HOWDEN JOINERY GROUP PLC

2012 PRELIMINARY RESULTS

HIGHLIGHTS

Chief Executive, Matthew Ingle, said:

"Howdens has delivered another good set of results in 2012, making further progress on sales and profitability, and seeing strong cash flow.

"Our performance allows us to continue to pursue growth opportunities, as we open new depots and invest in our supply chain, manufacturing capability and new products, and address legacy issues.

"Our confidence in the long term strength and performance of the business is reflected in the Board's decision to recommend an increase in our dividend.

"We expect market conditions to continue to be challenging and we will continue to respond to the prevailing conditions we encounter."

Financial results (continuing operations[1])

The information presented here relates to the 53 weeks to 29 December 2012 and the 52 weeks to 24 December 2011, unless otherwise stated. The inclusion of a 53rd week in 2012 (23 – 29 December) had no impact on revenue, as the business did not trade that week. It is estimated to have increased operating costs by around £5m, reducing 2012 operating profit and profit before tax by the same amount, and reducing profit after tax by around £4m.

- Howden Joinery UK depot revenue increased by 4.0% to £872.5m (up 1.9% on same depot basis). Group revenue was £887.1m (2011: £853.8m);
- Gross profit margin increased to 61.5% (2011: 59.7%);
- Operating profit rose from £115.3m to £119.8m;
- Profit before tax increased to £112.1m (2011: £111.0m), the net interest charge rising by £3.4m (due to a rise in the pensions finance expense);
- Basic earnings per share increased from 13.5p to 14.0p;
- Net cash of £96.4m at year-end (24 December 2011: £57.1m net cash);
- Full year dividend for 2012 of 3p per share (2011: 0.5p).

1 These comments all relate to continuing operations. There was a loss before tax from discontinued operations of £4.4m in 2012 (2011: £9.3m), arising from the closure of two non-core support businesses. Profit before tax from continuing and discontinued operations was £107.7m (2011: £101.7m).

Business developments

- Investment in the future growth of the business continues:
  - 20 new depots opened in 2012, bringing total to 529;
  - capital expenditure totalled £24.2m;
  - £16m investment in operating costs to support growth, including marketing initiatives and a revised regional and area structure, within which our depots are managed;
- Leases on five legacy properties terminated in 2012, and two 'early releases' since then, bringing total remaining to 14.

Current trading

- Howden Joinery UK depot revenue in the first two periods of 2013 rose by 17%, reflecting additional week of trading and timing of price increase – expect growth to normalise through coming periods;
- Our outlook for the business remains unchanged, with the Group well placed to respond to the ongoing challenging conditions.

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Note for editors:

Howden Joinery Group Plc is the parent company of Howden Joinery. In the UK, Howden Joinery is engaged in the sale of kitchens and joinery products to trade customers, primarily small local builders, through over 520 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 a small operation in France.

SUMMARY OF GROUP RESULTS

The information presented here relates to the 53 weeks to 29 December 2012 and the 52 weeks to 24 December 2011, unless otherwise stated. The inclusion of a 53rd week in 2012 (23 – 29 December) had no impact on revenue, as the business did not trade that week. It is estimated to have increased operating costs by around £5m, reducing 2012 operating profit and profit before tax by the same amount, and reducing profit after tax by around £4m.

Continuing operations, £m unless stated	**2012**	2011
Revenue		
- Group	**887.1**	853.8
- Howden Joinery UK depots	**872.5**	838.7
Gross profit	**545.3**	509.3
Gross profit margin, %	**61.5**	59.7
Operating profit	**119.8**	115.3
Profit before tax	**112.1**	111.0
Loss before tax on discontinued operations	**(4.4)**	(9.3)
Basic earnings per share from continuing operations	**14.0p**	13.5p
Basic earnings per share from continuing and discontinued operations	**13.4p**	12.1p
Dividend per share	**3p**	0.5p
Net cash at end of period	**96.4**	57.1

FINANCIAL REVIEW

FINANCIAL RESULTS FOR 2012

The information presented here relates to the 53 weeks to 29 December 2012 and the 52 weeks to 24 December 2011, unless otherwise stated. The inclusion of a 53rd week in 2012 (23 – 29 December) had no impact on revenue, as the business did not trade that week. It is estimated to have increased operating costs by around £5m, reducing 2012 operating profit and profit before tax by the same amount, and reducing profit after tax by around £4m.

The financial performance of the Group during 2012 benefited from the Group's competitive position and actions taken to improve performance. Although there was a modest decline in the volume of kitchen cabinets sold, the impact of this was offset by an improved gross profit margin and changes in the mix of kitchen ranges sold.

Total Group revenue increased by £33.3m to £887.1m.

Revenue £m	**2012**	2011
Group	**887.1**	853.8
comprising:		
Howden Joinery UK depots	**872.5**	838.7
Howden Joinery French depots	**14.6**	15.1

Howden Joinery UK depot revenue rose by 4.0% to £872.5m, increasing 1.9% on a same depot basis.

In demanding market conditions, this growth was achieved through a number of factors and is a testament to the strength of the business model. The slowing of the growth rate in the second half of the year, from 6.8% in the first half to around 3%, reflected the benefit of the earlier timing of the price rise in 2012 falling away on the anniversary of the June 2011 price increase. It also reflected continuing focus on price discipline and margin (see below). We have continued to see an increase in the number of customer accounts.

Sales by our French depots of £14.6m were up over 5% on a same depot basis in constant currency terms.

