposits, and other short-term investments (see below). Cash at bank is either in current accounts, or is placed on short-term deposit, and is available on demand. Interest on short-term deposits is paid at prevailing money market rates. The carrying value of these assets approximates to their fair value.

Short-term investments

From time to time, the Group uses short-term investments in UK Gilts as part of its cash management activities. The Group reviews these investments before entering into them, and, after establishing that the Group intends to hold these investments in order to collect contractual cashflows which are solely payments of principal and interest, they are initially recognised at cost, including any transaction fees.

Subsequent to initial recognition, these investments are carried at amortised cost using the effective interest method. Income from these investments is recognised in the income statement on an effective yield basis. They form part of our cash and cash equivalents for cash flow purposes.

There were no investments at the current balance sheet date. The investments held at the previous balance sheet date had maturity dates ranging between 1 and 3 months. They returned a fixed rate of interest and their weighted average effective interest rate was 0.02% pa.

The carrying value of these investments at the previous period end approximated to their fair value.

14 Other financial liabilities

Accounting policy

Trade payables are not interest-bearing and are stated at their nominal value, which approximates to their fair value.

Trade and other payables

Current liabilities	24 December 2022 £m	25 December 2021 £m
Trade payables	189.5	178.8
Other tax and social security	91.9	86.6
Other payables	37.2	26.3
Accruals and deferred income	115.3	93.0
	433.9	384.7

Trade payables, other payables, and accruals principally comprise amounts due in respect of trade purchases and ongoing costs.

The average credit taken for trade purchases during the period, based on total operations, was 55 days (2021: 59 days).

The Group's policy on payment of creditors is to agree terms of payment prior to commencing trade with a supplier, and to abide by those terms on the timely submission of satisfactory invoices.

15 Provisions

Accounting policy

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount required to settle the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation, and are discounted to present value where the effect is material.

	Property £m	Warranty £m	Closure costs £m	French post-employment benefits £m	Total £m
At 26 December 2020	5.6	8.0	-	0.3	13.9
Additional provision in the period	3.2	7.7	2.2	-	13.1
Provision released in the period	(0.2)	-	-	-	(0.2)
Utilisation of provision in the period	(1.6)	(4.8)	-	-	(6.4)
At 25 December 2021	7.0	10.9	2.2	0.3	20.4
Additional provision in the period	1.3	7.0	-	-	8.3
Provision released in the period	(1.6)	-	(1.4)	-	(3.0)
Utilisation of provision in the period	(1.7)	(6.7)	(0.8)	-	(9.2)
At 24 December 2022	5.0	11.2	0.0	0.3	16.5
Presented as current liabilities	4.4	7.6	-	-	12.0
Presented as non-current liabilities	0.6	3.6	-	0.3	4.5
	5.0	11.2	-	0.3	16.5

In the current reporting period, provisions have been presented as either current or non-current liabilities for the first time. The basis of the allocation is outlined for each type of provision, below. In prior periods, all provisions were presented as non-current.

Property provision

The property provision covers obligations to make dilapidation payments to landlords of leased properties. Following the guidance in the IFRSs governing leases and provisions, our assessment is that, in general, the likelihood of a cash outflow for dilapidations at the time of signing a lease is remote, and therefore it would be unusual for us to recognise any costs relating to dilapidations at that time.

In these cases, the event which changes our assessment of the likelihood of a cash outflow for dilapidations from being remote to being probable, and which therefore triggers our recognition of a provision for that probable outflow, typically occurs as we come towards the end of a lease and we can assess the condition of the leased property and the likelihood of dilapidations being payable.

The timing of any outflows from the provision is variable, and is dependent on the timing of dilapidations assessments and works. Although circumstances will differ from property to property, a typical pattern would be that the outflow would occur within 1-3 years of the provision being made. The amounts provided are specific to each property and are based on our best estimate of the cost of performing any required works or, in cases where we will not be directly contracting for the works to be done, our best estimate of the outflow required to settle any claim from the landlord. Where the amounts involved are significant, we would typically take advice on the likely costs from third-party property maintenance specialists.

For the purposes of allocating this provision between current liabilities and non-current liabilities we have used our best estimate of when we would reasonably expect outflows to occur, based on circumstances at each relevant property.

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

Warranty provision

The warranty provision relates to the estimated costs of product warranties. As products are sold, the Group makes provision for claims under warranties, based on actual sales and on historical average warranty costs incurred. As claims are made, the Group utilises the provision and then uses the historical data on the rate and amount of claims to periodically revise our expectations of the amount of future warranty costs and therefore the rate at which it is appropriate to provide for warranty costs on each sale in the future.

For the purposes of allocating this provision between current liabilities and non-current liabilities we have used the historical data on timing and amount of claims to estimate the costs for the next 12 months and have classified this as a current liability.

Closure costs

Closure costs in 2021 relate to closing 5 depots in France, which did not align with our city-based depot expansion plans.

French post-employment benefits provision

This provision relates to a benefit which is payable to employees in our French subsidiary under French law on retirement. It is a lump sum payable on retirement, not a recurring pension. There will only be an outflow from this provision if any of the eligible employees are employed by our French subsidiaries 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. The calculation to arrive at the best estimate of the required provision is revised periodically by third-party specialists and our provision is adjusted in line with the results of this calculation if necessary.

We have estimated that the whole of this provision is non-current.

Capital structure and risk

16 Share capital and reserves

Ordinary shares of 10p each:	52 weeks to 24 December 2022 No.	52 weeks to 25 December 2021 No.	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Allotted, called up and fully paid				
Balance at the beginning of the period	597,573,827	602,863,861	59.8	60.3
Bought back and cancelled during the period	(36,657,778)	(5,290,034)	(3.7)	(0.5)
Balance at the end of the period	560,916,049	597,573,827	56.1	59.8

Share capital

The Company has one class of ordinary share that carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Description of the nature and purpose of the other reserves shown in the balance sheet

The share premium reserve represents the amounts above the nominal value received for shares sold. The capital redemption reserve represents the nominal value of share capital bought back and cancelled. The ESOP reserve relates to the costs of providing share-based payments. The treasury share reserve represents the cost of shares bought from the market and held in treasury. The retained earnings reserve represents the Group's cumulative results.

17 Dividends

Amounts recognised as distributions to equity holders in the period:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Interim dividend for the 52 weeks to 24 December 2022 - 4.7p/share	26.1	-
Final dividend for the 52 weeks to 25 December 2021 - 15.2p/share	88.9	-
Interim dividend for the 52 weeks to 25 December 2021 - 4.3p/share	-	25.3
Final dividend for the 52 weeks to 26 December 2020 - 9.1p/share	-	54.2
Special dividend for the 52 weeks to 26 December 2020 - 9.1p/share	-	54.1
	115.0	133.6

Dividends proposed at the end of the period (but not recognised in the period):

	52 weeks to 24 December 2022 £m
Proposed final dividend for the 52 weeks to 24 December 2022 - (15.9p/share)	87.9
	87.9

The Directors propose a final dividend in respect of the 52 weeks to 24 December 2022 of 15.9p per share, payable to ordinary shareholders who are on the register of shareholders at 11 April 2023, and payable on 19 May 2023.

