HOWDEN JOINERY GROUP PLC

HALF YEAR REPORT TO 10 JUNE 2017

SUMMARY OF GROUP RESULTS[1]

£m unless stated	**2017**	2016
Revenue Group	**553.0**	528.9
- Howden Joinery UK depots	**539.5**	518.9
Gross profit	**354.6**	341.4
Gross profit margin	**64.1%**	64.5%
Operating profit	**66.6**	74.7
Profit before tax	**65.6**	74.8
Basic earnings per share	**8.4p**	9.1p
Dividend per share	**3.6p**	3.3p
Net cash at end of period	**215.1**	182.7

[1] The information presented relates to the 24 weeks to 10 June 2017 and the 24 weeks to 11 June 2016.

Chief Executive, Matthew Ingle, said:

"We delivered a solid revenue performance in the first half in line with our plans for the full year. As expected during H1 2017, we saw currency movements and additional operating costs impacting our year-on-year profitability.

"The sales initiatives which began in Q4 2016 have shown positive results, with UK growth of 4.0% year-on-year in H1 2017 and growth of 6.5% for our most recent period of trading. We continue to develop the range of products and services we offer to broaden the entry-level appeal of the Howdens' proposition. Our investment programme remains on track and we have begun operations in our new distribution centre in Raunds, Northamptonshire.

"We believe that current market conditions are stable, although we remain watchful given continuing economic uncertainties."

Financial highlights[1]:

- Howden Joinery UK depot revenue £539.5m (2016: £518.9m), an increase of 4.0% and 2.4% on a same depot basis. Group revenue was £553.0m (2016: £528.9m);
- Gross profit margin 64.1% (2016: 64.5%), stable on FY 2016 and including £12m of currency costs;
- Operating profit £66.6m (2016: £74.7m), reflecting expected costs due to new distribution centre and new product introduction programme;
- Basic earnings per share 8.4p (2016: 9.1p);
- £11.3m returned to shareholders by 9 June 2017 as part of a £80m share buyback programme announced in February 2017;
- Net cash of £215.1m at 10 June 2017 (24 December 2016: £226.6m net cash; 11 June 2016: £182.7m net cash), including repurchasing of shares and capital expenditure;
- Interim dividend 3.6p per share (2016: 3.3p).

[1]The information presented here relates to the 24 weeks to 10 June 2017 and the 24 weeks to 11 June 2016, unless otherwise stated.

Business developments:

- 11 new UK depots in 2017 bringing total to 653;
- 22 new kitchen ranges introduced in H1 2017;
- New distribution centre at Raunds operational and IT systems integration completed, in preparation for H2 2017 trading;
- Capital expenditure of £22.0m (2016: £28.0m) as part of three-year investment programme started in 2015.

Current trading and outlook

- Howden Joinery UK depot revenue increased by 6.5% in the first four week period of the second half of the year (to 8 July 2017);
- Our overall expectations for the full year are unchanged.

Enquiries

Investors/analysts:

Paul Sharma

Head of Investor Relations + 44 (0) 20 7535 1164/+44 (0) 7585 992943

Media:

Citigate Dewe Rogerson

Simon Rigby + 44 (0) 20 7282 2847/Kevin Smith +44 (0) 20 7282 1054

Note to editors:

Howden Joinery Group Plc is the parent company of Howden Joinery (Howdens). In the UK, Howdens is engaged in the sale of kitchens and joinery products to trade customers, primarily small local builders, through approximately 650 depots. Around one-third of the products it sells are manufactured in the company's own factories in Runcorn, Cheshire, and Howden, East Yorkshire. The business also has nascent operations in France, Belgium, Holland and Germany.

Please see for more information: www.howdenjoinerygroupplc.com

FINANCIAL REVIEW

FINANCIAL RESULTS FOR FIRST HALF OF 2017[1]

REVENUE

Revenue £m	2017	2016
Group	**553.0**	528.9
comprising:		
Howden Joinery UK depots	**539.5**	518.9
Continental Europe	**13.5**	10.0

[1]The information presented below relates to the 24 weeks to 10 June 2017 and the 24 weeks to 11 June 2016, unless otherwise stated.

We continue to see good progress from our sales initiatives which started in Q4 2016. Total group revenue increased to £553.0m (2016: £528.9m).

Howden Joinery UK depots' revenue rose by 4.0%, increasing 2.4% on a same depot basis. Revenue growth in the UK reflects the growth in maturing and new depots, as well as the increased number of customer accounts. We have seen ongoing weakness in the London area being offset by stronger performance elsewhere.

