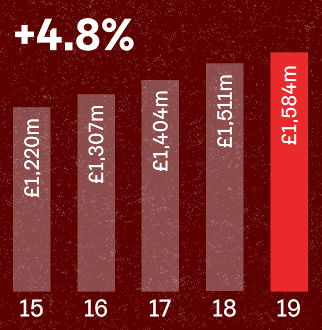
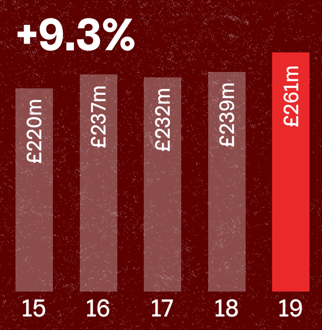
Revenue

£1,584m (2018: £ 1,511m)



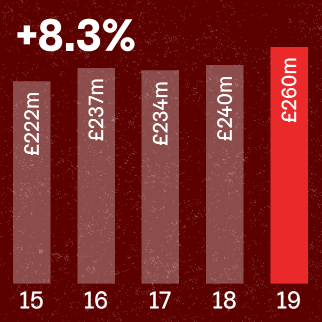
Profit before tax

£261m (2018: £239m)



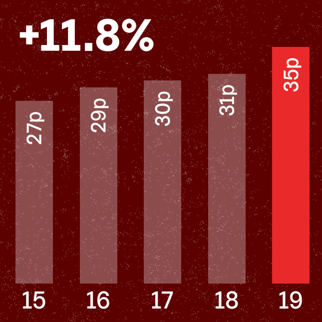
Operating profit

£260m (2018: £240m)



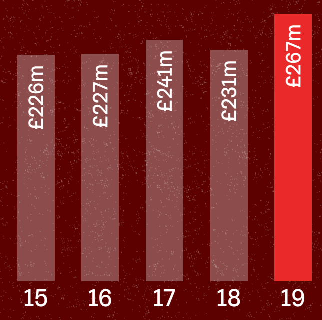
EPS

35.0p (2018: 31.3p)



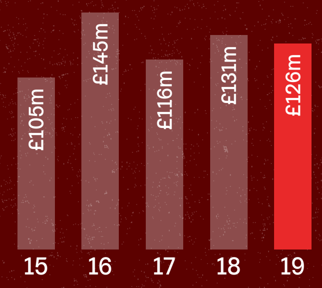
Net cash

In line with our targeted capital structure (see page 37), we continue to maintain sufficient cash to operate through the annual capital cycle without debt. Balance at year end - £267m (2018: £219m)



Returns to shareholders

Dividends and share buybacks £126m (2018: £131m)



Financial Statements

Consolidated income statement

	Notes	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Continuing operations:			
Revenue	4	1,583.6	1,511.3
Cost of sales		(597.4)	(579.1)
Gross profit		986.2	932.2
Selling & distribution costs		(621.7)	(594.4)
Administrative expenses		(104.5)	(97.7)
Operating profit	6	260.0	240.1
Finance income	8	1.1	0.7
Other finance expense - pensions	19	(0.4)	(2.3)
Profit before tax		260.7	238.5
Tax on profit	9	(51.7)	(48.1)
Profit for the period attributable to the equity holders of the parent		209.0	190.4
Earnings per share:			
Basic earnings per 10p share	10	35.0p	31.3p
Diluted earnings per 10p share	10	34.8p	31.2p

Consolidated statement of comprehensive income

	Notes	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Profit for the period		209.0	190.4
Items of other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension scheme	19	(47.1)	59.3
Deferred tax on actuarial gains & losses on defined benefit pension scheme	9	8.0	(11.3)
Change of tax rate on deferred tax		(0.7)	-
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(1.9)	(0.2)
Other comprehensive income for the period		(41.7)	47.8
Total comprehensive income for the period attributable to equity holders of the parent		167.3	238.2

Consolidated balance sheet

	Notes	28 December 2019 £m	29 December 2018 £m
Non-current assets			
Intangible assets	12	24.9	23.1
Property, plant and equipment	13	212.4	187.1
Deferred tax asset	14	13.5	11.2
Long-term prepayments		0.9	-
		251.7	221.4
Current assets			
Inventories	15	231.8	226.3
Trade and other receivables	16	193.1	186.0
Cash and cash equivalents	22	267.4	231.3
		692.3	643.6
Total assets		944.0	865.0
Current liabilities			
Trade and other payables	17	(241.4)	(232.9)
Current tax liability		(20.3)	(20.2)
		(261.7)	(253.1)
Non-current liabilities			
Pension liability	19	(56.6)	(36.0)
Deferred tax liability	14	(1.5)	(1.5)
Provisions	20	(9.0)	(7.3)
		(67.1)	(44.8)
Total liabilities		(328.8)	(297.9)
Net assets		615.2	567.1
Equity			
Share capital	21	60.5	61.5
Share premium and capital redemption reserve		92.2	87.5
ESOP reserve		(6.3)	(8.8)
Treasury shares		(29.3)	(32.9)
Retained earnings		498.1	459.8
Total equity		615.2	567.1

The financial statements were approved by the Board and authorised for issue on 26 February 2020 and were signed on its behalf by

Mark Robson
Deputy Chief Executive and Chief Financial Officer

Consolidated statement of changes in equity

	Called up share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained profit £m	Total £m
At 30 December 2017	62.8	-	87.5	(10.7)	(36.2)	350.8	454.2
Accumulated profit for the period	-	-	-	-	-	190.4	190.4
Other comprehensive income for the period	-	-	-	-	-	47.8	47.8
Total comprehensive income for the period	-	-	-	-	-	238.2	238.2
Current tax on share schemes	-	-	-	-	-	0.1	0.1
Deferred tax on share schemes	-	-	-	-	-	(0.1)	(0.1)
Movement in ESOP	-	-	-	5.2	-	-	5.2
Buyback and cancellation of shares	(1.3)	-	-	-	-	(60.9)	(62.2)
Transfer of shares from treasury into share trust	-	-	-	(3.3)	3.3	-	-
Dividends	-	-	-	-	-	(68.3)	(68.3)
At 29 December 2018	61.5	-	87.5	(8.8)	(32.9)	459.8	567.1
Accumulated profit for the period	-	-	-	-	-	209.0	209.0
Other comprehensive income for the period	-	-	-	-	-	(41.7)	(41.7)
Total comprehensive income for the period	-	-	-	-	-	167.3	167.3
Current tax on share schemes	-	-	-	-	-	0.3	0.3
Deferred tax on share schemes	-	-	-	-	-	0.2	0.2
Movement in ESOP	-	-	-	6.1	-	-	6.1
Buyback and cancellation of shares (Note 1)	(1.0)	4.7	-	-	-	(58.9)	(55.2)
Transfer of shares from treasury into share trust	-	-	-	(3.6)	3.6	-	-
Dividends	-	-	-	-	-	(70.6)	(70.6)
At 28 December 2019	60.5	4.7	87.5	(6.3)	(29.3)	498.1	615.2

The ESOP reserve includes shares in Howden Joinery Group Plc with a market value on the balance sheet date of £38.7m (2018: £27.1m), which are held by the Group's Employee Share Trusts in order to satisfy share options and awards made under the Group's various share-based payment schemes.

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

At the current period end there were 6,015,580 ordinary shares held in treasury, each with a nominal value of 10p (2018: 6,738,280 shares).

Note 1: This includes a re-presentation of the cancellation of shares to retained earnings and capital redemption reserve for the shares bought back and cancelled before 29 December 2018, under which retained earnings have been reduced by £3.7m and the capital redemption reserve has been increased by £3.7m. This line also records the shares bought back and cancelled in the current period, which had an aggregate nominal value of £1m and a cost of £55.2m.

Consolidated cash flow statement

	Notes	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Operating profit		260.0	240.1
Adjustments for:			
Depreciation and amortisation included in operating profit		34.5	30.2
Share-based payments charge		4.9	4.3
Loss on disposal of property, plant and equipment and intangible assets		1.4	-
Operating cash flows before movements in working capital		300.8	274.6
Movements in working capital and exceptional items			
Increase in inventories		(5.5)	(18.0)
Increase in trade and other receivables		(7.1)	(48.2)
Increase in trade and other payables and provisions		6.3	16.5
Difference between pensions operating charge and cash paid		(26.9)	(16.3)
		(33.2)	(66.0)
Cash generated from operations		267.6	208.6
Tax paid		(46.2)	(45.4)
Net cash flow from operating activities		221.4	163.2
Cash flows used in investing activities			
Payments to acquire property, plant and equipment and intangible assets		(61.1)	(44.3)
Receipts from sale of property, plant and equipment and intangible assets		0.3	0.1
Interest received		1.1	0.7
Net cash used in investing activities		(59.7)	(43.5)
Cash flows used in financing activities			
Payments to acquire own shares		(55.2)	(62.2)
Receipts from release of shares from share trust		1.1	0.9
(Increase)/decrease in long-term prepayments		(0.9)	0.1
Dividends paid to Group shareholders		(70.6)	(68.3)
Net cash used in financing activities		(125.6)	(129.5)
Net increase/(decrease) in cash and cash equivalents		36.1	(9.8)
Cash and cash equivalents at beginning of period		231.3	241.1
Cash and cash equivalents at end of period	22	267.4	231.3

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. The registered office address is 40 Portman Square, London, W1H 6LT. The nature of the Group's operations are set out in the Strategic Report, and the Group's principal activity is the sale of kitchens and joinery products, along with the associated manufacture, sourcing, and distribution of these products.

