HOWDEN JOINERY GROUP PLC

2016 PRELIMINARY RESULTS

HIGHLIGHTS

Chief Executive, Matthew Ingle, said:

"Howdens delivered a solid set of results in 2016, despite softer trading conditions being seen in the second half. Sales grew to £1.3bn, profitability increased and our net cash position at the year-end was unchanged. As a result, we are recommending an increase in our dividend and announcing a new cash return of up to £80m to shareholders by way of a share repurchase programme.

"Performance in the last two periods (eight weeks) of the year reflected the implementation of a price increase towards the end of the year and two extra days trading.

"We have continued to invest in all aspects of the business, improving our operations and pursuing the growth opportunities before us, while making sure that our operations suit current market conditions. In the UK, we opened 23 new depots and we pushed forward with an expanded trial in continental Europe, opening two additional depots in northern France, a larger outlet in southern France and our first outlet in Germany. We are investing in our supply operations to ensure their resilience and in order to have sufficient capacity to enable us to take advantage of the prospects we see before us.

"The service proposition that Howdens provides to our small builder customers is supported by the unique combination of our locally empowered depots and our supply operations. The strength of this has enabled us to continue to increase the number of account holders by more than 30,000 to over 450,000, who form the bedrock of our business.

"We will continue to invest in the business, to ensure that we can take advantage of the longer term growth opportunities that we foresee, and to address the challenges of a more complex market and security of supply. This investment will be in both our day-to-day operations and our supply chain capability.

"Looking at 2017, softer trading conditions seen in the UK in the second half of 2016 have continued into the early part of this year, with volumes having weakened slightly. We raised prices towards the end of last year in response to cost pressures in our business and the early signs from this are encouraging.

"As well as planning to open around 30 new depots in the UK, we will continue to invest in our supply chain capability.

"We are mindful of the uncertainty surrounding the economic outlook and are well positioned to respond to a change in market conditions."

Financial results

The information presented here relates to the 52 weeks to 24 December 2016 and the 52 weeks to 26 December 2015, unless otherwise stated.

- Howden Joinery UK depot revenue increased by 6.5% to £1,281.7m (up 4.2% on same depot basis[1]). Group revenue was £1,307.3m (2015: £1,220.2m);
- Gross profit margin was 64.2% (2015: 64.3%), despite adverse currency movement;
- Operating profit rose to £237.2m (2015: £221.9m);
- Profit before tax increased to £237.0m (2015: £219.6m), the net finance charge falling by £2.1m, reflecting a decrease in the pensions finance expense;
- Basic earnings per share increased to 29.5p (2015: 27.3p);
- Net cash of £226.6m at year-end (26 December 2015: £226.1m net cash), after £145.4m was returned to shareholders by way of a share repurchase programme and dividends;

- Final dividend of 7.4p recommended, giving full year dividend of 10.7p per share (2015: 9.9p);
- Up to £80m expected to be returned to shareholders, through a share repurchase programme.

1 Excludes depots opened in 2015 and 2016.

Business developments

- Investment in the future growth of the business continues:
  - 23 new depots opened in UK in 2016, with one opened in early 2017, bringing total to 643;
  - capital expenditure totalled £63.5m (2015: £45.9m) as investment in supply operations to support further growth and increase resilience was stepped up;
  - French trial extended, with three new depots opened, and our first depot opened in Germany.

Current trading

- Howden Joinery UK depot revenue in the first two periods of 2017 rose by 3.6%[1], in line with our expectations;
- To offset cost pressures, a price rise was put through towards the end of 2016, and early signs are encouraging, against the backdrop of softer market conditions;
- Our outlook for the business for 2017 remains unchanged.

1 This excludes the first trading week, which had one fewer trading days in 2017 than in 2016.

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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 600 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 small operations in France, Belgium, Holland and Germany.

Website: www.howdenjoinerygroupplc.com

SUMMARY OF GROUP RESULTS

The information presented here relates to the 52 weeks to 24 December 2016 and the 52 weeks to 26 December 2015.