The proposed final dividend for the current period is subject to the approval of the shareholders at the 2023 Annual General Meeting, and have not been included as a liability in these financial statements.

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

18 Notes to the cash flow statement

Analysis of net cash

	Cash at bank and in hand £m	Current asset investments £m	Cash and cash equivalents, and net cash £m
At 25 December 2021	490.3	25.0	515.3
Cash flow	(182.3)	(25.0)	(207.3)
At 24 December 2022	308.0	-	308.0

The current asset investments had a maturity of less than three months, and as such were considered to be cash equivalents for the purposes of the cash flow statement. More details are given at Note 13.

Changes in liabilities arising from financing activities

The only liabilities which have changed due to financing activities are lease liabilities. The cash and non-cash changes in lease liabilities are analysed below.

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Opening balance	(591.2)	(580.5)
Cash movement: repayment of principal on lease liabilities	66.1	74.8
Cash movement: lease interest paid	13.1	11.0
Non-cash movement: lease interest charged	(13.1)	(11.0)
Non cash movement: net additions to lease liabilities	(140.2)	(85.5)
Closing balance	(665.3)	(591.2)

Notes to the consolidated financial statements continued

Capital structure and risk continued

19 Borrowing facility

Accounting policy

Fees relating to borrowing facilities are recorded as prepayments and released over the life of the facility.

At the period end date, the Group had a £150m committed multi-currency revolving credit facility, due to expire in September 2027. The Group did not use the facility in the year.

As at 24 December 2022, the full £150m of the facility was available in addition to the Group's cash and short-term investments as shown on the Balance Sheet.

If the Group were to use the facility, it would carry interest at a rate of SONIA plus a margin of between 100 and 175 basis points, with the margin being dependent on the ratio of total net debt to EBITDA.

The facility has two covenants, both of which are calculated on a 12 month rolling basis twice each year, at year end and then again at half year end. Under one covenant the ratio of EBITDA to net debt has to be less than 3:1, and under the other covenant the ratio of EBITDA to net finance charges has to be greater than 4:1.

20 Financial risk management

(a) Capital risk management

The Group manages its capital structure to maximise shareholder returns through its debt and equity balance, trading-off the benefits of financial leverage with the expected future costs of financial distress.

The capital structure of the Group consists of cash and short-term investments, the committed borrowing facility discussed further in note 19 - if needed - and equity attributable to equity holders of the parent (including issued share capital and reserves as disclosed in the Consolidated Statement of Changes in Equity, and in note 16).

The Board of Directors reviews the capital structure regularly, including at the time of preparing annual budgets, preparing three-year corporate plans, and considering corporate transactions. As part of this review, the Board reviews the costs and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buybacks, taking on or issuing new debt or repaying any existing debt.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are included in the relevant notes to the financial statements. An index to the notes is located between the cash flow statement and note 1

(c) Categories of financial instruments

	24 December 2022 £m	25 December 2021 £m
Financial assets (current and non-current)		
Trade receivables	173.5	166.5
Cash and cash equivalents	308.0	515.3
Financial liabilities (current and non-current)		
Trade payables	189.5	178.8

(d) Financial risk management

General

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures. The types of risk exposure, the way in which these exposures are managed, and the quantification of the level of exposure in the balance sheet is shown below (subcategorised into credit risk, liquidity risk and market risk). The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Board and are overseen by the Executive Committee. In turn, the Executive Committee delegates authority to a central treasury function ('Group Treasury') for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group Treasury regularly reassesses and reports on the financial risk environment, identifying and evaluating financial risks. The Group does not take positions on derivative contracts and only enters into contractual bank deposit or lending arrangements with counterparties that have appropriate credit ratings, as detailed in section (e) below.

Cash and cash equivalents

Cash at bank and in hand, which is the term used in the balance sheet, comprises cash on hand together with demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value. Cash and cash equivalents, which is the term used in the cash flow statement, comprises cash at bank and in hand, as defined immediately above, together with any current asset investments.

Arrangements are in place to ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and to ensure that the Group earns the most advantageous rates of interest available. The prime consideration in the investment of cash balances is the security of the asset, followed by liquidity and then yield.

Current asset investments consist of UK Government Treasury Bills with an initial term to maturity of up to three months. These investments are held to maturity and, whilst of lower liquidity than cash, will ensure that the primary Group policy objective of asset security is met.

Management of trade receivables is discussed in note 13.

(e) Credit risk

The Group's principal financial assets are cash, investments, and trade and other receivables. Our main credit risk is the risk of trade customers defaulting their debts. We have a policy of only dealing with creditworthy counterparties in order to mitigate the risk of defaults.

We describe our policy on dealing with trade customers in note 13. Trade receivables are spread over a large number of customers, and we do not have a significant exposure to any single counterparty.

We limit our exposure to credit risk on liquid funds and investments through adherence to a policy of minimum short-term counterparty credit ratings assigned by international credit-rating agencies (Standard & Poor's A-1 and Moody's P-1). However, when accounts are opened in new territories there may be instances where there is no appropriate partner which meets the Group's credit rating conditions. In such circumstances, arrangements with a counterparty which does not meet the Group's credit rating criteria can be made only at the specific approval of the Board and is subject to a maximum cash holding limit.

In addition, the Group Treasury function monitors counterparty risk through credit agency ratings.

Our maximum exposure to credit risk is presented in the following table:

	24 December 2022 £m	25 December 2021 £m
Trade receivables (net of allowance)	173.5	166.5
Cash	308.0	490.3
Current asset investments	-	25.0
Total credit risk exposure	481.5	681.8

Notes to the consolidated financial statements continued

Capital structure and risk continued

(f) Liquidity risk

Liquidity risk is the risk that the we could experience difficulties in meeting our commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient cash and investment reserves, committed borrowing facilities and other credit lines as appropriate. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has agreed an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities as far as is possible. Included in note 19 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. In addition, the Strategic Review contains a section describing the interaction of liquidity risk and the going concern review.

Maturity profile of outstanding financial liabilities

Our only outstanding financial liabilities, other than leases, are our trade creditors. These are capital liabilities, with no associated interest, and are payable within one year. Our lease liabilities are disclosed at note 11.

(g) Market risk

This is the risk that financial instrument fair values will fluctuate owing to changes in market prices. The significant market risks to which we are exposed are foreign exchange risk, and interest rate risk. These are discussed further below:

Foreign exchange risk

We are exposed to foreign exchange risk, principally as a result of operating costs incurred in foreign currencies, and to a lesser extent, from non-sterling revenues. Our policy is generally not to hedge such exposures. The exposure of the our financial assets and liabilities to currency risk is as follows:

	24 December 2022 £m	25 December 2021 £m
Euro		
Trade receivables	9.4	6.5
Other receivables	3.9	2.7
Cash and cash equivalents	56.7	59.7
Trade payables	(43.4)	(39.3)
Other payables	(7.3)	(7.5)
	19.3	22.1
US Dollar		
Other receivables	1.1	-
Cash and cash equivalents	25.3	23.3
Trade payables	(1.1)	-
	25.3	23.3
TOTAL	44.6	45.4

Interest rate risk

The Group does not have any significant exposure to interest rate risk.

