HOWDENS

Annual Report and Accounts 2019

Howden Joinery Group Plc

HOWDENS

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 Mission

To supply from local stock nationwide the small builder's ever-changing, routine, integrated kitchen and joinery requirements, assuring best local price, no-call-back quality and confidential trade terms...

...and to provide the builder's customer with enough choice, advice and aftersales to make a home to be proud of.

Our Culture

Howdens is worthwhile for all concerned.

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Performance in 2019

£1.6bn
Revenue
(2018: £1.5bn)

62.3%
Gross margin
(2018: 61.7%)

£260m
Operating profit
(2018: £240m)

£261m
Profit before tax
(2018: £239m)

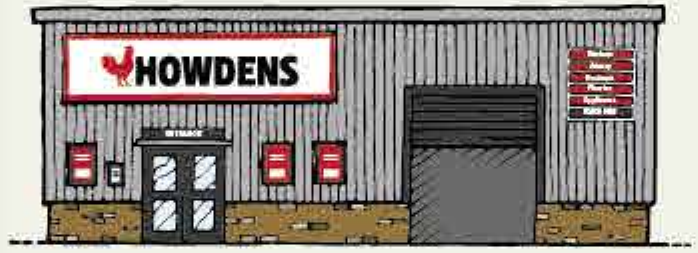
35.0p
Earnings per share
(2018: 31.3p)

13.0p
Full year dividend
(2018: 11.6p)

£267m
Net cash at year end

£126m
Returned to shareholders in year

39
new UK depots opened



New
commercial structure

12
new kitchen ranges introduced

25
new Lamona appliances introduced

Awarded the Manufacturing Guild Mark

Manufacturing Guild Mark
Awarded by The Furniture Makers' Company

Launch of the new digital platform

Chairman's statement

Howdens has grown steadily to become the leading supplier of kitchens in the UK, by focusing closely on the needs of our builder customers and providing value to all concerned.

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Key performance indicators

We saw total UK sales of £1.6bn in 2019, representing annual growth of 4.8%.

Profit before tax grew faster than sales and was £261m - a growth of 9.4%.

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What Howdens stands for, Our Culture, Market, Business Model and Strategy

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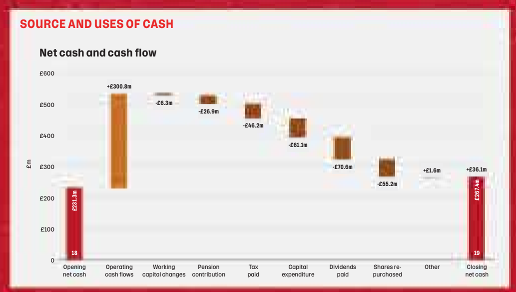
Financial review

2019 results commentary. 2020 current trading and outlook.



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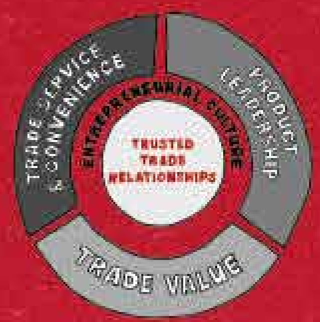
Chief Executive's statement

Howdens knows what it 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.



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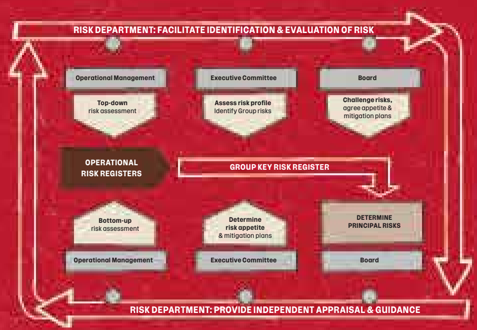
Principal risks and uncertainties

Our approach to risk and how we manage it. Our principle risks and what we're doing to mitigate their potential effects.



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Strategic report

Sustainability matters

Why sustainability matters to us. What are our material areas. Our impact on our stakeholders. Sustainability KPIs and our progress in 2019 in our material areas.

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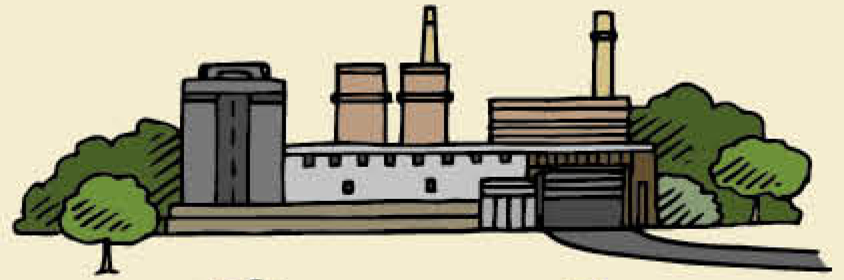
Howdens at a glance

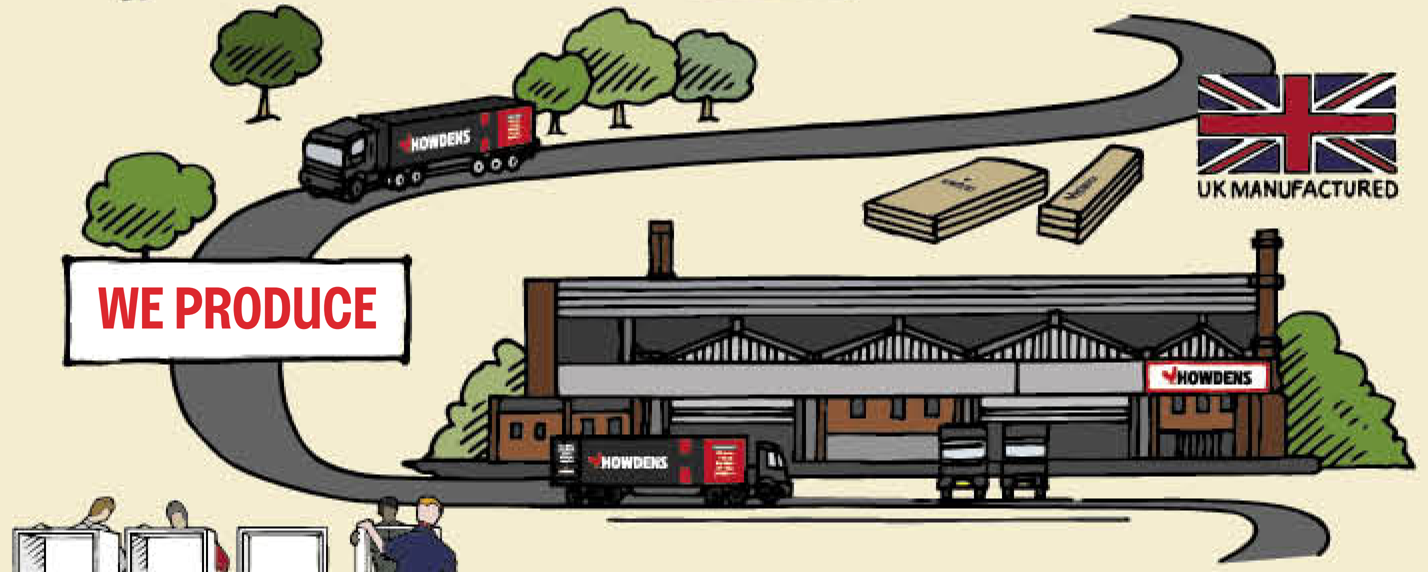
The UK's largest kitchen supplier



Resources and relationships

- Trusted supplier relationships give access to latest products at best prices
- Efficient, sustainable manufacturing and distribution
- Skilled and motivated workforce

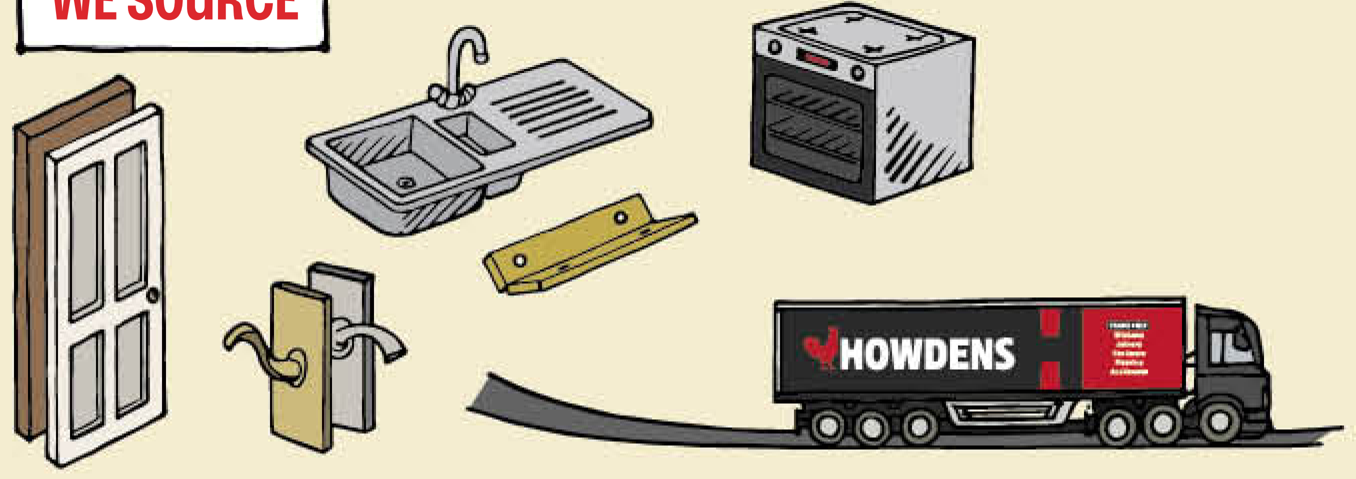
WE PRODUCE

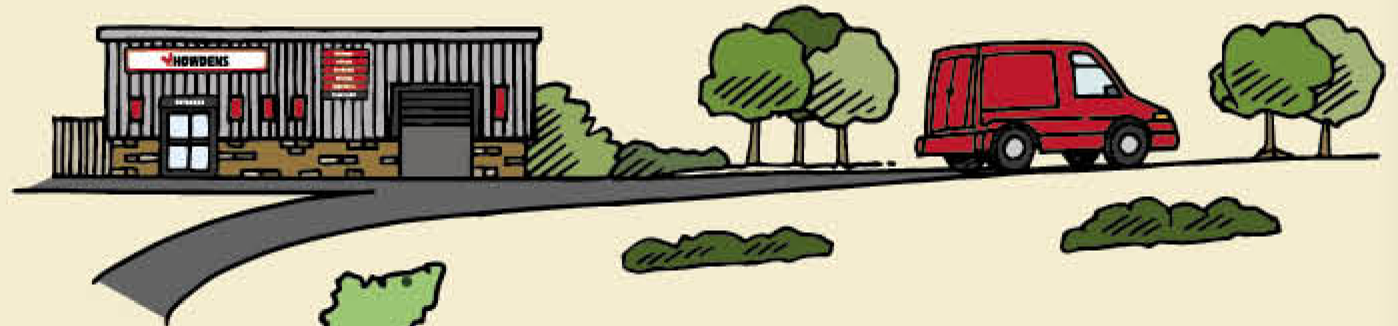


How do we create value?

