HOWDEN JOINERY GROUP PLC

2018 PRELIMINARY RESULTS

SUMMARY OF GROUP RESULTS[1]

£m	2018	2017	% change
Revenue			
- Group	**1,511.3**	1,403.8	7.7
- Howden Joinery UK depots	**1,477.3**	1,372.0	7.7
Gross profit	**932.2**	888.4	4.9
Gross profit margin, %	**61.7**	63.3	(160)bp
Operating profit	**240.1**	234.4	2.4
Profit before tax	**238.5**[2]	232.2	2.7
Basic earnings per share	**31.3p**	29.9p	4.7
Dividend per share	**11.6p**	11.1p	4.5
Net cash at end of period	**231.3**	241.1	(4.1)

[1] *The information presented relates to the 52 weeks to 29 December 2018 and the 53 weeks to 30 December 2017, unless otherwise stated.* [2] *Including the one-off £3.8m GMP Equalisation charge.*

Financial highlights[1]:

- Howden Joinery UK depot revenue increased by 7.7% to £1,477.3m (up 6.3% on a same depot basis[3]). Group revenue was £1,511.3m (2017: £1,403.8m);
- Gross profit margin 61.7% (2017: 63.3%), due to depots having more flexibility on margin, a price increase that only took effect from April 2018 and increased costs;
- Profit before tax, after including the one-off £3.8m GMP Equalisation charge[4], was £238.5m (2017: £232.2m); profit before tax, excluding the GMP Equalisation charge, would have been £242.3m (2017: £232.2m);
- A further £50m share repurchase programme to take place over the next two years;
- Final dividend of 7.9p recommended, giving a full year dividend of 11.6p per share (2017: 11.1p).

Chief Executive, Andrew Livingston, said:

"Howdens delivered another good performance in 2018. We increased sales by 7.7% to £1.5bn. Gross profit and profit before tax also increased, with gross margin improving in the second half. We ended the year with £231m in cash, after investing £44m in the business and returning £131m to shareholders. We opened 33 new depots in the year and the first phase of our new Raunds distribution facility became fully operational, delivering all product on time in full during our peak trading period.

"We have initiatives underway to improve business performance further, focussed on depot format efficiencies, improving range management and the development of our digital platform. We have put a new depot format into a limited number of depots, designed to enable us to use depot space more efficiently and give us the option to open smaller depots in new locations. Consequently we now see the opportunity for around 850 UK depots. Our investment in digital will both reinforce the strong local relationships we have with builders and improve awareness of the Howden offer with consumers.

"We are encouraged by the start we have made to the year and remain confident in our business model for the future."

Operational developments:

- 33 new depots opened in the UK during 2018, bringing the total to 694 at year end;
- 18 new kitchen ranges introduced;
- First phase of the new distribution centre at Raunds successfully operated for Period 11 trading;
- Capital expenditure of £44.3m (2017: £48.5m) included new depots and digital investment;
- Decision to open four new depots in the Paris region, timing subject to Brexit, but cease operating in the Netherlands and Germany, from January 2019;
- Initiatives to improve business performance underway, focussed on a new depot format that utilises space more effectively, product range management and development of the digital platform.

CURRENT TRADING AND OUTLOOK FOR 2019

Howden Joinery UK depots sales in the first two periods of the new financial year (to 23 February), increased by 4.0%, with one fewer trading day than in 2018. Adjusting for the one fewer trading day, sales in 2019 would have been up 5.1%.

On a same depot basis[3], UK revenue increased by 2.4%, or 3.5% adjusted for the one fewer trading day.

The Group believes that there is the potential for the number of depots in the UK to be increased from the 694 operating at the end of 2018, to around 850 depots. During the course of 2019, we plan to open around 40 depots in the UK and Northern Ireland (one already having been opened), and around four in the Paris region.

Regarding the Group's financial performance, we expect further operating costs of £15m in respect of closing the operations in the Netherlands and Germany, digital upgrades and additional depreciation. These are in addition to the impact of on-going growth in the business, inflationary pressures, new depots and any impact of foreign exchange rates.

Capital expenditure of around £60m is expected, including further investment in new depots, digital upgrades and the next phase of the Raunds distribution centre.

We remain cautious given economic uncertainties, particularly the impact that Brexit might have. In preparation for a 'No-Deal' Brexit, our worst case scenario, a number of measures have been taken. Our stocking policy for at-risk items has been adjusted to secure continuity of supply during the transition. As a result, around £15m additional inventory has been purchased and key suppliers are also making plans to ensure supply. In addition, we are looking closely at the options for our inbound supply routes and pursuing appropriate logistics accreditation, including Authorised Economic Operator status, to reduce potential customs delays. Further details of Brexit planning can be found on page 9.

