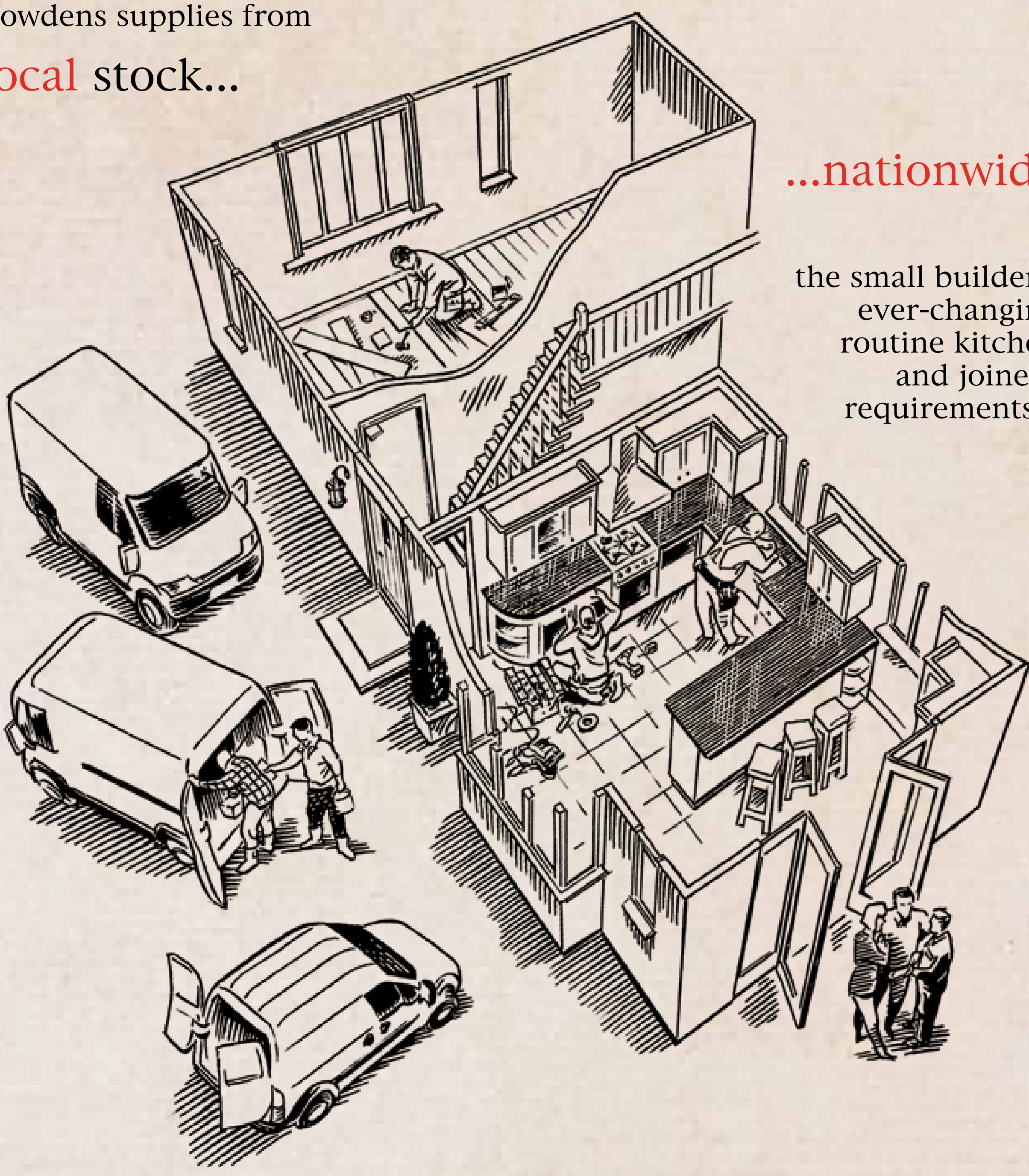
HOWDENS
JOINERY CO.
MAKING SPACE MORE VALUABLE

Annual Report and Accounts 2010

Howdens supplies from

local stock...



...nationwide

the small builder's
ever-changing
routine kitchen
and joinery
requirements...

...assuring no-call-back quality and best local price.

HOWDENS
JOINERY CO.

MAKING SPACE MORE VALUABLE

The business review

The financial statements

Financial highlights

"The outstanding results we are reporting reflect the strength of Howdens' business model, which is focused entirely on the kitchen and joinery requirements of small builders."

Operating profit

£107.4m

2009: £79.5m

Gross profit margin

59.8%

2009: 56.2%

Net cash

£35.0m

2009: £2.4m

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

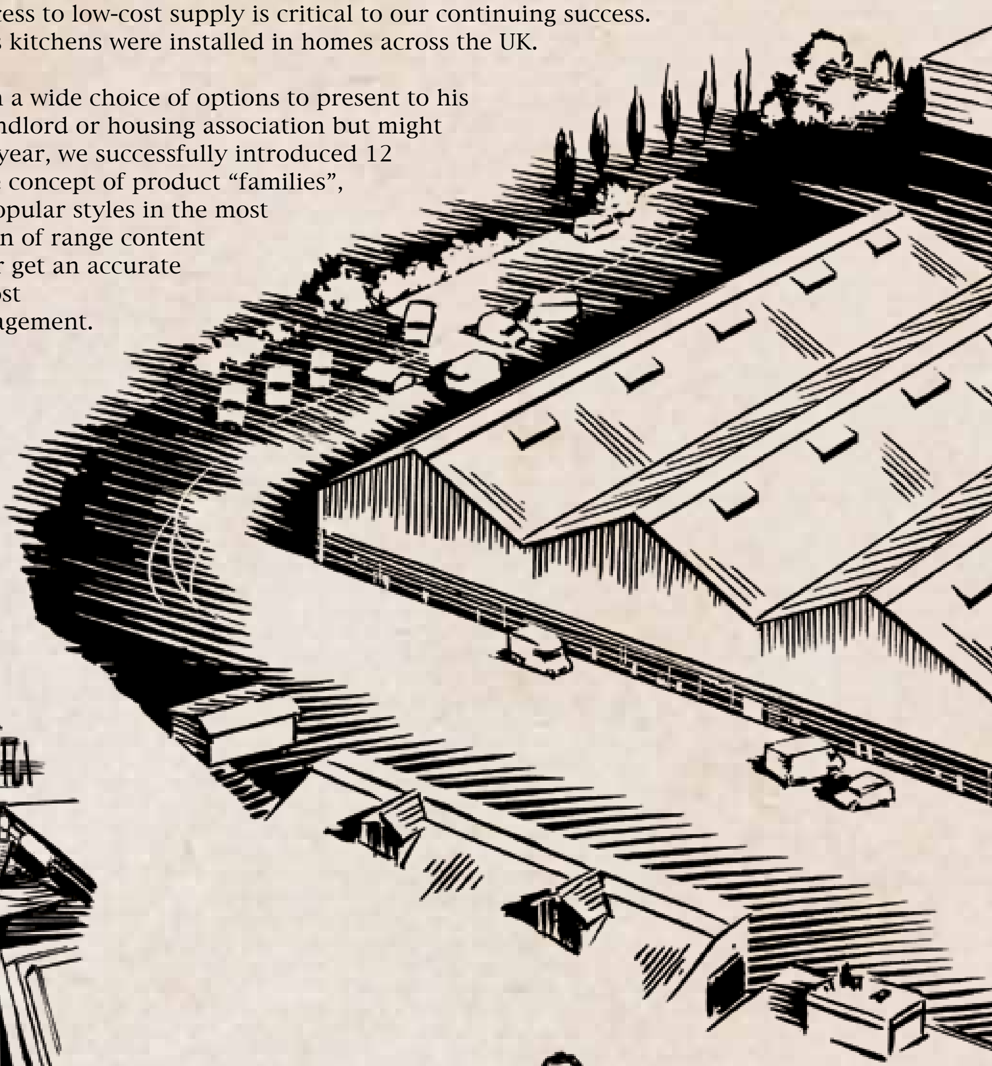
[1] There were no exceptional items in 2010. Details of exceptional items incurred in 2009 are given in note 6 to the Financial Statements.

Howdens supplies from local stock nationwide the small builder’s ever-changing routine kitchen and joinery requirements, assuring no-call-back quality and best local price.

Design, manufacturing and sourcing

Howdens is a unique service proposition based on relationships with suppliers, factory and depot staff, small builders and their customers, and end-users in their homes. The business has been built through recommendation and reputation, and it is based on supplying small builders with rigid kitchens that are always available from stock. Access to low-cost supply is critical to our continuing success. Last year, around 400,000 Howdens kitchens were installed in homes across the UK.

Our range provides the builder with a wide choice of options to present to his customer, who might be a public landlord or housing association but might equally be an owner-occupier. Last year, we successfully introduced 12 new kitchen ranges, building on the concept of product “families”, first launched in 2009 – the most popular styles in the most popular colours. The standardisation of range content across the families helps the builder get an accurate fit, and it helps us achieve lowest cost production and efficient stock management.

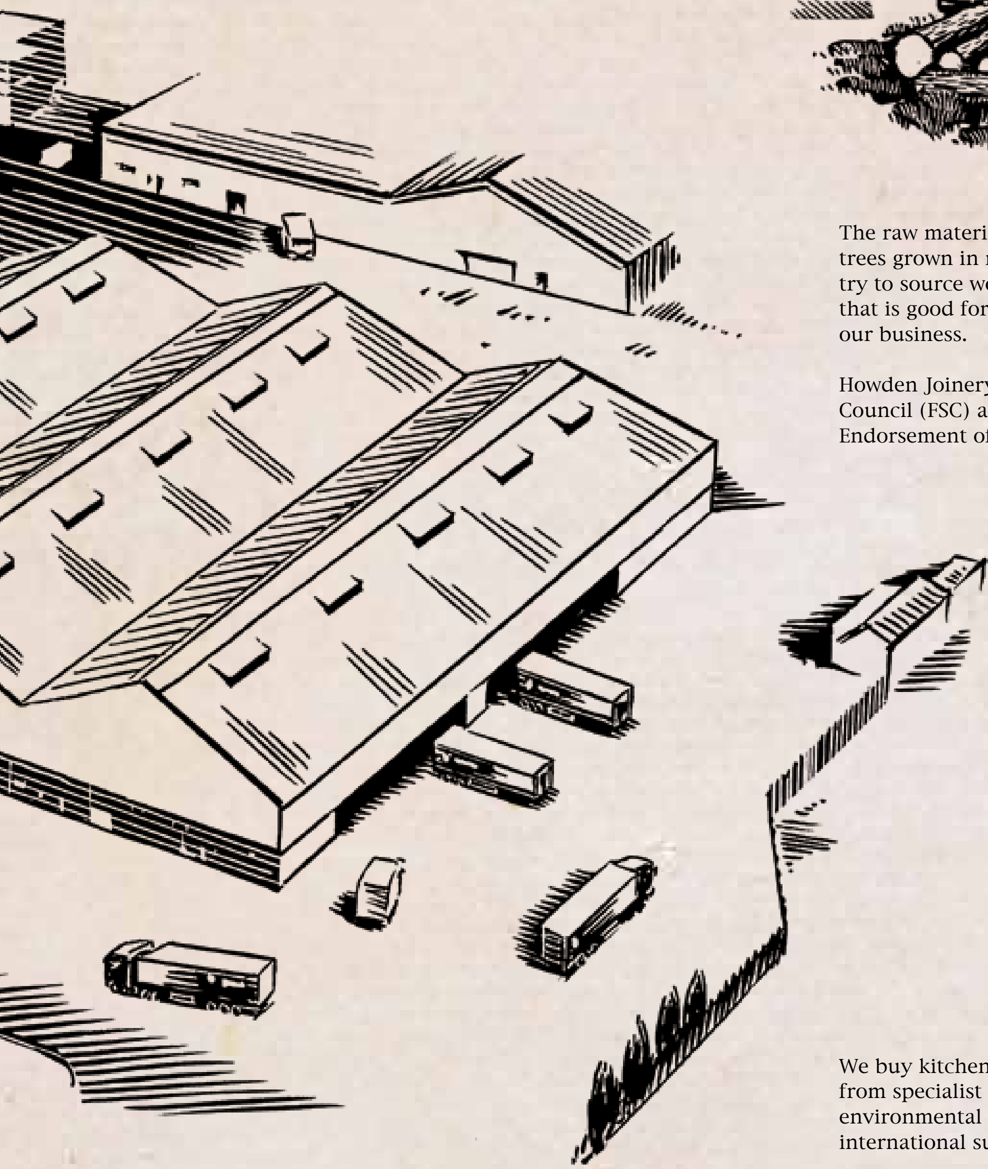


Our team of expert product designers, based at our Howden factory, are responsible for making sure our kitchen ranges look good and work beautifully.

Our designers also work closely with our appliance suppliers to make sure Lamona products meet our exacting specifications. In the rapidly sophisticating kitchen market, products of all types are expected to do more, better, and faster, even at entry level.

We operate a measurement system to benchmark our performance in respect of wood, energy and waste, the elements of our business that have the greatest impact on our environment. In 2010, we were pleased to gain the new Carbon Trust Standard, the successor to the Trust's Energy Efficiency Accreditation which we have held continuously for over ten years.

We manufacture all our cabinets and most of our worktops in our factories in Runcorn in Cheshire and Howden in Yorkshire. In peak periods, our Runcorn factory makes up to 90,000 rigid kitchen cabinets per week.



The raw material for Howdens' cabinets comes from trees grown in managed forests in Scotland. We always try to source wood and timber-based products in a way that is good for the environment as well as good for our business.

Howden Joinery is certified by the UK Forest Stewardship Council (FSC) and by the European Programme for the Endorsement of Forest Certification (PEFC).

We buy kitchen fascias, appliances and joinery products from specialist suppliers all over the world. Ethical and environmental sourcing is an important factor in our international supply chain.

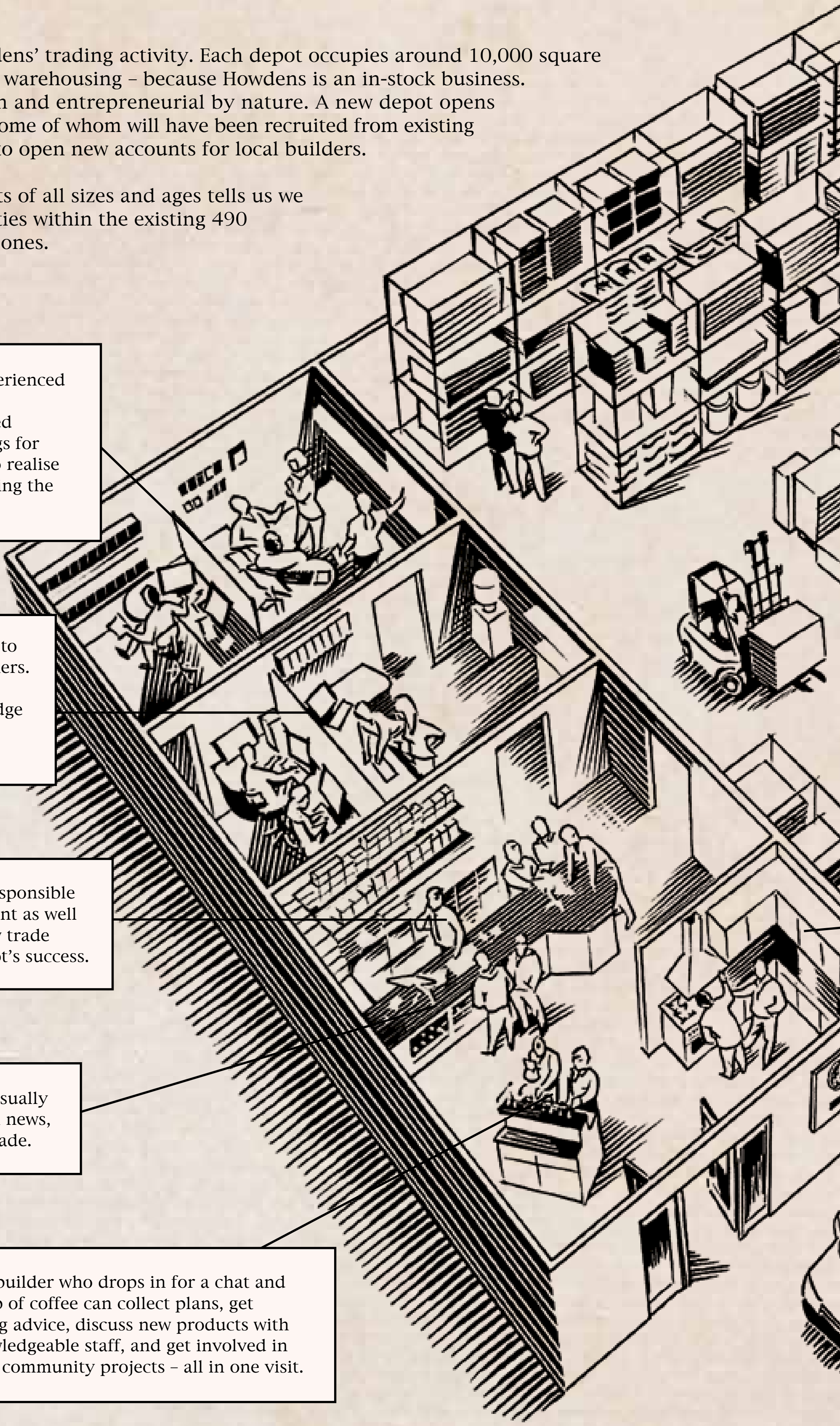
We operate a fleet of 106 trucks to deliver product to our 490 depots across the country. In our peak autumn trading period a fully loaded truck leaves our Howden factory every 15 minutes of every day.

Howdens supplies from local stock nationwide the small builder's ever-changing routine kitchen and joinery requirements, assuring no-call-back quality and best local price.

In the local depot

The local depot is the hub of Howdens' trading activity. Each depot occupies around 10,000 square feet, much of which is taken up by warehousing – because Howdens is an in-stock business. Howdens is low-cost, locally driven and entrepreneurial by nature. A new depot opens with around six members of staff, some of whom will have been recruited from existing Howdens depots. Their first job is to open new accounts for local builders.

The range of performance in depots of all sizes and ages tells us we have significant further opportunities within the existing 490 depots – even before we open new ones.



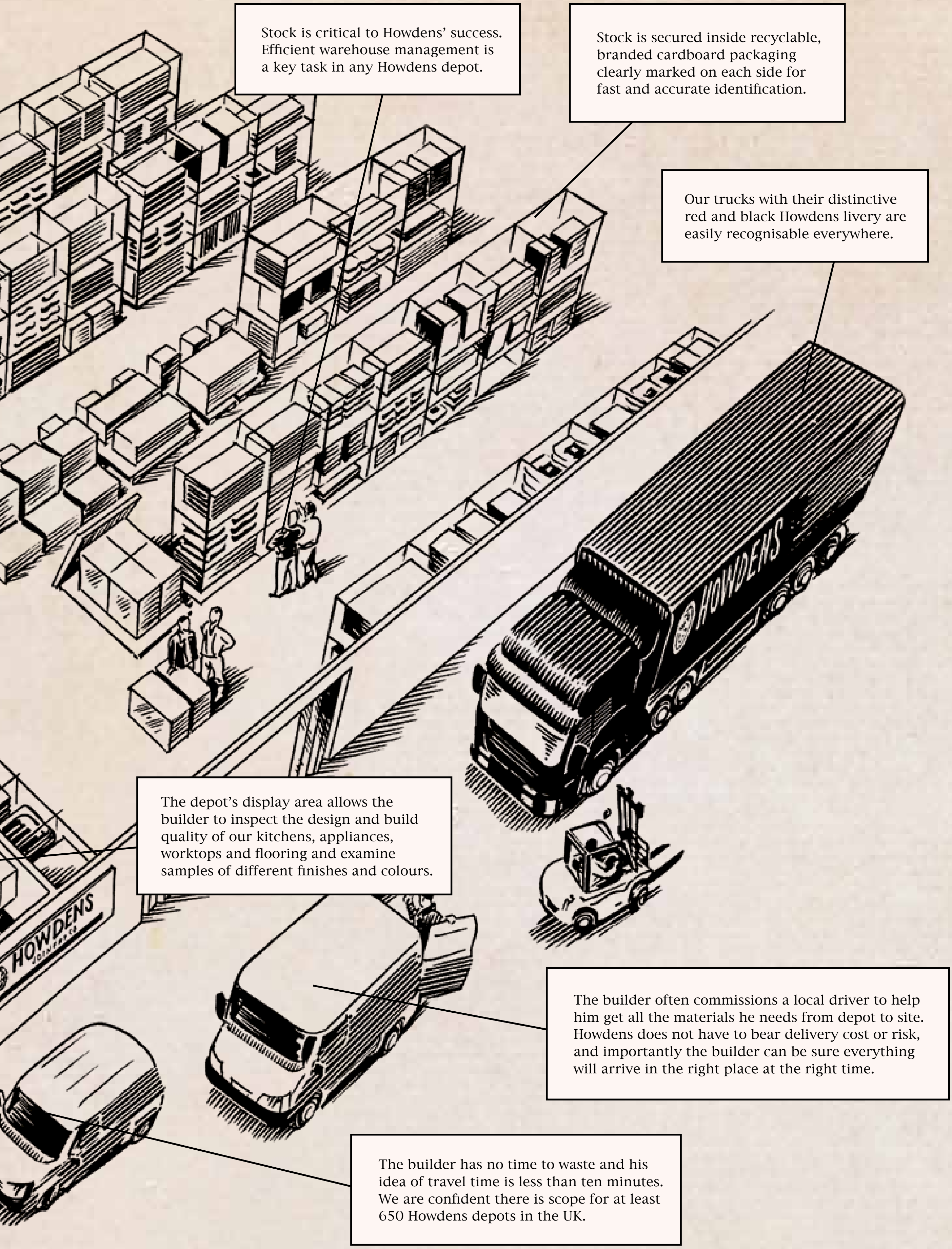
Howdens employs nearly 1,000 experienced kitchen planners who work with the latest CAD software to create detailed visualisations and technical drawings for every kind of project. Their job is to realise the end-user's aspirations while saving the builder both time and money.

The depot manages its stock tightly to ensure it can satisfy its local customers. Accurate re-ordering and forward planning depend on a good knowledge of local preferences and strong relationships with account holders.

Every Howdens depot manager is responsible for the depot's profit and loss account as well as for hiring the staff who open new trade accounts and help to build the depot's success.

Handles, hinges and hardware are usually displayed at the counter, along with news, tips and local information for the trade.

The builder who drops in for a chat and a cup of coffee can collect plans, get fitting advice, discuss new products with knowledgeable staff, and get involved in local community projects – all in one visit.

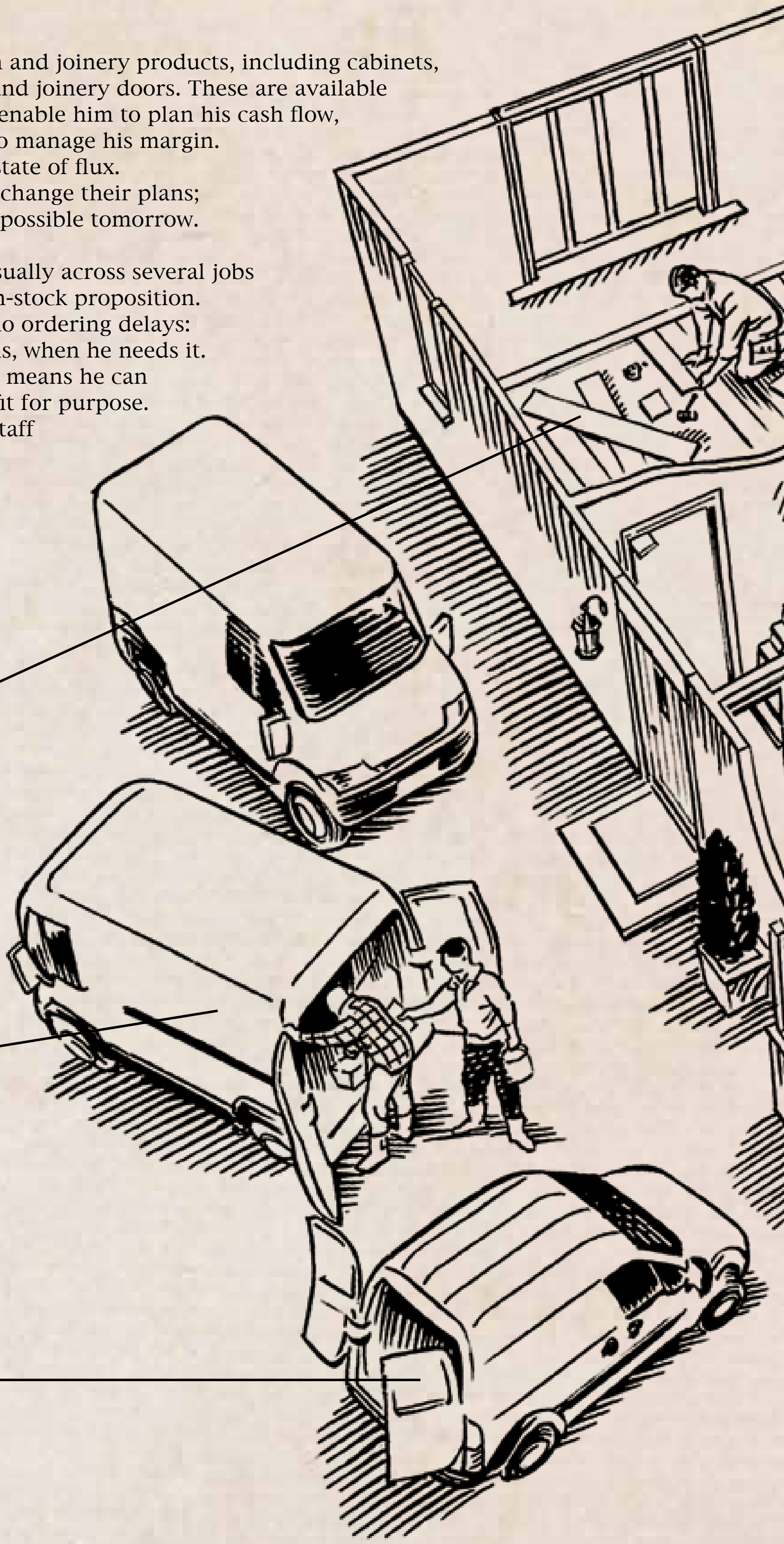

Stock is critical to Howdens' success. Efficient warehouse management is a key task in any Howdens depot.
Stock is secured inside recyclable, branded cardboard packaging clearly marked on each side for fast and accurate identification.
Our trucks with their distinctive red and black Howdens livery are easily recognisable everywhere.
HOWDENS
The depot's display area allows the builder to inspect the design and build quality of our kitchens, appliances, worktops and flooring and examine samples of different finishes and colours.
HOWDENS
The builder often commissions a local driver to help him get all the materials he needs from depot to site. Howdens does not have to bear delivery cost or risk, and importantly the builder can be sure everything will arrive in the right place at the right time.
The builder has no time to waste and his idea of travel time is less than ten minutes. We are confident there is scope for at least 650 Howdens depots in the UK.