- UK's largest kitchen supplier. Market share brings economies of scale
- Our own factories, warehousing and distribution network
- Low cost with high quality
- Agile and efficient. Make vs. buy option
- Lamona own-brand offering. Commissioned to our specifications

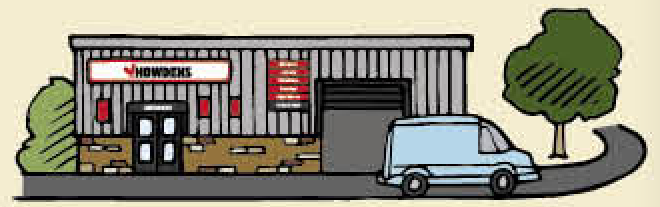
WE SOURCE





Over 700 UK depots

WE DELIVER EXCELLENT SERVICE ACROSS OUR NATIONWIDE LOCAL DEPOT NETWORK



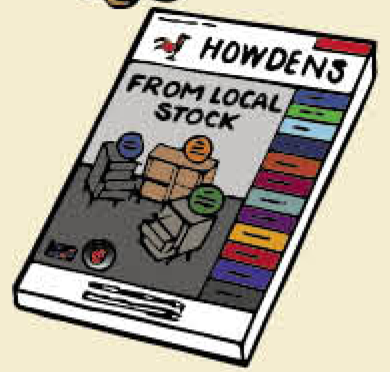
WE DISTRIBUTE

Resources and relationships

- Decentralised business model. Empowered local depot managers
- Our own supply chain, serving over 700 local depots nationwide
- 85% of customers less than 5 miles from a depot
- Trusted customer relationships
- Skilled and motivated workforce
- The right product in stock

To supply from local stock nationwide the small builder's ever-changing, routine, integrated kitchen and joinery requirements, assuring best local price, no-call-back

WE SUPPORT THE BUILDER



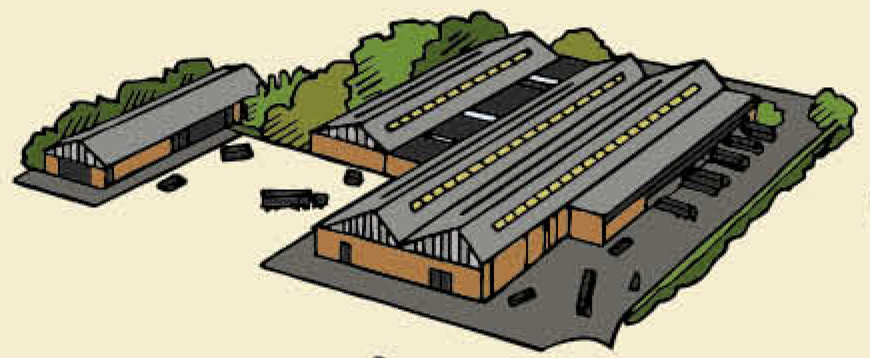
How do we create value?

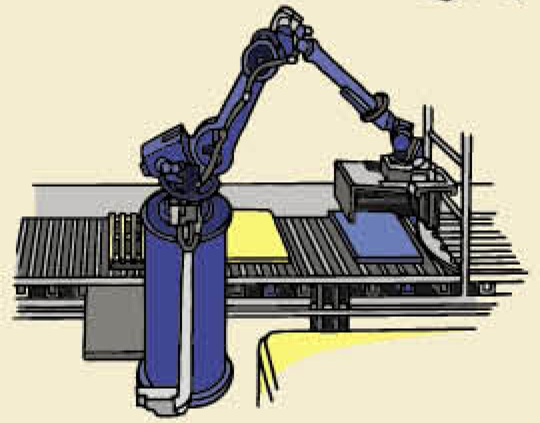
- Trade-only, with excellent service
- Helping our trade customers to succeed in selling to their customers:
  - Trade accounts
  - Design and planning services
  - Home visits for end-users
  - Marketing materials
  - The right product. In stock in local depots

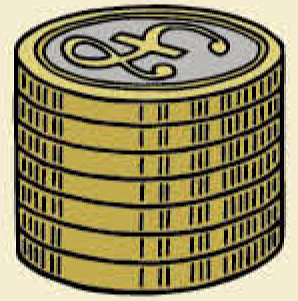
WE ARE WORTHWHILE FOR ALL CONCERNED

Outcomes and impact

- Happy builders and end-users
- Sustainable profits
- Strong cash generation
- Returns to shareholders
- Investment in:
  - our employees
  - new depots
  - new product
  - new assets
  - new jobs throughout our business
- Giving back to local communities







quality and confidential trade terms... and to provide the builder's customer with enough choice, advice and aftersales to make a home to be proud of.

Chairman's statement

RICHARD PENNYCOOK
Chairman

Since its foundation in 1995, Howdens has grown steadily to become the leading supplier of kitchens in the UK, by focusing closely on the needs of our builder customers and providing value to all concerned.

CONTINUED GROWTH

I am pleased to report that 2019 saw further progress for Howdens. Against a backdrop of muted consumer sentiment and political uncertainty, we continued to grow the business while investing for the future. Sales increased by 4.8% compared to 2018, with an improvement in gross margin to 62.3%, from 61.7% in 2018, reflecting good discipline on pricing. Volumes also started to pick up in the second half. We successfully absorbed the additional costs that resulted from volume growth and general cost inflation.

Our sales growth, improvement in gross margin and focus on operating costs resulted in profit before tax increasing to £260.7m, from £238.5m in the prior year. This was pleasing, given that the figures include the costs of starting to upgrade our digital capability and closure costs following our decision to discontinue our trials in Germany and the Netherlands.

The management team spent a considerable amount of time in 2019 preparing for the possibility of Brexit occurring at various points in the year and under various scenarios from 'hard' to 'soft' Brexit. Whilst, ultimately, nothing happened, shareholders can be reassured that the Company was ready for any eventuality and will be again as clarity emerges through 2020.

Our business model allows us to be agile in an uncertain and changing market environment. We performed well against our financial and non-financial key performance indicators ('KPIs'), as shown on pages 32 to 34. Andrew Livingston discusses our performance in more detail in his review of the year on pages 22 to 31 and Mark Robson in his financial review on pages 35 to 39. We talk about What Howdens Stands For and our Culture on pages 14 and 15.

INVESTMENT PROGRAMME

In order to continue providing high levels of service to local builders and innovative products to our end-consumers, we believe that we must steadily invest in the business - both in our manufacturing and supply chain capability and in our national footprint. The Board believes that there are considerable opportunities for further growth, and that in order to fulfil that potential we must continue to invest in both capacity and capability through the economic cycle.

Howdens has undertaken a major capital expenditure programme in the past five years, investing around £264m in the business.

During 2019, we opened 39 new depots and continued to invest in the next phase of our distribution strategy focused on Raunds in Northamptonshire. We significantly improved our digital services, both to our trade customers and to the end consumer. As a result, our new website is achieving more direct hits, increasing brand awareness and enabling end consumers to have a better dialogue with their builders and our designers.

We anticipate that our capital expenditure for 2020 will be approximately £80m as we continue to open new depots and two further distribution facilities at Raunds.

RETURNS TO SHAREHOLDERS

Earnings for the year were 35.0p per ordinary share, an increase of 11.8% on the prior year (2018: 31.3p) as a result of the profit improvement and the cancellation of shares bought back over the year.

In line with our stated dividend policy, which is set out in detail in the Financial Review on page 36, the Board is recommending a final dividend of 9.1p, resulting in a total dividend for the full year 2019 of 13.0p, an increase of 12% on the prior year (2018: 11.6p). This increase reflects the Board's confidence in the prospects for the business.

We announced a two year £60m share repurchase programme in February 2018, which we completed during the first half of 2019. In February 2019, we announced a further two-year programme of £50m, half of which was completed during 2019. We expect to complete the remainder of the February 2019 programme during 2020. Together with £71m in dividend payments, Howdens returned £126m to shareholders in the year.

The Board is mindful of the changing economic landscape and change in tone in many areas of the UK consumer market. We do have cash surplus above and beyond our requirements for working capital and the final dividend for 2019, and will carry out a further £85m share buyback programme over the next two years.

BOARD

We welcomed Louise Fowler to the Board as an independent Non-Executive Director in November 2019. Louise is currently a non-executive director of Assura Plc. She has also previously served as a non-executive director at Benenden Health, Stockport Hydro Ltd and Britannia International. Louise has over 25 years' marketing, customer and digital experience at a senior level in the travel and financial services industries. Following her appointment, Louise became a member of the Audit and Remuneration Committees and, following the completion of a formal induction programme, a member of the Nominations Committee.

Tiffany Hall retired from the Board in September, having served three terms as a Non-Executive, the last four years as Remuneration Committee Chair and two years as Senior Independent Director In December, Mark Allen retired from the Board, having served as a Non-Executive Director since May 2011, being a member of the Remuneration, Audit and Nominations Committees. We are grateful to both Tiffany and Mark for their service and contribution to Howdens. Following Tiffany's retirement, Geoff Drabble has become our Senior Independent Director and Karen Caddick our Remuneration Committee Chair.

FURTHER READING

See my introduction to our Governance Report	Page 66
See our Sustainability Report	Page 48
See our Board of Directors	Page 68

Chairman's statement continued

The Board believes there are many opportunities ahead, and the strength of the Company will allow us to look through the economic cycle and to deliver relative outperformance in any downturn.

GOVERNANCE AND SUSTAINABILITY

Howdens has a clear governance framework and we strive to operate with integrity in all we do. It is vital to maintain the trust of investors, customers, our colleagues and other stakeholders in an environment where expectations, as well as regulations, continue to grow. Our corporate governance framework and a summary of the work of the Board during 2019 can be found in our Corporate Governance Report, starting on page 66. Our Sustainability Report, which begins on page 48, talks to our aim of being a good corporate citizen and living our ethos of being worthwhile to all concerned. Fundamentally, each of our depots represents a place in a local community and our people are encouraged to participate in community life. In 2019, the Group donated around £2.25m to good causes.