Our depots' revenue in Continental Europe was £13.5m (2016: £10.0m), the growth reflecting both the benefits of FX and the contribution of the new outlets opened during 2015 and 2016. In constant currency terms, sales of the French depots increased 5.3% on a same depot basis.

GROSS PROFIT

Our gross profit increased to £354.6m (2016: £341.4m). The gross profit margin of 64.1% (2016: 64.5%) was broadly stable on full year 2016, and reflected the impact of our sales initiatives offsetting the lagged impact of adverse currency movements and inflationary pressures, (one third of our cost of goods sold being denominated in euros or US dollars).

OPERATING PROFIT

Selling and distribution costs, and administrative expenses (SD&A) increased to £288.0m (2016: £266.7m). In addition to the costs of new depots, we incurred additional costs including costs in respect of our new distribution centre in Raunds, marketing charges relating to our new product introduction programme, reflecting 22 new kitchen ranges introduced in the first half of the year, and additional depreciation due to our investment programme.

As a result, our operating profit declined in line with management expectations to £66.6m (2016: £74.7m).

PROFIT BEFORE AND AFTER TAX

We had a net interest charge of £1.0m (2016: £0.1m benefit), primarily reflecting a higher finance expense in respect of pensions. Profit before tax was £65.6m, (2016: £74.8m), reflecting the additional costs outlined above.

The tax charge on profit before tax was £13.5m (2016: £17.0m), an effective rate of tax of 20.6% (2016: 22.7%). As a result, profit after tax was £52.1m (£57.8m). Basic earnings per share were 8.4p (2016: 9.1p).

PENSION

At 10 June 2017, the pension deficit shown on the balance sheet was £124.0m (24 December 2016: £106.0m). The increase in the deficit was due to a decrease in the net discount rate used to calculate liabilities, partly offset by higher asset returns and the Group's contribution to fund the deficit.

In July 2015, we announced that agreement had been reached in relation to the schedule of payments towards the funding of the Group's defined benefit pension scheme's deficit from April 2015. It was agreed that the Group would continue to make deficit contributions equivalent to £35m per annum until 30 June 2017. However, in light of movements seen in discount rates since this agreement was reached, it has been agreed that the Group will also make an 'interim' payment of £25m over the period July 2017 to June 2018. This will result in a deficit contribution of £30m in 2017.

The last completed triennial actuarial review of the defined benefit pension scheme was carried out as at April 2014 and the valuation as at April 2017 is in progress.

CASH

There was a net cash inflow from operating activities of £20.3m (2016: £35.9m). This was after a cash contribution to the Group's pension schemes, in excess of the operating charge, of £9.5m.

Working capital increased by £31.2m, reflecting typical seasonality of sales (2016: £30.6m). Debtors at the end of the period were £37.1m higher than at the beginning of the period and stock levels increased by £29.6m due to the introduction of new product ranges. Creditors increased by £35.5m, which included the still to be paid 2016 final dividend of 7.4p. We paid tax totalling £20.0m (2016: £10.2m), the lower payment in 2016 reflecting a tax refund received in H1 2016.

Payments to acquire fixed and intangible assets totalled £22.0m (2016: £28.0m), in line with our three-year investment programme which started in 2015.

BUYBACK

As part of the £80m share buyback programme announced in February, the Group acquired 2.5m shares, to 10 June 2017, for a consideration of £11.3m.

Reflecting the above, there was an £11.5m net cash outflow in the first half of the year (2016: £43.4m), the Group having net cash at the end of the period of £215.1m (24 December 2016: £226.6m net cash, 11 June 2016: £182.7m net cash).

DIVIDEND

It is the Group's policy to pay an interim dividend equal to one third of the previous year's full dividend. Reflecting this, the Board has approved the payment of an interim dividend of 3.6p per share (2016: 3.3p) which will be paid on 17 November 2017 to shareholders on the register at close of business on 20 October 2017.

OPERATIONAL REVIEW

We continue to invest in all aspects of the growth and performance of the business, including new depots and depot operations, new and existing employees, product development, and manufacturing and distribution. We continue to see the opportunity to increase the scale of the business and see scope for up to 800 depots in the UK.

UK DEPOT NETWORK AND OPERATIONS

We have opened 11 new depots in the UK so far this year, taking the total to 653. A number of other depots are at various stages of the acquisition/shopfitting process and we expect to open up to 30 new depots in total this year.