(h) Financial instrument sensitivities

Financial instruments affected by market risk include deposits, trade receivables and trade payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's financial instruments as at its year end to changes in market variables, being exchange rates and interest rates. The sensitivity analysis has been prepared on the basis that the components of net cash and the proportion of financial instruments in foreign currencies are all constant. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the year end date was outstanding for the whole year. As a consequence, this sensitivity analysis relates to the position as at the balance sheet date. The following assumptions were made in calculating the sensitivity analysis:

- Deposits are carried at amortised cost and therefore carrying value does not change as interest rates move.
- No sensitivity is provided for accrued interest as accruals are based on pre-agreed interest rates and therefore are not susceptible to further rate movements.
- Finance lease interest payments are fixed at the inception of the contract and are not subject to repricing. They have therefore been excluded from this analysis.
- Translation of foreign subsidiaries and operations into the Group's presentation currency have been excluded from the sensitivity.

Using the above assumptions, the following analyses show the illustrative effect on the income statement and equity that would result from reasonably possible changes in the relevant foreign currency or interest rates:

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for floating rate non-derivative instruments at the balance sheet date. The Group holds no derivative financial instruments. Fixed rate liabilities are not susceptible to changes in interest rates, and are omitted from the analysis below. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase is used as this represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 50 basis points higher and all other variables were held constant, the Group's net profit and profit and loss reserve would increase by £0.6m (2021: increase by £1.1m).

For a decrease of 50 basis points, the current year figures would decrease by £0.6m (2021: decrease by £1.1m).

Foreign exchange sensitivity

As noted above, the Group is mainly exposed to movements in Euro and US dollar exchange rates. The following information details our sensitivity to a 10% weakening or strengthening in Sterling against the Euro and the US Dollar. These percentages are the rates used by management when assessing sensitivities internally and represent management's assessment of the possible change in foreign currency rates. The sensitivity analysis of our exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the end of the financial period, and based on the outstanding foreign currency balances at the period end.

	24 December 2022 £m	25 December 2021 £m
10% weakening of Sterling to Euro	2.1	2.4
10% strengthening of Sterling to Euro	(1.7)	(2.0)
10% weakening of Sterling to US dollar	2.8	2.6
10% strengthening of Sterling to US dollar	(2.3)	(2.1)

Notes to the consolidated financial statements continued

Employees

21 Staff costs and number of employees

The aggregate payroll costs of employees, including executive directors, were:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Wages and salaries	(536.3)	(474.6)
Social security costs	(47.8)	(44.7)
Pension operating costs (note 22)	(40.0)	(34.0)
	(624.1)	(553.3)

Wages and salaries includes a charge in respect of share-based payments of £7.3m (2021: £10.1m).

The average monthly number of persons (including executive directors) employed by the Group during the period was as follows:

	52 weeks to 24 December 2022 No.	52 weeks to 25 December 2021 No.
	12,408	10,789

22 Retirement benefit obligations

! Significant judgement and source of estimation uncertainty

There is significant judgement involved in selecting appropriate measurement bases for the actuarial assumptions used to measure the pension liability.

There is also estimation uncertainty relating to the assumptions, as reasonable alternative assumptions could have led to measurement at a materially different amount.

The key assumptions within this calculation are discount rate, inflation rates and mortality rates. These are set out below, together with sensitivity analysis that shows the effect that these estimates can have on the carrying value of the pension deficit.

There is also significant judgement around the valuation of the subset of the unquoted pension assets for which the most recent available valuations at the time of approving these financial statements are valuations from the relevant fund managers as at 30 September. Detail of the approach taken, and of the amounts involved, is given below under the heading 'Valuation of plan assets'

Accounting policies

Defined contribution pensions

Payments to defined contribution pension schemes are charged to the income statement as they fall due.

Defined benefit pensions

The calculation of the Group's net asset or obligation is performed by a qualified actuary using the projected unit method. When the calculation results in a potential asset, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. The Group considers that there are no restrictions caused by IFRIC 14 on recognising any pension asset.

Scheme liabilities are calculated by estimating the amount of future benefit that employees have earned in return for their service. That benefit is then discounted to determine its present value. The discount rate used is selected to closely approximate the yield at the balance sheet date on AA-rated bonds that have maturity dates approximating to the terms of the Group's obligations. This discount rate is also used to calculate the net pension scheme finance charge or credit.

Scheme assets are carried at fair value. More details are given in this note as part of the analysis of plan assets.

Current and past service costs and the net pension finance charge or credit are recognised in the income statement. Actuarial gains and losses are recognised immediately through the remeasurement of the defined benefit liability and are taken through the statement of comprehensive income.

(a) Overview of all retirement benefit arrangements

Defined contribution: auto-enrolment plan

The Group operates an auto-enrolment defined contribution plan for employees. Under the terms of this scheme, employees make pension contributions out of their salaries, and the Group also makes additional contributions.

The total cost charged to income in respect of this plan in the current period of £37.0m (2021: £26.5m) represents the Group's contributions due and payable in respect of the period. All of this amount was paid in the period as was also the case in the previous period.

Defined contribution: other plan

The Group operates another defined contribution plan for its employees. The assets of this plan are held separately from those of the Group, and are under the control of the scheme trustees.

The total cost charged to income in respect of this plan in the current period of £0.6m (2021: £0.7m) represents the Group's contributions due and paid in respect of the period.

Defined benefit plan

Characteristics and risks of the plan:

The Group operates a funded pension plan which provides benefits based on the career average pensionable pay of participating employees. This plan was closed to new entrants from April 2013, and closed to future accrual on 31 March 2021.

The assets of the plan are held separately from those of the Group, being held in a trustee-administered pension plan and invested with independent fund managers. The trustee directors of the plan comprise three member-elected trustees, two independent trustees, and three Group-appointed trustees. All trustees are required to act in the best interests of the plan beneficiaries.

The plan exposes the Group to actuarial risks, such as longevity risk, interest rate risk, inflation risk and market (investment) risk.

Longevity risk is the risk that members live for longer than is currently expected. That results in pensions being paid for longer than expected, thus costing schemes more money.

Examples of interest rate risk are that a decrease in corporate bond yields increases the present value of the defined benefit obligations, or that a decrease in gilt yields results in a worsening in the Scheme's funding position.

An example of inflation risk is that an increase in inflation results in higher benefit increases for members which in turn increases the Scheme's liabilities.

Investment risk comes from three main sources: risk that the fund will fall in value, risk that the pension fund's returns will not keep pace with inflation (real returns are negative), and risk that the pension fund does not perform well enough to keep pace with the growth in the cost of providing pension benefits.