We are pleased to report that the Company applied all the Principles of the UK Corporate Governance Code (the 'Code') throughout the period and we have reported how we have done so in summary starting on page 80. We are also pleased to report that, in the first year in which the new Code applied, we were compliant with all Code Provisions except for Provision 38. Provision 38 provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the workforce. Our Remuneration Policy ('Policy'), which was approved by shareholders in 2019, stipulates that Executive Director new joiners' pension contribution rates must match that available to the wider workforce. Our incumbent Executive Directors' pension provision rates, while in line with Policy for existing Directors, do not yet match the wider workforce. This is because the reduction of fixed, contractual remuneration must be done carefully and proportionally over time. Both Andrew and Mark, our two Executive Directors, are fully supportive of their respective rates tapering as set out on page 93 of the Remuneration Committee Report and the Board confirms that existing Executive Director pension provision rates will be in line with the wider workforce by the AGM in 2022.

Board meetings conducted in 2019 were structured, as normal, to address the Board's collective responsibilities in relation to strategy, performance and governance. In our Corporate Governance report this year, we have set out the highlights of the matters the Board considered during the year. Inevitably, time was also spent considering mitigating actions that may be required in the event of a disruptive period following the UK's exit from the European Union.

MARKET ENVIRONMENT AND RISKS

Howdens has a strong track record of dealing with change and facing the challenges of the evolving marketplace. The Board is mindful of the challenges that lie ahead and we continue to evaluate the potential and emerging risks that could impact the Group. We address these matters in more detail on pages 40 to 47. As in previous years, we monitor our market situation closely, in order to ensure timely responses to changing conditions.

LOOKING AHEAD

The Board believes there are many opportunities ahead, and the strength of the Company will allow us to look through the economic cycle and to deliver relative outperformance in any downturn.

These opportunities to grow our business represent a further step change in our ambition. The implementation of new generation depot designs, the ability to rollout smaller depots, as well as the potential for international growth, will, I expect, provide Howdens with strong opportunities to create value in the coming years. We expect to be able to grow to around 850 depots in the UK, and will be opening around five new depots in France during 2020.

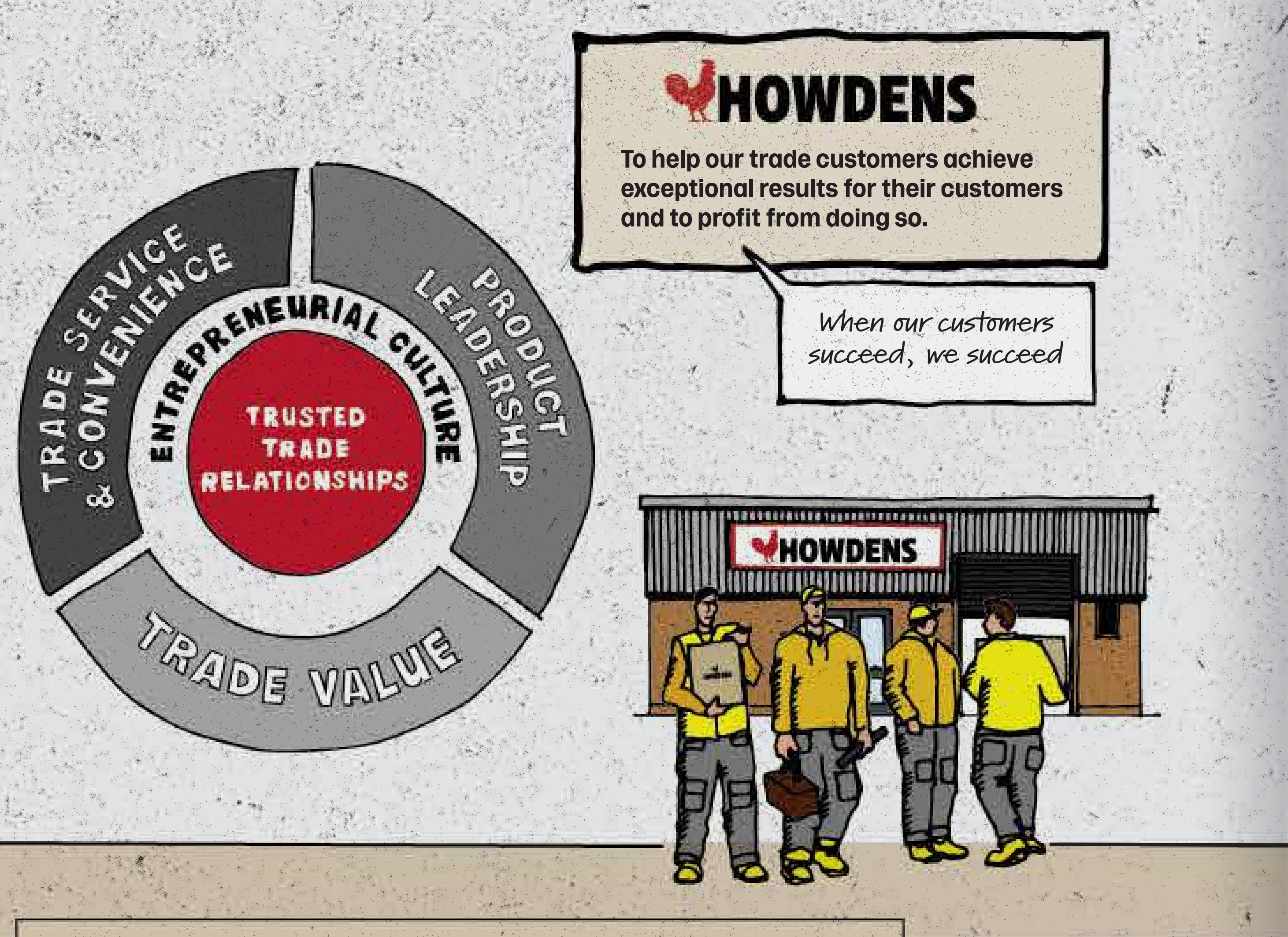
Following 39 UK depot openings in 2019, we anticipate around 30 in 2020.

At the same time as we see good opportunities for expansion and creating value, I note that there is continuing uncertainty surrounding the UK consumer and the economic outlook, as the UK moves into a post-Brexit world. We remain confident in the Group's potential and believe that the business has the financial capability, the culture and the skills to enable us to plan for the future from a position of stability and strength. Above all else, Howdens is a people business and it gives me great pleasure on behalf of the Board to thank our colleagues for delivering another fine performance in 2019.

Richard Pennycook
Chairman

26 February 2020

What Howdens stands for



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."

Howdens' focus on serving our trade customers underpins everything we do. We believe the best way to source and install a kitchen is to work with your local tradesperson, and we are clear that the purpose and future success of our business lies in serving the trade market to the highest standards.

Our relationship with our trade customers has three key facets, each supported by our entrepreneurial culture:

Trade Service and Convenience: Depots located where our customers need them; monthly account facilities; product in stock to get the job done including appliances, joinery, flooring and hardware. A design service to help customers choose and plan kitchens.

Product Leadership: Product design and testing facilities ensure that we offer the right product styles that are attractive to consumers; designed to be trade quality and easy to fit with the builders in mind ('fit and forget quality').

Trade Value: Best local trade prices enabled by in-house manufacturing, long-term key supplier agreements and a low-cost depot operating model.

Andrew Livingston
Chief Executive Officer

Our culture

Our Culture

Howdens was founded on the principle that the business should be worthwhile for all concerned - customers, prospective customers, homeowners, tenants, local communities, our suppliers, our investors, our staff and their families.

This founding principle has shaped our business model and our strategic decisions for more than 20 years, and it continues to be at the heart of what we do.

WORTHWHILE FOR OUR TRADE CUSTOMERS

- Profitability, convenience, service, support
- Great product range
- Outstanding service
- Trusted personal relationships - we do what we say
- Trade accounts and confidential discounts
- Design, planning and marketing support

WORTHWHILE FOR OUR STAFF

- A good living wage, plus local profit-sharing and incentives
- Excellent rewards and recognition for outstanding performance
- An entrepreneurial culture, with central support
- A growing company with opportunities to progress

WORTHWHILE FOR OUR SUPPLIERS

- Strong and enduring relationships based on trust
- Working together to develop new products and deliver best service
- Scale - good opportunities for them to build a profitable business

WORTHWHILE FOR OUR OTHER STAKEHOLDERS

- Delivering consistent long-term value for shareholders
- A growing dividend
- Surplus cash returned in share buybacks
- Important local employer and good neighbour in over 750 communities
- Giving back to local and national charities
- Responsible purchasing and environmental policies

Our market

29
million homes in the UK
18m owned, 11m rented

THE UK MARKET

In the UK there are approximately 29 million homes; 18 million owned and 11 million rented. For many years now we have seen the market move from DIY to 'done-for-you'. If people want a modern kitchen, they increasingly look to a small builder to fit it.

The consumer environment has been mixed over the last few years. Increases to stamp duty in 2016 affected purchases of 2nd homes, and the potential impact of Brexit led to subdued consumer confidence over the last two years. However we continue to see a good level of investment in new house builds and customers have continued to invest in kitchen refurbishments. With a more settled political environment we do not expect the market to worsen over the next 18 months.

HOWDENS' PLACE IN THE UK MARKET

We are the biggest seller of kitchens in the UK, with a market share of around 30%.

We primarily sell to small builders who work across many sectors of the market. Our kitchens are fitted in a wide range of end-uses, including private rentals and social housing, as well as all kinds of owner-occupied homes. Our contracts division, which was started in 2017, is continuing to grow rapidly, creating opportunities to expand our presence in the new-build contract market, a growing area of the UK housing landscape.

We also supply a wide range of doors, joinery, appliances and everyday hardware products used by joiners meaning that our customers have a one-stop shop for everything they need to complete the kitchen job.

In 2019, Howdens sold over 4 million kitchen cabinets, along with 800,000 appliances, around 700,000 sinks and taps, over 2.5 million doors and close to 3 million square metres of flooring.

TREND: CHANGING LIFESTYLES

The kitchen is at the heart of every home. Whether our homes have small or grand kitchens they play an important part in our everyday lives. They need to be highly functional as the pace of life increases, but also be that social place, the centre of the family, where life happens.

There are two significant trends affecting kitchen design. Firstly, open plan living continues to increase in popularity so not only are our kitchens required to be the heart of the home, but on display as a statement of our personal style. Secondly, with the increase in the build of smaller homes, and therefore the increased pressure on space, kitchens need to excel in function and form in compact places.