Whilst we remain aware of the economic uncertainties that we face, we are encouraged by the start we have made to the year and remain confident in our business model for the future.

[3] Same depot basis for any year excludes depots opened in that year and the prior year. See Financial Review.

[4] The non-recurring Guaranteed Minimum Pension (GMP) equalisation charge of £3.8m is in respect of equalising Guaranteed Minimum Pension entitlements between female and male members of the defined benefit (DB) pension plan between 1978 and 1997. This is an issue that affects a number of UK DB pension plans, although it is only since the High Court ruling in a test case in October 2018 that there was some clarity as to the obligations which exist and the range of suitable ways in which to measure them.

Enquiries

Investors/analysts:

Guy Stainer

Head of Investor Relations +44 (0)20 7535 1164 / +44 (0)7739 778187

Media:

Citigate Dewe Rogerson

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

Note to editors:
Howden Joinery Group Plc is the parent company of Howden Joinery (Howdens). In the UK, Howdens is engaged in the sale of kitchens and joinery products to trade customers, primarily small local builders, through approximately 700 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 operates a total of 22 depots in France and Belgium.

There will be a live audio webcast at 8.30am GMT, 28 February 2019. For details and more information, please see: www.howdenjoinerygroupplc.com

FINANCIAL CALENDAR

2019	
Trading update	2 May
Half Year Report	25 July
Trading update	7 November
End of financial year	28 December

FINANCIAL REVIEW

FINANCIAL RESULTS FOR 2018[1]

REVENUE

Revenue £m	2018	2017
Group:	**1,511.3**	1,403.8
Howden Joinery UK depots	**1,477.3**	1,372.0
Howden Joinery Continental European depots	**34.0**	31.8

[1] The information presented relates to the 52 weeks to 29 December 2018 and the 53 weeks to 30 December 2017, unless otherwise stated.

Total Group revenue increased £107.5m to £1,511.3m. Howden Joinery UK depot revenue rose 7.7% to £1,477.3m (2017: £1,372.0). UK revenue increased by 6.3% on a same depot basis[3] to £1,449.6m in 2018 (2017: £1,364.0m). This excludes the additional revenue from depots opened in 2017 and 2018 of £27.7m (2017: £8.0m).

Depot revenue in Continental Europe was £34.0m (2017: £31.8m). On a local currency basis, sales at our French depots increased by 4.4%, and by the same amount on a same depot basis, as there were no new depots opened in 2017 or 2018.

GROSS PROFIT

Gross profit increased to £932.2m (2017: £888.4m). The gross profit margin of 61.7% (2017: 63.3%) was impacted by lower prices in the first quarter of 2018, as a result of giving depots more flexibility over margin, and general cost inflation, with selling prices only being increased in April 2018.

OPERATING PROFIT

Operating profit, including the one-off £3.8m GMP Equalisation charge, rose to £240.1m (2017: £234.4m), giving an operating profit margin of 15.9% (2017: 16.7%).

Selling and distribution costs and administrative expenses (SD&A) were £692.1m (2017: £654.0m). Costs increased, as expected, due to continued investments in areas across the business, including new depots, digital upgrades, the effects of moving from our older distribution centre to Raunds and the additional depreciation arising from recent investments. There was also the one-time GMP equalisation charge of £3.8m and the absence of the additional £8.0m of costs incurred in 2017 owing to the 53rd week of trading.

PROFIT BEFORE AND AFTER TAX

The net interest charge was £1.6m (2017: £2.2m), reflecting a £2.3m (2017: £2.4m) finance expense in respect of pensions. Profit before tax, after including the £3.8m GMP equalisation charge, was £238.5m (2017: £232.2m). Without the GMP Equalisation charge, profit before tax would have been £242.3m (2017: £232.2m).

The tax charge on profit before tax was £48.1m (2017: £47.2m), representing an effective rate of tax of 20.2% (2017: 20.3%). As a result, profit after tax was £190.4m (2017: £185.0m).

Reflecting the above and the reduced share count following share repurchases, basic earnings per share were 31.3p (2017: 29.9p).

[3] Same depot basis for any year excludes depots opened in that year and the prior year.

DIVIDEND

The Group's dividend policy is to target a dividend cover of between 2.5x and 3.0x, with one third of the previous year's dividend being paid as an interim dividend each year.

