HOWDEN JOINERY GROUP PLC

HALF YEAR REPORT TO 16 JUNE 2018

SUMMARY OF GROUP RESULTS[1]

£m unless stated	2018	2017
Group revenue	**619.4**	553.0
- Howden Joinery UK depots	**604.7**	539.5
Gross profit	**379.5**	354.6
Gross profit margin %	**61.3%**	64.1%
Operating profit	**69.6**	66.6
Profit before tax	**68.8**	65.6
Basic earnings per share	**8.9p**	8.4p
Dividend per share	**3.7p**	3.6p
Net cash at period end	**213.3**	215.1

[1] The information presented relates to the 24 weeks to 16 June 2018 and the 24 weeks to 10 June 2017.

Chief Executive, Andrew Livingston, said:

"Since joining Howdens in January, I have been impressed with the outstanding and differentiated service we give to our builder customers. We delivered a solid performance in the first half, as we press ahead in a competitive market.

"Our leading service proposition is supported by the unique combination of locally empowered depots and strong supply operations. In the first half, our supply chain enabled us to bring twelve new kitchen ranges to the market, as well as a new grey oak cabinet, thin laminate worktops and a new range of doors. Our investment programme in manufacturing, distribution, depot rollout and IT remains on track.

"Howdens is in good shape with opportunities ahead of us, as we develop our product offering, bring even more convenience to the building trade and generate further operational efficiencies across the business."

Financial highlights[1]:

- Howden Joinery UK depot revenue grew by 12.1% to £604.7m (2017: £539.5m), and up 10.7% on a same depot basis[2]. Group revenue was £619.4m (2017: £553.0m);
- Gross profit margin of 61.3% (2017: 64.1%), reflecting sales initiatives and increases in costs of goods sold;
- Operating profit of £69.6m (2017: £66.6m), due to strong sales growth ahead of reduced gross margin;
- Profit before tax of £68.8m (2017: £65.6m);
- Basic earnings per share of 8.9p (2017: 8.4p);
- £38.3m returned to shareholders by 16 June 2018 through our share buyback programmes;
- Net cash of £213.3m at 16 June 2018 (30 December 2017: £241.1m net cash; 10 June 2017: £215.1m net cash);
- Interim dividend of 3.7p per share (2017: 3.6p).

[1]The information presented here relates to the 24 weeks to 16 June 2018 and the 24 weeks to 10 June 2017, unless otherwise stated.
[2] This excludes depots opened in 2017 and 2018.

Business developments:

- Seven new UK depots opened in H1 2018 bringing total to 668;
- 12 new kitchen ranges introduced in H1 2018;
- New distribution centre at Raunds ready for Period 11 trading;
- Capital expenditure of £17.1m (2017: £22.0m).

Current trading and outlook:

- Howden Joinery UK depot revenue increased by 5.3% in the first four week period (Period 7) of the second half of the year (to 14 July 2018);
- Our overall expectations for the full year are unchanged.

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Note to editors:

Howden Joinery Group Plc is the parent company of Howden Joinery (Howdens). In the UK, Howdens is engaged in the sale of kitchens and joinery products to trade customers, primarily small local builders, through approximately 670 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 operates in France and has trials in Belgium, Holland and Germany.

There will be a live audio webcast at 9am BST, 26 July 2018. For details and more information, please see: www.howdenjoinerygroupplc.com

FINANCIAL REVIEW

FINANCIAL RESULTS FOR FIRST HALF OF 2018[1]

REVENUE

Revenue £m	**2018**	2017
Group	**619.4**	553.0
comprising:		
Howden Joinery UK depots	**604.7**	539.5
Continental Europe	**14.7**	13.5

[1]The information presented below relates to the 24 weeks to 16 June 2018 and the 24 weeks to 10 June 2017, unless otherwise stated.

Total group revenue increased to £619.4m (2017: £553.0m). Howden Joinery UK depot revenue rose by 12.1% to £604.7m (2017: £539.5). UK revenue increased by 10.7% on a same depot basis to £596.1m in 2018 (2017: £538.4m). This excludes the additional revenue from depots opened in 2017 and 2018 of £8.7m in 2018 (2017: £1.0m).

