HOWDEN JOINERY GROUP PLC

2021 Half Year Report

HOWDENS

SUMMARY OF GROUP RESULTS[1]

£m (unless stated)	2021	2020	2019	% change vs '20	% change vs '19
Revenue					
- Group	**784.9**	465.0	652.6	68.8	20.3
- Howden Joinery UK depots	**764.1**	453.4	638.1	68.5	19.8
Gross profit	**481.0**	276.1	404.2	74.2	19.0
Gross profit margin, %	**61.3**	59.4	61.9	190bps	(60)bps
Operating profit/(loss)	**124.3**	(9.8)	77.7		60.0
Operating profit/(loss) margin, %	**15.8**	(2.1)	11.9		390bps
Profit/(loss) before tax	**119.2**	(14.2)	78.1		52.6
Basic earnings/(loss) per share	**16.4p**	(1.8)p	10.3p		59.2
Dividend per share	**4.3p**	0.0p	3.9p		10.2
Cash at end of period	**476.2**	253.4	217.1	87.9	119.3

[1] The information presented relates to the 24 weeks to 12 June 2021, the 24 weeks to 13 June 2020 and the 24 weeks to 15 June 2019, unless otherwise stated. 2019 figures are presented on a pre-IFRS 16 basis.
[2] Same depot basis for any year excludes depots opened in that year and the prior year. See Financial Review on page 4.

Financial highlights[1]:

- Howden Group achieved a strong first half performance compared to both H1 2020 (which was significantly impacted by the COVID-19 pandemic) and H1 2019. Group revenue of £784.9m was up 68.8% on H1 2020 and 20.3% higher than H1 2019;
- Howden Joinery UK depot revenue of £764.1m, was 68.5% up on H1 2020 and was 67.1% higher, on a same depot basis[2]. Compared to H1 2019, Howden Joinery UK depot revenue increased by 19.8% and by 15.3% on a same depot basis[2];
- Gross profit margin of 61.3% (2020: 59.4%; 2019: 61.9%), was encouraging considering the higher mix of everyday and promotional products, with price increases that more than recovered increasing commodity and freight costs;
- Profit before tax of £119.2m (2020: loss before tax of £14.2m; 2019: profit before tax of £78.1m), reflected strong sales growth, together with a modest increase in operating costs;
- 2021 interim dividend of 4.3p per share (2020: nil; 2019: 3.9p), and recommencement of share buyback programme of £50m;
- Cash of £476.2m at 12 June 2021 (26 December 2020: £430.7m; 13 June 2020: £253.4m), with £108.3m of 2020 dividends paid after the end of the half.

Chief Executive, Andrew Livingston, said:

"Howdens delivered a very strong performance in the first half of 2021, with sales and profit before tax at record levels for the period. Sales were 69% higher than the first half of 2020 (which was materially impacted by COVID-19) and 20% higher than the comparator period in 2019. Sales of "everyday" and promotional items were particularly strong and our profit, compared with 2019, increased at a faster rate than sales.

"This robust performance demonstrates the strength of our trade only, in-stock, local business model and the benefit of pent-up demand as people choose to spend more on their homes. With that in mind, we now believe there is potential for at least 900 depots in the UK, including 20-25 in Northern Ireland, and plan to start testing the Howdens model in the Republic of Ireland in 2022.

"While we are aware that economic uncertainties persist and also of the strong comparatives we will trade against in the second half, we are encouraged by the progress made so far in 2021 and remain confident in our business model for the future."

Operational developments in the first half:

- Seven new depots opened and one closed in the UK, bringing the total to 754 at period end;
- 28 older UK depots revamped and eight depots re-racked without other modifications;
- Howdens solid surface manufacturing facility now operational;
- 14 of the 17 new 2021 kitchen ranges are now on sale, with sales of the new ranges higher than in the first half of 2019;
- Good further progress made with developing the digital offering, with the Howdens.com web platform improving brand awareness and leading to increased web visits, online brochure requests and resulting depot contacts, and "anytime ordering" launched for trade customers; and
- Capital expenditure of £23.8m (2020: £22.3m; 2019: £24.1m) included new and revamped depots, manufacturing capacity and digital investments.

CURRENT TRADING AND OUTLOOK FOR 2021

We have performed strongly through the first half, ahead of our original expectations as we continue to benefit from our in-stock model and product availability. Whilst we have also seen significant cost inflation resulting from Brexit and COVID-19 related disruption, we have been largely successful in mitigating these with price increases and supply chain management, respectively.

In the first four-week period of H2 (Period 7, to 10 July 2021), total sales at Howdens Joinery UK depots rose by 31.0% on the same period in 2020, and by 29.5% on a same depot basis[2]. On a local currency basis, European depot sales in Period 7 increased 52.3% compared to the same period last year, and by 48.3% on a same depot basis[2].

Compared to 2019, Period 7 sales at Howdens Joinery UK depots rose by 33.8% and by 28.9% on a same depot basis[2]. On a local currency basis, European depot sales increased 122.6% and by 98.9% on a same depot basis[2].

Capital expenditure of around £90m is now expected in 2021, including new and refurbished depots, in-house manufacturing, further investment in digital and maintenance deferred from 2020. We plan to open around 45 new depots in the UK and France during the year, seven of which were opened in the first half. Including relocations, we also intend to revamp around 62 depots to the new format, 28 of which were completed in the first half, and introduce vertically racked product to a further 30 depots without further modifications, eight of which have been completed.

We remain cautiously optimistic in our outlook for the second half and our all-important peak trading period. We are planning around several factors including:

- The continuing mix of revenues we saw in the first half, with our ability to continue to recover increasing commodity and freight costs in our pricing;
- The potential effect of the non-continuation of recent pent-up demand that we have seen from the second half of 2020;
- Ongoing inflationary cost pressures and our investment in costs to more sustainable levels; and
- The risk of any further pandemic restrictions on our business operations or levels of consumer demand.

Whilst we are aware of the economic uncertainties that we face and the tough comparators from the second half of 2020, we remain confident in our business model for the future.

[2]*Same depot basis for any year excludes depots opened in that year and the prior year. See Financial Review on page 4.*

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Note to editors:
Howden Joinery Group Plc is the parent company of Howden Joinery (Howdens). In the UK, Howdens is engaged in the sale of kitchens and joinery products to trade customers, primarily small local builders, through approximately 755 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 around 30 depots in France and Belgium.

Results presentation:
There will be an audio webcast for analysts and investors at 08.30 UK time today, 22 July 2021: https://webcasting.brrmedia.co.uk/broadcast/60e55dff1ba1724bfa99f8a4.
For more information see: www.howdenjoinerygroupplc.com.