Howdens supplies from local stock nationwide the small builder's ever-changing routine kitchen and joinery requirements, assuring no-call-back quality and best local price.

On site

Howdens offers the builder a full range of kitchen and joinery products, including cabinets, frontals, worktops, flooring, lighting, appliances and joinery doors. These are available to the builder from stock, on credit terms, which enable him to plan his cash flow, and at a confidential discount which allows him to manage his margin. The builder's daily work pattern is in a constant state of flux. Customers change their minds; other contractors change their plans; and the weather changes the kind of work that is possible tomorrow.

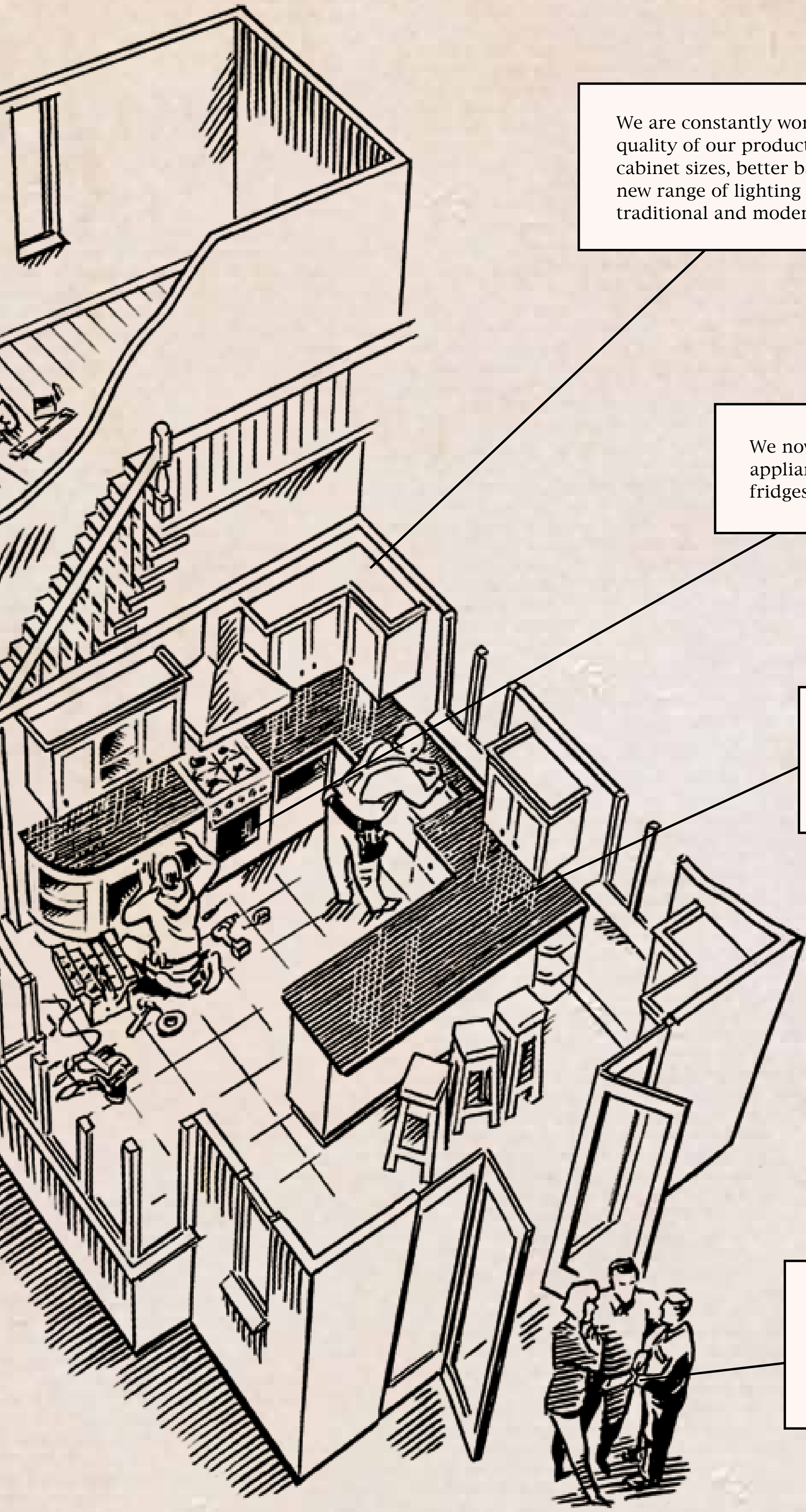
The builder has to juggle with all these factors, usually across several jobs at once. This is why he values Howdens' unique in-stock proposition. He doesn't have to store anything and there are no ordering delays: he can pick up everything he needs from Howdens, when he needs it. Howdens also offers "no-call-back" quality, which means he can be sure that our products will not break and are fit for purpose. He can swap items that don't suit, and Howdens staff are always on hand to answer his queries.



Howdens supplies a range of laminate, engineered and solid wood flooring which means the builder can offer his customer a complete kitchen package – and grow his business, using his joinery skills in hallways, corridors, landings and elsewhere.

We have been experimenting with specially fitted vans that carry a selection of hardware and flooring. These vans help us to build relationships with new customers and strengthen links with existing ones.

With Howdens, the builder can manage each project more efficiently. He can arrange for electricians, plumbers and other specialist trades to be on site on a given day because he knows the Howdens product will be there.



We are constantly working to improve the design and quality of our products. Last year, we introduced new cabinet sizes, better backings, curved décor ends, a new range of lighting and more hardware to suit both traditional and modern kitchens.

We now offer a full range of Lamona branded appliances including ovens, hobs, dishwashers, fridges, freezers, taps, sinks and washer-dryers.

Howdens' high-quality laminate worktops, manufactured by us in Yorkshire, are available in a wide range of designs and finishes to suit all budgets and uses.

The builder is in partnership with his customers, just as we are in partnership with him. Howdens' complete service proposition gives him the confidence to build his reputation along with his business.

Chairman's statement

We will continue to use cash to eliminate the remaining legacy property liabilities, as well as to invest in Howdens' future growth and development.

It gives me great pleasure to report that Howden Joinery Group Plc, as the business formally became known on 15 September, delivered an outstanding performance in 2010. Despite persistent economic uncertainty, we achieved an increase of 47% in profit before tax and a further increase in gross margin from 56.2% to 59.8%. Healthy autumn trading further improved the Group's cash position and contributed to a net cash inflow of £32.6m. Against this background, the Group was able to complete 12 property deals during the year, further reducing our legacy property liabilities. We have worked hard to diminish these liabilities, and it is encouraging to note that net annual rent and rates in respect of legacy properties have been cut from £31m p.a. in October 2006 to £12m p.a. at the end of 2010.

The results we are reporting reflect the strength of Howdens' business model, which is focused entirely on the kitchen and joinery requirements of small builders. This model, which harnesses the entrepreneurial instincts of employees throughout our business, has proved sufficiently flexible to cope with restructuring, recession and a kitchen market that is constantly increasing in sophistication and complexity.

Looking ahead, we have an opportunity to transform the scale of Howdens. There is evident scope for more than our current total of 490 depots, as well as for enhanced performance in existing depots and further improvements to our supply chain. We, and our customers, have the appetite for growth.

So Howdens is in good health – but it is still emerging from a period of corporate reconstruction, the costs of which, although diminishing, continue to be material. With this in mind, and cognisant of the differing cash requirements which we are likely to face in 2011, we will continue to use cash to eliminate the remaining legacy property liabilities, as well as to invest in Howdens' future growth and development.

The Board is mindful of its responsibilities to investors as well as of the need to balance the various requirements of the growing business. We are committed to the resumption of the dividend, and intend to pay a dividend in respect of 2011, set initially at a modest level, reflecting the continuing demands on our resources including the attractive investments we can make to expand the business and reduce our legacy liabilities.

In May 2010 we welcomed Tiffany Hall, Interim Group Marketing Director at BUPA and formerly Head of Marketing at British Airways, to the Board as a non-executive director. She succeeded Peter Wallis, who had served on the Board since 2001. Peter leaves with our thanks for his valuable contribution and insight during his tenure.

Howdens has a culture that is centred on treating people fairly and doing things well. This culture underpins our approach to good governance and rigorous management in all our activities. Our strong health & safety record continues to improve and we have also made good progress in respect of our environmental responsibilities. Last year we were pleased to gain the new Carbon Trust Standard, the successor to the Carbon Trust's Energy Efficiency Accreditation which we have held continuously for over ten years.

I would like to highlight the contribution of Howdens' employees, whose untiring commitment to supporting our customers is mirrored by the considerable energy they devote to supporting the life of their local communities. Last year, through a wide variety of local initiatives, they made over 2,100 individual donations to charitable projects and worthwhile causes.

We do not expect much improvement in the economic outlook in 2011, and cost pressures on the business are likely to increase. Notwithstanding these challenges, the Board is of the view that the strategy Howdens continues to pursue is fundamentally sound. The business is well placed to grasp the opportunities that will arise, and the management team has our full confidence in its ability to lead your company to continued success.

Will Samuel
Chairman

2 March 2011

The strategy Howdens continues to pursue is fundamentally sound. The business is well placed to grasp the opportunities that will arise.

Chief executive's statement

Howdens is cash-generative; market beating; vertically functioning; low-cost; and it has growth prospects.

Clearly we are pleased with Howdens' outstanding performance over the year. This is a resilient business, and it has proved consistently successful in delivering results that reflect the strength of our business model.

This model is encapsulated in our mission statement:

"to supply from local stock, nationwide, the small builder's ever-changing routine kitchen and joinery requirements, assuring no-call-back quality and best local price."

This has been the guiding statement of our business since it was founded in 1995 and it continues to serve us well.

Howdens was designed from scratch with the needs of the small builder in mind. That is still our absolute focus.

The business today has some important defining features. Howdens is cash-generative; market-beating; vertically functioning; low-cost; and it has growth prospects. I am going to discuss the business under each of these five headings, and I will also examine what it is that allows us to deliver exceptional results – and that is a defining culture.

First, for the business to produce cash, it needs to have low costs – of property, of product and of processes. But at the same time as having low costs, it needs to have a very attractive product, and more than a product. It needs to have a very attractive proposition that will go on being attractive for a long time. And that is what we have, because what Howdens does is make money for builders, and that is an irresistible proposition.

As you can see from our accounts, last year Howdens generated a net cash inflow of over £30m after payment of legacy property and pension deficit costs. This was achieved because we successfully delivered over 400,000 kitchens, via a network of nearly 500 depots across the country, to the small builders who installed them in homes in their local area.

Last year, we opened 27 new depots, and we are very encouraged by their early performance. Howdens depots are locally managed. Each depot is responsible for growing its own business. The first job of a new depot is to open trade accounts. Accounts are continuously monitored, and any account not traded for 15 months is closed.

This active management means we need to be constantly replenishing the number of accounts. Last year we closed 30,000 accounts and opened 50,000, bringing the net total to over 200,000 credit accounts by the year end. Most of our accounts are relatively small, and significant exposure to one customer is limited. Our credit control department is very active, and the cost of managing accounts, including all debt recovery and bad debts, remains only 1.5% of sales.

My second theme is why Howdens can beat the market. Since the business started in 1995, we have

What Howdens does is make money for builders, and that is an irresistible proposition.

remained totally focused on providing what the small builder wants, which is a constant supply of product that is:

- well designed;
- easy to sell;
- attractive;
- good quality;
- robust;
- relevant;
- available from stock when required;
- on credit terms; and
- at attractive prices that allow the builder to run a profitable business.

We have worked very hard to get our offer right, and we are continually improving our product. Last year we extended what we call the product "families", introducing 12 new options during the year in order to maximise the potential of our best-selling ranges. The "families" concept is designed to make the builder's life easier. Range content is standardised, which allows the designer to mix and match colours, finishes, cornices and accessories, knowing everything will fit, which obviously makes selection easier for the end user to whom the builder is selling the kitchen.

We should remember that the end-user can be an owner-occupier, a private landlord, a small developer, a council or a housing association, because the small builder goes where the work is: he serves all parts of the market.

Our new product introductions have been very successful. We develop new product by listening to what builders and our designers tell us about what works for them, and what they can sell to end-users, and then we move fast to introduce it.

We need to make sure our product sells in volume, because we never forget that we must generate cash, not only to deliver margin and to power the growth of the business, but also to continue to pay down the legacy liabilities.

At the scale we have today, we lead and influence the market. We have a responsibility to our customers to help them install working kitchens successfully and profitably. Every part of Howdens' business and every person working in Howdens is geared towards that idea.

That means we have to have a seamless operation, from sourcing of consistent raw materials through to low cost manufacturing and efficient distribution, ensuring constant availability so that we can provide the best possible service and value, day in, day out, in all our depots.

Over the past five years, we have invested in improving our systems throughout our manufacturing, warehousing and depots. This has led to much improved stock accuracy, which is of critical importance, since Howdens is an in-stock business. We must have stock available all the time.

We have a responsibility to our customers to help them install working kitchens successfully and profitably.

The concept of low cost is interconnected with the value that Howdens offers the builder.

We feel confident that our model works, so we are planning not to change it.

Our systems do not stop at stock control. We have the latest kitchen design software and a sophisticated intranet which helps depot staff to find detailed product specifications, keep up-to-date with new products, and sell more of our product range to our customers.

We continue to invest in Howdens' systems. They ensure stable, predictable, integrated operations that make many aspects of our business hard to replicate, and they are readily scalable to support our future development.

We are clear that ownership of manufacturing has provided and will continue to provide us with many opportunities. We know we must ensure reliable access to lowest cost production, which does not mean lowest price product. It means the best possible cost, and therefore margin opportunity, for product which consistently meets our required quality and defined specification.

The concept of low cost is interconnected with the value that Howdens offers the builder, ensuring that the job can be done easily and quickly and that the money can be collected from the end-user.

Howdens is not a retail business, which means we avoid a lot of the costs associated with retailing. Our depot fit-out costs are currently running at around £170,000 per depot, which bears no relation to the average costs of fitting out a retail showroom. Our rent is around £5 per square foot, which is nothing like retail rent. Our advertising budget, whilst it has increased to support the builder's selling efforts, is still only a fraction – perhaps 10% at most – of what a retailer would consider necessary to spend. The only home delivery we do is when the builder pays for it. We have no fitters, no seven-day working, no showrooms and very little stock write off. Depot stock is the responsibility of the staff in each depot, and if it goes missing it is deducted from the manager's bonus. We have virtually no stock loss.

We feel confident that our model works, so we are planning not to change it. We are going to do more of the same. By doing so, we believe we have more scope to grow than we had originally envisaged. We have made a detailed study of the range of performance we observe in our existing depots, and we have concluded that this range presents us with many opportunities.

For a depot to be viable, it only needs around 300 accounts, and its breakeven point is well below £1m of sales. The builder's idea of expected travel time is telepathy, but since we're not telepathic yet, we can translate that as less than ten minutes. So we can conclude that not only is there room for us to grow, but that people want us to grow.

We are confident that there are many areas of the country where we have scope to open more depots and more accounts. For example, we have recently opened depots in established towns like Newquay and Windsor. We are clear that we can move from 500 to at least 650 depots, at an average pace of around 30 per year, which we know from experience makes for successful openings.

The business also benefits from the long maturity profile of Howdens' depots. Depots typically go on growing for at least seven years after opening. During that time, the depot has opportunities to grow sales per person, to increase margin, to open more accounts and to benefit from improved product performance.

We are continuing to develop new product in line with our successful family strategy, and extending the family concept further with the upcoming introduction of matching joinery doors, architrave, skirting and hardware, all of which is exclusive to Howdens.

We are also actively developing our Lamona brand. Recent tests with appliance packs (that is, the trio of oven, hob and extractor) have proved very encouraging. We are looking to build on the strengthening perception of Lamona and to expand our appliance offering in a continually sophisticating market. This year, we will be introducing new sinks, taps, lighting, flooring, worktops and waste storage solutions.

Our principles for product introduction will continue to be the same:

- Is it wanted and needed in the home?
- Is it easy for the builder to sell and fit?
- Does it help him make money?
- How does it complement our existing product?
- Can we guarantee consistent quality, availability and value?
- Can we make and sell it in volume to ensure lowest cost production?

To support our product offering, we will also be doing more work on understanding the benefits of verticality. Manufacturing and its infrastructure will require capital investment to support growth. We need to be sure that the decisions we make support not only price, availability and quality, but also our reputation for product choice, knowledge and innovation.

I hope I have made it clear that the opportunities for growth in Howdens' current business in the UK are very substantial and will keep us busy for some time to come.

As well as the routes to growth I have described, there is a further way we can improve the position of the business. We will use some of the cash we generate to eliminate the legacy property issues. Where opportunities have arisen to eliminate this burden, we have taken them, and will continue to do so.

We remain interested in options to develop the business further. However, we are clear that they must possess similar margin and cash characteristics to our core business. We are at a delicate stage as we

There are many areas of the country where we have scope to open more depots and more accounts.

The spirit of Howdens is strong, and resilient, and looking forward.

start to emerge from a period of corporate reconstruction, the costs of which continue to be material.

So we believe that the right strategic course of growth for Howdens is a combination of:

- more of the same: i.e. more depots and more accounts;
- continuing to strengthen our supply chain;
- clearing the legacy property issues; and
- developing options that can provide similar returns.

So far, we have been able to balance these apparently conflicting demands, and will continue to do so.

At the start of this discussion, I said I would talk about the culture of Howdens. What makes the business so special? This is always difficult to convey, but there are a few things of which I am certain.

The first is that individuals matter. Not people as a group, but individuals, with their own unique characters and experiences and behaviour. Individuals are important to this business. We learned this, because in 1995 we started from nothing, and that made us value everyone who was prepared to work with us.

We also learned that, in order for the business to flourish, everyone needs to be clear about the objective; everyone needs to be motivated to achieve it; and we need to allow everyone the freedom to work out the best way of achieving it. People are interdependent, and can solve problems, both complex and simple, if they are allowed to collaborate with each other.

We work through networks of finely balanced partnerships between individuals. Each one of our depot managers is in partnership with hundreds of small builders; and each of those builders is in partnership with many, many people, be they counter staff, designer, van driver, end-user, plumber, electrician… and so on. That amounts to thousands of people, who in turn depend on our factory to make enough of the right product, and on our logistics to get it to the right place, to make sure that 400,000 kitchens get installed each year.

Partnership is a practical skill, and we have learned to harness it to drive the growth of Howdens.

So the spirit of Howdens is strong, and resilient, and looking forward. Together with all our partners, we are securing what has been achieved; developing our skills and competitive strength in tune with a sophisticated market; looking for the possible; working to understand what drives cash and margin; and mapping the future of our growing business.

Matthew Ingle
Chief Executive

2 March 2011

Review of operations and finance

Financial results for 2010

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

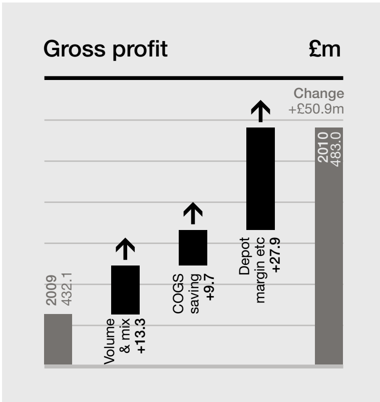
Total Group revenue increased by £38.4m to £807.9m.

Revenue	2010 £m	2009 £m
Howden Joinery UK Depots	795.1	756.4
Howden Joinery French Depots	12.8	12.0
Other	–	1.1
Group	807.9	769.5

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

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

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

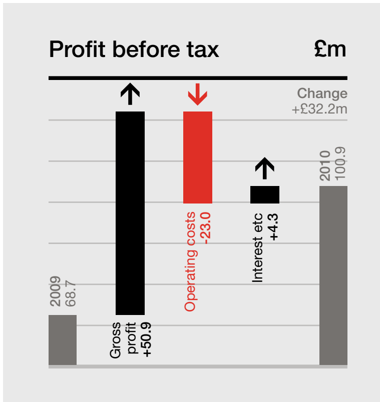


As a result, the gross profit margin for the year was 59.8% (2009: 56.2%), more than 6 percentage points higher than in 2008.

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

Operating profit before exceptional items increased by £27.9m to £107.4m.

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



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

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

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

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

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

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

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

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

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

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

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

Dividend

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

Operational review

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

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

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

Depot network

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

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

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

Manufacturing and logistics operations

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

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

Product and marketing

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

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

Group developments

Legacy properties

The Group continues to reduce its legacy property portfolio.

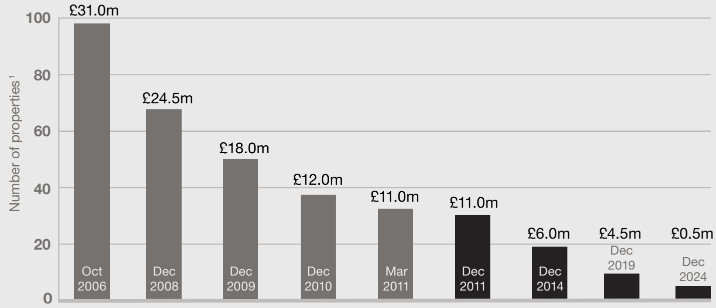
After November's Interim Management Statement, the lease of one property was terminated prior to the year-end. This meant that the leases of 12 properties were terminated during the year, at a cost of £19.4m, mitigating future liabilities that would have totalled nearly £75m. In addition, three leases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

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

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

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

Reducing our legacy property liabilities – net annual rent and rates[2]



Figures for Dec 2011 and beyond are stated before any further mitigating action that may be taken.

[1] Vacant and tenanted.

[2] Gross rent & rates less payments by tenants.

Current trading and outlook for 2011

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

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

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

The Group remains committed to its view that the number of depots in the UK can be increased to at least 650 in the longer term. During the course of 2011, we are currently planning to open between 20 and 30 depots as part of our investment in the next stage of Howdens' longer term growth and development.

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

Key financial performance indicators

The Group uses a number of financial performance indicators to measure operational and financial activity in the business. These are shown in the financial highlights on the first page of this Annual Report. Non-financial indicators are discussed further in the corporate social responsibility report on pages 22 to 27.

Total sales growth
Growth in sales of the UK Howden Joinery depots is key to enhancing shareholder value. This measure, along with monitoring our programme of depot openings, tracks the ability of the Group to grow the business.

Operating profit
The Group targets steady growth in operating profit before exceptional items over the medium term.

Earnings per share (EPS)
We believe that EPS, while not perfect, is an accessible measure of the returns we are generating as a Group for our shareholders, and also has the merit of being auditable and well understood. The key measure of short-term financial performance is basic earnings per share before exceptional items.

Depot openings
The business model is based on individual depots providing kitchens to small builders within a local community. The continuing drive to open new depots in new localities is therefore key to the Group's growth prospects. Howden Joinery currently intends to open between 20 and 30 depots in 2011: we have the ability to adjust the rhythm of the opening programme in line with economic conditions.

Principal risks and uncertainties

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

Management of commercial risk and uncertainties

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

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

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

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

Legacy properties

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

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

Market conditions

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

IT systems

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

Continuity of supply

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

Failure to implement business strategy

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

Product design leadership

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

Loss of key personnel

The Group's success depends largely on the skills, experience and performance of some key members of its management team. The loss of any key members of the Group's management may adversely affect the Group's financial condition and results of operations.

The Group utilises the Remuneration Committee to ensure that team members are appropriately compensated for their roles.

Management of financial risk and uncertainties

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

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

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

Funding and liquidity

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

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

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

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

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

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

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings may be managed when necessary

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

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

Counterparty risk

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

Foreign currency risk

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

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

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

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

By order of the Board
Mark Robson
Chief Financial Officer

2 March 2011

Howden Joinery is a leading supplier of kitchens and joinery to trade customers across the United Kingdom through a network of depots. Our kitchens are fitted in all kinds of homes, from local authority and social housing to privately owned and rented flats and houses.

The business was founded in 1995. Today, the company directly employs over 6,100 people and sells more kitchens than any other company in the UK. Each year, we supply our customers, principally small builders, with around 3.6 million kitchen cabinets, 2 million doors and 400,000 complete kitchens.

Our market leading position means we have responsibilities that must be reconciled with the pursuit of our commercial interests. This report describes the actions we have taken over the past year to ensure that our commitment to all our stakeholders is real and sustainable and continues to progress along with our business. Unless otherwise stated, the report covers the entirety of our business.

Measuring our achievements

Over the last three years, the Group has measured its performance in respect of environmental issues through the use of a number of Key Performance Indicators (KPIs). These KPIs, which are discussed in detail below, measure performance in those areas where we feel that our operations most significantly impact the environment. They help us to ensure that the action we take to reduce our environmental impact is targeted where it will have most benefit, and that our progress is measurable and motivational for all those involved.

We performed well against our KPIs in 2010 and also made progress in other areas of the business.

Committed to responsible manufacturing in the UK

We operate two manufacturing facilities in the UK – one in Runcorn and one in Howden. Manufacturing at scale in the UK benefits our domestic workforce and the communities in which they live and work, and we are pleased to report that the volume of products produced by our factories has continued to rise year on year.

During 2010, our UK-based manufacturing teams produced approximately:

- 3,650,000 kitchen cabinets;
- 870,000 kitchen worktops and breakfast bars; and
- 2,700,000 kitchen frontals.

Committed to managing our impact on the environment

Wood

Manufactured product

As a supplier of kitchen and joinery products, wood obviously plays a central role in what we do. It is therefore our policy to always try and source wood in a way that is good for the environment as well as good for our business. Our preferred option is to buy wood which is certified by either the UK Forest Stewardship Council (UK FSC) or by the European Programme for the Endorsement of Forest Certification (PEFC). These respected, independent schemes enable us to source wood and paper products from suppliers that use sustainable methods to manage their forests.

To monitor the effectiveness of this policy, we set ourselves an annual KPI which is:

“To ensure that 100% of our wood product used in manufacturing comes from certified sources.”

In 2010, we used 221,000 cubic metres of chipboard and 16,500 cubic metres of MDF in our manufacturing process. As has been the case every year since 2006, all of this came from certified sources.

We also aim to source all our cardboard packaging from either recycled or certified sources. In 2010, we used 3,300 tonnes of cardboard packaging for our manufactured products, all of which came from recycled sources (2009: 2,820 tonnes from recycled sources). It is our intention to aim for a similar high standard in the future.

All of the kitchen ranges which are manufactured at our factories are certified by the UK FSC and over 99% of all products which we manufacture in-house are now FSC compliant (2009: 96%).