Depot revenue in Continental Europe was £14.7m (2017: £13.5m). On a local currency basis, sales at our French depots increased by 5.5% in Euros, and by the same amount on a same depot basis, as there were no new depots opened in 2017 or 2018.

GROSS PROFIT

Our gross profit increased to £379.5m (2017: £354.6m). The gross profit margin of 61.3% (2017: 64.1%) was impacted by lower prices after Q1 2017 as a result of giving depots more flexibility in margin. While we did not increase prices at the beginning of this year, we did implement an increase at the start of April 2018.

OPERATING PROFIT

Selling and distribution costs, and administrative expenses (SD&A) increased to £309.9m (2017: £288.0m). We saw expected cost increase due to continued investments in areas across the business including new depots, digital upgrades, the effects of moving from our older distribution centre to Raunds and additional depreciation. We also saw the impact of inflation in our cost base.

As a result of our increased gross profit and expected rise in operating costs, our operating profit rose to £69.6m (2017: £66.6m).

PROFIT BEFORE AND AFTER TAX

We had a net interest charge of £0.8m due mainly to pension costs (2017: £1.0m). Profit before tax was £68.8m (2017: £65.6m).

The tax charge on profit before tax was £14.3m (2017: £13.5m), representing an effective rate of tax of 20.8% in line with the previous year (2017: 20.6%).

As a result, profit after tax was £54.5m (2017: £52.1m). Reflecting the above and the reduced share count following share repurchases, basic earnings per share was 8.9p (2017: 8.4p).

PENSIONS

At 16 June 2018, the pension deficit shown on the balance sheet was £46.6m (30 December 2017: £109.3m). The decrease in the deficit was due primarily to actuarial gains of £59.3m, arising mainly from an increase in the discount rate and employer contributions of £14.7m.

In July 2015, we announced that an agreement had been reached with the Trustees 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. It was also agreed that the Group would make an 'interim' payment of £25m over the period July 2017 to June 2018.

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

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

The agreement will result in a contribution to the pension deficit in the current financial year ending 29 December 2018 of £27.5m.

SHARE REPURCHASE

In February 2017, we announced an £80m share repurchase programme, of which we had £32.1m remaining at the start of 2018. In March 2018, we announced a further share buyback programme of £60m to be completed during the next two years.

The Group has acquired 7.8m shares, to 16 June 2018, for a consideration of £38.3m. We have completed the February 2017 share repurchase programme and have £53.9m of the March 2018 programme remaining.

CASH

There was a net cash inflow from operating activities of £26.4m (2017: £20.3m). This was after a cash contribution to the Group's pension schemes, in excess of the operating charge, of £4.5m.

Working capital increased by £33.4m, reflecting typical seasonality of sales (2017: £31.2m). Debtors at the end of the period were £51.1m higher than at the beginning of the period and stock levels increased by £14.5m, due mainly to the introduction of new product ranges, more depots and the move to our new distribution centre at Raunds. Creditors increased by £32.2m, which included the 2017 final dividend of 7.5p. We paid tax totalling £21.1m (2017: £20.0m).

Payments to acquire fixed and intangible assets totalled £17.1m (2017: £22.0m), in line with our expectations for the full year.

Reflecting the above, there was a £27.8m net cash outflow in the first half of the year (2017: £11.5m), the Group having net cash at the end of the period of £213.3m (30 December 2017: £241.1m net cash; 10 June 2017: £215.1m 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 3.7p per share (2017: 3.6p) which will be paid on 23 November 2018 to shareholders on the register at close of business on 25 October 2018.

OPERATIONAL REVIEW

We 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 see the opportunity to increase the scale of the business, with scope for up to 800 depots in the UK and are looking to expand into Northern Ireland.

UK DEPOT NETWORK AND OPERATIONS

We have opened seven new depots in the UK so far this year, taking the total to 668 at the end of H1 2018. A number of other depots are at various stages of the acquisition/shopfitting process and we continue to expect to open around 30 new depots this year.

Our account base increased by around 7,000, standing at approximately 470,000 at the end of H1 2018. Our debt collection performance continues to be robust and closely monitored.