The presentation can also be heard using the following phone numbers, where there will be the opportunity to ask questions:

Location	Phone Number
United Kingdom, Local	+44 (0)330 336 9434
United States, Local	+1 323-994-2093

Confirmation code: 5316582

FINANCIAL CALENDAR

2021	
Trading update	4 November 2021
End of financial year	25 December 2021
2022	
2021 Preliminary Results	24 February 2022
Trading update	28 April 2022
Annual General Meeting	5 May 2022
Half Year Report	21 July 2022
Trading update	3 November 2022

FINANCIAL REVIEW

FINANCIAL RESULTS FOR FIRST HALF OF 2021[1]

REVENUE

	2021	2020
Revenue	**£m**	£m
Group:	**784.9**	465.0
Howden Joinery UK depots - same depot basis	**757.6**	453.4
UK depots opened in previous two years	**6.5**	-
Howden Joinery UK depots – total sales	**764.1**	453.4
Howden Joinery International depots	**20.8**	11.6
Revenue	***€m***	*€m*
International – same depot basis	***22.9***	*13.1*
Depots opened in previous two years	***0.9***	*0.3*
International – total sales	***23.8***	*13.4*

[1] The information presented relates to the 24 weeks to 12 June 2021, the 24 weeks to 13 June 2020 and the 24 weeks to 15 June 2019, unless otherwise stated. 2019 figures are presented on a pre-IFRS 16 basis.
[2] Same depot basis for any year excludes depots opened in that year and the prior year.

Total group revenue was £784.9m (2020: £465.0m; 2019: £652.6m). Howden Joinery UK depot revenue increased by 68.5% to £764.1m (2020:453.4m; 2019: £638.1m). UK revenue increased by 67.1% on a same depot basis[2] to £757.6m in 2021 (2020: 453.4m); this excludes the additional revenue from depots opened in 2021 and 2020 of £6.5m in 2021 (2020: £nil). Compared with the first half 2019, UK depot sales increased 19.8% and by 15.3% on a same depot basis[2].

UK depot revenue in the first period of the second half (Period 7) increased 31.0% compared to the same period last year, and by 29.5% on a same depot basis[2]. Compared to 2019, Period 7 sales increased 33.8% and by 28.9% on a same depot basis[2].

International depot revenue in the first half was £20.8m (2020: £11.6m; 2019: £14.5m). On a local currency basis, sales at our depots in France and Belgian increased by 77.3% and by 74.2% on a same depot basis[2]. Compared with the first half of 2019, local currency sales were up 44.8% and 24.3% on a same depot basis[2].

International depot sales in the first period of the second half (Period 7) increased 52.3% compared to the same period last year, and by 48.3% on a same depot basis[2]. Compared to 2019, Period 7 sales increased 122.6% and by 98.9% on a same depot basis[2].

GROSS PROFIT

Gross profit was £481.0m (2020: £276.1m; 2019: £404.2m). The £204.9m increase compared with 2020, reflected a positive volume and mix impact of £184m, higher pricing of £26m and the absence of £4m of COVID-19 costs as we carried fixed costs with lower production levels in 2020. There were also £9m of cost pressures reflecting the net impact of higher commodities, freight costs and foreign exchange.

The £76.8m increase compared with 2019, reflected growth in sales volumes and changes in mix of £61m and higher pricing of £22m, partly offset by cost pressures of £6m.

These factors resulted in a gross profit margin of 61.3% (2020: 59.4%; 2019: 61.9%).

OPERATING PROFIT

Operating profit was £124.3m (2020: operating loss of £9.8m; 2019: operating profit of £77.7m), principally due to higher revenue. The operating profit margin was 15.8% (2020: (2.1)%; 2019: 11.9%).

Selling and distribution costs and administrative expenses (SD&A) were £356.7m (2020: £285.9m; 2019: £326.5m). The 2020 underlying costs were £306.9m before the benefit of a furlough claim subsequently repaid in the second half of 2020. As expected, cost increases were due to continued investments in areas across the business, including £4m in UK depots opened in 2020 and 2021 and £9m of additional costs to support growth, including additional warehousing capacity and digital developments, and £4m in expanding our International business. The higher activity levels resulted in £20m of additional costs in existing depots and a £13m increase in other operating costs.

Cost increases in the first half of 2021, compared with the first half of 2019 when operating costs were £326.5m, were principally due to continued investments in areas across the business. These included, £10m extra cost in the 61 new UK depots opened since 2019, £7m in older UK depots and £12m of additional costs to support growth, including additional warehousing capacity, cross docking centres (XDCs) and digital developments. We also spent £6m in expanding our international business and other costs increased £4m, partly offset by the non-repeat benefit of not having the £5m closure costs of our German and Dutch depots and £4m from adopting IFRS 16.

As a result, the Group reported an operating profit of £124.3m (2020: operating loss of £9.8m; 2019: operating profit of £77.7m).

PROFIT BEFORE AND AFTER TAX

The net finance charge was £5.1m (2020: £4.4m), principally reflecting the additional interest expense on our lease liabilities. The net finance charge in 2021 was significantly higher than 2019 (2019: net interest credit of £0.4m), due to the IFRS 16 interest charge being adopted for the first time in 2020. Profit before tax was £119.2m (2020: loss before tax of £14.2m; 2019: profit before tax £78.1m).

The tax charge on profit before tax was £22.1m (2020: tax credit of £3.3m; 2019: tax charge of £16.4m), representing an effective rate of tax of 18.5% (2020: 23.2%; 2019: 21.0%).

As a result, profit after tax was £97.1m (2020: loss after tax was £10.9m; 2019: profit after tax of £61.7m). Reflecting the above and the reduced share count following share repurchases, basic earnings per share was 16.4p (2020: loss per share of 1.8p; 2019: earnings per share of 10.3p).

SHAREHOLDER RETURNS

The Board targets a capital structure that is prudent and recognises the benefits of operational and financial leverage. The Board also returns surplus cash to shareholders, having considered the capital requirements of the Group and the trading outlook. The Group has significant property lease exposure for the depot network and a significant defined benefit pension scheme that has moved to a small surplus during the period, on an IAS 19 accounting basis. 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 Group’s unchanged 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. Due to COVID-19, the Group cancelled the share repurchase programmes (after acquiring 1.8m shares for a consideration of £9.8m at the beginning of 2020) and no interim dividend was paid in 2020.

The total dividend for 2020 reflected a final dividend of 9.1p per share and a special dividend of 9.1p per share. Reflecting the lower than usual regular dividend in 2020 and the strong trading performance in the first half of 2021, the Board has decided to pay an interim dividend of 4.3p per ordinary share (2020: nil; 2019: 3.9p per share), which represents one third of the 2019 total dividend. The interim dividend payment in respect of 2021 will be paid on 19 November 2021 to shareholders on the register at close of business on 15 October 2021. Due to the strong cash position, the Board has also decided to restart the share repurchase programme with the intention of acquiring £50m of Howdens shares in the second half of the year.

The Group's strong balance sheet has positioned the business well in these challenging times and provides a robust foundation with which to face the economic uncertainties that persist. The Board will review the level of shareholder returns and capital allocation priorities and will provide an update with the full year results.