As our way of life changes, we need our kitchens to change. We expect increased functionality, complexity and design. As a result, the choice of design, styles and colours can feel endless which is why having the help and advice of an expert designer coupled with the knowledge of a trade professional is the best option to create the dream kitchen.

CONSUMER EXPECTATIONS AND HOW WE ARE RESPONDING

Expectations about what the kitchen can do, and what we can do in it, have changed significantly in the last few years. This pace of change has accelerated with the changes in digital and the role which social media plays in influencing and inspiring our customers. The early work we are doing on our digital platform and website to develop inspirational content is proving very successful, and customers are also reacting well to the engaging content we've published on social media following some great collaborations with influencers throughout 2019.

Customers are demanding more functionality, more choice and more sophistication from their kitchens, whatever their budget. Whether they are looking for an open plan kitchen to entertain in or a compact highly functional space we need to make sure we are able to offer kitchens to meet all these needs, whilst still making things as easy as possible for our depots, trade customers and end-users. The linear kitchens we are launching in early 2020 will help fulfil these demands. They take a number of common parts from existing ranges, a dedicated factory-built cabinet, and create a completely new look.

BUILDER EXPECTATIONS AND HOW WE ARE RESPONDING

As end-users demand greater complexity in their kitchens, so builders want sound advice to meet those demands. As kitchens become more complex, we are increasing our investment in people with specific skills, such as kitchen designers.

Our designers support the builder by visiting the end-user's home to carry out a survey, plan and create a kitchen design which captures everything that the end-user wants from their kitchen. They will then present the design to the builder and end-user in the comfort of one of our depot presentation rooms.

Builders benefit from us being there with expert knowledge to support both them and their customer all the way through the design and planning process. Both builders and end-users need to deal with people who are knowledgeable about kitchens - and we offer that important service.

OUR FRENCH AND BELGIAN MARKETS

At the end of 2019 we had 25 depots in France and two in Belgium - managed within the French structure. During 2019 we added five depots in France, mainly around our cluster of existing Paris depots. This allows us to capitalise on the brand presence and customer base which we have built in that area, as well as to draw on the pool of staff from the existing depots who understand the benefits that the Howdens model offers to builders.

Compared to the UK, we have found that these markets have a lower proportion of integrated kitchens and a higher proportion of kitchens that are sold through retail, DIY and specialist shops. This was what the UK market was like when we first entered it with our trade-only model. Experience in our depots shows us that trade and end-users appreciate buying a kitchen in our way.

Our business model

Our business model is:

- Trade only. Completely focused on our trade customers. When they succeed, we succeed
- From stock, in local depots. Nationwide coverage with best local pricing
- Entrepreneurial, low-cost depots who understand their customers
- Supported by our own UK manufacturing sourcing and distribution operations
- Low cost and scalable. Flexible and proven. Generating cash for investment and returns

TRADE ONLY. TRADE FOCUSED.

- The best way to source and install a modern kitchen is to work with a skilled local tradesperson.
- Our business model is completely focused on serving those trade customers.
- We provide quality products and excellent levels of service and support to help our customers succeed.
- When our customers succeed, we succeed.
- Trade accounts give builders up to eight weeks before they need to pay us.
- Builders can complete the job and get paid by their customer before their debt to us is due.
- We collect our debts. Total cost of credit control, bad debts and write-offs is less than 1% of sales.
- Our 1,600 specialist kitchen designers support the builder and help their profitability.
- Product website and catalogues help the builder sell to the end-user.
- Trade book and enhanced digital capability puts the depot in the builder's pocket.

FROM STOCK, IN LOCAL DEPOTS WITH NATIONWIDE COVERAGE

- Time is money for a small builder. They have to react quickly.
- End-users delay the start of jobs, so builders need to bring forward the next job and start immediately or they lose money.
- End-users change their mind part-way through a job, so the builder needs to change something or buy something extra.
- Our in-stock proposition and our nationwide network of local depots mean that builders can save time and make more money by choosing Howdens.
- 85% of our UK customers are less than 5 miles from a depot.

ENTREPRENEURIAL, LOW COST DEPOTS WHO UNDERSTAND THEIR CUSTOMERS

- A new Howdens depot opens with a manager and a small number of staff.
- We don't have the high costs associated with selling kitchens to retail customers.
- A typical Howdens depot is 10,000 square feet or less, is in an edge-of-town location which is cheaper to rent and more convenient for our trade customers, has a low fit-out cost, and breaks even in its second year.
- Depot manager and staff are responsible for growing their account base and their sales, and for managing their own depot margin.
- Profit-sharing is calculated locally, not centrally. Everyone is strongly incentivised to understand their customers' needs and to grow a profitable local business.
- The depot manager's autonomy is a key element of the Howdens' business model. Depot managers hire their own staff, do their own local marketing, set local pricing, manage the level of discount applicable to their account holders and manage their own stock levels to suit their own local customers.
- We attract and develop exceptional, entrepreneurial depot managers and staff who set us apart from the competition.
- The retail kitchen market typically sells to a customer once every 15 years or so. Our business is built on repeat purchases and long-lasting relationships with our trade customers. Our depots know that they have to deliver exceptional service every time, and our customers trust us to do this.

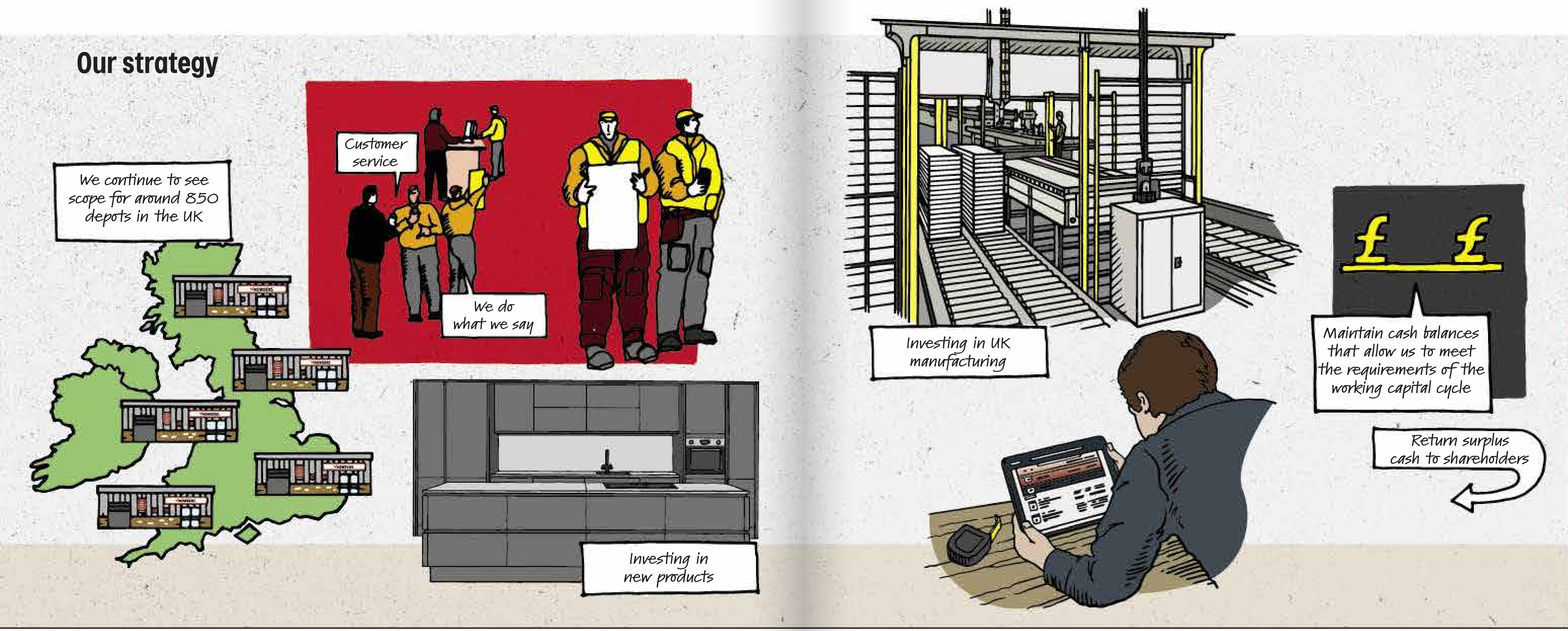
UK MANUFACTURING. EFFICIENT SOURCING AND DISTRIBUTION

- We design and manufacture all our own cabinets in our own factories in Yorkshire and Cheshire - over 4 million cabinets per year.
- Making our own cabinets gives us a significant cost advantage.
- We also make some of our cabinet frontals and worktops, as well as painted skirting boards. Other products are made to our specifications and bought in from suppliers with whom we have built long-standing relationships.
- We make what it makes sense to make, and we buy what it makes sense to buy.
- We continue to invest in our manufacturing, giving us the capacity to grow and the flexibility make product rather than to buy it in when appropriate.
- Both of our factories serve only one customer - Howdens. Their working practices and scheduling exactly match the requirements of our depots. The result is an efficient system with no unnecessary waste.
- Our in-house distribution operation provides excellent service to over 750 different depots.
- No two deliveries are alike, and each one must be correct, complete and on time. We've continued to invest in our warehousing and transport fleet to keep up with our growth and maintain our high depot service levels.

LOW COST AND SCALABLE. FLEXIBLE AND CASH-GENERATIVE

- The Howdens model is low-cost, efficient, flexible and scalable.
- We consistently generate high levels of cash which allows us to invest for growth and to return surplus cash to shareholders.

Our strategy



EXPAND OUR DEPOT NETWORK

Our strategy is to expand our depot network as a means to increase our share of the total addressable market.

We continue to see untapped requirement by builders for a local and convenient service. When we add a new depot near to an existing one, we see overall sales increase in the area within a short time.

We believe that there is some way to go before we have full coverage of the UK market and we continue to see significant opportunities to grow our business, with scope for up to 850 depots, some of which will utilise a smaller depot footprint. We discuss our expansion plans in more detail in our CEO's report, beginning on page 22.

DEVELOP OUR PEOPLE – MAINTAIN EXCELLENT CUSTOMER SERVICE

Our strategy is to develop our people to keep on offering even better service to our customers. Howdens' success is based on customer service: we do what we say and say what we mean. We invest to increase our empoyees' skills and to reinforce our culture, purpose and business model. All of this directly benefits our trade customers.

We look to attract the best people from outside the company and to retain the best people who are already with us. When we invest in the right people, we can grow our own leaders, who already understand the Howdens business model and culture.