The Board has recommended to shareholders a final dividend of 7.9p (2017: 7.5p), giving a total dividend for the year of 11.6p (2017: 11.1p), an increase of 4.5%. This equates to a dividend cover of 2.7x (2017: 2.7x).

The final dividend payment of 7.9p per share will, if approved by shareholders, be paid on 21 June 2019, with an ex-dividend date of 23 May 2019 and a record date of 24 May 2019.

CASH

There was a net cash inflow from operating activities of £163.2m (2017: £176.7m).

Net working capital increased by £49.7m, as expected, mainly due to debtors that were up by £48.2m. This was due to Period 11 trading ending in early November, allowing payments to fall into the 2019 financial year, which started on 30 December 2018. Stock increased £18.0m due to new kitchen ranges and depot openings, partly offset by creditors, up £16.5m.

Capital expenditure on assets including depots, the new Raunds distribution centre and digital, totalled £44.3m (2017: £48.5m). Net tax paid was £45.4m (2017: £41.8m), dividends paid were £68.3m (2017: £68.4m) and share repurchases totalled £62.2m (2017: £47.9m).

Overall, there was a net cash outflow of £9.8m, leaving the Group with net cash of £231.3m at year end (30 December 2017: £241.1m net cash).

The Group reached agreement to extend its existing bank facility until December 2023.

SHARE REPURCHASE

The Board targets a capital structure that is both prudent and recognises the benefits of operational and financial leverage, and that, after considering our capital requirements, will 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. 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 regularly reviews the Group's cash balances in light of future investment opportunities, expected peak working capital requirements, trading outlook and dividend payments.

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

During 2018, the Group acquired 12.8m shares for a consideration of £62.2m. This completed the February 2017 share repurchase programme and £30.0m of the March 2018 programme remains. Shares that were bought in the market by our brokers during 2018 were cancelled.

Following the Board's recent review, it has decided to complete the remaining £30m of the £60m 2018 share buyback programme and return a further £50m to shareholders through another share purchase programme, over the next two years.

PENSIONS

At 29 December 2018, the pension deficit shown on the balance sheet was £36.0m (30 December 2017: £109.3m). The reduction in the deficit was due to a £105.3m reduction in liabilities (primarily due to an increase in the discount rate) and a £42.2m cash contribution, partly offset by a reduction in asset returns.

In July 2015, we announced that an agreement had been reached with the Trustees in relation to the schedule of payments towards the funding of the Group's defined benefit pension scheme deficit from April 2015. It was agreed that the Group would continue to make deficit contributions equivalent to £35m per annum until 30 June 2017. It was also agreed that the Group would make an 'interim' payment of £25m over the period July 2017 to June 2018.

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

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

The agreement resulted in a contribution to the pension deficit in the financial year ended 29 December 2018 of £27.5m.

OPERATIONAL REVIEW

Howdens knows its objective: to help our trade customers achieve exceptional results for their customers and to profit from doing so. When our customers succeed, we succeed.

Our model is a powerful combination of locally empowered depot management teams served by a dedicated supply chain, which is both cost effective and critical to the success of our in-stock offer.

A key feature of Howdens success is our trade customer focus, which underpins everything we do.

UK DEPOT ROLLOUT AND OPERATIONS

During 2018, 33 new depots were opened, bringing the total number of depots trading at the end of the year to 694. Of the new depots, 18 were in the new format, described below. Our account base was approximately 466,000 accounts at year end, with revenue per account growing. Our debt collection performance continues to be robust.

New depot format and roll-out

Howdens depots typically have an average size of around 10,000 square feet. Through re-racking the warehouse section of the depot, tests have shown there are ways to make space utilisation improvements, of around 25%, with the potential to make productivity gains from reduced picking times.

Where re-racking has been tested, it has enabled us to reallocate space, with the new format providing a more open front area to bring depot staff closer to customers and around double the space available to display a wider range of kitchen designs. There is also space for a small goods picking area behind the counter with an improved range of everyday essential items, including hardware, which is currently being trialled as a way of encouraging footfall and incremental kitchen sales. The fit-out costs of a new depot remains at around £350,000.

Three older depots have also been converted and are now trading in the new format. A further six depots will be converted by August 2019 and these will all trade through Period 11 before drawing any conclusions as to the sort of returns that can be expected.

The new format also offers the potential to open up a number of new, smaller, infill depots of around 6,000 square feet, in rural locations and big cities. With the new, smaller format the number of UK depots could potentially reach around 850.