Accounting and actuarial valuation

Contributions are charged to the consolidated income statement so as to spread the cost of pensions over the employees' working lives with the Group. The present value of the defined benefit obligation, the related current service cost, and past service cost are determined by a qualified actuary using the projected unit method. The most recent completed actuarial valuation was carried out at 5 April 2020 by the plan actuary. The actuary advising the Group has subsequently rolled forward the results of the 5 April 2020 valuation to 24 December 2022. This roll-forward exercise involves updating all the assumptions which are market-based (i.e. inflation, discount rate, rate of increase in pensions and rate of CARE revaluation) to values as at 24 December 2022. We are using CMI 2021 mortality tables, being the most recent tables available.

Notes to the consolidated financial statements continued

Employees continued

Funding and estimated contributions

The Group's contributions in the current and prior periods are shown in the tables below. The Group bears the plan's administration costs. The Group also has an agreement with the pension plan trustees to make additional deficit contributions to the plan of £30m per year until June 2023. Under the agreement, the scheme's funding position is monitored on a monthly basis and deficit contributions are be suspended if the scheme's funding position is 100% or greater as at the last working day of two consecutive months on a Technical Provisions ('TP') basis, and is resumed if the funding position subsequently falls back to below 100% on the last working day of two consecutive months.

The scheme's funding reached 100% on a TP basis part way through 2021 and additional deficit contributions stopped, according to the mechanism described above. The scheme remained in surplus on a TP basis until the part way through October 2022, and remained in TP deficit from that point until the 2022 year end. Additional deficit contributions commenced from the beginning of 2023.

The Group's estimated total cash contributions to the defined benefit plan in the 52 weeks ending 30 December 2023 are £30.6m. This figure allows for additional deficit contributions for the whole of 2023 at the current rate of £30m per year.

Differences between the defined benefit pension deficit on an IAS 19 basis and on a funding basis

As is mandatory under International Financial Reporting Standards, the Group values its pension deficit in these accounts on an IAS19 basis. As shown below, the IAS19 deficit at the current period end is £41.5m. On a funding basis (also known as a 'Technical Provisions basis', being the basis on which the triennial actuarial valuations are carried out), the funding deficit at the current period end is estimated at £64.7m, this estimate being based on an approximate roll-forward of the 2020 triennial funding valuation, updated for market conditions. The IAS 19 valuation requires 'best estimate' assumptions to be used whereas the funding valuation uses 'prudent' assumptions. This would typically result in the funding valuation producing a higher deficit, or a lower asset, than the IAS 19 valuation.

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

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Charged to the income statement:		
Defined benefit plan - current service cost	-	4.8
Defined benefit plan - administration cost	2.4	2.0
Defined benefit plan - total service cost	2.4	6.8
Defined benefit plan - net finance (credit)/charge	(2.7)	0.4
Defined contribution plans - total operating charge	37.6	27.2
Total net amount charged to profit before tax	37.3	34.4
Charged to equity:		
Defined benefit plan - actuarial losses/(gains)	183.0	(170.4)
Total charge/(credit)	220.3	(136.0)

(c) Other information - defined benefit pension plan

Key assumptions used in the valuation of the plan

	52 weeks to 24 December 2022	52 weeks to 25 December 2021
Rate of increase of pensions in deferment capped at lower of CPI and 5%	2.70%	2.85%
Rate of CARE revaluation capped at lower of RPI and 3%	2.45%	2.55%
Rate of increase of pensions in payment:		
- pensions with increases capped at lower of CPI and 5%	2.65%	2.80%
- pensions with increases capped at lower of CPI and 5%, with a 3% minimum	3.45%	3.50%
- pensions with increases capped at the lower of LPI and 2.5%	2.15%	2.20%
Inflation assumption - RPI	3.15%	3.30%
Inflation assumption - CPI	2.70%	2.85%
Discount rate	4.70%	1.90%
Life expectancy (years): pensioner aged 65		
- male	86.6	86.6
- female	88.4	88.4
Life expectancy (years): non-pensioner aged 45		
- male	87.6	87.6
- female	90.2	90.3

Sensitivities

	Present value of scheme liabilities at 24 December 2022 £m	Projected 2023 pension cost		
		Total service cost £m	Net interest (credit)/cost £m	Net pension (credit)/expense £m
Assumption				
Current valuation, using the assumptions above	931	2.6	1.3	3.9
0.5% decrease in discount rate	1,007	2.6	4.4	7.0
0.5% increase in inflation	968	2.6	3.1	5.7
1 year increase in longevity	963	2.6	2.8	5.4

The sensitivities above are applied to the defined benefit obligation at the end of the reporting period, and the projected total service cost for 2023. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide a reasonable approximation. The same amount of movement in the opposite direction would produce a broadly equal and opposite effect.

To address the requirements of both IAS 1 and IAS 19, we note that the effect on the discount rate and inflation sensitivities of flexing them down to 0.25% or up to 1% in a linear manner would give materially correct results.

Notes to the consolidated financial statements continued

Employees continued

Analysis of plan assets

	24 December 2022		25 December 2021	
	Quoted market price in an active market £m	No quoted market price in an active market £m	Quoted market price in an active market £m	No quoted market price in an active market £m
Liability-driven investments	174.1	-	435.7	-
Equities				
- passive equities	-	-	172.5	-
Private equity	-	0.6	-	0.6
Alternative growth assets				
- fund of hedge funds	-	152.4	-	148.6
- absolute return fund	1.0	-	91.4	-
Insurance-linked securities	-	105.2	-	100.9
Corporate bonds	1.8	-	232.2	-
Commercial property funds	7.7	239.9	114.0	175.6
Other secure income	1.2	179.3	-	150.1
Asset-backed securities	0.5	-	10.6	-
Cash and cash equivalents	25.3	-	21.1	-
Total	211.6	677.4	1,077.5	575.8

The plan assets do not include any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group.

Valuation of plan assets

All of the quoted assets have a daily price, and therefore are valued using market prices on the last trading day before our year end.

Unquoted investments are stated at values provided by the fund manager in accordance with relevant guidance. Some of the unquoted investments are valued on a weekly basis, some are valued on a monthly basis, and others are only valued on a quarterly basis. Based on asset values at the current year end, 48% of the unquoted assets are valued based on a valuation from fund managers as at 31 December 2022, and a further 10% are valued at 3 January 2023, in both cases they are adjusted for cash movements and rolled backwards using a suitable index if there is one. The fund managers' 31 December 2022 valuations for the remaining 42% of unquoted assets, which have a carrying value of £286.0m at the current period end, are not available until after these consolidated financial statements are approved and so the only available valuations for these funds at the current year is the 30 September 2022 valuations from the fund managers, which are adjusted for cash movements and rolled forward to our year end date using a suitably-correlated index where one is available.

Asset allocation

As set out in the plan's August 2022 Statement of Investment Principles, the plan trustees' long-term asset allocation strategy is to target a 60% allocation of assets to 'Return-seeking assets' and a 40% allocation to 'risk-reducing assets'.

