HOWDENS

# Further market share gains and on track for 2023

## Results summary

| £ millions (unless stated) | H1 2023[1] | H1 2022 | Change vs H1 2022 | Change[2] vs H1 2019 |
|---|---|---|---|---|
| Group revenue | 926.9 | 913.1 | +1.5% | +42.0% |
| - UK | 895.1 | 889.3 | +0.6% | |
| - International | 31.8 | 23.8 | +33.6% | |
| Gross profit margin, % | 61.0% | 61.9% | | |
| Operating profit | 117.0 | 149.1 | (21.5%) | |
| Profit before tax (PBT) | 111.9 | 145.0 | (22.8%) | +43.3% |
| Basic earnings per share, p | 15.4p | 19.6p | (21.4%) | |
| Interim dividend per share, p | 4.8p | 4.7p | +2.1% | |
| Cash at end of period | 117.8 | 249.7 | | |

[1] The information presented relates to the 24 weeks to 10 June 2023, and the 24 weeks to 11 June 2022, unless otherwise stated. The 2022 and 2021 results are presented under IFRS 16, 2019 results have not been restated for IFRS 16.
[2] 2019 included to show pre-COVID-19 financial performance.

## Highlights[1]

- Revenue growth of 1.5% against very strong prior year comparatives of +16.3%.
    - UK revenue was 0.6% ahead of last year or 1.6% ahead on an underlying basis after excluding £8.3m of third party sales following the acquisition of Sheridans in 2022, not repeated in 2023.
    - International revenue was 33.6% ahead of last year with continued strong growth in France.
- Industry leading gross margin of 61.0%, normalising from an exceptional level a year ago when we benefited from early implementation of price rises ahead of inflationary cost increases.
- Operating costs, before investments in strategic initiatives, were maintained at similar levels to H1 2022 with £23m of efficiency actions offsetting cost inflation. Profit before tax was £111.9m.
- Robust balance sheet enabled us to continue to fund a further £32m investment in our ongoing strategic initiatives, which accounted for predominantly all the increase in H1 operating costs. These include:
    - nine new depots across the Group and 28 reformats in the UK.
    - further investment in manufacturing capabilities and capacity and in digital platforms.
    - optimisation of our recently completed network of 12 cross docking (XDC) hubs.
- Strong cash generation with £137.8m of shareholder returns completed in the period. This comprised of the prior year final dividend of £87.8m and the £50m share buy back completed in H1.
- Interim dividend up 2.1% to 4.8p per share.
- Continued progress on sustainability with new targets submitted to the Science-Based Targets initiative.
- Full year expectations for 2023 unchanged.

### Andrew Livingston, Chief Executive said:

"Howdens performed well in the first half in a more challenging marketplace, making progress on the record year we delivered in 2022. Our trade-only, in-stock model is hard to replicate and compete with, and we are continuing to invest in our strategic initiatives to drive growth.

"We are delivering value to our customers at all price-points as we continue to gain market share and we are well set up for further success in the second half, which includes our Autumn peak trading period. The combination of more local depots in convenient locations, an ever-stronger product line-up, first-class service and high stock availability, continues to represent a compelling proposition for our customers. While we are cautious about the short-term macroeconomic outlook for our markets, we remain confident that Howdens will make good progress in 2023 and our full year expectations are unchanged."

## Operational developments

- Expanding our network with 33 new UK depots, and 90 depot reformats planned for 2023. We also plan to open around 10 new International depots this year.
- Launched 23 new kitchen ranges ahead of our Autumn peak trading period with more emphasis on entry and mid-point ranges which account for the majority of our cabinet volumes.
- Invested in expanding our manufacturing capabilities with new kitchen furniture lines and a second architrave and skirting line is fully operational. We are making good progress in upgrading and optimising our solid surface worktop capabilities to support increased demand.
- Introducing a premium ‘paint to order’ service with 15 new colours in H2 for our most popular ‘best’ kitchen ranges, with two new production lines commissioned and installed to support this.
- Optimised the supply chain to support our in-stock model. 12 XDCs are now fully operational to optimise depot inventory and deliver better service.
- Introduced the ‘Daily Traders’ initiative to ensure the highest availability for our best selling SKUs in the UK depots. These everyday items are a large proportion of our total product volumes and promote customer loyalty and footfall.
- Invested in our digital platform which supports our trade customers to run their businesses more efficiently, and optimises the buying process for end-users.
- Good progress in France. New depot performance has been encouraging and is similar to the historical performance achieved by new depots in the UK.

## Current trading and outlook for 2023

Despite the continued challenging macroeconomic backdrop, our builder customers remain busy, with activity levels normalising from the exceptional levels of a year ago. Across the Group, we are maintaining our focus on competitive pricing to support our customers, while balancing inflationary pressures to optimise volumes. Our inventory remains healthy underpinning our in-stock model and, in aggregate, is reducing in line with our expectations as we normalise the levels of safety-stock utilised during the pandemic.

In the current environment, we are maintaining a disciplined approach to managing our cost base to optimise operational performance, while leveraging our robust balance sheet to effectively implement our strategic initiatives. Our results are strongly second half weighted, given the Autumn peak trading period and, since the start of H2, overall revenue trends have been similar to the first half. We are on track with our plans for the business and our expectations for 2023 are unchanged. We remain confident of delivering growth ahead of our markets, while generating strong cash flow, and attractive returns for shareholders over the medium-term.

## For further information please contact

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**Results presentation:**
Due to the rail strike on 20 July, an in-person presentation is not taking place. A conference call and webcast covering the results and including a Q&A with Andrew Livingston (CEO) and Paul Hayes (CFO) will be held starting at 0830. Dial in numbers are below and the event webcast links are below.
www.howdenjoinerygroupplc.com or on https://brrmedia.news/HWDN_HY23.
We recommend you register before 0815 (UK time).

Dial in phone numbers:

**UK-Wide:** +44 (0) 33 0551 0200

**USA:** +1 786 697 3501

**UK Toll Free:** +44 (0) 808 109 0700

Quote **HOWDENS' HALF YEAR RESULTS** when prompted by the operator.
The webcast will be recorded and available on our website after the event at:
www.howdenjoinerygroupplc.com

**Notes to editors:**

## 1. About Howden Joinery Group Plc

Howdens is the UK's number one specialist kitchen and joinery supplier. In the UK, the company sells kitchens and joinery products to trade customers, primarily local builders, through 808 depots at the end of 2022. In 2022, the business generated revenues of around £2.3 billion and profit before tax of £405.8 million. Around one-third of Howdens' cost of goods sold are products manufactured in house at its two principal factories in Runcorn, Cheshire, and Howden, East Yorkshire both of which have achieved carbon neutral status. At the end of 2022 Howdens operated 60 depots in France and Belgium and five depots in the Republic of Ireland.