Gross profit rose by £36.0m to £545.3m. As a result, the gross profit margin for the year increased to 61.5% (2011: 59.7%). This reflected the continuing focus on price discipline and margin achievement across all depots, particularly in the second half of the year, supported by our focused supply chain, and an exchange rate gain on the cost of goods purchased from overseas of £5m.

Selling and distribution costs, and administrative and other operating expenses increased by £31.5m to £425.5m. The increase reflects the costs of new depots, investment in growth, increased marketing expenditure, and the impact of inflation, particularly on payroll costs. Also reflected in the increase are the impacts of around £5m of costs arising from the inclusion of a 53rd week in 2012 and certain one-off credits of around £5m in 2011.

Operating profit from continuing operations increased by £4.5m to £119.8m.

The net interest charge rose by £3.4m to £7.7m, due to an increased finance expense in respect of pensions. The net result was profit before tax from continuing operations rose by £1.1m to £112.1m. For 2013, the finance expense in respect of pensions will decrease by £4m, albeit that this is expected to reverse in 2014, when a revision to IAS 19 is implemented.

As previously announced, there was a loss attributable to discontinued operations before tax of £4.4m in respect of the closure of two non-core support businesses.

The tax charge on profit before tax from continuing operations was £24.1m, an effective rate of tax of 21.5%. There was a tax credit of £0.6m in respect of the loss from discontinued operations. Basic earnings per share from continuing operations were 14.0p (2011: 13.5p). Basic earnings per share from continuing and discontinued operations were 13.4p (2011: 12.1p).

We have seen a strong performance in cash flow in 2012, with underlying working capital decreasing slightly. The performance is in part due to timing changes in capital expenditure, legacy property payments and the resolution of a tax dispute.

There was a net cash inflow from operating activities of £64.9m. This was after payments relating to legacy properties totalling £16.4m and a cash contribution to the Group's pension schemes, in excess of the operating charge, of £41.7m.

Excluding the legacy property payments, underlying working capital decreased by £2.1m. A small decrease in stock (£2.6m) was partly offset by a small increase in debtors (£0.7m), creditors being virtually unchanged.

Also included within net cash flows from operating activities was tax paid totalling £16.9m.

Payments to acquire fixed and intangible assets totalled £24.2m (2011: £19.6m).

Reflecting the above, there was a net cash inflow of £39.3m in 2012, the Group having net cash of £96.4m at the end of the year (24 December 2011: £57.1m net cash).

At 29 December 2012, the pension deficit shown on the balance sheet was £154.5m (24 December 2011: £136.9m). An increase in the scheme's assets, arising from the Group's contribution to fund the deficit and better than expected asset returns, was more than offset by higher liabilities, arising from a decrease in the discount rate.

DIVIDEND

The Board intends to target a capital structure that is both prudent and recognises the benefits of financial leverage and, after considering all other uses of capital, to return surplus capital to shareholders, by way of either ordinary dividends or alternative returns of capital.

The Group has significant property leases for the depot network, and currently has a material deficit in the Group pension fund and a small number of remaining legacy liabilities related to the Group's ownership of MFI. Taking into account this underlying level of gearing, the Board believes it is appropriate for the Group to be able to operate throughout the working capital cycle without incurring bank debt.

The Board has concluded that the Group now has the balance sheet strength to allow it to move towards a more normalised dividend policy. As a result, it intends to move over the medium term to a dividend cover of between 2.5x and 3.5x, with one third of the previous year's dividend being paid as an interim dividend each year.

The Board will monitor the cash balances in light of the Group's future investment opportunities, expected peak working capital requirements and the trading outlook. To the extent the Group has sustainable levels of capital in excess of expected requirements, the Board expects to return it to shareholders.

For the 2012 financial year, the Board is proposing a final dividend of 2.7p per share, giving a total dividend for the year of 3.0p per share (2011: 0.5p).

OPERATIONAL REVIEW

The business model of Howden Joinery is “To supply from local stock nationwide the small builder’s ever-changing routine kitchen and joinery requirements, assuring no-call-back quality and best local price”.

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

Since then, this investment in growth has not only seen a step-up in capital expenditure but also increased expenditure in a number of other areas, to support the growth of the business and its performance in demanding market conditions.

Depot network and operations

During the course of 2012, 20 new depots were opened in the UK, bringing the total trading at the end of the year to 529. In addition, 16 depots were extended and one depot was relocated. In France, two new depots were opened.

We have introduced a system that allows us to provide our builder customers’ clients with a video of the kitchen that has been designed for them.

Our account base continues to grow, having increased by over 20,000 net new credit accounts in 2012. While there has been a significant increase in accounts in recent years, our debt collection performance continues to improve.

Product and marketing

We continue to enhance our product offering, having introduced a number of new products during 2012 across all our product categories. Notable amongst these were: eight new kitchen ranges, amongst which we introduced grey options in four of our kitchen families, across all price points, and we extended gloss options to our lower priced Greenwich family; twenty new worktops and associated accessories, including fourteen new square edged and five contemporary 3mm radius matt laminate worktops; significant changes to our sinks and taps categories; an extension of tall wall units offered; a range of black appliances; and a range of sliding wardrobe doors.

Throughout the year, we again held a series of roadshows with our kitchen designers and other depot staff to help inform our new product development programme. These roadshows considered how sales of various product categories could be improved through the sharing of ideas and selling tools, learning from successful existing products and identifying gaps in our offering.