£m	**2016**	2015
Revenue		
- Group	**1,307.3**	1,220.2
- Howden Joinery UK depots	**1,281.7**	1,203.8
Gross profit	**839.9**	784.4
Gross profit margin, %	**64.2**	64.3
Operating profit	**237.2**	221.9
Profit before tax	**237.0**	219.6
Basic earnings per share	**29.5p**	27.3p
Dividend per share	**10.7p**	9.9p
Net cash at end of period	**226.6**	226.1

FINANCIAL REVIEW

FINANCIAL RESULTS FOR 2016

The information presented here relates to the 52 weeks to 24 December 2016 and the 52 weeks to 26 December 2015, unless otherwise stated.

The financial performance of the Group during 2016 benefited from the Group's competitive position and the continuing focus on improving operational performance.

Total Group revenue increased by £87.1m to £1,307.3m.

Revenue £m	**2016**	2015
Group	**1,307.3**	1,220.2
comprising:		
Howden Joinery UK depots	**1,281.7**	1,203.8
Howden Joinery continental Europe depots	**25.6**	16.4

Howden Joinery UK depot revenue rose by 6.5% to £1,281.7m, increasing by 4.2% on a same depot basis (excludes depots opened in 2015 and 2016).

This growth was achieved through several factors and is a testament to the strength of the Howdens business model. In particular, we have continued to open new depots and increased the number of customer accounts, while maintaining focus on pricing discipline, which enabled us to grow turnover in existing depots of all ages.

Sales in continental Europe rose by £9.2m to £25.6m, primarily reflecting the expansion of the trial in France.

Gross profit rose by £55.5m to £839.9m. The gross profit margin for the year of 64.2% was virtually unchanged (2015: 64.3%). This was despite an increase in costs of goods sold of £23m that arose from the weakening of the pound against the euro and US dollar.

Selling and distribution costs, and administrative expenses increased by £40.2m to £602.7m. The increase reflects the costs of new depots, investment in both short and longer term growth, and the impact of inflation, including on payroll costs.

Operating profit increased by £15.3m to £237.2m.

The net interest charge fell by £2.1m to £0.2m, reflecting a lower finance expense in respect of pensions. The net result was profit before tax rose by £17.4m to £237.0m.

The tax charge on profit before tax was £51.4m, an effective rate of tax of 21.7%.

Basic earnings per share were 29.5p (2015: 27.3p).

At 24 December 2016, the pension deficit shown on the balance sheet was £106.0m (26 December 2015: £49.2m). The increase in the deficit was due to higher liabilities arising primarily from a decrease in the discount rate, partly offset by the Group's contribution to fund the deficit (£35m) and higher than expected asset returns.

We saw strong cash flow in 2016, with a net cash inflow from operating activities of £207.2m, after the cash contribution to the Group's defined benefit pension scheme.

Within this, working capital decreased by £1.5m. Increases in stock and trade debtors were more than offset by an increase in trade creditors. In addition, net tax paid totalled £28.8m.

Payments to acquire fixed assets totalled £63.5m (2015: £45.9m), reflecting increased investment in our supply operations (see Operational Review).

In line with the announcements of a £70m share repurchase programme made in February 2015, of which £45m was returned in 2015, and a £55m share repurchase programme made in February 2016, £80.0m was spent acquiring the Group's own shares during 2016, concluding both programmes.

Reflecting the above, there was a net cash inflow of £0.5m in 2016, the Group having net cash of £226.6m at the end of the year (26 December 2015: £226.1m net cash).

DIVIDEND AND RETURN OF SURPLUS CASH TO SHAREHOLDERS

The Group's dividend policy is to target dividend cover of between 2.5x and 3x, with one third of the previous year's dividend being paid as an interim dividend each year.

In light of this policy, given the operational performance of the business in 2016, the Board has decided to recommend to shareholders a final dividend of 7.4p, giving a total dividend for the year of 10.7p (2015: 9.9p). This equates to a dividend cover of 2.75x.

As previously stated, the Board intends to target a capital structure that is both prudent and recognises the benefits of operational and financial leverage, and, after considering our capital requirements, to return surplus cash to shareholders as appropriate. The Group has significant property leases for the depot network, and continues to have a material deficit in the Group pension fund and a small number of remaining legacy liabilities related to the Group's former 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 through the annual working capital cycle without incurring bank debt.

The Board has reviewed the cash balances in light of the Group's future investment opportunities, expected peak working capital requirements and trading outlook. As a result, it has decided to return up to £80m of cash to shareholders by way of a share repurchase programme. This is expected be implemented over the course of the next two years.

Shares that are bought in the market by our brokers will either be held in treasury, to use to satisfy future obligations for company share schemes, or cancelled.