These financial statements are presented in UK pounds sterling, being the currency of the primary economic environment in which the Group operates.

Foreign operations are included in accordance with the policies set out in Note 2.

2 SIGNIFICANT ACCOUNTING POLICIES

Accounting period

The Group's accounting period covers the 52 weeks to 28 December 2019. The comparative period covered the 52 weeks to 29 December 2018.

Statement of compliance and basis of preparation

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, and on the going concern basis, as described in the going concern statement in the Strategic Report. The principal accounting policies are set out below.

Standards adopted in the period

None of the IFRSs adopted in the current period, including IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments, have had a material effect on the Group.

Standards in issue but not yet effective

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

IFRS 16: Leases

IFRIC 23: Uncertainty over Income Tax Treatments

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Amendments to IAS 28: Long-term Interests in Associates and JVs

Annual Improvements to IFRSs 2015 - 17 cycle

IFRS 17: Insurance Contracts

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to References to the Conceptual Framework in IFRS Standards

Amendment to IFRS 3: Business Combinations

Amendments to IAS 1 and IAS 8: Definition of Material

Amendments to IFRS 9, IAS 39, and IFRS 7 - Interest rate Benchmark Reform

Amendments to IAS 1 - Classification of liabilities as Current or Non-Current

The Directors anticipate that the adoption of the standards and interpretations mentioned above will have no significant impact on the Group's financial statements when the relevant standards come into effect, other than in the case of IFRS 16 which we discuss in more detail below.

IFRS 16: Leases

We will adopt IFRS 16 in the year to 26 December 2020, with a transition date of 29 December 2019. Our first report under IFRS 16 will be the June 2020 half-yearly report.

Transactions affected by IFRS 16

We lease our depot, warehouse, factory and office properties, as well as other assets such as fork lift trucks, lorries, vans and cars. Under IAS 17, the previous lease accounting standard, these leases were not recognised on the balance sheet, and annual rent payments were charged to income on a straight-line basis.

IFRS 16 will require us to recognise these leases on the balance sheet, causing both our gross assets and gross liabilities to increase. The addition to gross assets will represent our right to use the leased asset, and the addition to gross liabilities will reflect our obligation to make future lease payments.

IFRS 16 will also have a timing effect on the annual lease expense, which will no longer be equal to the rent payable for that year. The total income statement charge under IFRS 16 will consist of an operating charge representing straight line depreciation on the leased asset, plus an interest charge, which will vary over the life of the lease. More interest will be charged in the early periods of each lease and less interest will be charged in the later periods as the outstanding balance reduces, as with interest on a loan.

This means that the annual IFRS 16 income statement charge for a lease will not be the same each year. It will be more than the annual rent payable in the earlier years of a lease, and less in the later years.

Total interest and depreciation charged over the life of a lease will still equal the total rent paid, as at present. Whether the IFRS 16 charge in a year is larger or smaller than the rent payable will depend on the maturity profile of the leases which we have at any one time.

We show our operating lease commitments under IAS 17 at Note 23, and our annual rent payable at Note 6.

Adoption and transition

We are adopting IFRS 16 using the modified retrospective approach for all of our leases. This means that we will not restate the 2019 comparative figures in our 2020 financial statements, and that we will discount leases using incremental borrowing rates as at the date of adoption.

For all of our property leases and some of our vehicle leases - representing approximately 90% of our total lease commitments by value - we are measuring the leases as if IFRS 16 had been applied since the lease commencement date. For the remaining leases we are measuring them as if the lease had started on adopting IFRS 16, i.e. 29 December 2019.

We have elected to use the following permitted practical expedients on transition:

- to apply the portfolio approach where a group of leases have similar characteristics
- to use hindsight when determining the lease term
- to use the existing onerous lease provision on transition to reduce the right of use asset, rather than conducting an impairment review
- to exclude initial direct costs from measurement of the right of use asset
- to use the definition of a lease which existed under the previous accounting standard when determining if a contract contains a lease under IFRS 16

We will present our updated accounting policies as part of the 2020 half-yearly report, together with details of incremental borrowing rates, key judgements and a reconciliation between 2019 closing IAS 17 lease commitments and 2020 opening IFRS 16 lease liabilities.

Impact of IFRS 16 on the financial statements

1) Balance Sheet

Using the Group's leases on the transition date, 29 December 2019, the pre-tax impact of IFRS 16 will be:

- recognition of an opening right of use asset of £549m
- recognition of an opening lease liability of £568m
- an adjustment to opening reserves in the 2020 financial statements which will reduce them by £31m.

The amount of the adjustment to opening reserves does not equal the difference between the right of use asset and the lease liability because it also includes items such as rent prepayments and rent-free balances which were being carried on the balance sheet under IAS 17, and which are also required to be taken to opening reserves on adopting IFRS 16.

2) Income Statement

If we took the leases at 29 December 2019 and rolled them forward to the end of the 2020 financial year, the income statement will include:

- IFRS 16 lease depreciation of £73m, which will be charged in arriving at operating profit, and
- IFRS 16 lease interest of £9m, which will be included as a finance charge, below operating profit

Under IAS 17, the projected rent payable for these leases in the year would be £81m, which would all be charged to operating profit. This means that the effect of IFRS 16 would be to increase operating profit by £8m, to increase finance charges by £9m and therefore to decrease profit before tax by £1m.

It should be noted that the 2020 income statement estimates above will differ from the actual 2020 figures because the estimates do not include assumptions for any new leases, lease renewals or rent reviews in 2020. There are also a number of properties whose lease renewals are in negotiation at 29 December 2019 and which are therefore prevented from being treated as leases under IFRS 16 and excluded from the figures above. The rent for these properties will be charged to operating profit until the new leases are signed, at which point they will be recognised as leases under IFRS 16.

Howden Joinery Group Plc Annual Report & Accounts 2019

Notes to the consolidated financial statements continued

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. ‘Control’ is defined in this case as the power to govern financial and operating policies so as to obtain benefits from the subsidiaries’ activities. Subsidiaries are fully consolidated from the date on which control is established 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.

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.

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.

Property, plant and equipment

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

Freehold property	50 years
Long leasehold property	the period of the lease, or the individual asset’s life, if shorter
Short leasehold property	the period of the lease, or the individual asset’s life if shorter
Plant, machinery & vehicles	3-20 years
Fixtures & fittings	2-15 years

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

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

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

Intangible assets

Our intangible assets represent computer 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 lives range between three and seven years, depending on the nature of the software.

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.

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

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

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.

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.

Provisions

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

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

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. 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 assets. Actuarial gains and losses are recognised immediately through the remeasurement of the defined benefit liability and are taken through the statement of comprehensive income.

Notes to the consolidated financial statements continued

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.

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred. In the case of prepaid loan facility fees, they are capitalised and set against the related borrowings, and then amortised over the life of the related loan facility.

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 at 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.

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 and cash equivalents

Cash and cash equivalents comprises cash at bank and in hand together with any overdrafts repayable on demand and any short-term investments with a maturity date of less than three months from the balance sheet date.

Net cash

Net cash, as shown in Note 22, comprises cash and cash equivalents plus any bank borrowings/prepaid loan fees, and any finance leases.

Short-term investments

From time to time, the Group uses short-term investments in UK Gilts as part of its cash management activities. The Group reviews these investments before entering into them, and, after establishing that the Group has both the intention and the ability to hold these investments to maturity, they are classified as held-to-maturity and are initially recognised at cost, including any transaction fees.

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

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.

Trade payables

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Group makes some judgements when applying its accounting policies which can have a significant effect on the amounts recognised in these financial statements. The Group also makes assumptions concerning the future and other major sources of estimation uncertainty that can result in a material adjustment to the carrying amounts of assets and liabilities within the next financial period. We discuss these below.

Actuarial assumptions underlying the value of pension liabilities - judgement and estimation uncertainty

The Group operates a defined benefit scheme for its employees. There is significant judgement involved in selecting appropriate measurement bases for the actuarial assumptions used to measure the pension deficit.

There is also estimation uncertainty which means that reasonable alternative assumptions could have led to measurement at a materially different amount.

The key assumptions within this calculation are discount rate, inflation rates and mortality rates. These are set out in Note 19, together with sensitivity analysis that shows the effect that these estimates can have on the carrying value of the pension deficit.

Allowances against the carrying values of inventories - estimation uncertainty

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

Both the gross inventory balance and the amount of the allowance against carrying value are material items and we would expect this to remain the case as the Group grows in size, and as consumer demand for regular introductions of new product continues. Details of inventories and of the allowance against their carrying amount for the current and prior period end are shown in Note 15.

We derive our allowance against carrying value based on specific kitchen ranges and stock items where a decision has been made to discontinue future sales or where our monitoring of current sales indicates that the rate of sales is in decline. As such, the allowance is specific in nature and does not lend itself to meaningful sensitivity analysis in the same way as a figure which is derived by a general formula.