The plans accounts then goes on to explain these classes of assets as follows:

'Return-seeking assets' target a higher expected return than that of risk reducing/matching assets and typically have a higher associated volatility, relative to liabilities. These assets would typically involve equities and could possibly include alternative asset classes such as different types of absolute return and hedge funds, infrastructure, property and illiquid credit approaches. Assets used to predominantly manage liquidity and cashflows within the Secure Income portfolio are also deemed 'Return-seeking'.

'Risk-reducing (or matching) assets' have characteristics that are broadly similar in nature to the liabilities. These assets are predominantly government or corporate bonds and could also possibly include other financial instruments such as interest rate and inflation swaps, credit default swaps and cash.

As can be seen from the asset analysis above, the actual mix of assets has been affected by the macroeconomic conditions of the current year and has resulted in the sale of many of the risk-reducing assets by the year end, with the result that the asset allocation set out in the August 2022 Statement of Investment Principles is not being met at the year end.

Analysis of plan members, scheme liability split and duration

	2022[1]		
	No. of members	% of total liability	Duration (years)
Deferred members	6,236		
Total members	6,236	63%	19
Pensioners	4,233	37%	11
Total No./average duration	10,469	100%	16

1 The membership figures are as given in the plan accounts and are as at 31 March 2022, the date of the latest audited pension plan accounts. The duration and % of liability figures are as calculated by the Group's actuary as at the Group's current year end.

	2021[2]		
	No. of members	% of total liability	Duration (years)
Active members	1,231		
Deferred members	5,305		
Subtotal	6,536	67%	24
Pensioners	4,031	33%	13
Total No./average duration	10,567	100%	20

2 The membership figures are as given in the plan accounts and are as at 31 March 2021, the date of the latest audited pension plan accounts. Since that date, the plan has closed to further accrual and all non-pensioner members are now deferred members. The duration and % of liability figures are as calculated by the Group's actuary as at the Group's current year end.

Duration depends on the discount rate. The higher the discount rate, the less valuable are payments in the long-term future - reducing the average duration of the (discounted) liabilities. There has been a 2.8% increase in the discount rate in 2022, which has shortened the duration.

Balance sheet

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

	24 December 2022 £m	25 December 2021 £m
Present value of defined benefit obligations	(930.5)	(1,512.5)
Fair value of scheme assets	889.0	1,653.3
Surplus/(deficit) in the scheme, recognised in the balance sheet	(41.5)	140.8

Movements in the present value of defined benefit obligations were as follows:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Present value at start of period	1,512.5	1,641.0
Current service cost	-	4.8
Administration cost	2.4	2.0
Interest on obligation	28.3	21.1
Actuarial losses/(gains):		
- changes in financial assumptions	(622.8)	(127.7)
- changes in demographic assumptions	(3.5)	(5.2)
- experience	55.8	20.5
Benefits paid, including expenses	(42.2)	(44.0)
Present value at end of period	930.5	1,512.5

Notes to the consolidated financial statements continued

Employees continued

Movements in the fair value of the plan's assets is as follows:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Fair value at start of period	1,653.3	1,593.3
Interest income on plan assets	31.0	20.7
Contributions from the Group	0.4	25.3
(Loss)/return on assets excluding amounts included in net interest	(753.5)	58.0
Benefits paid, including expenses	(42.2)	(44.0)
Fair value at end of period	889.0	1,653.3

Movements in the deficit during the period are as follows:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Deficit at start of period	140.8	(47.7)
Current service cost	-	(4.8)
Administration cost	(2.4)	(2.0)
Employer contributions	0.4	25.3
Other finance income/(charge)	2.7	(0.4)
Total remeasurements recognised in other comprehensive income	(183.0)	170.4
Deficit at end of period	(41.5)	140.8

Income statement

Amounts recognised in the income statement arising from the Group's obligations in respect of the defined benefit plan are shown below.

Amount charged to operating profit:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Current service cost	-	4.8
Administration cost	2.4	2.0
Total service cost	2.4	6.8

The total service cost is included in the financial statement heading Staff Costs.

Amount credited to other finance charges:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Interest income on plan assets	(31.0)	(20.7)
Interest cost on defined benefit obligation	28.3	21.1
Net charge	(2.7)	0.4

The actual return on plan assets was a loss of £(722.5)m (52 weeks to 25 December 2021: increase of £78.7m).

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:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Actuarial (loss)/gain on plan assets	(753.5)	58.0
Decrease in plan liabilities due to financial assumptions and experience	622.8	127.7
(Increase) in plan liabilities due to experience	(55.8)	(20.5)
Decrease in plan liabilities due to demographic assumptions	3.5	5.2
Net actuarial (loss)/gain, before associated deferred tax	(183.0)	170.4

23 Share-based payments

Accounting policy

The Group issues equity-settled share-based payments. They are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

1) Details of each scheme

The Group recognised a charge of £7.3m (2021: charge of £10.1m) in respect of share-based payments during the period. The Group has various share-based payment schemes, which are all equity-settled. The main details of all schemes which existed during the period are given below.

Share Incentive Plan ('SIP')

This is a UK tax-advantaged 'all-employee' share plan under which the Company may grant the following types of awards to eligible UK employees:

(i) **Free Shares,** the vesting and forfeiture period is three years commencing on the date of grant and subject to continued employment. The shares are not subject to any performance conditions. Dividends are payable on the Free Shares during the vesting period. Voting rights are attached to Free Shares during the vesting period.

(ii) **Partnership Shares,** which do not have a vesting period as they are purchased using deductions from the gross pay of participating employees. The shares are not subject to any performance conditions. Dividends are payable on the Partnership Shares from grant. Voting rights are attached to Partnership Shares from grant.

(iii) **Matching Shares,** the vesting and forfeiture period for which is three years commencing on the date of grant and subject to continued employment and retention of the associated Partnership Shares in the SIP trust. Matching Shares are granted to participants in a ratio determined by the Company up to a maximum of two free Matching Shares for each Partnership Share purchased. Matching Shares are not subject to any performance conditions. Dividends are payable on the Matching Shares during the vesting period. Voting rights are attached to Matching Shares during the vesting period.

(iv) **Dividend Shares,** which do not have a vesting period as they are purchased using dividend monies payable on existing SIP shares held in the SIP trust. The shares are not subject to any performance conditions. Dividends are payable on the Dividend Shares from grant. Voting rights are attached to Dividend Shares from grant.

Free Shares, Partnership Shares, and Matching Shares must be kept in the SIP trust for five years from the date of grant to be capable of being sold or transferred out of the SIP trust free of income tax and National Insurance contributions (exceptions apply for 'good leaver' scenarios). Dividend Shares must be held in the SIP trust for three years from the date of grant to be capable of being sold or transferred out of the SIP trust free of income tax liability.