## 2. Timetable for the interim dividend

The timetable for payment of the proposed interim dividend of 4.8p per ordinary share is as follows:

| | |
|---|---|
| Ex-dividend date: | 12 October 2023 |
| Record date: | 13 October 2023 |
| Payment date: | 17 November 2023 |

## 3. Provisional financial calendar

| | |
|---|---|
| **2023** | |
| Trading update | 2 November 2023 |
| End of financial year | 30 December 2023 |
| **2024** | |
| Full year results | 29 February 2024 |

# Financial review

## Financial results for H1 2023[1]

| Revenue £m (unless stated) | H1 2023 | # of depots at period end | H1 2022 |
|---|---|---|---|
| Howden Joinery UK - same depot basis[2] | 881.1 | 778 | 880.6 |
| UK depots opened in previous two years | 14.0 | 38 | 8.7[3] |
| Howden Joinery UK depots | 895.1 | 816 | 889.3 |
| Howden Joinery International depots | 31.8 | 66 | 23.8 |
| **Group** | **926.9** | **882** | **913.1** |

| Local currency revenue €m (unless stated) | H1 2023 | # of depots at period end | H1 2022 |
|---|---|---|---|
| International – same depot basis[2] | 27.9 | 35[4] | 27.2 |
| Depots opened in previous two years | 8.4 | 31 | 0.3 |
| Revenue from closed depots | - | - | 0.7 |
| **International depots** | **36.3** | **66** | **28.2** |

[1] The information presented relates to the 24 weeks to 10 June 2023, and the 24 weeks to 11 June 2022, unless otherwise stated.
[2] Same depot basis for any year excludes depots opened in that year and the prior year and accordingly at present it excludes the Republic of Ireland
[3] 2022 includes £8.3m of additional third-party sales generated by the Sheridans solid work surface business acquired in the first half.
[4] Five French depots were closed in the first half of 2022.

Total Group revenue of £926.9m was 1.5% ahead of the prior year (2022: £913.1m) and 42.0% ahead of 2019, which was a good performance against a tough prior year comparator of +16.3%. UK depot revenue grew 0.6% to £895.1m (2022: £889.3m) and was ahead by 1.6% before £8.3m of additional external third-party sales generated last year by the Sheridans solid work surface business. Revenue was in line with the prior year on a same depot basis[2] at £881.1m (2022: £880.6m), this excludes the additional revenue from depots opened in 2023 and 2022 of £14.0m (2022: £8.7m).

Revenue in our International depots was ahead by 33.6% at £31.8m (2022: £23.8m). On a local currency basis, revenue generated by the International depots increased by 2.6% on a same depot basis[2].

## Gross profit

Gross profit of £565.4m (2022: £565.0m) was in line with the prior year as we maintained a sharp focus on competitive pricing to support our customers while balancing ongoing inflationary pressures. Gross margin of 61.0% (2022: 61.9%) was in line with our plans, with last year being particularly strong due to early implementation of price increases ahead of commodity cost rises.

## Operating profit

Operating profit of £117.0m was £32.1m below last year (2021: £149.1m) and the operating profit margin was 12.6% (2022: 16.3%). Selling and distribution costs and administrative expenses (SD&A) increased to £448.4m (2022: £415.9m) which was predominantly as a result of planned investment in our strategic initiatives. This included new depots and reformats, range optimisation, distribution and digital expansion. Productivity and efficiency actions were taken in the first half which fully offset inflationary cost increases of £23m, most notably higher labour and energy costs.

## Profit before and after tax

The net interest charge was £5.1m (2022: £4.1m). Profit before tax of £111.9m was £33.1m below the exceptional performance in the prior year (2022: £145.0m).

The tax charge on profit before tax was £27.3m (2022: £30.7m) and represented an effective tax rate of 24.4% (2022: 21.2%). The increase in the rate is mainly as a result of the movement to a higher corporation tax rate for businesses in the UK which came into effect from 6 April 2023. In addition, the Group continues to prepare its financial statements to include the impact of the previously announced claim under the Patent Box Tax Relief Scheme which allows companies to benefit from investments made in intellectual property including new product innovations. The success of the claim is subject to review by HMRC. The Company expects, assuming prevailing marginal tax rates, a benefit to the underlying effective tax rate of around 3% in subsequent years. The cash benefit will be realised following approval by HMRC.

As a result, profit after tax was £84.6m (2022: £114.3m). Basic earnings per share were 15.4p (2022: 19.6p) and include the benefit of the share buy back programme.

## Cash

The net cash inflow from operating activities was £182.3m (2022: £209.2m). Net working capital increased by £108.9m. Receivables at the end of the period were £5.8m higher than at the beginning of the period, with good ageing, and we continue to monitor this closely. Payables were £62.9m higher and stock was £40.2m higher mainly as a result of inventory build ahead of the peak trading period, and commodity cost increases. The difference between the pension operating charge and cash paid was £11.5m (2022: £0.1m) which includes £12.5m of contributions paid into the scheme. Capital expenditure was £46.7m (2022: £46.0m) as we continued to focus on the execution of our strategic initiatives to support growth. Corporation tax payments were £21.2m (2022: £42.4m), and dividends amounted to £87.8m (2022: £88.9m). Share buy backs were £50.0m (2022: £139.5m). The interest and principal paid on lease liabilities totalled £50.5m (2022: £30.9m).

As a result, there was a net cash outflow of £191.6m (2022: outflow of £265.6m), leaving the Group with cash at the period end of £117.8m (10 June 2022: £249.7m). The Group has in place a £150m multi-currency, revolving credit facility which remained undrawn at the balance sheet date.

## Capital allocation and returns to shareholders

Our approach to capital allocation continues to focus on achieving sustainable profit growth by investing in and developing our vertically integrated business. We also want to maintain and grow our ordinary dividend in line with earnings growth to reward shareholders with an attractive ongoing income stream. After allowing for these uses of cash, Howdens remains committed to returning any surplus capital to shareholders.

Our capital allocation policy is that where year-end cash is in excess of £250m we expect to return surplus cash to shareholders. This provides sufficient headroom to support organic growth, our working capital requirements and ongoing investments in our strategic priorities. At this level of cash, the balance sheet will remain strong.

The Board announced a £50m share buyback programme with the Full Year results earlier this year. During the period, we completed the programme buying 7.3m shares, at an average purchase price of 682.5 pence per share. The interim dividend for 2023 of 4.8p per ordinary share (2022: 4.7p per share) represents an increase of 2.1% and will be paid on 17 November 2023 to shareholders on the register on 13 October 2023.