PRODUCT AND MARKETING

We introduced 12 new kitchen ranges in H1 2018. New product initiatives and launches during the period included:

- six Shaker style kitchens across all price points of our Allendale, Fairford and Tewkesbury families. We have also introduced the Chelford family into the Shaker range, a style which is becoming increasingly popular;
- four new super matt and graphite ranges in our Greenwich and Clerkenwell families;
- a new grey oak cabinet;
- four thin laminate worktops and an extension of our quartz worktop range;
- a new range of prefinished moulded and oak doors, which saves time for the builder; and
- an expansion of our fire door range and fire-rated hardware packs.

We had 64 ranges on offer at our depots at the end of H1 2018.

We also continue to enhance the marketing of our products and services, enabling our builder customers and their customers to see the full breadth and depth of the Howdens offer. Having published a separate Trade Book for our customers for the first time in 2017, alongside a kitchen brochure, we continue to adapt and improve both of these publications and a new Trade Book is due to be published in the second half of this year.

During H2 2018, we expect to bring a further six new ranges to market, including the launch of linear style kitchens, which will bring our total kitchen range introductions to 18 for the year.

We optimise our business model continually and are conducting a review of our kitchen ranges, depot layout, stock levels and other product ranges, as we look to see how we can best enhance the offer to our builder customers and create operational efficiencies within the business.

We are developing a new platform for our website, as we continue to enhance our digital capability.

MANUFACTURING AND LOGISTICS

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

During H1 2018 a number of the investment projects progressed as follows.

- **Manufacturing operations**

  We have continued to ramp up our new cabinet production facilities at our Howden and Runcorn sites.

- **Logistics**

  During H1 2018, we completed the transition from our national distribution centre (NDC) to a new 650,000 sq ft facility at Raunds. Raunds is now being utilised for depot delivery, while our older NDC is being used for bulk storage.

  We have received full planning permission for a further two distribution facilities at Raunds totaling 950,000 sq ft, which we expect to become operational during 2020. This will enable us to exit our NDC at Northampton during 2020/2021, while providing Howdens with a strategic replacement asset. We do not expect to incur any major capital expenditure on the new facilities until 2019. We have begun ground works on both facilities during the first half.

- **Information systems**

  We have upgraded our kitchen CAD planning software in our depots with faster, higher quality picture rendering for our customers. We have launched a new depot intranet, providing enhanced product information and richer content, to help staff with customer queries.

  We also continue to implement our SAP strategy and are on track to migrate all our SAP systems to HANA technology by the end of 2018.

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 5.5% and 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, had decided to retire in the first half of 2018 after 23 years with the Group, to be succeeded by Andrew Livingston, previously CEO of Screwfix Direct Ltd.

Following a successful transition period, Andrew Livingston was appointed CEO on 2 April 2018 and Matthew Ingle retired from the Board. Matthew retires from the business on 1 August 2018.

CURRENT TRADING AND OUTLOOK

In the first four week period of the second half of the year (Period 7, to 14 July 2018), total sales at Howdens Joinery UK depots rose by 5.3% on the same period in 2017.

During the course of 2018, we plan to open around 30 depots in the UK, seven already having been opened during H1 2018. We expect the cost impact of new depots in 2018 to increase compared to 2017, as we opened 19 in 2017.

In addition to costs including new depots and inflationary pressures, during FY 2018 we continue to expect further operating costs of around £20m from ongoing investments in areas across the business including digital upgrades, the effects of moving from our older distribution centre to Raunds and additional depreciation.

We also expect inflationary pressures on the costs of goods sold to continue.

Investment in new depots, manufacturing and digital upgrades, plus some expenditure initially planned for 2017, will result in expected capital expenditure of around £60m in 2018.

We note the tougher sales comparatives from the prior year as the year progresses and remain watchful of market conditions.

Our overall expectations for the full year are unchanged.

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.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that could have a material impact on the Group's performance over the remaining 28 weeks of the financial year have not changed from those which are set out in detail on pages 30 to 32 of the Group's 2017 Annual Report & Accounts, and which are summarised below.