Bought-in product

As well as manufacturing much of our product in the UK, we continue to source joinery products and kitchen frontals from a range of suppliers in the UK, Europe and elsewhere in the world. Ethical and environmental sourcing is an important factor in our international supply chain, and we expect all our suppliers to exercise high standards in this area.

- In 2010, 92% of our European timber based product suppliers were certified as sourcing timber from a sustainable supply (2009: 90%).
- Regular audits and continuous improvement programmes have become an integral part of supplier selection and development and we continue to audit a sample of our suppliers on an annual basis to verify their compliance with our requirements. Our Vendor Management Programme operates across all our key suppliers and incorporates measures relating to environmental, health & safety and ethical performance as well as to commercial performance in areas such as quality.
- Our key finished goods suppliers are audited annually by a dedicated internal team using recognised quality performance metrics and measures. In 2010, all our key suppliers were audited and assessed for compliance. As in 2009, all achieved an A rating in this programme.
- The increasing focus on environmental matters by our customers, particularly those working with local authority and housing association properties, means that we are constantly required to review our products, our supply chain and our logistical and operational processes to ensure that we address their concerns appropriately.
- Howden Joinery has been certified by the FSC and the PEFC since February 2008. At the end of 2010, 17 of our 40 kitchen ranges (43% of our kitchens) were fully compliant with FSC requirements (compared to 44% in 2009). We aim to maintain a similar proportion in 2011.

Energy

This year our efforts to reduce energy across the business were recognised through our successful accreditation under the Carbon Trust Standard which certifies organisations for real carbon reduction as well as their continued commitment to ongoing reduction. For over ten years prior to this, the Group's manufacturing division had enjoyed accreditation under the standard's predecessor – the Energy Efficiency Accreditation Scheme.

As well as assessing the Group's overall reduction in energy usage over a three year period, the Standard also looks at general energy management systems across the business and the ways in which energy reduction is encouraged across all sites. The assessors also noted our commitment to supply energy efficient products to our customers where possible.

This section of our report highlights activity in key areas of energy consumption (such as manufacturing and our vehicle fleets) as well as elsewhere in the business.

Manufacturing

- One of our key metrics for energy usage in the factories is the electricity we consume per cabinet produced. We are pleased to say that we saw another year on year reduction for this measure reducing our consumption by 4.8% from 3.28kWh per cabinet to 3.13kWh. The level of reduction which we have achieved has been significant over the last three years (our baseline measurement in 2008 was 3.62kWh per cabinet) and equivalent reductions will therefore be unrealistic going forward. Our aim for this year is therefore to maintain this lower level of energy usage.
- All our Supply division sites – manufacturing, distribution or warehouse related – retained their ISO14001 accreditations during the year.

Truck fleet

The Group continues to operate a fleet of 106 trucks. This fleet remains considerably smaller than it was three years ago as we continue to work with our haulier partners through traffic sharing arrangements and to maximise the use of backhaul capacity. All of our trucks remain Euro 5 compliant.

Car fleet
The replacement of our existing car fleet with more eco-friendly vehicles has continued as planned. During the year, a third of the vehicles driven by our sales representatives and managers were replaced with the remaining two thirds scheduled for replacement over the next two years.

SMART meters
A project to install SMART meters across the entire depot network commenced this year which will allow more accurate and proactive monitoring of energy usage in this division. Over the year 361 of our depots had the meters installed with the remainder scheduled for installation in Q1 2011. The rest of the business is already equipped with these meters.

IT
Our IT department engaged a specialist energy consultancy to help them identify areas where they could target greater energy efficiency. A number of actions have been implemented from this report during the year and we plan to implement more in the future.

Products
Last year, in light of improving energy efficiency across the market, we decided to set ourselves more demanding KPIs in respect of the products which we supply to our customers.

Our new targets, which were set for a three year period (2010-2012), were aimed at improving the efficiency of our best selling own-brand products both in terms of energy consumption and water usage. The targets were:

"To improve the efficiencies of our best selling electric ovens by reducing the kilowatt consumption per hour by 5% or more over the next three years.

To reduce the water consumed per cycle by 5% or more for laundry and dishwashers over the next three years."

Excellent progress has been made with our ovens with energy consumption in our own brand "Lamona" appliances already reduced by 10% overall and by 5% for our best selling ranges. We have yet to make similar progress to reduce water consumption. However, developments continue to be tested with our best selling dishwashers and laundry appliances.

In addition to measuring our performance against our chosen KPIs, we are committed to gaining Energy Savings Trust certification for some of our appliances. Our HJA 8553 washing machine continues to be certified and recommended by the Energy Savings Trust (EST) and we have applied for certification for a number of other products. We continue to work with our partners on this matter and are working with the EST to establish new criteria for cooking appliances.

Waste
Our employees are encouraged to consider how we can improve our environmental performance in all areas by reducing consumption, re-using materials and recycling wherever possible.

- In 2010, we continued to perform well in the area of waste management. Of the 44,800 tonnes of waste produced by our manufacturing processes, we recycled 98.1% thus beating the KPI set for this area last year:

"To recycle more than 95% of all manufacturing waste produced."

- One element of waste from the manufacturing process is sawdust.
  - In 2010, we converted over 21,500 tonnes of sawdust into energy at our Howden and Runcorn sites, with the sawdust fuelling eight wood combustion boilers that burn this waste to heat our factories. This equates to approximately 111k MWh of energy generated from sawdust in 2010.
  - In addition to this, we supplied over 3,000 tonnes of milled sawdust to a local manufacturer of animal bedding where the sawdust is recycled for use in bedding for horses, cattle and other livestock.
- We continue with the initiative started in 2007 to recover and repair pallets which would otherwise have been scrapped. Similar to our performance in 2009, this year we recovered more than 135,000 pallets (2009: 134,000).

Committed to supporting our workforce to acquire and practise core skills

Employee responsibilities
We take our responsibilities as an employer very seriously and we aim to provide a positive work environment for all our staff, whether they work in factories, warehouses, depots or offices. Our culture emphasises the importance of individual accountability, which means the personal responsibility of each of us towards those we work with every day. We are proud of this culture, which encourages openness and transparency within the business and has been vital to its growth and development since 1995. This culture is reinforced by our commitment to certain core principles:

- recognising by reward the hard work of all employees;
- investing in training and development across the business; and
- ensuring that recruitment, career success and progression are solely determined by an employee's abilities and achievements.

Supporting learning and development in the community
Howden Joinery's heritage and culture means we place a high value on the whole range of skills – technical, commercial and interpersonal – that are practised by local tradespeople. We are keen to promote the use of these skills in the workplace and interest in them in the wider community.

Developing apprenticeships and training at Howdens
During 2010, we further promoted the use of apprenticeships within the workplace. The Group currently employs eight modern apprentices in our Supply division and 16 within the depot network, with a further 36 being recruited currently. In addition during the year, we supported over 550 staff across the Group in their achievement of a variety of NVQ and other professional qualifications – a substantial increase on the 160 registered during the prior year.

One of the reasons for this increase is the development of a unique course in Trade Business Services which we have developed with our training partners, Harper Company Ltd (formerly Talent Training UK LLP) and more recently, The Real Apprenticeship Company. The course is accredited as an apprenticeship and includes an additional BTEC award. It is on offer to all our depot staff. Created on a bespoke basis for Howdens to develop skills which are core to our business, the programme delivers not only development opportunities for the individuals involved but also helps us to deliver true value to the business as their skills are enhanced and improved.

As well as supporting staff in gaining external accreditations, our staff have also invested their time in internal courses with over 60,000 training hours completed during the year. (The reduction against the prior year, where our staff invested over 80,000 hours, is due to the prevalence of IT training in 2009 which was necessary as we rolled new systems out to the business. This was highlighted in our report last year.) Courses are offered in subjects ranging from HR skills to manual handling, from diversity & inclusion to health & safety, from environmental awareness to LGV and fork-lift truck driving. Our plan is to continue to invest in training to the same degree in 2011. We will also maintain a strong in-house delivery capability in training as we continue to encourage staff to achieve training qualifications in their own right.

Encouraging apprentices and traditional skills in the community
As well as a commitment to developing our own staff, at Howdens we believe that one way of offering support to the local tradespeople we serve and keeping their traditional skills alive, is to give young people the opportunity to learn traditional skills and understand how to deploy them professionally. To support that objective we continued with two other initiatives in 2010 which we reported on in the previous year.

The first of these was to continue building relationships with local further education colleges which offer courses in construction skills. As well as sponsoring prizes and offering fitting guides and tools, our depots also supply college departments with discontinued products on which students can practise their joinery skills. This year we continued our support for a number of colleges that offer specific courses in kitchen installation as part of the new CSkills Construction NVQ/Diploma, by supplying the colleges with "real life" kitchen sets and equipment. We hope to offer this kind of support in all our regions going forward.

Our second initiative has been to work with ConstructionSkills, the Sector Skills Council and Industry Training Board for the construction industry, to put in place a bursary scheme for new apprentice joiners. The scheme, which is the first of its kind in the country for any industry, aims to fund first year wages for around 20 new apprentice joiners. The intention is to create new opportunities for apprentices in companies which would otherwise be unable to afford to fund apprenticeships. Other than stipulating that the money be used for apprentice joiners, Howdens has no involvement in choosing either the apprentices or the companies involved. Twelve bursary placements were awarded in 2010, with the students progressing well with both their college work and their work experience. Importantly, the scheme has meant that some businesses who were previously sceptical about the value of apprentices, are now willing to consider employing apprentices on an unfunded basis given the benefits they have seen in this type of training.

Health & Safety

The managers and directors in our operating divisions are personally responsible and accountable for the health & safety of their employees. The health & safety requirements of these two divisions necessarily differ somewhat and, as such, each of the operating divisions reviews its own strategy, issues and performance on a regular basis.

In the depots:

- There were 16 reportable health & safety incidents in our 490 depots during 2010 (2009: 35). As well as maintaining a low number of incidents across the depot network, we were also pleased to note a 52% reduction year on year in the number of working hours lost due to injury.
- We continue to run a defensive driving course for those staff across the depot network who are required to drive as part of their day to day role. A total of 202 drivers completed the course in 2010.

In our manufacturing, warehouse and distribution sites:

- All our manufacturing, warehouse and distribution sites remain certified to OHSAS 18001.
- Our Supply division achieved a 13% reduction in reportable injuries in 2010 (14 compared to 16 in 2009) and a 58% reduction year on year in lost working time.
- We continue to support the knowledge and awareness of staff in this area, by encouraging staff to gain externally accredited health & safety qualifications (IOSH, NEBOSH and CIEH) as well as training operatives in the requirements of OHSAS 18001.
- Under the British Safety Council 5-star audit process which measures against health & safety best practice, our Howden and Runcorn sites achieved a 5-star rating and our Northampton warehouse a 4-star rating. All achieved over 90% compliance and improved their performance on the prior year.
- In recognition of our achievements in health & safety, our Howden site was also proud to receive the British Safety Council's prestigious International Safety Award for the second year running following its excellent performance in this area.

Across the Group, there were no improvement or prohibition notices served on us during the year by the Health & Safety Executive (HSE), nor were there any prosecutions by the HSE or the Environment Agency.

Committed to playing an active part in our local communities

Our business is driven at a local level, and it is our policy to engage in community activities at local level too.

Each depot, manufacturing site and distribution centre fulfils an important role in the life of the area it serves, and all our staff are encouraged to make a contribution to the local community.

This year, our staff made over 2,100 donations to local good causes (2009: 1,750). This amounted to some £793k across the Group (2009: £599k). As well as cash donations and employee fund raising initiatives, the Group donated joinery and kitchen equipment to local schools, village halls, care homes (see below), local youth groups and sports clubs.

In 2010 we celebrated five years of working with Leonard Cheshire Disability (LCD). This inspirational charity is a key community partner for Howdens, and mindful of their reliance on volunteer support (they need to recruit over 1,000 people a year) we have funded their recruitment and training programme for the past four years. In 2011 this programme will now include their Can Do project, which finds 1,200 (mostly long-term) supported volunteering opportunities for young disabled people aged 16 to 25. For most of them, the support network they had come to rely on will have ceased when they finished school or college. This project is one of the very few that is actively offering young people in this category the possibility of social inclusion and in a few cases the chance of employment.

Our staff continue to find ways to fundraise for Leonard Cheshire as well as providing volunteers for particular LCD projects. Our Howdens Great North Run team raised enough money to buy LCD a mini-bus for the second year running and 53 volunteers from our Product & Marketing team spent two days building a sensory garden and helping with other projects at the LCD home in Sandringham.

In June we also held the annual T 4 Ability week, a popular promotional event for LCD, where our customers are encouraged to make a donation for the complimentary tea or coffee that our depots provide for them all year round.

Our inclusive kitchen research with LCD inspired by working with their residents, enables us to offer relevant, affordable kitchen solutions to customers of all abilities. In 2010 we donated four further installations and revisited five centres to upgrade or improve facilities following feedback from residents. As a result of our work together, we were also invited to work with LCD on their Adaptable Housing Project, which aims to design properties which are as adaptable as possible and therefore offer disabled people the chance to remain in a property with the maximum degree of independence, regardless of changing physical ability.

We are proud of the fact that our staff, our customers and indeed all our stakeholders take such an active part in giving something back to their local communities. In celebration of their generosity, we continue to publish our "Truly Local" books – pocket-sized illustrated books that tell the stories of people everywhere who enrich our lives on a daily basis through their engagement with their local community. We are lucky in the fact that these books represent only a fraction of the good work carried out by our staff and customers and their families as part of their daily lives.

Matthew Ingle
Chief Executive

2 March 2011

Board of directors

Non-executive Chairman

Will Samuel

Will was appointed a non-executive director and Chairman designate in July 2006 and became Chairman in October 2006. He is a Vice Chairman of Lazard & Co Ltd, Chairman of Ecclesiastical Insurance Group plc, Deputy Chairman of Inchcape plc and a non-executive director of the Edinburgh Investment Trust plc. Prior to this he was a director of Schroders plc, Co-Chief Executive Officer at Schroder Salomon Smith Barney (a division of Citigroup Inc) and Vice Chairman, European Investment Bank of Citigroup Inc and Chairman of H P Bulmer plc. He is a Chartered Accountant.

Chief Executive

Matthew Ingle

Matthew was appointed Chief Executive in October 2005. He set up Howden Joinery in 1995 and has been responsible for its growth into a successful business today. Prior to joining the Company he had been Managing Director of the Magnet Trade operation. He was elected to the Board of the Company in 1998.

Chief Financial Officer

Mark Robson

Mark joined the Board in April 2005 as Chief Financial Officer. Mark spent the previous six years as Group Finance Director at Delta plc. Prior to this, he had held a number of senior financial positions with ICI between 1985 and 1998. He is a Chartered Accountant and qualified with Price Waterhouse.

Non-executive directors

Angus Cockburn

Angus was appointed a non-executive director in October 2006. He has been Group Finance Director of Aggreko plc since 2000, having previously been Managing Director of Pringle of Scotland and Regional Finance Director Central Europe for Pepsico Foods. He is a Chartered Accountant and qualified with KPMG Peat Marwick.

Tiffany Hall

Tiffany was appointed a non-executive director in May 2010. Currently Interim Group Marketing Director at BUPA, Tiffany was previously Head of Marketing at British Airways. She was also Chairman of Airmiles and BA Holidays. Prior to that, she held various positions at British Airways including Head of Global Sales and Distribution and Head of UK Sales and Marketing. Tiffany was previously a non-executive director of Think London.

Ian Smith

Ian was appointed non-executive director in September 2001. He was Chief Executive Officer of Reed Elsevier plc, and previously Chief Executive Officer of Taylor Woodrow plc, Chief Executive Officer of the General Healthcare Group, CEO Europe for Exel, Group Commercial Director of Ocean Group plc (before its merger with NFC to form Exel) and prior to that, Managing Director of Monitor Company Europe Ltd, a strategy consulting firm. Ian began his business career with Royal Dutch Shell Group of companies, working with Shell UK Oil in various roles. Most recently, he led a Parliamentary review of the Civil Service (published with the budget in March 2010) and is now working in Israel/Palestine with the Quartet (OQR).

Michael Wemms

Michael was appointed a non-executive director in November 2006. Michael was Chairman of House of Fraser plc from 2001 until November 2006 and was an executive director of Tesco plc from 1989 to 2000. He is a non-executive director of Inchcape plc and Moneysupermarket.com plc. He was Chairman of the British Retail Consortium from 2004 until 2006.

Directors' report

The directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 25 December 2010. Comparative figures relate to the 52 weeks ended 26 December 2009.

Principal Group activities, business review and results

On 15 September 2010, the Company changed its name from Galiform Plc to Howden Joinery Group Plc.

The principal activity of Howden Joinery Group Plc and its subsidiaries is the sale of kitchens and joinery products, along with the associated procurement, manufacture and distribution of these products.

The Company is required by the Companies Act 2006 to include a business review in this report. The information that fulfils the requirements of the business review can be found in the following sections which are incorporated in this report by reference:

- Chairman's statement on page 8.
- Chief executive's statement on page 10.
- Review of operations and finance on page 15 (including a review of principal risks and uncertainties and key performance indicators) and the illustrated business model on page 2.
- Corporate governance report including Going Concern statement on page 46.
- Corporate social responsibility report on page 22 containing environmental matters, social & community issues and additional information on employees.

The full results for the period are shown in the financial statements on pages 56 to 112.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 30 to the financial statements.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in the table of Parent company and principal subsidiary undertakings on page 113.

There have been no significant events since the balance sheet date.

Dividends

The Board is not recommending payment of a final dividend (2009: nil). No interim dividend was paid during the year (2009: nil).

Share capital

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 25. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 28. Shares held by the Howden Joinery Group Plc Employee Share Trust abstain from voting.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Act and related legislation. The Articles may be amended by special resolution of the shareholders. The business of the Company is managed by the Board who may exercise all the powers of the Company subject to the provision of the Articles of Association, the Companies Act and any ordinary resolution of the Company.

There are a number of agreements that take effect, alter or terminate upon a change of control such as commercial contracts, bank loan agreements and employee share plans. The only one of these which is considered to be significant in terms of likely impact on the business of the Group as a whole, is the bank facility (as described in note 22) which requires majority lender consent for any change of control. Should such consent not be forthcoming, a change of control would trigger a mandatory repayment of the entire facility.

The directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Essential contracts

The mission of the Group relies on product of "no-call-back quality" being in stock at all times in order to service the needs of the builder. The Group benefits from a number of contracts which are key to providing the volume of product required to enable the Group to fulfil this mission but is nevertheless confident that other commercial solutions would be available should these contracts be terminated.

Contracts with key personnel are discussed in the review of principal risks and uncertainties on page 20.

Directors and their interests

Details of the directors in office on 25 December 2010 are shown on page 28.

All of the directors, with the exception of Tiffany Hall, will retire at the Annual General Meeting in accordance with the UK Corporate Governance Code and each will offer himself for re-election in accordance with Article 118 of the Articles of Association.

In accordance with Article 117 of the Articles of Association, Tiffany Hall will retire at the Annual General Meeting and will offer herself for re-election in accordance with Article 118 of the Articles of Association.

In proposing their re-election, the Chairman confirms that the Nominations Committee has considered the formal performance evaluation in respect of those directors seeking re-election and the contribution and commitment of the directors that are required to offer themselves for re-election. He has confirmed to the Board that their performance and commitment is such that the Company should support their re-election.

The Board recognises that, having served nine years as a non-executive director, Ian Smith may cease to be independent for the purposes of the Combined Code after the 2011 AGM. The Board is actively searching for a candidate to replace him. However, the Board values highly Ian Smith's contribution to the Board's deliberations on future strategy and in order to provide continuity in the short term and ensure a smooth transition of responsibilities, the Nominations Committee is proposing that Mr Smith be elected for a further year in 2011.

Information on the directors' service agreements, options and interests of the directors and their families in the share capital of the Company, is set out in the separate Directors' remuneration report on pages 32 to 45. Details of indemnity provisions made for the benefit of directors are given in the Corporate governance report on pages 46 to 55.

Suppliers' payment terms

The Group and Company's policy, in relation to all its suppliers, is to settle its terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The number of days' purchases outstanding for payment by the Group at the period end was 44 days (2009: 40 days) and nil (2009: nil) for the Company.

Fixed assets

There is no material difference between the book value and the current open market value of the Group's interest in land and buildings.

Charitable and political contributions

Kitchen and joinery products and services donated to various charities, as well as charitable donations made during the period amounted to £793,080 (2009: £598,638). The Group made no political donations during the current and previous period.

Substantial shareholdings

As at 2 March 2011, the Company had been notified in accordance with Chapter 5 of the Disclosure & Transparency Rules, of the following voting rights as a shareholder of the Company:

Standard Life Investments Ltd	14.80%
Old Mutual Asset Managers (UK) Ltd	5.33%
Jupiter Asset Management Ltd	5.28%
Blackrock Inc	5.08%
JP Morgan Asset Management (UK) Ltd	4.99%
Cazenove Capital Management Ltd	4.91%
EES Trustees International Ltd (as Trustee of Howden Joinery Group Employee Benefit Trust)	4.10%
Legal & General Assurance (Pensions Management) Ltd	3.87%

The percentage interest is as stated by the shareholder at the time of notification and current interests may vary.

Acquisition of the Company's own shares

At the end of the year, the directors had authority under the shareholders' resolutions of 19 May 2010 to purchase through the market 63,391,533 of the Company's ordinary shares at prices ranging between 10p and the higher of (a) 105% of the average middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System. The authority expires at the conclusion of the next AGM or 15 months from the date of passing.

Employees

The average number of employees and their remuneration are shown in note 8 to the financial statements.

At the year end, the Group had 6,156 employees (2009: 5,619) throughout the United Kingdom and overseas and strives to engage its employees wherever possible in its business goals by means of regular regional and local staff meetings.

The Board remains committed to linking reward to business budgets and targets thereby giving employees the opportunity to share in the financial success of the Group. In keeping with the structure of the business, the Company is committed to applying this policy locally, and as a result, staff of all levels regularly benefit from achieving local targets throughout the year. The Board also recognises employees for their contribution through the use of employee incentive plans and share plans within overall remuneration.

The Group promotes the importance of diversity and adopts an Equal Opportunities Policy under which training and career development opportunities are available to all employees, regardless of gender, religion or race. The Group is committed to meeting the code of practice on the employment of disabled people and full and fair consideration is given to disabled applicants for employment. It aims to do all that is practicable to meet its responsibility towards the employment and training of disabled people and welcomes and considers fully, applications by disabled persons, having regard to their particular aptitudes and abilities. It is also the Group's policy to retain employees who may become disabled while in service and to provide appropriate training.

Audit information and auditors

Each of the persons who is a director at the date of approval of this annual report confirm that:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware;
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting is to be held at UBS Investment Bank, 1 Finsbury Avenue, London, EC2M 2PP on 16 May 2011.

By order of the Board
Caroline Bishop
Secretary

2 March 2011

Directors' remuneration report

Summary of changes in the year

During 2010, the Committee continued with the cautious position it had taken in 2009, and did not feel it was appropriate to make any significant changes to executive remuneration. However, there are three key points to note:

- Salaries for executive directors remained frozen for 2010 (there have been no salary increases for executive directors since 2008).
- The maximum annual bonus in respect of cash flow performance was reduced from 50% of salary to 40% of salary. The profit share percentages for the CEO and CFO were also reduced compared to 2009.
- With the support of some of our largest shareholders, the Committee decided to grant market value share options in 2010 with profits targets on a sliding vesting scale instead of using premium priced options with a profit underpin as per awards made in 2009.

Summary of planned changes for 2011

With the performance of the business improving and legacy issues diminishing, investment in the future growth of Howden Joinery is being stepped up, and the opportunity to transform the scale of the business is apparent. Accordingly, the Committee considers that a return to the pre-2009 incentive framework is now appropriate. With this in mind, there are four key changes to executive remuneration for 2011:

- The CEO's salary is to remain frozen at £538,000 for the 4th successive year. The CFO's salary is to be increased by 5% to £378,000. This reflects the increased role played by the CFO over 2010 and delivers median positioning against the pay comparator group. This is the CFO's first salary increase since 2008.
- Profit share will continue to be an integral part of the annual bonus. The principles of profit share are at the heart of Howdens' entrepreneurial culture. The Committee believes the plan has been effective in driving profitable growth and outperformance since it was first implemented. However, in light of the progress being made, the Committee feels it is now appropriate to raise the Threshold level of performance required before any annual bonus begins to pay out. For 2011, the Threshold will rise to a PBT of at least £80m (£40m in 2010 was based on a WACC return). The profit share percentages have also been reduced to reflect that PBT in 2011 is being measured from a higher base point.
- It is intended to revert to using the Co-Investment Plan as the long-term incentive plan for 2011. The Co-Investment Plan was approved by shareholders in 2007 and was originally implemented to focus management on delivering the growth strategy at the time. The Committee ceased using the plan in 2009 when economic conditions deteriorated and the growth strategy was curtailed. As the growth opportunities have improved, the Committee believes it is appropriate to revert to the Co-Investment Plan for 2011. However, the matching ratio will be lower at two for one, and the performance targets will be linked to PBT growth. Howdens has made good progress in dealing with legacy issues to date. The Committee believes that focusing on generating sufficient profit growth to address the remaining legacy issues will unlock value for shareholders over the next three years.
- The Committee concluded that executives should not be compensated for the impact of the recent changes in the taxation of pensions. However, executives and other senior managers will be given the option to receive a salary supplement in lieu of their opportunity to receive a match of up to 8% of salary on any voluntary contributions to their DC pension arrangements.

Compliance

This Report sets out information on the remuneration of the directors of Howden Joinery Group Plc for the year ended 25 December 2010.

This report has been prepared in accordance with the UK Companies Act 2006, Statutory Instrument 2008/410 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) and to meet the requirements of the Listing Rules of the UK Listing Authority. It describes how the Company has applied the principles relating to Directors' remuneration set out in both the Combined Code on Corporate Governance issued by the UK Financial Reporting Council in June 2008 and the new UK Corporate Governance Code issued by the UK Financial Reporting Council in May 2010.

The Regulations require our Auditors to report to shareholders on the audited information within this Report and to state whether, in their opinion, those parts of the Report have been prepared in accordance with the Companies Act 2006. The Auditors' opinion is set out on page 107 and the information in Part B of this Report has been audited by Deloitte LLP.

Part A

The Remuneration Committee

The Remuneration Committee comprises four independent non-executive directors who have no personal financial interest, other than as shareholders, in the matters to be decided. During the year, the members of the Committee were:

- Michael Wemms (Chairman)
- Angus Cockburn
- Ian Smith
- Peter Wallis (retired from the Board on 19 May 2010)
- Tiffany Hall (appointed to the Board on 24 May 2010)

Under its terms of reference (published in the Governance section of Howden Joinery Group Plc website at http://www.howdenjoinerygroupplc.com and reviewed on an annual basis) the Committee is responsible for determining the broad policy and specific remuneration packages for executive directors, the Company Secretary and other members of the Executive Committee, including pension rights and, where applicable, any compensation payments.