Supporting our sales effort, in addition to updating our extensive product literature, we introduced a wider format joinery brochure and a new hardware catalogue. We have also implemented a Howdens You Tube channel, accessible through our website (www.howdens.com), which offers an extensive range of videos showcasing products and a number of cookery demonstrations using Lamona appliances.

Manufacturing and logistics operations

Our UK-based manufacturing and logistics operations play a key role in ensuring that we are able to supply our small builder customers from local stock nationwide. We continue to invest in these operations so as to ensure that this key aspect of the Howdens model is never compromised.

The £20m two-year programme of investment in our two manufacturing sites is on schedule, with the new cabinet production line facilities due to be fully operational at Howden by the end of the first quarter of 2013 and at Runcorn by the end of the first half of 2013.

A new painted skirting board and architraves production facility costing £1.5m has been installed in our Howden factory, and will be fully operational in the first quarter of 2013.

A new stock planning system was implemented that provides improved information for our manufacturing scheduling and product purchasing teams. This has helped improve service and stock efficiency through our central warehouses.

GROUP DEVELOPMENTS

Legacy properties

The Group continues to reduce its legacy property portfolio.

During 2012, the leases of five properties were terminated, at a cost of £11.7m, mitigating future liabilities that would have totalled over £27m. Since the year-end, two properties have been released early, with less than one year of each lease remaining, at a cost of £1.4m, with small savings being made.

As a result, the number of legacy properties now stands at 14, compared with 21 at the end of 2011. Included within this are seven properties that are fully or part occupied by tenants.

The net annual rent and rates of the remaining properties is less than £4m. By the end of 2014, all other things being equal, both the number of leases remaining and the net annual rent and rates will have approximately halved, as leases expire. The leases remaining thereafter will all have expired by 2025.

Board membership

Angus Cockburn, who is Chairman of our Audit Committee, has decided to step down from the Board and an Executive Search Agency will be used to assist in the search for his successor. Angus will remain on the Board until a date, yet to be determined, after the 2013 AGM that will allow an orderly handover to his successor.

Playing an active role in local communities

Throughout the business, our depots, manufacturing sites, distribution and support centres continue to provide support and engage with local community activities, donations of over £0.8m having been made to local good causes in 2012. We continue to support Leonard Cheshire Disability, providing funding and kitchen products for its operations. This relationship also helps with our inclusive kitchen research, which enables us to offer affordable kitchen solutions to people of all abilities.

CURRENT TRADING AND OUTLOOK FOR 2013

Howden Joinery UK depot sales in the first two periods of 2013 (to 23 February) were up 17% on the same periods last year. This reflects the benefit of an additional week of trading in the first period of 2013. It also reflects the earlier timing of a price change, which will shortly annualise last year's price increase. The pattern and volume of sales in the first two periods is in line with our expectations and, given the one-off nature of these impacts, we expect the rate of UK depot sales growth to normalise through the coming periods.

For the rest of 2013, we expect market conditions to continue to be challenging and we remain cautious about the outlook. As in recent years, we will quickly and appropriately adapt our business model to the market and economic conditions we encounter.

The Group remains committed to its view that the number of depots in the UK can be increased from its current level of 529 and believes that this number could be around 700. During the course of 2013, we are currently planning to open around 20 to 30 depots as part of our investment in the next stage of Howdens' longer term growth and development.

Since its inception in 1995, Howden Joinery has grown rapidly and has gained a significant share of the UK kitchen market. Even in these challenging market conditions, we would expect to continue to benefit from the opening of new depots and from the growth of our depots that have yet to reach maturity.

GOING CONCERN

The Group meets its day to day working capital requirements through cash generated from operations and, when required, by utilising an asset backed lending facility of £160m, which is due for renewal in July 2016. The facility was extended during 2012, and now runs to July 2016, having previously run to May 2014. The current economic conditions create uncertainty, particularly over (a) the level of demand for the Group's products and, (b) the exchange rate between sterling and both the euro and the US dollar, which would affect the cost of the Group's operations.

The Group's forecasts and projections have been stress-tested for reasonably possible adverse variations in trading performance. The results of this testing show that the Group should be able to operate within the level of its current facility and covenants.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Board considers that the Group’s principal risks and uncertainties, together with an indication of actions taken to manage and mitigate them, are as detailed below. They do not comprise all risks associated with the Group and are not set out in any order of priority. Additional risks not presently known to management or currently deemed to be less material may also have an adverse affect on the Group’s business in the future.

Market conditions

The Group’s products are predominantly sold to small local builders for installation in public and private housing, mainly in the repair, maintenance and improvement markets.

The Group’s results are consequently dependent on levels of activity in these markets, which are impacted by many factors including general economic conditions, consumer confidence, interest rates and credit availability, unemployment, demographic trends and, in the short term, weather. A severe downturn in market conditions could impact on our ability to achieve our sales and profit forecasts. This could in turn put pressure on our cash availability and banking covenants.

We monitor the market closely and can take swift management action as necessary in response to adverse changes, with the aim that the business is aligned to market conditions and, consequently, that we should have sufficient cash facilities for business needs and adequate covenant headroom.

Failure to implement the Group’s business model and culture

The future success of the business depends on the successful implementation of the Group’s business model and locally-enabled, entrepreneurial culture.

In particular, if the Group fails to implement its business model in the locally enabled, decentralised manner envisaged, there may be an adverse affect on the Group’s future financial condition and profitability.

Led by the actions of the Board and Executive Committee, the business model and the Howdens culture are at the centre of the activities and the decision-making processes of the Group, and are continually emphasised. The Executive and senior management regularly visit our depots and factories, and hold regular events during which they reinforce the importance of the Group’s business model and culture. Throughout the business, successful implementation of the Group’s business model and culture forms the basis of the incentive structure.