CASH

The net cash inflow from operating activities was £93.7m (2020: £44.1m). This was after a cash contribution to the Group's pension schemes in excess of the operating charge, of £16.4m (2020: £2.6m), tax paid and changes in working capital.

Net working capital increased by £27.5m. Due to the higher levels of business activity, debtors at the end of the period were £41.5m higher than at the beginning of the period, creditors were £43.3m higher and stock levels increased by £29.3m. The increase in stock levels was due to a pro-active decision to increase safety stocks as a part of our COVID-19 and Brexit contingency planning, as well as supporting the introduction of new kitchen ranges and depot openings.

Payments to acquire fixed and intangible assets totalled £23.8m (2020: £22.3m). We expect full year capital expenditure to be around £90m (2020: £69.7m).

Corporation tax payments were £40.1m (2020: £12.3m) and the interest and principal paid on lease liabilities totalled £27.0m (2020: £26.8m). There were no share repurchases during the period (2020: £9.8m).

Reflecting the above, there was a £45.5m net cash inflow in the first half of the year (2020: £14.0m net cash outflow), leaving the Group with cash at the end of the period of £476.2m (26 December 2020: £430.7m cash; 13 June 2020: £253.4m cash). The 2020 dividends, totalling £108.3m, were paid after the end of the first half.

The Group has access to a £140m asset backed committed lending facility which remained undrawn at the balance sheet date.

PENSIONS

At 12 June 2021, the pension scheme was in a surplus for the first time at £32.0m (26 December 2020: deficit of £47.7m). This movement from a deficit to a surplus was primarily a result of a decrease in liabilities of £104.5m due mainly to an increase in the net discount rate, a £5.2m reduction from adopting updated longevity assumptions and £22.2m cash contribution, partly offset by a reduction in asset returns of £46.3m. The current service, administrative and finance charges totalled £5.9m.

Following a period of consultation, the defined benefit pension scheme closed to future accrual from 31 March 2021. The triennial actuarial review as at April 2020 completed in the first half of 2021. In line with the previous review, in 2018, and the agreement reached with the Trustees, the Group continues to make annual deficit contributions of £30m per annum for up to five years until June 2023.

The agreement allowed for deficit contributions to 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. As a consequence of the funding position reaching above 100 percent, deficit contributions were suspended in July 2021. Due to the scale of the scheme with around £1.5bn of assets and liabilities, it is possible that the scheme returns to a deficit position and that deficit contributions of £2.5m per month recommence. The contribution to the pension deficit in the financial year ended 26 December 2020 was £30.0m.

OPERATIONAL REVIEW

What Howdens stands for: 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.

STRATEGIC INITIATIVES

Howdens has continued to make good progress on its strategic initiatives with the potential to increase volumes and profit across the business. These initiatives are focused on our core building blocks of Trade Service and Convenience, Trade Value and Product Leadership. The four strategic initiatives are:

1. Depot evolution
2. Product range and supply management
3. Digital development
4. International.

Progress on each of these priorities is reviewed below.

1. Depot evolution

Seven new depots were opened and one closed in the first half, increasing the total number of depots trading in the UK at the end of the period to 754, with around 28 new depots now expected to be opened in the second half. All new depots are in the new format, described below, aimed at creating the best depot environment in which to do business with our customers.

Updated depot format and roll-out

Howdens depots typically have an average size of around 10,000 square feet. The new format, using vertical racking in the warehouse section, has the potential to deliver productivity gains from reduced picking times and reduces required storage space.

The space freed up by re-racking has been reallocated to provide a more open depot front area. This has enabled us to bring depot staff closer to customers, and approximately 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, to add incremental profit and as a way of encouraging footfall and incremental kitchen sales. The fit-out cost of a new depot in the updated format is around £350,000, broadly in line with the cost of our previous format.

This format also offers the potential to open new, smaller, infill depots of around 6,000 square feet, in rural locations and big cities. We now believe that there is the potential for at least 900 depots in the UK, including 20-25 in Northern Ireland.

By the end of 2020, 41 older depots had also been converted to the new format. Revamping an older depot costs an average of around £225,000 with a planned payback of less than four years. Including relocations, we expect to convert 62 depots in the year, having completed 28 of these in the first half. We also now plan to introduce vertically racked product to around a further 30 depots, without further modifications, including the eight which were completed in the first half.

By the end of 2021, assuming our depots plans for this year are implemented, we will have a total of 214 new format depots, comprising 111 new depots and 103 revamped depots, and 106 depots that have been re-racked without other modifications.

2. PRODUCT RANGE AND SUPPLY MANAGEMENT

Consumers expect new products from Howdens and new kitchen ranges introduced each year are a significant contributor to our competitive position as life cycles shorten. In 2021, our new product introductions include 17 new kitchen ranges, with 14 of the new ranges now in depots. Sales of all new products introduced in 2021 are ahead of those launched in 2019. All new kitchen ranges originally planned for 2021 are now in stock, well ahead of our traditional peak Autumn sales period and four weeks earlier than last year.

New product initiatives and launches for this year include:

- Elmbridge - a beaded style traditional timber shaker range, initially in three colours, with accessories for use in pantries and larders to match. This range complements our contemporary timber shaker range and strengthens our above £4,000 offering with customers able to choose standard cabinetry or our new in-frame solution, a look often associated with High Street independent suppliers;
- introducing a slate grey cabinet for use in our handleless kitchens, a popular choice for high-end German branded kitchens, currently accounting for around half of our handleless kitchen sales;
- adding new colourways to our mid-priced product families and to our modern style, in-house manufactured, Hockley kitchens which have performed well since launch; and
- accelerating the launch of a new value based shaker family available in three colours.

Range management

Managing the number of kitchen ranges efficiently is crucial for both our customers, who want best availability, and for our own profitability, as the number of ranges and the products within a range add significant complexity to our supply chain and inventory management.

In recent years we have reorganised our range architecture, removed range duplications and improved the balance between new kitchen introductions and timely discontinuations. Entry level kitchens have traditionally been our strongest performers and we continue to support this market segment with new product. Recent introductions in higher priced kitchens have proved popular and we are increasing our product offerings in this segment where we believe we are under-represented. As a consequence, we will be managing range introductions and clearances to result in around 75 current kitchen ranges in 2021.

We have also introduced a more efficient way of testing new kitchen colours and finishes, by giving around 40 depots exclusive access to new product for a limited time, before rolling out the most popular ranges to all depots in 2022. This means that proven kitchen styles can be brought to market more quickly.

Manufacturing and supply

Our dedicated manufacturing and supply chain is critical to the success of our in-stock offer. We supply all product, whether manufactured or sourced, to all depots, each of which have individual and changing day to day requirements.