- Failure to maximise the growth potential of the business – if we do not understand and exploit our growth opportunities in line with our business model and risk appetite, or if we do not meet the related growth challenges, we will not get maximum benefit from our growth potential.
- 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.
- 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.
- Interruption to continuity of supply – could compromise our ability to deliver our in-stock business model.
- Loss of key personnel – could adversely affect the Group's operations.
- Health and Safety – could compromise the safety and wellbeing of individuals and the reputation and viability of the business.
- Cyber security incident – could cause a key system and/or sensitive data to be compromised.
- Product design relevance – if we do not offer the builder the products that they and their customers want, we could lose sales and customers.
- Credit control failure – could affect our ability to continue to support our customers via their nett monthly trade accounts, and potentially our ability to collect debts.

A copy of the Group's 2017 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

Andrew Livingston	Mark Robson
Chief Executive Officer 25 July 2018	Deputy Chief Executive and Chief Financial Officer

Condensed consolidated income statement

	Notes	**24 weeks to 16 June 2018 unaudited £m**	24 weeks to 10 June 2017 unaudited £m	53 weeks to 30 December 2017 audited £m
Revenue – sale of goods		**619.4**	553.0	1,403.8
Cost of sales		**(239.9)**	(198.4)	(515.4)
Gross profit		**379.5**	354.6	888.4
Selling & distribution costs		**(262.8)**	(245.4)	(564.5)
Administrative expenses		**(47.1)**	(42.6)	(89.5)
Operating profit		**69.6**	66.6	234.4
Finance income		**0.3**	0.1	0.2
Other finance expense - pensions		**(1.1)**	(1.1)	(2.4)
Profit before tax		**68.8**	65.6	232.2
Tax on profit	6	**(14.3)**	(13.5)	(47.2)
Profit for the period attributable to the equity holders of the parent		**54.5**	52.1	185.0
Earnings per share:				
Basic earnings per 10p share	7	**8.9p**	8.4p	29.9p
Diluted earnings per 10p share	7	**8.9p**	8.3p	29.8p

Condensed consolidated statement of comprehensive income

	Notes	**24 weeks to 16 June 2018 unaudited £m**	24 weeks to 10 June 2017 unaudited £m	53 weeks to 30 December 2017 audited £m
Profit for the period		**54.5**	52.1	185.0
Items of other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains/(losses) on defined benefit pension scheme	10	**59.3**	(26.4)	(22.1)
Deferred tax on actuarial gains/(losses) on defined benefit pension scheme		**(11.3)**	5.0	4.2
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		**(0.2)**	-	-
Other comprehensive income for the period		**47.8**	(21.4)	(17.9)
Total comprehensive income for the period attributable to equity holders of the parent		**102.3**	30.7	167.1

Condensed consolidated balance sheet

	Notes	**16 June 2018 unaudited £m**	10 June 2017 unaudited £m	30 December 2017 audited £m
Non-current assets				
Intangible assets		**19.9**	8.2	15.4
Property, plant and equipment	9	**178.7**	177.0	180.0
Deferred tax asset		**13.6**	28.2	25.8
Long-term prepayments		**-**	0.3	0.1
		212.2	213.7	221.3
Current assets				
Inventories		**222.8**	213.3	208.3
Trade and other receivables		**188.9**	173.0	137.8
Investments		**-**	-	55.0
Cash at bank and in hand		**213.3**	215.1	186.1
		625.0	601.4	587.2
Total assets		**837.2**	815.1	808.5
Current liabilities				
Trade and other payables		**(291.9)**	(293.9)	(212.1)
Current tax liability		**(12.9)**	(10.4)	(20.6)
		(304.8)	(304.3)	(232.7)
Non-current liabilities				
Pension liability	10	**(46.6)**	(124.0)	(109.3)
Deferred tax liability		**(1.8)**	(1.8)	(1.8)
Provisions	11	**(8.4)**	(11.1)	(10.5)
		(56.8)	(136.9)	(121.6)
Total liabilities		**(361.6)**	(441.2)	(354.3)
Net assets		**475.6**	373.9	454.2

Equity				
Share capital		**62.0**	63.7	62.8
Share premium account		**87.5**	87.5	87.5
ESOP reserve		**(10.7)**	(13.2)	(10.7)
Treasury shares		**(32.9)**	(36.2)	(36.2)
Retained earnings		**369.7**	272.1	350.8
Total equity		**475.6**	373.9	454.2

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

The ESOP Reserve includes shares in Howden Joinery Group plc with a market value on the balance sheet date of £43.1m (June 2017: £29.9m, December 2017 £36.5m), which are held by the Group's Employee Share Trusts in order to satisfy share options and awards made under the Group's various share-based payment schemes.