We expect to open around 40 new UK depots in 2019, including five in Northern Ireland.

PRODUCT AND MARKETING

2018 saw the introduction of 18 new kitchen ranges, across all price points, including 10 Shaker styles, four integrated handle and four Slab styles. At the end of 2018, more than 70 current kitchen ranges were on offer.

Other new developments included:
- a grey oak cabinet;
- four thin laminate worktops and an extension of our quartz worktop range;
- a new range of prefinished moulded and oak doors, which saves time for the builder; and
- an expansion of our fire door range and fire-rated hardware packs.

We continue to enhance the marketing of our products and services, enabling our builder customers and their customers to see the full breadth and depth of the Howdens offer. Building on the success of the Trade Book, which was first printed in 2017, a new Trade Book was published in September, along with two new kitchen brochures published in February and September.

September also saw the launch of the new www.howdens.com website. The new site can be viewed on desktop, tablet and smart phone and offers customers improved product search and information.

Later this year, we will test a secure customer-only area of the website where builders can access their account details and interface more efficiently with their local depot. The new website, with our search engine optimisation, will be more prominent to end consumers and be more flexible with regard to style and product selections when choosing a new kitchen.

MANUFACTURING AND LOGISTICS

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

During 2018, a number of investment projects progressed, as follows:
- continued ramp up of the new cabinet production facilities at Howden and Runcorn sites;
- increased distribution capability with the successful transition into a new warehousing facility in Raunds, Northamptonshire, the first phase being 650,000 sq ft. The new facility delivered 100% on time, in full, during Period 11, the busiest time of the year.

CONTINENTAL EUROPE

At the end of 2018, there were 24 depots across France, Belgium, the Netherlands and Germany. We believe there is the potential for a successful business based in France. The French market has low penetration rates of integrated kitchens and most kitchens are purchased through DIY outlets and specialist shops, which is similar to the way the UK market was structured when Howdens was founded. Based on the way depots perform in their local areas we think the French trade customer and consumer can see the benefits of buying a kitchen though the trade. We also believe that depots in small clusters within cities perform better, partly due to word of mouth between customers and also because of our ability to build a local and trusted brand. Clustering also helps to build the Howdens culture within our business teams. We have therefore decided to develop our operation in France by way of a City-based strategy. Although timing is subject to the outcome of Brexit negotiations, we plan to open four more depots in Paris in 2019 as we build the management capabilities required for any further expansion. Belgian depots continue to trade and are run within the French field structure.

The single depot operations in the Netherlands and Germany were closed in January 2019.

GOING CONCERN

The Group meets its day-to-day working capital requirements through cash generated from operations. Following its renewal in February 2019, the Group also has access to an asset-backed lending facility of £140m, which expires in December 2023.

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

After making due enquiries, the Directors have a reasonable expectation that the 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 financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Our approach to risk is adaptive. We aim to protect what we have while responding to opportunities to grow and create value.

Brexit risks

In line with the way we manage risks within the business, we have not presented a separate principal risk relating to Brexit. Brexit will impact a number of our existing risks, with the severity and timeframes varying significantly, depending on No-Deal or Deal scenarios.

The following table summarises some of the key risk areas impacted by a 'No-Deal' Brexit, our worst case scenario. It also shows which of our principal risks these elements are managed under, and gives examples of key mitigating actions.

What are the No-Deal Brexit risks	What this could mean	What we are doing	Managed within principal risks no:
Trade and Customs Risks • No longer inside the EU Single Market/Free Trade Area • Exit from the EU Customs Union • No agreed regulatory co-operation	• Tariffs could lead to higher prices for product and raw materials sourced from EU • Supply chain delays as goods sourced from outside the UK come through a new customs regime • Regulatory uncertainty as recognition of UK standards and regulations ceases across the EU	• Modelling the challenges and opportunities across the supply chain • Reviewing the way in which we obtain our products is the most cost effective after Brexit • Obtaining preferred importer/ exporter status to reduce potential customs delays • Increasing our stockholding of 'at- risk' products to secure continuity of supply during transition • Reviewing contracts to ensure product supply remains sustainable after Brexit	1,2,3,4
People and Immigration Risks • No facilitation of free movement between the UK & EU	• Possible shortage of migrant labour for us • Labour shortages for our stakeholders, particularly in the supply chain • Our customers could also be affected	• Evaluating our workforce composition both internally and externally with suppliers • Reviewing how we can help migrant workers to understand their rights and with working visa applications	1,4
Strategy and Business Plan Risks • Consumer uncertainty • Investor uncertainty • Currency and Stock Market uncertainty • Political uncertainty	• This uncertainty may impact on our sales and future strategic growth decisions • Increased costs due to currency fluctuations	• Modelling the challenges and opportunities across the entire business, to ensure we optimise strategic plans given the various scenarios	1,2,3,4