Our debt collection performance continues to be robust.

PRODUCT AND MARKETING

We continue to enhance our product offering and expect to introduce 26 new kitchens ranges in total during 2017.

During H1 2017, we introduced 22 kitchens ranges, including eight new grey kitchens as the trend for this colourway continues, additional Clerkenwell ranges in gloss and matt colourways, a new Allendale family and a lower priced alternative to the successful Fairford (textured shaker) collection. We also introduced an enhanced rigid cabinet platform and Technik (flat pack) offering, completed a design update of our Lamona appliance range and continued to roll-out quartz worktops.

We also introduced a number of new joinery products including a collection of pre-finished doors, quick fit hardware and vinyl flooring.

MANUFACTURING AND LOGISTICS

Our UK-based manufacturing and logistics operations play a vital role in ensuring that we are able to supply our small builder customers from local stock nationwide at all times. This requires us to have the space and the flexibility to respond to each depot's individual needs, especially during our critical 'Period 11', when sales are more than double the level seen in other periods.

In February 2015, we said that we had undertaken a review of the medium and longer-term growth prospects for the business. On the basis of this, we considered how to ensure that we are best placed to deal with and take advantage of future opportunities.

One outcome of this work was the identification of a programme of investment in our supply operations. During the first half of 2017, a number of the investment projects have progressed as follows.

- **Manufacturing operations**

  At our Howden site, our refurbished cabinet production facility and assembly lines were fully installed and commissioned, and we are ramping-up operations at this site.

  At our Runcorn site, our new cabinet component line was installed and is now fully operational.

- **Logistics**

  A 650,000 sq ft warehouse near Raunds, which is to the east of our current national distribution centre in Northampton, was handed over to us in July 2016. We have completed IT systems integration and we have undertaken tests to distribute product to a number of depots. The facility is currently being used for bulk storage and we expect to see further utilisation of this warehouse during Period 11.

CONTINENTAL EUROPE

We have 20 depots in France, one in each of Germany and The Netherlands, and two in Belgium. Revenue growth in France increased by 5.3% on a same depot and constant currency basis, while our nascent operations in the other regions are enabling us to gain a greater understanding of each local market.

CEO RETIREMENT AND APPOINTMENT

On 7 July 2017, it was announced that Howdens' founder and CEO, Matthew Ingle, has decided to retire in the first half of 2018 after 22 years with the Group. He will be succeeded as CEO by Andrew Livingston, currently CEO of Screwfix Direct Ltd, a division of Kingfisher Plc.

Andrew Livingston has been the CEO of Screwfix since 2013 and was previously Commercial and Ecommerce Director from 2009 to 2013. Before joining Screwfix, he was Commercial Director and Chief Operating Officer of Wyevale Garden Centres Plc. Prior to that he was the Commercial Director of Kitchens and Bathrooms at B&Q. Andrew is an independent Non-Executive Director at LondonMetric Property Plc, a FTSE 250 company.

In recognition of his unique contribution to Howdens, the Board has asked Matthew to become Howdens' honorary Lifetime President.

CURRENT TRADING AND OUTLOOK

In the first four week period of the second half of the year (to 8 July 2017), total sales of Howdens Joinery UK depots rose by 6.5% on the same period in 2016.

We continue to anticipate additional foreign exchange costs in 2017 of approximately £20m compared to 2016.

We continue to expect additional operating costs of around £20m in total due to pension costs, new product introductions, our new distribution centre at Raunds and additional depreciation. We see ongoing additional costs from inflationary pressures in both costs of goods sold and SD&A.

We continue to expect capital expenditure to be approximately £65m in 2017. Thereafter, given the opportunities we see ahead, we expect to continue to invest in the profitable growth of the business and will provide more detail in due course.

Our overall expectations for the full year are unchanged.

We believe that current market conditions are stable although we remain watchful given economic uncertainties.

Our 2017 financial year will include a 53rd week, which will increase operating costs by around £10m, but will not contribute to revenue.

GOING CONCERN

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

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

After making due enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

RELATED PARTIES

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

RISKS AND UNCERTAINTIES

Additional risk in 2017

We have decided to identify health and safety as a further principal risk.

Howdens is about people and relationships. When the business started in 1995, we had 14 depots, less than 30 employees and, on Day 1, no customers. Today we have 653 depots, 8,900 employees, more than 400,000 customer accounts, and suppliers all over the world.