INVEST FOR GROWTH. INVEST IN NEW PRODUCT

Our strategy is to invest for future growth. In order to deliver the potential we see in our market and ensure stock availability in depots as we expand, we have invested around £260 million in the last five years. We've used this investment to expand our depot network, to improve efficiency, provide for disaster recovery, increase manufacturing and distribution capacity, and to upgrade of our digital capabilities.

Investing in new product ensures that we stay relevant and can offer the latest styles and colours, which is what our customers and end-users want. We are always working on the new product pipeline.

USING DIGITAL TO REINFORCE OUR BUSINESS MODEL

We look at digital in a different way. We are investing in our digital capability as a means of further strengthening the human relationship between the builder, their customers and the depot.

Our three objectives for digital are: to increase builder and consumer awareness of the Howdens brand, making it easier for our customers to sell Howdens product; to improve communications between us, our trade customers and their customers, and to streamline and improve operating processes, freeing up staff and builder time for more productive interactions.

PRUDENT FINANCIAL MANAGEMENT

Our strategy is to be financially prudent. We maintain sufficient cash balances to allow us to meet the requirements of the working capital cycle, taking into account the marked seasonality of the business and returning surplus cash to shareholders as appropriate, which has been via share repurchases and dividend payments.

We discuss our uses of cash and our dividend policy in more detail on page 36.

RESULTS OF OUR STRATEGY IN 2019 AND STRATEGIC PRIORITIES FOR 2020

These are discussed in detail in our CEO's report, beginning on page 22, and are in the areas of:

- Expanding our depot network. 39 new depots in the UK, including 5 in Northern Ireland. 5 new depots in France.
- Evolving our depot model. Making more efficient use of space to better support our customers
- Range and supply management. New product, supply chain benefits and productivity gains.
- Digital. Brand awareness, process efficiency, putting the depot in the builder's pocket.

Chief Executive's statement

ANDREW LIVINGSTON
Chief Executive Officer

To help our trade customers achieve exceptional results for their customers and to profit from doing so.

Revenues, margin and sales per customer all increased.

Strategic initiatives aimed at growing volumes and profits.

PERSPECTIVES ON 2019

2019 was a year of progress for Howdens and I am pleased with how the business has performed.

Both revenue and gross margin increased, and profitability improved, with operating profit increasing at a higher rate than revenues.

This in part reflects the timing of the price increase, which in 2019 was implemented in January, as compared with April in 2018, and maintenance of the improved depot margin discipline we exhibited in the second half of 2018.

In the first half of 2019 we found a more profitable balance between volume and price as compared with the first half of 2018, when a significant increase in volumes came at some cost to margin. This trend continued in the second half, against a stronger margin comparator.

In 2020, we will continue to evaluate how best to balance volume and price, to the benefit of overall profitability, in the light of prevailing market conditions as we see them.

Trading in the peak Period 11 weeks has set a new benchmark for us. Our depot teams were well incentivised and achieved record sales in the period, underpinned by the level of stock availability delivered by our supply chain and an IT infrastructure which performed without incident.

At the same time we continued to make investments in a number of strategic initiatives during the year. I will talk about these later, but first I would like to talk about our customers.

Our overall customer base in 2019 was stable and ended the year at around 470,000 credit and cash accounts. Two areas of focus were to improve our customer loyalty and the returns from our customer acquisition programme.

Sales per customer increased, as total transactions and total spend grew, with our core customers buying more often and spending more with us.

With a similar number of new credit accounts being opened as last year, new customer spend increased significantly as did profit per new account, reflecting the higher level of sales and lower acquisition costs.

WHAT HOWDENS STANDS FOR

I believe these results show that Howdens knows what it 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 BUSINESS MODEL

Our 'trade only' 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.

Depot managers hire their own staff, manage their own local relationships, set local pricing and manage their own stock levels to suit their own local customers. Profit-sharing is calculated locally, not centrally. Everyone is strongly incentivised to grow a profitable, local business.

Whilst the Supply operation serves only Howdens, it has more than 700 depot customers, each with individual and changing day to day requirements. Our Supply operation has scale, space and flexibility to respond to these needs, and meet demand in our peak weeks of 'Period 11' trading, when sales are typically more than double the level in other periods.

STRATEGIC INITIATIVES

We introduced a number of initiatives with potential to increase volumes and profits across the business, based around our core building blocks of Trade Service & Convenience, Trade Value and Product Leadership. These were:

Evolving our depot model to use space more efficiently and to create the best depot environment in which to do business and to support our customers.

Improving range and supply management to help customers' buying decisions, to access supply chain benefits and to make productivity gains.

Using **digital** to raise brand awareness, to support the business model and to free up time for depot staff and customers to use more productively.

Together with the **development our operation in France** by way of a City-based approach.

Listening to our customers – builder forums

A key feature of Howdens success is that we're trade-only. Building trusted relationships with trade customers is central to everything we do.

We hold regular feedback sessions with our trade customers so that we can identify any areas where we need to improve our offer.

These sessions are always fully subscribed, which shows that our builders appreciate that we're listening to them.

They view our relationship as a business partnership, so it's in their interests to invest their time to help us make it even easier for them to serve their customers.

We take builder feedback very seriously and we have used it to make specific improvements to products and service levels.

Chief Executive's statement continued

Better customer environment. Increased efficiency.

Around
30
new UK depots planned for 2020.

DEPOT EVOLUTION

During 2019 we progressed our testing of a new depot format, aimed at creating the best depot environment in which to do business with our customers, at no material change to the fit-out costs of a new depot.

By racking product vertically in the warehouse section of the depot, we believe there are ways to make space utilisation improvements, with the potential to make productivity gains from reduced picking times.

By reallocating space, in the new format we can provide a more open front area to bring depot staff closer to customers, improve both the visibility and the standard of our design facilities and nearly double the space available to display a wider range of kitchen designs.

There is also room for a small items picking area behind the counter with an improved range of everyday essential products, including hardware and ironmongery, to add incremental profit and as a way of encouraging footfall and incremental kitchen sales.

We are confident that this format is an improvement, at the same cost, on the traditional one. It was adopted for all UK depots opened in 2019, and all UK depots opened in 2020 will also be formatted in this way.

The improved densities offered by re-racking vertically have also enabled us to put our full offering into a smaller space.

We opened 8 smaller footage depots this year and intend opening more such depots in 2020. With the smaller size depots, we continue to believe there is potential for around 850 depots in the UK.

In 2019 we opened a total of 39 UK depots, including five in Northern Ireland, with openings weighted towards the latter part of the year. This represents an increase in the number of openings as compared an average of 25 per year in the previous three years.

In 2020 we plan to open around 30 more UK depots.

As I explained last year, we put in place a test to understand the rollback opportunity of the updated format in the existing depot estate.

We initially converted three older depots, and these have now been trading in the updated format for eight months or so. These depots continue to show signs of improved performance relative to depots of similar vintage, type and location since conversion.

We then converted a further eight older depots prior to the start of our peak trading period, using variations of the format.

Managing the disruption a reformat causes to a depot's day to day operations and trading patterns is a key part of the process and our experiences with these depots have helped us improve our skill base, our planning for a reformat and our understanding of when in the year to implement them. They have also helped us to develop our thinking about how to scope, structure and execute a reformat, which we are now able to complete in eight weeks. We have also refined the reformat to incorporate a smaller hardware area, reducing refurbishment and ongoing running costs.

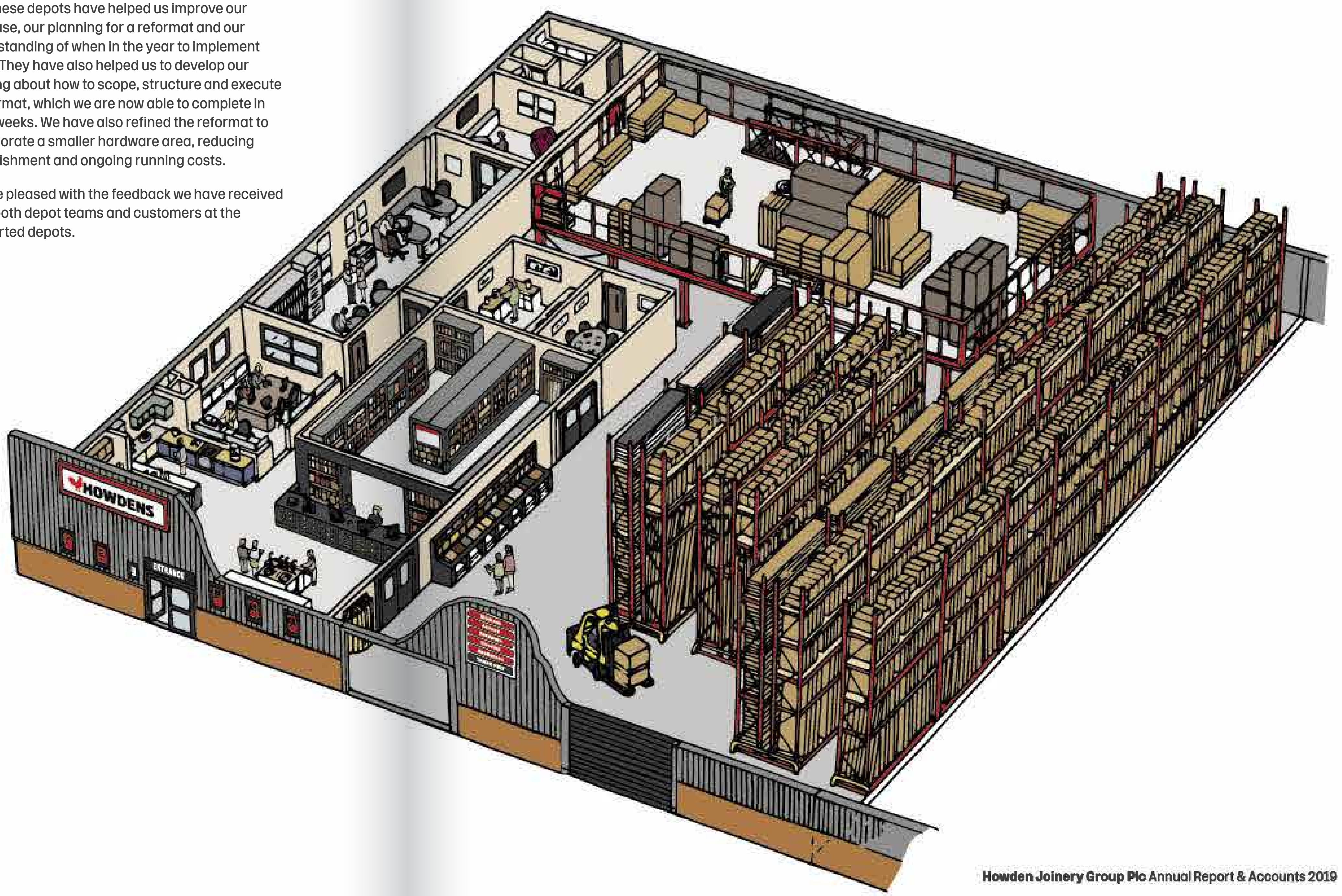
We are pleased with the feedback we have received from both depot teams and customers at the converted depots.