The Committee met three times during 2010 and attendance of the Committee is shown in the table in the Corporate Governance report. The meetings covered the following key areas:

- Benchmark the salaries for the Board and Executive Committee.
- Review of the developments in corporate governance best practice and competitive market practice trends during the course of the year.
- Review and approve the remuneration report to shareholders.
- Review and approve the Chairman's fees.
- Review and approve the terms and conditions of the annual bonus and long-term incentives awarded in 2010, including determining the appropriate performance targets.
- Review and approval of share-based awards vesting in 2010.
- Review and approve the terms of reference of the Committee.
- Initial review of the ongoing appropriateness and relevance of the remuneration policy and incentives for 2011.
- Review of pensions, including the impact of the new pensions tax on high-earners.
- Review of the balance between risk and reward to ensure that the incentives are compatible with the Company's risk policies and systems. The Committee concluded that the incentives did not expose the Company to any excessive risk and were appropriately managed.

The Committee's Chairman ensures that the Group maintains timely dialogue with its principal shareholders on executive remuneration.

The Committee regularly consults with the Chief Executive on matters concerning remuneration, although he is never present when his own reward is under discussion. The Company Chairman attends the Remuneration Committee by invitation except when his own remuneration is determined. The Company Secretary acts as secretary to the Committee but is never present when her own reward is determined. PricewaterhouseCoopers LLP ("PwC") is the Committee's retained independent advisor and provided advice to the Committee during the year. PwC also provided tax advice to the Company during 2010.

Remuneration policy for executive directors

The principal driver for the Remuneration Committee when setting total remuneration is to ensure that the remuneration provided to the executive directors and the senior management team continue to support the strategic imperatives of the business.

In determining the executive remuneration policy, the Committee considers factors which it deems necessary to ensure that senior executives of the Group are provided with appropriate incentives to encourage stronger performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company and the creation of shareholder value.

The Committee determines policy for current and future years, which is reviewed on an annual basis. Howden Joinery Group's remuneration policy is set out below:

- The remuneration package should be simple and support the transition of Howdens to maturity while continuing to encourage an entrepreneurial culture.
- Where possible, there should be a common and consistent remuneration policy throughout the business from the CEO down to the depot managers.
- Our policy is to position base salaries at the median level against companies of a similar size and complexity.
- Upper quartile levels of total remuneration should be available for truly superior performance with at least two-thirds of the executive directors' total potential reward being performance-related.
- Profit growth and cash management, which are within management's control and influence, are considered to be the key performance drivers of shareholder value. The Company's targets are considered achievable but still at the top-end of stretching performance.
- The overall reward policy encourages executives to own and invest in Howden Joinery Group shares aligning performance over the longer term. Executives are encouraged to invest in shares in the Company and to build and maintain a shareholding of at least one times salary over a reasonable time frame (two times salary for CEO).

Howdens remuneration for the senior management team places a strong emphasis on performance-related reward. The individual elements are designed to provide the appropriate balance between fixed remuneration and variable "risk" reward, linked to the performance of the Group. In making decisions, the Committee takes into account a number of factors, including the strategy of the Company and the relationship between remuneration and risk, and affordability. The Committee also takes account of pay and conditions elsewhere in the Group and the external environment in which the Company is operating.

Components of executive director remuneration

Summarised below are the key elements of the total reward package provided to executive directors for 2010 and the purpose of each element.

Element	Maximum value	Purpose
Base salary	N/A	To recognise market value of role and individual's skill, responsibilities, performance and experience.
Annual bonus	200% of base salary. Any bonus in excess of 100% of salary is deferred into shares.	To reward annual profit and cash flow performance over the short term. The deferred element of the bonus aligns annual financial performance and bonuses with sustainable performance over the medium term.
Share options	Face value of award of 200% of base salary.	To reward improvements in shareholder value over the longer term and to align management and shareholder interests.
Pension & benefits	N/A	To provide a competitive level of benefits, providing short-term protection and long-term savings opportunities.

Individual elements of the package are designed to provide the appropriate balance between fixed remuneration and variable remuneration. The following charts show the target fixed/variable mix for the CEO and CFO in 2010 and outline that approximately two-thirds of the target package comprises variable remuneration.

Details of each individual element of the total reward package are given below:

Chief Executive
Total reward package

Salary	32.5%
Annual bonus	32.5%
Share options	25.2%
Pension	9.8%

Chief Financial Officer
Total reward package

Salary	31.7%
Annual bonus	31.7%
Share options	24.6%
Pension	12.0%

i. Base salary

The Committee's policy is to position base salary for each director at the median level compared to market practice. Base salaries are reviewed annually and are determined by taking into account the performance of the individuals, changes in their responsibilities and information from independent remuneration consultants on the levels of salary for similar jobs having regard to the size of the Company – its turnover, market capitalisation and complexity. The Committee also takes into account internal relativities and the total remuneration of the executives compared to the market. Base salary is the only element of remuneration which is pensionable. In addition, benefits are provided to executive directors in accordance with market practice.

As a result of the Company's restructuring in 2006, the salaries for the CEO and CFO have been above the median of market practice and therefore outside the stated policy. The Committee has been committed to aligning policy with practice and has made no increases since 2008.

In line with this stated policy and reflecting the current economic environment, executive director salaries were frozen for 2010. For 2011, the Committee felt it appropriate to again freeze the CEO's salary and to grant a 5% increase to the CFO. This delivers median positioning against the comparator group and reflects the increased scope of the role held by the CFO over 2010.

Executive director	2010 Salary	Increase on prior year	2011 Salary	Increase on prior year
Matthew Ingle	£538,000	0%	£538,000	0%
Mark Robson	£360,000	0%	£378,000	5%

ii. Incentive arrangements

Annual bonus

Annual bonuses payable to executive directors in respect of 2010 comprised two elements. The first element related to pre-exceptional profit before tax ("PBT"), and the second element related to cash flow performance over the year. The maximum annual bonus a participant can receive under the combined elements is 200% of salary. Any bonus earned over 100% of salary will be deferred into shares, with 50% of the deferred amount released after one year and 50% released after two years subject to continued employment.

The PBT element of the bonus is determined on a "profit share" basis whereby an executive can earn a bonus based on a fixed percentage of the Company's PBT. No bonus in respect of the PBT element is paid below a minimum acceptable risk-adjusted level of performance. For 2010, the minimum level of performance was set at £40m being equivalent to a Return On Assets equal to at least the Weighted Average Cost of Capital return.

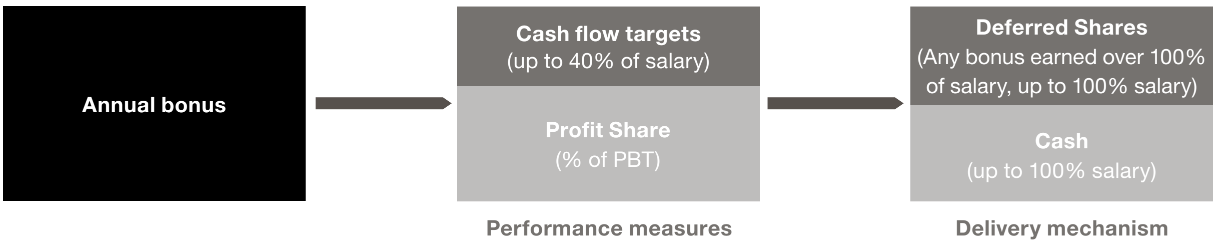
The following table shows the percentage Profit Share for the main board directors for 2010:

Percentage Profit Share	M Ingle	M Robson
Less than £80m	0.40%	0.26%
Equal to or greater than £80m	0.52%	0.34%

In respect of the cash flow element of the bonus, executives can earn up to 40% of salary based on achieving pre-determined cash flow targets. 15% of salary will be paid for achieving Threshold target with up to 40% of salary payable for achieving a maximum target, with payments determined on a straight-line basis between these points. No bonus in respect of the cash flow element will be paid below Threshold.

Cash flow targets are assessed again at the end of February 2011 to ensure that cash flow levels have been maintained beyond the December 2010 year end. Cash flow is defined as the difference between reported Net Debt at the end of the financial year and the beginning of the financial year.

A summary of the operation of the annual bonus plan for 2010 is shown below:



The Group's performance against its financial targets, as it affected the payout of the bonus in respect of the performance year ending December 2010, is shown in the table below:

	Actual performance in 2010	Bonus as % of salary	
Key performance indicator		M Ingle	M Robson
PBT	£101m	98	95
Cash inflow	£33m	40	40
Total bonus earned		138	135

Share Option Plan Portfolio

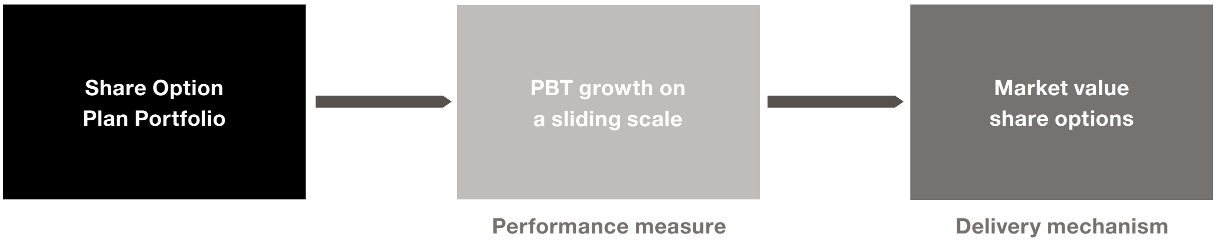
Share Options

With the support of some of our largest shareholders, the Committee decided to grant market value share options in 2010 with profit targets on a sliding vesting scale instead of using premium priced options with a profit underpin as per awards made in 2009. The reason for the change was that premium priced options with an underpin could potentially reward executives for general market movements in share price rather than underlying improvements in performance.

An award of market value share options was granted in 2010 to the CEO and CFO with a face value equivalent to 200% of salary. These options will be exercisable after three years subject to the following PBT growth over the three financial years ending December 2012 as set out in the table below:

PBT growth targets	Proportion of the share option award that is exercisable
RPI + 8% p.a. or above	100%
	Straight-line vesting between these points
RPI p.a.	15%
Below RPI p.a.	0%

A summary of the operation of the Share Option Plan Portfolio for 2010 is shown below:



In addition to the performance targets described above, the Committee may, at its discretion, reduce the numbers of options that may be exercised to take account of an individual's general performance and the overall performance of the Company over the three year performance period.

Incentives for 2011

In light of the opportunities to develop the business and invest in its growth, the Committee considers a return to the pre-2009 remuneration framework appropriate for 2011. The framework for 2011 will therefore combine the profit share annual bonus used in prior years with the Co-Investment Plan (albeit the matching ratio on the Co-Investment Plan in 2011 will be lower than it was pre-2009).

- Annual bonus
  For 2011, executives will be eligible to earn a bonus comprising two parts – (1) a profit share and (2) a cash flow bonus. Under the profit share part, the minimum Threshold level of PBT performance will be increased to £80m (£40m in 2010 based on a WACC return). No profit share bonus will be payable below Threshold performance. At Threshold performance, 25% of salary can be earned under the profit share part rising to 77% of salary at Target. Above Target level of PBT, the CEO will be eligible to earn 0.45% of PBT (0.52% in 2010). The CFO will be eligible to earn 0.31% of PBT (0.34% in 2010). Profit share bonuses will vest on a straight-line basis between Threshold and Target performance. Under the cash flow bonus, executives can earn up to 40% of salary subject to achieving predetermined cash flow targets on a sliding scale. The maximum overall bonus opportunity remains capped at 200% with any bonus earned in excess of 100% of salary being deferred into shares.

- Co-Investment Plan ("CIP")
  Under the CIP, the CEO will be eligible to invest up to the lesser of 650,000 shares and 150% of salary of his own shares into the Plan for a period of three years. In return for this commitment, each invested share will be matched with up to two additional shares subject to the achievement of stretching performance targets over the three year vesting period. The CFO will be eligible to invest up to the same proportion of salary as the CEO based on the share price at the time of grant.

  The performance targets will be measured by PBT growth over the period as set out in the table below. The PBT targets will focus management's attention on unlocking shareholder value by generating sufficient profit growth to address legacy issues.

PBT growth	Number of matching shares that vest
12% per annum	2
	Straight-line vesting between these points
6% per annum	0.5
Less than 6% per annum	0

Other existing arrangements
The following incentive plans (discretionary and all-employee) are also at the Committee's disposal.

Co-Investment Plan ("CIP")
Under the CIP, participants are eligible to invest up to a predetermined number of their own shares into the Plan for a period of three years. In return for their commitment, each invested share can be matched with up to a maximum five additional shares subject to the achievement of stretching performance targets over the three year vesting period. No award was made under the CIP in 2010. See "Incentives for 2011" which outlines the proposed structure for the use of the Co-Investment Plan in 2011.

Long Term Incentive Plan ("LTIP")
A new LTIP was adopted by the Company at the AGM in 2009 on broadly similar terms to our previous Plan but with rules (i.e. change of control and leavers) brought into line with current corporate governance best practice. Awards of restricted shares or share options may be made under the LTIP. There is no intention to use the Plan in 2011 for executive directors.

FreeShare Plan
The FreeShare Plan was introduced in 2002. Executive directors may participate in the Plan on the same terms as all other eligible employees. The Plan is HMRC approved and is not subject to performance conditions other than continued employment. Under the FreeShare Plan all eligible employees were invited to accept an allocation of up to £200 of the Company's shares in September 2002 and again in May 2003. The shares are held in a Trust for a holding period being between three and five years after which the award of shares will vest and participants may withdraw their shares. No further allocations have been made since those dates.

iii. Pensions
Executive directors can participate in the Howden Joinery Group Pension Plan (The "Plan"). The Plan is funded and HMRC approved. With effect from 1 September 2006 the basis changed to a hybrid defined benefit occupational pension plan. Its main features are currently:

- The defined benefit pension accrues on a Career Average Revalued Earnings (CARE) basis at the rate of 1/50th of actual pensionable pay in each year (currently capped at £123,600); post-retirement increases are linked to the increase in the retail prices index with a maximum of 2.5%;
- members contribute 8% of pensionable pay to the CARE plan;
- in addition to the defined benefit section, the Company will match any voluntary member contribution made to the defined contribution top-up section to a maximum of 8% of pensionable pay. To recognise the impact of the change in the taxation of pensions on individuals, the member may opt to receive a salary supplement of 8% of salary in lieu of this defined contribution opportunity;
- life assurance cover of six times pensionable pay for those members with dependents and two times for those without dependents;
- pension payable in the event of ill health;
- spouse's pension on death in retirement of 2/3 of deceased's pension; and
- pensionable pay is limited to the member's basic salary.

All plan benefits are subject to HMRC limits.

A pension supplement system operates concurrently with the Plan which recognises that pension entitlement in respect of the CARE part of the Plan has included maximum benefit restrictions (the "Plan Cap") which was £123,600 for 2010 (being based on the Earnings Cap applied prior to April 2006). This supplement is 30% of basic salary above the Plan Cap to reflect competitive market practice.

If a director chooses to opt out of membership of the pension plan, then the supplement payment will be 30% of total basic salary. The CEO had a fully funded pension position in 2006 and hence has chosen to opt out of membership of the Plan and consequently receives a salary supplement. Mark Robson continues to participate in the Plan.

iv. Service contracts
All executive directors' employment contracts have twelve months' notice of termination on both sides. In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or resignation. In other circumstances, executive directors may be entitled to receive compensation for loss of office which will be paid monthly for a maximum of twelve months. Such payments will be equivalent to the monthly salary that the executive would have received if still in employment with the Company. Executive directors will be expected to mitigate their loss within a twelve month period of their departure from the Company.

v. External appointments

It is recognised that executive directors may be invited to become non-executive directors of other companies and that exposure to such duties can broaden their experience and skills, which will benefit the Company.

Howden Joinery Group allows executive directors and other appropriate senior employees to accept a maximum of one non-executive appointment outside the Company, subject to permission from the Committee, provided this is not with a competing company nor likely to lead to conflicts of interest. No such appointments are currently in place. Executive directors may retain the fees paid to them in respect of their non-executive duties.

Non-executive directors' remuneration

Non-executive director appointments are for an initial period of three years. They are subject to reappointment every three years, and annually after nine years. Non-executive directors do not have contracts of service or notice periods and are not entitled to any form of compensation in the event of early termination for whatever reason.

The remuneration of non-executive directors, other than the Chairman, is considered by the Chairman and the Chief Executive. The Chairman's remuneration is determined by the Remuneration Committee while the Chairman is absent. A review was conducted in 2010 to ensure that remuneration for non-executive directors reflects the time commitment and responsibilities of their roles. The review resulted in no increase in the remuneration of the Chairman and non-executive directors.

Name	Basic Chairman/ Non-executive fee	Chairman of Audit Committee	Member of Audit Committee	Chairman of Remuneration Committee	Member of Remuneration Committee	Total Fees
William Samuel	£170,000	–	–	–	–	£170,000
Angus Cockburn	£35,000	£8,000	£2,500	–	£2,500	£48,000
Tiffany Hall[2]	£35,000	–	£2,500	–	£2,500	£40,000
Ian Smith	£35,000	–	£2,500	–	£2,500	£40,000
Peter Wallis[2]	£35,000	–	£2,500	–	£2,500	£40,000
Michael Wemms	£38,000[1]	–	£2,500	£8,000	£2,500	£51,000

[1] Michael Wemms receives an additional £3,000 as part of his basic fee to reflect his additional responsibilities as Senior Independent Director.

[2] Peter Wallis retired from the Board on 19 May 2010. Tiffany Hall was appointed to the Board on 24 May 2010. Both their fees were pro-rated to reflect the amount of time actually spent in the role.

Part B – Audited Information

Directors remuneration

The following table sets out the directors' emoluments for the 52 weeks to 25 December 2010:

	Basic salary £000	Fees £000	Benefits[1] £000	Annual cash incentive[2] £000	Pension supplement[3] £000	52 weeks to 25 Dec 2010 £000	52 weeks to 26 Dec 2009 £000
Chairman							
Will Samuel	–	170	–	–	–	170	170
Executive directors							
Matthew Ingle	538	–	18	538	161	1,255	1,255
Mark Robson[4]	321	–	33	360	71	785	782
Sub-total	859	170	51	898	232	2,210	2,207
Non-executive directors							
Angus Cockburn	–	48	–	–	–	48	48
Tiffany Hall	–	24	–	–	–	24	–
Ian Smith	–	40	–	–	–	40	40
Peter Wallis	–	15	–	–	–	15	40
Michael Wemms	–	51	–	–	–	51	48
Total	859	348	51	898	232	2,388	2,383

[1] The benefits column incorporates benefits in kind which relate in the main to the provision of a fully expensed car or cash equivalent, private medical cover and use of the company driver.

[2] Total bonus outcome for Messrs Ingle and Robson was 138% and 135% of salary respectively. Any amount earned in excess of 100% of salary will be deferred into shares, half of which will be held in trust for a further year and the remaining 50% will be held in trust for a further two years.

[3] Pension supplements are paid every six months in arrears and the next payment is due in March 2011. The table above includes an accrued amount for the period from 1 October 2010 to 25 December 2010. Further details of the pension supplement are given on page 39.

[4] Employee pension contributions are made on a salary sacrifice basis. Therefore the basic salary figure noted for Mark Robson is lower to take account of that.

Directors' shareholdings

The beneficial interests of the directors in office on 25 December 2010 and their families in the share capital of the Company are as follows:

	Ordinary shares of 10p each 25 December 2010	Ordinary shares of 10p each 26 December 2009
Will Samuel	40,000	40,000
Matthew Ingle	2,435,665	2,122,050
Mark Robson	717,181	527,427
Angus Cockburn	3,000	3,000
Ian Smith	154,110	154,110
Michael Wemms	42,000	42,000
	3,391,956	2,888,587

There have been no changes to the directors' interests shown above since 25 December 2010 and the publication of the Company's preliminary results announcement on 3 March 2011.

Share options

Details of share options of those directors who served during the year are as follows:

Director	At 26 Dec 2009	Awarded	Lapsed / expired Unexercised	Exercised	At 25 Dec 2010	Exercise price (pence)	Earliest date of exercise	Expiry date
Matthew Ingle								
2000 Share Option Plan (Section 3)	450,902	–	–	–	450,902	124.74	30 May 2004	29 May 2011
2000 Share Option Plan (Section 3)	275,483	–	–	–	275,483	106.50	26 May 2008	26 May 2015
2000 Share Option Plan (Section 2)	2,862,972	–	–	–	2,862,972	50.00	16 April 2012	16 April 2019
2000 Share Option Plan (Section 2)	2,862,972	–	–	–	2,862,972	25.00	16 April 2012	16 April 2019
Howden Joinery LTIP	–	1,333,333	–	–	1,333,333	80.70	25 March 2013	25 March 2020
Mark Robson								
2000 Share Option Plan (Section 3)	191,388	–	–	–	191,388	106.50	26 May 2008	26 May 2015
2000 Share Option Plan (Section 2)	1,915,743	–	–	–	1,915,743	50.00	16 April 2012	16 April 2019
2000 Share Option Plan (Section 2)	1,915,743	–	–	–	1,915,743	25.00	16 April 2012	16 April 2019
Howden Joinery LTIP	–	892,193	–	–	892,193	80.70	25 March 2013	25 March 2020
	10,475,203	2,225,526	–	–	12,700,729			

1 The options outstanding are exercisable at prices between 25 pence and 124.74 pence. In the period the highest middle market closing price was 103.7 pence per share and the lowest middle market closing price was 56.75 pence per share. The middle market price on 24 December 2010 (the last business day before the financial year end) was 98.25 pence per share.

2 Options granted under Sections 2 and 3 of the 2000 Share Option Plan Portfolio and those granted under the Howden Joinery Group LTIP are not normally exercisable unless challenging targets are met. These options have been divided into the following performance conditions:

- For the options granted in 2001, 50% of the award vested if EPS growth of 60% was achieved over the performance period, and 100% vested if EPS growth of 120% was achieved over the performance period.
- For the options granted in 2005 40% of the option became exercisable subject to growth in EPS, calculated on an IIMR basis, being equal to RPI+40% over three years; increasing on a straight line basis up to 100% of an option becoming exercisable where EPS growth equals or exceeds RPI+100% over three years. Options lapsed on 26 May 2008 to the extent that these targets were not satisfied. Targets are not restated.
- For the options granted in 2009, options will vest if the Group achieves a cumulative pre-exceptional PBT of £90m over the three financial years ending 2009, 2010 and 2011.
- For the options granted in 2010, 15% of the options will vest if the Group achieves growth in pre-exceptional PBT equivalent to RPI over the performance period; 100% will vest if pre-exceptional PBT growth, equivalent to RPI+8%, is achieved.

Details of the Company's ordinary shares over which those directors who served during the year have conditional rights under the LTIP are as follows:

Director	Scheme interest at 26 Dec 2009	Awarded	End of the period for qualifying conditions to be fulfilled	Lapsed / Expired	Vested	At 25 Dec 2010
Matthew Ingle						
Deferred Bonus	125,151	–	26 March 2010	–	125,151	–
2007 Co-Investment Plan	3,250,000	–	31 December 2010	–	–	3,250,000
Mark Robson						
Deferred Bonus	61,950	–	26 March 2010	–	61,950	–
2007 Co-Investment Plan	2,600,000	–	31 December 2010	–	–	2,600,000
	6,037,101	–		–	187,101	5,850,000

1 The 2007 Co-Investment Plan is a plan where each participant is permitted to invest a limited amount of shares on an annual basis for the purposes of the plan. At the end of a three year performance period, each invested share will be matched by an award of up to three matching shares if 2010 PBT of £135 million is achieved; 25 percent of the maximum match (i.e. 0.75:1) will be earned for achieving 2010 PBT of £110 million and the awards will vest on a sliding scale between these two points. A further match of up to two shares will be made for achieving upper quartile Total Shareholder Return (TSR), measured against the FTSE 250 Index (excluding investment trusts). Post year end, these awards lapsed in full on 31 December 2010 as the performance conditions were not met as at year end 25 December 2010.

2 The directors were required to defer a third of their annual bonus earned in 2008 into shares. These shares were bought out of taxed income and are held in Trust for three years. Mr Ingle has 570,416 shares held in Trust under this arrangement and Mr Robson 403,374 shares.

3 From 2009 onwards, the directors have been required to defer any part of their annual bonus payment earned in excess of 100% of salary into shares. The shares are bought out of taxed income. Half of these shares will be held in trust for a further year and the remaining 50% will be held in trust for a further two years. Mr Ingle has 104,340 shares held in Trust under this arrangement and Mr Robson 69,074 shares.

Executive directors' pensions

The table below shows the accrued pension should the director leave employment as at the financial period end:

	Transfer value at 26 Dec 2009 £000	Real increase in accrued pension £000	Inflation £000	Increase in accrued pension £000	Transfer value of real increase in accrued pension (less director's contributions) £000	Other changes to transfer value £000	Increase in transfer value less director's contributions £000	Director's contributions £000	Accrued pension at 25 Dec 2010 £000	Transfer value at 25 Dec 2010 £000
Matthew Ingle	492.4	–	1.2	1.2	0.1	14.9	15.0	–	42.6	507.4
Mark Robson	175.4	2.2	0.5	2.7	26.5	2.6	29.1	–	15.7	204.5

1 Matthew Ingle opted out of the pension plan on 5 April 2006 and consequently receives a 30% salary supplement from this date. Mark Robson receives a salary supplement of 30% on basic earnings over and above the earnings cap.

2 Employee pension contributions are paid on a Salary Sacrifice basis and therefore aggregate pension costs paid by the Company in respect of the directors' qualifying services were £67,306 (2009 - £67,214). The amount paid in respect of the highest paid director was £67,306 (2009 - £67,214).