Principal risks

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

1. Failure to maximise growth potential of the business

Risk and impact

- We see a significant potential for growth. This brings both opportunities and challenges.
- If we don't innovate, recognise and exploit our growth opportunities in line with our business model and risk appetite, or if we don't align structures and skills to meet the challenges of growth, we won't get maximum benefit from our growth potential.

Mitigating factors

- The opportunities and challenges related to growth are a major area of focus throughout the business, at all levels.
- We continue to invest in our depot environment, people, services, and systems, and our manufacturing and distribution capabilities to equip them for growth.
- Growth activities are reviewed in the light of our risk appetite, values, business model and culture.

2. Deterioration of business model and culture

Risk and impact

- Our future success depends on continuing to maintain our values, our unique business model and our locally-enabled, entrepreneurial culture.
- If we lose sight of our values, model or 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

- Our values, business model and culture are at the centre of our activities and decision-making processes, and they are led by the actions of the Board, Executive Committee and senior management.
- The Board and Executive Committee regularly visit our depots and factories, our logistics and support locations and hold events to reinforce the importance of our values, model and culture.

3. Changes in market conditions

Risk and impact

- We buy a significant proportion of raw materials and finished products in euros and US dollars. If sterling weakens, our input costs increase.
- Our products are mostly sold to small builders and installed in owner-occupied and private and public sector rented housing, mainly in the repair, maintenance and improvement markets. If activity falls in these markets, it can affect our sales.

Mitigating factors

- We have proven expertise in managing both selling prices and costs. This continues to be a main area of focus.
- We have a good track record of dealing with changes in market conditions. We monitor activity across our supply change and depots closely, using the good relationships we have to give us early warnings of changing conditions. This enables us to take swift mitigating action, such as those discussed in relation to Brexit.

4. Interruption to continuity of supply

Risk and impact
- Howdens is an in-stock business. Our customers expect this, and rely on it.
- Any disruption to our relationship with key suppliers or interruption to manufacturing and distribution operations could affect our ability to deliver the in-stock business model and to service our customer's needs. If this happened, we could lose customers and sales.

Mitigating factors
- We build strong relationships with our suppliers, focused on integrity, fairness and respect, and which are worthwhile for all concerned.
- Where appropriate we enter into long-term contracts to secure supply of key products, services and raw materials.
- Wherever possible we have multiple-sourcing strategies for our key products, to reduce the effect of a supply failure.
- We have invested 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 and equip them for growth.
- Brexit uncertainty has led us to increase stock holding of at-risk products to help ensure continuity of supply.

5. Loss of key personnel

Risk and impact
- The skills, experience and performance of key members of our management team make a major contribution to the success of the business.
- 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.
- Work is ongoing to ensure that appropriate continuity and succession plans are in place. We will continue to focus on leadership development and succession planning.

6. Health and safety

Risk and impact
- Howdens is about people and relationships. We have over 690 depots, 9,500 employees, more than 465,000 total customer accounts, and suppliers all over the world.
- Care for the health and safety of employees, customers, suppliers and everyone who comes into contact with Howdens is integral to our values and to our behaviour.
- If we do not ensure safe ways of working across the business, this could compromise the safety and wellbeing of individuals and the reputation and viability of the business.

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

7. Cyber security

Risk and impact

- We depend on a core set of critical IT systems which are fundamental to the day-to-day running of the business. These systems are at risk from increasingly-sophisticated security threats.
- 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 breach of customer data.

Mitigating factors

- We place focus on training our people in cyber security, as we recognise that these risks are not always technical and awareness is our first point of control.
- We employ complex technical IT security controls to protect our information and our key systems. We regularly engage external specialists to validate the effectiveness of our controls against industry best practice.
- We have robust disaster recovery and business continuity plans, and we test them regularly.
- We adopt a continuous improvement approach to IT security and continue to invest in the security of our systems.

8. Product design relevance

Risk and impact

- 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, and our products must reflect that.
- If we do not support the builder with new products that their customers want, we could lose their loyalty and sales could diminish.
- In 2018 our assessment of this risk has reduced, following improvements in the way we review market trends and collaborate across the business, to ensure we introduce the right kitchen ranges and new products.