We have continued with our policy of holding increased levels of safety stock and back-up sources of supply when we believe this is necessary to protect our "in-stock offer" against potential disruptions to our supply chain. We have broadened the range of products that we protect in this way and increased the number of weeks of cover we have on some lines. Disruption in the Suez Canal in late March, while not impacting us directly, provided a reminder of the importance of a resilient and flexible supply chain. To mitigate the risk of additional delays, we are deploying a multi-modal freight model, using rail and short sea crossings, alongside our traditional shipping routes. Whilst more costly, this operates on reduced lead times for product sourced from Asia and will ensure we have sufficient product available in time for peak trading. To support the strong growth in the business and the additional stock holding, we are using all the warehouse capacity at Raunds earlier than originally planned.

We keep under review what we believe is best to make or to buy, both in terms of cost and overall supply chain resilience and flexibility. In 2019, we increased our investment in manufacturing technology which enabled us to manufacture doors for the new Hockley kitchen range introduced last year. We are investing further to make frontals for more of our kitchen ranges at a lower cost than we can source externally and with reduced lead times to delivery. The new frontal facility is located at our Howden site and is expected to be operational in the second half of 2022. When fully operational, we expect to manufacture around a half of our kitchen frontal requirements.

A second architrave and skirting line will also be commissioned as the first is now fully utilised, having seen volumes rise substantially in recent years. The second line is expected to be operational during the first half of 2022.

We also identified the need to upgrade our solid surface worktop offer which is a segment of the market in which we are under-represented relative to the number of kitchens we sell. In 2020, we acquired the assets of a large UK fabricator, including a recently commissioned factory with plant and machinery located near our Howden site. The assets were acquired at a competitive price with significant savings in lead time to being able to manufacture when compared with building our own facility. The Howdens Work Surfaces factory is now operational and volumes are increasing.

Regional cross docking centre ("XDC")

We are introducing a way to improve service and availability further by looking at where we hold stock and manage our deliveries to depots. We know that customers value our high level of stock availability and we are aiming to improve stock replenishment by supplementing our depot's core weekly deliveries with a next day, top up, service via XDC. By rebalancing where we hold stock and changing the delivery pattern of some lines to depots, we are making it simpler and more efficient for depots to deliver superior service levels and product availability. This also frees up time and resources currently spent on stock management, including inter depot product transfers. The service is currently available to around 250 depots and we expect to increase this to around 400 depots before the year end and to all depots during 2022, subject to finding appropriate XDC locations.

3. DIGITAL DEVELOPMENT

We are continuing to develop the platform for our website and enhance our digital capabilities to support the Howdens model. Our investment in digital reinforces our model of strong local relationships between depots and their builder customers, including through offering streamlined operating processes to free up depot staff and customers' time. During 2020, our digital investments were particularly effective in maintaining continuity at a time when traditional relationships and ways of doing business were disrupted.

In 2021, we have continued to see increased activity on our web platform and growth in our social media presence, which stimulates interest in viewing our products and services on Howdens.com. As a result, visitors to the site increased by 52% year on year, depot contacts made via the website increased by 61% and brochure requests increased by 44%. Across social media sites our follower base at 282,000 increased 89% with 10.4 million users per month being reached and those actively engaging increasing by 65%.

Further capabilities have been added to our website which help end users interact with Howdens at each stage of their buying decision. At the beginning of the year we launched "Real Kitchens" which utilises user generated content to showcase Howdens kitchens in peoples' homes, with 9m image views so far. A "Kitchen Visualiser" has also recently been added which features multiple kitchen layouts, styles and configuration options.

Adoption of our on-line account facilities, which allows our builder customers to manage their accounts and make payments, continues to increase. Around 40% of credit account holders are now registered for the service, compared with 30% at the end of 2020. Account holders using this service to make a payment increased 57%, with a 62% increase in those viewing documents.

New capabilities continue to be added to our platform to support the local relationships depots have with their trade customers. In February, we introduced "Anytime Ordering" on our trade platform, representing a major upgrade to our "Call and Collect" service, providing efficiencies for both depot teams and customers. It enables customers to see their confidential prices, order product and quote for jobs out-of-hours and schedule product collection. This service is integrated with our lead management system to assist depots in managing their customer relationships in a digital way.

For new customers we introduced a new, more efficient, on-line account opening process to reduce the time and costs of administering that procedure. Since launch, around 15% of applications have been made this way.

4. INTERNATIONAL

At the beginning of 2021, we had 30 depots across France (28) and Belgium (2), with the Belgian depots continuing to be run within the French field operations structure.

We believe we have the potential to build a valuable 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. This is similar to the way the UK market was structured when Howdens was founded 25 years ago.

Based on the way current depots perform in their local areas we think both the French trade customer and end consumer can see the benefits of buying a kitchen though our trade only in-stock model with superior service levels and competitive pricing. We also believe that depots in small clusters within cities perform better than widely spread depots, partly due to word of mouth between builder 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 are therefore developing our operation in France by way of a city-based strategy and expect to open a further eleven depots in 2021 and more in 2022.

We also plan to test demand for our trade only offering in the Republic of Ireland, utilising our city-based strategy. Initially, we plan to open around five depots in the first quarter of 2022 around Dublin, supported by our UK infrastructure and digital platform.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Howdens is a growing business and the only way we can continue to grow in a way that preserves our culture, supports our business model, mitigates our risks and addresses the needs of our stakeholders is to ensure that our sustainable behaviour and attitude remains embedded in our business model.

We describe the Howdens culture as being "worthwhile for all concerned" and "creating the conditions that allow everyone to succeed". That means that our business needs to be worthwhile for our staff, our customers, our suppliers, the environment and the communities we work in.

In 2020 we carried out a major strategic review of our ESG activities, confirming our material ESG areas and priorities and identifying four main commitments for the future which each have clear Executive Committee Member ownership. We list these commitments below, together with an update on our progress this year.

Main commitments

The four main commitments are:

1) Zero waste to landfill – this was achieved in manufacturing and logistics operations in 2020. We are also ahead of plan on depot waste avoiding landfill, against a target of at least 95% by the end of 2022;
2) Carbon neutral manufacturing by the end of 2021- which we are on track to deliver, and a review of opportunities for our depot and distribution operations over the longer term – which is ongoing;
3) Leader in behavioural safety and wellbeing - including training in Equality, Diversity and Inclusion (EDI) for all managers. We have established our three key priorities and are currently building a strategic programme of staff engagement around them; and
4) ESG reporting and disclosure to be highly effective, including KPIs, with progressive, phased implementation of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Our TCFD implementation programme has already started with an ambition to include a significant proportion by the year end.

In addition to making progress on our main commitments, we have advanced a number of smaller projects throughout the business, including strengthening our commitment to the circular economy, sustainability and the environment by becoming a member of the Ellen MacArthur Foundation Network.

Further details of the Group's ESG strategy, commitments and KPI's can be found in the 2020 Annual Report and Accounts and 2020 Sustainability Report, available of the Group's website: www.howdenjoinerygroupplc.com.

GOING CONCERN

The directors have adopted the going concern basis in preparing these accounts and have concluded that there are no material uncertainties leading to significant doubt about the Group's going concern status. The reasons for this are explained below.