The values on which the business was founded remain the same. We expect our people to do what they say and to treat others as they would wish to be treated themselves. Care for the health and safety of employees, customers, suppliers and everyone who comes into contact with Howdens is integral to our principles and to our behaviour.

Risk

Failure to ensure safe ways of working across the business.

Impact

Such a failure could compromise the safety and wellbeing of individuals and the reputation and viability of the business.

Mitigation

As the business has grown we have invested in safe ways of working. We have developed dedicated health and safety teams and formalised systems that help us stay safe. We monitor, review and update our practices to take account of changes in our environment or operations and in line with best practice and changing legislation. Most importantly, we make sure we keep talking about health and safety at every level of the business.

We cherish the managers who are so important to the local welfare of all our staff.

Risks that are unchanged since December 2016

The other principal risks and uncertainties that could have a material impact on the Group's performance over the remaining 29 weeks of the financial year have not changed from those which are set out in detail on pages 24 to 26 of the Group's 2016 Annual Report & Accounts, and which are summarised below.

- Changes in market conditions – weaker market conditions could affect our ability to achieve sales and profit forecasts. Weaker exchange rates could increase our cost of goods sold.
- Deterioration of business model and culture – if we lose sight of our model and culture we may not serve our customers successfully and our long-term profitability may suffer.
- Failure to maximise the growth potential of the businesses – if we don't understand and exploit the potential of our growth opportunities, and don't meet the related challenges, we won't get maximum benefit.
- Interruption to continuity of supply – if this happened, it could compromise our ability to deliver our in-stock business model;
- Loss of key personnel – could adversely affect the Group's operations;
- Credit control failure – could affect our ability to continue to support our customers via their nett monthly trade accounts;
- Cyber security incident – could cause a key system and/or sensitive data to be compromised;
- Product design relevance – if we don't offer the builder the products that they and their customers want, we could lose sales and customers.

A copy of the Group's 2016 Annual Report & Accounts is available on the Group's website, www.howdenjoinerygroupplc.com.

CAUTIONARY STATEMENT

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

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge:

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

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 24 weeks and description of principal risks and uncertainties for the remaining 29 weeks of the year); and

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

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

By order of the Board

Matthew Ingle
Chief Executive Officer
19 July 2017

Mark Robson
Deputy Chief Executive and Chief Financial Officer

Condensed consolidated income statement

	Notes	**24 weeks to 10 June 2017 unaudited £m**	24 weeks to 11 June 2016 unaudited £m	52 weeks to 24 December 2016 audited £m
Revenue – sale of goods		**553.0**	528.9	1,307.3
Cost of sales		**(198.4)**	(187.5)	(467.4)
Gross profit		**354.6**	341.4	839.9
Selling & distribution costs		**(245.4)**	(225.0)	(513.5)
Administrative expenses		**(42.6)**	(41.7)	(89.2)
Operating profit		**66.6**	74.7	237.2
Finance income		**0.1**	0.5	0.8
Other finance expense - pensions		**(1.1)**	(0.4)	(1.0)
Profit before tax		**65.6**	74.8	237.0
Tax on profit	6	**(13.5)**	(17.0)	(51.4)
Profit for the period attributable to the equity holders of the parent		**52.1**	57.8	185.6
Earnings per share:				
Basic earnings per 10p share	7	**8.4p**	9.1p	29.5p
Diluted earnings per 10p share	7	**8.3p**	9.1p	29.4p

Condensed consolidated statement of comprehensive income

	Notes	24 weeks to 10 June 2017 unaudited £m	24 weeks to 11 June 2016 unaudited £m	52 weeks to 24 December 2016 audited £m
Profit for the period		**52.1**	57.8	185.6
Items of other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (losses)/gains on defined benefit pension plan	10	**(26.4)**	(48.5)	(86.4)
Deferred tax on actuarial losses/(gains) on defined benefit pension plan		**5.0**	9.7	16.3
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		**-**	0.3	0.8
Other comprehensive income for the period		**(21.4)**	(38.5)	(69.3)
Total comprehensive income for the period attributable to equity holders of the parent		**30.7**	19.3	116.3