## Pensions

At 10 June 2023, the defined benefit pension scheme had a deficit of £15m (24 December 2022: deficit of £42m) on an IAS 19 basis. The scheme was closed for future accrual on 31 March 2021.

The Recovery Plan sets out that if the funding level on a Technical Provisions (TP) basis is above 100% for two consecutive months then deficit contributions cease and if they are below 100% for two consecutive months then contributions of £2.5m per month recommence. Consequently, payments into the scheme of £2.5m commenced in January 2023. The triennial valuation is being carried as at 31 March 2023 and we are currently working with the Trustees to agree a new Recovery Plan. The Company will provide an update on the scheme funding position once this has been completed.

# Operational review

## Strategic initiatives

Howdens has made good progress on its strategic initiatives, which are aimed at achieving profitable growth and market share gains over the medium term. The four strategic initiatives are:

1. Evolving our depot model by using space more efficiently to provide the best environment in which to do business with our customers.
2. Improving our range and supply management to help customers' buying decisions, to improve service and to enhance productivity in our manufacturing, sourcing and supply chain activities.
3. Developing our digital platforms to raise brand awareness, support the business model and to deliver productivity gains and more leads for depots and customers.
4. Expanding our presence in selective countries with attractive kitchen and joinery markets outside the UK.

These ongoing investments support the execution of our growth strategy and are within our overall capital expenditure guidance. Progress on each of these initiatives is reviewed below:

## Evolving our depot model

Since the start of the year, we have made good progress in finding new depot sites and we are now planning to open 33 new depots in 2023, ahead of our previous guidance, having opened eight in the first half. We are opening all new depots in our updated format which is designed to provide the best environment in which to do business with our customers. At maturity, we expect to operate with around 1,000 depots in the UK, versus the 808 trading at the end of 2022. This will be supported by our cross docking (XDC) facility which enables depots to optimise their stock holdings and provide high levels of service across the product range. It also enables us to operate out of depots with smaller footprints, without impacting sales, service, or product availability. This is particularly useful for infills in metropolitan districts where lease costs are relatively higher than in less populated areas.

We have also continued with our reformatting programme for existing depots. Depot reformats have a pay back of around four years and the programme is delivering incremental sales and has received very positive feedback from depot teams and customers. In the first half, including relocations, we have we reformatted 28 depots, and we now plan to reformat 90 depots in 2023, 10 more than our previous guidance. By the end of 2023, we expect to have reformatted around 275 of the 671 depots which were opened in the old format.

## Improving our product range and supply management

### Range Management

In recent years we have reorganised our range architecture to support growth and improve the balance between new kitchen introductions and timely discontinuations. This year, our range count will be around 90, organised in 10 families. At a time when many competitors are paring back their range offerings, Howdens has accelerated new product introductions to ensure we are at the forefront of the industry, inspiring our customers with the latest trends and design highlights. For 2023, we have increased the net number of ranges aimed at the entry and the mid-market segments, making more kitchen looks and styles accessible to all budgets. Value for money is a consistent feature of buying decisions, particularly given current pressures on household budgets. We have continued to develop our offering of higher priced kitchens, a significant segment of the market where we are under-represented.

This year we have launched 23 new kitchen ranges including:

- For our entry ranges, we have added more colour options including Greenwich in Reed Green, Witney in Pebble and Navy and Allendale in Dusk Blue and we have new frontals for Greenwich and Witney to match the new Croft Grey cabinet platform we introduced this year. We have refreshed the look of our bestselling shaker family, which we have named Halesworth and we have added a new mid-priced beaded shaker family, Bridgemere, initially available in three colours.
- In recent years, introductions of higher priced kitchens have proved very popular, and in 2023 we have updated our offer to these market segments but kept to a similar in-stock range count to last year.
- A strategic priority for us is the development of a market-leading supply and fit capability for premium solid work surfaces. Following the acquisition of the Sheridans business, our in-house solid surface capacity is amongst the largest in the UK. The number of solid surface worktop orders taken by depots has increased significantly in 2023 and we continue to improve our offer and expand our range.
- In the second half we are launching a new premium paint to order service for our 'Best' timber kitchen ranges in the Chilcomb and Elmbridge families initially in 15 new colours. The offer will support requirements for a bespoke look, which will be priced at a premium to the range colours available in stock. Dedicated manufacturing will ensure a short lead time between order placement and delivery.
- For 2023, we have also reinvigorated our offering in other categories, for example in doors, where we have introduced more colours and bolder styles at all price points, and in flooring, where we have launched of a new in-house brand, "Oake & Gray". We have added to our private label Lamona appliance brand, which is the leading integrated appliance brand in the UK and we have also extended our range of third party branded appliances. In sinks and taps we have introduced more styles, colours and finishes.

## Manufacturing and supply chain

Howdens is an in-stock business and a high level of stock availability is one of the key reasons our customers buy from us. 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. We keep under review what we believe it is best to make or buy, balancing cost, overall supply chain availability, resilience and flexibility. Over time we continue to see opportunities to increase the proportion of products we make. As a result of improving supply chain stability, we will continue to operate with enhanced safety stocks in 2023 as a contingency against unexpected demand patterns and interruptions to supply, but at more normalised levels by volume than in recent years.

In 2019, investment in manufacturing technology enabled us to make the doors for our popular Hockley kitchen ranges. Since then, we have invested in new lines at our Howden site, which are amongst the most advanced of their type in Europe. These give us the ability to make a variety of kitchen furniture, principally doors and panels, for more of our ranges, at the same quality as we can source externally but at a lower cost and at a reduced lead time to delivery. Our second architrave and skirting line is operational, enabling us to service in-house more of the substantial increase in demand we have seen for these products and for which we are extending our offering in 2023.

At the end of 2022, in tandem with the implementation of a new stock management system, we trialled a new initiative, "Daily Traders", which we have subsequently rolled-out to all UK depots. This improves customer service and increases sales by optimising in-depot stock holdings of the best-selling SKUs and associated "range completers" in a depot. Sales of these products are outperforming those of non-Daily Trader SKUs and we are seeing improvements to other key metrics including a reduction in customer back-orders and a higher proportion of stock being replenished via a depot's core weekly delivery order. This gives us efficiencies as it reduces utilisation of our XDC regional cross docking service.

With the extension of the XDC service to Scotland in January 2023, it is now operating across all mainland regions, supplied by a network of 12 regional hubs. With mainland XDC coverage completed, our focus is now on using these assets most efficiently. The improved depot stock mix following the introduction of a new re-ordering system and the Daily Traders initiative have enabled us to reduce annualised XDC capacity, leading to lower operating costs.