We have been sufficiently encouraged by their performance to date and the expectations of Depot Teams for them in 2020, to extend the test. We intend to convert around 30 more depots across the country so that we can continue to learn how best to apply this opportunity within the existing depot estate.

In 2020 we are budgeting for an average re-format spend of £225,000, as we apply the learnings from depots converted to date. We also plan to re-rack around a further 50 depots without other modifications in 2020.

At the end of 2019, we had a total of 71 new format depots, comprising 60 new ones and 11 refurbished ones, and we had re-racked a further 62 depots without other modifications.

By the end of 2020, assuming our depot plans for 2020 are implemented as I have described, we will have a total of 131 new format depots, comprising 90 opened in the new format plus 41 refurbished ones. We will also have re-racked a further 112 without other modifications.



Chief Executive's statement continued

12
new kitchen ranges.

25
new Lamona appliances.

RANGE AND SUPPLY MANAGEMENT

New kitchen ranges each year represent a significant portion of sales as product lifecycles shorten.

During the year we introduced 12 new kitchen ranges to all depots, with average sales per range above those of 2018.

These ranges are characteristic of the trends we are seeing for straight lines in modern kitchens, which accentuate the sense of space, contrasting colours and a cleaner look in shaker-style kitchens, and matt textures that benefit from the latest industrial technology advances that prevent finger marks.

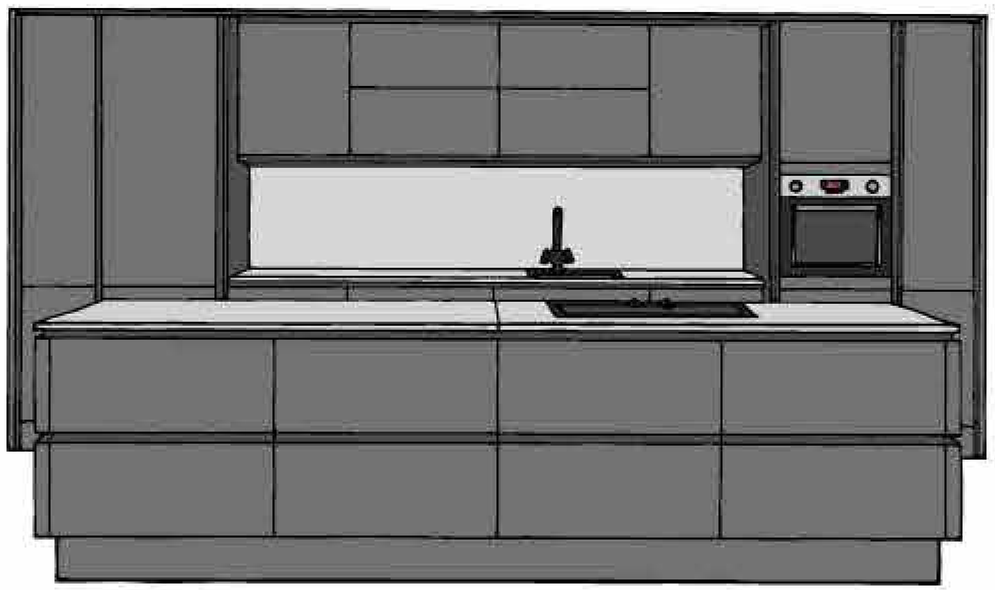
During 2019 we:

- Updated our light oak cabinet to a more natural oak tone.
- Led the mass market roll-out of anthracite-coloured storage systems which help define our mid and premium ranges.
- Extended our worktop range by 11 laminate worktops, and seven solid surface worktops.
- Added 25 appliances to our Lamona range, introducing new technologies in cooking, laundry and dishwashing products, while strengthening our core Lamona oven choice with the introduction of a new low-price-point fan oven.
- Strengthened the Lamona brand through the introduction of a three year warranty.
- Selected around 250 of the fastest sellers from the new hardware lines we trialled, for roll-out across the estate.
- Continued to support our customers by introducing pre-finished internal doors across the different styles, helping them save fitting time.
- Introduced three new flooring decors, manufactured with new technology which makes vinyl flooring quicker and easier for builders to fit.

In 2020, we plan to introduce 13 new kitchen ranges of which 11 have been launched to date. Features include:

Two new styles:

- A modern slab range, offering a trade up from our popular entry-priced Greenwich Gloss range. The new door has seamless edges and is available in three colours with a mirror gloss finish and two colours with super matt finishes featuring anti-fingerprint technology.
- An updated painted timber shaker range, which is a versatile design that can be dressed to achieve both modern and traditional looks, available in two new colours from January 2020, with an additional colour to follow in April.



More colours in more ranges:

- A new Green in our successful mid-priced Fairford shaker range.
- Pebble and Navy colours extended across three kitchen families, including the addition of Pebble to the Greenwich Gloss family, strengthening our entry price point offer.

New handleless cabinet:

- We have developed a new handleless cabinet platform to meet demand for a 'Linear' look. The cabinet can be used with our current ranges, which enables us to increase customer choice without a commensurate rise in our range count.
- We now offer 27 styles, and we have the flexibility to change the number of styles on offer in response to customer demand.
- With the handleless cabinet we can now provide a more affordable way for our customers to achieve the straight-line look, including in our entry price point Greenwich family.

Clearer choice:

- Introduction of the new cabinet also enabled us to redefine our range architecture into 'Modern', 'Linear' and 'Shaker', making it easier for customers to choose the kitchen that suits them best.
- New worktops for this year focus on lighter shades and thinner profiles, which in particular complement our new Linear kitchen range.
- We are extending the range of Lamona new technology appliances, including self-cleaning ovens, to lower price points. Design-led refrigeration is also being introduced at what we think are very affordable prices.

Managing the number of kitchen ranges efficiently is crucial for both best availability, which is highly valued by our customers, and profitability. We have made progress in getting back to the discipline of fewer deeply-stocked higher-performing ranges in the depots.

A key part of range discipline is the timely discontinuation of underperforming ranges and the management of clearance stock from the business.

- During the year, 19 ranges were cleared from the business, and by the end of 2019, we had around 67 current kitchen ranges, including initial stock of some of the ranges scheduled for launch in 2020.
- We believe about 65 current ranges is the right number for the market at present.
- In 2020 we are aiming to remove at least the number of ranges we add.

Chief Executive's statement continued

New structure increases efficiency and customer value.

Use of digital to reinforce the Howdens model.

NEW COMMERCIAL TEAM

During 2019, as part of our focus on range management, we combined the divisional commercial functions into a single commercial team, organised in categories. This structure provides clearer accountabilities for ranging decisions and accessing supply chain benefits.

The changes remove duplication of effort, easing communication and bringing our commercial team closer to depot managers.

We have seen the benefit of clearer accountabilities and closer working practices between Trade, Commercial and Supply which enabled:

- Our new kitchen brochure and Trade Book to be launched in week three of 2020 (the first of three editions during the year, synchronised with our promotional 'Rooster' offers).
- The stock for all new kitchens to be in depots before the Trade Book and brochure were published.

Through this structure, we also aimed to ensure that the business is well planned at least 18 months out with our suppliers, that we are being offered innovative product first and that we are offering the best value to our customers.

We have benefitted from significant engagement with our supply base in support of our 2020 plans for improved product range, availability and price.

UK MANUFACTURING

We keep under review what we believe it is best to make or to buy.

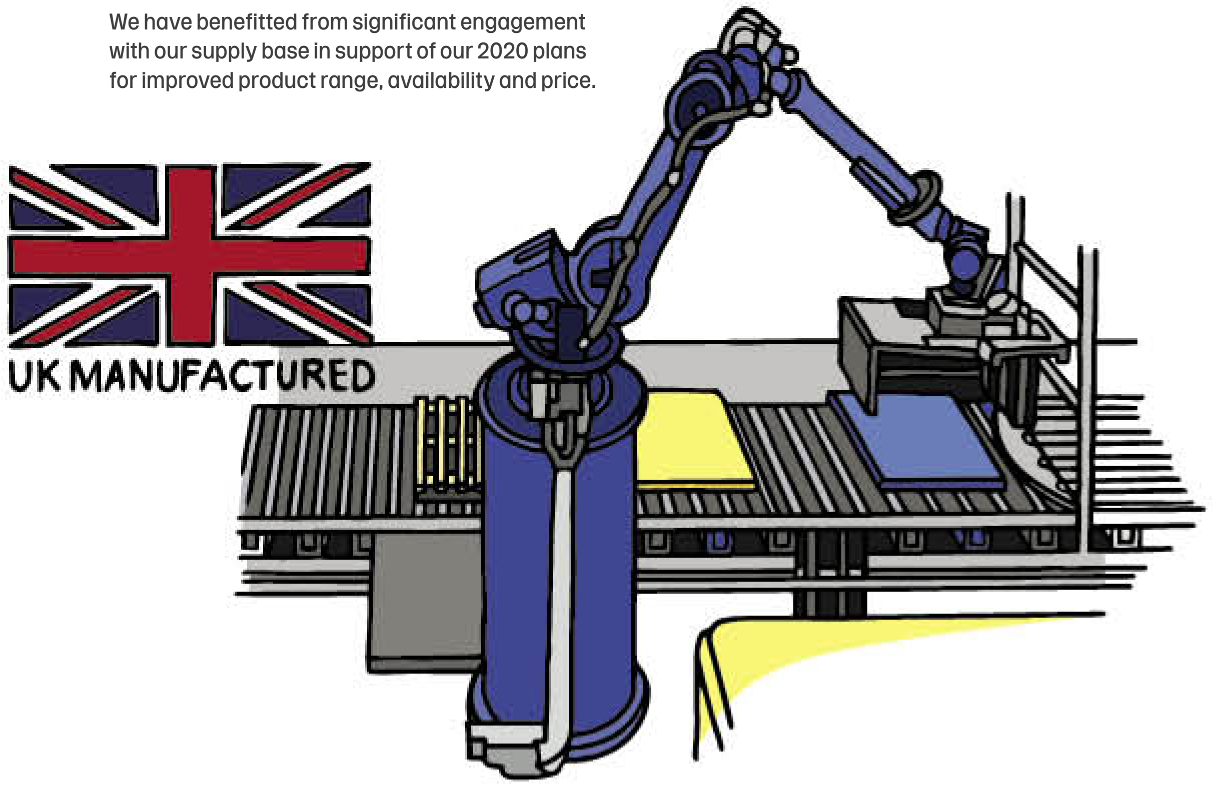
In 2019 investment in manufacturing technology enabled us to make the doors for five of our new kitchen ranges, reducing the cost of these doors and increasing supply chain flexibility.