Mitigating Factors

- Our dedicated product team regularly refresh our offerings to meet builders' and end-users' expectations for design, price, quality and availability.
- 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 customers and end-users, 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 more are already planned for 2019.

9. Credit control failure

Risk and impact

- When a builder comes into one of our depots for the first time, we offer them a trade account, so they can complete the job before paying Howdens. Many of our customers rely on our trade account facilities, as cash flow is often critical to small businesses.
- 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 and our working capital.

Mitigating factors

- We have an effective trade account policy used to agree terms with our customers and efficient debt collection processes, which we monitor closely and regularly.
- We have robust systems and tested business continuity plans.
- We maintain good personal relationships with our customers, both at depot level and within the credit control department.
- Our concentration of debt is limited, as our exposure is spread across 400,000 customer trade accounts.

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 2018 Annual Report and Accounts which will be issued in March 2019, contains a responsibility statement in compliance with DTR 4.1.12 of the Listing Rules which sets out that as at the date of approval of the Annual Report on 27 February 2019, the directors confirm to the best of their knowledge:

- the Group and unconsolidated Company 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 Group and Company, and the undertakings included in the consolidation taken as a whole; and

- the performance review contained in the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group 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

Andrew Livingston	M Robson
Chief Executive	Deputy Chief Executive and Chief Financial Officer

27 February 2019

Consolidated income statement

	Notes	**52 weeks to 29 December 2018 £m**	53 weeks to 30 December 2017 £m
Revenue – sale of goods		**1,511.3**	1,403.8
Cost of sales		**(579.1)**	(515.4)
Gross profit		**932.2**	888.4
Selling & distribution costs		**(594.4)**	(564.5)
Administrative expenses		**(97.7)**	(89.5)
Operating profit		**240.1**	234.4
Finance income		**0.7**	0.2
Other finance expense - pensions		**(2.3)**	(2.4)
Profit before tax		**238.5**	232.2
Tax on profit	3	**(48.1)**	(47.2)
Profit for the period attributable to the equity holders of the parent		**190.4**	185.0
Earnings per share:			
Basic earnings per 10p share	4	**31.3p**	29.9p
Diluted earnings per 10p share	4	31.2p	29.8p

Consolidated statement of comprehensive income

	52 weeks to 29 December 2018 £m	53 weeks to 30 December 2017 £m
Profit for the period	**190.4**	185.0
Items of other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains/(losses) on defined benefit pension scheme	**59.3**	(22.1)
Deferred tax on actuarial losses/gains on defined benefit pension scheme	(11.3)	4.2
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	**(0.2)**	-
Other comprehensive income for the period	**47.8**	(17.9)
Total comprehensive income for the period attributable to equity holders of the parent	**238.2**	167.1

Consolidated balance sheet

	Notes	29 December 2018 £m	30 December 2017 £m
Non-current assets			
Intangible assets		**23.1**	15.4
Property, plant and equipment		**187.1**	180.0
Deferred tax asset		**11.2**	25.8
Long term prepayments		**-**	0.1
		221.4	221.3
Current assets			
Inventories		**226.3**	208.3
Trade and other receivables		**186.0**	137.8
Investments		**-**	55.0
Cash and cash equivalents		**231.3**	186.1
		643.6	587.2
Total assets		**865.0**	808.5
Current liabilities			
Trade and other payables		**(232.9)**	(212.1)
Current tax liability		**(20.2)**	(20.6)
		(253.1)	(232.7)
Non-current liabilities			
Pension liability		**(36.0)**	(109.3)
Deferred tax liability		**(1.5)**	(1.8)
Provisions	6	**(7.3)**	(10.5)
		(44.8)	(121.6)
Total liabilities		**(297.9)**	(354.3)
Net assets		**567.1**	454.2
Equity			
Share capital		**61.5**	62.8
Share premium account		**87.5**	87.5
ESOP reserve		**(8.8)**	(10.7)
Treasury shares		**(32.9)**	(36.2)
Retained earnings		**459.8**	350.8
Total equity		**567.1**	454.2