## Developing our digital platforms

Our digital strategy reinforces our model of strong local relationships between depots and their customers by raising brand awareness, supporting the business model with new services and ways to trade with us and delivering productivity benefits for depot employees and customers. In 2023, usage of our online account facilities, which benefits customers and depots, has continued to increase and we now have around 45% of our customers using our digital platform.

In 2023 we are adding new services and capabilities to our trade platform which collectively improve stock and account knowledge, promote frequency and ease of trading and reduce time consuming manual tasks in depots, including stock allocation. These include a new "multi-list" feature which gives visibility of dates saved for future projects enabling depots to prioritise leads on a daily basis and customers to manage all their jobs efficiently in one place. We have commenced first phase testing of a digitised in-depot stock management system to record and pick deliveries, check allocations and determine depot stock levels.

We are also continuing to focus on helping end-users interact with Howdens on line at each stage of their buying decision, creating higher quality leads for our designers and customers. Our "Kitchen Visualiser" is raising end-user familiarity with our kitchens, including how our solutions meet their needs, as well as our appreciation of their priorities. Our market leading search functionality enables users, including our teams, to find what they are looking for much more efficiently. We have also equipped our kitchen designers with an upgraded CAD tool which features faster rendering, photo realistic imagery and is easier to use than the previous version. As our digital presence has grown, awareness of Howdens amongst end-consumers has increased. Our unprompted brand awareness amongst end-consumers is now at 25%, which has more than doubled since 2019, and we see the potential to raise awareness to higher levels.

## Developing our international operations

Our International operations, predominantly based in France, continue to make good progress. The business model for France is similar to the UK with a market size in kitchens of around €4.3bn, excluding appliances. The French market has low penetration rates of integrated kitchens and most are purchased through DIY outlets and specialist small independent businesses. The maturity profile of new depots, which is similar to new depots in the UK. We believe appreciation of the advantages of our trade-only in-stock model, our service levels and competitive pricing is growing and with around 90% of common product versus our UK ranges this helps us realise scale benefits.

Since 2019, we have been opening depots in small clusters within cities which benefit from word of mouth between customers and our ability to build a local and trusted brand. Clustering also helps to build the Howdens culture within our business teams. Over the next eighteen months, we expect to open up to 20 more depots, including five or so this year. This would take the number trading to around 80 by the end of 2024 with around 35 located in Paris.

We also opened for business in the Republic of Ireland in 2022 and we are using a similar approach to that in France. Our initial phase opening five depots was clustered around Dublin, and the reaction from trade customers has been very positive. We have opened two depots so far this year, including our first located in Cork in the West of Ireland, and we expect to have 10 or so trading by the end of the year.

# Environment, social and governance (ESG)

We want to create an inclusive environment and make a positive contribution to all our stakeholders, including our customers, staff, communities, suppliers and shareholders. We believe that our business needs to be worthwhile for all concerned. We actively manage risks and identify opportunities across the business to improve our environmental, social and governance performance to minimise our impact on the environment.

Our focus remains on:

- reducing direct emissions in our own manufacturing and logistics
- working closely with suppliers to reduce emissions throughout our external supply chain
- accelerating our product and packaging sustainability programme.

Our top 30 suppliers account for over 80% of our total emissions and we continue to engage with them to work together to minimise emissions in the supply chain. An early priority has been accurate measurement of emissions which will help us prioritise activities and make better informed decisions. Since the start of the year, we have been logging Scope 1, 2 and 3 emissions through our ESG 360 online system in the supply base.

Several significant milestones were reached in the period. First, we submitted our Net Zero plan to SBTi for their approval, 12 months ahead of schedule, with an objective to achieve net zero carbon emissions by 2050, having halved our direct emissions by 2030. Second, we want to continue to be a carbon neutral manufacturer and our main factories in Howden and Runcorn have been recertified this year. We recently received carbon neutral accreditation for one of our new solid surface facilities at Spaldington and we are continuing to work towards achieving accreditation for Normanton (formerly the Sheridan site). Finally, we achieved our objective to ensure that 100% of our kitchen range SKUs are FSC® or PEFC™ certified by the end of 2022, which independently certifies that the wood comes from responsibly managed forests.

Our network of over 816 UK depots has also been running on sustainable energy sources for over six months. We are also making good progress with our waste reduction initiatives with our factories achieving zero waste to landfill again this year. We have now achieved 99.7% zero waste to landfill in our depot network. With respect to fleet management, we have also recently committed to expanding our trial of Hydrotreated Vegetable Oil (HVO) in our vehicle fleet as an alternative to diesel, which is a major contributor to our Scope 1 greenhouse gas emissions. We now have around 5% of the fleet running on HVO and replacing diesel in this way will significantly reduce our own fleet emissions. This will have no negative impact on fuel efficiency or maintenance costs. We continue to trial electric vehicles (EVs) within the overall fleet and are operating our first two EVs as part of a trial in our XDC network. XDC deliveries tend to be within a region and therefore more suited to the range limitations of current battery technology.

# Going concern

The directors have adopted the going concern basis in preparing these half-yearly condensed financial statements 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.

## Going concern review period

This going concern review period covers the period of 12 months after the date of approval of these financial statements. The directors consider that this period continues to be suitable for the Group.

## Assessment of principal risks

The directors have reached their conclusion on going concern after assessing the Group's principal risks, as set out immediately below this going concern statement. While all the principal risks could have an impact on the Group's performance, the specific risks which could most directly affect going concern are the risks relating to continuity of supply, changes in market conditions, and product relevance. The Group is currently holding additional amounts of fast-moving inventory as a specific mitigation against supply chain disruption, and considers that the other effects of these risks would be reflected in lower sales and/or lower margins, both of which are built into the financial scenario modelling described below.

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

The directors have reviewed trading results and financial performance in the first half of 2023, as well as trading in the weeks between the half-year end and the date of approval of the half-year results. They have reviewed the Group's balance sheet at the half-year end, noting that the Group is debt-free, has cash and cash equivalents of £118m, and appropriate levels of working capital.

They have also considered three financial modelling scenarios prepared by management:

1) A "base case" scenario. This is based on the latest 2023 Group forecast, made in June 2023. The basis of this scenario has been approved by the Board.

   This scenario assumes future revenue and profit in line with management and market expectations as well as investments in capital expenditure and cash outflows for dividends and share buy backs in accordance with our announced capital allocation model.

2) A "severe but plausible" downside scenario based on the worst 12-month year-on-year actual fall ever experienced in the Group's history. This is more significant than the combined effect of COVID and Brexit on 2020 actual performance.