We also installed a small batch line to make low volume but important items which third party vendors cannot supply at competitive prices.

In December we were awarded the Manufacturing Guild Mark, a reflection of the excellence in our manufacturing operations, and we were delighted to be re-awarded the Royal Warrant during the year.

Our Supply operation achieved certification under the new International Health and Safety Standard, ISO45001, which replaces the certification we held under the incumbent UK standard (OHSAS18001).

As well as recognising the effectiveness of our formal safety management systems, the audit process for certification demonstrated that we have a leadership and workforce positively engaged and committed to getting everyone home safe, every day.



USE OF DIGITAL

We see digital as a means to reinforce the Howdens model of strong local relationships between depots and their customers. We are building a digital capability with three objectives:

- Increase builder and consumer awareness of Howdens to help our customers sell Howdens product.
- Improve the communications between Howdens, tradespeople and their customers.
- Streamline and improve operating processes, freeing up time for depot staff and customers to use more productively.

Our new web platform offers customers improved product search and information, and has moved Howdens.com into more prominent positions, raising brand awareness with consumers.

Since June 2019:

- Howdens.com 'impressions' present in 1.5 million more search results a month.
- Visits to the site have seen growth of 22% year on year, exceeding an average of 3,000,000 visitors a week for the first time.
- Contacting of depots through the website has increased by 35%.

We also completed a programme to restructure and digitise our content. A new hierarchy, enriched product content and new advisory and editorial material make it easier and quicker for the user to find the information they want to view.

Around 80% of visitors are now entering the site via pages relating to specific search queries or terms, underpinned by search engine optimisation improvements targeting search terms most relevant to our products.

Views of product categories have increased both in kitchens, where visits to kitchen pages have risen by 43%, and in under-represented product categories such as hardware (up 76%) and doors (up 77%).

Refining style and product selections is now easier as we have provided the capability for each user to tailor these to their own requirements, enabling a more focussed discussion of consumers' needs with their builders and our designers.

In the second half of 2019, we tested ways of developing our digital offering further, in line with our aim to 'put a tradespersons' local depot in their pocket'.

- Working with account holders to understand their key requirements we developed and tested a secure trade-customer-only area of the website where they can manage their accounts and interface more efficiently with Howdens and their chosen depot in particular.
- Customers, behind a secure login, can view their credit details, make payments and access account details and download invoices and information at any time.
- During the test period 44% logged in outside of depot hours, 60% made a payment, and half downloaded documents. Average payments per customer were also well above the average company level.

Chief Executive's statement continued

5

new depots in France in 2019

Around

5

new French depots planned for 2020.

In January 2020 we instituted full roll-out of these trade account facilities which are now available to all customers. User feedback has been favourable, with usage rates rising.

We will be supporting our depots with on-boarding their customers to our new Trade platform, which we believe will enhance the strong local relationships the depots have with their builder customers.

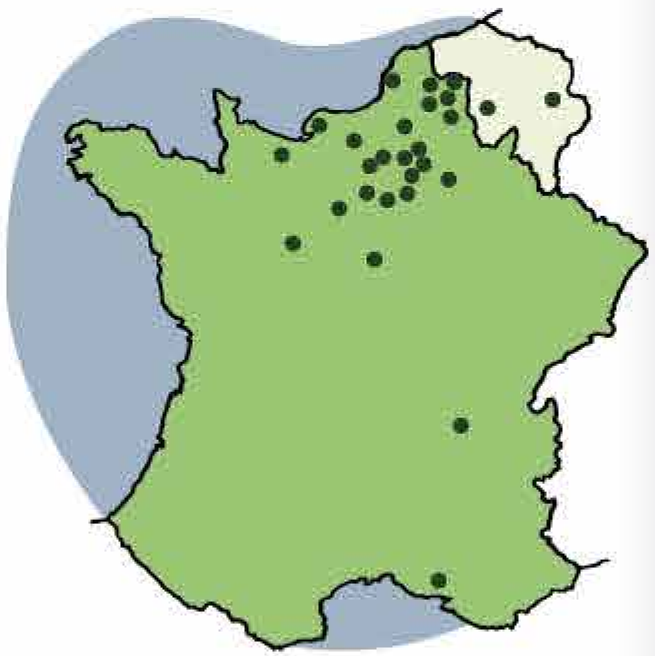
In 2020 we will continue to improve content and add more capabilities to our platform. We aim to develop further account and project management features together with functionality which assists local communications between depots and their customers.

We aim to test a new more efficient on-line account opening process for new customers. Having 'digitised' our product and marketing content in 2019 we can deploy these cost effectively across multiple channels and programmes and add fresh content efficiently.

INTERNATIONAL

Last year I explained why we believe there is potential for a viable city-based business in France. In 2019 we:

- Opened five new depots, four around Paris and one in Lille.
- Completed the rebranding of our international business from Houdan to Howdens which should enable the business to gain advantage from the UK brand equity, online search reputation and business efficiencies.
- Appointed a French national to lead our City based business in France, who has been in post since Autumn 2019.
- Completed the closure of our operations in Germany and the Netherlands with closure costs being in line with our expectations.
- The 22 depots opened before 2019 are now sufficiently profitable to cover all central costs, which are scaled for a larger business. Total sales of the depots opened in 2019 are in line with expectations.



We have identified further sites which would enable us to open more depots in France in 2020. Consistent with our policy of staffing new depots with 'Howden trained' teams, and assuming our business in France continues to perform in line with our expectations, we are targeting around five depot openings in 2020.

TURNING TO 2020

We aim to retain a profitable balance, in the light of prevailing market conditions, between price and volume , whilst working with suppliers to keep product and input costs down.

We plan to open around 30 depots in the UK, five in France and intend to convert around 30 existing depots to the new format.

We have a right-sized line up of new product for the first half which has been launched and is in-stock earlier than in 2019, which we believe will benefit sales across this year.

We also have a well-planned programme of second and third phase product introductions in place for later in the year, together with a series of Rooster promotions to encourage further footfall.

This year we will be making more of the product we sell in our UK factories.

Our new online trade account facilities are now available to all customers and in 2020 we will continue to improve content and add more capabilities to our digital platform.

We remain cautious on market conditions given economic uncertainties, including the UK's exit from the EU, the impact that forthcoming trade negotiations may have, and the consequences of Coronavirus outbreaks in a number of countries.

With respect to coronavirus, we are monitoring our supply chain closely and have increased forward stock levels for product sourced from China, whilst reviewing alternative sources and means of supply.

Whilst we are aware of the economic uncertainties that we face, we remain confident in our business model through changing economic conditions and of the benefits our initiatives will bring to our performance.

Andrew Livingston
Chief Executive Officer

26 February 2020

Key performance indicators

St Strategy | Ri Risk | Re Remuneration

FINANCIAL

Sales growth

Why we measure it

We believe that there are considerable opportunities to grow sales. As sales grow, we believe there are economies of scale which will also allow us to grow long-term profitability.

Links to strategy, risks and remuneration

- Ri Failure to maximise growth potential.
- Re Depot staff bonuses are directly linked to their depot's sales.

Progress

We are pleased with our progress. We saw total UK sales of £1.6bn in 2019, representing annual growth of 4.8%.

Profit before tax

Why we measure it

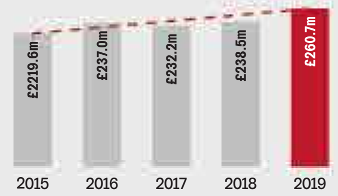
Profit before tax is a simple and widely understood measure. We consider that it gives a complete picture of our performance as it includes all of our operating, selling and distribution, admin and financing expenses.

Links to strategy, risks and remuneration

- Ri Failure to maximise growth potential.
- Ri Deterioration of model & culture.
- Re Executive Committee and senior management bonuses are directly linked to PBT.

Progress

We are pleased with our progress. Profits before tax grew faster than revenues at 9.4%, from £238.5m in 2018 to £260.7m in 2019.



Cash

Why we measure it

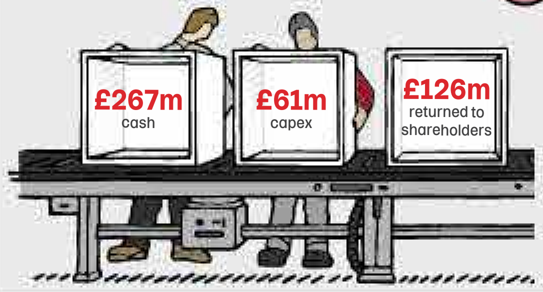
We aim to generate sufficient cash throughout the operating cycle to cover our investment needs, to retain at least one year's working capital requirement and to pay a dividend in line with our stated dividend policy (detailed on page 36).

Links to strategy, risks and remuneration

- St Prudent financial management.
- St Invest in our people & infrastructure.
- St Return surplus cash to shareholders.
- Re Executive Committee and senior management bonuses are directly linked to cash generation targets.

Progress

We are pleased with our progress.



NON-FINANCIAL

Depot openings

Why we measure it

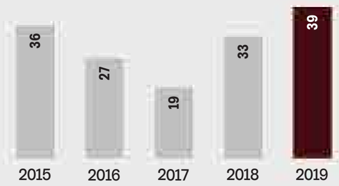
We believe that there is some way to go before the UK market is saturated. We continue to identify possible sites for new depots over the medium term whilst at the same time keeping our model flexible, and allowing us to take account of economic conditions and phase the speed of our growth accordingly.

Links to strategy, risks and remuneration

- St Expand our UK depot network.
- Ri Failure to maximise growth potential.
- Ri Deterioration of model & culture.

Progress

In line with our target, we opened 39 new UK depots in 2019, and five in France. We expect to open around 30 UK depots in 2020, plus up to five in France.



Health & Safety

Why we measure it

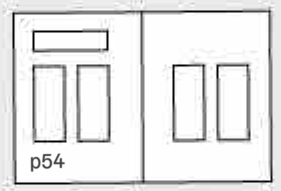
We have around 10,000 employees working in our factories, our logistics operation, our support sites and our depots and we need to keep them all safe at work.