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

Notes to the consolidated financial statements continued

4 REVENUE

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Continuing operations		
Sales of goods	1,583.6	1,511.3
Total revenue	1,583.6	1,511.3

5 SEGMENTAL REPORTING

(a) Basis of segmentation, and other general information

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

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

(b) Other information

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Capital additions	63.6	45.2
Depreciation and amortisation	(34.5)	(30.2)

(c) Geographical information

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

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

Revenues from external customers

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
UK	1,550.3	1,477.3
Continental Europe	33.3	34.0
	1,583.6	1,511.3

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

Carrying amount of assets

	28 December 2019 £m	29 December 2018 £m
UK	916.8	828.4
Continental Europe	27.2	36.6
	944.0	865.0

Non-current assets (excluding deferred tax assets)

	28 December 2019 £m	29 December 2018 £m
UK	233.8	205.8
Continental Europe	4.4	4.4
	238.2	210.2

Additions to property, plant and equipment and intangible assets

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
UK	61.0	44.0
Continental Europe	2.6	1.2
	63.6	45.2

6 OPERATING PROFIT

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Net foreign exchange(loss)/gain	(2.5)	1.1
Depreciation of property, plant and equipment	(28.0)	(25.8)
Amortisation of intangible assets (included in administrative expenses)	(6.5)	(4.4)
Cost of inventories recognised as an expense	(586.5)	(571.4)
Write down of inventories	(8.4)	(8.8)
(Loss)/profit on disposal of fixed assets	(1.4)	-
Increase in allowance for doubtful debts (Note 16)	(0.1)	(1.4)
Staff costs (Note 7)	(440.7)	(418.2)
Lease payments under operating leases	(85.1)	(82.7)
Auditor's remuneration for audit services (see below)	(0.6)	(0.5)

All of the items above relate to continuing operations.

Notes to the consolidated financial statements continued

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Audit services:		
Fees paid to the Company's auditor for the audit of the Company's annual financial statements	(0.2)	(0.2)
Fees paid to the Company's auditor and their associates for other services to the Group:		
- the audit of the subsidiary companies pursuant to legislation	(0.4)	(0.3)
Total audit fees	(0.6)	(0.5)
Other services:		
Audit related assurance services (review of the half-year results)	(0.1)	(0.1)
Tax compliance services	-	-
Tax advisory services	-	-
Total non-audit fees	(0.1)	(0.1)

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

7 STAFF COSTS

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Wages and salaries	(375.0)	(352.7)
Social security costs	(35.2)	(32.0)
Pension operating costs (Note 19)	(30.5)	(33.5)
	(440.7)	(418.2)

Wages and salaries includes a charge in respect of share-based payments of £4.9m (2018: £4.3m).

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 28 December 2019 No.	52 weeks to 29 December 2018 No.
	9,903	9,590

8 FINANCE INCOME

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Bank interest receivable	1.1	0.7

9 TAX

(a) Tax in the income statement

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Current tax:		
Current year	47.9	44.8
Adjustments in respect of previous periods	(1.3)	0.3
Total current tax	46.6	45.1
Deferred tax:		
Current year	5.3	3.0
Adjustments in respect of previous periods	(0.2)	-
Total deferred tax	5.1	3.0
Total tax charged in the income statement	51.7	48.1

UK Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdictions.

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Deferred tax charge/(credit) to other comprehensive income on actuarial gain/loss on pension scheme	(8.0)	11.3
Change of rate effect on deferred tax	0.7	-
Deferred tax charge/(credit) to equity on share schemes	(0.2)	0.1
Current tax charge to equity on share schemes	(0.3)	(0.1)
Total charge/(credit) to other comprehensive income or changes in equity	(7.8)	11.3

Notes to the consolidated financial statements continued

(c) Reconciliation of the total tax charge

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Profit before tax	260.7	238.5
Tax at the UK corporation tax rate of 19% (2018: 19%)	49.5	45.3
IFRS2 share scheme charge	0.2	(0.6)
Expenses not deductible for tax purposes	1.9	0.9
Overseas losses not utilised	0.4	1.0
Non-qualifying depreciation	1.2	1.2
Other tax adjustments in respect of previous years	(1.5)	0.3
Total tax charged in the income statement	51.7	48.1

The Group's effective rate of tax is 19.8% (2018: 20.2%).

10 EARNINGS PER SHARE

	52 weeks to 28 December 2019			52 weeks to 29 December 2018		
From continuing operations	Earnings £m	Weighted average number of shares m	Earnings per share p	Earnings £m	Weighted average number of shares m	Earnings per share p
Basic earnings per share	209.0	596.9	35.0	190.4	608.3	31.3
Effect of dilutive share options	-	3.0	(0.2)	-	2.5	(0.1)
Diluted earnings per share	209.0	599.9	34.8	190.4	610.8	31.2

11 DIVIDENDS

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the 52 weeks to 28 December 2019 - 3.9p/share	23.2	-
Final dividend for the 52 weeks to 29 December 2018 - 7.9p/share	47.4	-
Interim dividend for the 52 weeks to 29 December 2018 - 3.7p/share	-	22.4
Final dividend for the 53 weeks to 30 December 2017 - 7.5p/share	-	45.9
	70.6	68.3

	52 weeks to 28 December 2019 £m
Dividend proposed at the end of the period (but not recognised in the period):	
Proposed final dividend for the 52 weeks to 28 December 2019 - (9.1p/share)	54.9

The Directors propose a final dividend in respect of the 52 weeks to 28 December 2019 of 9.1p per share, payable to ordinary shareholders who are on the register of shareholders at 22 May 2020, and payable on 19 June 2020.

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

The proposed final dividend for the current period is subject to the approval of the shareholders at the 2020 Annual General Meeting, and has not been included as a liability in these financial statements.

12 INTANGIBLE ASSETS

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

	Intangible assets in use £m	Intangible assets under construction £m	TOTAL £m
Cost			
At 30 December 2017	23.5	6.8	30.3
Additions	9.6	2.6	12.2
Reclassifications	6.5	(6.5)	-
At 29 December 2018	39.6	2.9	42.5
Exchange adjustments	(0.1)	-	(0.1)
Additions	6.2	2.3	8.5
Disposals	(1.3)	(0.1)	(1.4)
At 28 December 2019	44.4	5.1	49.5
Accumulated depreciation			
At 30 December 2017	(14.9)	-	(14.9)
Charge for the period	(4.4)	-	(4.4)
At 29 December 2018	(19.4)	-	(19.4)
Exchange adjustments	0.1	-	0.1
Charge for the period	(6.5)	-	(6.5)
Disposals	1.2	-	1.2
At 28 December 2019	(24.6)	-	(24.6)
Net book value at 28 December 2019	19.8	5.1	24.9
Net book value at 29 December 2018	20.2	2.9	23.1

Notes to the consolidated financial statements continued

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £m	Leasehold property £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Capital WIP £m	TOTAL £m
Cost						
At 30 December 2017	33.9	67.8	167.5	118.5	18.9	406.6
Exchange adjustments	-	-	-	0.1	-	0.1
Additions	1.4	4.5	5.5	14.7	6.9	33.0
Disposals	-	(0.9)	(4.8)	(0.7)	-	(6.4)
Reclassifications	3.3	0.3	10.5	1.2	(15.3)	-
At 29 December 2018	38.6	71.7	178.7	133.8	10.5	433.3
Exchange adjustments	-	-	(0.1)	(0.3)	-	(0.4)
Additions	0.6	5.2	8.1	15.9	25.3	55.1
Disposals	-	(0.6)	(11.3)	(2.4)	(0.1)	(14.4)
Reclassifications	0.2	5.2	3.6	0.1	(9.1)	-
At 28 December 2019	39.4	81.5	179.0	147.1	26.6	473.6
Accumulated depreciation						
At 30 December 2017	(4.3)	(25.7)	(113.4)	(83.2)	-	(226.6)
Charge for the period	(1.1)	(5.5)	(11.4)	(7.8)	-	(25.8)
Disposals	-	0.9	4.8	0.5	-	6.2
At 29 December 2018	(5.4)	(30.3)	(120.0)	(90.5)	-	(246.2)
Exchange adjustments	-	-	0.1	0.1	-	0.2
Charge for the period	(1.2)	(5.4)	(12.1)	(9.3)	-	(28.0)
Disposals	-	0.5	11.1	1.2	-	12.8
At 28 December 2019	(6.6)	(35.2)	(120.9)	(98.5)	-	(261.2)
Net book value at 28 December 2019	32.8	46.3	58.1	48.6	26.6	212.4
Net book value at 29 December 2018	33.2	41.4	58.7	43.3	10.5	187.1

14 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	Company share schemes £m	Other temporary differences £m	Total £m
At 30 December 2017	20.8	1.6	0.7	0.9	24.0
(Charge)/credit to income statement	(2.7)	(0.4)	-	0.2	(2.9)
Charge outside income statement	(11.3)	-	(0.1)	-	(11.4)
At 29 December 2018	6.8	1.2	0.6	1.1	9.7
(Charge)/credit to income statement	(4.5)	(0.7)	0.1	-	(5.1)
(Charge)/credit outside income statement - change of rate	(0.7)	-	0.1	-	(0.6)
Credit outside income statement	8.0	-	-	-	8.0
At 28 December 2019	9.6	0.5	0.8	1.1	12.0

Deferred tax arising from accelerated capital allowances, company share schemes and other temporary differences can be further analysed as a £3.9m asset and a £1.5m liability (2018: £4.4m asset and £1.5m liability).