   This scenario models a reduction in most of the variable cost base proportionate to the reduction in turnover. It includes capital expenditure at a lower level than in the base case, but which is still in line with our announced strategic priorities for growth, namely: new depot openings and refurbishments, investment in our manufacturing sites, investment in digital and expanding our international operations. It also includes dividends and share buy backs in line with the Group's stated capital allocation model.

   In this scenario the Board considered the current economic conditions that the company and its customers are facing and, noted that the downside scenario included allowances for reduced demand and increased costs to reflect such adverse conditions.

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

Capital expenditure in this scenario has been reduced to a “maintenance” level. Variable costs have been reduced in proportion to the reduction in turnover on the same basis as described in the severe but plausible downside scenario. It assumes no dividends or share buy backs.

### Borrowing facility and covenants

The Group has a five-year, committed, multi-currency revolving credit facility of up to £150m, which expires in July 2027 and which was not drawn at the half-year end. A summary of the main terms of the facility is set out in note 19 to the December 2022 Group financial statements.

As part of the scenario modelling described above, we have tested the borrowing facility covenants and the facility remains available under all of the scenarios. We have therefore included the credit available under the facility in our assessment of headroom.

### Results of scenario modelling

In the base case and the severe but plausible downside scenarios, the Group has significant headroom throughout the going concern period after meeting its 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 severe but plausible downside scenario before the Group would have to take further mitigating actions. The likelihood of this level of fall in sales is considered to be remote.

### Conclusion

Taking all 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 Group will have adequate resources to continue in operational existence for the going concern review period set out above. Accordingly, they continue to adopt the going concern basis in preparing these half-yearly condensed financial statements.

## 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 2022 Annual Report and Accounts. One risk has decreased - ‘Supply chain’.

- **Market conditions** – Challenging conditions could affect our ability to achieve sales and profit forecasts, impacting on our cash position. Exchange rates fluctuation could increase our cost of goods sold.
- **Supply chain** – 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 customers’ needs. If this happened, we could lose customers and sales. This risk has decreased as our supply-base continues to improve, reducing the likelihood of a significant impact.
- **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.
- **Maximising growth** – 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 challenges, we will not get maximum benefit from our growth potential.
- **People** – Our operations could be adversely affected if we were unable to attract, retain and develop our colleagues, or if we lost a key member of our team without succession.
- **Health and Safety** – Poor management or an incident could compromise the safety and wellbeing of individuals, and the reputation and viability of the business.
- **Cyber security** – Events such as ransomware attacks continue to rise globally. A major security breach could cause a key system to be unavailable and/or sensitive data to be compromised.
- **Product** – If we do not offer the builder the products that they and their customers want, we could lose sales and customers.

- **Business continuity and resilience** – We have some business operations and locations in our infrastructure that are critical to business continuity and are essential for ensuring our customers can get the product and services they want when they need them.

## Cautionary statement

Certain statements in this Half Year 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.

## Responsibility statement

We confirm that, to the best of our knowledge:

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

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 24 weeks and description of principal risks and uncertainties for the remaining 29 weeks of the year); and

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

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

By order of the Board

| | |
|---|---|
| **Andrew Livingston**<br>**Chief Executive Officer** | **Paul Hayes**<br>**Chief Financial Officer** |

**19 July 2023**

# Independent review report to Howden Joinery Group Plc

## Conclusion

We have been engaged by Howden Joinery Group Plc ("the Company") to review the condensed set of financial statements in the half-yearly financial report for the 24 weeks ended 10 June 2023 which comprises the condensed consolidated balance sheet of Howden Joinery Group Plc and the related condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement and the related explanatory notes.

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 10 June 2023 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

## Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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.

## Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group/Company to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

## 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 DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## 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. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

## The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 reached.

**Robert Brent**
**for and on behalf of KPMG LLP**
*Chartered Accountants*
15 Canada Square
London
E14 5GL
19 July 2023

# Condensed consolidated income statement

| | Notes | 24 weeks to 10 June 2023 unaudited £m | 24 weeks to 11 June 2022 unaudited £m | 52 weeks to 24 December 2022 audited £m |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue - sale of goods | 4 | 926.9 | 913.1 | 2,319.0 |
| Cost of sales | | (361.5) | (348.1) | (907.8) |
| **Gross profit** | | **565.4** | **565.0** | **1,411.2** |
| Operating expenses | | (448.4) | (415.9) | (996.0) |
| **Operating profit** | | **117.0** | **149.1** | **415.2** |
| Finance income | 7 | 2.4 | 1.5 | 3.8 |
| Finance costs | 7 | (7.5) | (5.6) | (13.2) |
| **Profit before tax** | | **111.9** | **145.0** | **405.8** |
| Tax charge | 6 | (27.3) | (30.7) | (31.6) |
| **Profit for the period attributable to the equity holders of the parent** | | **84.6** | **114.3** | **374.2** |
| **Earnings per share** | | **pence** | **pence** | **pence** |
| Basic earnings per 10p share | 8 | 15.4 | 19.6 | 65.8 |
| Diluted earnings per 10p share | 8 | 15.3 | 19.5 | 65.6 |

# Condensed consolidated statement of comprehensive income

| | Notes | 24 weeks to 10 June 2023 unaudited £m | 24 weeks to 11 June 2022 unaudited £m | 52 weeks to 24 December 2022 audited £m |
|---|---|---|---|---|
| Profit for the period | | 84.6 | 114.3 | 374.2 |
| **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 | 15.5 | 2.8 | (183.0) |
| Deferred tax on actuarial gains/(losses) | | (3.7) | (0.5) | 34.8 |
| Change of rate on deferred tax | | (0.2) | (0.2) | 11.0 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Currency translation differences | | (0.7) | 0.3 | 2.1 |
| **Other comprehensive income for the period** | | **10.9** | **2.4** | **(135.1)** |
| **Total comprehensive income for the period, attributable to equity holders of the parent** | | **95.5** | **116.7** | **239.1** |