Assessment of principal risks

The directors have reached their conclusion on going concern after assessing the principal risks, including the risks arising from trading in a COVID-19 and Post-Brexit environment.

Review of financial position, trading results, future trading forecasts and financial scenario modelling

The directors have reviewed the Group's balance sheet at the half-year end, and have noted the appropriate levels of working capital, including the £476m cash and cash equivalents balance.

They have also reviewed trading results and financial performance in the first half of 2021, as well as trading in the weeks between the half year end and the date of approval of the half-year results.

They have also considered three financial scenario models prepared by management:

1. A "base case" scenario. This is based on the Group's latest reforecast, which was approved by the Board in July 2021, and which projects growth in sales and profit compared to 2020, along with significant capital expenditure. It also includes cash outflows in respect of returns to shareholders.

2. A "plausible downside" scenario. This scenario starts with the actual results for the previous 12 months and models a going concern period where sales are reduced by 7% and margin is down 2%. This level of reduction in sales and margin has been chosen as they replicate the worst falls ever experienced in the Group's history.

   This scenario includes capital expenditure which is lower than in the base case, but which is still in line with our announced strategic priorities for growth, namely: new depot openings and refurbishments; additional investment in our manufacturing sites; and additional investment in digital.

   This scenario models a reduction in the majority of the variable cost base in line with the reduction in turnover. It includes dividends at a level of dividend cover in line with the Group's stated policy, but it assumes no share buybacks.

3. A "reverse stress-test" scenario. This scenario starts with the plausible downside model and reduces sales even further, to find the maximum reduction in sales that could occur with the Group still remaining cash positive over the whole going concern period, without the need to borrow or take further mitigating actions.

   Capital expenditure in this scenario has been reduced to a "maintenance capex" level. Variable costs have been reduced in line with the reduction in turnover on the same basis as described in the plausible downside scenario. It assumes no dividends or share buybacks.

In the first two scenarios the Group has appropriate cash throughout the going concern period after meeting its forecast commitments.

In the reverse stress-test scenario, the results show that sales would have to fall by a significant amount over and above the fall modelled in the plausible downside scenario before the Group would have to draw on borrowing facilities or take further mitigating actions. The likelihood of this level of fall in sales was considered to be remote.

Borrowing facilities

All of these scenarios are modelled on the basis that the Group does not draw on its existing £140m borrowing facility.

Conclusion

Taking all of the factors above into account, the directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and they have a reasonable expectation that the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

RELATED PARTIES

Related party transactions are disclosed in Note 13 to the condensed set of financial statements. There have been no material changes to the related party transactions described in the last Annual Report & Accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that could have a material impact on the Group’s performance over the remaining half of the financial year have not changed from those which are set out in detail in the Group's 2020 Annual Report & Accounts, and which are summarised below.

1) Failure to maximise the growth potential of the business – if we do not understand and exploit our growth opportunities in line with our business model and risk appetite, or if we do not meet the related growth challenges, we will not get maximum benefit from our growth potential.
2) Deterioration of business model and culture – if we lose sight of our model and culture, we may not serve our customers successfully and our long-term profitability may suffer.
3) Changes in market conditions – weaker market conditions could affect our ability to achieve sales and profit forecasts, impacting on our cash position. Weaker exchange rates could increase our cost of goods sold. This risk has decreased as the potential impacts of the COVID-19 virus on our business were better understood and we developed our resilience to manage them.
4) Interruption to continuity of supply – could compromise our ability to deliver our in-stock business model. This risk has increased because of emerging global supply chain difficulties.
5) Loss of key personnel – could adversely affect the Group’s operations.
6) Health and Safety – could compromise the safety and wellbeing of individuals and the reputation and viability of the business. This risk has reduced as a result of mitigation improvements implemented over the last year.
7) Cyber security incident – could cause a key system and/or sensitive data to be compromised.
8) Product design relevance – if we do not offer the builder the products that they and their customers want, we could lose sales and customers.
9) Credit control failure – could affect our ability to continue to support our customers via their nett monthly trade accounts, and potentially our ability to collect debts.

COVID-19

Some of our principal risks continue to be impacted by the pandemic to some degree. Management focus remains on the safety of our staff and customers whilst securing the continued sustainability and viability of the group. The extent of the impact of COVID-19 on our business is dependent on the path the pandemic takes going forward, both in the UK and abroad.

Effect of COVID-19 on principal risks

Principal Risk Area	Implications	Mitigation
Operations -Supply Continuity -Cyber Security	-Potential supply chain delays -Increased cyber threat both externally and through increased remote working	-Increased safety stock to secure supply during disruption and working actively with our suppliers -Refreshed cyber training for staff, reinforced existing safe ways of working remotely
People -Health & Safety -Loss of Key Personnel	-Normal operations not safe for COVID-19 Environment -Impact on wellbeing of our employees both when working from home for extended periods and returning to work post pandemic. -Potential loss of business leadership	-Continuously Risk assessing operations through a COVID-19 lens -Introduced new operating procedures to protect our staff, customers and other stakeholders -Maintained a focus on wellbeing, providing training to at risk employees. -Established links with external expertise to ensure approach remains appropriate.
Strategy, Model & Culture -Growth -Market Conditions -Model & Culture	-Market uncertainty impacting on sales, strategic decisions and cash holdings -Potential cultural impact of new ways of working	-Modelling challenges and opportunities and optimising strategic plans whilst protecting cashflow -Adapting leadership approach and using technology to secure culture in new operational environment.

We continue to have a low appetite for COVID-19 risk and aim to mitigate its effects as much as reasonably possible. It remains a key point of focus across the entire business.

CAUTIONARY STATEMENT

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

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge:

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

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 24 weeks and description of principal risks and uncertainties for the remaining 28 weeks of the year); and

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

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

By order of the Board

Andrew Livingston	Paul Hayes
Chief Executive Officer	Chief Financial Officer
21 July 2021	

Condensed consolidated income statement

	Notes	24 weeks to 12 June 2021 unaudited £m	24 weeks to 13 June 2020 unaudited £m	52 weeks to 26 December 2020 audited £m
Revenue – sale of goods	4	**784.9**	465.0	1,547.5
Cost of sales		**(303.9)**	(188.9)	(617.5)
Gross profit		**481.0**	276.1	930.0
Selling & distribution costs		**(304.8)**	(245.5)	(636.7)
Administrative expenses		**(51.9)**	(40.4)	(97.6)
Operating profit/(loss)		**124.3**	(9.8)	195.7
Finance income		**-**	0.5	0.6
Finance costs	7	**(5.1)**	(4.9)	(11.0)
Profit/(loss) before tax		**119.2**	(14.2)	185.3
Tax (charge)/credit on profit	6	**(22.1)**	3.3	(37.7)
Profit/(loss) for the period attributable to the equity holders of the parent		**97.1**	(10.9)	147.6
Earnings/(loss) per share:				
Basic earnings/(loss) per 10p share	8	**16.4p**	(1.8)p	24.9p
Diluted earnings/(loss) per 10p share	8	**16.3p**	(1.8)p	24.8p