The presentation in the balance sheet is as follows:

	28 December 2019 £m	29 December 2018 £m
Deferred tax assets	13.5	11.2
Deferred tax liabilities	(1.5)	(1.5)
	12.0	9.7

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

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

	28 December 2019 £m	29 December 2018 £m
Trading losses	41	41
Non-trading losses	20	20
Capital losses	86	86
Total losses	147	147

Notes to the consolidated financial statements continued

15 INVENTORIES

	28 December 2019 £m	29 December 2018 £m
Raw materials	8.7	6.1
Work in progress	5.7	5.4
Finished goods and goods for resale	255.3	246.6
Allowance against carrying value of inventories	(37.9)	(31.8)
	231.8	226.3

In the event that the Group were to use its bank facility, it has pledged its inventories as security for any borrowing under the facility. More details are given in Note 18.

16 OTHER FINANCIAL ASSETS

Trade and other receivables

	28 December 2019 £m	29 December 2018 £m
Trade receivables (net of allowance)	148.3	145.2
Prepayments	42.1	37.4
Other receivables	2.7	3.4
	193.1	186.0

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:

	28 December 2019 £m	29 December 2018 £m
Balance at start of period	11.3	9.9
Increase in allowance recognised in the income statement	0.1	1.4
Balance at end of period	11.4	11.3

The Group's exposure to the credit risk inherent in its trade receivables is discussed in Note 26. We have no significant concentration of credit risk, as our exposure is spread over a large number of customers. We charge interest at appropriate market rates on balances which are in litigation.

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

The historical level of customer default is low, and as a result we consider the 'credit quality' of period end trade receivables to be high. We regularly review trade receivables which are past due but not impaired, and we consider, 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. We maintain regular contact with all such customers and, where necessary, we take legal action to recover the receivable. We make an allowance for impairment for any specific amounts which we consider to be irrecoverable or only partly recoverable. We also have a separate general allowance, which is calculated as a percentage of sales and is based on historical default rates. At the period end, the total bad debt provision of £11.4m (2018: £11.3m) consists of a specific provision of £4.6m (2018: £5.3m) which has been made against specific debts with a gross carrying value of £5.8m (2018: £6.6m), and a general provision of £6.8m (2018: £6.0m). To the extent that recoverable amounts are estimated to be less than their associated carrying values, we have recorded impairment charges in the consolidated income statement and have written carrying values down to their estimated recoverable amounts.

We wrote off £6.9m of debts in the period (2018: £5.5m). Included within our aggregate trade receivables balance are specific debtor balances with customers totalling £27.7m before bad debt provision (2018: £25.8m before provision) which are past due as at the reporting date. We have assessed these balances for recoverability and we believe that their credit quality remains intact.

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

	28 December 2019 £m	29 December 2018 £m
1-30 days past due	13.2	11.4
31-60 days past due	3.2	3.4
61-90 days past due	2.2	2.0
90+ days past due	9.1	9.0
Total overdue amounts, excluding allowance for doubtful receivables	27.7	25.8

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

Cash and cash equivalents

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

Short-term investments

Short-term investments at the end of 2019 comprised investments in short-term UK Gilts. They had maturity dates ranging between one and three months from the balance sheet date. They returned a fixed rate of interest and the weighted average effective interest rate on the Gilts held at the balance sheet date was 0.48% p.a.

These investments were classified as held-to-maturity, and held at amortised cost. The Directors estimated that the fair value of these investments at the period end was equal to their carrying value.

The Group did not have any short-term investments at the end of 2018.

Assets pledged as security

In the event that the Group were to use its bank facility, it has pledged its trade receivables as security for any borrowing under the facility. More details are given in Note 18.

Notes to the consolidated financial statements continued

17 OTHER FINANCIAL LIABILITIES

Trade and other payables

	28 December 2019 £m	29 December 2018 £m
Current liabilities		
Trade payables	96.4	95.6
Other tax and social security	71.1	69.0
Other payables	11.3	11.9
Accruals	62.6	56.4
	241.4	232.9

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 42 days (2018: 41 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.

18 BORROWING FACILITY

At the period end date, the Group had a £140m committed borrowing facility, due to expire in December 2023. The Group did not use the facility in the year.

The facility is secured on the trade receivables and stock of the Group. The available facility limit is calculated every week, based on the asset backing at the time and can never exceed £140m. There were no borrowings under the facility at either the current or previous year end. As at 28 December 2019, the Group had available £138m of undrawn committed borrowing facilities, in respect of which all conditions precedent had been met (29 December 2018: £138m), in addition to the Group's cash and short-term investments as shown on the balance sheet.

If the Group were to use the facility, it would carry interest at a rate of LIBOR plus a margin of 125 basis points. 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 £10m of additional secured borrowings, and (iii) allows up to £20m of finance lease borrowing.

19 RETIREMENT BENEFIT OBLIGATIONS

(a) Overview of all retirement benefit arrangements

Defined contribution: auto-enrolment plan

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

The total cost charged to income in respect of this plan in the current period of £9.3m (2018: £6.7m) represents the Group's contributions due and payable in respect of the period. All of this amount was paid in the period as it also was in the previous period.

Defined contribution: other plan

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

The total cost charged to income in respect of this plan in the current period of £1.2m (2018: £0.9m) represents the Group's contributions due and paid in respect of the period.

Defined benefit plan

Characteristics and risks of the plan

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

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

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

Accounting and actuarial valuation

Contributions are charged to the consolidated income statement so as to spread the cost of pensions over the employees' working lives with the Group. The present value of the defined benefit obligation, the related current service cost, and past service cost are determined by a qualified actuary using the projected unit method. The most recent completed actuarial valuation was carried out at 5 April 2017 by the plan actuary. The actuary advising the Group has subsequently rolled forward the results of the 5 April 2017 valuation to 28 December 2019. This roll-forward exercise involves updating all the assumptions which are market-based (i.e. inflation, discount rate, rate of increase in pensions and rate of CARE revaluation) to values as at 28 December 2019. We are using CMI 2018 mortality tables, being the most recent tables available.

Funding and estimated contributions

The Group has an agreement with the pension plan trustees to make additional deficit contributions to the plan, over and above the normal level of contributions, of £30m per year until June 2023. The Group's estimated total cash contributions to the defined benefit plan in the 52 weeks ending 26 December 2020 are £47m.

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

As is mandatory under International Financial Reporting Standards, the Group values its pension deficit in these accounts on an IAS 19 basis. As shown below, the IAS 19 deficit at the current period end is £56.6m. On a funding basis (also known as a 'Technical Provisions basis', being the basis on which the triennial actuarial valuations are carried out), the funding deficit at the current period end is estimated at £129.9m, this estimate being based on an approximate roll-forward of the 2017 triennial funding valuation, updated for market conditions.

Notes to the consolidated financial statements continued

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Charged to the income statement:		
Defined benefit plan - current service cost	17.2	19.8
Defined benefit plan - past service cost (GMP equalisation[1])	-	3.8
Defined benefit plan - administration costs	2.8	2.3
Defined benefit plan - total operating charge	20.0	25.9
Defined benefit plan - net finance charge	0.4	2.3
Defined contribution plans - total operating charge	10.5	7.6
Total net amount charged to profit before tax	30.9	35.8
Charged/(credited) to equity:		
Defined benefit plan - actuarial losses/(gains)	47.1	(59.3)
Total charge/(credit)	78.0	(23.5)

1. The past service cost in the prior period related to a charge recognised in respect of equalising the Guaranteed Minimum Pension entitlements between female and male members of the plan between 1978 and 1997. This was an issue which affected all UK defined benefit pension plans which provide Guaranteed Minimum Pensions, although it was only since the High Court ruling in a test case in October 2018 that there was some clarity as to the obligations which existed and the range of suitable ways in which to measure them. The plan's actuary applied the principles of the High Court ruling to the specific details of the plan's membership in order to calculate the past service cost shown above.

(c) Other information - defined benefit pension plan

	52 weeks to 28 December 2019	52 weeks to 29 December 2018
Key assumptions used in the valuation of the plan		
Rate of increase of pensions in deferment capped at lower of CPI and 5%	2.40%	2.45%
Rate of CARE revaluation capped at lower of RPI and 3%	2.50%	2.60%
Rate of increase of pensions in payment:		
- pensions with increases capped at lower of CPI and 5%	2.40%	2.45%
- pensions with increases capped at lower of CPI and 5%, with a 3% minimum	3.35%	3.35%
- pensions with increases capped at the lower of LPI and 2.5%	2.20%	2.25%
Rate of increase in salaries	4.20%	4.45%
Inflation assumption - RPI	3.20%	3.45%
Inflation assumption - CPI	2.40%	2.45%
Discount rate	1.95%	2.85%
Life expectancy (years): pensioner aged 65		
- male	86.5	87.4
- female	88.1	89.0
Life expectancy (years): non-pensioner aged 45		
- male	87.6	88.6
- female	90.3	91.1

Sensitivities

If there was a decrease in the discount rate of 0.25%, there would be a corresponding increase in the scheme liabilities of around 6%, or £90m, an increase in the operating charge of around £1.8m and an increase in pensions finance charge of around £1.25m.

An increase of 0.25% to the inflation rate would increase scheme liabilities by around 2.4%, or £36m, increase the operating charge by around £0.2m and increase the pensions finance charge by around £0.75m.

The effect of increasing the assumption regarding life expectancy by one year longer than shown above would be to increase the assessed value of liabilities by around 3.5%, or £52m, to increase the operating charge by around £0.8m and to increase the pensions finance charge by around £1.1m.

The sensitivities above are applied to the defined benefit obligation at the end of the reporting period, and the projected total service cost for 2020. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide a reasonable approximation. The same amount of movement in the opposite direction would produce a broadly equal and opposite effect.