Condensed consolidated balance sheet

	Notes	10 June 2017 unaudited £m	11 June 2016 unaudited £m	24 December 2016 audited £m
Non-current assets				
Intangible assets		**8.2**	4.3	7.3
Property, plant and equipment	9	**177.0**	147.4	167.9
Deferred tax asset		**28.2**	25.6	26.0
Long-term prepayments		**0.3**	0.5	0.4
		213.7	177.8	201.6
Current assets				
Inventories		**213.3**	184.5	183.7
Trade and other receivables		**173.0**	160.0	135.9
Investments		**-**	25.0	87.3
Cash at bank and in hand		**215.1**	157.7	139.3
		601.4	527.2	546.2
Total assets		**815.1**	705.0	747.8
Current liabilities				
Trade and other payables		**(293.9)**	(251.0)	(214.2)
Current tax liability		**(10.4)**	(7.1)	(19.8)
		(304.3)	(258.1)	(234.0)
Non-current liabilities				
Pension liability	10	**(124.0)**	(86.5)	(106.0)
Deferred tax liability		**(1.8)**	(2.0)	(1.8)
Provisions	11	**(11.1)**	(8.6)	(9.0)
		(136.9)	(97.1)	(116.8)
Total liabilities		**(441.2)**	(355.2)	(350.8)
Net assets		**373.9**	349.8	397.0

Condensed consolidated balance sheet - continued

	Notes	**10 June 2017 unaudited £m**	11 June 2016 unaudited £m	24 December 2016 audited £m
Equity				
Share capital		**63.7**	64.6	63.9
Share premium account		**87.5**	87.5	87.5
ESOP reserve		**(13.2)**	(1.0)	(0.2)
Treasury shares		**(36.2)**	(52.8)	(52.8)
Other reserves		**-**	28.1	-
Retained earnings		**272.1**	223.4	298.6
Total equity		**373.9**	349.8	397.0

Condensed consolidated statement of changes in equity

	Share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained earnings £m	Total £m
24 weeks to 10 June 2017						
At 24 December 2016 - audited	**63.9**	**87.5**	**(0.2)**	**(52.8)**	**298.6**	**397.0**
Accumulated profit for the period	**-**	**-**	**-**	**-**	**52.1**	**52.1**
Net actuarial losses on defined benefit scheme	**-**	**-**	**-**	**-**	**(21.4)**	**(21.4)**
Current tax on share schemes	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Deferred tax on share schemes	**-**	**-**	**-**	**-**	**(0.2)**	**(0.2)**
Net movement in ESOP	**-**	**-**	**3.6**	**-**	**-**	**3.6**
Buyback and cancellation of shares	**(0.2)**	**-**	**-**	**-**	**(11.1)**	**(11.3)**
Transfer of shares from treasury into share trust	**-**	**-**	**(16.6)**	**16.6**	**-**	**-**
Dividends declared	**-**	**-**	**-**	**-**	**(46.3)**	**(46.3)**
At 10 June 2017 - unaudited	**63.7**	**87.5**	**(13.2)**	**(36.2)**	**272.1**	**373.9**

The Group did not issue any shares during the period.

	Share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Other reserves £m	Retained earnings £m	Total £m
24 weeks to 11 June 2016							
At 26 December 2015 - audited	65.2	87.5	11.0	(45.3)	28.1	275.2	421.7
Accumulated profit for the period	-	-	-	-	-	57.8	57.8
Net actuarial losses on defined benefit scheme	-	-	-	-	-	(38.8)	(38.8)
Current tax on share schemes	-	-	-	-	-	2.4	2.4
Deferred tax on share schemes	-	-	-	-	-	(0.2)	(0.2)
Currency translation differences	-	-	-	-	-	0.3	0.3
Net movement in ESOP	-	-	4.2	-	-	-	4.2
Buyback and cancellation of shares	(0.6)	-	-	-	-	(28.5)	(29.1)
Buyback of shares into treasury	-	-	-	(23.7)	-	-	(23.7)
Transfer of shares from treasury into share trust	-	-	(16.2)	16.2	-	-	-
Dividends declared	-	-	-	-	-	(44.8)	(44.8)
At 11 June 2016 - unaudited	**64.6**	**87.5**	**(1.0)**	**(52.8)**	**28.1**	**223.4**	**349.8**

The Group did not issue any shares during the period.