Failure to maximise exploiting the growth potential of the business

The Group considers that there is significant potential for growth, and has identified this as a strategic opportunity and aim.

If the growth opportunities are not understood and exploited in line with our business model, or if current structures and skills within the Group are not aligned to meet the challenges of growth, there may be an adverse affect on the Group's ability to obtain maximum benefit from this growth potential.

The Group places continuing focus on the opportunities, challenges and additional requirements related to growth. The potential for growth is incorporated into group strategic plans and budgets, and existing structures and skills are reviewed in the context of growth, and adjusted where necessary.

Continuity of supply

The Group's business model requires that every depot can supply product from local stock.

Any disruption to the relationship with key suppliers or interruption to manufacturing operations could adversely affect the Group's ability to implement the business model.

With suppliers, the Group tries to maintain dual supply wherever possible to mitigate the effects if a key supplier was unable to deliver goods or services. We also enter into long term contracts to secure supply of our key materials. Good supplier relations are maintained by prompt settlement of invoices, regular communication and an annual supplier conference. Within our manufacturing operations, we adopt best practice health & safety and fire prevention procedures. Business continuity plans are in place for key production processes. The Group continues to make significant investment in its manufacturing facilities, to enable manufacturing capacity to match our expected growth, as well as providing further cabinet production capacity which will provide additional cover in the event of an interruption to manufacturing operations.

Loss of key personnel

The skills, experience and performance of key members of the Group's management team make a large contribution to the Group's success.

The loss of a key member of the Group's management team could adversely affect the Group's operations.

The Group uses the Remuneration Committee to ensure that key team members are appropriately compensated for their contributions and incentivised to continue their careers with the Group.

Input price pressure

The Group's gross margin performance drives profitability.

The Group's financial success could be adversely affected by increasing commodity prices, inflationary pressures and currency fluctuations.

The Group adopts a number of measures to mitigate input price pressure. As well as conducting regular reviews of the market and of price trends, these measures include negotiation with suppliers, consideration of longer-term supply deals, "make vs. buy" decisions where appropriate and product pricing decisions. The Group also has an ongoing review process to drive efficiency and identify opportunities to reduce costs in the supply base, to protect margin and profitability.

Financial position

The growth of the business relies in some part on our ability to open new depots, develop and introduce new product, and to invest in manufacturing capacity.

If the Group's financial position was to deteriorate, limiting financial resources to meet its obligations and to fund the growth and development of the business, this would impact on future growth.

The Group regularly forecasts its cash availability and its compliance with banking covenants, with the aim that there is sufficient cash and/or available credit under our banking facility to meet planned future expenditure and investment requirements. These forecasts are closely monitored throughout the year and reviewed against actual performance, and actions are taken to realign the position where necessary.

CAUTIONARY STATEMENT

Certain statements in this Preliminary Results announcement 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The following statement will be contained in the Annual Report and Accounts 2012.

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings including the consolidation taken as a whole;

- the review of operations and finance, along with other documents which are incorporated into the directors' report, together include a fair review of the development and performance of the business, and the position of the Company and the undertakings including the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

M Ingle	M Robson
Chief Executive Officer	Chief Financial Officer

27 February 2013

Consolidated income statement

Continuing operations:	Notes	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Revenue – sale of goods		**887.1**	853.8
Cost of sales		**(341.8)**	(344.5)
Gross profit		**545.3**	509.3
Selling & distribution costs		**(359.1)**	(333.2)
Administrative expenses		**(66.4)**	(60.6)
Other operating expenses		**-**	(0.2)
Operating profit		**119.8**	115.3
Finance income	4	**0.2**	-
Finance expense	5	**(0.6)**	(1.2)
Other finance expense - pensions	5	**(7.3)**	(3.1)
Profit before tax		**112.1**	111.0
Tax on profit	6	**(24.1)**	(29.2)
Profit after tax		**88.0**	81.8
Discontinued operations:			
Loss before tax	3	**(4.4)**	(9.3)
Tax on loss	6	**0.6**	0.8
Post tax loss		**(3.8)**	(8.5)
Profit for the period attributable to the equity holders of the parent		**84.2**	73.3
Earnings per share:			
From continuing operations			
Basic earnings per 10p share	7	**14.0p**	13.5p
Diluted earnings per 10p share	7	**13.9p**	13.1p
From continuing and discontinued operations			
Basic earnings per 10p share	7	**13.4p**	12.1p
Diluted earnings per 10p share	7	**13.3p**	11.8p

Consolidated statement of comprehensive income

	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Profit for the period	**84.2**	73.3
Items of other comprehensive income:		
Actuarial losses on defined benefit pension scheme	**(52.0)**	(31.4)
Deferred tax on actuarial losses on defined benefit pension scheme	**13.0**	8.5
Effect of change in UK tax rate on deferred tax on cumulative actuarial loss	**(7.5)**	(6.5)
Current tax on share schemes	**2.0**	-
Deferred tax on share schemes	**1.9**	0.3
Effect of change in UK tax rate on deferred tax on cumulative balances on share schemes	**(0.4)**	-
Currency translation differences	**(0.3)**	(0.3)
Other comprehensive income for the period	**(43.3)**	(29.4)
Total comprehensive income for the period attributable to equity holders of the parent	**40.9**	43.9