Analysis of plan assets

	28 December 2019		29 December 2018	
	Quoted market price in an active market £m	No quoted market price in an active market £m	Quoted market price in an active market £m	No quoted market price in an active market £m
Government bonds	505.5	-	420.2	-
Equities				
- passive equities	138.6	-	115.2	-
- low volatility equities	-	-	-	-
Private equity[1]	-	4.1	-	10.1
Alternative growth assets				
- fund of hedge funds	-	94.2	89.2	-
- absolute return fund	80.6	-	67.7	-
Insurance-linked securities	-	64.0	62.0	-
Corporate bonds	170.4	-	152.2	-
Commercial property fund[2]	36.9	65.7	61.5	49.1
Other secure income	-	89.6	-	-
Asset-backed securities	126.1	-	200.0	-
Cash and cash equivalents	53.0	-	18.5	-
Total	1,111.1	317.6	1,186.5	59.2

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

1. The private equity investments are held in two funds. One fund values the assets based on guidelines from the European Private Equity and Venture Capital Association and International Private Equity and Venture Capital Valuation. The assets in the other fund are measured at fair market value on a quarterly basis in accordance with US GAAP: using the latest closing prices for publicly traded and quoted securities and applying a possible exit price for non-marketable and direct investments.
2. This holding is recorded at historical costs and then adjusted for amortisation and other payments received.

Asset allocation

The plan trustees' asset allocation strategy, as communicated to members in November 2019, was to target a weighting of 60% - with a range of between 50% and 70% - in return-seeking assets (such as equities, alternative growth assets, private equity and the commercial property fund), and a weighting of 40% - with a range of between 30% and 50% - in risk-reducing assets (such as government bonds, corporate bonds, and cash and cash equivalents).

Notes to the consolidated financial statements continued

Analysis of plan members, scheme liability split and duration

	2019[1]		
	No. of members	% of total liability	Duration (years)
Active members	1,448		
Deferred members	5,677		
Subtotal	7,125	72%	25
Pensioners	3,652	28%	15
Total No./average duration	10,777	100%	22

1. The figures are on an IAS 19 basis and are as at 5 April 2019, the date of the latest agreed pension plan accounts.

	2018[2]		
	No. of members	% of total liability	Duration (years)
Active members	1,534		
Deferred members	5,890		
Subtotal	7,424	69%	25
Pensioners	3,495	31%	14
Total No./average duration	10,919	100%	22

2. The figures are on an IAS 19 basis and are as at 5 April 2018, from the pension plan accounts.

Balance sheet

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

	28 December 2019 £m	29 December 2018 £m
Present value of defined benefit obligations	(1,485.3)	(1,281.7)
Fair value of scheme assets	1,428.7	1,245.7
Deficit in the scheme, recognised in the balance sheet	(56.6)	(36.0)

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Present value at start of period	1,281.7	1,374.6
Current service cost	17.2	19.8
Past service cost	-	3.8
Administration cost	2.8	2.3
Interest on obligation	35.8	33.8
Actuarial losses/(gains):		
- changes in financial and demographic assumptions	203.5	(104.7)
- experience	(6.6)	(0.6)
Benefits paid, including expenses	(49.1)	(47.3)
Present value at end of period	1,485.3	1,281.7

The £203.5m item 'changes in financial and demographic assumptions' in 2019 comprises an increase in liabilities of £251.4m relating to changes in the net discount rate and a decrease of £47.9m due to adopting the most recent longevity tables.

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Fair value at start of period	1,245.7	1,265.3
Interest income on plan assets	35.4	31.5
Contributions from the Group	46.9	42.2
Actuarial gains/(losses)	149.8	(46.0)
Benefits paid, including expenses	(49.1)	(47.3)
Fair value at end of period	1,428.7	1,245.7

Movements in the deficit during the period are as follows:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Deficit at start of period	(36.0)	(109.3)
Current service cost	(17.2)	(19.8)
Past service cost	-	(3.8)
Administration cost	(2.8)	(2.3)
Employer contributions	46.9	42.2
Other finance charge	(0.4)	(2.3)
Actuarial (losses)/gains gross of deferred tax	(47.1)	59.3
Deficit at end of period	(56.6)	(36.0)

Income statement

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

Amount charged to operating profit:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Current service cost	17.2	19.8
Past service cost	-	3.8
Administration cost	2.8	2.3
Total operating charge	20.0	25.9

The total operating charge is included in the financial statement heading Staff costs.

Amount credited to other finance charges:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Interest income on plan assets	(35.4)	(31.5)
Interest cost on defined benefit obligation	35.8	33.8
Net charge	0.4	2.3

The actual return on plan assets was £185.2m (52 weeks to 29 December 2018: loss of £14.5m).

Notes to the consolidated financial statements continued

Statement of comprehensive income

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Actuarial gain/(loss) on plan assets	149.8	(46.0)
Actuarial (loss)/gain on plan liabilities	(196.9)	105.3
Net actuarial (loss)/gain, before associated deferred tax	(47.1)	59.3

20 PROVISIONS

	Property £m	Warranty £m	Other £m	Total £m
At 30 December 2017	4.3	3.9	2.3	10.5
Additional provision in the period	0.4	3.5	0.3	4.2
Provision released in the period	(0.6)	-	(1.1)	(1.7)
Utilisation of provision in the period	(0.7)	(3.8)	(1.2)	(5.7)
At 29 December 2018	3.4	3.6	0.3	7.3
Additional provision in the period	3.1	5.3	5.5	13.9
Provision released in the period	(0.9)	-	-	(0.9)
Utilisation of provision in the period	(2.2)	(3.8)	(5.3)	(11.3)
At 28 December 2019	3.4	5.1	0.5	9.0

Property provision

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

The timing of outflows from the provision is variable, and is dependent on rent payment dates, lease expiry dates, opportunities to surrender leases, and on the timing of dilapidations assessments and works.

Warranty provision

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

Other provision

Movement in the period relates to the closure of the Group's trials in Germany and The Netherlands. The closure of these businesses was substantially completed in 2019, with a final £0.2m of further closure expenses expected in 2020.

21 SHARE CAPITAL

Ordinary shares of 10p each:	52 weeks to 28 December 2019 No.	52 weeks to 29 December 2018 No.	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Allotted, called up and fully paid:				
Balance at the beginning of the period	615,436,307	628,192,755	61.5	62.8
Bought back and cancelled during the period	(10,772,446)	(12,756,448)	(1.0)	(1.3)
Balance at the end of the period	604,663,861	615,436,307	60.5	61.5

22 NOTES TO THE CASH FLOW STATEMENT

Analysis of net cash	Cash at bank and in hand £m	Short-term investments £m	Cash and cash equivalents, and net cash £m
At 29 December 2018	231.3	-	231.3
Cash flow	(12.8)	48.9	36.1
At 28 December 2019	218.5	48.9	267.4

The short-term investments held at the period end had a maturity of less than three months, and as such were considered to be cash equivalents for the purposes of the cash flow statement. More details are given in Note 2 and Note 16.

23 FINANCIAL COMMITMENTS

Capital commitments

	28 December 2019 £m	29 December 2018 £m
Contracted for, but not provided for in the financial statements:		
- Tangible assets	17.8	3.6
- Intangible assets	0.3	1.0
	18.1	4.6

The increase in commitments for tangible assets in the current period is mainly due to committed fitout works on the second and third phases of our new warehouse development.

Notes to the consolidated financial statements continued

Operating lease commitments

The Group as lessee:

Payments under operating leases during the period are shown at Note 6. 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	
	28 December 2019 £m	29 December 2018 £m	28 December 2019 £m	29 December 2018 £m	28 December 2019 £m	29 December 2018 £m
Payments falling due:						
Within one year	69.6	67.0	15.2	15.1	84.8	82.1
In the second to fifth year inclusive	197.4	195.8	37.4	32.2	234.8	228.0
After five years	258.9	179.6	7.1	8.5	266.0	188.1
	525.9	442.4	59.7	55.8	585.6	498.2

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:

	28 December 2019 £m	29 December 2018 £m
Payments receivable:		
Within one year	0.6	1.9
In the second to fifth year inclusive	1.9	2.9
After five years	1.1	0.9
	3.6	5.7

24 SHARE-BASED PAYMENTS

1) Details of each scheme

The Group recognised a charge of £4.9m (2018: charge of £4.3m) 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.

Freeshares

This is a UK tax-advantaged 'all-employee' Share Incentive Plan where eligible UK employees receive an award of free shares in the Company. If participants are still employed by a UK Howdens group company on the third anniversary of the date the shares were granted, the shares will vest. There are no other performance conditions attached to these awards. Dividends are payable on the free shares during the vesting period.

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

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

(i) **Market value options**, the vesting period for which was three years commencing from the date of grant with an exercise period of seven years (i.e. a total life of 10 years). Options vested where cumulative PBT of £90m was achieved over the three financial years ending 2009, 2010 and 2011.

(ii) **Market value options**, the vesting period for which was three years commencing from the date of grant with an exercise period of seven years (i.e. a total life of 10 years). 15% of the options vested if the Group achieved growth in pre-exceptional PBT equivalent to RPI over the performance period; 100% vested if pre-exceptional PBT growth equivalent to RPI + 8% was achieved.