Name	Date pensionable service commenced	Pensionable service (complete years and months)
Matthew Ingle	12 April 1995	10 years 11 months
Mark Robson	12 April 2005	5 years 8 months

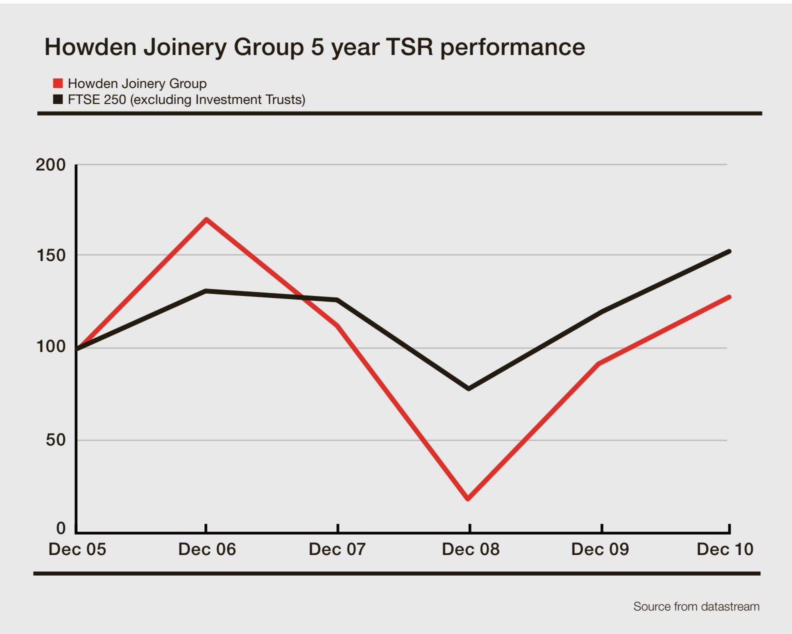
Directors' award of FreeShares – Share Incentive Plan

The aggregate awards of free shares made to the executive directors under the Share Incentive Plan are as follows:

Executive	No of Shares
Matthew Ingle	311

Directors' Remuneration Report Regulations 2002

Under the Directors' Remuneration Report Regulations 2002 ("the Regulators") the Company is required to include in this report a graph showing the Company's total shareholder return (TSR) performance over the most recent five years compared to an appropriate index. The graph below illustrates the Company's TSR performance relative to the constituents of the FTSE 250 index (excluding investment companies) of which the Company is a constituent.



By order of the Board
Caroline Bishop
Secretary

2 March 2011

Corporate governance report

Statement of Compliance

As a locally empowered entrepreneurial business, a strong governance culture is vital for the success of our business. The Board is therefore committed to maintaining high standards of corporate governance which then set the tone for governance across the wider business.

Throughout the year ended 25 December 2010, the Company has complied with the provisions set out in section 1 of the 2008 Financial Reporting Council Combined Code ("the Combined Code" or "Code"). Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' Remuneration Report. The Board has also reviewed the content of the 2010 UK Corporate Governance Code and will report on compliance with the new code as part of the FY2011 Corporate Governance Report. Where the revised provisions have been taken into consideration earlier than required, it has been noted. In particular, the Board has noted provision B.7.1 of the new Code in respect of directors being subject to annual re-election by shareholders and has chosen to adopt this provision from the 2011 AGM.

The Board

The role of the Board

The primary purpose of the Board is to ensure that the needs and aspirations of all stakeholders are satisfied. The Board seeks to achieve this through the development of a balanced strategy which serves the interests of the stakeholders. The Board's role is to set the context for the business, to create suitable structures for implementing the Group's chosen strategy and to ensure the coordination, alignment and motivation of resource to fulfil that strategy. The Board then assesses the results of these actions and sets revised priorities where appropriate to service the needs of the stakeholders.

Decisions reserved for consideration by the Board are detailed in a schedule which is reviewed annually. These include decisions about strategy, acquisition and disposals, risk management and internal control, capital projects over a defined level, annual budgets, Group borrowing facilities and consideration of significant financial and operational matters. The Board also considers legislative, environmental, healthy & safety, governance and employment issues.

The Board holds regular meetings and receives accurate and timely information. During 2010, the Board held seven formal Board meetings and a number of other meetings and teleconferences to discuss and review progress on issues affecting the Group during the year. The Board also held a separate session in the autumn to review the Group's strategy. This session included presentations from the Executive team as well as from external professionals.

In addition to the regular Board meetings, information is circulated to the directors outside of these meetings. The Chairman meets with the non-executive directors twice a year without the executive directors being present and the Senior Independent Director meets with the other non-executive directors without the Chairman present to appraise the Chairman's performance.

Board composition

During the year, the Board comprised the non-executive Chairman, Will Samuel, two executive directors and four independent non-executive directors. On 19 May 2010, Peter Wallis resigned as a non-executive director having served nine years in the role. He was replaced on 24 May 2010 by Tiffany Hall. The Chief Executive is Matthew Ingle who has held that position since October 2005. The other executive director is Mark Robson, who joined the Board as Chief Financial Officer in April 2005. Will Samuel's other commitments include his positions as Vice Chairman of Lazard & Co., Chairman of Ecclesiastical Insurance Group plc, Deputy Chairman of Inchcape plc and non-executive director of Edinburgh Investment Trust plc. Michael Wemms holds the position of Senior Independent Director.

For the year ended 25 December 2010, the following non-executive directors were deemed independent in accordance with the definition of independence contained in the Combined Code:

- Will Samuel (Chairman)
- Angus Cockburn
- Ian Smith
- Michael Wemms
- Peter Wallis (resigned 19 May 2010)
- Tiffany Hall (appointed 24 May 2010)

Non-executive directors are appointed for an initial term of three years, subject to reappointment by shareholders. Their letters of appointment are available for inspection at the Annual General Meeting and on request. A committee appointed by the Board comprising the Chairman and Chief Executive agrees the fees of the non-executive directors. The Remuneration Committee determines the Chairman's fee. Under the Articles of Association, all directors are subject to reappointment by shareholders at the first annual general meeting following their appointment by the Board and thereafter at intervals of no more than every three years. In light of provision B.7.1 the new UK Corporate Governance Code, the Board has agreed that each of the directors will be subject to re-election by shareholders at the 2011 AGM, and annually thereafter.

The Board recognises that, having served nine years as a non-executive director, Ian Smith may cease to be independent for the purposes of the Combined Code after the 2011 AGM. The Board is actively searching for a candidate to replace him. However, the Board values highly Ian Smith's contribution to the Board's deliberations on future strategy and, in order to provide continuity in the short term and ensure a smooth transition of responsibilities, the Nominations Committee is proposing that Mr Smith be elected for a further year in 2011.

From 1 October 2008, the Company adopted a procedure for authorising directors' conflicts of interest and potential conflicts of interest in accordance with the provisions of the Companies Act 2006. The procedure is included in the Company's Articles of Association. During the year, the Board has reviewed those interests declared by directors which could conflict with those of the Company. The Company is satisfied that the procedure to authorise potential conflicts is operating effectively.

Division of responsibilities

The separate roles of the Chairman and Chief Executive are clearly defined. The Chairman is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. Working with his colleagues on the Executive Committee, the Chief Executive is responsible for the satisfactory execution of the strategy agreed by the Board. Appropriate induction (as described below in the section on the Nominations Committee) and training are made available to all directors. Biographical details of the directors are given on page 28.

In accordance with the Code, the Board has established Audit, Remuneration and Nominations Committees, each with defined terms of reference. The terms of reference of these committees are reviewed regularly. Membership of these committees, which is reviewed annually, is shown on page 116. The terms of reference are available on request from the Company Secretary and on the Company's website www.howdenjoinerygroupplc.com. The Board has also established a Pensions Committee dealing with matters associated with the Group's pension scheme and a Disclosure Committee which considers matters which could give rise to an obligation to make a market announcement under the FSA Listing Rules.

In addition to these standing committees, the Group has an Executive Committee comprising those members detailed on page 116. The principal purpose of the Committee, which meets twice a month, or more frequently if required, is the implementation of the Group's strategy and operational plans. The Committee monitors the operational and financial performance of the business on a divisional basis, as well as being responsible for the optimisation of resources and the identification and control of operational risk within the Group.

Board evaluation

The Board has adopted a formal process for reviewing its own effectiveness. During the year, a formal evaluation of the Board's performance was carried out by an external, independent facilitator, Roxy Fry. Ms Fry is also periodically engaged by the Group in her capacity as a consultant for Trinity Management Communications Ltd. The formal evaluation, which comprised a number of interviews, addressed key topics which included:

- the composition of the Board;
- the extent and quality of information provided to the Board;
- the conduct of Board meetings and processes;
- the extent to which the Board engages in strategic planning;
- the performance of the Chairman, of Board committees and of individual members;
- the quality of debate within the Board; and
- the extent to which actions arising from the 2009 evaluation exercise had been implemented effectively.

In addition, interviews were conducted with key shareholders and advisors to gain their views of the Board and how they felt the Board interacted with shareholders and other stakeholders.

The Senior Independent Director met with the non-executive directors in the absence of the Chairman to assess the Chairman's performance.

A report of the evaluation was presented to the Board in February 2011 and the Board accepted its findings and recommendations. The Board also concluded that good and positive progress had been made in respect of the actions arising from the 2009 review.

There is a procedure for all directors to take independent external advice, at the Company's expense, in the course of their duties via the Company Secretary. Working with the Chairman, the Company Secretary is responsible for ensuring that Board procedures are followed and all directors have access to her advice and services.

Directors' indemnity & insurance

In accordance with the Articles of Association, the Company has provided indemnities to the directors (to the extent permitted by the Companies Act) in respect of liabilities incurred as a result of their office. In addition the Company maintains appropriate insurance cover against legal action brought against its, or its subsidiaries', directors and officers. Neither the indemnity nor insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

Attendance

The following table shows the number of meetings individual directors could have attended (taking account of eligibility, appointment and retirement dates during the year) and their actual attendance. For the committees, only the attendance of members of that committee is shown, although other directors, where appropriate, have often also attended at the invitation of the chairman of the committee:

	Main Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nominations Committee meetings	
Current directors	Possible attendance	Actual attendance	Possible attendance	Actual attendance	Possible attendance	Actual attendance	Possible attendance	Actual attendance
Will Samuel	7	7	–	–	–	–	3	3
Angus Cockburn	7	7	3	3	3	3	3	2
Tiffany Hall	3	3	2	2	2	2	1	1
Matthew Ingle	7	7	–	–	–	–	–	–
Mark Robson	7	7	–	–	–	–	–	–
Ian Smith	7	5	3	2	3	2	3	2
Peter Wallis	4	4	1	1	1	1	2	2
Michael Wemms	7	7	3	3	3	3	3	3

If a director is unable to attend a meeting, they are nevertheless provided with all the papers and information relating to the meeting and are able to discuss the issues arising directly with the Chairman and executive directors. Ian Smith was unable to attend two meetings early in the year whilst still CEO of Reed Elsevier. As a result of these unintended absences, he spent time before and after both meetings with the Chairman and executive directors discussing the matters tabled at those meetings and ensuring that his views on these were considered.

Audit Committee

Composition of the Audit Committee

In compliance with the Code, during the year the Audit Committee comprised four independent non-executive directors: Angus Cockburn, Ian Smith, Michael Wemms, Peter Wallis (until his resignation) and thereafter Tiffany Hall. The Committee has been chaired since 6 March 2007 by Angus Cockburn who, as a qualified accountant and Group Finance Director of Aggreko plc, fulfils the Committee's requirement to include one financially qualified member. Appointments to the Committee are for a period of three years and are extendable by no more than two additional three year periods.

The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Combined Code. The terms of reference are considered annually by the Committee and are then referred to the Board for approval.

The Audit Committee met four times in 2010 and has an agenda linked to the events in the Group's financial calendar. The Audit Committee invites the Chief Executive, the Chief Financial Officer, the Group Financial Controller, Head of Internal Audit and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

Summary of the role of the Audit Committee

The Audit Committee assists the Board in ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Company's internal financial controls and the Group's internal control systems;
- reviewing the Group's risk management processes and systems (although the Board as a whole remains responsible for overseeing the overall risk profile of the business);
- monitoring and reviewing the effectiveness of the Company's internal audit function;
- making recommendations to the Board in relation to the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is also responsible for reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed, making recommendations as to the steps to be taken and monitoring the effectiveness of any resulting activity.

Overview of the actions taken by the Audit Committee to discharge its duties
During the year, the Committee discharged its responsibilities through the following activities:

- reviewing the Group's 2009 annual report and financial statements, the half yearly financial report published in July 2010 and the interim management statements;
- reviewing the effectiveness of the Group's internal financial controls (with specific reference to controls used on a divisional basis) and reviewing the disclosures made in the annual report and financial statements on this matter;
- reviewing the processes used by the Group for identifying, evaluating and mitigating risks;
- receiving reports from the external auditors on the conduct of their audit, their review of accounting policies, areas of judgement and their comments on risks and controls;
- reviewing the proposed plan of work presented by the external auditors, including terms of engagement and fees;
- reviewing the Group's policy on the engagement of the external auditor for non-audit work;
- assessing the risk of a possible withdrawal of the external auditors from the market;
- reviewing the effectiveness of the external auditors, including consideration of the independence of the external auditors, Deloitte LLP's own quality control procedures and their annual transparency report;
- holding confidential sessions with the independent auditors and the head of internal audit in the absence of executive directors and Company executives;
- evaluating the performance of the Internal Audit function and agreeing with that function a programme of work;
- receiving reports from the Internal Audit function on its work and monitoring the status of actions taken in response to its findings;
- reviewing any activity reported under the Group's whistleblowing policy;
- reviewing its own effectiveness as part of the Board's evaluation process; and
- reviewing the Committee's terms of reference and recommending minor changes to the Board.

External Auditors
The external audit was last tendered in 2002. This resulted in a change to the Group's external auditor, with Deloitte LLP replacing the previous incumbent audit firm. The Committee recognises that auditor independence is an essential part of the audit framework and the assurance it provides. The Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit in line with relevant ethical standards and guidance. The current policy sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Group, subject to de minimis levels. All fees proposed by the external auditors must be reported to and approved by the Audit Committee.

During the year, the external auditors provided tax advice relating to the Group's obligations in respect of former MFI properties. The Committee reviewed the nature and cost of this work during the year and approved the ongoing involvement of Deloitte LLP in this regard as it was concluded that Deloitte were best placed to supply such tax services in a cost effective manner due to the experience and qualifications of the individuals providing such services, their knowledge of the Company and its tax affairs and that the best interests of the Company were served by engaging them. Details of Deloitte LLP's fees for audit and non-audit work during 2010 are included in note 7 to the financial statements.

The Committee also has a policy in relation to the employment of former members of the external audit team. This policy states that whilst the Company would not normally employ a former member of the external audit team, if appropriate, individual cases may be considered by the Chairman of the Committee and Chief Financial Officer.

To fulfil its responsibility regarding the independence of the external auditors, the Committee has undertaken a comprehensive review during 2010 encompassing the following:

- reviewed the independence of the external auditors and the arrangements which Deloitte LLP have in place to identify, report and manage conflicts of interest;
- reviewed changes in key external audit staff for the current year (noting the role of the senior statutory audit partner, who signs the audit report and who, in accordance with professional rules, has not held office for more than five years), and the arrangements for the day to day management of the audit relationship;
- considered the effectiveness of the external auditors through a review of their plan of work and the outputs arising from the audit;
- considered the overall extent of non-audit services provided by the external auditors, in addition to case by case approval of the provision of non-audit services as appropriate; and
- considered the likelihood of a withdrawal of the auditor from the market and noted that there are no contractual obligations to restrict the choice of external auditors.

As a result of its work above, and taking into account the tenure of the auditors, the Committee has concluded that the independence criteria under the relative standards continued to be met and accordingly it was not necessary to tender for the audit work. The Committee has therefore unanimously recommended to the Board that a proposal be put to the shareholders at the Annual General Meeting that Deloitte LLP be reappointed as external auditors and that the Directors be authorised to fix their remuneration. At the year end the independent auditors formally confirmed their independence and objectivity had been maintained.

Internal Audit

The Audit Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy of resourcing and plans of the internal audit department. During the year, the Committee reviewed:

- Internal Audit's programme of work and progress made against planned activity;
- results of key audits and other significant findings including the adequacy and timeliness of management's response; and
- staffing, reporting and effectiveness of divisional audits.

The Group's whistleblowing policy contains arrangements for the Head of Internal Audit to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate. Issues raised and investigated under this policy were formally reviewed during the year.

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Remuneration Committee

During the year, the Remuneration Committee consisted of four independent non-executive directors. The Committee is chaired by Michael Wemms and its composition is further described in the Remuneration Report on pages 32 to 45. It is responsible for advising on the remuneration packages needed to attract, retain and motivate executive directors of the required quality. The Remuneration Committee is responsible for developing strategy and policy on executive remuneration, deciding on the remuneration packages of individual executive directors and reviewing the remuneration and policy of certain other senior executives who are not on the Board. The Committee is regularly assisted in its work by its appointed firm of professional advisers, the Chairman, the Chief Executive, the Company Secretary and the Company's internal Human Resources function. Full details of the Committee's work are contained in the Remuneration Report which is incorporated in this Corporate

Governance Report by reference. This report includes details on remuneration policy, terms of appointment, and the remuneration of executive directors.

All executive directors' notice and contract periods do not exceed one year. Executive directors' service contracts also provide that compensation on termination is determined by reference to a notice period of 12 months.

During 2010, the Committee met three times.

Nominations Committee

The Nominations Committee consists of the Chairman of the Board, who chairs the Committee, and the independent non-executive directors. The Committee keeps under review the size, composition and structure of the Board, including succession, and makes recommendations to the Board for all new appointments and reappointments.

During 2010, the Nominations Committee met three times to consider:

- the reappointment of directors at the 2010 AGM;
- the appointment of Tiffany Hall as a new non-executive director to replace Peter Wallis;
- a review of the balance of skills and experience necessary within the Board;
- the engagement of external recruitment consultants and the recruitment process for the role of non-executive director (in anticipation of the fact that, from May 2011, Ian Smith may cease to meet the independence criteria for the purposes of the Combined Code). Search consultants have been instructed by the Committee in connection with this process; and
- the Committee's terms of reference and any necessary updates.

In considering the recruitment of new non-executive directors, the Board is mindful of new provision B.2 in the UK Corporate Governance Code which asks the Board to give due consideration to the benefits of diversity on the Board to ensure an appropriate balance of skills and experience.

The Group's induction programme for newly appointed directors concentrates on familiarisation with the businesses of the Group, including meeting directors and executives individually, visiting operational locations, discussions with the Company's external advisers and visiting a major shareholder. The director also receives a pack of introductory materials.

Ongoing training and development for the directors includes attendance at formal conferences and internal events as well as briefings from external advisers. Directors are also encouraged to attend external seminars and briefings as part of their continuous professional development. The Chairman meets with individual directors annually to discuss, amongst other things, individual training and development needs. A record of ongoing training and development of directors is kept by the Company Secretary.

Relations with shareholders

The Company considers its relationship with both institutional and private investors to be important and readily enters into dialogue with investors. The Company has consulted extensively with its principal shareholders in the course of 2010 in relation to the ongoing progress of the Company and also in relation to identifying appropriate executive incentive arrangements to reflect the changing business profile of the Company. All of the executive directors, the Chairman and the Senior Independent Director met with shareholders during the year and all make themselves available for meetings with shareholders as required. The Company's website (www.howdenjoinerygroupplc.com) includes a specific investor relations section and provides an effective channel for communication with existing and potential investors. The Board receives regular reports from the CFO with regard to relations with the major shareholders and developments and changes in their shareholdings. The Board also commissions regular feedback reports from the Company's joint brokers, UBS and JP Morgan Cazenove.

The Annual General Meeting (AGM) provides shareholders with an opportunity to discuss the Group's progress and operations directly with the Board. Shareholders are invited to raise questions at the AGM which is attended by all the directors. At the AGM, the Company proposes separate resolutions on each substantially separate issue and the numbers of proxy votes cast for and against each resolution are made available to shareholders when voting has been completed. The notice of the AGM is sent to shareholders at least twenty working days before the meeting.

Risk and internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness, whilst the role of management is to implement Board policies on risk and control. Such a system is, however, designed to manage rather than eliminate the risks of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable assurance against misstatement or loss. The Combined Code recommends that the Board at least annually reviews the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management. The Board has conducted reviews of the effectiveness of the system of internal controls through the processes described below and is satisfied that it accords both with the Combined Code and with the Turnbull Guidance. During the course of its review of the system of internal control, the Board has not identified or been advised of any failings or weaknesses which it has determined to be significant; therefore a confirmation in respect of necessary actions has not been considered appropriate.

i. Risk management

The Board can confirm that, for the 2010 financial year and up to the date of approval of the annual report and financial statements, there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Group which is reviewed regularly by the Board and accords with the Turnbull Guidance. Under the guidance of the Chief Financial Officer, it is the responsibility of the Executive Committee to review the effectiveness of the risk management process and internal controls on behalf of the Board. The Executive Committee regularly reports to the Board on how risks are being managed. In addition, there is a mechanism in place to report significant control breakdowns or risk occurrences to the Executive Committee.

An ongoing process for the effective management of risk has been defined by the Board and is operated in the following stages:

- Each operating division and central function identifies key risks through the adoption of both a "bottom-up" and "top-down" process. These key risks are regularly reviewed by the senior management team in each division. The key risks to each business area's objectives are identified and scored for probability and impact. The key controls to manage the risks to the desired level are identified.
- A local database of risks and controls is maintained within each operating division and central service function. This is consolidated into a central register which becomes the key risk register for the Group. The Group Risk department facilitates the identification of these risks and provides an independent appraisal of the interpretation of the scoring mechanism, to ensure that the key risks are brought forward to the Executive Committee. The Executive Committee then reviews the key risks to assess the effectiveness of the risk management strategies.
- The senior management team within each division and within the central functions are responsible for the ongoing review of their functions' risk registers. Regular reporting on internal and external changes that affect the risks or their importance to the business, and any risk occurrences, are reported upwards through their register to the Executive Committee.
- Key generic risks and their management are regularly reported to and discussed at the Executive Committee.
- A review of the risk process and risk management systems is undertaken by the Audit Committee annually.
- Key risks arising within the business are formally discussed

by the Group Board every six months given that overall risk is a matter reserved for the Board as a whole.

ii. Internal control
The Group has an established framework of internal controls, which includes the following key elements:

- The Board reviews the strategies of the divisions and the executive management are accountable for their performance within the agreed strategies.
- The Group and its subsidiaries operate control procedures designed to ensure complete and accurate accounting of financial transactions, and to limit exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties in key areas and periodic Internal Audit reviews.
- The Audit Committee meets regularly and its responsibilities are set out above. It receives reports from the Internal Audit function on the results of work carried out under an annually agreed audit programme. The Audit Committee has independent access to the internal and external auditors.
- Internal Audit facilitates a process whereby operating entities provide certified statements of compliance with internal financial controls. The effectiveness of the key controls detailed in the compliance statements are tested cyclically as part of the ongoing Internal Audit Programme.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on pages 8 to 9, the Chief Executive's statement on pages 10 to 14 and the Review of Operations and Finance on pages 15 to 21. The Review of Operations and Finance describes the financial position of the Group, its cash flows, liquidity position, borrowing facilities, and the Group's objectives, policies and processes for managing its commercial and financial risks. The Group's financial risk management objectives and its exposures to credit risk and liquidity risk in relation to financial instruments are described in note 30.

As highlighted in note 30 to the financial statements, the Group meets its day to day working capital requirements through an asset backed lending facility which is due for renewal in May 2014. The current economic conditions create uncertainty particularly over (a) the level of demand for the Group's products and (b) the exchange rate between sterling and both the Euro and the US dollar which would impact the cost of the Group's operations.

The Group's forecasts and projections have been stress-tested for reasonably possible adverse variations in trading performance. The results of this testing show that the Group should be able to operate within the level of its current facility and covenants. The Group's banking facility expires in May 2014 so at this stage the Group has not sought any written commitment that the facility will be renewed. We will open renewal negotiations with the bank in due course.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' Responsibility Statement

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings including the consolidation taken as a whole; and
- the review of operations and finance along with other documents which are incorporated into the Directors' Report, together include a fair review of the development and performance of the business and the position of the Company and the undertakings including the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board
Matthew Ingle
Chief Executive

Mark Robson
Chief Financial Officer

2 March 2011

Consolidated income statement

	Notes	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 Before exceptional items £m	Exceptional items (note 6) £m	Total £m
Continuing operations:					
Revenue – sale of goods	4	807.9	769.5	–	769.5
Cost of sales		(324.9)	(337.4)	–	(337.4)
Gross profit		483.0	432.1	–	432.1
Selling & distribution costs		(315.5)	(294.0)	–	(294.0)
Administrative expenses		(60.1)	(58.6)	–	(58.6)
Other operating expenses	6	–	–	(0.1)	(0.1)
Operating profit	7	107.4	79.5	(0.1)	79.4
Finance income	9	0.3	0.2	–	0.2
Finance expense	10	(1.5)	(3.0)	–	(3.0)
Other finance expense – pensions	10	(5.3)	(8.0)	–	(8.0)
Profit before tax		100.9	68.7	(0.1)	68.6
Tax on profit	11	(34.0)	(18.5)	–	(18.5)
Profit after tax		66.9	50.2	(0.1)	50.1
Discontinued operations:					
Loss before tax	12	–	–	(4.4)	(4.4)
Tax on loss	11	–	–	–	–
Loss after tax	12	–	–	(4.4)	(4.4)
Profit for the period attributable to the equity holders of the parent		66.9	50.2	(4.5)	45.7
Earnings per share:					
From continuing operations					
Basic earnings per 10p share	13	11.1p			8.3p
Diluted earnings per 10p share	13	10.8p			8.3p
From continuing and discontinued operations					
Basic earnings per 10p share	13	11.1p			7.6p
Diluted earnings per 10p share	13	10.8p			7.5p

Consolidated statement of comprehensive income

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

Consolidated balance sheet

	Notes	25 December 2010 £m	26 December 2009 £m
Non current assets			
Goodwill	14	2.5	2.5
Other intangible assets	15	4.8	5.4
Property, plant and equipment	16	80.8	79.5
Investments	17	2.0	2.0
Deferred tax asset	18	50.1	73.6
		140.2	163.0
Current assets			
Inventories	19	105.5	86.3
Trade and other receivables	20	95.0	95.4
Other assets	20	0.2	0.7
Cash at bank and in hand	20	38.6	14.0
		239.3	196.4
Total assets		379.5	359.4
Current liabilities			
Trade and other payables	21	(136.8)	(119.4)
Current tax liability		(18.9)	(12.8)
Current borrowings	22	(1.5)	(2.3)
		(157.2)	(134.5)
Non current liabilities			
Non current borrowings	22	(2.3)	(10.0)
Pension liability	23	(135.7)	(196.3)
Deferred tax liability	18	(5.3)	(5.5)
Provisions	24	(55.9)	(86.8)
		(199.2)	(298.6)
Total liabilities		(356.4)	(433.1)
Net assets/(liabilities)		23.1	(73.7)
Equity			
Called up share capital	25	63.4	63.4
Share premium account		85.1	85.1
ESOP reserve		(26.0)	(27.5)
Other reserves		28.1	28.1
Retained loss		(127.5)	(222.8)
Total surplus/(deficit)		23.1	(73.7)

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

Consolidated statement of changes in equity

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

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

Other reserves were created in the year to 30 April 1994, following a Group reconstruction.

Consolidated cash flow statement

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

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

Cash flows from discontinued operating activities are shown in note 26. There are no cash flows from discontinued investing or financing activities.