Consolidated balance sheet

	Notes	29 December 2012 £m	24 December 2011 £m
Non-current assets			
Goodwill		**-**	2.5
Other intangible assets		**4.0**	4.7
Property, plant and equipment		**89.3**	81.7
Deferred tax asset		**46.1**	43.4
Bank borrowings net of prepaid fees		**1.0**	-
		140.4	132.3
Current assets			
Inventories		**115.9**	118.5
Trade and other receivables		**96.0**	95.3
Cash at bank and in hand		**96.7**	59.4
		308.6	273.2
Total assets		**449.0**	405.5
Current liabilities			
Trade and other payables		**(137.1)**	(139.1)
Current tax liability		**(16.9)**	(16.9)
Current borrowings		**(1.2)**	(1.1)
		(155.2)	(157.1)
Non-current liabilities			
Non-current borrowings		**(0.1)**	(1.2)
Pension liability		**(154.5)**	(136.9)
Deferred tax liability		**(4.3)**	(4.8)
Provisions	9	**(22.1)**	(35.3)
		(181.0)	(178.2)
Total liabilities		**(336.2)**	(335.3)
Net assets		**112.8**	70.2
Equity			
Called up share capital		**64.2**	63.4
Share premium account		**87.2**	85.1
ESOP reserve		**(19.0)**	(22.8)
Other reserves		**28.1**	28.1
Retained loss		**(47.7)**	(83.6)
Total equity		**112.8**	70.2

The financial statements were approved by the Board on 27 February 2013 and were signed on its behalf by Mark Robson – Chief Financial Officer.

Consolidated statement of changes in equity

	Called up share capital £m	Share premium account £m	ESOP reserve £m	Other reserve £m	Retained loss £m	Total £m
As at 25 December 2010	63.4	85.1	(26.0)	28.1	(127.5)	23.1
Accumulated profit for the period	-	-	-	-	73.3	73.3
Net actuarial loss on defined benefit scheme	-	-	-	-	(22.9)	(22.9)
Effect of change in UK tax rate on deferred tax on cumulative actuarial loss	-	-	-	-	(6.5)	(6.5)
Currency translation differences	-	-	-	-	(0.3)	(0.3)
Net movement in ESOP	-	-	3.2	-	-	3.2
Deferred tax on share schemes	-	-	-	-	0.3	0.3
As at 24 December 2011	63.4	85.1	(22.8)	28.1	(83.6)	70.2
Accumulated profit for the period	-	-	-	-	84.2	84.2
Net actuarial loss on defined benefit scheme	-	-	-	-	(39.0)	(39.0)
Effect of change in UK tax rate on deferred tax on cumulative actuarial loss	-	-	-	-	(7.5)	(7.5)
Current tax on share schemes	-	-	-	-	2.0	2.0
Deferred tax on share schemes	-	-	-	-	1.9	1.9
Effect of change in UK tax rate on deferred tax on cumulative balance on share schemes	-	-	-	-	(0.4)	(0.4)
Currency translation differences			-	-	(0.3)	(0.3)
Net movement in ESOP	-	-	3.8	-	-	3.8
Issue of new shares	0.8	2.1	-	-	-	2.9
Dividends declared and paid	-	-	-	-	(5.0)	(5.0)
As at 29 December 2012	**64.2**	**87.2**	**(19.0)**	**28.1**	**(47.7)**	**112.8**

The ESOP Reserve includes shares in Howden Joinery Group plc with a market value on the balance sheet date of £37.8m (2011: £25.3m), which have been purchased in the open market and which are held by the Group's Employee Share Trusts in order to satisfy share options and awards made under the Group's various share-based payment schemes.

The Other Reserve was created in the year to 30 April 1994, following a Group reconstruction.

Consolidated cash flow statement

	Notes	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Group operating profit before tax and interest			
Continuing operations		**119.8**	114.3
Discontinued operations		**(4.4)**	(8.3)
Group operating profit before tax and interest		**115.4**	106.0
Adjustments for:			
Depreciation and amortisation included in operating profit		**16.9**	17.6
Share-based payments charge		**2.7**	2.7
Loss on disposal of property, plant and equipment and intangible assets		**-**	0.2
Discontinued exceptional items (before tax)		**3.3**	8.3
Operating cash flows before movements in working capital		**138.3**	134.8
Movements in working capital and exceptional items			
Increase/(decrease) in stock		**2.6**	(13.0)
Increase in trade and other receivables		**(0.7)**	(0.3)
Decrease in trade and other payables and provisions		**(16.2)**	(25.5)
Difference between pensions operating charge and cash paid		**(41.7)**	(33.3)
Net cash flow – discontinued exceptional items		**(0.5)**	-
		(56.5)	(72.1)
Cash generated from operations		**81.8**	62.7
Tax paid		**(16.9)**	(22.5)
Net cash flow from operating activities	10	**64.9**	40.2

Consolidated cash flow statement - continued

	Notes	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Net cash flows from operating activities		**64.9**	40.2
Cash flows used in investing activities			
Payments to acquire property, plant and equipment and intangible assets		**(24.2)**	(19.6)
Interest received		**0.2**	-
Receipts from sale of property, plant and equipment and intangible assets		**0.3**	-
Repayment of investment		**-**	2.0
Net cash used in investing activities		**(23.7)**	(17.6)
Cash flows from financing activities			
Interest paid		**(0.6)**	(1.0)
Receipts from issue of share capital		**2.9**	-
Receipts from release of shares from share trust		**1.1**	0.5
Decrease in loans		**(2.2)**	(1.1)
Repayment of capital element of obligations under finance leases		**(0.1)**	(0.4)
Decrease in other assets		**-**	0.2
Dividends paid to Group shareholders		**(5.0)**	-
Net cash used in financing activities		**(3.9)**	(1.8)
Net increase in cash and cash equivalents		**37.3**	20.8
Cash and cash equivalents at beginning of period		**59.4**	38.6
Cash and cash equivalents at end of period	10	**96.7**	59.4

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

Cash flows from discontinuing operating activities are shown in note 10. There are no cash flows from discontinued investing or financing activities.