Notes to the consolidated financial statements continued

Employees continued

Howden Joinery Group Long-Term Incentive Plan ('LTIP')

This is a discretionary employee share plan under which the Company may grant different types of award including options, conditional awards and restricted share awards. With the exception of (iv) below, neither dividends nor dividend equivalents are payable during the vesting period. The different types of awards are as follows:

(i) **Conditional Share Awards,** the vesting period for which is three years commencing on the date of grant and subject to continued employment. The shares are not subject to any other performance conditions.

(ii) **Market value options,** the vesting period for which was three years commencing from the date of grant with an exercise period of seven years (i.e. a total life of ten years). The vesting conditions for these options were as follows:

Date of award	2012	2013
Vesting based on growth in profits - from year ended December	2011	2012
- to year ended December	2014	2015
Award vests at 25% if profits over the vesting period grow by	6%	6%
Award vests at 100% if profits over the vesting period grow by	12%	12%

Date of award	2014
Vesting based on growth in profits - from year ended December	2013
- to year ended December	2016
Award vests at 15% if profits over the vesting period grow by	8%
Award vests at 100% if profits over the vesting period grow by	20%

If profits grow by a figure between the upper and lower thresholds for each year, the award vests on a sliding scale.

(iii) **Performance Share Plan,** the vesting period for which is three years commencing from the date of grant. The awards are subject to the following performance conditions:

Date of award	2018	2019
Vesting based on growth in profits - from year ended December	2017	2018
- to year ended December	2020	2021
Award vests at 15% if profits over the vesting period grow by	5%	5%
Award vests at 100% if profits over the vesting period grow by	15%	15%

Date of award	2020	2021	2022
Performance Period - from year ended December	2019	2020	2021
- to year ended December	2022	2023	2024
Performance Conditions:			
Total shareholder return (the 'TSR tranche') represents the following proportion of the Award	67%	33%	33%
- TSR tranche vests at 15% if the Company is ranked compared to comparators at	Median	Median	Median
- TSR tranche vests at 100% if the Company is ranked compared to comparators	Upper quartile	Upper quartile	Upper quartile
in the Growth in pre-exceptional profit before tax (the 'PBT tranche') represents the following proportion of the Award	33%	67%	67%
- PBT tranche vests at 15% if profit grows over the Performance Period grow by	5%	5%	5%
- PBT tranche vests at 100% if profit grows over the Performance Period grow by	15%	15%	15%

If profits grow by a figure between the upper and lower thresholds for each year, the award vests on a sliding scale.

(iv) **Restricted Share Awards,** where the participant receives beneficial entitlement to shares upon grant of the award. The legal interest however is not transferred to the participant until the forfeiture provisions and restrictions applicable to the awards cease to apply. The shares are not subject to any performance conditions other than continued employment. Dividends are payable during the vesting period.

2) Movements in the period

52 weeks to 24 December 2022	SIP (i) Number	LTIP (i) Number	LTIP (iii) Number	LTIP (iv) Number
In issue at beginning of period	2,253,629	-	3,324,679	13,646
Granted in period	359,104	382,200	1,080,204	-
Lapsed in period	(102,785)	-	(38,868)	-
Exercised in period	(436,287)	-	(1,299,808)	(13,646)
In issue at end of period	2,073,661	382,200	3,066,207	-
Exercisable at end of period	1,130,011	-	67	-
Number of options in the closing balance granted before 7 November 2002	14,028	-	-	-
Weighted average share price for options exercised during the period (£)	7.10	N/A	6.92	7.79
Weighted average life remaining for options outstanding at the period end (years)	1.3	2.7	1.4	N/A
Weighted average fair value of options granted during the period (£)	7.71	5.27	6.24	N/A
Exercise price for all options (£)	0.00	0.00	0.00	0.00

	LTIP (ii) Number	WAEP (£)	SIP (iii) Number
In issue at beginning of period	307,429	3.17	18,577
Granted in period	-	N/A	73,576
Lapsed in period	-	N/A	(12,324)
Exercised in period	(67,083)	2.04	(558)
In issue at end of period	240,346	3.48	79,271
Exercisable at end of period	240,346	3.48	-
Number of options in the closing balance granted before 7 November 2002	-		-
Weighted average share price for options exercised during the period (£)	7.62		6.34
Weighted average life remaining for options outstanding at the period end (years)	-		2.4
Weighted average fair value of options granted during the period (£)	N/A		6.50
Exercise price for all options (£)	2.38 to 3.79		-

Notes to the consolidated financial statements continued

Employees continued

52 weeks to 25 December 2021	SIP (i) Number	LTIP (i) Number	LTIP (iii) Number	LTIP (iv) Number
In issue at beginning of period	2,685,127	10,000	4,203,998	64,942
Granted in period	329,076	-	997,693	-
Lapsed in period	(118,566)	(600)	(1,877,012)	-
Exercised in period	(642,008)	(9,400)	-	(51,296)
In issue at end of period	2,253,629	-	3,324,679	13,646
Exercisable at end of period	854,403	-	32	-
Number of options in the closing balance granted before 7 November 2002	15,264	-	-	-
Weighted average share price for options exercised during the period (£)	7.96	7.47	N/A	7.33
Weighted average life remaining for options outstanding at the period end (years)	0.99	N/A	1.35	0.26
Weighted average fair value of options granted during the period (£)	7.45	N/A	6.18	N/A
Exercise price for all options (£)	0.00	0.00	0.00	0.00

	LTIP (ii) Number	WAEP (£)	SIP (iii) Number
In issue at beginning of period	412,962	3.25	-
Granted in period	-	N/A	18,806
Lapsed in period	(7,926)	3.79	(229)
Exercised in period	(97,607)	3.46	-
In issue at end of period	307,429	3.17	18,577
Exercisable at end of period	307,429	3.17	-
Number of options in the closing balance granted before 7 November 2002	-		-
Weighted average share price for options exercised during the period (£)	8.34		N/A
Weighted average life remaining for options outstanding at the period end (years)	0.00		2.88
Weighted average fair value of options granted during the period (£)	N/A		8.68
Exercise price for all options (£)	1.28 to 3.79		0.00

3) Fair value of options granted

The fair value of awards granted is estimated on the date of grant using a binomial or a Monte Carlo option valuation model, as appropriate for the type of award granted.

The key assumptions used in the model were:

	52 weeks to 24 December 2022	52 weeks to 25 December 2021
Dividend yield (%)	1.8 to 3.4	2.2
Expected life of options (years)	3.0	1.6 to 3.0
Expected share price volatility (%)	32.2 to 32.3	22.0 to 31.6

Other supporting notes

24 Financial commitments

Capital commitments

	24 December 2022 £m	25 December 2021 £m
Contracted for, but not provided for in the financial statements:		
- Tangible assets	16.1	16.1
- Intangible assets - software	0.7	2.1
	16.8	18.2

25 Related party transactions

Companies which are related parties

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. All transactions between the Group and the Group's pension schemes have been disclosed in note 22.