OPERATIONAL REVIEW

The business model of Howden Joinery is "To supply from local stock nationwide the small builder's ever-changing, routine, integrated kitchen and joinery requirements, assuring best local price, no-call-back quality and confidential trade terms … and to provide the builder's customer with enough choice, advice and aftersales to make a home to be proud of".

Since it started in autumn 1995, the business has opened new depots and increased turnover continuously, except for a 12-month period in 2008-9. At the end of 2016, the business had 642 depots across the UK and has small operations in continental Europe, where it has 24 depots. Around one-third of the product the business sells are made in its own UK factories.

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

UK depot network and operations

During the course of 2016, 23 new depots were opened, bringing the total number of depots trading at the end of the year to 642. In addition, five depots were relocated and 22 were extended.

It is important that we have the optimal number of regional and area managers leading and supporting our UK depot operations. The continuing growth of the number of depots has led us to introduce a new region, which consists of five areas, bringing the number of regions to nine.

Our account base continued to grow, increasing by over 30,000 net new accounts in 2016. While there has been a significant increase in accounts, our debt collection performance continues to be robust.

Product and marketing

Continuing to enhance our product offering is crucial to our competitive position. In 2016, we introduced a number of new products across all product categories, albeit the programme was less intensive than in recent years. Notable amongst these were:

- three new Burford ranges with textured wood grain finish, as a lower priced option to the Tewkesbury family;
- three new grey kitchens in our Greenwich and Clerkenwell families and an ivory Greenwich Shaker door, following the growing popularity of these colourways.

In addition, a number of successful tests were undertaken, including pre-finished doors which make the builders life more time-efficient.

It is planned that 2017 will see a larger new product introduction programme, including around 20 new kitchen ranges and a number of products that were tested in 2016.

We continued to invest in our marketing communications and brand advertising with a number of initiatives. These included:

- a series of Rooster News flyers distributed to our small builder customers, which have been used to help drive footfall and sales in our depots; and
- to further raise awareness of the Howdens brand, we attended eight county shows and agricultural fairs throughout the UK during the summer.

Manufacturing and logistics operations

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

In February 2015, we said that we had undertaken a review of the medium and longer-term growth prospects for the business and had identified more opportunities than previously foreseen. On the basis of this, we said that we had considered how to ensure that we are best placed to deal with and take advantage of what the future might bring. One outcome of this work was the identification of a programme of investment in our supply operations.

During 2016, a number of projects were progressed as follows.

- **Manufacturing operations**

  At our Howden site, the refurbishment phase of a new cabinet production facility has been completed, assembly lines have been installed and the installation of machining lines has commenced. When complete, this will improve our cabinet manufacturing capability.

  At our Runcorn site, installation of a new cabinet component line is complete and this has been commissioned. Production on the line is now being ramped up.

- **Logistics**

  A new 650,000 sq ft warehouse that has been built near Raunds, which is to the east of our existing national distribution centre in Northampton, was handed over to us in July. Fit-out has been completed and IT systems integration is underway.

Continental Europe

In France, we opened two new depots in the north and one in the south, meaning that we now have 20 depots in the country. In Germany, we opened one depot, our first in the country, which will allow us to learn about the market.

GROUP DEVELOPMENTS

Pension scheme funding

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

CURRENT TRADING AND OUTLOOK FOR 2017

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

Current trading

Howden Joinery UK depot sales in the first two periods of 2017 (to 18 February) were up 3.6% on the same period last year (this excludes the first trading week, which had one fewer trading days in 2017 than in 2016). Along with the evidence we have of trading prospects, this would suggest that the softer market conditions seen in the second half of 2016 have continued, with volumes having weakened slightly in the early part of this year. To offset cost pressures, a price increase was put through towards the end of 2016, and the early signs from this are encouraging.

Outlook

The Group remains committed to its view that the number of depots in the UK can be increased from the 642 operating at the end of 2016, seeing the opportunity for up to 800 depots. During the course of 2017, we are currently planning to open around 30 depots in the UK, one already having been opened.

As already mentioned, 2016 saw us take possession of a new warehouse and invest in our manufacturing operations. As well as impacting operating costs in 2016, we anticipate that operating costs will rise by around £15m in 2017 as a result of these developments and a larger new product introduction programme. In addition, the pension cost charged to the P&L account will increase by around £5m, around half of this relating to the pension interest expense.