# Condensed consolidated balance sheet

| | Notes | 10 June 2023 unaudited £m | 11 June 2022 unaudited £m | 24 December 2022 audited £m |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Intangible assets | | 40.0 | 35.5 | 35.9 |
| Property, plant and equipment | 10 | 410.6 | 329.5 | 398.7 |
| Lease right-of-use assets | | 624.4 | 576.3 | 614.3 |
| Pension asset | 11 | - | 143.7 | - |
| Deferred tax asset | | 23.4 | - | 35.9 |
| Prepaid credit facility fees | | - | - | 1.0 |
| | | 1,098.4 | 1,085.0 | 1,085.8 |
| **Current assets** | | | | |
| Inventories | | 413.5 | 415.6 | 373.3 |
| Trade and other receivables | | 239.1 | 223.8 | 233.3 |
| Cash and cash equivalents | | 117.8 | 249.7 | 308.0 |
| Current tax asset | | 34.9 | - | 32.3 |
| | | 805.3 | 889.1 | 946.9 |
| **Total assets** | | **1,903.7** | **1,974.1** | **2,032.7** |
| **Current liabilities** | | | | |
| Lease liabilities | | (81.1) | (76.2) | (95.3) |
| Trade and other payables | | (367.4) | (409.0) | (433.9) |
| Corporation tax | | - | (8.3) | - |
| Provisions | 12 | (9.4) | (9.5) | (12.0) |
| | | (457.9) | (503.0) | (541.2) |
| **Non-current liabilities** | | | | |
| Pension liability | 11 | (15.1) | - | (41.5) |
| Lease liabilities | | (591.3) | (546.4) | (570.0) |
| Deferred tax liability | | (3.8) | (30.1) | (3.8) |
| Provisions | 12 | (3.3) | (9.4) | (4.5) |
| | | (613.5) | (585.9) | (619.8) |
| **Total liabilities** | | **(1,071.4)** | **(1,088.9)** | **(1,161.0)** |
| **Net assets** | | **832.3** | **885.2** | **871.7** |
| **Equity** | | | | |
| Share capital | | 55.4 | 57.9 | 56.1 |
| Capital redemption reserve | | 9.8 | 7.3 | 9.1 |
| Share premium | | 87.5 | 87.5 | 87.5 |
| ESOP and share-based payments | | 14.6 | 8.5 | 11.7 |
| Treasury shares | | (25.5) | (25.5) | (25.5) |
| Retained earnings | | 690.5 | 749.5 | 732.8 |
| **Total equity** | | **832.3** | **885.2** | **871.7** |

# Condensed consolidated statement of changes in equity

| **24 weeks to 10 June 2023** | **Share capital £m** | **Capital redemption reserve £m** | **Share premium account £m** | **ESOP and share-based payments £m** | **Treasury shares £m** | **Retained earnings £m** | **TOTAL £m** |
|---|---|---|---|---|---|---|---|
| As at 24 December 2022 - audited | 56.1 | 9.1 | 87.5 | 11.7 | (25.5) | 732.8 | 871.7 |
| Profit for the period | - | | - | - | - | 84.6 | 84.6 |
| Other comprehensive income in the period | - | | - | | - | 10.9 | 10.9 |
| Total comprehensive income for the period | - | - | - | - | - | 95.5 | 95.5 |
| Movement in ESOP | - | - | - | 2.9 | - | - | 2.9 |
| Buyback and cancellation of shares | (0.7) | 0.7 | - | - | - | (50.0) | (50.0) |
| Dividends | - | - | - | - | - | (87.8) | (87.8) |
| **As at 10 June 2023 - unaudited** | **55.4** | **9.8** | **87.5** | **14.6** | **(25.5)** | **690.5** | **832.3** |

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 5.2 million ordinary shares held in treasury, each with a nominal value of 10p (June 2022: 5.2 million shares, December 2022: 5.2 million shares).

| **24 weeks to 11 June 2022** | **Share capital £m** | **Capital redemption reserve £m** | **Share premium account £m** | **ESOP and share-based payments £m** | **Treasury shares £m** | **Retained earnings £m** | **TOTAL £m** |
|---|---|---|---|---|---|---|---|
| As at 25 December 2021 - audited | 59.8 | 5.4 | 87.5 | 5.9 | (27.1) | 860.0 | 991.5 |
| Profit for the period | - | - | - | - | - | 114.3 | 114.3 |
| Other comprehensive income in the period | - | - | - | - | - | 2.4 | 2.4 |
| Total comprehensive income for the period | - | - | - | - | - | 116.7 | 116.7 |
| Current tax on share schemes | - | - | - | - | - | 0.5 | 0.5 |
| Deferred tax on share schemes | - | - | - | - | - | 0.7 | 0.7 |
| Movement in ESOP | - | - | - | 4.2 | - | - | 4.2 |
| Buyback and cancellation of shares | (1.9) | 1.9 | - | - | - | (139.5) | (139.5) |
| Transfer of shares from treasury into share trust | - | - | - | (1.6) | 1.6 | - | - |
| Dividends | - | - | - | - | - | (88.9) | (88.9) |
| **As at 11 June 2022 - unaudited** | **57.9** | **7.3** | **87.5** | **8.5** | **(25.5)** | **749.5** | **885.2** |

# Condensed consolidated statement of changes in equity – continued

| 52 weeks to 24 December 2022 | Share capital £m | Capital redemption reserve £m | Share premium account £m | ESOP and share-based payments £m | Treasury shares £m | Retained earnings £m | TOTAL £m |
|---|---|---|---|---|---|---|---|
| As at 25 December 2021 - audited | 59.8 | 5.4 | 87.5 | 5.9 | (27.1) | 860.0 | 991.5 |
| Profit for the period | - | | - | | - | 374.2 | 374.2 |
| Other comprehensive income for the period | - | | - | - | - | (135.1) | (135.1) |
| Total comprehensive income for the period | - | - | - | - | - | 239.1 | 239.1 |
| Current tax on share schemes | | | | | | 0.4 | 0.4 |
| Deferred tax on share schemes | - | | - | - | - | (1.3) | (1.3) |
| Movement in ESOP | - | | - | 7.4 | - | - | 7.4 |
| Buyback and cancellation of shares | (3.7) | 3.7 | - | - | - | (250.5) | (250.5) |
| Transfer of shares from treasury into share trust | - | | - | (1.6) | 1.6 | - | - |
| Dividends | - | | - | - | - | (115.0) | (115.0) |
| **At 24 December 2022 - audited** | **56.1** | **9.1** | **87.5** | **11.7** | **(25.5)** | **732.8** | **871.7** |