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

(iv) **Market value options**, the vesting period for which was three years commencing from the date of grant with an exercise period of seven years (i.e. a total life of 10 years). The vesting conditions for these options were as follows:

Date of award	2015	2016
Vesting based on growth in profits - from year ended December	2014	2015
- to year ended December	2017	2018
Award vests at 15% if profits over the vesting period grow by	8%	8%
Award vests at 100% if profits over the vesting period grow by	20%	20%

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

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

Date of award	2017	2018	2019
Vesting based on growth in profits - from year ended December	2016	2017	2018
- to year ended December	2019	2020	2021
Award vests at 15% if profits over the vesting period grow by	3%	5%	5%
Award vests at 100% if profits over the vesting period grow by	15%	15%	15%

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

Recruitment Plan

This is a discretionary employee share plan under which the Company may grant an eligible employee conditional rights to acquire shares subject to certain conditions. The shares are not subject to any performance conditions other than continued employment. Neither dividends nor dividend equivalents are payable during the vesting period. The awards granted under this plan may only be satisfied with existing shares.

Notes to the consolidated financial statements continued

2) Movements in the period

52 weeks to 28 December 2019	Freeshares Number	LTIP (i) Number	LTIP (ii) Number	LTIP (iii) Number	LTIP (v) Number
In issue at start of period	2,496,344	58,500	80,277	42,500	4,840,735
Granted in period	944,100	-	-	-	1,589,842
Lapsed in period	(208,500)	-	-	(11,500)	(1,690,324)
Exercised in period	(453,497)	(58,500)	(80,277)	(8,100)	(8,976)
In issue at end of period	2,778,447	-	-	22,900	4,731,277
Exercisable at end of period	530,847	-	-	-	-
Number of options in the closing balance granted before 7 November 2002	23,456	-	-	-	-
Weighted average share price for options exercised during the period (£)	5.34	5.22	5.10	5.22	5.07
Weighted average life remaining for options outstanding at the period end (years)	1.37	N/A	N/A	0.79	1.37
Weighted average fair value of options granted during the period (£)	5.17	N/A	N/A	N/A	4.65
Exercise price for all options (£)	0.00	0.36	0.81	0.00	0.00

	LTIP (iv)		LTIP (vi)	Recruitment Plan
	Number	WAEP (£)	Number	Number
In issue at start of period	927,176	2.94	-	117,691
Granted in period	-	N/A	111,327	-
Lapsed in period	-	N/A	-	-
Exercised in period	(396,094)	2.56	-	(69,397)
In issue at end of period	531,082	3.22	111,327	48,294
Exercisable at end of period	531,082	3.22	-	-
Number of options in the closing balance granted before 7 November 2002	-		-	-
Weighted average share price for options exercised during the period (£)	5.52		N/A	4.86
Weighted average life remaining for options outstanding at the period end (years)	0.00		0.96	0.18
Weighted average fair value of options granted during the period (£)	N/A		5.60	N/A
Exercise price for all options (£)	1.09 to 3.79		0.00	0.00

52 weeks to 29 December 2018	Freeshares Number	LTIP (i) Number	LTIP (ii) Number	LTIP (iii) Number	LTIP (v) Number
In issue at start of period	2,101,110	62,150	96,919	34,800	3,778,976
Granted in period	909,200	-	-	16,500	1,648,746
Lapsed in period	(215,000)	-	-	(2,600)	(585,333)
Exercised in period	(298,966)	(3,650)	(16,642)	(6,200)	(1,654)
In issue at end of period	2,496,344	58,500	80,277	42,500	4,840,735
Exercisable at end of period	358,644	58,500	80,277	-	-
Number of options in the closing balance granted before 7 November 2002	358,644	-	-	-	-
Weighted average share price for options exercised during the period (£)	4.86	4.81	4.65	4.66	4.76
Weighted average life remaining for options outstanding at the period end (years)	1.37	0.00	0.00	1.40	1.34
Weighted average fair value of options granted during the period (£)	4.65	N/A	N/A	4.57	4.68
Exercise price for all options (£)	0.00	0.36	0.81	0.00	0.00

	LTIP (iv)		Recruitment Plan
	Number	WAEP (£)	Number
In issue at start of period	1,266,435	2.91	-
Granted in period	-	N/A	249,330
Lapsed in period	-	N/A	-
Exercised in period	(339,259)	2.82	(131,639)
In issue at end of period	927,176	2.94	117,691
Exercisable at end of period	927,176	2.94	-
Number of options in the closing balance granted before 7 November 2002	-		-
Weighted average share price for options exercised during the period (£)	4.87		4.60
Weighted average life remaining for options outstanding at the period end (years)	0.00		0.58
Weighted average fair value of options granted during the period (£)	N/A		4.44
Exercise price for all options (£)	1.09 to 3.79		0.00

3) Fair value of options granted

The fair value of all options granted is estimated on the date of grant using a binomial option valuation model.

The key assumptions used in the model were:

	52 weeks to 28 December 2019	52 weeks to 29 December 2018
Dividend yield (%)	2.2 to 2.6	2.6
Expected life of options (years)	0.6 to 3	0.1 to 3

Notes to the consolidated financial statements continued

25 RELATED PARTY TRANSACTIONS

Companies which are related parties

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. All transactions between the Group and the Group's pension schemes have been disclosed in Note 19.

Remuneration of key management personnel

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Short-term employment benefits	8.4	6.7
Share-based payments	0.4	0.8
	8.8	7.5

Other transactions with key management personnel

There were no other transactions with key management personnel.

26 FINANCIAL RISK MANAGEMENT

(a) Capital risk management

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

The capital structure of the Group consists of cash and short-term investments, the committed borrowing facility discussed further in Note 18 - if needed - and equity attributable to equity holders of the parent (including issued share capital and reserves as disclosed in the Consolidated Statement of Changes in Equity, and in Note 21).

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

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are in Note 2 to the financial statements.

(c) Categories of financial instruments

	28 December 2019 £m	29 December 2018 £m
Financial assets (current and non-current)		
Trade receivables	148.3	145.2
Cash and cash equivalents	267.4	231.3
Financial liabilities (current and non-current)		
Trade payables	96.4	95.6

(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 these exposures are managed, and the quantification of the level of exposure in the balance sheet is shown below (subcategorised into credit risk, liquidity risk and market risk). The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

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

Cash and cash equivalents

Cash and cash equivalents 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.

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

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

Management of trade receivables is discussed in Note 16.

Notes to the consolidated financial statements continued

(e) Credit risk

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

We describe our policy on dealing with trade customers in Note 16 and Note 2. Trade receivables are spread over a large number of customers, and we do not have a significant exposure to any single counterparty.

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

In addition, the Group Treasury function monitors counterparty risk through regular assessments which take account of counterparties' key financial ratios, corporate bond and equity prices together with agency credit ratings.

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

	28 December 2019 £m	29 December 2018 £m
Trade receivables (net of allowance)	148.3	145.2
Cash	218.5	231.3
Current asset investments	48.9	-
Total credit risk exposure	415.7	376.5

(f) Liquidity risk

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

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities as far as is possible. Included in Note 18 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. In addition, the Strategic Review contains a section describing the interaction of liquidity risk and the going concern review.

Maturity profile of outstanding financial liabilities

Our only outstanding financial liabilities are our trade creditors. These are capital liabilities, with no associated interest, and are payable within one year.

(g) Market risk

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

Foreign exchange risk

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

	28 December 2019 £m	29 December 2018 £m
Euro		
Trade receivables	4.5	4.2
Other receivables	2.4	2.3
Cash and cash equivalents	13.5	21.4
Trade payables	(18.8)	(23.2)
Other payables	(3.1)	(3.1)
	(1.5)	1.6
US Dollar		
Cash and cash equivalents	0.1	-
Trade payables	(0.1)	(1.1)
	-	(1.1)
Total	(1.5)	0.5

Interest rate risk

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

(h) Financial instrument sensitivities

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

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

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

Notes to the consolidated financial statements continued

Interest rate sensitivity

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

At the reporting date, if interest rates had been 50 basis points higher and all other variables were held constant, the Group's net profit and profit and loss reserve would increase by £0.4m (2018: increase by £0.4m).

For a decrease of 50 basis points, the current year figures would decrease by £0.4m (2018: decrease by £0.4m).

Foreign exchange sensitivity

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

	28 December 2019 £m	29 December 2018 £m
10% weakening of Sterling to Euro	(0.2)	0.2
10% strengthening of Sterling to Euro	0.1	(0.2)
10% weakening of Sterling to US dollar	-	(0.1)
10% strengthening of Sterling to US dollar	-	0.1

Independent auditor's report

to the members of Howden Joinery Group Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

In our opinion:

- **the financial statements of Howden Joinery Group plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 28 December 2019 and of the Group's profit for the period then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated cash flow statement; and
- the related Group Notes 1 to 26 and Company Notes 1 to 6

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were consistent with prior year: • Valuation of the UK inventory obsolescence provision • Appropriateness of the actuarial assumptions underlying the valuation of pension liabilities Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £12.5 million which was determined on the basis of approximately 5% of statutory profit before tax.
Scoping	Full audit procedures were performed over 98% of the Group's total assets, revenue and profit before tax comprising the UK trading and corporate entities.
Significant changes in our approach	There has been no significant change in our approach.