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of preparation

The Group's accounting period covers the 53 weeks to 29 December 2012. The comparative period covered the 52 weeks to 24 December 2011.

The preliminary results for the year ended 29 December 2012 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") adopted for use in the European Union and International Financial Reporting Interpretations Committee 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 accounting policies, presentation methods and methods of computation followed are the same as those detailed within the 2011 Annual Report and Accounts, which is available on the Group's website (www.howdenjoinerygroupplc.com). Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The financial information set out in this announcement does not constitute the statutory accounts for the Group within the meaning of Section 435 of the Companies Act 2006. The statutory accounts for the 52 weeks to 24 December 2011 have been filed with the Registrar of Companies. The statutory accounts for the 53 weeks ended 29 December 2012 will be filed in due course. The auditors' reports on these accounts was not qualified or modified and did not contain any statement under sections 498(2) or (3) of the Companies Act 2006 or any preceding legislation.

2 Segmental reports

(a) Basis of segmentation

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, and assets and liabilities, can all be found in the consolidated income statement and consolidated balance sheet.

(b) Other information

	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Capital additions	**24.2**	18.7
Depreciation and amortisation	**(16.9)**	(17.6)

3 Discontinued operations and exceptional items

(a) Discontinued operations and exceptional items for current and prior periods

	Note	**53 weeks to 29 December 2012 £m**	52 weeks to 24 December 2011 £m
Discontinued operating loss:			
Relating to the closure of Howden Joinery Supply Division (Asia) Ltd			
Expenses		**(1.1)**	(1.0)
Pre-tax loss		**(1.1)**	(1.0)
Tax thereon		**0.3**	0.3
Post-tax loss		**(0.8)**	(0.7)
Discontinued exceptional items:			
Relating to the closure of Howden Joinery Supply Division (Asia) Ltd			
Pre-tax loss	3(b)	**(3.5)**	-
Tax thereon	3(b)	**0.4**	-
Post-tax loss		**(3.1)**	-
Relating to the closure of Southon Insurance Company Ltd			
Pre-tax profit	3(b)	**0.4**	-
Tax thereon	3(b)	**(0.1)**	-
Post-tax loss		**0.3**	-
Accrual for potential interest			
Accrual for potential interest	3(b), 3(c)	**(0.2)**	(0.6)
Tax thereon	3(b), 3(c)	**-**	0.2
	3(b)	**(0.2)**	(0.4)
Increase to property provision:			
Increase to property provision	3(c)	**-**	(7.7)
Tax thereon	3(c)	**-**	0.3
		-	(7.4)
Total pre-tax loss for the period from discontinued operations		**(4.4)**	(9.3)
Total tax on discontinued operations		**0.6**	0.8
Post-tax loss for the period from discontinued operations		**(3.8)**	(8.5)

(b) Exceptional items for the 53 weeks to 29 December 2012

	£m	£m
Closure of Howden Joinery Supply Division (Asia) Ltd		
Impairment of goodwill	**(2.5)**	
Other costs of closure	**(1.0)**	
		(3.5)
Closure of Southon Insurance Company Ltd		
Value of liabilities commuted	**0.8**	
Commutation premium	**(0.4)**	
		0.4
Accrual for potential interest		
Interest accrual		**(0.2)**
Total discontinued exceptional item before tax		**(3.3)**
Tax credit on discontinued exceptional item		**0.3**
Total discontinued exceptional item after tax		**(3.0)**

Closure of Howden Joinery Supply Division (Asia) Ltd

During the current period, the Group made the decision to close the Hong Kong registered 100% owned Group subsidiary company Howden Joinery Supply Division (Asia) Ltd, which had previously carried out sourcing operations for the Group in Asia. By the end of the current year, the management of all sourcing from Asia had been transferred to the Group's UK sourcing team.

Prior to the decision to close the company, the Group recognised associated goodwill with a carrying value of £2.5m. Once the decision had been made to close the company, this goodwill was written off in full, as shown above.

Closure of the company had begun by the end of the current period, and it is anticipated that the company will be placed into administration during 2013. A provision for closure costs has been set up in the current year, and utilisation of the provision has begun. More details of the provision are given in note 9.

The company did not have any external customers. The cost of the goods which it sourced were recharged within the Group and accordingly were cancelled out on consolidation. Thus there is no revenue shown for this discontinued operation. The only expenses which are shown in both current and prior periods are the incremental costs which the Group incurred as a result of carrying out business through this company (e.g. the salaries, office rent, and other similar administrative costs of running the sourcing operation in Asia).

Closure of Southon Insurance Company Ltd

Southon Insurance Company Ltd was a 100% owned Group subsidiary company, registered and licensed to carry on insurance business in Guernsey. In the past, the company had reinsured potential liabilities under certain product guarantees issued by former Group companies. It had also reinsured certain legacy Group employers' liabilities and public liability. The company ceased underwriting in December 2007, and during the current year it has terminated all residual liabilities. As part of the process of terminating these liabilities, it paid a commutation premium of £0.4m to dispose of liabilities with a book value of £0.8m, as shown above.