Condensed consolidated statement of changes in equity - continued

	Share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Other reserves £m	Retained earnings £m	Total £m
52 weeks to 24 December 2016							
At 26 December 2015	**65.2**	**87.5**	**11.0**	**(45.3)**	**28.1**	**275.2**	**421.7**
Accumulated profit for the period	-	-	-	-	-	185.6	185.6
Net actuarial loss on defined benefit scheme	-	-	-	-	-	(70.1)	(70.1)
Current tax on share schemes	-	-	-	-	-	1.5	1.5
Deferred tax on share schemes	-	-	-	-	-	(2.1)	(2.1)
Currency translation differences	-	-	-	-	-	0.8	0.8
Net movement in ESOP	-	-	5.0	-	-	-	5.0
Buyback and cancellation of shares	(1.3)	-	-	-	-	(55.0)	(56.3)
Buyback of shares into treasury	-	-	-	(23.7)	-	-	(23.7)
Transfer of shares from treasury into share trust	-	-	(16.2)	16.2	-	-	-
Dividends declared and paid	-	-	-	-	-	(65.4)	(65.4)
Transfer of other reserve into retained earnings	-	-	-	-	(28.1)	28.1	-
At 24 December 2016	**63.9**	**87.5**	**(0.2)**	**(52.8)**	**-**	**298.6**	**397.0**

The Group did not issue any shares during the period.

Condensed consolidated cash flow statement

	Notes	**24 weeks to 10 June 2017 unaudited £m**	24 weeks to 11 June 2016 unaudited £m	52 weeks to 24 December 2016 audited £m
Group operating profit before tax and interest		**66.6**	74.7	237.2
Adjustments for:				
Depreciation and amortisation included in operating profit		**12.1**	10.2	24.0
Share-based payments charge		**2.3**	3.4	4.0
Loss on disposal of property, plant and equipment, and intangible assets		**-**	-	(0.1)
Operating cash flows before movements in working capital		**81.0**	88.3	265.1
Movements in working capital				
Increase in stock		**(29.6)**	(7.4)	(6.6)
Increase in trade and other receivables		**(37.1)**	(30.5)	(6.4)
Increase in trade and other payables and provisions		**35.5**	7.3	14.5
Difference between pensions operating charge and cash paid		**(9.5)**	(11.6)	(30.6)
		(40.7)	(42.2)	(29.1)
Cash generated from operations		**40.3**	46.1	236.0
Tax paid		**(20.0)**	(18.1)	(41.5)
Tax refund received		**-**	7.9	12.7
Net cash flows from operating activities		**20.3**	35.9	207.2

Condensed consolidated cash flow statement - continued

	Notes	**24 weeks to 10 June 2017 unaudited £m**	24 weeks to 11 June 2016 unaudited £m	52 weeks to 24 December 2016 audited £m
Net cash flows from operating activities		**20.3**	35.9	207.2
Cash flows used in investing activities				
Payments to acquire property, plant and equipment, and intangible assets		**(22.0)**	(28.0)	(63.5)
Receipts from sale of property, plant and equipment and intangible assets		**-**	-	0.2
Interest received		**0.1**	0.6	0.8
Net cash used in investing activities		**(21.9)**	(27.4)	(62.5)
Cash flows from financing activities				
Payments to acquire own shares		**(11.3)**	(52.8)	(80.0)
Receipts from release of shares from share trust		**1.3**	0.8	1.0
Decrease in long-term prepayments		**0.1**	0.1	0.2
Dividends paid to Group shareholders	8	**-**	-	(65.4)
Net cash used in financing activities		**(9.9)**	(51.9)	(144.2)
Net (decrease)/increase in cash and cash equivalents		**(11.5)**	(43.4)	0.5
Cash and cash equivalents at beginning of period	13	**226.6**	226.1	226.1
Cash and cash equivalents at end of period	13	**215.1**	182.7	226.6

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 General information

The results for the 24 week periods ended 10 June 2017 and 11 June 2016 are unaudited but have been reviewed by the Group's auditor, whose report on the current period forms part of this document. The information for the 52 week period ended 24 December 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies and is available via the Group's website at www.howdenjoinerygroupplc.com. The auditor's report on those accounts was not qualified or modified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2 Accounting policies

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

Basis of preparation

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out on pages 3 to 9, which include a summary of the Group's financial position, its cash flows and borrowing facilities, and a discussion of why the directors consider that the going concern basis is appropriate.

The same accounting policies, presentation methods and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except that the taxation charge for the half-year is calculated by applying the annual estimated effective tax rate to the profit for the period.

3 Segmental results

Basis of segmentation

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

4 Seasonality of revenue

Howden Joinery sales are more heavily weighted to the second half of the financial year. This partly reflects the fact that there are 24 weeks in the first half of the financial year and 29 weeks in the second half. It also reflects sales in the peak October trading period. Historically, the typical pattern has been that approximately 60% of sales have been in the second half of the year.