Independent auditor's report continued

to the members of Howden Joinery Group Plc

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the directors' statement in Note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 38 to 45 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 60 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 38 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the UK inventory obsolescence provision

Key audit matter description	At the year end, the gross inventory balance is £269.6 million (2018: £258.2 million), of which there is a £37.9 million (2018: £31.8 million) allowance against the carrying value. The scale of the Group's product range means there is significant Management judgement involved in determining the adequacy of the inventory obsolescence provision for active, discontinued, and slow moving ranges as well as display items. In particular the provision percentages applied to those discontinued and slow moving inventory lines. Given the high level of Management judgement involved, we deemed this a potential fraud risk for our audit. The Audit Committee report on page 112 also refers to inventory provisioning as one of the significant issues and judgements. Further information is included in Note 3 and Note 15.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the inventory obsolescence provision. We have considered the methodology used to calculate the inventory provision. We have challenged the reasonableness of Management's judgements and the assumptions used, specifically by assessing the provision percentages from an evaluation of sales of discontinued inventory lines. For active lines we have assessed stock turn and evidence of sales below cost price to determine whether further provisions are required. We have assessed the integrity of the underlying calculation by checking the accuracy of the ageing of the discontinued inventory items. We have also reviewed the level of inventory write offs in the year compared to the overall inventory provision. We have checked the completeness of the provision by assessing the net realisable value and inventory turn for a sample of inventory lines.
Key observations	On the basis of our testing, we are satisfied the overall provision is appropriate and is prepared on a basis consistent with the prior period.

5.2. Appropriateness of the actuarial assumptions underlying the valuation of pension liabilities

Key audit matter description	There is a significant Management judgement involved in the assessment of the actuarial assumptions used to measure the defined benefit pension deficit of £56.6 million (2018: £36 million), particularly in respect of the discount rate, inflation and mortality rates applied. The valuation of gross pension liabilities (£1,485.3 million) is materially sensitive to changes in these underlying assumptions. Management has highlighted defined benefit pension arrangements as a critical accounting judgement and key source of estimation in Note 3. Further information in respect of the pension scheme is included in Note 19. The Audit Committee report on page 112 also refers to the valuation of the defined benefit deficit as one of the significant judgements considered by the Committee.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the key assumptions used to determine the pension liability. With the involvement of our pension specialists,we have reviewed the valuation report prepared by the Group's external actuaries and assessed each of the key assumptions, being the discount rate, inflation rate and mortality. We did this through comparison to available market data, our own benchmarks and by reference to the Company's accounting policies. We also assessed the appropriateness of the methodology used by the Group's actuaries to calculate the liabilities of the pension scheme. In addition, we benchmarked the key assumptions against a population of other companies as at December 2019. We have considered whether, individually and in aggregate, the assumptions are appropriate. We have assessed the competence and independence of the Group's external actuaries, confirming they have sufficient and appropriate experience and are members of the Institute and Faculty of Actuaries. We have assessed the pension disclosures in the financial statements and considered their compliance with the requirements of IAS 19 Employee Benefits.
Key observations	We are satisfied that, individually and in aggregate, the actuarial assumptions applied in respect of the scheme's liabilities are appropriate.

Independent auditor's report continued

to the members of Howden Joinery Group Plc

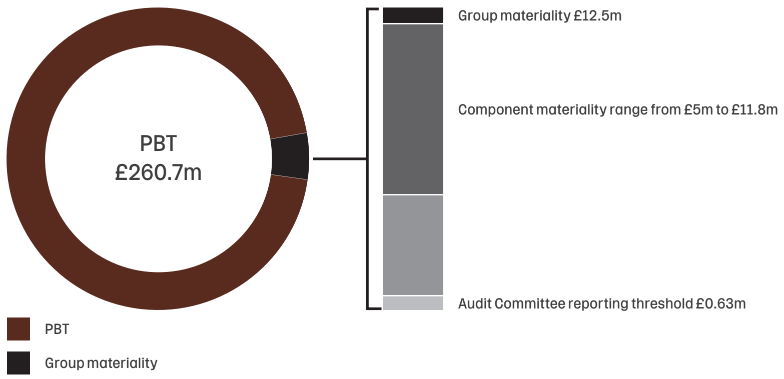
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£12.5 million (2018: £11.5 million)	£5 million (2018: £4.6 million)
Basis for determining materiality	Approximately 5% (2018: 5%) of statutory pre-tax profit	1% (2018: 1%) of net assets
Rationale for the benchmark applied	Profit before tax has been used as the basis for determining materiality as it is one of the most relevant benchmarks for users of the accounts.	Net assets have been used as this is a non-trading holding company and we consider this to be the most appropriate basis.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- the quality of the control environment where no significant deficiencies were identified;
- the low turnover of management and key accounting personnel; and
- history of prior period errors of which there were a low number of corrected and uncorrected misstatements.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £625,000 (2018: £575,000) for the Group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our audit scope on the UK trading and corporate entities. All of these were subject to a full audit. For the period ended 28 December 2019 the French and Belgian trading entities were taken out of Group audit scope on the basis they only contribute 2% to Group revenue. Desktop reviews for these two entities have been performed. Given the relative size of the Continental European business to the UK business we do not consider this a significant change in scope.

Our audit work for the UK trading and corporate entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged between £5 million and £11.8 million (2018: £4.6 million and £10.9 million) of Group materiality. These locations represent the principal business units and account for 98% (2018: 98%) of the Group's net assets, Group's revenue and of the Group's profit before tax for the 52 weeks ended 28 December 2019. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The UK trading and corporate entities account for 98% (2018: 98%) of Group revenue and were audited by the Group team.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable - the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code - the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report continued

to the members of Howden Joinery Group Plc

10. Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Group's in-house legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, corporate treasury, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of the UK inventory obsolescence provision. This was raised as a key audit matter in the current year. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence, regulatory solvency requirements, environmental regulations and covenant requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of the UK inventory obsolescence provision as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and both in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent auditor's report continued

to the members of Howden Joinery Group Plc

14. Other matters

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the members at the Annual General meeting held on 21 June 2002 to audit the financial statements for the year ending 28 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 18 years, covering the years ending 28 December 2002 to 28 December 2019.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

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.

Claire Faulkner FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, England

26 February 2020

Company Balance Sheet

	Notes	28 December 2019 £m	29 December 2018 £m
Non-current assets			
Investments in subsidiaries	3	699.0	699.0
Long-term prepayments		0.9	-
		699.9	699.0
Current assets			
Debtors	4	2.9	1.1
Cash and cash equivalents		256.0	212.0
		258.9	213.1
Current liabilities			
Creditors: amounts falling due within one year	5	(27.0)	(78.5)
Net current liabilities		231.9	134.6
Total assets less current liabilities		931.8	833.6
Net assets		931.8	833.6
Equity			
Called-up share capital	6	60.5	61.5
Share premium and capital redemption reserve		92.2	87.5
Retained earnings		808.4	717.5
Treasury shares		(29.3)	(32.9)
Total equity		931.8	833.6

The Company profit after tax for the 52 weeks to 28 December 2019 was £220.4m (52 weeks to 29 December 2018: profit after tax of £208.0m).

These financial statements were approved by the Board on 26 February 2020 and were signed on its behalf by

Mark Robson
Deputy Chief Executive and Chief Financial Officer

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

Company statement of changes in equity

	Called up share capital £m	Capital redemption reserve £m	Share premium account £m	Treasury shares £m	Retained earnings £m	Total £m
At 30 December 2017	62.8	-	87.5	(36.2)	638.7	752.8
Retained profit for the period	-	-	-	-	208.0	208.0
Buyback and cancellation of shares	(1.3)		-	-	(60.9)	(62.2)
Transfer of shares from treasury into share trust	-	-	-	3.3	-	3.3
Dividends declared and paid	-	-	-	-	(68.3)	(68.3)
At 29 December 2018	61.5	-	87.5	(32.9)	717.5	833.6
Retained profit for the period	-	-	-	-	220.4	220.4
Buyback and cancellation of shares (Note 1)	(1.0)	4.7	-	-	(58.9)	(55.2)
Transfer of shares from treasury into share trust	-	-	-	3.6	-	3.6
Dividends declared and paid	-	-	-	-	(70.6)	(70.6)
At 28 December 2019	60.5	4.7	87.5	(29.3)	808.4	931.8

Note 1: This includes a re-presentation of the cancellation of shares to retained earnings and capital redemption reserve for the shares bought back and cancelled before 29 December 2018, under which retained earnings have been reduced by £3.7m and the capital redemption reserve has been increased by £3.7m. This line also records the shares bought back and cancelled in the current period, which had an aggregate nominal value of £1m and a cost of £55.2m.

The Company's distributable reserves at period end are:

	28 December 2019 £m
Retained earnings	808.4
Treasury shares	(29.3)
Distributable reserves	779.2

The difference between the Howden Joinery Group Plc entity Retained Earnings Reserve (£808.4m at 28 December 2019) and the Group's consolidated Retained Earnings Reserve (£498.1m at 28 December 2019) is primarily due to the effect of goodwill purchased by the Group's predecessor company MFI Furniture Group Plc, and subsequent capital reconstructions, which resulted in the write off of that goodwill against consolidated reserves.

Notes to the Company financial statements

1 SIGNIFICANT COMPANY ACCOUNTING POLICIES

General information

Howden Joinery Group Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The Company's principal activity is being the parent company of the Howden Joinery Group. More information about the Group structure is given at page 174.

Basis of presentation

The Company's accounting period covers the 52 weeks to 28 December 2019. The comparative period covered the 52 weeks to 29 December 2018.