Notes to the consolidated financial statements

1 General information

Howden Joinery Group Plc is a company incorporated in the United Kingdom under the Companies Act 2006. It was formerly known as Galiform Plc, and changed its name to Howden Joinery Group Plc on 15 September 2010. The address of the registered office is given on page 116. The nature of the Group's operations and principal activities are set out in the Directors' Report on pages 29 to 31.

2 Significant accounting policies

Basis of presentation

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

Statement of compliance and basis of accounting

The Group's financial statements have been prepared in accordance with the IFRSs adopted for use in the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, and on the going concern basis, as described in the going concern statement in the Corporate Governance Report on page 54. The principal accounting policies are set out below.

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the Group:

- Amendments to IAS 12: Deferred tax - Recovery of Underlying Assets
- Amendments to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- Amendments to IFRS 7: Disclosures - Transfers of Financial Assets
- Improvements to IFRSs: 2010 and 2009
- Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- IFRS 9: Financial Instruments
- IAS 24: Related Party Disclosures (revised)
- Amendments to IAS 32: Classification of rights issues
- Amendments to IFRS 1: Additional Amendments for First-time Adopters
- Amendments to IFRS 2: Group Cash-settled Share-based Payment Transactions
- Amendments to IFRIC 9 and IAS 39: Embedded Derivatives
- Amendments to IFRS 7: Improving Disclosures about Financial Instruments
- IFRS 1: First-time Adoption of International Financial Reporting Standards
- Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirement
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Group's financial statements when the relevant standards come into effect.

Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired company, plus any costs directly attributable to the business combination. The acquired company's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If after reassessment, the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is immediately recognised in the Income Statement.

Notes to the consolidated financial statements continued

Foreign currencies

Foreign currency transactions

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, where applicable, are translated into sterling at foreign exchange rates ruling at the balance sheet date. The results and cash flows of overseas subsidiaries and the results of joint ventures 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services, based on despatch of goods or services provided to customers outside the Group, excluding sales taxes and discounts. Interest income is recognised in the Income Statement as it accrues, using the effective interest method. Dividend income from investments is recognised when the right to receive payment has been established.

Exceptional items

Certain items do not reflect the Group's underlying trading performance and, due to their significance in terms of size or nature, have been classified as exceptional. The gains and losses on these discrete items, such as profits on disposal of businesses, property interests, restructuring costs and other non-operating items can have a material impact on the absolute amount of and trend in profit from operations and the result for the period. Therefore any gains and losses on such items are analysed as exceptional on the face of the Income Statement.

Current tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial period. 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 and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Deferred tax

Deferred tax is provided in full using the balance sheet liability method. It 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. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets and liabilities other than in a business combination that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, to the extent that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. 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.

Deferred tax is charged or credited to the Income Statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. For property leases, the land and building elements are treated separately to determine the appropriate lease classification.

Finance leases

Assets funded through finance leases are capitalised as property, plant and equipment, and depreciated over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the asset or the present value of the minimum lease payments during the lease term at the inception of the lease. The resulting lease obligations are included in liabilities net of finance charges. Finance costs on finance leases are charged directly to the Income Statement.

Operating leases
Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the Income Statement.

Lease incentives
Lease incentives primarily include up-front cash payments or rent-free periods. Lease incentives are capitalised and spread over the period of the lease term.

Leases with predetermined fixed rental increases
The Group has some leases with predetermined fixed rental increases. These rental increases are accounted for on a straight-line basis over the period of the lease term.

Investments
Investments are stated at cost less any provision for impairment.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units which is expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets – software
Where computer software is not an integral part of a related item of computer hardware, the software is classified as an intangible asset. The capitalised costs of software for internal use include external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the software is substantially complete and ready for its intended internal use. These costs are amortised over their expected useful lives, which are reviewed annually. The expected useful life is four years.

Property, plant and equipment
In 2006, 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 less any provision for impairment.

Depreciation of property, plant and equipment, excluding freehold land, is provided to write off the difference between the 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
Long leasehold property	over period of lease
Short leasehold property	over period of lease
Fixtures and fittings	2-10 years
Plant and machinery	3-10 years

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

Capital work in progress is not depreciated.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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

For goodwill assets that have an indefinite life and intangible assets not yet available for use, the recoverable amounts are estimated at each balance sheet date.

Apart from in the case of trade and other receivables, 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 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.

Notes to the consolidated financial statements continued

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes an attributable proportion of manufacturing overheads based on budgeted levels of activity. Cost is calculated using a standard cost which is regularly updated to reflect average actual costs. Provision is made for obsolete, slow-moving, or defective items where appropriate.

Discontinued operations
Cash flows and operations that relate to a major component of the business or geographical region that has been sold or is classified as held for sale are shown separately from continuing operations.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Pensions
Payments to defined contribution retirement benefit schemes are charged to the Income Statement as they fall due.

The Group operates a defined benefit pension scheme. The Group's net obligation in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value, and the fair value of any scheme assets is deducted. The discount rate used is selected so as 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. Because there are no AA rated bonds with maturity dates which are as long as those of the Group's retirement benefit obligations, the discount rate is derived using the rate of return of zero-coupon Gilts which have the same maturity as the Group's obligations, to which is added a premium which is calculated to account for the difference in risk between Gilts and AA rated bonds. The calculation is performed by a qualified actuary using the projected unit method. Scheme assets are valued at bid price.

Current and past service costs are recognised in operating profit and net financing costs include interest on pension scheme liabilities and expected return on assets.

All actuarial gains and losses as at 25 December 2004, the date of transition to IFRSs, were recognised. Actuarial gains and losses that arise subsequent to 25 December 2004 in calculating the Group's obligation in respect of a scheme are recognised immediately in reserves and reported in the Statement of Comprehensive Income.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts. Such allowances are raised based on an assessment of debtor ageing, past experience, or known customer circumstances.

Cash at bank and in hand and Cash and cash equivalents
Cash at bank and in hand, which is the term used in the balance sheet, comprises cash in 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 overdrafts repayable on demand.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the Income Statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables
Trade payables are not interest-bearing and are stated at their nominal value.

Derivative financial instruments
The Group does not currently use derivative financial instruments to reduce its exposure to interest or exchange rate movements. The Group does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Changes in their fair values are recognised in the Income Statement and this is likely to cause volatility in situations where the carrying value of the hedged item is either not adjusted to reflect the fair value changes arising from the hedged risk or is so adjusted but that adjustment is not recognised in this Income Statement. Provided the conditions specified by IAS 39 are met, hedge accounting may be used to mitigate this income statement volatility.

The Company expects that hedge accounting will not generally be applied to transactional hedging relationships, such as hedges of forecast or committed transactions.

Where the hedging relationship is classified as a cash flow hedge, to the extent the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in equity rather than in the Income Statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity will be either recycled to the Income Statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

Other payables

Other payables are stated at their fair value.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 26 December 2004 (the date of the Group's transition to IFRS).

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

Fair value is measured by use of a binomial model or a Black-Scholes model, according to the relative complexity of the type of share-based payment to be measured. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

3 Judgements and estimates

The Group makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

Impairment of assets

Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on a calculation of expected future cash flows which includes management assumptions and estimates of future performance.

Post-employment benefits

The Group operates a defined benefit scheme for its employees. The present value of the scheme's liabilities recognised at the balance sheet date is dependent on interest rates of high quality corporate bonds. The net financing charge recognised in the Income Statement is dependent on the interest rate of high quality corporate bonds and an expectation of the weighted average returns on the assets within the scheme. Other key assumptions within this calculation are based on market conditions or estimates of future events, including mortality rates, as set out in note 23.

Provisions

Descriptions of the provisions held at the period end are given at note 24. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability is accounted for in the period when such determination is made.

The property provisions require judgement and estimation in determining management's best estimate of the following main areas: the length of time it might take to find a tenant for a vacant property; the likely rent which could be achieved from letting a vacant property; the amount which the landlord of a property may accept as a lump sum in order to release the Group from its future obligations; the amount and timing of likely future increases in rent and other property costs; the extent, and hence the likely cost, of any associated legal and professional advice which will be required; future maintenance costs and dilapidations; and an estimate of future costs of capital in order to arrive at a suitable discount rate.

Income taxes

The Group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made.

Allowances against the carrying value of inventories

The Group reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the Group is required to make judgements as to future demand requirements and to compare these with the current or committed inventory levels. Factors that could impact estimated demand and selling prices are the timing and success of product ranges.

Notes to the consolidated financial statements continued

Allowances against the carrying value of trade receivables
Using information available at the balance sheet date, the Group reviews its accounts receivable balances and makes judgements based on an assessment of debt ageing, past experience, or known customer circumstances in order to determine the appropriate level of allowance required to account for potential uncollectable trade receivables.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date, together with details of any impairment loss and details of the impairment loss calculation, are included in note 14.

4 Revenue

An analysis of the Group's revenue is as follows:

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Continuing operations		
Sales of goods	807.9	769.5
Finance income	0.3	0.2
Total revenue	808.2	769.7

There was no revenue from discontinued operations.

5 Segmental reporting

Business Segments

(a) Basis of segmentation

Information reported to the Group's Chief Executive is focused on one operating segment, Howden Joinery. Thus, the information required in respect of external revenue, result, segmental assets and segmental liabilities can all be found in the Consolidated Income Statement and Consolidated Balance Sheet.

(b) Other information

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

Geographical Segments

The Group's operations are located in the UK and France. The Group has depots located in both the UK and France. The Group's manufacturing is located in the UK.

The following table analyses the Group's sales by geographical market, irrespective of the origin of the goods:

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Sales		
UK	795.1	756.4
France	12.8	13.1
	807.9	769.5

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

	25 December 2010 £m	26 December 2009 £m
Carrying amount of segment assets		
UK	372.0	352.6
France	7.5	6.8
	379.5	359.4

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Additions to property, plant and equipment and intangible assets		
UK	18.9	8.8
France	0.3	–
	19.2	8.8

6 Exceptional items

There are no exceptional items in the current period.

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

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

(a) Continuing operations

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

Notes to the consolidated financial statements continued

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

The item "Costs and obligations relating to empty properties" covers the Group's best estimate of the rent, rates, and other associated costs of these properties. It includes amounts paid under the property guarantees up to the end of the period, as well as a provision for expected future amounts payable. The amounts are discounted to their present value where material. The provision element of the exceptional item is included as part of the total additions to the property provision in the period as shown in note 24.

7 Operating profit

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

	Total	
	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Net foreign exchange gain/(loss)	2.4	(11.7)
Depreciation of property, plant and equipment:		
– on owned assets	(15.4)	(15.0)
– on assets held under finance leases	(1.1)	(1.5)
Amortisation of intangible assets (included in administrative expenses):		
– on owned assets	(1.5)	(1.5)
– on assets held under finance leases	(0.2)	(0.1)
Cost of inventories recognised as an expense	(324.8)	(330.3)
Write down of inventories	(0.1)	(7.1)
Loss on disposal of fixed assets	–	(0.1)
Movement in allowance for doubtful debts (note 20)	1.7	(0.7)
Staff costs (note 8)	(210.9)	(195.0)
Minimum lease payments under operating leases	(48.1)	(48.2)
Auditors' remuneration for audit services (see below)	(0.3)	(0.3)

All of the items above relate to continuing operations.

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

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Audit services		
Fees paid to the Company's auditors for the audit of the Company's annual accounts	(0.1)	(0.1)
Fees paid to the Company's auditors and their associates for other services to the Group:		
– the audit of the subsidiary companies pursuant to legislation	(0.2)	(0.2)
Total audit fees	(0.3)	(0.3)
Other services		
Other services pursuant to legislation	(0.1)	(0.2)
Tax services	(0.3)	(0.2)
Total non-audit fees	(0.4)	(0.4)

8 Staff costs

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

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Wages and salaries	185.3	172.3
Social security costs	16.9	14.8
Pension operating costs (note 23)	8.7	7.9
	210.9	195.0

Wages and salaries includes a charge in respect of share-based payments of £1.4m (2009: credit of £0.4m).

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

	52 weeks to 25 December 2010 Number	52 weeks to 26 December 2009 Number
	5,954	5,623

9 Finance income

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

10 Finance expenses and other finance expense – pensions

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

Further details of the finance charge on remeasuring creditors to fair value in the current period are given in note 24.

Other finance expense – pensions	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Pensions finance expense	(5.3)	(8.0)

Notes to the consolidated financial statements continued

11 Tax

(a) Tax in the income statement

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

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

(b) Tax relating to items credited to equity

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Deferred tax		
Actuarial gain/(loss) on pension scheme	11.3	(24.4)
Credit to equity on share schemes	–	(2.1)
Total tax credited to Statement of Comprehensive Income	11.3	(26.5)

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

(c) Reconciliation of the total tax charge

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

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Profit/(loss) before tax		
Continuing operations	100.9	68.6
Discontinued operations	–	(4.4)
	100.9	64.2

	Continuing operations		Discontinued operations		Total	
	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Tax at the UK Corporation tax rate of 28% (2009: 28%)	28.3	19.2	–	(1.2)	28.3	18.0
Expenses not deductible for tax purposes	**3.5	**0.5	–	1.2	3.5	1.7
Change of tax rate	***1.6	–	–	–	1.6	–
Non-qualifying depreciation	0.6	1.1	–	–	0.6	1.1
Tax adjustments in respect of previous years	–	(1.0)	–	–	–	(1.0)
IFRS 2 share scheme charge*	–	(1.0)	–	–	–	(1.0)
Others	–	(0.3)	–	–	–	(0.3)
Total tax charged in the Income Statement	34.0	18.5	–	–	34.0	18.5

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

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

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

12 Discontinued operations

The items in the prior period relating to discontinued operations are all exceptional items, and are all explained in the exceptional item note (note 6). The cash flow associated with the discontinued items is shown in note 26.

Notes to the consolidated financial statements continued

13 Earnings per share

	52 weeks to 25 December 2010			52 weeks to 26 December 2009		
	Earnings £m	Weighted average number of shares m	Earnings per share p	Earnings £m	Weighted average number of shares m	Earnings per share p
From continuing operations						
Basic earnings per share	66.9	605.2	11.1	50.1	602.8	8.3
Effect of dilutive share options	–	12.2	(0.3)	–	3.2	–
Diluted earnings per share	66.9	617.4	10.8	50.1	606.0	8.3
From discontinued operations						
Basic earnings/(loss) per share	–	605.2	–	(4.4)	602.8	(0.7)
Effect of dilutive share options	–	12.2	–	–	3.2	–
Diluted earnings/(loss) per share	–	617.4	–	(4.4)	606.0	(0.7)
From continuing and discontinued operations						
Basic earnings per share	66.9	605.2	11.1	45.7	602.8	7.6
Effect of dilutive share options	–	12.2	(0.3)	–	3.2	(0.1)
Diluted earnings per share	66.9	617.4	10.8	45.7	606.0	7.5
From continuing operations excluding exceptional items						
Basic earnings per share	66.9	605.2	11.1	50.2	602.8	8.3
Effect of dilutive share options	–	12.2	(0.3)	–	3.2	–
Diluted earnings per share	66.9	617.4	10.8	50.2	606.0	8.3
From continuing and discontinued operations excluding exceptional items						
Basic earnings per share	66.9	605.2	11.1	50.2	602.8	8.3
Effect of dilutive share options	–	12.2	(0.3)	–	3.2	–
Diluted earnings per share	66.9	617.4	10.8	50.2	606.0	8.3

14 Goodwill

Cost and carrying value	£m
At 27 December 2008, 26 December 2009, and 25 December 2010	2.5

The goodwill was recognised on the acquisition of the remaining 50% of Howden Joinery Supply Division (Asia) Limited ("HJ Asia"), during the period ended 27 December 2008. Prior to this, HJ Asia was a 50%-owned joint venture, with no associated goodwill.

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the cash-generating unit ("CGU") has been determined from a value in use calculation. The key assumptions for the value in use calculation are: the expected future net benefits of using HJ Asia to source products at a saving compared to sourcing from elsewhere; discount rates, and growth rates. The estimates of future sourcing benefits are revised annually and are based on a detailed analysis of planned sourcing via HJ Asia over the next 12 months, and management's assessments of the net savings to be made from sourcing via HJ Asia, after taking into account the associated overhead costs of running the HJ Asia business. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money. Because any Group borrowings are negotiated on the basis of the Group as a whole, management has chosen a discount rate which reflects their assessment of the Group's pre-tax weighted average cost of capital (2010: 8.1%; 2009: 8.2%). This is arrived at using the actual cost of the Group's current borrowings as a benchmark, which is then adjusted as necessary for any expected future changes. The growth rates assume no growth other than inflation (2010: 3.5%; 2009: 3.6%), which does not exceed the long-term growth rate for the market in which HJ Asia operates. The growth rate is felt to be appropriate in the current economic climate although management will continue to update this assumption in future periods in line with actual experience. The value in use calculations use this growth rate to perpetuity.

The whole of the goodwill is allocated to the HJ Asia CGU.

The Group has conducted sensitivity analysis on the impairment test of the HJ Asia CGU. Even with reasonably possible changes in the key assumptions, there is no indication that the carrying amount of the goodwill would be in excess of its recoverable amount.

15 Other intangible assets

The other intangible assets shown below all relate to software, as detailed further in the accounting policies note.

Cost	£m
At 27 December 2008	12.6
Additions	(0.1)
Exchange adjustments	1.4
Disposals	(0.6)
At 26 December 2009	13.3
Additions	1.1
At 25 December 2010	14.4
Amortisation	
At 27 December 2008	6.4
Charge for the period	1.6
Disposals	(0.1)
At 26 December 2009	7.9
Charge for the period	1.7
At 25 December 2010	9.6
Net book value at 25 December 2010	4.8
Net book value at 26 December 2009	5.4

Details of intangible assets held under finance leases are given in note 16, together with the corresponding analysis of tangible assets held under finance leases.

Notes to the consolidated financial statements continued

16 Property, plant and equipment

Cost	Freehold property £m	Short term leasehold property £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Capital WIP £m	Total £m
At 27 December 2008	20.9	21.1	157.8	64.3	2.0	266.1
Exchange adjustments	–	–	(0.1)	(0.1)	–	(0.2)
Additions	0.3	1.1	3.5	1.7	0.8	7.4
Disposals	–	(0.1)	(4.0)	(0.4)	–	(4.5)
Reclassifications	–	–	1.2	0.5	(1.7)	–
At 26 December 2009	21.2	22.1	158.4	66.0	1.1	268.8
Exchange adjustments	–	–	–	(0.1)	–	(0.1)
Additions	0.1	6.3	6.4	4.7	0.6	18.1
Disposals	–	(0.4)	(0.6)	(0.5)	–	(1.5)
Reclassifications	–	–	0.7	0.2	(0.9)	–
At 25 December 2010	21.3	28.0	164.9	70.3	0.8	285.3
Depreciation						
At 27 December 2008	0.9	5.5	125.5	44.8	–	176.7
Charge for the period	0.5	1.4	8.1	6.5	–	16.5
Disposals	–	–	(3.6)	(0.3)	–	(3.9)
Reclassifications	–	–	(0.3)	0.3	–	–
At 26 December 2009	1.4	6.9	129.7	51.3	–	189.3
Exchange adjustments	–	–	–	(0.1)	–	(0.1)
Charge for the period	0.5	2.3	8.1	5.6	–	16.5
Disposals	–	(0.2)	(0.6)	(0.4)	–	(1.2)
At 25 December 2010	1.9	9.0	137.2	56.4	–	204.5
Net book value at 25 December 2010	19.4	19.0	27.7	13.9	0.8	80.8
Net book value at 26 December 2009	19.8	15.2	28.7	14.7	1.1	79.5

The Group has pledged its property, plant and equipment to secure bank borrowings. More details are given in note 22.

At 25 December 2010, the Group had entered into contractual commitments to acquire property, plant and equipment amounting to £5m (2009: £0.5m).

Analysis of assets held under finance leases

	25 December 2010			26 December 2009		
	Plant, machinery & vehicles £m	Intangible assets £m	Total £m	Plant, machinery & vehicles £m	Intangible assets £m	Total £m
Cost	4.3	0.6	4.9	4.3	0.6	4.9
Accumulated depreciation	(2.7)	(0.4)	(3.1)	(1.6)	(0.2)	(1.8)
Net book value	1.6	0.2	1.8	2.7	0.4	3.1

17 Investments

	Other unlisted investment £m
At 27 December 2008	4.0
Repayment of investment	(2.0)
At 26 December 2009 and 25 December 2010	2.0

In the opinion of the directors, the fair value of the unlisted investment is materially equal to its carrying value.

The change in investments during the prior period relates to the redemption of part of the unlisted investment at cost during that period. The part of the investment which was redeemed had a cost and carrying value of £2m. The £2m cash received on redemption is shown in the cash flow statement for that period.

18 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements on them during the current and prior reporting periods:

	Retirement benefit obligations £m	Accelerated capital allowances £m	Other timing differences £m	Total £m
At 27 December 2008	34.2	5.1	7.8	47.1
(Charge)/credit to income	(3.5)	(2.9)	0.9	(5.5)
Credit to equity	24.4	–	2.1	26.5
At 26 December 2009	55.1	2.2	10.8	68.1
Charge to income	(7.2)	(2.4)	(2.4)	(12.0)
Charge to equity	(11.3)	–	–	(11.3)
At 25 December 2010	36.6	(0.2)	8.4	44.8

Deferred tax arising from accelerated capital allowances and short term timing differences can be further analysed as a £13.5m asset and a £5.3m liability (2009: £18.5m asset and £5.5m liability).

The presentation in the balance sheet is as follows:

	25 December 2010 £m	26 December 2009 £m
Deferred tax assets	50.1	73.6
Deferred tax liabilities	(5.3)	(5.5)
	44.8	68.1

There are potential deferred tax assets in relation to trading tax losses totalling £14.3m (2009: £14.8m) that have not been recognised on the basis that their future economic benefit is uncertain. All of these losses may be carried forward indefinitely. The Group also has carried forward capital losses and the related potential deferred tax asset of £23.0m (2009: £23.9m) has not been recognised. These capital losses may be carried forward indefinitely.

Notes to the consolidated financial statements continued

19 Inventories

	25 December 2010 £m	26 December 2009 £m
Raw materials	1.7	3.1
Work in progress	2.9	2.1
Finished goods and goods for resale	115.1	99.0
Allowance against carrying value of inventories	(14.2)	(17.9)
	105.5	86.3

The Group has pledged its inventories to secure bank borrowings. More details are given in note 22.

20 Other financial assets

Trade and other receivables

	25 December 2010 £m	26 December 2009 £m
Trade receivables (net of allowance)	68.9	65.4
Prepayments and accrued income	23.0	29.2
Other receivables	3.1	0.8
	95.0	95.4

Trade and other receivables are not interest-bearing, and are on commercial terms. Their carrying value approximates to their fair value.

An analysis of the Group's allowance for doubtful receivables is as follows:

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Balance at start of period	10.9	10.2
(Decrease)/increase in allowance recognised in the Income Statement	(1.7)	0.7
Balance at end of period	9.2	10.9

The Group's exposure to the credit risk inherent in its trade receivables is discussed in note 30. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. Interest is charged at appropriate market rates on balances which are in litigation.

Before accepting any new credit customer, the Group obtains a credit check from an external agency to assess the potential customer's credit quality, and then sets credit limits on a customer-by-customer basis. These credit limits are reviewed regularly. In the case of one-off customers, the Group's 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, and as a result the "credit quality" of year end trade receivables is considered to be high. The Group reviews trade receivables past due but not impaired on a regular basis and considers, based on past experience, whether the credit quality of these amounts at the balance sheet date has deteriorated since the transaction was entered into and therefore whether the amounts are recoverable or require provision. Regular contact is maintained with all such customers and, where necessary, legal action is taken to recover the receivable. An allowance for impairment is made for any specific amounts which are considered irrecoverable or only partly recoverable. There is also a separate allowance, which is calculated as a percentage of sales. At the period end, the total bad debt provision of £9.2m (2009: £10.9m) consists of a specific provision of £4.2m (2009: £6.0m) which has been made against specific debts with a gross carrying value of £4.8m (2009: £6.5m), and a provision of £5.0m (2009: £4.9m) based on sales and on the historic default rate. To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the Consolidated Income Statement and the carrying values have been written down to their recoverable amounts.

£7.4m debts were written off in the period (2009: £8.3m). Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling £15.1m before bad debt provision (2009: £17.9m before provision) which are past due as at the reporting date. The Group has assessed these balances for recoverability and believes that their credit quality remains intact.

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

	25 December 2010 £m	26 December 2009 £m
0-30 days past due	8.0	9.1
31-60 days past due	1.4	1.3
61-90 days past due	0.7	0.9
91+ days past due	5.0	6.6
Total overdue amounts excluding allowance for doubtful receivables	15.1	17.9

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.

Other assets
Other assets are disclosed separately in the balance sheet and are funds held in escrow to meet future insurance claims from furniture insurance policies written on behalf of the Group's customers. The balance at the period end was £0.2m (2009: £0.7m) and the monies are held with financial institutions which have an AA- rating or higher, and have maturities of up to one year. Interest is paid at both fixed and floating rates based on LIBOR. The carrying amount of these assets approximates to their fair value.

Cash at bank and in hand
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 at bank is either in current accounts, or is placed on short term deposit with maturity periods of less than three months. Interest on short term deposits is paid at prevailing money market rates. The carrying amount of these assets approximates to their fair value. As explained in the accounting policy note, and as noted at the foot of the consolidated cash flow statement, this definition differs slightly from the definition of cash and cash equivalents, which is used in the cash flow statement, and which includes overdrafts repayable on demand.

Assets pledged as security
The Group has pledged its other financial assets to secure bank borrowings. More details are given in note 22.

21 Other financial liabilities

Trade and other payables

Current liabilities	25 December 2010 £m	26 December 2009 £m
Trade payables	64.1	50.2
Other tax and social security	32.6	28.2
Other payables	2.9	4.4
Accruals and deferred income	37.2	36.6
	136.8	119.4

Trade payables, other payables and accruals principally comprise amounts due in respect of trade purchases and ongoing costs. Their carrying value in both periods approximates to their fair value.

The average credit taken for trade purchases during the period, based on total operations, was 44 days (2009: 40 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.

Notes to the consolidated financial statements continued

22 Borrowings

Total borrowings

	25 December 2010 £m	26 December 2009 £m
Current borrowings		
Bank borrowings	1.1	0.9
Current portion of finance lease obligations	0.4	1.4
	1.5	2.3
Non-current borrowings		
Bank borrowings	2.3	9.6
Non-current portion of finance lease obligations	–	0.4
	2.3	10.0
Total borrowings	3.8	12.3

Bank borrowings

The bank borrowings are repayable as follows:

	25 December 2010 £m	26 December 2009 £m
Current liabilities		
On demand or within one year	1.7	1.7
Less: prepaid issue fees set against cost of loan	(0.6)	(0.8)
	1.1	0.9
Non-current liabilities		
In the second year	1.7	9.9
In the third to fifth years inclusive	2.1	–
Less: prepaid issue fees set against cost of loan	(1.5)	(0.3)
	2.3	9.6
Total bank borrowings	3.4	10.5

All bank borrowings are in sterling, and are drawn under the £160m (2009: £175m) committed bank facility. The terms of this facility are explained further in the final paragraph of note 30 (a).