Consolidated statement of changes in equity

	Called up share capital £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained profit £m	Total £m
At 24 December 2016	63.9	87.5	(0.2)	(52.8)	298.6	397.0
Accumulated profit	-	-	-	-	185.0	185.0
Other comprehensive income	-	-	-	-	(17.9)	(17.9)
Total comprehensive income	**-**	**-**	**-**	**-**	**167.1**	**167.1**
Current tax on share schemes	-	-	-	-	0.4	0.4
Deferred tax on share schemes	-	-	-	-	(0.1)	(0.1)
Movement in ESOP	-	-	6.1	-	-	6.1
Buyback and cancellation of shares	(1.1)	-	-	-	(46.8)	(47.9)
Transfer of shares from treasury into share trust	-	-	(16.6)	16.6	-	-
Dividends declared and paid	-	-	-	-	(68.4)	(68.4)
At 30 December 2017	**62.8**	**87.5**	**(10.7)**	**(36.2)**	**350.8**	**454.2**
Accumulated profit	-	-	-	-	190.4	190.4
Other comprehensive income	-	-	-	-	47.8	47.8
Total comprehensive income	**-**	**-**	**-**	**-**	**238.2**	**238.2**
Current tax on share schemes	-	-	-	-	0.1	0.1
Deferred tax on share schemes	-	-	-	-	(0.1)	(0.1)
Movement in ESOP	-	-	5.2	-	-	5.2
Buyback and cancellation of shares	(1.3)	-	-	-	(60.9)	(62.2)
Transfer of shares from treasury into share trust	-	-	(3.3)	3.3	-	-
Dividends declared and paid	-	-	-	-	(68.3)	(68.3)
At 29 December 2018	**61.5**	**87.5**	**(8.8)**	**(32.9)**	**459.8**	**567.1**

The ESOP Reserve includes shares in Howden Joinery Group plc with a market value on the balance sheet date of £27.1m (2017: £36.5m), which are held by the Group's Employee Share Trusts in order to satisfy share options and awards made under the Group's various share-based payment schemes. The item "Movement in ESOP" consists of the share-based payment charge in the year, together with any receipts of cash from employees on exercise of share options.

At the current period there were 6,738,280 ordinary shares held in treasury, each with a nominal value of 10p (2017: 7,420,580 shares).

Consolidated cash flow statement

	Notes	**52 weeks to 29 December 2018 £m**	53 weeks to 30 December 2017 £m
Operating profit before tax and interest		**240.1**	234.4
Adjustments for:			
Depreciation and amortisation included in operating profit		**30.2**	28.0
Share-based payments charge		**4.3**	4.0
Loss on disposal of property, plant and equipment, and intangible assets		**-**	0.2
Operating cash flows before movements in working capital		**274.6**	266.6
Movements in working capital			
Increase in stock		**(18.0)**	(24.6)
Increase in trade and other receivables		**(48.2)**	(1.9)
Increase/(decrease) in trade and other payables, and provisions		**16.5**	(0.4)
Difference between pensions operating charge and cash paid		**(16.3)**	(21.2)
		(66.0)	(48.1)
Cash generated from operations		**208.6**	218.5
Tax paid		**(45.4)**	(41.8)
Net cash flow from operating activities		**163.2**	176.7

Consolidated cash flow statement - continued

	Notes	**52 weeks to 29 December 2018 £m**	53 weeks to 30 December 2017 £m
Net cash flows from operating activities		**163.2**	176.7
Cash flows used in investing activities			
Payments to acquire property, plant and equipment, and intangible assets		**(44.3)**	(48.5)
Receipts from sale of property, plant and equipment, and intangible assets		**0.1**	-
Interest received		**0.7**	0.2
Net cash used in investing activities		**(43.5)**	(48.3)
Cash flows used in financing activities			
Payments to acquire own shares		**(62.2)**	(47.9)
Receipts from release of shares from share trust		**0.9**	2.1
Increase in long term prepayments		**0.1**	0.3
Dividends paid to Group shareholders		**(68.3)**	(68.4)
Net cash used in financing activities		**(129.5)**	(113.9)
Net increase in cash and cash equivalents		**(9.8)**	14.5
Cash and cash equivalents at beginning of period		**241.1**	226.6
Cash and cash equivalents at end of period	7	**231.3**	241.1

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of presentation and preparation

The Group's accounting period covers the 52 weeks to 29 December 2018. The comparative period covered 53 weeks to 30 December 2017.

The Group's financial statements have been prepared in accordance with the IFRSs adopted for use in the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They therefore comply with Article 4 of the EU IAS Regulation.