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# Condensed consolidated cash flow statement

| | Notes | 24 weeks to 10 June 2023 unaudited £m | 24 weeks to 11 June 2022 unaudited £m | 52 weeks to 24 December 2022 audited £m |
|---|---|---|---|---|
| **Group operating profit before tax and interest** | | **117.0** | **149.1** | **415.2** |
| Adjustments for: | | | | |
| Depreciation and amortisation of owned assets | | 21.6 | 19.6 | 44.0 |
| Depreciation, impairment and loss on termination of leased assets | | 40.0 | 36.3 | 80.8 |
| Share-based payments charge | | 2.7 | 4.2 | 7.3 |
| Decrease in prepaid credit facility fees | | 1.0 | 0.3 | (0.7) |
| Profit on disposal of property plant & equipment | | - | (0.3) | (0.1) |
| **Operating cash flows before movements in working capital** | | **182.3** | **209.2** | **546.5** |
| **Movements in working capital** | | | | |
| Increase in inventories | | (40.2) | (112.1) | (69.8) |
| Increase in trade and other receivables | | (5.8) | (14.1) | (23.7) |
| Increase in trade and other payables and provisions | | (62.9) | 22.3 | 41.8 |
| Difference between pension operating charge and cash paid | | (11.5) | (0.1) | 2.0 |
| | | (120.4) | (104.0) | (49.7) |
| **Cash generated from operations** | | **61.9** | **105.2** | **496.8** |
| Tax paid | | (21.2) | (42.4) | (101.5) |
| **Net cash flows from operating activities** | | **40.7** | **62.8** | **395.3** |
| **Cash flows used in investing activities** | | | | |
| Payments to acquire property, plant and equipment and intangible assets | | (46.7) | (56.0) | (140.8) |
| Receipts from sale of property, plant and equipment and intangible assets | | - | - | 0.7 |
| Acquisition of subsidiary - net of cash acquired | | - | (14.6) | (14.6) |
| Interest received | | 2.4 | 1.4 | 1.1 |
| **Net cash used in investing activities** | | **(44.3)** | **(69.2)** | **(153.6)** |
| **Cash flows from financing activities** | | | | |
| Payments to acquire own shares | | (50.0) | (139.5) | (250.5) |
| Receipts from release of shares from share trust | | 0.3 | 0.1 | 0.1 |
| Dividends paid to Group shareholders | 9 | (87.8) | (88.9) | (115.0) |
| Repayment of principal on lease liabilities | | (43.6) | (25.3) | (66.1) |
| Interest paid - including on lease liabilities | | (6.9) | (5.6) | (13.1) |
| **Net cash used in financing activities** | | **(188.0)** | **(259.2)** | **(444.6)** |
| **Net decrease in cash and cash equivalents** | | **(191.6)** | **(265.6)** | **(202.9)** |
| Cash and cash equivalents at beginning of period | | 308.0 | 515.3 | 515.3 |
| Currency translation differences | | 1.4 | - | (4.4) |
| **Cash and cash equivalents at end of period** | | **117.8** | **249.7** | **308.0** |

# Notes to the condensed financial statements

## 1 General information

The results for the 24 week periods ended 10 June 2023 and 11 June 2022 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 24 December 2022 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 and basis of preparation

The condensed consolidated 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 for use in the UK.

### 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 annual financial statements of the group for the 53 weeks ended 30 December 2023 will be prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company’s published consolidated financial statements for the 52 weeks ended 24 December 2022 which were prepared in accordance with UK-adopted international accounting standards, 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 Executive Committee, which is regarded as the chief operating decision maker, 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 in the second half of the year. Historically, the typical trend has been that approximately 60% of sales have been in the second half of the year.

## 5 Write down of inventories

During the period, the Group has recognised a net credit of £0.7m in respect of writing inventories down to their net realisable value (24 weeks to 11 June 2022 - net charge of £9.2m; 52 weeks to 24 December 2022 - net charge of £14.0m).

## 6 Tax

The half year effective tax rate is 24.4% (24 weeks to 11 June 2022: 21.2%). 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).

The effective tax rate includes the benefit of the previously announced claim under the Patent Box tax relief scheme, and is subject to review by HMRC.

## 7 Finance income and finance costs

| Finance income | 24 weeks to 10 June 2023 £m | 24 weeks to 11 June 2022 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|---|
| Other finance income - pensions | - | 1.2 | 2.7 |
| Other interest income | 2.4 | 0.3 | 1.1 |
| **Total finance income** | **2.4** | **1.5** | **3.8** |

| Finance costs | 24 weeks to 10 June 2023 £m | 24 weeks to 11 June 2022 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|---|
| Interest expense on lease liabilities | (6.9) | (5.5) | (13.1) |
| Other finance expense - pensions | (0.6) | - | - |
| Other interest payable | - | (0.1) | (0.1) |
| **Total finance costs** | **(7.5)** | **(5.6)** | **(13.2)** |

## 8 Earnings per share

| | **24 weeks to 10 June 2023** | | | **24 weeks to 11 June 2022** | | | **52 weeks to 24 December 2022** | | |
|---|---|---|---|---|---|---|---|---|---|
| | Earnings £m | Weighted average number of shares m | Earnings per share p | Earnings £m | Weighted average number of shares m | Earnings per share p | Earnings £m | Weighted average number of shares m | Earnings per share p |
| Basic earnings per share | 84.6 | 550.7 | 15.4 | 114.3 | 583.9 | 19.6 | 374.2 | 568.6 | 65.8 |
| Effect of dilutive share options | - | 2.3 | (0.1) | - | 1.5 | (0.1) | - | 2.1 | (0.2) |
| Diluted earnings per share | 84.6 | 552.9 | 15.3 | 114.3 | 585.4 | 19.5 | 374.2 | 570.7 | 65.6 |

## 9 Dividends

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

| | 24 weeks to 10 June 2023 £m | 24 weeks to 11 June 2022 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|---|
| Final dividend for the 52 weeks to 24 December 2022 - 15.9p/share | 87.8 | - | - |
| Final dividend for the 52 weeks to 25 December 2021 - 15.2p/share | - | 88.9 | 88.9 |
| Interim dividend for the 52 weeks to 24 December 2022 - 4.7p/share | - | - | 26.1 |
| | **87.8** | **88.9** | **115.0** |

### (b) Proposed dividends

On 13 July 2023, the Board approved the payment of an interim dividend of 4.8p per share to be paid on 17 November 2023 to ordinary shareholders on the register on 13 October 2023.

| | 24 weeks to 10 June 2023 £m | 24 weeks to 11 June 2022 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|---|
| Proposed interim dividend for the 53 weeks to 30 December 2023 - 4.8p/share | 26.2 | | |
| Proposed interim dividend for the 52 weeks to 24 December 2022 - 4.7p/share | | 26.3 | |
| **Proposed final dividend for the 52 weeks to 24 December 2022 - 15.9p/share** | | | **87.9** |

## 10 Property, plant and equipment

During the period, the Group made additions to property, plant and equipment ("PPE") of £31.8m (24 weeks to 11 June 2022 - £51.8m; 52 weeks to 24 December 2022 - £138.9m).

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 £17.1m at the current period end (11 June 2022 - £25.5m; 24 December 2022 - £16.1m).