2016 also saw the pound weaken against both the euro and US dollar. At rates of €1.15 and $1.25 to the £, this would increase our costs of goods sold in 2017 by around £20m (relative to 2016), other things being equal.

These cost increases, the larger proportion of which will affect the first half of 2017, are in addition to higher costs that will arise from the on-going growth of the business and inflation.

Our supply operations encompass our own UK manufacturing of around one third of the products that we sell, primarily cabinets and worktops, and warehousing and delivery to our depots of manufactured and bought-in products. Investment in the resilience and capacity of manufacturing and warehousing means that capital expenditure is expected to be around £65m in 2017. Thereafter, given the opportunities we see ahead, we expect to continue to invest in the profitable growth of the business and will provide more detail in due course.

Conclusion

As we sit today, market conditions seen so far in 2017 appear broadly unchanged from the softer ones seen in the second half of 2016, with volumes having weakened slightly. We are seeing weakness in London being offset by performance elsewhere. At this early stage, we are encouraged by the progress our price increase has made.

While we are on track with our plans and our expectations are unchanged, we are mindful of the risks to the UK economy and we are well positioned to respond to changing conditions.

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 until the facility expires in July 2019.

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 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 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

Howdens operates in an environment that includes different types of risk. Our approach to risk is adaptive, and is designed to ensure that we are protecting what we have while also responding to opportunities to grow and create value.

The following describes our principal risks, the possible impact arising from them and what we do to mitigate them.

Changes in market conditions

Risk

Our products are mostly sold to small builders and installed in owner-occupied, and private and public sector rented housing, mainly in the replacement market.

Our revenues are dependent on levels of activity in these markets, which are affected by many factors, including: consumer confidence and buying behaviour; Government, local authority and housing association decisions; credit availability and interest rates; and technology developments.

With a significant proportion of the raw materials and finished products we buy being purchased from overseas, our costs of goods sold can be affected by exchange rate movements between the pound, and the euro and US dollar.

Impact

Weaker market conditions can affect our level of sales, while a lower exchange rate can increase our cost of goods sold. Without mitigating action, these can reduce our profitability and cash flow.

These risks were highlighted in 2016, when we saw softer market conditions in the second half of the year, and a much weaker exchange rate against both the euro and US dollar.

Mitigating factors

We have a good track record of dealing with changes in market conditions. We maintain close relationships with our customers, who can give us early warning of market conditions changing, and we monitor activity in our depots closely. As a result, we can take swift action to mitigate the effects of changing market conditions, including managing cost levels and inventory. Our unique service proposition to the small builder means that we have a good track record of managing prices to offset cost pressures.

Deterioration of business model and culture

Risk

Our future success depends on continuing to successfully implement our unique business model and our locally enabled, entrepreneurial culture. The key to our trade-only model is our local depots, who supply the small builder, with product that is held in stock. Our aim is simple, to provide a local service to builders saving them time, meeting their needs through product availability and innovation. The future success of the business depends on the continuing implementation of this model and on its locally enabled, entrepreneurial culture.

Impact

If we lose sight of our model and culture we will not successfully service the needs of the local small builder and their customers, and our long-term profitability may suffer.

Mitigating factors

The Howdens business model and culture are at the core of our activities and decision-making processes. They are led by the actions of the Board and Executive Committee. The Board, the Executive and senior management teams regularly visit our depots and factories, our logistics and support locations, and reinforce the importance of the model and culture through frequent events.

Failure to maximise growth potential of the business

Risk

As Howdens continues to expand, this brings both opportunities and challenges to the business. These opportunities include meeting customers' changing expectations and demands through product and services. This requires us to identify new market opportunities, continue to leverage the reach of the depot network and the performance of existing depots. Some challenges we may face in growth include the scalability of our supply chain, systems and personnel capabilities.

Impact

If we do not recognise, understand and exploit the potential these opportunities offer, in line with our business model and risk appetite, or do not align current structures and skills to meet the challenges they present, this could affect our ability to obtain maximum benefit from our growth opportunities.

Mitigating factors

We place continuing focus on the opportunities and challenges related to growth. We will continue to focus on our people, service, systems, and manufacturing and distribution capabilities. Additionally, the builder's requirement for a local and convenient service provides a significant opportunity for growth through expansion of our depot network. We have increased our investment in all of these areas as we grow, and we will continue this investment in 2017.