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

At the current period end there were 6.7 million ordinary shares held in treasury, each with a nominal value of 10p (June 2017: 6.6 million shares, December 2017: 7.4 million shares).

Condensed consolidated statement of changes in equity - continued

	Share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained earnings £m	Total £m
24 weeks to 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**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**(21.4)**	**(21.4)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**30.7**	**30.7**
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**

	Share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained earnings £m	Total £m
53 weeks to 30 December 2017						
At 24 December 2016 -audited	**63.9**	**87.5**	**(0.2)**	**(52.8)**	**298.6**	**397.0**
Accumulated profit for the period	-	-	-	-	185.0	185.0
Other comprehensive income for the period	-	-	-	-	(17.9)	(17.9)
Total comprehensive income for the period	-	-	-	-	167.1	167.1
Current tax on share schemes	-	-	-	-	0.4	0.4
Deferred tax on share schemes	-	-	-	-	(0.1)	(0.1)
Net movement in ESOP	-	-	6.1	-	-	6.1
Buyback and cancellation of shares	(1.1)	-	-	-	(46.8)	(47.9)
Transfer of shares from treasury into share trust	-	-	(16.6)	16.6	-	-
Dividends declared and paid	-	-	-	-	(68.4)	(68.4)
At 30 December 2017 -audited	**62.8**	**87.5**	**(10.7)**	**(36.2)**	**350.8**	**454.2**

Condensed consolidated cash flow statement

	Notes	**24 weeks to 16 June 2018 unaudited £m**	24 weeks to 10 June 2017 unaudited £m	53 weeks to 30 December 2017 audited £m
Group operating profit before tax and interest		**69.6**	66.6	234.4
Adjustments for:				
Depreciation and amortisation included in operating profit		**13.3**	12.1	28.0
Share-based payments charge		**2.5**	2.3	4.0
Loss on disposal of property, plant and equipment, and intangible assets		**-**	-	0.2
Operating cash flows before movements in working capital		**85.4**	81.0	266.6
Movements in working capital				
Increase in stock		**(14.5)**	(29.6)	(24.6)
Increase in trade and other receivables		**(51.1)**	(37.1)	(1.9)
Increase/(decrease) in trade and other payables and provisions		**32.2**	35.5	(0.4)
Difference between pensions operating charge and cash paid		**(4.5)**	(9.5)	(21.2)
		(37.9)	(40.7)	(48.1)
Cash generated from operations		**47.5**	40.3	218.5
Tax paid		**(21.1)**	(20.0)	(41.8)
Net cash flows from operating activities		**26.4**	20.3	176.7

Condensed consolidated cash flow statement – continued

	Notes	**24 weeks to 16 June 2018 unaudited £m**	24 weeks to 10 June 2017 unaudited £m	53 weeks to 30 December 2017 audited £m
Net cash flows from operating activities		**26.4**	20.3	176.7
Cash flows used in investing activities				
Payments to acquire property, plant and equipment, and intangible assets		**(17.1)**	(22.0)	(48.5)
Interest received		**0.3**	0.1	0.2
Net cash used in investing activities		**(16.8)**	(21.9)	(48.3)
Cash flows from financing activities				
Payments to acquire own shares		**(38.3)**	(11.3)	(47.9)
Receipts from release of shares from share trust		**0.8**	1.3	2.1
Decrease in long-term prepayments		**0.1**	0.1	0.3
Dividends paid to Group shareholders	8	**-**	-	(68.4)
Net cash used in financing activities		**(37.4)**	(9.9)	(113.9)
Net (decrease)/increase in cash and cash equivalents		**(27.8)**	(11.5)	14.5
Cash and cash equivalents at beginning of period	13	**241.1**	226.6	226.6
Cash and cash equivalents at end of period	13	**213.3**	215.1	241.1

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 General information

The results for the 24 week periods ended 16 June 2018 and 10 June 2017 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 53 week period ended 30 December 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies, and is available via the Group's website at www.howdenjoinerygroupplc.com. The auditor's report on those accounts was not qualified or modified, did not draw attention to any matters by way of emphasis, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2 Accounting policies

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

Basis of preparation

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

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

3 Segmental results - Basis of segmentation

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

4 Seasonality of revenue

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

5 Write down of inventories

During the period, the Group has recognised a net charge of £3.1m in respect of writing inventories down to their net realisable value (24 weeks to 10 June 2017 - net charge of £4.9m; 53 weeks to 30 December 2017 - net charge of £6.8m).