This facility is secured on the property, other assets, and investments of the Group. The carrying values of each of these classes of assets is as presented in the Balance Sheet and notes to these consolidated financial statements.

The available facility limit is calculated every week, based on the asset backing at the time and can never exceed £160m. As at 25 December 2010, the Group had available £149.9m of undrawn committed borrowing facilities, in respect of which all conditions precedent had been met (2009: £110.5m).

In March 2010 the facility was extended until May 2014, as is further detailed in note 30 (a). The loan carries interest at a rate of LIBOR plus a margin which is fixed for the first year at 250 basis points. From March 2011 to maturity, the margin will vary between 200 and 250 basis points and will be determined by the Group's rolling Adjusted Profit Before Tax.

Finance lease obligations

The finance lease obligations are repayable as follows:

	25 December 2010 £m	26 December 2009 £m
Current liabilities		
Within one year	0.4	1.4
Non-current liabilities		
In the second year	–	0.4
In the third to fifth years inclusive	–	–
Total finance lease obligations	0.4	1.8

All finance lease obligations are in sterling. Each lease contract is at a fixed interest rate.

The weighted average of the fixed rates on the various contracts is 6.9% at the current year end (2009: 6.2%).

The finance lease obligations are unsecured. The average remaining lease term is 10 months (2009:1 year and 3 months).

Reconciliation of total future minimum lease payments to their present value

	Minimum lease payments		Present value of minimum lease payments	
	25 December 2010 £m	26 December 2009 £m	25 December 2010 £m	26 December 2009 £m
Amounts payable under finance leases:				
Within one year	0.4	1.5	0.4	1.4
In the second year	–	0.4	–	0.4
In the third to fifth years inclusive	–	–	–	–
	0.4	1.9	0.4	1.8
Less: future finance charges	–	(0.1)		
Present value of lease obligations	0.4	1.8		
Disclosed as:				
Current	0.4	1.4		
Non-current	–	0.4		
	0.4	1.8		

Interest rate and fair value information for bank borrowings and lease obligations

The weighted average interest rates paid were as follows:	52 weeks to 25 December 2010 %	52 weeks to 26 December 2009 %
Finance lease obligations	6.9	6.2
Bank borrowings	3.4	3.2

The directors estimate the fair value of the Group's borrowings are as follows:

	25 December 2010 £m	26 December 2009 £m
Finance lease obligations	0.4	1.8
Bank borrowings	3.4	10.5

Notes to the consolidated financial statements continued

23 Retirement benefit obligations

Defined contribution plan

The Group operates a defined contribution scheme for its employees. The assets of this scheme are held separately from those of the Group, and are under the control of the scheme trustees. This scheme began operation during 2006.

The total cost charged to income in respect of this scheme in the current period of £1.1m (2009: £1.0m) represents the Group's contributions due and paid in respect of the period.

Defined benefit plan

The Group operates a funded pension scheme which provides benefits based on the pensionable pay of participating employees. The assets of the scheme are held separately from those of the Group, being invested with independent fund managers. 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 actuarial valuation was carried out at 5 April 2009 by the scheme actuary. The actuary advising the Group has subsequently rolled forward this valuation to 25 December 2010 and restated the results onto a basis consistent with market conditions at that date.

Actuarial gain recorded in the period in respect of the change from RPI to CPI

The UK Government announced on 8 July 2010 that it will in future use the Consumer Price Index ("CPI") rather than the Retail Prices Index ("RPI") as the measure of price inflation for the purposes of regulating occupational pension schemes. The Group's current UK defined benefit pension scheme consists of a number of tranches, each of which is covered by slightly different rules. The rules for some of the tranches specify that pensions will increase in line with the annual statutory order published by the UK Government. The Group has therefore amended its assumption for increases to these tranches of the scheme to reflect that future increases on those tranches will be calculated using CPI rather than RPI. The resulting reduction in the present value of scheme liabilities of £64.4m is treated as a change in actuarial assumptions, and this is included in the total net actuarial gains for the period of £40.5m, which can be seen in the Consolidated Statement of Comprehensive Income.

Total amounts charged in respect of pensions in the period

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Charged to the income statement:		
Defined benefit scheme – total operating charge	7.6	6.9
Defined benefit scheme – net finance charge	5.3	8.0
Defined contribution scheme – total operating charge	1.1	1.0
Total net amount charged to profit before tax	14.0	15.9
Charged/(credited) to equity:		
Defined benefit scheme – net actuarial (gains)/losses, net of deferred tax	(29.2)	62.6
Total pension (credit)/charge	(15.2)	78.5

Key assumptions used in the valuation of the scheme

	52 weeks to 25 December 2010	52 weeks to 26 December 2009
Rate of increase of pensions in payment:		
– pensions with guaranteed increases (i.e. most pre-1997 pensions) – RPI based	3.50%	3.55%
– pensions with guaranteed increases (i.e. most pre-1997 pensions) – CPI based	2.80%	N/A
– pensions with increases capped at the lower of LPI and 5% – RPI based	3.50%	3.55%
– pensions with increases capped at the lower of LPI and 5% – CPI based	2.80%	N/A
– pensions with increases capped at the lower of LPI and 2.5%	2.50%	2.50%
Rate of increase in salaries	4.50%	4.55%
Inflation assumption – RPI	3.50%	3.55%
Inflation assumption – CPI	2.80%	N/A
Expected return on scheme assets (weighted average)	6.30%	6.79%
Discount rate	5.50%	5.65%

The following mortality tables were used:

Mortality before retirement, 2010 and 2009	Males AM92 Females AF92
Mortality in retirement (i.e. current pensioners), 2010 and 2009	Males PNMA00 U2008, long cohort with 1.0% pa underpin on the improvement factors Females PNMA00 U2008, long cohort with 0.5% pa underpin on the improvement factors
Mortality in retirement (i.e. pensions not yet in payment), 2010 and 2009	Males PNMA00 U2008, long cohort with 1.0% pa underpin on the improvement factors Females PNMA00 U2008, long cohort with 0.5% pa underpin on the improvement factors

The mortality assumption adopted by the Group in 2010 and 2009 is equivalent to the following life expectancies:

	Male (yrs)	Female (yrs)
Non-pensioner (age 45)	90.8	92.1
Pensioner (age 65)	88.8	90.9

Sensitivity to changes in assumptions

If there was an increase/decrease in the net discount rate (i.e. the difference between the discount rate and the assumed rates of increase in salaries, deferred pension revaluation or pensions in payment) of 0.1%, there would be a corresponding decrease/increase in the scheme liabilities of around 2%, or £15m, and a decrease/increase in the current service cost of around 2% or £0.2m.

The effect of changing the assumption regarding life expectancy by one year longer than shown above would be to increase the assessed value of liabilities by around 2% or £15m, and to increase the assessed value of the current service cost by around 2% or £0.2m.

Notes to the consolidated financial statements continued

Analysis of scheme assets and the expected rates of return

	Expected rate of return		Fair value of scheme assets	
	52 weeks to 25 December 2010 %	52 weeks to 26 December 2009 %	25 December 2010 £m	26 December 2009 £m
Equities	7.55	7.80	267.7	380.6
Government bonds	3.85	4.10	83.3	100.1
Corporate bonds	5.50	5.65	107.1	52.5
Cash	4.50	0.50	57.7	8.1
Hedge funds	7.55	N/A	52.9	N/A
Property	7.55	N/A	26.2	N/A
Weighted average	6.30	6.79	594.9	541.3

The Group establishes the long-term expected rate of return on scheme assets by developing a forward-looking long-term return assumption for each asset class, taking into account factors such as market yield on bond investments of appropriate duration, and the expected outperformance for other asset classes based on analysis of long-term historical trends. A single long-term assumption is then calculated as the weighted average of the actual asset allocation and the long-term assumption for each asset class.

During the period there have been disinvestments in equities. The proceeds are being held in cash at the current period end, and are to be invested in index-linked gilts when market conditions reach a specified level. It is anticipated that this level will be reached in the near future, and therefore the expected future yield on cash balances at the year end is set with reference to the expected yield from the index-linked gilts, rather than the expected yield from cash on deposit.

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

	25 December 2010 £m	26 December 2009 £m
Present value of defined benefit obligations	(730.6)	(737.6)
Fair value of scheme assets	594.9	541.3
Deficit in the scheme, recognised in the balance sheet	(135.7)	(196.3)

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

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Present value at start of period	737.6	568.5
Current service cost	7.6	6.9
Interest cost	41.4	35.4
Contributions from scheme members	0.2	0.2
Actuarial (gains)/losses	(38.6)	149.1
Benefits paid	(17.6)	(22.5)
Present value at end of period	730.6	737.6

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

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Fair value at start of period	541.3	446.3
Expected return on assets	36.1	27.4
Contributions from scheme members	0.2	0.2
Contributions from the Group	33.0	27.8
Actuarial gains	1.9	62.1
Benefits paid	(17.6)	(22.5)
Fair value at end of period	594.9	541.3

Movements in the deficit during the period are as follows:

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Deficit at start of period	(196.3)	(122.2)
Current service cost	(7.6)	(6.9)
Employer contributions	33.0	27.8
Other finance charge	(5.3)	(8.0)
Actuarial gains/(losses) gross of deferred tax	40.5	(87.0)
Deficit at end of period	(135.7)	(196.3)

Income statement
Amounts recognised in the income statement arising from the Group's obligations in respect of defined benefit schemes are shown below:

Amount charged to profit:

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Current service cost	7.6	6.9
Net cost	7.6	6.9

The current service cost is included in the statutory accounts heading Staff costs.

Amount credited to other finance charges:

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Expected return on pension scheme assets	(36.1)	(27.4)
Expected charge on pension scheme liabilities	41.4	35.4
Net charge	5.3	8.0

The actual return on scheme assets was £38.0m (52 weeks to 26 December 2009, £89.5m).

Notes to the consolidated financial statements continued

Statement of recognised income and expense
Amounts taken to equity via the statement of recognised income and expense in respect of the Group's defined benefit schemes are shown below:

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Actuarial gain on scheme assets	1.9	62.1
Actuarial gain/(loss) on scheme liabilities	38.6	(149.1)
Net actuarial gain/(loss)	40.5	(87.0)

History of scheme deficit and experience adjustments

	25 December 2010 £m	26 December 2009 £m	27 December 2008 £m	29 December 2007 £m	30 December 2006 £m	24 December 2005 £m
Present value of defined benefit obligations	(730.6)	(737.6)	(568.5)	(617.0)	(670.8)	(707.6)
Fair value of schemes' assets	594.9	541.3	446.3	533.5	481.6	410.5
Deficit in the schemes	(135.7)	(196.3)	(122.2)	(83.5)	(189.2)	(297.1)

Experience adjustments on scheme liabilities – difference between actual and expected returns:

	25 December 2010	26 December 2009	27 December 2008	29 December 2007	30 December 2006	Cumulative since adoption of IFRS
Amount of experience gain/(loss) on scheme liabilities (£m)	38.6	(149.1)	73.8	79.0	40.0	(0.6)
Percentage of scheme liabilities	5.3%	20.2%	13.0%	12.8%	6.0%	

Experience adjustments on scheme assets – difference between actual and expected returns:

	25 December 2010	26 December 2009	27 December 2008	29 December 2007	30 December 2006	Cumulative since adoption of IFRS
Amount of experience gain/(loss) on scheme assets (£m)	1.9	62.1	(140.1)	8.2	24.2	(4.9)
Percentage of scheme assets	0.3%	11.5%	31.4%	1.5%	5.0%	
Total cumulative actuarial loss since adoption of IFRS – all recognised through the SOCIE (£m)						(5.5)

In accordance with the transitional provisions for adopting the amendments to IAS 19 issued in December 2004, the disclosures above relating to experience adjustments are shown prospectively from the period ended 24 December 2005, being the first annual period in which the Group adopted the IAS 19 amendments.

Expected future contributions
The Group's estimated contributions to the defined benefit scheme in the 52 weeks ending 24 December 2011 are £41m.

24 Provisions

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

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

During the current period, the property provision has been increased by £0.2m arising from an unwinding of the discount rate over time. None of this amount relates to a change in the discount rate. This amount is shown as a finance charge in note 10. There is a discussion of the main sources of estimation and uncertainty which apply to this provision at note 3. The amount of the expected future cash flows has been adjusted to reflect the expected range of possibilities and, as the outflows under this provision are expected to take place over a number of years, the provision has been discounted to its present value.

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

25 Share capital

Ordinary shares of 10p each	52 weeks to 25 December 2010 Number	52 weeks to 26 December 2009 Number	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Allotted, called up and fully paid				
Balance at the beginning of the period	633,915,329	633,915,329	63.4	63.4
Issued during the period	–	–	–	–
Balance at the end of the period	633,915,329	633,915,329	63.4	63.4

Notes to the consolidated financial statements continued

26 Notes to the cash flow statement

(a) Net cash flows from operating activities

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Group operating profit before tax and interest		
Continuing operations	107.4	79.4
Discontinued operations	–	(4.4)
Group operating profit before tax and interest	107.4	75.0
Adjustments for:		
Depreciation and amortisation included in operating profit	18.2	18.1
Share-based payments charge/(credit)	1.4	(0.4)
Loss on disposal of property, plant and equipment and intangible assets	–	0.1
Other exceptional items (before tax)	–	4.4
Operating cash flows before movements in working capital	127.0	97.2
Movements in working capital and exceptional items		
(Increase)/decrease in stock	(19.2)	35.0
Decrease in trade and other receivables	0.4	3.8
Decrease in trade and other payables and provisions	(15.3)	(38.3)
Difference between pensions operating charge and cash paid	(25.4)	(20.9)
Net cash flow – other exceptional items	–	(0.4)
	(59.5)	(20.8)
Cash generated from operations	67.5	76.4
Tax paid	(16.0)	(5.0)
Net cash flow from operating activities	51.5	71.4
Net cash flow from operating activities comprises:		
Continuing operating activities	51.5	71.8
Discontinued operating activities	–	(0.4)
	51.5	71.4

(b) Reconciliation of net cash

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

	25 December 2010 £m	26 December 2009 £m
Represented by:		
Cash and cash equivalents	38.6	14.0
Investments	0.2	0.7
Bank loans	(3.4)	(10.5)
Finance leases	(0.4)	(1.8)
	35.0	2.4

(c) Analysis of net cash

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

27 Financial commitments

Capital commitments

	25 December 2010 £m	26 December 2009 £m
Contracted for but not provided for in the accounts	5.0	0.5

Operating lease commitments

The Group as lessee

Payments under operating leases during the period are shown at note 7. At the balance sheet date, the Group had outstanding lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as shown below:

	Properties		Other leases		Total	
	25 December 2010 £m	26 December 2009 £m	25 December 2010 £m	26 December 2009 £m	25 December 2010 £m	26 December 2009 £m
Payments falling due:						
Within one year	41.5	41.6	7.9	7.5	49.4	49.1
In the second to fifth year inclusive	146.8	147.2	21.2	21.3	168.0	168.5
After five years	107.8	144.0	0.7	2.2	108.5	146.2
	296.1	332.8	29.8	31.0	325.9	363.8

The Group as lessor

The Group sublets certain leased properties to third parties.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	25 December 2010 £m	26 December 2009 £m
Payments receivable:		
Within one year	1.3	1.8
In the second to fifth year inclusive	3.3	4.1
After five years	1.1	4.8
	5.7	10.7

Finance lease commitments are analysed in note 22.

Notes to the consolidated financial statements continued

28 Share-based payments

1) Details of each scheme

The Group recognised a charge of £1.4m (2009: credit of £0.4m) 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.

a) Performance Share Plan

This is a discretionary free share plan where participants have a contingent right to receive free shares with performance conditions attached.

The performance period is measured from the start of the financial period in which the awards are granted. The performance period is three years. Vesting occurs at the end of the performance period. The different subdivisions and performance conditions are as follows:

(i) no other condition other than continued employment.

(ii) 50% of the Options shall be exercisable if the compound annual growth in the Group's Operating Profit over the performance period is at least 10% rising to 100% if compound annual growth over the same period is at least 20%.

(iii) 25% of the award will vest if 2010 PBT of £110m is achieved. 100% will vest if 2010 PBT of £135m is achieved. The awards will vest on a sliding scale between these two points.

b) (i) Deferred Bonus Plan – pre-2008 grants

Participants defer their cash bonus into shares for a period of three years. Participants have no entitlement to dividends during the deferral period. There are no performance conditions attached. The shares vest at the end of the three year holding period.

b) (ii) Deferred Bonus Plan – 2008 grant

Under the Co-Investment Plan participants can defer some or all of their cash bonus into shares and pledge these deferred shares as "invested shares" under the Plan (see below (d)). The deferred share awards in 2008 are the result of participants deferring the cash bonuses awarded to them in March 2008. The shares are held in trust and participants are entitled to dividends during the deferral period. A participant can remove the shares from the Trust at any time but as they would no longer be pledged as Invested Shares under the Co-Investment Plan, then unless replaced, the participant would forego the resulting match.

b) (iii) Deferred Bonus Plan – 2010 restricted share award

During the year the Deferred Bonus Plan – 2008 grant was lapsed and, in accordance with the rules of the Co-Investment Plan, an equivalent award of restricted shares was made. The shares are held in trust and participants are entitled to dividends during the deferral period. A participant can remove the shares from the Trust at any time but as they would no longer be pledged as Invested Shares under the Co-Investment Plan, then unless replaced, the participant would forego the resulting match.

c) Co-Investment Plan

This is a co-investment plan where each participant is permitted to invest a limited amount of shares on an annual basis for the purposes of the Plan.

(i) (A) 2007 award: PBT targets. At the end of a three year performance period, each invested share will be matched by an award of up to three matching shares if 2010 PBT of £135m is achieved; 25% of the maximum match (i.e. 0.75:1) will be earned for achieving 2010 PBT of £110m and the awards will vest on a sliding scale between these two points.

(ii) (A) 2007 award: TSR target. A further match of up to two shares will be made for achieving upper quartile Total Shareholder Return (TSR), measured against the FTSE 250 Index (excluding investment trusts).

(ii)(B) 2007 award: 2009 PBT target. As at 31 December 2009, each invested share will be matched by an award of up to two matching shares if a PBT target (pro-rata in relation to that set in 2010) is achieved.

d) Foundation Plan

This Plan awards nil-cost options, and also options with an exercise price equal to the market price at the date of grant.

(i) 2006 Awards

Vesting of awards granted in the form of options with an exercise price equal to the market price at the date of grant depended on the achievement of a share price hurdle over thirty consecutive dealing days. The exercise price of the options granted in 2006 was 92 pence. 35% of this award vests if the share price achieves 115 pence over 30 consecutive dealing days, and 100% of the award vests if the share price achieves 160 pence over 30 consecutive dealing days. The award vests on a straight-line basis between these two points. Vested awards can be exercised for a period of 12 months from 31 December 2008.

(ii) 2007 Awards

These awards were granted in the form of nil cost options and vested on the last day of the 2006/7 financial year to the degree that the performance conditions had been met. There is a further deferral period of two years before the vested awards are made available to the participants.

Vesting was dependent upon the achievement of a share price hurdle over 30 consecutive dealing days and an underlying profit target of £65m for the year being met. 20% of the award vests if the share price achieves 150 pence over 30 consecutive dealing days and 100% of the award vests if the share price achieves 185 pence over 30 consecutive dealing days. The award vests on a straight-line basis between these two points.

e) Executive Share Options

This is a discretionary share option plan. These options are granted with an exercise price equal to market value.

The vesting period is three years from the date of grant with an exercise period of seven years (i.e. a total life of ten years). In the information below, these options have been further subdivided according to their different performance conditions, in order to give more meaningful information. The different subdivisions and performance conditions are as follows:

(i) 40% vesting if EPS growth equals RPI + 40%, rising to 100% vesting for EPS growth of RPI + 100%.

(ii) 50% vesting if there is EPS growth of 60% over the performance period, and 100% vesting if there is EPS growth of 120% over the performance period.

(iii) EPS growth must equal RPI + 9%. If this is achieved there will be full vesting. If this is not achieved there will be no vesting.

(iv) 20% of the options will vest if the share price over 30 consecutive dealing days is 185 pence rising on a straight-line basis to 100% vesting if the share price over 30 consecutive days reaches 265 pence. Underpinning this is a requirement to achieve 20% annual compound growth over the performance period.

(v) Full vesting will occur if the Group's cumulative profit before tax is at least £90m over the three financial years ending December 2009, 2010, and 2011. If this is not achieved there will be no vesting.

f) Long Term Incentive Plan

This is a discretionary plan under which the Group may grant different types of share award including market value and nil cost options, conditional awards of shares and restricted shares (where the employee is the owner of the shares from the date of award but subject to forfeiture). Unless otherwise specified all awards have substantially the same terms.

(i) Market value options, the vesting period for which is three years from the date of grant with an exercise period of seven years (i.e. a total life of ten years), will vest if cumulative PBT of £90m is achieved over the three financial years ending 2009, 2010 and 2011.

(ii) Market value options will vest after a three year period from the date of grant. 15% of the options will vest if the Group achieves growth in pre-exceptional PBT equivalent to RPI over the performance period; 100% will vest if pre-exceptional PBT growth is equivalent to RPI + 8% is achieved.

(iii) Conditional Share Award - shares will vest at the end of a three year period commencing on the date of grant subject to continuing employment.

Notes to the consolidated financial statements continued

g) Share Incentive Scheme (FreeShares)

This is an "all-employee" share incentive plan whereby participants receive a grant of free shares in the Group. If the employees are still employed by the Group three years after the grant, then the shares vest. Dividends are paid out on the shares between award date and vesting date. There are no other performance conditions attached to these awards.

2) Movements in the period

The following tables show the number and weighted average exercise prices ("WAEP") of each category of share options during the period, and the movements in each category. The significance of options granted before 7 November 2002 is that they have been excluded from the IFRS 2 share-based payment charge on the basis of their date of grant, as allowed on adoption of IFRS.

a) Performance Share Plan

(i) No conditions other than employment

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	264,500	0.00	288,000	0.00
Granted in period	–	N/A	–	N/A
Lapsed in period	(10,000)	0.00	(20,500)	0.00
Exercised in period	(254,500)	0.00	(3,000)	0.00
In issue at end of period	–	N/A	264,500	0.00
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	N/A		–	
Weighted average share price for options exercised during the period (£)		0.71		0.45
Weighted average contractual life remaining for share options outstanding at the period end (years)	N/A		0.42	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	N/A		0.00	
– to	N/A		0.00	

a) Performance Share Plan

(ii) 50% of award vests if compound annual operating profit growth is >10%, rising to 100% vesting if growth is >20%

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	1,045,336	0.00	1,208,877	0.00
Granted in period	–	N/A	–	N/A
Lapsed in period	(1,045,336)	0.00	(38,991)	0.00
Exercised in period	–	N/A	(124,550)	0.00
In issue at end of period	–	N/A	1,045,336	0.00
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	N/A		–	
Weighted average share price for options exercised during the period (£)		N/A		0.61
Weighted average contractual life remaining for share options outstanding at the period end (years)	N/A		0.42	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	N/A		0.00	
– to	N/A		0.00	

a) Performance Share Plan

(iii) 25 % vests if PBT in 2010 is £110m, rising to 100% vesting if PBT in 2010 is £135m

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	1,099,061	0.00	1,186,746	0.00
Granted in period	–	N/A	–	N/A
Lapsed in period	(66,003)	0.00	(17,733)	0.00
Exercised in period	(63,043)	0.00	(69,952)	0.00
In issue at end of period	970,015	0.00	1,099,061	0.00
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period (£)		0.63		0.61
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.25		1.00	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	0.00		0.00	
– to	0.00		0.00	

Notes to the consolidated financial statements continued

b) Deferred Bonus Plan
(i) Pre-2008 grants

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	187,101	0.00	472,976	0.00
Granted in period	–	N/A	–	N/A
Lapsed in period	–	N/A	–	N/A
Exercised in period	(187,101)	0.00	(285,875)	0.00
In issue at end of period	–	N/A	187,101	0.00
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	N/A		–	
Weighted average share price for options exercised during the period (£)		0.80		0.61
Weighted average contractual life remaining for share options outstanding at the period end (years)	N/A		0.25	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	N/A		0.00	
– to	N/A		0.00	

b) Deferred Bonus Plan
(ii) 2008 grant

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	1,159,491	0.00	1,371,881	0.00
Granted in period	–	N/A	–	N/A
Lapsed in period	(1,159,491)	0.00	–	N/A
Exercised in period	–	N/A	(212,390)	0.00
In issue at end of period	–	N/A	1,159,491	0.00
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	N/A		–	
Weighted average share price for options exercised during the period (£)		N/A		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	N/A		1.25	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	N/A		0.00	
– to	N/A		0.00	

b) Deferred Bonus Plan

(iii) Restricted Share Award: 2010 grant

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)
In issue at beginning of period	–	N/A
Granted in period	1,159,491	0.00
Lapsed in period	–	N/A
Exercised in period	(476,348)	0.00
In issue at end of period	683,143	0.00
Exercisable at end of period	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	–	
Weighted average share price for options exercised during the period (£)		0.80
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.25	
Weighted average fair value of options granted during the period (£) (see note below)	0.79	
Range of exercise prices for options outstanding at the period end (£):		
– from	0.00	
– to	0.00	

Note: This plan was a replacement for the Deferred Bonus Plan - 2008 grant, shown directly above. At the time of the grants made under this plan it was established that the fair value of the 2008 plan on the day it ceased was equal to the fair value of this plan on the day it commenced. As the 2010 grant resulted in no incremental fair value, it has had no effect on the amount charged to the Income Statement in the period. The grant date fair value of £0.79, shown above, is the fair value of the Deferred Bonus Plan - 2008 grant on the day it was granted.

c) Executive Co-Investment Plan

(i) (A) 2007 award: PBT target

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	6,150,000	0.00	6,150,000	0.00
Granted in period	–	N/A	–	N/A
Modified in period	–	N/A	–	N/A
Exercised in period	–	N/A	–	N/A
In issue at end of period	6,150,000	0.00	6,150,000	0.00
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period (£)		N/A		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.25		1.00	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	0.00		0.00	
– to	0.00		0.00	