## 11 Retirement benefit obligations

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

| | 24 weeks to 10 June 2023 £m | 24 weeks to 11 June 2022 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|---|
| Charged to the income statement: | | | |
| Defined benefit plan - administrative costs | 1.0 | 1.1 | 2.4 |
| Defined benefit plan - total operating charge | 1.0 | 1.1 | 2.4 |
| Defined benefit plan - net finance charge/(credit) | 0.6 | (1.2) | (2.7) |
| Defined contribution plans - total operating charge | 17.5 | 14.1 | 37.6 |
| **Total charged to profit before tax** | **19.1** | **14.0** | **37.3** |
| Included in other comprehensive income: | | | |
| **Defined benefit plan - actuarial (gains)/losses** | **(15.5)** | **(2.8)** | **183.0** |

### (b) Other information - defined benefit pension plan

The Group operates a funded defined benefit pension plan which provides benefits based on the career average pensionable pay of participating employees. This plan was closed to new entrants from April 2013, and closed to future accrual on 31 March 2021.

| Key assumptions used in the valuation of the plan | 24 weeks to 10 June 2023 | 24 weeks to 11 June 2022 | 52 weeks to 24 December 2022 |
|---|---|---|---|
| Discount rate | 5.20% | 3.60% | 4.70% |
| Inflation assumption - RPI | 3.20% | 3.35% | 3.15% |
| Inflation assumption - CPI | 2.75% | 2.90% | 2.70% |
| Life expectancy (yrs): pensioner aged 65 | | | |
| - male | 86.7 | 86.6 | 86.6 |
| - female | 88.5 | 88.4 | 88.4 |
| Life expectancy (yrs): non-pensioner aged 45 | | | |
| - male | 87.7 | 87.6 | 87.6 |
| - female | 90.3 | 90.3 | 90.2 |

## Balance sheet

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

| | 11 June 2022 £m | 11 June 2023 £m | 24 December 2022 £m |
|---|---|---|---|
| Present value of defined benefit obligations | (876.9) | (1,122.8) | (930.5) |
| Fair value of scheme assets | 861.8 | 1,266.5 | 889.0 |
| **Surplus recognised in the balance sheet** | **(15.1)** | **143.7** | **(41.5)** |

If there is a pension surplus at the end of the an accounting 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 a 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 this amount during the period are as follows:

| | 24 weeks to 10 June 2023 £m | 24 weeks to 11 June 2022 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|---|
| (Deficit)/surplus at start of period | (41.5) | 140.8 | 140.8 |
| Administration cost | (1.0) | (1.1) | (2.4) |
| Employer contributions | 12.5 | - | 0.4 |
| Other finance (charge)/credit | (0.6) | 1.2 | 2.7 |
| Actuarial gains/(losses) | 15.5 | 2.8 | (183.0) |
| **(Deficit)/surplus at end of period** | **(15.1)** | **143.7** | **(41.5)** |

## 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 differences** | 24 weeks to 10 June 2023 £m | 24 weeks to 11 June 2022 £m | 52 weeks to 24 December 2022 £m |
|---|---|---|---|
| Actuarial loss on plan assets | (42.3) | (381.8) | (753.5) |
| Decrease in plan liabilities due to financial assumptions | 63.8 | 407.4 | 622.8 |
| (Increase) in plan liabilities due to experience | (6.0) | (26.3) | (55.8) |
| Decrease in plan liabilities due to demographic assumptions | - | 3.5 | 3.5 |
| **Total actuarial gains/(losses)** | **15.5** | **2.8** | **(183.0)** |

## 12 Provisions

| | Property £m | Warranty £m | French post employment benefits £m | Total £m |
|---|---|---|---|---|
| As at 24 December 2022 - audited | 5.0 | 11.2 | 0.3 | 16.5 |
| Created in the period | 0.3 | 0.9 | - | 1.2 |
| Utilised in the period | (0.2) | (3.3) | - | (3.5) |
| Released in the period | (1.5) | (0.0) | - | (1.5) |
| **As at 10 June 2023 - unaudited** | **3.6** | **8.8** | **0.3** | **12.7** |
| Presented as current liabilities | 2.6 | 6.8 | - | 9.4 |
| Presented as non-current liabilities | 1.0 | 2.0 | 0.3 | 3.3 |
| | **3.6** | **8.8** | **0.3** | **12.7** |

### Property provision

The property provision covers obligations to make dilapidation payments to landlords of leased properties. Following the guidance in the IFRSs governing leases and provisions, our assessment is that, in general, the likelihood of a cash outflow for dilapidations at the time of signing a lease is remote, and therefore it would be unusual for us to recognise any costs relating to dilapidations at that time.

In these cases, the event which changes our assessment of the likelihood of a cash outflow for dilapidations from being remote to being probable, and which therefore triggers our recognition of a provision for that probable outflow, typically occurs as we come towards the end of a lease and we can assess the condition of the leased property and the likelihood of dilapidations being payable.

The timing of any outflows from the provision is variable, and is dependent on the timing of dilapidations assessments and works. Although circumstances will differ from property to property, a typical pattern would be that the outflow would occur within 1-3 years of the provision being made. The amounts provided are specific to each property and are based on our best estimate of the cost of performing any required works or, in cases where we will not be directly contracting for the works to be done, our best estimate of the outflow required to settle any claim from the landlord. Where the amounts involved are significant, we would typically take advice on the likely costs from third-party property maintenance specialists.

For the purposes of allocating this provision between current liabilities and non-current liabilities we have used our best estimate of when we would reasonably expect outflows to occur, based on circumstances at each relevant property.

### Warranty provision

The warranty provision relates to the estimated costs of product warranties. As products are sold, the Group makes provision for claims under warranties, based on actual sales and on historical average warranty costs incurred. As claims are made, the Group utilises the provision and then uses the historical data on the rate and amount of claims to periodically revise our expectations of the amount of future warranty costs and therefore the rate at which it is appropriate to provide for warranty costs on each sale in the future.

For the purposes of allocating this provision between current liabilities and non-current liabilities we have used the historical data on timing and amount of claims to estimate the costs for the next 12 months and have classified this as a current liability.

### French post-employment benefits provision

This provision relates to a benefit which is payable to employees in our French subsidiary under French law on retirement. It is a lump sum payable on retirement, not a recurring pension. There will only be an outflow from this provision if any of the eligible employees are employed by our French subsidiaries immediately before their retirement.

The provision represents our best estimate of the potential liability and it is calculated based on several factors, mainly the age profile and salary details of the current workforce in France, and the current rate of staff turnover. The calculation to arrive at the best estimate of the required provision is revised periodically by third-party specialists and our provision is adjusted in line with the results of this calculation if necessary.

We have assumed that the whole of this provision is non-current.

## 13 Related party transactions

There have been no changes to related party arrangements or transactions as reported in the 2022 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 Financial instruments

The carrying amount of trade receivables, trade payables and leases is a reasonable approximation of their fair value.