By the end of the current year, the company had received approval from the Guernsey Financial Services Commission to surrender its insurance license, and the company had been put into the hands of liquidators.

The company did not have any external customers in either the current or prior period. Its only income and expenses in both periods were insignificant amounts of investment income and administration expenses. Therefore, there is no significant pre or post tax profit or loss to disclose in either period.

Accrual for potential interest

The accrual for potential interest relates to interest which would be payable if the Group lost a tax dispute with HM Revenue and Customs, relating to the Group's legacy properties. The tax which is in dispute has already been provided for in prior periods.

All of the above items relate to discontinued operations. There are no exceptional items relating to continuing operations.

(c) Exceptional items for the 52 weeks to 24 December 2011

The exceptional items in the prior period relate to operations which had been discontinued in 2008, as detailed below.

	Total £m
Increase to property provision	7.7
Interest	0.6
Total exceptional item before tax	8.3
Tax on exceptional item	(0.5)
Total exceptional item after tax	7.8

The increase to the property provision in the year relates to future rent, rates, surrender fees and associated costs in respect of legacy properties. More details of the provision itself can be found at note 9. The original provision was created as a discontinued exceptional item in the 52 weeks to December 2008, and the events surrounding its creation are described in more detail on page 55 of the Annual Report for that period.

Interest relates to interest which would be payable if we lost a tax dispute with HM Revenue and Customs, relating to the legacy properties. The tax which is in dispute has already been provided for in prior periods.

Both of the above items relate to discontinued operations. There are no exceptional items in the prior period relating to continued operations.

4 Finance income

	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Bank interest receivable	**0.2**	-
Total finance income	**0.2**	**-**

5 Finance expenses and other finance expense – pensions

	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Finance expenses		
Interest payable on bank loans	**(0.4)**	(1.0)
Finance charge on remeasuring creditors to fair value	**(0.2)**	(0.2)
Total finance expenses	**(0.6)**	(1.2)

Further details of the finance charge on remeasuring creditors to fair value in the current period are given in note 9.

	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Other finance expense - pensions		
Pension finance expense	**(7.3)**	(3.1)

6 Tax

(a) Tax in the income statement

	Continuing operations		Discontinued operations		Total	
	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m	**53 weeks to 29 December 2012 £m**	52 weeks to 24 December 2011 £m	**53 weeks to 29 December 2012 £m**	52 weeks to 24 December 2011 £m
Current tax:						
Current year	**21.4**	22.3	**(0.6)**	(0.6)	**20.8**	21.7
Adjustments in respect of previous years	**(1.1)**	(1.8)	**-**	-	**(1.1)**	(1.8)
Total current tax	**20.3**	20.5	**(0.6)**	(0.6)	**19.7**	19.9
Deferred tax:						
Current year	**4.0**	6.1	**-**	(0.2)	**4.0**	5.9
Adjustments in respect of previous years	**(0.2)**	2.6	**-**	-	**(0.2)**	2.6
Total deferred tax	**3.8**	8.7	**-**	(0.2)	**3.8**	8.5
Total tax charged/(credited) in the income statement	**24.1**	29.2	**(0.6)**	(0.8)	**23.5**	28.4

UK corporation tax is calculated at 24.5% (2011: 26.5%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdiction.

(b) Tax relating to items credited to equity

	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Deferred tax credit to equity on actuarial loss on pension scheme	**(13.0)**	(8.5)
Deferred tax credit to equity on share schemes	**(1.9)**	(0.3)
Current tax credit to equity on share schemes	**(2.0)**	-
Charge to equity re. tax rate change*	**7.9**	6.5
	(9.0)	(2.3)

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

(c) Reconciliation of the total tax charge

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

	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Profit/(loss) before tax:		
Continuing operations	**112.1**	111.0
Discontinued operations	**(4.4)**	(9.3)
	107.7	101.7

	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Tax at the UK Corporation tax rate of 24.5% (2011: 26.5%)	**26.4**	26.9
IFRS2 share scheme charge**	**(0.6)**	(0.1)
Expenses not deductible for tax purposes***	**2.0**	2.4
Reassessment of deferred tax asset on general provisions	**0.3**	0.9
Change of tax rate*	**(3.9)**	(3.4)
Non-qualifying depreciation	**0.6**	0.8
Tax adjustment in respect of previous years	**(1.3)**	0.9
Total tax charged in the income statement	**23.5**	28.4

* On 17 April 2012, the House of Commons approved the Finance Bill which reduces the UK standard rate of Corporation Tax from 26% to 24% with effect from 1 April 2012 and 23% from 1 April 2013. All deferred assets and liabilities have been recognised at 23% (2011: 25%).

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

*** This arises mainly due to the Group assuming no tax relief for the payments and provisions made in association with the legacy properties until the tax position is agreed with HMRC.