Loss of key personnel

Risk

The skills, experience and performance of key members of our management team make a major contribution to the success of the business.

Impact

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

Mitigating factors

We use the Remuneration Committee to ensure that key team members are appropriately compensated for their contributions and incentivised to continue their careers with us. We will continue to focus on leadership development, succession planning and providing the best tools for our people to achieve their objectives.

Interruption to continuity of supply

Risk

Howdens is an in-stock business. Our warehousing, distribution and manufacturing sites only supply products to Howdens depots; the result is an efficient system with no unnecessary waste of time, space or product. Our business model requires depots to be able to supply at once from local stock, and our customers expect this and rely on it.

Impact

Any disruption to our relationship with key suppliers, or interruption to manufacturing and distribution operations, could adversely affect our ability to deliver the in-stock business model and to service our customer's needs.

Mitigating factors

With suppliers, we have multiple sourcing strategies for our key products, wherever possible, to reduce the effect of a supply failure. Where appropriate, we enter into long-term contracts to secure supply of key products, services and raw materials. We build strong mutually supportive relationships focussed on integrity, fairness and respect, which remain worthwhile for all concerned. We have invested heavily in our manufacturing operations and this investment gives us an enhanced disaster recovery capability. We are also investing in new warehouse space to support our distribution capabilities, reducing our exposure to this risk.

Cyber security incident

Risk

We are dependent on a core set of critical IT systems which are fundamental to the day-to-day running of the business. Complex systems are integral to our daily operations throughout the supply chain and are essential to support business growth. These systems are at risk from increasingly sophisticated security threats.

Impact

If we experienced a major security breach, this could result in a key system being unavailable, causing operational difficulties and/or sensitive data to be unavailable or compromised. This could also lead to loss of customer data and scrutiny from regulators.

Mitigating factors

We employ complex technical IT security controls to protect our information and our key systems. We adopt a continuous improvement approach to IT security and continue to invest in the security of our systems. In addition, we are also placing focus on the training and development of our people, in cyber security, as we recognise that Information Systems security risks are not always technical. We regularly engage external specialists to validate the effectiveness of our controls against industry best practice. Disaster recovery capability and business continuity plans are in place, and are tested periodically.

Credit control failure

Risk

When a builder comes into one of our depots for the first time, we open a nett monthly account for them, so they can complete the job before paying Howdens. Our customers rely on our trade account facilities, as cash flow is critical to their business.

Impact

Failure to provide or service these facilities could affect our ability to continue to support our customers, and potentially our ability to collect debt. This could have a direct impact on both our revenue streams and our working capital arrangements.

Mitigating factors

Howdens has an effective trade account policy used to agree terms with our customers and efficient processes for the collection of debt, which are closely and regularly monitored. These are supported by robust systems and tested business continuity plans. Good personal relationships are maintained with customers, both at depot level and within the credit control department. In addition, concentration of debt is limited, as debt exposure is spread across 400,000 customer accounts.

Product design relevance

Risk

Ensuring that we have products that meet the design, price and quality needs of the small builder, and their customer, is a key focus of the business model and is a critical element of our future success and growth aspirations. Kitchen technology and design do not stand still; consumer buying patterns are changing, which is increasing the need for our product to be aligned to these expectations.

Impact

If we do not support the builder with new products that their customers want it could influence both their ability to generate revenue and therefore our own.

Mitigating Factors

Our dedicated product team regularly refresh our range of kitchens and appliances to meet builders' and end-users' expectations for design, price and quality. We work with external design and brand specialists and attend product design fairs to monitor likely future trends. Our local depot staff have close relationships with their account holders, and we actively gather feedback from them about changes in trends. We work with our suppliers, to develop new and improved products for the future, some of which are unique to Howdens. A number of new products were introduced during the year across all product categories, and many more are already planned for 2017.

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 2016 Annual Report and Accounts.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and the undertakings including the consolidation taken as a whole;

- the Annual Report and Accounts includes a fair review of the development and performance of the business, and the position of the Group and Company and the undertakings including the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and

- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's and Company's performance, business model and strategy.