6 Tax

The half year effective tax rate is 20.8% (24 weeks to 10 June 2017: 20.6%). This is arrived at by applying the estimated full year effective tax rate to the actual half year profit, after adjusting for the tax effect of items which are recognised entirely in the current period and are not spread over the full year (such as actual share option exercises and payments to the pension scheme).

7 Earnings per share

	24 weeks to 16 June 2018 unaudited			24 weeks to 10 June 2017 unaudited			53 weeks to 30 December 2017 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	**54.5**	**611.0**	**8.9**	52.1	623.2	8.4	185.0	619.1	29.9
Effect of dilutive share options	**-**	**2.8**	**-**	-	2.0	(0.1)	-	2.1	(0.1)
Diluted earnings per share	**54.5**	**613.8**	**8.9**	52.1	625.2	8.3	185.0	621.2	29.8

8 Dividends

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

	24 weeks to 16 June 2018 unaudited £m	24 weeks to 10 June 2017 unaudited £m	53 weeks to 30 December 2017 audited £m
Final dividend for the 53 weeks to 30 December 2017 - 7.5p/share	**45.9**	-	-
Final dividend for the 52 weeks to 26 December 2016 - 7.4p/share	**-**	46.3	46.2
Interim dividend for the 53 weeks to 30 December 2017 - 3.6p/share	**-**	-	22.2
	45.9	46.3	68.4

No dividends were paid in the current period, or the 24 week period to 10 June 2017. The final dividend for the 53 weeks to 30 December 2017 (7.5p/share) was approved at the 2018 AGM in May 2018, and was paid on 22 June 2018. The 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 interim dividend for the 53 weeks to 30 December 2017 (3.6p/share) was paid on 17 November 2017.

(b) Proposed dividends

On 25 July 2018, the Board approved the payment of an interim dividend of 3.7p per share, to be paid on 23 November 2018 to ordinary shareholders on the register on 26 October 2018.

	24 weeks to 16 June 2018 unaudited £m	24 weeks to 10 June 2017 unaudited £m	53 weeks to 30 December 2017 audited £m
Proposed interim dividend for the 52 weeks ended 29 December 2018 – 3.7p/share	**22.5**		
Proposed interim dividend for the 53 weeks ended 30 December 2017 - 3.6p/share		22.4	
Proposed final dividend for the 53 weeks ended 30 December 2017 - 7.5p/share			46.0

9 Property, plant and equipment

During the period, the Group made additions to property, plant and equipment ("PPE") of £16.1m (24 weeks to 10 June 2017 - £20.2m; 53 weeks to 30 December 2017 - £39.2m).

It had no disposals of PPE in the current period. In the 24 weeks to 10 June 2017, it had no disposals of PPE, and in the 53 weeks to 30 December 2017 it disposed of PPE with a net book value of £0.3m for proceeds of £0.1m.

There are non-cancellable commitments to purchase PPE of £5.9m at the current period end (10 June 2017 - £7.7m; 30 December 2017 - £3.7m).

10 Retirement benefit obligations

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

	24 weeks to 16 June 2018 unaudited £m	24 weeks to 10 June 2017 unaudited £m	53 weeks to 30 December 2017 audited £m
Charged to the income statement			
Defined benefit plan – current service cost	**(9.1)**	(8.4)	(18.1)
Defined benefit plan – administration costs	**(1.1)**	(1.0)	(2.1)
Defined benefit plan - total operating charge	**(10.2)**	(9.4)	(20.2)
Defined benefit plan - net finance charge	**(1.1)**	(1.1)	(2.4)
Defined contribution plans – total operating charge	**(2.9)**	(2.3)	(5.6)
Total charged to profit before tax	**(14.2)**	(12.8)	(28.2)
Credited/(charged) to equity			
Defined benefit plan – actuarial gains/(losses)	**59.3**	(26.4)	(22.1)