Basis of accounting

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

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

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

- Statement of Cash Flows and related notes;
- a comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- an additional statement of financial position for the beginning of the earliest comparative period as required by IFRS 1 First-time Adoption of International Financial Reporting Standards;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of Key Management Personnel.

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

Investments in subsidiaries

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

2 PROFIT AND LOSS ACCOUNT INFORMATION

The Company has no employees (2018: none), did not pay directors' emoluments (2018: £nil), and the fees payable to the Company's auditor for the audit of the Company's annual accounts were £10,000 in both current and prior periods.

Notes to the Company financial statements continued

3 INVESTMENTS IN SUBSIDIARIES

	Shares in subsidiary undertakings £m	Long-term loans to subsidiary undertakings £m	Total £m
Cost and carrying value:			
At 29 December 2018 and 28 December 2019	262.1	436.9	699.0

Details of principal subsidiary undertakings are given on page 174.

4 DEBTORS

	28 December 2019 £m	29 December 2018 £m
Other debtors	0.3	0.2
Other tax and social security	2.6	0.9
	2.9	1.1

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 December 2019 £m	29 December 2018 £m
Owed to subsidiaries	(27.0)	(78.2)
Accruals and deferred income	-	(0.3)
	(27.0)	(78.5)

6 SHARE CAPITAL

	52 weeks to 28 December 2019 No.	52 weeks to 29 December 2018 No.	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Ordinary shares of 10p each:				
Allotted, called-up and fully paid:				
Balance at the beginning of the period	615,436,307	628,192,755	61.5	62.8
Bought back and cancelled during the period	(10,772,446)	(12,756,448)	(1.0)	(1.3)
Balance at the end of the period	604,663,861	615,436,307	60.5	61.5

Additional information

Parent company and all subsidiary undertakings

as at 28 December 2019

	Country of registration or incorporation	Registered office
PARENT COMPANY		
Howden Joinery Group Plc	England and Wales	40 Portman Square, London, W1H 6LT
ALL SUBSIDIARY UNDERTAKINGS		
Intermediate Holding Companies:		
Howden Joinery Holdings Limited	England and Wales	40 Portman Square, London, W1H 6LT
Howden Joinery International Holdings Limited	England and Wales	40 Portman Square, London, W1H 6LT
Trading:		
Howden Joinery Limited	England and Wales	40 Portman Square, London, W1H 6LT
Houdan Cuisines SAS	France	1 Rue Calmette, ZA Du Bois Rigault Nord, 62880 Vendin-Le-Vieil
Houdan Cuisines SPRL	Belgium	Rue Des Emailleries, 4, 6041 Gosselies
Property Management:		
Howden Joinery Properties Limited	England and Wales	40 Portman Square, London, W1H 6LT
Howden Kitchens Properties Limited	England and Wales	40 Portman Square, London, W1H 6LT
Administration and Employee Services:		
Howden Joinery Corporate Services Limited	England and Wales	40 Portman Square, London, W1H 6LT
Howden Joinery People Services Limited	England and Wales	40 Portman Square, London, W1H 6LT
Dormant:		
Howden Kitchens Limited	England and Wales	40 Portman Square, London, W1H 6LT
Galiform Limited	England and Wales	40 Portman Square, London, W1H 6LT
Foreign Company Registrations:		
Howden Joinery Limited	Isle of Man	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ
Howden Joinery Properties Limited	Isle of Man	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ

The Company ultimately owns 100% of the ordinary share capital of all of the subsidiary undertakings listed above.

Five year record

	Dec 2019 52 weeks £m	Dec 2018 52 weeks £m	Dec 2017 53 weeks £m	Dec 2016 52 weeks £m	Dec 2015 52 weeks £m
Summarised Income Statement					
Revenue	1,583.6	1,511.3	1,403.8	1,307.3	1,220.2
Operating Profit	260.0	240.1	234.4	237.2	221.9
Profit before tax	260.7	238.5	232.2	237.0	219.6
Full year dividend per share (pence)	13.0	11.6	11.1	10.7	9.9
Basic EPS (pence)	35.0	31.3	29.9	29.5	27.3
Summarised Balance Sheet					
Total non-current assets	251.7	221.4	221.3	201.6	153.0
Inventories	231.8	226.3	208.3	183.7	177.1
Receivables	193.1	186.0	137.8	135.9	129.5
Payables and provisions	(272.2)	(261.9)	(245.0)	(244.8)	(214.8)
Pension liability	(56.6)	(36.0)	(109.3)	(106.0)	(49.2)
	96.1	114.4	(8.2)	(31.2)	42.6
Net cash, short term investments, and borrowings	267.4	231.3	241.1	226.6	226.1
Total net assets	615.2	567.1	454.2	397.0	421.7
Number of depots at end of year					
UK	732	694	661	642	619
France	25	20	20	20	17
Belgium	2	2	2	2	2
Netherlands	-	1	1	1	1
Germany	-	1	1	1	-
Total	759	718	685	666	639
Capital expenditure	61	44	49	64	46

Shareholder and share capital information

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting ('AGM') will be held at UBS, 5 Broadgate, London, EC2M 2QS on 7 May 2020 at 11:00am. Shareholders will have the opportunity to discuss Howdens' progress and operations directly with the Board at the AGM.

The notice of the AGM will be sent to shareholders at least 21 clear days before the meeting and will detail the resolutions to be voted on.

SHARE CAPITAL

Issued share classes	Ordinary only (fully paid)
Voting rights at general meetings	One vote per share
Fixed income rights	None
Individual special rights of control	None
Holding size restrictions[1]	None
Transfer restrictions[1]	None

The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of shares or on voting rights.

Treasury shares

The Company held 6,015,580 ordinary shares in Treasury at the end of the period (28 December 2019). Shares held in Treasury have no voting rights and are used solely for the satisfaction of employee share awards.

Employee share awards

Details of employee share schemes are set out in Note 24 to the Financial Statements. Shares held by the Howden Joinery Group Plc Employee Share Trust abstain from voting at the Company's general meetings.

Acquisition of the Company's own shares

During 2019, the Company returned over £55m to shareholders by repurchasing 10,772,446 of its ordinary shares (representing a nominal value of £1,077,244.60), which equated to 1.8% of the called up share capital of the Company at the beginning of the period (excluding Treasury shares). All of the shares repurchased during 2019 were cancelled.

At the AGM on 2 May 2019, the Directors were granted authority by shareholders to purchase up to 60,709,803 of the Company's ordinary shares through the market[2]. The authority expires at the conclusion of the 2020 AGM or within 15 months from the date of passing the resolution (whichever is earlier).

Substantial shareholdings

As at 26 February 2020, the Company had been notified, in accordance with Rule 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company:

Substantial Shareholder	% of total voting rights	Date of last notification
Ameriprise Financial, Inc. and its group	4.99%	Nov 2019
Fiera Capital Corporation	3.18%	Nov 2019

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

1. Governed by the general provisions of the Articles of Association (which may be amended by special resolution of the shareholders) and prevailing legislation.
2. 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.

SIGNIFICANT AGREEMENTS

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 18), which requires majority lender consent for any change of control.

If the lender were not prepared to consent to a change of control, a mandatory repayment of the entire facility would be triggered. 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.

PROVISION FOR INDEMNITY AGAINST LIABILITY INCURRED BY A DIRECTOR

The Company has provided indemnities to the Directors (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office. Neither the indemnity nor any insurance provides cover in the event that the Director is proven to have acted dishonestly or fraudulently.

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Shareholder ranges as at 28 December 2019

	Number of Holdings	Number of Shares	% of Holdings	% of Shares
Corporate holders				
0 and 1,000	148	60,048	1.69	0.01
1,001 and 5,000	157	369,970	1.79	0.06
5,001 and 10,000	68	506,401	0.78	0.08
10,001 and 50,000	153	4,013,370	1.75	0.66
50,001 and 100,000	68	5,025,206	0.78	0.83
100,001 and 250,000	100	16,500,547	1.14	2.73
Over 250,000	215	569,901,492	2.45	94.25
Total	909	596,378,034	10.37	98.63
Individual holders				
0 and 1,000	6,551	2,259,130	74.71	0.37
1,001 and 5,000	1,106	2,600,440	12.62	0.43
5,001 and 10,000	130	947,171	1.48	0.16
10,001 and 50,000	65	1,347,745	0.74	0.22
50,001 and 100,000	4	311,989	0.05	0.05
100,001 and 250,000	1	127,352	0.01	0.02
Over 250,000	2	693,000	0.02	0.11
Total	7,859	8,286,827	89.63	1.37
Total	**8,768**	**604,664,861**	**100**	**100**

Corporate timetable

2020	
Trading update	30 April
Half-Yearly Report	23 July
Trading update	5 November
End of financial year	26 December

Advisors and Registered Office

PRINCIPAL BANKER

Lloyds
25 Gresham Street
London
EC2V 7HN

JOINT FINANCIAL ADVISORS AND STOCKBROKERS

Numis Securities Ltd
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT

UBS LTD
5 Broadgate
London
EC2M 2QS

SOLICITORS

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London
EC4Y 1HS

AUDITOR

Deloitte LLP
1 New St Square
London
EC4A 3HQ

REGISTRAR

Equiniti Ltd
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

REGISTERED OFFICE

40 Portman Square
London
W1H 6LT

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SUPPLIER OF FITTED KITCHENS
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