5 Write down of inventories

During the period, the Group has recognised a net charge of £4.9m in respect of writing inventories down to their net realisable value (24 weeks to 11 June 2016 – £4.3m, 52 weeks to 24 December 2016 – £6.8m).

6 Tax

Tax for the 24 weeks to 10 June 2017 is charged at 20.6% (24 weeks to 11 June 2016: 22.7%), representing the tax effects of discrete items arising in the period, together with the best estimate of the average effective tax rate expected for the full year applied to the pre-tax income of the 24 week period.

7 Earnings per share

	24 weeks to 10 June 2017 unaudited			24 weeks to 11 June 2016 unaudited			52 weeks to 26 December 2016 audited		
	Earnings £m	**Weighted average number of shares m**	**Earnings per share p**	Earnings £m	Weighted average number of shares m	Earnings per share p	Earnings £m	Weighted average number of shares m	Earnings per share p
Basic earnings per share	**52.1**	**623.2**	**8.4**	57.8	632.7	9.1	185.6	629.6	29.5
Effect of dilutive share options	**-**	**2.0**	**(0.1)**	-	2.0	-	-	1.9	(0.1)
Diluted earnings per share	**52.1**	**625.2**	**8.3**	57.8	634.7	9.1	185.6	631.5	29.4

8 Dividends

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

	24 weeks to 10 June 2017 unaudited £m	24 weeks to 11 June 2016 unaudited £m	52 weeks to 24 December 2016 audited £m
Final dividend for the 52 weeks to 24 December 2016 - 7.4p/share	**46.3**	-	-
Final dividend for the 52 weeks to 26 December 2015 - 7.1p/share	**-**	44.8	44.8
Interim dividend for the 52 weeks to 24 December 2016 - 3.3p/share	**-**	-	20.6
	46.3	44.8	65.4

No dividends were paid in the current period, or the 24 week period to 11 June 2016. The final dividend for the 52 weeks to 24 December 2016 (7.4p/share) was approved at the 2017 AGM in May 2017, and was paid on 16 June 2017. The final dividend for the 52 weeks to 26 December 2015 (7.1p/share) was approved at the 2016 AGM in May 2016, and was paid on 17 June 2016. The interim dividend for the 52 weeks to 24 December 2016 (3.3p/share) was paid on 18 November 2016.

(b) Proposed dividends

On 19 July 2017, the Board approved the payment of an interim dividend of 3.6p per share, to be paid on 17 November 2017 to ordinary shareholders on the register on 20 October 2017.

	24 weeks to 10 June 2017 unaudited £m	24 weeks to 11 June 2016 unaudited £m	52 weeks to 24 December 2016 audited £m
Proposed interim dividend for the 53 weeks ended 30 December 2017 - 3.6p/share	**22.4**		
Proposed interim dividend for the 52 weeks ended 24 December 2016 - 3.3p/share		20.8	
Proposed final dividend for the 52 weeks ended 24 December 2016 - 7.4p/share			46.1

9 Property, plant and equipment

During the period, the Group made additions to property, plant and equipment ("PPE") of £20.2m (24 weeks to 11 June 2016 - £27.9m; 52 weeks to 24 December 2016 – £61.9m)

It had no disposals of PPE in the current period. In the 24 weeks to 11 June 2016, it had no disposals of PPE, and in the 52 weeks to 24 December 2016 it disposed of PPE with a net book value of £1.7m for proceeds of £0.2m.

There are non-cancellable commitments to purchase PPE of £7.7m at the current period end (11 June 2016 - £21.6m; 24 December 2016 - £7.7m).

10 Retirement benefit obligations

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

	24 weeks to 10 June 2017 unaudited £m	24 weeks to 11 June 2016 unaudited £m	52 weeks to 24 December 2016 audited £m
Charged to the income statement			
Defined benefit plan – current service cost	**(8.4)**	(6.9)	(15.0)
Defined benefit plan – administration costs	**(1.0)**	(0.7)	(2.9)
Defined benefit plan - total operating charge	**(9.4)**	(7.6)	(17.9)
Defined benefit plan - net finance charge	**(1.1)**	(0.4)	(1.0)
Defined contribution plans – total operating charge	**(2.3)**	(2.0)	(4.9)
French post-employment benefits	**-**	-	(0.1)
Total charged to profit before tax	**(12.8)**	(10.0)	(23.9)
Charged to equity			
Defined benefit plan – actuarial losses	**(26.4)**	(48.5)	(86.4)