(b) Other information – defined benefit pension plan

Key assumptions used in the valuation of the plan

		24 weeks to 16 June 2018 unaudited	24 weeks to 10 June 2017 unaudited	53 weeks to 30 December 2017 audited
Rate of increase of pensions in deferment capped at lower of CPI and 5%		**2.35%**	2.45%	2.40%
Rate of CARE revaluation capped at lower of RPI and 3%		**2.55%**	2.60%	2.55%
Rate of increase of pensions in payment:				
pensions with increases capped at the lower of CPI and 5%		**2.35%**	2.45%	2.40%
pensions with increases capped at the lower of CPI and 5%, with a 3% minimum		**3.30%**	3.35%	3.35%
pensions with increases capped at the lower of RPI and 2.5%		**2.25%**	2.25%	2.25%
Rate of increase in salaries		**4.35%**	4.45%	4.40%
Inflation assumption - RPI		**3.35%**	3.45%	3.40%
Inflation assumption - CPI		**2.35%**	2.45%	2.40%
Discount rate		**2.75%**	2.50%	2.50%
Life expectancy (years):	pensioner aged 65 - male	**87.5**	87.9	88.0
	pensioner aged 65 - female	**89.2**	89.4	89.5
	non-pensioner aged 45 - male	**89.0**	89.5	89.6
	non-pensioner aged 45 - female	**91.7**	92.3	92.4

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:

	16 June 2018 £m	10 June 2017 £m	30 December 2017 £m
Present value of defined benefit obligations	**(1,309.4)**	(1,385.0)	(1,374.6)
Fair value of scheme assets	**1,262.8**	1,261.0	1,265.3
Deficit in the scheme, recognised in the balance sheet	**(46.6)**	(124.0)	(109.3)

Movements in the deficit during the period are as follows:

	24 weeks to 16 June 2018 unaudited £m	24 weeks to 10 June 2017 unaudited £m	53 weeks to 30 December 2017 audited £m
Deficit at start of period	**(109.3)**	(106.0)	(106.0)
Current service cost	**(9.1)**	(8.4)	(18.1)
Administration cost	**(1.1)**	(1.0)	(2.1)
Employer contributions	**14.7**	18.9	41.4
Other finance charge	**(1.1)**	(1.1)	(2.4)
Actuarial gains/(losses) gross of deferred tax	**59.3**	(26.4)	(22.1)
Deficit at end of period	**(46.6)**	(124.0)	(109.3)

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 16 June 2018 unaudited £m	24 weeks to 10 June 2017 unaudited £m	53 weeks to 30 December 2017 audited £m
Actuarial (losses)/gains on plan assets	**(10.0)**	68.3	56.9
Actuarial gains/(losses) on plan liabilities	**69.3**	(94.7)	(79.0)
Total actuarial gains/(losses) before associated deferred tax	**59.3**	(26.4)	(22.1)

11 Provisions

	Property £m	Warranty £m	Other £m	Total £m
At 30 December 2017 - audited	4.3	3.9	2.3	10.5
Created in the period	0.3	1.8	0.3	2.4
Utilised in the period	(0.3)	(1.8)	(1.2)	(3.3)
Released in the period	(0.3)	(0.1)	(0.8)	(1.2)
At 16 June 2018 - unaudited	**4.0**	**3.8**	**0.6**	**8.4**

12 Related party transactions

There have been no changes to the related party arrangements or transactions as reported in the 2017 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 Analysis of net cash

	Cash at bank and in hand £m	Short-term investments £m	Cash and cash equivalents/ Net cash £m
At 30 December 2017 - audited	186.1	55.0	241.1
Cash flow	27.2	(55.0)	(27.8)
At 16 June 2018 - unaudited	**213.3**	**-**	**213.3**

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 16 June 2018 which comprises the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 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 Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 24 weeks ended 16 June 2018 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

FINANCIAL CALENDAR

2018	
Trading update	8 November 2018
End of financial year	29 December 2018
2019	
2018 Preliminary Results	28 February 2019
Trading update	2 May 2019
Annual General Meeting	2 May 2019
Half Year Report	25 July 2019
Trading update	7 November 2019