By order of the Board

M Ingle	M Robson
Chief Executive	Deputy Chief Executive and Chief Financial Officer

22 February 2017

Consolidated income statement

	Notes	52 weeks to 24 December 2016 £m	52 weeks to 26 December 2015 £m
Revenue – sale of goods		**1,307.3**	1,220.2
Cost of sales		**(467.4)**	(435.8)
Gross profit		**839.9**	784.4
Selling & distribution costs		**(513.5)**	(475.0)
Administrative expenses		**(89.2)**	(87.5)
Operating profit		**237.2**	221.9
Finance income	3	**0.8**	1.8
Other finance expense - pensions		**(1.0)**	(4.1)
Profit before tax		**237.0**	219.6
Tax on profit	4	**(51.4)**	(44.2)
Profit for the period attributable to the equity holders of the parent		**185.6**	175.4
Earnings per share:			
Basic earnings per 10p share	5	**29.5P**	27.3p
Diluted earnings per 10p share	5	**29.4P**	27.2p

Consolidated statement of comprehensive income

	52 weeks to 24 December 2016 £m	52 weeks to 26 December 2015 £m
Profit for the period	**185.6**	175.4
Items of other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on defined benefit pension scheme	**(86.4)**	58.4
Deferred tax on actuarial losses/gains on defined benefit pension scheme	**16.3**	(11.7)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**0.8**	(0.9)
Other comprehensive income for the period	**(69.3)**	45.8
Total comprehensive income for the period attributable to equity holders of the parent	**116.3**	221.2

Consolidated balance sheet

	Notes	**24 December 2016 £m**	26 December 2015 £m
Non-current assets			
Intangible assets		**7.3**	4.6
Property, plant and equipment		**167.9**	129.2
Deferred tax asset		**26.0**	18.6
Long-term prepayments		**0.4**	0.6
		201.6	153.0
Current assets			
Inventories		**183.7**	177.1
Trade and other receivables		**135.9**	129.5
Investments		**87.3**	60.0
Cash at bank and in hand		**139.3**	166.1
		546.2	532.7
Total assets		**747.8**	685.7
Current liabilities			
Trade and other payables		**(214.2)**	(197.7)
Current tax liability		**(19.8)**	(5.2)
		(234.0)	(202.9)
Non-current liabilities			
Pension liability		**(106.0)**	(49.2)
Deferred tax liability		**(1.8)**	(2.0)
Provisions	7	**(9.0)**	(9.9)
		(116.8)	(61.1)
Total liabilities		**(350.8)**	(264.0)
Net assets		**397.0**	421.7
Equity			
Share capital		**63.9**	65.2
Share premium account		**87.5**	87.5
ESOP reserve		**(0.2)**	11.0
Treasury shares		**(52.8)**	(45.3)
Other reserves		**-**	28.1
Retained earnings		**298.6**	275.2
Total equity		**397.0**	421.7

The financial statements were approved by the Board and authorised for issue on 22 February 2017, and were signed on its behalf by Mark Robson – Deputy Chief Executive and Chief Financial Officer.

Consolidated statement of changes in equity

	Called up share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Other reserve £m	Retained profit £m	Total £m
At 27 December 2014	64.7	87.5	2.4	-	28.1	112.2	294.9
Accumulated profit for the period	-	-	-	-	-	175.4	175.4
Net actuarial gain on defined benefit scheme	-	-	-	-	-	46.7	46.7
Current tax on share schemes	-	-	-	-	-	3.8	3.8
Deferred tax on share schemes	-	-	-	-	-	(1.6)	(1.6)
Currency translation differences	-	-	-	-	-	(0.9)	(0.9)
Net movement in ESOP	-	-	8.6	-	-	-	8.6
Issue of new shares	0.5	-	-	-	-	(0.5)	-
Buyback of shares into treasury	-	-	-	(45.3)	-	-	(45.3)
Dividends declared and paid	-	-	-	-	-	(59.9)	(59.9)
At 26 December 2015	**65.2**	**87.5**	**11.0**	**(45.3)**	**28.1**	**275.2**	**421.7**
Accumulated profit for the period	-	-	-	-	-	185.6	185.6
Net actuarial loss on defined benefit scheme	-	-	-	-	-	(70.1)	(70.1)
Current tax on share schemes	-	-	-	-	-	1.5	1.5
Deferred tax on share schemes	-	-	-	-	-	(2.1)	(2.1)
Currency translation differences	-	-	-	-	-	0.8	0.8
Net movement in ESOP	-	-	5.0	-	-	-	5.0
Buyback and cancellation of shares	(1.3)	-	-	-	-	(55.0)	(56.3)
Buyback of shares into treasury	-	-	-	(23.7)	-	-	(23.7)
Transfer of shares from treasury into share trust	-	-	(16.2)	16.2	-	-	-
Dividends declared and paid	-	-	-	-	-	(65.4)	(65.4)
Transfer of distributable other reserve into retained earnings	-	-	-	-	(28.1)	28.1	-
At 24 December 2016	**63.9**	**87.5**	**(0.2)**	**(52.8)**	**-**	**298.6**	**397.0**