(b) Other information – defined benefit pension plan

Key assumptions used in the valuation of the plan

		24 weeks to 10 June 2017 unaudited	24 weeks to 11 June 2016 unaudited	52 weeks to 24 December 2016 audited
Rate of increase of pensions in deferment capped at lower of CPI and 5%		**2.45%**	1.75%	2.50%
Rate of CARE revaluation capped at lower of RPI and 3%		**2.60%**	2.30%	2.60%
Rate of increase of pensions in payment:				
pensions with increases capped at the lower of CPI and 5%		**2.45%**	2.20%	2.50%
pensions with increases capped at the lower of CPI and 5%, with a 3% minimum		**3.35%**	3.45%	3.55%
pensions with increases capped at the lower of RPI and 2.5%		**2.25%**	2.15%	2.25%
Rate of increase in salaries		**4.45%**	4.15%	4.50%
Inflation assumption - RPI		**3.45%**	3.15%	3.50%
Inflation assumption - CPI		**2.45%**	2.15%	2.50%
Discount rate		**2.50%**	3.20%	2.85%
Life expectancy (years):	pensioner aged 65 - male	**87.9**	87.8	87.9
	pensioner aged 65 - female	**89.4**	89.3	89.4
	non-pensioner aged 45 - male	**89.5**	89.4	89.5
	non-pensioner aged 45 - female	**92.3**	92.2	92.3

10 Retirement benefit obligations (continued)

Balance sheet

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

	10 June 2017 £m	11 June 2016 £m	24 December 2016 £m
Present value of defined benefit obligations	**(1,385.0)**	(1,133.5)	(1,283.8)
Fair value of scheme assets	**1,261.0**	1,047.0	1,177.8
Deficit in the scheme, recognised in the balance sheet	**(124.0)**	(86.5)	(106.0)

Movements in the deficit during the period are as follows:

	24 weeks to 10 June 2017 unaudited £m	24 weeks to 11 June 2016 unaudited £m	52 weeks to 24 December 2016 audited £m
Deficit at start of period	**(106.0)**	(49.2)	(49.2)
Current service cost	**(8.4)**	(6.9)	(15.0)
Administration cost	**(1.0)**	(0.7)	(2.9)
Employer contributions	**18.9**	19.2	48.5
Other finance charge	**(1.1)**	(0.4)	(1.0)
Actuarial losses gross of deferred tax	**(26.4)**	(48.5)	(86.4)
Deficit at end of period	**(124.0)**	(86.5)	(106.0)

Statement of comprehensive income

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

	24 weeks to 10 June 2017 unaudited £m	24 weeks to 11 June 2016 unaudited £m	52 weeks to 24 December 2016 audited £m
Actuarial gains on plan assets	**68.3**	29.8	133.4
Actuarial losses on plan liabilities	**(94.7)**	(78.3)	(219.8)
Total actuarial losses before associated deferred tax	**(26.4)**	(48.5)	(86.4)

11 Provisions

	Property £m	Warranty £m	Other £m	Total £m
At 24 December 2016 - audited	4.7	4.0	0.3	9.0
Created in the period	1.1	1.4	2.0	4.5
Utilised in the period	(0.4)	(1.8)	-	(2.2)
Released in the period	(0.2)	-	-	(0.2)
At 10 June 2017 - unaudited	**5.2**	**3.6**	**2.3**	**11.1**

12 Related party transactions

There have been no changes to the related party arrangements or transactions as reported in the 2016 Annual Report & Accounts

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

13 Note to the cash flow statement

Analysis of net cash

	Cash at bank and in hand £m	Short-term investments £m	Cash and cash equivalents/ Net cash £m
At 24 December 2016 - audited	139.3	87.3	226.6
Cash flow	75.8	(87.3)	(11.5)
At 11 June 2016 - unaudited	**215.1**	**-**	**215.1**

INDEPENDENT REVIEW REPORT TO HOWDEN JOINERY GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 24 weeks ended 10 June 2017 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 24 weeks ended 10 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
19 July 2017

FINANCIAL CALENDAR

2017	
Trading update	2 November 2017
End of financial year (53-weeks)	30 December 2017
2018	
2017 Preliminary Results	1 March 2018
Trading update	2 May 2018
Annual General Meeting	2 May 2018
Half Year Report	26 July 2018
Trading update	2 November 2018