Remuneration of key management personnel

Key management personnel comprise the Board of Directors (including non-executive directors) and the Executive Committee. Details of the aggregate remuneration to these personnel is set out below. The figure disclosed for share-based payments represents the gain realised on the exercise of share options in the year, albeit that those options will have been granted in previous periods. All figures include any related employer's National Insurance.

	24 December 2022 £m	25 December 2021 £m
Short-term employment benefits	10.5	6.6
Termination payments	0.8	0.4
Share-based payments	4.2	0.5
	15.5	7.5

Other transactions with key management personnel

There were no other transactions with key management personnel.

26 Acquisition of subsidiary

Accounting policy - business combinations and goodwill

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any excess of consideration over net assets acquired is recognised on acquisition as goodwill and tested for impairment at least annually.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

On 13 February 2022, for a total consideration of £15m from existing cash resources, the Group acquired 100% of the shares and voting rights of Sheridan Fabrications Limited ('Sheridans'), a leading industry specialist in the manufacture, fabrication, laser templating and installation of premium worksurfaces. Sheridans employs around 200 people and is based in Normanton, Yorkshire, around 30 miles from the Group's factory at Howden.

The acquisition increases the Group's manufacturing capacity and supports our strategy of increasing our share of this growing market.

Notes to the consolidated financial statements continued

The fair value of the major classes of assets and liabilities at acquisition date and the amount of goodwill recognised is shown below:

	Fair value recognised £m
Intangible assets - software	0.4
Property plant & equipment	0.5
Lease right-of-use assets	1.3
Inventories	1.9
Trade and other receivables and prepayments	3.2
Trade and other payables and accruals	(3.2)
Cash	0.4
Borrowings	(1.2)
Total lease liabilities	(1.3)
Net assets acquired	2.0
Goodwill recognised on acquisition	12.4
Consideration paid for the net assets acquired - cash	14.4
Additional consideration paid in cash - treated as settlement of existing debt on acquisition, owed by the Group to Sheridans	0.6
Total consideration paid - cash	15.0
Total cash consideration paid - net of cash acquired	14.6

The goodwill represents the expected synergies from the acquisition in expanding the Group's activities in its addressable market, including the skills of the assembled Sheridans workforce. None of the goodwill is expected to be deductible for tax purposes. It is presented on the balance sheet as part of the Group's intangible assets.

The gross value of trade receivables on acquisition, excluding the debtor due to Sheridans from the Group, was £2.3m. Their fair value, and the best estimate at acquisition date of the cash flows expected to be collected was £2.1m.

The Group incurred acquisition-related costs of £0.3m, which were expensed in the period and are included in Operating expenses.

Details of the effect of the acquisition on revenue and profit are as follows:

	Revenue £m	Gross profit £m
Additional amounts recognised in respect of Sheridans in the Group consolidated statement of comprehensive income for the period since acquisition date (13 February 2022)	14.4	0.1
Management's estimate of results for the combined entity for the current reporting period if the acquisition date had been at the beginning of the reporting period (26 December 2021)	2,322.2	1,411.5

The figures in the table above exclude revenue and profit from transactions between Sheridans and the Group. The revenue and profit figures for the period since 13 February present leasing transactions on an IFRS 16 basis. The estimated figures for the period between 26 December 2021 and 13 February 2022 are on an FRS102 basis.

The Sheridans factory and offices, together with the land which they stand on - which were not owned by Sheridans Fabrications Limited - were bought for £10m in a separate transaction. This has been accounted for as an asset purchase, and forms part of the reported capital expenditure for the period.

Company balance sheet

	Notes	24 December 2022 £m	25 December 2021 (restated - note 6) £m
Non-current assets			
Investments in subsidiaries	3	699.0	699.0
Lease right-of-use assets	7	175.5	180.3
Amounts owed by wholly-owned subsidiary companies		103.3	1,957.3
Deferred tax assets		1.0	-
Prepaid credit facility fees		1.0	0.3
		979.8	2,836.9
Current assets			
Other debtors	4	9.9	9.2
Cash and cash equivalents		218.2	430.4
		228.1	439.6
Total assets		1,207.9	3,276.5
Current liabilities			
Lease liabilities	7	(10.2)	(4.2)
Amounts owed to wholly-owned subsidiary companies		(326.8)	(2,324.2)
		(337.0)	(2,328.4)
Non-current liabilities			
Lease liabilities	7	(192.1)	(199.2)
		(192.1)	(199.2)
Total liabilities		(529.1)	(2,527.6)
Net assets		678.8	748.9
Equity			
Called up share capital	5	56.1	59.8
Capital redemption reserve		9.1	5.4
Share premium		87.5	87.5
Treasury shares		(25.5)	(27.1)
Retained earnings		551.6	623.3
Total equity		678.8	748.9

The Company profit after tax for the 52 weeks to 24 December 2022 was £293.8m (52 weeks to 25 December 2021: profit after tax of £79.4m after restatement - see note 6).

The financial statements were approved by the Board and authorised for issue on 6 March 2023 and were signed on its behalf by

Paul Hayes
Chief Financial Officer

For and on behalf of Howden Joinery Group Plc, registered number 02128710

Company statement of changes in equity

	Called up share capital £m	Capital redemption reserve £m	Share premium account £m	Treasury shares £m	Retained earnings £m	Total £m
At 26 December 2020	60.3	4.9	87.5	(28.2)	1,032.3	1,156.8
Effect of restatement - see note 6	-	-	-	-	(306.8)	(306.8)
Adjusted balances at 26 December 2020	60.3	4.9	87.5	(28.2)	725.5	850.0
Retained profit for the period, restated - see note 6	-	-	-	-	79.4	79.4
Reclaim of forfeited dividends	-	-	-	-	0.2	0.2
Proceeds from sale of forfeited shares	-				1.8	1.8
Buyback and cancellation of shares	(0.5)	0.5	-	-	(50.0)	(50.0)
Transfer of shares from treasury into share trust	-		-	1.1	-	1.1
Dividends declared and paid	-	-	-	-	(133.6)	(133.6)
At 25 December 2021, restated - see note 6	59.8	5.4	87.5	(27.1)	623.3	748.9
Retained profit for the period	-	-	-	-	293.8	293.8
Buyback and cancellation of shares	(3.7)	3.7	-	-	(250.5)	(250.5)
Transfer of shares from treasury into share trust	-	-	-	1.6	-	1.6
Dividends declared and paid	-	-	-	-	(115.0)	(115.0)
At 24 December 2022	56.1	9.1	87.5	(25.5)	551.6	678.8

	24 December 2022 £m
The Company's distributable reserves at period end are:	
Retained earnings	551.6
Treasury shares	(25.5)
Distributable reserves	526.1

Notes to the Company financial statements

1 Significant Company Accounting policies

General information

Howden Joinery Group Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The Company's principal activity is being the parent company of the Howden Joinery Group. More information about the Group structure is given at page 212.

Basis of presentation

The Company's accounting period covers the 52 weeks to 24 December 2022. The comparative period covered the 52 weeks to 25 December 2021

Basis of accounting

These financial statements have been prepared on the going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the UK Companies Act.