7 Earnings per share

	53 weeks to 29 December 2012			52 weeks to 24 December 2011		
	Earnings £m	**Weighted average number of shares m**	**Earnings per share p**	Earnings £m	Weighted average number of shares m	Earnings per share p
From continuing operations						
Basic earnings per share	**88.0**	**627.0**	**14.0**	81.8	606.3	13.5
5Effect of dilutive share options	**-**	**4.0**	**(0.1)**	-	16.7	(0.4)
Diluted earnings per share	**88.0**	**631.0**	**13.9**	81.8	623.0	13.1
From discontinued operations						
Basic loss per share	**(3.8)**	**627.0**	**(0.6)**	(8.5)	606.3	(1.4)
Effect of dilutive share options	**-**	**4.0**	**-**	-	16.7	-
Diluted loss per share	**(3.8)**	**631.0**	**(0.6)**	(8.5)	623.0	(1.4)
From continuing and discontinued operations						
Basic earnings per share	**84.2**	**627.0**	**13.4**	73.3	606.3	12.1
Effect of dilutive share options	**-**	**4.0**	**(0.1)**	-	16.7	(0.3)
Diluted earnings per share	**84.2**	**631.0**	**13.3**	73.3	623.0	11.8

8 Dividends

	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
Amounts recognised as distributions to equity holders in the period		
Final dividend for the 52 weeks to 24 December 2011 - 0.5p/share	**3.1**	-
Interim dividend for the 53 weeks to 29 December 2012 - 0.3p/share	**1.9**	-
	5.0	-

The final dividend for the 52 weeks to 24 December 2011 was paid on 22 June 2012. The interim dividend for the 53 weeks to 29 December 2012 was paid on 30 November 2012.

Dividends proposed at the end of the period (but not recognised in the period)		
Proposed final dividend for the 53 weeks to 29 December 2012 - (2.7p/share)	**16.7**	-
Proposed final dividend for the 52 weeks to 24 December 2011 - (0.5p/share)	**-**	3.1

The directors propose a dividend in respect of the 53 weeks to 29 December 2012 of 2.7p per share, payable to ordinary shareholders who are on the register of shareholders at 24 May 2013, and payable on 21 June 2013.

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 is subject to the approval of the shareholders at the 2013 Annual General Meeting and has not been included as a liability in these financial statements.

9 Provisions

	Property £m	Business closure £m	Other £m	Total £m
At 25 December 2010	54.4	-	1.5	55.9
Additional provision in the period	8.0	-	3.3	11.3
Utilisation of provision in the period	(29.4)	-	(2.5)	(31.9)
At 24 December 2011	33.0	-	2.3	35.3
Additional provision in the period	1.3	1.0	3.2	5.5
Provision released in the period	(0.1)	-	-	(0.1)
Utilisation of provision in the period	(16.4)	(0.1)	(2.1)	(18.6)
At 29 December 2012	**17.8**	**0.9**	**3.4**	**22.1**

Property provision

The property provision covers onerous leases on any non-trading leased properties. For some properties, the provision is based on the shortfall between rent payable and rent receivable. For other properties, where negotiations to surrender the lease are in progress, the provision is based on the amount which the landlord has indicated that they are willing to take as a premium to surrender the lease. The provision is based on the period until the end of the lease, or until the Group considers that it can cover the shortfall by subletting, assigning or surrendering the lease.Throughout the course of the year, the Group reviews the range of options for unused properties, and maintains ongoing discussions with landlords and external agents, with a view to identifying possible lease surrenders and finding tenants. The property provision also includes amounts for any related shortfalls in business rates on these properties, dilapidations, agents' fees and other professional fees.

During the current period, the property provision has been increased by £0.2m arising from an unwinding of the discount rate over time. None of this amount relates to changes in the discount rate. This amount is shown as a finance charge in note 5. The amount of the expected future cash flows has been adjusted to reflect the expected range of possibilities and, as the outflows under this provision are expected to take place over a number of years, the provision has been discounted to its present value.

The timing of the outflows from the provision is variable, and is dependent on property lease expiry dates and opportunities to surrender leases.

Business closure provision

The provision for business closure relates to the costs of closure of the Group subsidiary company Howden Joinery Supply Division (Asia) Ltd. More details of this are provided in Note 3.

The provision represents management's best estimate of the costs of closing the business, which are mainly staff costs and the costs of closing the company's office in Hong Kong.

The decision to close the business was made in the current period, and some expenses related to the closure have already been incurred in the current period and set against the provision, as shown above. The timing of the remaining outflows from the provision is expected to occur within the next 12 months.

Other provision

The other 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 data to periodically revise the basis on which it makes further provision.

10 Notes to the cash flow statement

	53 weeks to 29 December 2012 £m	52 weeks to 24 December 2011 £m
(a) Net cash flows from operating activities		
Net cash flow from operating activities comprises:		
Continuing operating activities	**66.5**	41.2
Discontinued operating activities	**(1.1)**	(1.0)
Discontinued operations – exceptional items	**(0.5)**	-
	64.9	40.2

(b) Reconciliation of net cash

Net cash at start of period	**57.1**	35.0
Net increase in cash and cash equivalents	**37.3**	20.8
Net decrease in current asset investments	**-**	(0.2)
Decrease in bank borrowings	**2.2**	1.1
(Increase)/decrease in finance leases	**(0.2)**	0.4
Net cash at end of period	**96.4**	57.1
Represented by:		
Cash and cash equivalents	**96.7**	59.4
Bank loans	**(0.1)**	(2.3)
Finance leases	**(0.2)**	-
	96.4	57.1

(c) Analysis of net cash

	Cash and cash equivalents £m	Bank loans £m	Finance leases £m	Net cash £m
As at 24 December 2011	59.4	(2.3)	-	57.1
Cash flow	37.3	2.2	(0.2)	39.3
As at 29 December 2012	**96.7**	**(0.1)**	**(0.2)**	**96.4**

FINANCIAL CALENDAR

2013	
Interim Management Statement	2 May
Half Yearly Report	25 July
Interim Management Statement	14 November
End of financial year (52-week)	28 December