Condensed consolidated statement of comprehensive income

	Notes	24 weeks to 12 June 2021 unaudited £m	24 weeks to 13 June 2020 unaudited £m	52 weeks to 26 December 2020 audited £m
Profit/(loss) for the period		**97.1**	(10.9)	147.6
Items of other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains/(losses) on defined benefit pension plan	11	**63.4**	21.0	(12.7)
Deferred tax on actuarial gains/losses on defined benefit pension plan		**(13.2)**	(4.0)	2.4
Change of rate on deferred tax		**-**	1.1	1.1
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences		**(1.1)**	0.5	0.5
Other comprehensive income for the period		**49.1**	18.6	(8.7)
Total comprehensive income for the period attributable to equity holders of the parent		**146.2**	7.7	138.9

Condensed consolidated balance sheet

	Notes	12 June 2021 unaudited £m	13 June 2020 unaudited £m	26 December 2020 audited £m
Non-current assets				
Intangible assets		**25.0**	22.8	24.3
Property, plant and equipment	10	**254.5**	207.7	248.8
Lease right-of-use assets		**533.5**	530.2	544.2
Pension asset	11	**32.0**	-	-
Deferred tax asset		**7.7**	13.7	17.0
Prepaid credit facility fees		**0.5**	0.8	0.6
		853.2	775.2	834.9
Current assets				
Inventories		**284.3**	265.7	255.0
Trade and other receivables		**208.1**	129.9	166.6
Cash and cash equivalents		**476.2**	253.4	430.7
		968.6	649.0	852.3
Total assets		**1,821.8**	1,424.2	1,687.2
Current liabilities				
Lease liabilities		**(69.8)**	(73.0)	(70.0)
Trade and other payables	14	**(452.7)**	(224.3)	(300.4)
Current tax liability		**(0.5)**	(4.3)	(22.2)
		(523.0)	(301.6)	(392.6)
Non-current liabilities				
Pension liability	11	**-**	(33.3)	(47.7)
Lease liabilities		**(510.1)**	(490.1)	(510.5)
Deferred tax liability		**(9.2)**	(1.5)	(1.7)
Provisions	12	**(15.3)**	(10.2)	(13.9)
		(534.6)	(535.1)	(573.8)
Total liabilities		**(1,057.6)**	(836.7)	(966.4)
Net assets		**764.2**	587.5	720.8
Equity				
Share capital		**60.3**	60.3	60.3
Capital redemption reserve		**4.9**	4.9	4.9
Share premium		**87.5**	87.5	87.5
ESOP reserve		**(1.1)**	(5.6)	(3.5)
Treasury shares		**(27.1)**	(28.2)	(28.2)
Retained earnings		**639.7**	468.6	599.8
Total equity		**764.2**	587.5	720.8

Condensed consolidated statement of changes in equity

	Share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained earnings £m	Total £m
24 weeks to 12 June 2021							
At 26 December 2020 - audited	60.3	4.9	87.5	(3.5)	(28.2)	599.8	720.8
Profit for the period	-	-	-	-	-	97.1	97.1
Other comprehensive income in the period	-	-	-	-	-	49.1	49.1
Total comprehensive income	-	-	-	-	-	146.2	146.2
Movement in ESOP	-	-	-	3.5	-	-	3.5
Reclaim of forfeited dividends	-	-	-	-	-	0.2	0.2
Proceeds from sale of forfeited shares	-	-	-	-	-	1.8	1.8
Transfer of shares from treasury into share trust	-	-	-	(1.1)	1.1	-	-
Dividend declared	-	-	-			(108.3)	(108.3)
As at 12 June 2021	60.3	4.9	87.5	(1.1)	(27.1)	639.7	764.2

The ESOP Reserve includes shares in Howden Joinery Group plc with a market value on the balance sheet date of £36.9m (June 2020: £30.4m, December 2020 £35.9m), which are held by the Group's Employee Share Trusts in order to satisfy share options and awards made under the Group's various share-based payment schemes.

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

At the current period end there were 5.6 million ordinary shares held in treasury, each with a nominal value of 10p (June 2020: 5.8 million shares, December 2020: 5.8 million shares).

Condensed consolidated statement of changes in equity – continued

	Share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained earnings £m	Total £m
24 weeks to 13 June 2020							
At 28 December 2019 - audited	60.5	4.7	87.5	(6.3)	(29.3)	498.1	615.2
Impact of adopting IFRS 16	-	-	-	-	-	(30.9)	(30.9)
Tax effect of adopting IFRS 16	-	-	-	-	-	3.6	3.6
Adjusted opening balance after adopting IFRS 16	60.5	4.7	87.5	(6.3)	(29.3)	470.8	587.9
Loss for the period	-	-	-	-	-	(10.9)	(10.9)
Other comprehensive income in the period	-	-	-	-	-	18.6	18.6
Total comprehensive income for the period	-	-	-	-	-	7.7	7.7
Current tax on share schemes	-	-	-	-	-	0.1	0.1
Deferred tax on share schemes	-	-	-	-	-	(0.2)	(0.2)
Movement in ESOP	-	-	-	1.8	-	-	1.8
Buyback and cancellation of shares	(0.2)	0.2	-	-	-	(9.8)	(9.8)
Transfer of shares from treasury into share trust	-	-	-	(1.1)	1.1	-	-
As at 13 June 2020	60.3	4.9	87.5	(5.6)	(28.2)	468.6	587.5

	Share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained earnings £m	Total £m
52 weeks to 26 December 2020							
At 28 December 2019	60.5	4.7	87.5	(6.3)	(29.3)	498.1	615.2
Impact of adopting IFRS 16	-	-	-	-	-	(30.9)	(30.9)
Tax effect of adopting IFRS 16	-	-	-	-	-	3.6	3.6
Adjusted opening balance after adopting IFRS 16	60.5	4.7	87.5	(6.3)	(29.3)	470.8	587.9
Profit for the period	-	-	-	-	-	147.6	147.6
Other comprehensive loss for the period	-	-	-	-	-	(8.7)	(8.7)
Total comprehensive income for the period	-	-	-	-	-	138.9	138.9
Current tax on share schemes	-	-	-	-	-	0.1	0.1
Deferred tax on share schemes	-	-	-	-	-	(0.2)	(0.2)
Movement in ESOP	-	-	-	3.9	-	-	3.9
Buyback and cancellation of shares	(0.2)	0.2	-	-	-	(9.8)	(9.8)
Transfer of shares from treasury into share trust	-	-	-	(1.1)	1.1	-	-
At 26 December 2020	60.3	4.9	87.5	(3.5)	(28.2)	599.8	720.8

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Condensed consolidated cash flow statement