The ESOP Reserve includes shares in Howden Joinery Group plc with a market value on the balance sheet date of £20.8m (2015: £29.2m), 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. It has been moved to retained earnings in the current period in order to simplify disclosure.

Consolidated cash flow statement

	Notes	**52 weeks to 24 December 2016 £m**	52 weeks to 26 December 2015 £m
Group operating profit before tax and interest		**237.2**	221.9
Adjustments for:			
Depreciation and amortisation included in operating profit		**24.0**	21.6
Share-based payments charge		**4.0**	7.5
(Profit)/loss on disposal of property, plant and equipment, and intangible assets		**(0.1)**	0.9
Operating cash flows before movements in working capital		**265.1**	251.9
Movements in working capital			
Increase in stock		**(6.6)**	(34.0)
(Increase)/decrease in trade and other receivables		**(6.4)**	3.6
Increase in trade and other payables, and provisions		**14.5**	11.2
Difference between pensions operating charge and cash paid		**(30.6)**	(39.1)
		(29.1)	(58.3)
Cash generated from operations		**236.0**	193.6
Tax paid		**(41.5)**	(35.3)
Tax refund received		**12.7**	-
Net cash flow from operating activities		**207.2**	158.3

Consolidated cash flow statement - continued

	Notes	**52 weeks to 24 December 2016 £m**	52 weeks to 26 December 2015 £m
Net cash flows from operating activities		**207.2**	158.3
Cash flows used in investing activities			
Payments to acquire property, plant and equipment, and intangible assets		**(63.5)**	(45.9)
Receipts from sale of property, plant and equipment, and intangible assets		**0.2**	-
Interest received		**0.8**	0.7
Net cash used in investing activities		**(62.5)**	(45.2)
Cash flows used in financing activities			
Payments to acquire own shares		**(80.0)**	(45.3)
Receipts from release of shares from share trust		**1.0**	1.1
Decrease in prepaid loan fees & loans		**-**	0.9
Decrease/(increase) in long term prepayments		**0.2**	(0.6)
Repayment of capital element of obligations under finance leases		**-**	(0.1)
Dividends paid to Group shareholders		**(65.4)**	(59.9)
Net cash used in financing activities		**(144.2)**	(103.9)
Net increase in cash and cash equivalents		**0.5**	9.2
Cash and cash equivalents at beginning of period		**226.1**	216.9
Cash and cash equivalents at end of period	8	**226.6**	226.1

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of presentation and preparation

The Group's accounting period covers the 52 weeks to 24 December 2016. The comparative period covered the 52 weeks to 26 December 2015.

The preliminary results for the year ended 24 December 2016 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 2015 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 26 December 2015 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 24 December 2016 will be filed in due course. The auditors' report 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.

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

(b) Other information

	52 weeks to 24 December 2016 £m	52 weeks to 26 December 2015 £m
Capital additions	**66.7**	45.9
Depreciation and amortisation	**(24.0)**	(21.6)

3 Finance income

	52 weeks to 24 December 2016 £m	52 weeks to 26 December 2015 £m
Bank interest receivable	**0.5**	0.8
Other interest receivable	**0.3**	1.0
Total finance income	**0.8**	1.8

4 Tax

(a) Tax in the income statement

	52 weeks to 24 December 2016 £m	52 weeks to 26 December 2015 £m
Current tax:		
Current year	**44.9**	41.1
Adjustments in respect of previous years	**(0.1)**	(4.6)
Total current tax	**44.8**	36.5
Deferred tax:		
Current year	**7.2**	7.3
Adjustments in respect of previous years	**(0.6)**	0.4
Total deferred tax	**6.6**	7.7
Total tax charged in the income statement	**51.4**	44.2

UK corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdictions.