Notes to the consolidated financial statements continued

c) Executive Co-Investment Plan
(ii) (A) 2007 award: TSR target

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	4,100,000	0.00	4,100,000	0.00
Granted in period	–	N/A	–	N/A
Modified in period	–	N/A	–	N/A
Exercised in period	–	N/A	–	N/A
In issue at end of period	4,100,000	0.00	4,100,000	0.00
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period (£)		N/A		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.25		1.25	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	0.00		0.00	
– to	0.00		0.00	

c) Executive Co-Investment Plan
(ii) (B) 2007 award: 2009 PBT target

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at start of period	520,238	0.00	1,040,000	0.00
Granted in period	–	N/A	–	N/A
Lapsed in period	(520,238)	0.00	(519,762)	0.00
Exercised in period	–	N/A	–	N/A
In issue at end of period	–	N/A	520,238	0.00
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	N/A		–	
Weighted average share price for options exercised during the period (£)		N/A		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	N/A		0.25	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	N/A		0.00	
– to	N/A		0.00	

d) Foundation Plan
(i) 2006 award: Market-value Options

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	5,492,550	0.92	5,850,760	0.92
Granted in period	–	N/A	–	N/A
Lapsed in period	(5,492,550)	0.92	(358,210)	0.92
Exercised in period	–	N/A	–	N/A
In issue at end of period	–	N/A	5,492,550	0.92
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	N/A		–	
Weighted average share price for options exercised during the period (£)		N/A		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	N/A		N/A	
Weighted average fair value of options granted during the period (£)	N/A		0.00	
Range of exercise prices for options outstanding at the period end (£):				
– from	N/A		0.92	
– to	N/A		0.92	

d) Foundation Plan
(ii) 2007 award: Nil-Cost Options

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	1,687,380	0.00	3,930,000	0.00
Granted in period	–	N/A	–	N/A
Lapsed in period	–	N/A	(2,242,620)	0.00
Exercised in period	(1,687,380)	0.00	–	N/A
In issue at end of period	–	N/A	1,687,380	0.00
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	N/A		–	
Weighted average share price for options exercised during the period (£)		0.75		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	N/A		0.00	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	N/A		0.00	
– to	N/A		0.00	

Notes to the consolidated financial statements continued

e) Executive Share Options

(i) 40% vesting if EPS growth is RPI+40% rising to 100% vesting if EPS growth is RPI+100%

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	896,073	1.07	896,073	1.07
Granted in period	–	N/A	–	N/A
Lapsed in period	(92,648)	1.07	–	N/A
Exercised in period	–	N/A	–	N/A
In issue at end of period	803,425	1.07	896,073	1.07
Exercisable at end of period	803,425	1.07	896,073	1.07
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period (£)		N/A		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.00		0.00	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	1.07		1.07	
– to	1.07		1.07	

e) Executive Share Options

(ii) 50% vesting if EPS growth is 60% and 100% vesting if EPS is 120%

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	1,328,009	1.27	1,328,009	1.27
Granted in period	–	N/A	–	N/A
Lapsed in period	(274,068)	1.27	–	N/A
Exercised in period	–	N/A	–	N/A
In issue at end of period	1,053,941	1.27	1,328,009	1.27
Exercisable at end of period	1,053,941	1.27	1,328,009	1.27
Number of options in the closing balance that were granted before 7 November 2002	1,053,941		1,328,009	
Weighted average share price for options exercised during the period (£)		N/A		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.00		0.00	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	1.25		1.03	
– to	1.32		1.32	

e) Executive Share Options

(iii) Full vesting if EPS increases by RPI+9%

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	2,289,007	1.00	2,645,367	1.02
Granted in period	–	N/A	–	N/A
Lapsed in period	(111,734)	0.63	(356,360)	0.98
Exercised in period	(70,000)	0.63	–	N/A
In issue at end of period	2,107,273	1.03	2,289,007	1.00
Exercisable at end of period	2,107,273	1.03	2,289,007	1.00
Number of options in the closing balance that were granted before 7 November 2002	2,107,273		2,289,007	
Weighted average share price for options exercised during the period (£)		0.73		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.00		0.00	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	1.00		0.63	
– to	1.39		1.39	

e) Executive Share Options

(iv) 20% annual growth over the performance period, and then 20% vesting if share price is over 185p for 30 consecutive days, up to 100% vesting if share price reaches 265p over 30 consecutive days

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	5,241,640	1.59	5,241,640	1.59
Granted in period	–	N/A	–	N/A
Lapsed in period	(5,228,900)	1.59	–	N/A
Exercised in period	–	N/A	–	N/A
In issue at end of period	12,740	1.59	5,241,640	1.59
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period (£)		N/A		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.00		0.42	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	1.59		1.59	
– to	1.59		1.59	

Notes to the consolidated financial statements continued

e) Executive Share Options

(v) Cumulative PBT of £90m over three financial years ending 2009, 2010 and 2011

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	9,557,430	0.38	–	N/A
Granted in period	–	N/A	9,557,430	0.38
Lapsed in period	–	N/A	–	N/A
Exercised in period	–	N/A	–	N/A
In issue at end of period	9,557,430	0.38	9,557,430	0.38
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period (£)		N/A		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	1.33		2.33	
Weighted average fair value of options granted during the period (£)	N/A		0.08	
Range of exercise prices for options outstanding at the period end (£):				
– from	0.25		0.25	
– to	0.50		0.50	

f) Long Term Incentive Plan

(i) Cumulative PBT of £90m over three financial years ending 2009, 2010 and 2011

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	12,507,032	0.37	–	N/A
Granted in period	–	N/A	12,507,032	0.37
Lapsed in period	(71,528)	0.37	–	N/A
Exercised in period	(23,472)	0.37	–	N/A
In issue at end of period	12,412,032	0.37	12,507,032	0.37
Exercisable at end of period	–	N/A	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period (£)		0.87		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	1.33		2.33	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	0.25		0.25	
– to	0.50		0.50	

f) Long Term Incentive Plan
(ii) 2012 PBT increase by between RPI and RPI+8%

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)
In issue at beginning of period	–	N/A
Granted in period	6,015,106	0.81
Lapsed in period	–	N/A
Exercised in period	–	N/A
In issue at end of period	6,015,106	0.81
Exercisable at end of period	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	–	
Weighted average share price for options exercised during the period (£)		N/A
Weighted average contractual life remaining for share options outstanding at the period end (years)	2.33	
Weighted average fair value of options granted during the period (£)	0.44	
Range of exercise prices for options outstanding at the period end (£):		
– from	0.81	
– to	0.81	

f) Long Term Incentive Plan
(iii) Conditional Share Award – subject to continuing employment

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)
In issue at beginning of period	–	N/A
Granted in period	556,300	0.00
Lapsed in period	(28,000)	0.00
Exercised in period	(2,600)	0.00
In issue at end of period	525,700	0.00
Exercisable at end of period	–	N/A
Number of options in the closing balance that were granted before 7 November 2002	–	
Weighted average share price for options exercised during the period (£)		0.79
Weighted average contractual life remaining for share options outstanding at the period end (years)	2.33	
Weighted average fair value of options granted during the period (£)	0.81	
Range of exercise prices for options outstanding at the period end (£):		
– from	0.00	
– to	0.00	

Notes to the consolidated financial statements continued

g) Share Incentive Scheme (Freeshares)

	52 weeks to 25 December 2010 Number	52 weeks to 25 December 2010 WAEP (£)	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)
In issue at beginning of period	403,211	0.00	436,273	0.00
Granted in period	–	N/A	–	N/A
Lapsed in period	–	N/A	(14,634)	0.00
Exercised in period	(159,042)	0.00	(18,428)	0.00
In issue at end of period	244,169	0.00	403,211	0.00
Exercisable at end of period	244,169	0.00	403,211	0.00
Number of options in the closing balance that were granted before 7 November 2002	244,169		403,211	
Weighted average share price for options exercised during the period (£)		0.78		0.45
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.00		0.00	
Weighted average fair value of options granted during the period (£)	N/A		N/A	
Range of exercise prices for options outstanding at the period end (£):				
– from	0.00		0.00	
– to	0.00		0.00	

3) Fair value of options granted

The fair value of all options granted except Sharesave is estimated on the date of grant using a binomial option valuation model. Sharesave schemes are valued using a Black Scholes model as they are not considered to be of such complexity that they require a binomial model.

The key assumptions used in the models were:

	52 weeks to 26 December 2010	52 weeks to 25 December 2009
Dividend yield (%)	–	–
Expected share price volatility (%)	53	50 to 52
Historical volatility (%)	53	50 to 52
Risk-free interest rate (%)	3.4	2.79 to 3.18
Expected life of options (years)	6.5	6.4 to 6.5

Historical volatility is measured for each scheme over the period equal to the vesting period of the scheme. The figure arrived at is then used as the best estimate of expected future volatility.

29 Related party transactions

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group had no other related party entities during the current or prior periods.

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:

	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Short-term employment benefits	6.1	5.1
Termination benefits	–	0.3
	6.1	5.4

Other transactions with key management personnel

There were no other transactions with key management personnel.

30 Financial risk management

(a) Capital risk management

The Group manages its capital structure to maximise the return to shareholders through the optimisation of 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 debt (including the borrowings disclosed in note 22 offset by cash and cash equivalents) 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 25).

The Board of Directors reviews the capital structure regularly, including, but not limited to, the time of preparing annual budgets, preparing three year corporate plans, and considering corporate transactions. As part of this review, the Board reviews the cost of capital 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 buy-backs, as well as the issue of new debt or the repayment of existing debt.

At the period end, the Group had a £160m committed bank facility secured against the assets of the Group and based on four sub-facilities (stock, trade receivables, property and a cash flow facility). The facility limit was the lower of £160m and the sum of the four sub-facilities. The property component (initially £17.4m) amortises at the rate of £141,667 each month, whereas the other components act as a revolving credit facility with no amortisation. Under the terms of the facility, none of the Group's principal subsidiary companies can sign up to additional secured borrowings, other than those expressly permitted within the terms of the facility. The facility (i) permits normal trade credit granted to it in the ordinary course of business; (ii) allows up to £20m of additional secured borrowings and (iii) allows up to £10m of finance lease borrowing. During the year the maturity of the facility was extended from May 2011 to May 2014. As part of the extension the facility was reduced from £175m to £160m alongside a revised interest rate structure. Further information is shown in the Financial Review. The Group's overall strategy remains unchanged from 2009.

Notes to the consolidated financial statements continued

(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 disclosed in note 2 to the financial statements.

(c) Categories of financial instruments

	25 December 2010 £m	26 December 2009 £m
Financial assets (current and non-current)		
Trade receivables	68.9	65.4
Cash and cash equivalents	38.6	14.0
Other assets	0.2	0.7
Financial liabilities (current and non-current)		
Trade payables	64.1	50.2
Borrowings	3.8	12.3

(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, controlling and reporting structures. The types of risk exposure, the way in which such exposure is 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 investment grade credit ratings.

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 overdrafts repayable on demand.

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.

Management of trade receivables is discussed in note 20.

(e) Credit risk

The Group's principal financial assets are cash and cash equivalents, other assets, and trade and other receivables. The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. The Group has adopted a policy of only dealing with creditworthy counterparties as a way of mitigating the risk of financial loss from defaults.

The Group's policy on dealing with trade customers is described in the accounting policies and in note 20. Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty.

The Group limits exposure to credit risk on liquid funds through adherence to a policy of minimum long-term counterparty credit ratings assigned by international credit-rating agencies (Standard & Poor's AA- and Moody's Aa3).

Full disclosure of the Group's maximum exposure to credit risk is presented in the following table:

	25 December 2010	26 December 2009
	£m	£m
Trade receivables (net of allowance)	68.9	65.4
Cash and cash equivalents	38.6	14.0
Other assets	0.2	0.7
Total credit risk exposure	107.7	80.1

(f) Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its 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 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 22 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. In addition, the Financial Review contains a section describing the interaction of liquidity risk and the going concern review.

Notes to the consolidated financial statements continued

Maturity profile of outstanding financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The Group has no derivative financial liabilities. The tables have been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Within 1 year			2 – 3 years			
	Capital	Floating interest	Fixed interest	Capital	Floating interest	Fixed interest	Total
At 25 December 2010	£m	£m	£m	£m	£m	£m	£m
Trade payables	64.1	–	–	–	–	–	64.1
Finance leases	0.4	–	–	–	–	–	0.4
Bank loan	1.1	0.1	–	2.2	0.1	–	3.5
	65.6	0.1	–	2.2	0.1	–	68.0

	Within 1 year			2 – 3 years			
	Capital	Floating interest	Fixed interest	Capital	Floating interest	Fixed interest	Total
At 26 December 2009	£m	£m	£m	£m	£m	£m	£m
Trade payables	50.2	–	–	–	–	–	50.2
Finance leases	1.4	–	0.1	0.4	–	–	1.9
Bank loan	0.9	0.2	–	9.6	0.1	–	10.8
	52.5	0.2	0.1	10.0	0.1	–	62.9

Note: It has been assumed that, where applicable, interest and foreign currency exchange rates prevailing at the reporting balance sheet date will not vary over the time periods remaininwe cash flows.

(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 the Group is exposed are foreign exchange risk and interest rate risk. These are discussed further below:

Foreign exchange risk

The Group is exposed to several currencies, principally as a result of operating costs incurred in foreign currencies, and to a lesser extent from non-Sterling revenues. The Group's policy is generally not to hedge such exposures. The exposure of the Group's financial assets and liabilities to currency risk is as follows:

	25 December 2010 £m	26 December 2009 £m
Euro		
Trade receivables	1.9	1.4
Cash and cash equivalents	2.2	2.4
Trade payables	(11.8)	(12.1)
	(7.7)	(8.3)
US Dollar		
Trade receivables	0.3	–
Cash and cash equivalents	3.5	1.9
Trade payables	(2.9)	(6.8)
	0.9	(4.9)
Hong Kong Dollar		
Trade receivables	–	–
Cash and cash equivalents	–	0.1
Trade payables	–	–
	–	0.1
Chinese Yuan		
Trade receivables	–	–
Cash and cash equivalents	0.1	–
Trade payables	–	–
	0.1	–
Total	(6.7)	(13.1)

Interest rate risk

The Group is exposed to interest rate risk as the parent company has borrowed funds at floating interest rates. The Board has reviewed this risk of interest rate increases causing financial distress and concluded that hedging protection should only be considered if net borrowings or cash surpluses were to exceed £150m. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Payments on the Group's finance leases are fixed on inception of the lease contract, and as such are regarded as fixed rate borrowings.

Notes to the consolidated financial statements continued

(h) Financial instrument sensitivities

Financial instruments affected by market risk include borrowings, 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 debt 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:

- Debt and other 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 decrease by £0.1m (2009: £0.1m).

Foreign exchange sensitivity

As noted above, the Group is mainly exposed to movements in Euro, US dollar, and Chinese Yuan exchange rates (the Hong Kong dollar being effectively pegged to the US dollar). The following information details the Group's sensitivity to a 10% weakening or strengthening in pounds Sterling against the Euro, the US Dollar, the Hong Kong dollar, and the Chinese Yuan. 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 the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period.

	25 December 2010 £m	26 December 2009 £m
10% weakening of Sterling to Euro	(0.8)	(0.9)
10% strengthening of Sterling to Euro	0.7	0.8
10% weakening of Sterling to US dollar	0.1	(0.6)
10% strengthening of Sterling to US dollar	(0.1)	0.5

The Group's sensitivity, on the basis above, to a strengthening or weakening of Sterling to either the Hong Kong Dollar or the Chinese Yuan was less than £0.1m at both the current and prior period ends.

Independent auditor's report to the members of Howden Joinery Group Plc

We have audited the Group financial statements of Howden Joinery Group Plc for the 52 weeks ended 25 December 2010 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 25 December 2010 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Under the Listing Rules we are required to review:

- the directors' statement, contained within the Corporate Governance report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Howden Joinery Group Plc for the 52 weeks ended 25 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

John Adam (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London, United Kingdom
2 March 2011

Company balance sheet

	Notes	25 December 2010 £m	26 December 2009 £m
Fixed assets			
Investments	3	708.6	710.6
Current assets			
Debtors	4	12.8	16.7
Cash at bank and in hand		15.0	–
		27.8	16.7
Current liabilities			
Creditors: amounts falling due within one year	5	(419.0)	(359.8)
Net current assets		(391.2)	(343.1)
Total assets less current liabilities		317.4	367.5
Non current liabilities			
Creditors: amounts falling due after more than one year	6	(2.3)	(9.6)
Provisions	7	(37.4)	(59.4)
Net assets		277.7	298.5
Equity			
Called up share capital	8	63.4	63.4
Share premium account	9	85.1	85.1
Retained earnings reserve	9	129.2	150.0
Total equity		277.7	298.5

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

For and on behalf of Howden Joinery Group Plc, registered number 2128710.

Notes to the Company balance sheet

1 Significant company accounting policies

General information

Howden Joinery Group Plc is a company incorporated in the United Kingdom under the Companies Act 2006. It was formerly known as Galiform Plc, and changed its name to Howden Joinery Group Plc on 15 September 2010.

Basis of presentation

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

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Standards. The principal accounting policies are presented below and have been applied consistently throughout the current and prior periods. They have also been prepared on the going concern basis as described in the going concern statement in the Corporate Governance Report on page 54 of the Group's Annual Report.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Cash flow statement

The Company is exempt from the requirement of FRS 1 (revised) to include a cash flow statement as part of its Company financial statements because it prepares a consolidated cash flow statement which is shown as part of the consolidated Group accounts.

Related parties

The Company has taken advantage of paragraph 3(c) of Financial Reporting Standard 8 ("Related Party Disclosures") not to disclose transactions with Group entities or investees of the Group qualifying as related parties.

2 Profit and loss account

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. The Company result after tax for the 52 weeks to 25 December 2010 was a loss of £20.8m (52 weeks to 26 December 2009: loss after tax for the period of £67.5m).

The Company has no employees (2009: none), did not pay directors' emoluments (2009: £nil), and the fees payable to the Company's auditors for the audit of the Company's annual accounts (£10,000 in both current and prior periods) were borne by a fellow Group undertaking.

3 Investments

Cost and carrying value:	Shares in subsidiary undertakings £m	Long-term loans to subsidiary undertakings £m	Total £m
At 26 December 2009	273.7	436.9	710.6
Redemption of share capital	(2.0)	–	(2.0)
At 25 December 2010	271.7	436.9	708.6

Details of principal subsidiary undertakings are given on page 113.

During the current period, a 100% owned subsidiary reduced its share capital by £2m, and repaid that amount to the Company. The subsidiary remains 100% owned by the Company.

Notes to the Company balance sheet continued

4 Debtors

	25 December 2010 £m	26 December 2009 £m
Other debtors	3.9	8.0
Corporation tax	8.9	8.7
	12.8	16.7

5 Creditors: amounts falling due within one year

	25 December 2010 £m	26 December 2009 £m
Other tax and social security	0.5	2.3
Current portion of long term bank loan	1.1	0.9
Owed to subsidiaries	417.0	355.0
Accruals and deferred income	0.4	1.6
	419.0	359.8

6 Creditors: amounts falling due after more than one year

	25 December 2010 £m	26 December 2009 £m
Long term portion of bank loan	2.3	9.6

	25 December 2010 £m	26 December 2009 £m
The borrowings are repayable as follows:		
Current liabilities		
On demand or within one year	1.7	1.7
Less: prepaid issue fees set against cost of loan	(0.6)	(0.8)
On demand or within one year	1.1	0.9
Non-current liabilities		
In the second year	1.7	9.9
In the third to fifth years inclusive	2.1	–
Less: prepaid issue fees set against cost of loan	(1.5)	(0.3)
	2.3	9.6
Total borrowings	3.4	10.5

All borrowings are in sterling.

The weighted average interest rates paid on the borrowings were as follows:

25 December 2010 %	26 December 2009 %
3.4	3.2

The directors estimate the fair value of the Group's borrowings are as follows:

25 December 2010 £m	26 December 2009 £m
3.4	10.5

7 Provisions

	Property provision	Other provision	Total
At 26 December 2009	58.6	0.8	59.4
Additional provision in the period	5.2	–	5.2
Provision released in the period	–	(0.8)	(0.8)
Utilisation of provision in the period	(26.4)	–	(26.4)
At 25 December 2010	37.4	–	37.4

The property provision mainly covers onerous leases. For any such leases, the Group provides for any shortfall between rent payable and rent receivable on any non-trading leased properties. The provision is based on the period until the end of the lease, or on the estimated period until the Group can cover the shortfall by subletting, assigning or surrendering the lease. The property provision also includes amounts for any related shortfalls in business rates on these properties, and for dilapidations, agents' fees and other professional fees. During the current period, the property provision has been increased by £0.2m arising from an unwinding of the discount rate over time. None of this amount relates to a change in the discount rate.

There is a discussion of the main sources of estimation and uncertainty which apply to this provision at note 3 to the consolidated Group accounts. The amount of the expected future cash flows have been adjusted to reflect the expected range of possibilities and, as the outflows under this provision are expected to take place over a number of years, the provision has been discounted to its present value.

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

8 Share capital

Ordinary shares of 10p each	52 weeks to 25 December 2010 Number	52 weeks to 26 December 2009 Number	52 weeks to 25 December 2010 £m	52 weeks to 26 December 2009 £m
Allotted, called up and fully paid				
Balance at the beginning of the period	633,915,329	633,915,329	63.4	63.4
Issued during the period	–	–	–	–
Balance at the end of the period	633,915,329	633,915,329	63.4	63.4

9 Reconciliation of movements in equity shareholders' funds

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total £m
At 26 December 2009	63.4	85.1	150.0	298.5
Retained loss for the period	–	–	(20.8)	(20.8)
At 25 December 2010	63.4	85.1	129.2	277.7

Independent auditor's report to the members of Howden Joinery Group Plc

We have audited the parent company financial statements of Howden Joinery Group Plc for the 52 weeks ended 25 December 2010 which comprise the Parent Company Balance Sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 25 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Other matter

We have reported separately on the Group financial statements of Howden Joinery Group Plc for the 52 weeks ended 25 December 2010.

John Adam (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

London, United Kingdom
2 March 2011

Parent company and principal subsidiary undertakings at 25 December 2010

	Country of registration or incorporation
Parent company	
Howden Joinery Group Plc	England and Wales
Principal subsidiary undertakings	
Intermediate holding company	
*Howden Joinery Holdings Limited [(1)]	England and Wales
Trading	
Howden Joinery Limited	England and Wales
Houdan Menuiseries SA	France
Supply	
*Howden Joinery Supply Division (Asia) Limited	Hong Kong
Property management	
Howden Joinery Properties Limited	England and Wales
Howden Kitchens Properties Limited	England and Wales
Finance	
*Southon Insurance Company Limited	Guernsey
Administration and Employee Services	
Howden Joinery Corporate Services Limited [(1)]	England and Wales
Howden Joinery People Services Limited [(1)]	England and Wales
Dormant	
Howden Kitchens Supplies Holdings Limited	England and Wales
Howden Kitchens Limited	England and Wales
Galiform Limited	England and Wales
*Galiform Employee Ownership Trustee Limited	England and Wales
*Galiform Quest Trustee Limited	England and Wales

The Company ultimately owns 100% of the ordinary share capital of all of the above mentioned companies.

*The investment in the companies marked with an asterisk are owned directly by the Company.

[(1)] The name change of the Group's parent company during the current period has already been discussed in the Directors' Report for the period. These subsidiary companies also changed their names on 15 September 2010. Their previous names were: Galiform Holdings Limited; Galiform Corporate Services Limited, and Group People Services Limited.

HOWDENS JOINERY CO.

Five year record

	Dec 2010 52 weeks £m	Dec 2009 52 weeks £m	Dec 2008 52 weeks £m	Dec 2007 52 weeks £m	Dec 2006 53 weeks £m
Summarised Income Statement					
Revenue – continuing operations	807.9	769.5	805.7	976.5	733.0
Revenue – discontinued operations	–	–	–	–	546.8
	807.9	769.5	805.7	976.5	1,279.8
Operating profit – continuing operations	107.4	79.4	80.6	51.8	32.5
Operating profit – discontinued operations	–	(4.4)	(108.8)	(11.1)	(179.6)
Share of joint venture operating profit	–	–	0.1	0.9	1.0
	107.4	75.0	(28.1)	41.6	(146.1)
Profit on continuing ordinary activities before tax	100.9	68.7	74.3	79.8	57.2
Dividend per share (pence)	–	–	–	0.5	–
Basic EPS – (pence)	11.1	8.3	9.2	8.8	1.0
Summarised Balance Sheet					
Total non-current assets*	140.2	163.0	155.7	152.5	169.3
Inventories	105.5	86.3	121.3	101.0	126.1
Receivables	95.0	95.4	99.2	122.3	102.4
Payables and provisions	(216.9)	(224.5)	(250.6)	(251.9)	(282.0)
Pension liability	(135.7)	(196.3)	(122.2)	(83.5)	(189.2)
	(152.1)	(239.1)	(152.3)	(112.1)	(242.7)
Net cash/(borrowings)	35.0	2.4	(61.2)	(3.3)	(4.1)
Total net assets/(liabilities)	23.1	(73.7)	(57.8)	37.1	(77.5)

* In 2007 and 2008, the balance sheet included a small amount of assets held for resale, which were held in the Balance Sheet as part of current assets.

Number of outlets at end of year					
Howden Joinery	489	462	454	436	382
Houdan France	10	10	11	11	11
Capital expenditure	18	8	19	21	30

Shareholder information as at 25 December 2010

	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Corporate holders				
0 to 1,000	66	0.7	25,361	–
1,001 to 5,000	83	0.8	245,779	–
5,001 to 10,000	50	0.5	387,307	–
10,001 to 50,000	84	0.8	2,228,382	–
50,001 to 100,000	35	0.4	2,544,365	–
100,001 to 250,000	63	0.6	10,294,253	2
250,001 to max	189	1.9	598,587,449	94
	570	5.7	614,312,896	96
Individual holders				
0 to 1,000	7,058	70.7	2,966,089	1
1,001 to 5,000	1,882	18.9	4,568,810	1
5,001 to 10,000	289	2.9	2,111,764	–
10,001 to 50,000	154	1.5	3,014,521	1
50,001 to 100,000	16	0.2	1,033,442	–
100,001 to 250,000	4	–	747,442	–
250,001 to max	8	0.1	5,160,365	1
	9,411	94.3	19,602,433	4
Total	9,981	100.0	633,915,329	100

Advisers and Committees

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London
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Chartered Accountants
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Remuneration Committee
Michael Wemms (Chairman)
Angus Cockburn
Tiffany Hall
Ian Smith

Nominations Committee
Will Samuel (Chairman)
Angus Cockburn
Tiffany Hall
Ian Smith
Michael Wemms

Audit Committee
Angus Cockburn (Chairman)
Tiffany Hall
Ian Smith
Michael Wemms

Executive Committee
Matthew Ingle
Mark Robson
Caroline Bishop
Rob Fenwick
Julie French
David Hallett
Andy Witts
Chris Youell

Corporate timetable

2011	
Interim Management Statement	28 April 2011
Annual General Meeting	16 May 2011
Half Yearly Report	21 July 2011
Interim Management Statement	10 November 2011
End of financial year	24 December 2011

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