The accounts are prepared under the historical cost convention. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement or statement of comprehensive income.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of Cash Flows and related notes;
- a comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- an additional statement of financial position in respect of the restatement at note 6, as required by IAS 1;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of Key Management Personnel.

As the Group Financial Statements include the equivalent disclosures, the Company has also taken advantage of the exemptions under FRS 101 available in respect of IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments.

Investments in subsidiaries

These investments are shown at cost less any provision for impairment.

Lease accounting

The Company's accounting policies for leases are the same as those for the Group, which are disclosed at note 11 to the Group consolidated financial statements.

2 Profit and loss account information

The Company has no employees (2021: none), did not pay directors' emoluments (2021: £nil), the fees payable to the Company's auditor for the audit of the Company's annual accounts were paid by another Group company in the current period, and were £10,000 in the prior period.

Notes to the Company financial statements continued

3 Investments in subsidiaries

	Total £m
Cost and carrying value:	
At 25 December 2021 and 24 December 2022	699.0

The investment represents the Company's 100% ownership of Howden Joinery Holdings Limited, which in turn holds 100% of all other Group companies - either directly or through one its 100%-owned subsidiaries. The combined results and financial position of the subsidiaries and this Company is shown in the consolidated Howden Joinery Group Plc financial statements.

The investment consists of a capital contribution in addition to ownership of the subsidiary's share capital of £2, which is held at cost.

Other than a small amount of interest receivable on cash and cash equivalents, the Company has no income receivable other than from transactions with its 100%-owned subsidiaries. Expenses payable by the Company to companies outside the 100%-owned Group are in excess of this interest income so it is considered that the market capitalisation of the Group, which was significantly in excess of the carrying value of the investments in subsidiaries at both the current and prior period end, is a useful indicator of any possible impairment in the Company's investment in subsidiaries.

Details of all Group subsidiaries are given on page 212.

4 Other debtors

	24 December 2022 £m	25 December 2021 £m
Other debtors	0.4	0.3
Other tax and social security	9.5	8.9
	9.9	9.2

5 Share capital

Ordinary shares of 10p each:	52 weeks to 24 December 2022 No.	52 weeks to 25 December 2021 No.	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Allotted, called up and fully paid				
Balance at the beginning of the period	597,573,827	602,863,861	59.8	60.3
Bought back and cancelled during the period	(36,657,778)	(5,290,034)	(3.7)	(0.5)
Balance at the end of the period	560,916,049	597,573,827	56.1	59.8

6 Prior year restatement

During the current period, the Directors have reassessed the Company's accounting for leases, intercompany receivables and investment in subsidiaries. This has resulted in prior year adjustments to the Company financial statements, as detailed below. There is no impact on the consolidated Group financial statements.

(a) Description of restatements

Property lease accounting

On adoption of IFRS16: Leases, the Directors determined that the companies who actively manage and operate the leased properties should record the lease liabilities and right-of-use lease assets. This approach has been revisited and the revised conclusion was that leases should be accounted for in the financial statements of the company who is the signatory to the lease.

A review of the Group's leases identified that there were five leases where this Company was signatory to the lease. Accordingly, an adjustment has been made to remove these leases from the financial statements of 100%-owned subsidiary company in which they had previously been reported, and to record them on the Company balance sheet. There is no impact on the consolidated Group position as previously reported.

Intercompany receivables and investment in subsidiary companies

In prior years, the Directors assessed the recoverability of the intercompany receivables based on the viability of the Group as a whole. This approach has been revisited to assess the ability and intent of the individual subsidiary entities to repay the amounts due on demand.

As a result of this review, it has been identified that some intercompany receivables were impaired at 26 December 2020 by £296.9, with a further impairment arising in the period ending 25 December 2021 of £12.1m, but these impairments had not been recognised in the parent company's financial statements. The impairments have therefore been recorded as prior year adjustments.

An additional result of this review of intercompany debts was that there were insufficient reserves in this Company's wholly-owned subsidiary to satisfy part of the dividend paid to this Company in 2021. This proportion of the dividend income has therefore been derecognised and reflected in the adjustments presented in this Company's financial statements. There is no impact on the consolidated Group position as previously reported.

Additionally, the investment in subsidiary entities has been re-presented to reflect the permanent substance of the financing arrangements. This is solely a disclosure adjustment and has no effect on the Company or Group financial position.

(b) Adjustments arising from restatements

	Lease right-of-use assets	Current lease liabilities	Non-current lease liabilities	Intercompany receivables	Dividend income from subsidiary	Net effect of restatements on reserves
Property lease accounting - transfer leases from fellow subsidiary	200.4	(6.8)	(203.5)	-	-	(9.9)
Intercompany receivables - impairment of intercompany debt	-	-	-	(296.9)	-	(296.9)
Effect of restatements on opening balances as at 26 December 2020	200.4	(6.8)	(203.5)	(296.9)	-	(306.8)
Property lease accounting - incremental effect in 2021	(20.1)	2.6	4.2	12.1	-	(1.2)
Intercompany receivables - incremental impairment in 2021	-	-	-	(12.1)	-	(12.1)
Partial write back of dividend from subsidiary in 2021	-	-	-	-	(71.4)	(71.4)
Incremental effect of restatements on year to 25 December 2021 figures	(20.1)	2.6	4.2	-	(71.5)	(84.7)
Assets/(liabilities) recorded on restated balance sheet at 25 December 2021	180.3	(4.2)	(199.2)			

	£m
Retained profit for the year to 25 December 2021 - before restatement	164.1
Partial write back of dividend from subsidiary in 2021	(71.4)
Intercompany receivables - incremental effect in 2021	(12.1)
Property lease accounting - incremental effect in 2021	(1.2)
Retained profit for the year to 25 December 2021 - restated	79.4

Notes to the Company financial statements continued

7 Lease right-of-use assets and lease liabilities

Nature of the Company's leasing activities

The Company is the signatory for leases on five warehouse and office properties which are used by other Group companies.

Amounts recognised in the balance sheet

Right-of-use assets	24 December 2022 £m	25 December 2021 £m
Property	175.5	180.3
Additions to right-of-use assets in the period	3.1	0.0

	24 December 2022 £m	25 December 2021 £m
Lease liabilities		
Current	(10.2)	(4.2)
Non-current	(192.1)	(199.2)
	(202.3)	(203.4)

Amounts recognised in the income statement

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Included in net operating expenses		
Depreciation of property right-of-use assets	7.9	7.8
Included in finance costs		
Interest expense on lease liabilities	4.5	4.5

Cash flows and maturity analysis of lease liabilities

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Total cash outflow for leases	8.7	11.3

Maturity analysis of lease liabilities	24 December 2022 £m	25 December 2021 £m
Contractual undiscounted cashflows due		
- within 1 year	14.6	8.7
- 1 to 5 years	42.7	46.7
- more than 5 years	204.6	215.1
	261.9	270.5