	Notes	**24 weeks to 12 June 2021 unaudited £m**	24 weeks to 13 June 2020 unaudited £m	52 weeks to 26 December 2020 audited £m
Group operating profit/(loss) before tax and interest		**124.3**	(9.8)	195.7
Adjustments for:				
Depreciation and amortisation of owned assets		**16.8**	16.6	34.5
Depreciation of leased assets		**33.3**	36.1	79.5
Share-based payments charge		**3.2**	1.6	3.6
Loss on disposal of property, plant and equipment, and intangible assets		**0.1**	-	-
Operating cash flows before movements in working capital		**177.7**	44.5	313.3

Movements in working capital

	Notes	**24 weeks to 12 June 2021 unaudited £m**	24 weeks to 13 June 2020 unaudited £m	52 weeks to 26 December 2020 audited £m
Increase in inventories		**(29.3)**	(33.9)	(23.2)
(Increase)/decrease in trade and other receivables		**(41.5)**	39.0	2.3
Increase in trade and other payables and provisions		**43.3**	9.4	91.2
Excess of pensions operating charge over cash paid		**(16.4)**	(2.6)	(22.2)
		(43.9)	11.9	48.1
Cash generated from operations		**133.8**	56.4	361.4
Tax paid	6	**(40.1)**	(12.3)	(32.2)
Net cash flows from operating activities		**93.7**	44.1	329.2

Condensed consolidated cash flow statement – continued

	Notes	**24 weeks to 12 June 2021 unaudited £m**	24 weeks to 13 June 2020 unaudited £m	52 weeks to 26 December 2020 audited £m
Net cash flows from operating activities		**93.7**	44.1	329.2
Cash flows used in investing activities				
Payments to acquire property, plant and equipment, and intangible assets		**(23.8)**	(22.3)	(69.7)
Receipts from sale of property, plant and equipment, and intangible assets		**0.2**	-	-
Interest received		**-**	0.5	0.6
Net cash used in investing activities		**(23.6)**	(21.8)	(69.1)
Cash flows from financing activities				
Payments to acquire own shares		**-**	(9.8)	(9.8)
Receipts from release of shares from share trust		**0.3**	0.2	0.3
Inflow from receipt of forfeited dividends		**0.2**	-	-
Inflow from sale of forfeited shares		**1.8**	-	-
Decrease in prepaid credit facility fees		**0.1**	0.1	0.3
Dividends paid to Group shareholders	9	**-**	-	-
Interest paid – including on lease liabilities		**(5.0)**	(4.6)	(10.4)
Repayment of principal on lease liabilities		**(22.0)**	(22.2)	(77.2)
Net cash used in financing activities		**(24.6)**	(36.3)	(96.8)
Net increase/(decrease) in cash and cash equivalents		**45.5**	(14.0)	163.3
Cash and cash equivalents at beginning of period		**430.7**	267.4	267.4
Cash and cash equivalents at end of period		**476.2**	253.4	430.7

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General information

The results for the 24-week periods ended 12 June 2021 and 13 June 2020 are unaudited but have been reviewed by the Group's auditor, whose report on the current period forms part of this document. The information for the 52-week period ended 26 December 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies and is available via the Group's website at www.howdenjoinerygroupplc.com. The auditor's report on those accounts was not qualified or modified, did not draw attention to any matters by way of emphasis, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2 Accounting policies

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

Basis of preparation

These condensed consolidated financial statements are prepared on the going concern basis, as we explain in detail in the “Going Concern” section of the interim management report, above. The Group's business activities, together with the factors likely to affect its future development, performance, and position are set out in the interim management report, which precedes these condensed consolidated financial statements and includes a summary of the Group's financial position, its cash flows, and borrowing facilities, its principal risks, and a discussion of why the directors consider that the going concern basis is appropriate.

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

3 Segmental results

Basis of segmentation

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

4 Seasonality of revenue

In a typical year, Howden Joinery sales are more heavily weighted to the second half of the financial year. This partly reflects the fact that there are 24 weeks in the first half of the financial year and 28 weeks in the second half. It also reflects that our peak trading period falls into the second half of the year. Historically, the typical pattern has been that approximately 60% of sales have been in the second half of the year, but we note that the influence of COVID-19 in 2020 meant that a much greater proportion of sales fell into the second half of that year.

5 Write down of inventories

During the period, the Group has recognised a net charge of £7.0m in respect of writing inventories down to their net realisable value (24 weeks to 13 June 2020 - net charge of £3.1m; 52 weeks to 26 December 2020 - net charge of £6.8m).

6 Tax

The half year effective tax rate is 18.5% (24 weeks to 13 June 2020: 23.2%). This is arrived at by applying the estimated full year effective tax rate to the actual half year profit, after adjusting for the tax effect of items which are recognised entirely in the current period and are not spread over the full year (such as actual share option exercises and payments to the pension scheme).

Tax paid in the current period (£40.1m) is higher than might be expected in a typical half year because it includes a payment of £26.0m deferred from 2020 under the UK Government's COVID relief measures. All Corporation Tax payments for previous periods are now up to date and UK tax payments for 2021 have resumed on their normal quarterly basis.

7 Finance costs

	24 weeks to 12 June 2021 unaudited £m	24 weeks to 13 June 2020 unaudited £m	52 weeks to 26 December 2020 audited £m
Interest expense on lease liabilities	**(5.0)**	(4.6)	(10.3)
Other finance expense - pensions	**(0.1)**	(0.3)	(0.6)
Other interest	**-**	-	(0.1)
Total finance costs	**(5.1)**	(4.9)	(11.0)

8 Earnings/(loss) per share

	24 weeks to 12 June 2021 unaudited			24 weeks to 13 June 2020 unaudited			52 weeks to 26 December 2020 audited		
	Earnings £m	**Weighted average number of shares m**	**Earnings per share p**	Earnings £m	Weighted average number of shares m	Earnings per share p	Earnings £m	Weighted average number of shares m	Earnings per share p
Basic earnings/(loss) per share	**97.1**	**593.4**	**16.4**	(10.9)	593.9	(1.8)	147.6	592.3	24.9
Effect of dilutive share options	**-**	**1.6**	**(0.1)**	-	2.9	-	-	2.7	(0.1)
Diluted earnings/(loss) per share	**97.1**	**595.0**	**16.3**	(10.9)	596.8	(1.8)	147.6	595.0	24.8

9 Dividends

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

	24 weeks to 12 June 2021 unaudited £m	24 weeks to 13 June 2020 unaudited £m	52 weeks to 26 December 2020 audited £m
Final dividend for the 52 weeks to 26 December 2020 – 9.1p/share	**(54.2)**	-	-
Special dividend for the 52 weeks to 26 December 2020 – 9.1p/share	**(54.1)**	-	-
	(108.3)	-	-

No dividends were paid in the current period, or either of the prior periods. The final dividend for the 52 weeks to 26 December 2020 (9.1p/share) was approved at the AGM in May 2021, and was paid on 18 June 2021, together with the special dividend (9.1p/share).