The accounting policies, presentation methods and methods of computation followed are the same as those detailed within the 2017 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 Sections 434 to 436 of the Companies Act 2006 and is an abridged version of the Group's financial statements for the year 52 weeks to 29 December 2018. The statutory accounts for the 53 weeks to 30 December 2017 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 29 December 2018 will be filed in due course. The auditors' report on both the 2018 and 2017 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. The information required in respect of the 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 29 December 2018 £m	53 weeks to 30 December 2017 £m
Capital additions	**45.2**	48.5
Depreciation and amortisation	**(30.2)**	(28.0)

3 Tax

(a) Tax in the income statement

	52 weeks to 29 December 2018 £m	53 weeks to 30 December 2017 £m
Current tax:		
Current year	**(44.8)**	(43.3)
Adjustments in respect of previous years	**(0.3)**	0.4
Total current tax	**(45.1)**	(42.9)
Deferred tax:		
Current year	**(3.0)**	(4.5)
Adjustments in respect of previous years	**(0.0)**	0.2
Total deferred tax	**(3.0)**	(4.3)
Total tax charged in the income statement	**(48.1)**	(47.2)

UK corporation tax is calculated at 19.0% (2017: 19.25%) 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 29 December 2018 £m	53 weeks to 30 December 2017 £m
Deferred tax (charge)/credit to other comprehensive income on actuarial loss on pension scheme	**(11.3)**	4.2
Deferred tax charge to equity on share schemes	**(0.1)**	(0.1)
Current tax credit to equity on share schemes	**0.1**	0.4
	(11.3)	4.5

(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 29 December 2018 £m	53 weeks to 30 December 2017 £m
Profit before tax	**238.5**	232.2
Tax at the UK Corporation tax rate of 19.00% (2017: 19.25%)	**(45.3)**	(44.7)
IFRS2 share scheme charge	**0.6**	0.9
Expenses not deductible for tax purposes	**(0.9)**	(1.6)
Overseas losses not utilised	**(1.0)**	(1.2)
Non-qualifying depreciation	**(1.2)**	(1.2)
Other tax adjustment in respect of previous years	**(0.3)**	0.6
Total tax charged in the income statement	**(48.1)**	(47.2)

The Group's effective rate of tax is 20.2% (2017: 20.3%)

4 Earnings per share

	52 weeks to 29 December 2018			53 weeks to 30 December 2017		
	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	**190.4**	**608.3**	**31.3**	185.0	619.1	29.9
Effect of dilutive share options	**-**	**2.5**	**(0.1)**	-	2.1	(0.1)
Diluted earnings per share	**190.4**	**610.8**	**31.2**	185.0	621.2	29.8

5 Dividends

	52 weeks to 29 December 2018 £m	53 weeks to 30 December 2017 £m
Amounts recognised as distributions to equity holders in the period		
Interim dividend for the 52 weeks to 29 December 2018 - 3.7p/share	**22.4**	
Final dividend for the 53 weeks to 30 December 2017 – 7.5p/share	**45.9**	
Interim dividend for the 53 weeks to 30 December 2017 - 3.6p/share	**-**	22.2
Final dividend for the 52 weeks to 24 December 2016 - 7.4p/share	**-**	46.2
	68.3	68.4

Dividends proposed at the end of the period (but not recognised in the period)

	52 weeks to 29 December 2018 £m
Proposed final dividend for the 52 weeks to 29 December 2018 – (7.9p/share)	**47.6**

The directors propose a final dividend in respect of the 52 weeks to 29 December 2018 of 7.9p per share, payable to ordinary shareholders who are on the register of shareholders at 24 May 2019 and payable on 21 June 2019.

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 2019 Annual General Meeting, and has not been included as a liability in these financial statements.

6 Provisions

	Property £m	Warranty £m	Other £m	Total £m
At 24 December 2016	4.7	4.0	0.3	9.0
Additional provision in the period	1.5	3.6	2.0	7.1
Provision released in the period	(0.9)	-	-	(0.9)
Utilisation of provision in the period	(1.0)	(3.7)	-	(4.7)
At 30 December 2017	**4.3**	**3.9**	**2.3**	**10.5**
Additional provision in the period	0.4	3.8	0.3	4.5
Provision released in the period	(0.6)	(0.3)	(1.1)	(2.0)
Utilisation of provision in the period	(0.7)	(3.8)	(1.2)	(5.7)
At 29 December 2018	**3.4**	**3.6**	**0.3**	**7.3**

Property provision

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

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

Warranty provision

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

7 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 30 December 2017	186.1	55.0	241.1
Cash flow	45.2	(55.0)	(9.8)
As at 29 December 2018	**231.3**	**-**	**231.3**

The short term investments held at the previous period end had a maturity of less than three months and, as such, were considered to be cash equivalents for the purposes of the cash flow statement.