(b) Tax relating to items credited to equity

	52 weeks to 24 December 2016 £m	52 weeks to 26 December 2015 £m
Deferred tax (credit)/charge to other comprehensive income on actuarial gain/loss on pension scheme	**(16.3)**	11.7
Deferred tax charge to equity on share schemes	**2.1**	1.6
Current tax credit to equity on share schemes	**(1.5)**	(3.8)
	(15.7)	9.5

(c) Reconciliation of the total tax charge

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

	52 weeks to 26 December 2016 £m	52 weeks to 26 December 2015 £m
Profit before tax	**237.0**	219.6
Tax at the UK Corporation tax rate of 20% (2015: 20.25%)	**47.4**	44.5
IFRS2 share scheme charge	**(0.4)**	(0.3)
Expenses not deductible for tax purposes	**2.2**	1.5
Overseas losses not utilised	**1.6**	1.1
Change of tax rate*	**0.4**	0.7
Non-qualifying depreciation	**0.9**	0.9
Other tax adjustment in respect of previous years	**(0.7)**	(4.2)
Total tax charged in the income statement	**51.4**	44.2

The Group's effective rate of tax is 21.7% (2015: 20.1%)

* In September 2016, Parliament approved the Finance Bill which reduces the UK standard rate of Corporation Tax from 20% to 19% with effect from 1 April 2017 and 19% to 17% from 1 April 2020. All deferred tax assets and liabilities have been recognised at 17% with the exception of items expected to reverse before the rate reduces to 17%.

5 Earnings per share

	52 weeks to 24 December 2016			52 weeks to 26 December 2015		
	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	**185.6**	**629.6**	**29.5**	175.4	642.8	27.3
Effect of dilutive share options	**-**	**1.9**	**(0.1)**	-	1.6	(0.1)
Diluted earnings per share	**185.6**	**631.5**	**29.4**	175.4	644.4	27.2

6 Dividends

	52 weeks to 24 December 2016 £m	52 weeks to 26 December 2015 £m
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the 52 weeks to 24 December 2016 – 3.3p/share	**20.6**	-
Final dividend for the 52 weeks to 26 December 2015 – 7.1p/share	**44.8**	-
Interim dividend for the 52 weeks to 26 December 2015 – 2.8p/share	**-**	17.9
Final dividend for the 52 weeks to 27 December 2014 – 6.5p/share	**-**	42.0
	65.4	59.9
Dividends proposed at the end of the period (but not recognised in the period)		
Proposed final dividend for the 52 weeks to 24 December 2016 - (7.4p/share)	**46.1**	
Proposed final dividend for the 52 weeks to 26 December 2015 - (7.1p/share)		45.2

The directors propose a final dividend in respect of the 52 weeks to 24 December 2016 of 7.4p per share, payable to ordinary shareholders who are on the register of shareholders at 19 May 2017 and payable on 16 June 2017.

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

The proposed final dividend for the current period is subject to the approval of the shareholders at the 2017 Annual General Meeting and has not been included as a liability in these financial statements.

7 Provisions

	Property £m	Warranty £m	Other £m	Total £m
At 27 December 2014	6.8	3.6	0.2	10.6
Additional provision in the period	2.4	4.1	-	6.5
Provision released in the period	(1.9)	-	-	(1.9)
Utilisation of provision in the period	(1.8)	(3.5)	-	(5.3)
At 26 December 2015	5.5	4.2	0.2	9.9
Additional provision in the period	3.8	3.6	0.1	7.5
Provision released in the period	(0.4)	-	-	(0.4)
Utilisation of provision in the period	(4.2)	(3.8)	-	(8.0)
At 24 December 2016	**4.7**	**4.0**	**0.3**	**9.0**

Property provision

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

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

Warranty provision

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

8 Notes to the cash flow statement

Analysis of net cash

	Cash at bank and in hand £m	Short term investments* £m	Cash and cash equivalents, and net cash £m
As at 26 December 2015	166.1	60.0	226.1
Cash flow	(26.8)	27.3	0.5
As at 24 December 2016	**139.3**	**87.3**	**226.6**

* The short term investments have a maturity of less than three months and, as such, are considered to be cash equivalents for the purposes of the cash flow statement.

FINANCIAL CALENDAR

2017	
Trading update	27 April
Half Yearly Report	20 July
Trading update	2 November
End of financial year (53-week)	30 December