(b) Proposed dividend

On 21 July 2021, the Board approved the payment of an interim dividend of 4.3p/share to be paid on 19 November 2021 to ordinary shareholders on the register on 15 October 2021.

	24 weeks to 12 June 2021 unaudited £m	52 weeks to 26 December 2020 audited £m
Proposed interim dividend for the 52 weeks to 25 December 2021 – 4.3p/share	**25.5**	-
Final dividend for the 52 weeks to 26 December 2020 – 9.1p/share		53.9
Special dividend for the 52 weeks to 26 December 2020 – 9.1p/share		53.9
		107.7

10 Property, plant and equipment

During the period, the Group made additions to property, plant and equipment ("PPE") of £23.8m (24 weeks to 12 June 2020 - £21.1m; 52 weeks to 26 December 2020 - £61.8m).

There were no disposals of PPE in the current or prior periods which had any significant net book value.

There are non-cancellable commitments to purchase PPE of £20.4m at the current period end (13 June 2020 - £11.1m; 26 December 2020 - £13.8m).

11 Retirement benefit obligations

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

	24 weeks to 12 June 2021 unaudited £m	**24 weeks to 13 June 2020 unaudited £m**	52 weeks to 26 December 2020 audited £m
Charged to the income statement			
Defined benefit plan - current service cost	**4.8**	9.6	20.8
Defined benefit plan – past service cost	**-**	-	0.3
Defined benefit plan - administration costs	**1.0**	1.3	2.7
Defined benefit plan - total operating charge	**5.8**	10.9	23.8
Defined benefit plan - net finance charge	**0.1**	0.3	0.6
Defined contribution plans – total operating charge	**10.5**	5.0	13.5
Total charged to profit before tax	**16.4**	16.2	37.9
Included in other comprehensive income			
Defined benefit plan – actuarial (gains)/losses	**(63.4)**	(21.0)	12.7

(b) Other information – defined benefit pension plan

Key assumptions used in the valuation of the plan

		24 weeks to 12 June 2021 unaudited	24 weeks to 13 June 2020 unaudited	52 weeks to 26 December 2020 audited
Rate of increase of pensions in deferment capped at lower of CPI and 5%		**2.85%**	2.15%	2.45%
Rate of CARE revaluation capped at lower of RPI and 3%		**2.55%**	2.35%	2.35%
Rate of increase of pensions in payment:				
pensions with increases capped at the lower of CPI and 5%		**2.80%**	2.20%	2.45%
pensions with increases capped at the lower of CPI and 5%, with a 3% minimum		**3.50%**	3.25%	3.35%
pensions with increases capped at the lower of RPI and 2.5%		**2.25%**	2.10%	2.10%
Rate of increase in salaries		**4.35%**	3.95%	3.95%
Inflation assumption – RPI		**3.35%**	2.95%	2.95%
Inflation assumption – CPI		**2.85%**	2.15%	2.45%
Discount rate		**1.85%**	1.45%	1.30%
Life expectancy (years):	pensioner aged 65 - male	**86.6**	86.5	86.5
	pensioner aged 65 - female	**88.4**	88.2	88.3
	non-pensioner aged 45 - male	**87.6**	87.7	87.8
	non-pensioner aged 45 - female	**90.3**	90.4	90.5

11 Retirement benefit obligations (continued)

Balance sheet

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

	12 June 2021 unaudited £m	13 June 2020 unaudited £m	26 December 2020 audited £m
Present value of defined benefit obligations	**(1,521.3)**	(1,609.8)	(1,641.0)
Fair value of scheme assets	**1,553.3**	1,576.5	1,593.3
Surplus/(deficit) in the scheme, recognised in the balance sheet	**32.0**	(33.3)	(47.7)

In recognising the pension surplus at the end of the current period, the Group has considered the conditions and guidance given in IAS 19 and IFRIC 14 and has concluded that: it is appropriate to recognise the surplus in full; there is no issue affecting the availability of a refund or reduction in future contributions due to minimum funding requirements; and there is no requirement to recognise an associated liability.

Movements in the period are as follows:

	24 weeks to 12 June 2021 unaudited £m	24 weeks to 13 June 2020 unaudited £m	52 weeks to 26 December 2020 audited £m
Deficit at start of period	**(47.7)**	(56.6)	(56.6)
Current service cost	**(4.8)**	(9.6)	(20.8)
Past service cost	**-**	-	(0.3)
Administration cost	**(1.0)**	(1.3)	(2.7)
Employer contributions	**22.2**	13.5	46.0
Other finance charge	**(0.1)**	(0.3)	(0.6)
Actuarial gains/(losses)	**63.4**	21.0	(12.7)
Surplus/(deficit) at end of period	**32.0**	(33.3)	(47.7)

Statement of comprehensive income

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

Actuarial gains/(losses)	**24 weeks to 12 June 2021 unaudited £m**	24 weeks to 13 June 2020 unaudited £m	52 weeks to 26 December 2020 audited £m
Return on assets	**(46.3)**	139.6	133.2
Decrease/(increase) in liabilities due to financial assumptions and experience	**104.5**	(114.0)	(183.8)
Decrease/(increase) in liabilities due to demographic assumptions	**5.2**	(4.6)	37.9
Total actuarial gains/(losses)	**63.4**	21.0	(12.7)

12 Provisions

	Property £m	Warranty £m	Other £m	Total £m
At 26 December 2020 - audited	5.6	8.0	0.3	13.9
Created in the period	1.5	3.3	-	4.8
Utilised in the period	(1.2)	(2.0)	-	(3.2)
Released in the period	(0.2)	-	-	(0.2)
At 12 June 2021 - unaudited	**5.7**	**9.3**	**0.3**	**15.3**

Property provision
The property provision covers 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
This provision relates to amounts due in respect of product warranties. As products are sold, the Group makes provision for potential future 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.

13 Related party transactions

There have been no changes to the related party arrangements or transactions as reported in the 2020 Annual Report & Accounts.

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. Other transactions which fall to be treated as related party transactions are: those relating to the remuneration of key management personnel, which are not disclosed in the half-yearly report, and which will be disclosed in the Group's next Annual Report; and transactions between the Group and the Group's defined benefit pension plan, which are disclosed in note 11.

14 Trade and other payables

Trade and other payables at 12 June 2021 includes £108.3m in respect of dividends which had been approved at that date, but which were not paid until 18 June 2021. Further details are given in note 9 (a). There were no such amounts at 13 June 2020 or 26 December 2020.

	12 June 2021 unaudited £m	13 June 2020 unaudited £m	26 December 2020 audited £m
Proposed dividends (see note 9(a))	**108.3**	-	-
Trade creditors and other payables	**344.4**	224.3	300.4
	452.7	224.3	300.4

INDEPENDENT REVIEW REPORT TO HOWDEN JOINERY GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 24 weeks ended 12 June 2021 which comprises the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 24 weeks ended 12 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

Deloitte LLP
Statutory Auditor
London
21 July 2021