Links to strategy, risks and remuneration

- St Our people.
- Ri Health & Safety.

Progress

We are pleased with our progress. See page 54 for more details.



Use of FSC® or PEFC certified materials

Why we measure it

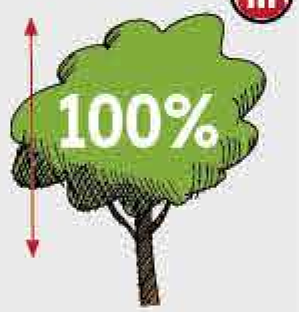
We use over a quarter of a million cubic metres of chipboard and MDF in our factories. FSC® and PEFC are the two main certification bodies, so ensuring that all our MDF and chipboard is certified by them gives us assurance over their provenance.

Links to strategy, risks and remuneration

- Ri Product relevance.
- Ri Continuity of Supply.

KPI

100% of wood-based material used in our manufacturing processes from FSC® or PEFC certified sources for the last 5 years



Key performance indicators continued

NON-FINANCIAL

Production waste recycling

Why we measure it

One of the pillars of our business model is our efficient production, which gives us a significant cost advantage. Recycling as much of our waste as we can reduces our costs and helps us to deliver long-term sustainable returns.

Links to strategy, risks and remuneration

St Prudent financial management.

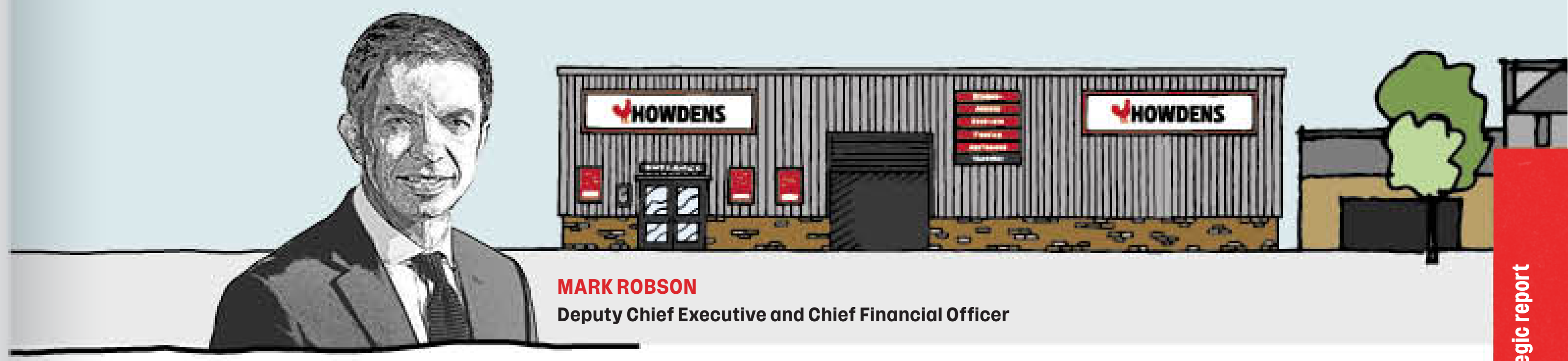
Progress

We are pleased with our progress. 99.8% of our production waste was recycled or reused. See page 58 for more details.

St Strategy Ri Risk Re Remuneration

Strategic report
Governance
Financial statements
Additional information

Financial review



MARK ROBSON
Deputy Chief Executive and Chief Financial Officer

FINANCIAL RESULTS FOR 2019

Revenue

Total Group revenue increased £72.3m to £1,583.6m. Howden Joinery UK depot revenue rose 4.9% to £1,550.3m (2018: £1,477.3m). UK revenue increased by 2.5% on a same depot basis to £1,507.1m (2018: £1,470.9m); this excludes the additional revenue from depots opened in 2018 and 2019 of £43.2m (2018: £6.4m).

4.8%
Increase in revenue

Revenue £m	2019	2018
Group:	1,583.6	1,511.3
Howden Joinery UK depots - same depot basis	1,507.1	1,470.9
UK depots opened in previous two years	43.2	6.4
Howden Joinery UK depots - total sales	1,550.3	1,477.3
Howden Joinery Continental European depots	33.3	34.0

Revenue €m	2019	2018
France and Belgium -same depot basis	37.4	36.3
Depots opened in previous two years	0.3	-
France and Belgium - total sales	37.7	36.3

8.3%
Increase in operating profit

Depot revenue in Continental Europe was £33.3m (2018: £34.0m), reflecting the closure of our depots in the Netherlands and Germany in January 2019. On a local currency basis, sales at our depots in France and Belgium increased by 3.8% and by 3.1% on a same depot basis. The profit earned by the depots opened before 2019 covered all European central costs in the year.

Gross Profit

Gross profit increased to £986.2m (2018: £932.2m). The gross profit margin of 62.3% (2018: 61.7%) reflected the impact of a price increase in January 2019. This resulted in an improved balance between price and volume.

Operating Profit

Operating profit rose to £260.0m (2018: £240.1m), giving an operating profit margin of 16.4% (2018: 15.9%).

Selling and distribution costs and administrative expenses were £726.2m (2018: £692.1m). Costs increased, as expected, due to continued investments in areas across the business, including new depots, digital upgrades and the additional depreciation arising from recent investments. There were also the one-time costs associated with the closure of our depots in Germany and the Netherlands of £5.8m, and the absence of the £3.8m GMP equalisation charge, incurred in the prior year.

Profit before and after tax

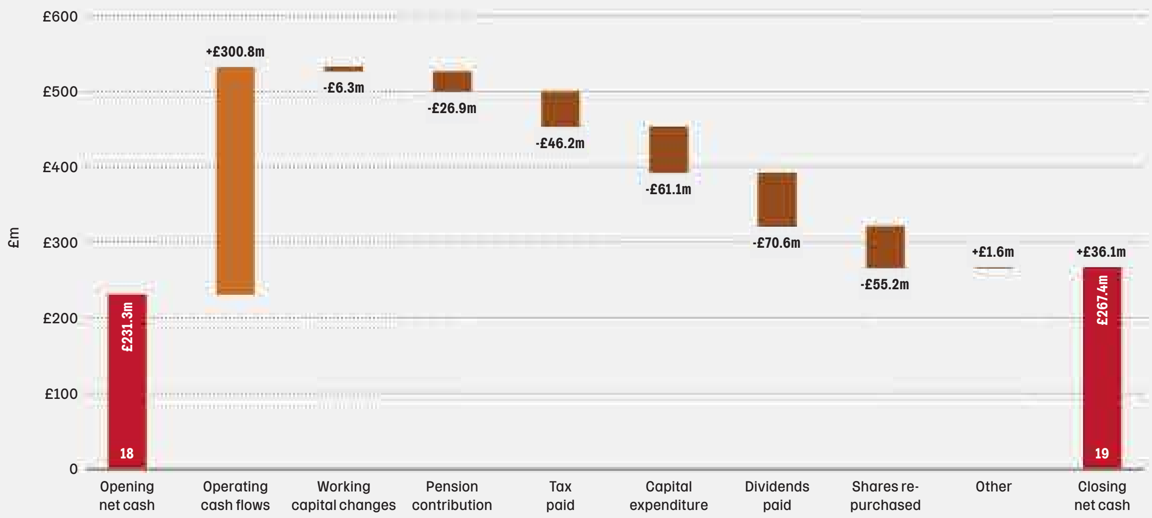
Net interest income was £0.7m (2018: charge of £1.6m), reflecting the lower finance expense in respect of pensions of £0.4m (2018: £2.3m). Profit before tax was £260.7m (2018: £238.5m).

The tax charge on profit before tax was £51.7m (2018: £48.1m), representing an effective rate of tax of 19.8% (2018: 20.2%). As a result, profit after tax was £209.0m (2018: £190.4m).

Financial review continued

SOURCE AND USES OF CASH

Net cash and cash flow



Uses of cash

Earnings per share

Reflecting the above and the reduced share count following share repurchases, basic earnings per share were 35.0p (2018: 31.3p).

Dividend policy and dividend

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

The Board has recommended to shareholders a final dividend of 9.1p (2018: 7.9p), giving a total dividend for the year of 13.0p (2018: 11.6p), an increase of 12.1%. This equates to a dividend cover of 2.7x (2018: 2.7x).

The final dividend payment of 9.1p per share will, if approved by shareholders, be paid on 19 June 2020, with an ex-dividend date of 21 May 2020 and a record date of 22 May 2020.

Cash flows

There was a net cash inflow from operating activities of £221.4m (2018: £163.2m).

Net working capital increased by £6.3m, mainly due to debtors that were up by £7.1m. This was due to Period 11 trading ending in early November, allowing payments to fall into the 2020 financial year, which started on 29 December 2019. Stock increased £5.5m due to depot openings, offset by creditors, up £6.3m.

Capital expenditure on assets including new depots, digital upgrades and investment in the next phase of our Raunds distribution centre, totalled £61.1m (2018: £44.3m). Net tax paid was £46.2m (2018: £45.4m), dividends paid were £70.6m (2018: £68.3m) and share repurchases totalled £55.2m (2018: £62.2m).

Overall, there was a net cash inflow of £36.1m, leaving the Group with net cash of £267.4m at year end (29 December 2018: £231.3m net cash).

Capital structure

The Board targets a capital structure that is both prudent and recognises the benefits of operational and financial leverage, and that, after considering our capital requirements, will return surplus cash to shareholders as appropriate. The Group has significant property leases for the depot network and continues to have a material deficit in the Group pension fund. Taking into account this underlying level of gearing, the Board believes it is appropriate for the Group to be able to operate through the annual working capital cycle without incurring bank debt.

The Board regularly reviews the Group's cash balances considering future investment opportunities, expected peak working capital requirements, trading outlook and dividend payments.

The Group will adopt IFRS 16 in 2020 which will bring leases onto the balance sheet for the first time. Note 2 to the Financial Statements gives details of the effect.

SHARE REPURCHASE

In March 2018, we announced a £60m share repurchase programme, of which £30.0m was remaining at the start of 2019. In February 2019, we announced a further share buyback programme of £50m to be completed during the following two years.

During 2019, the Group acquired 10.8m shares for a consideration of £55.2m. This completed the 2018 share repurchase programme and £25.0m of the February 2019 programme remains. Shares that were bought in the market during 2019 were cancelled.

Following the Board's recent review, it has been decided to complete the remaining £25.0m of the £50m 2019 share buyback programme in 2020 and return a further £85m to shareholders through another share purchase programme over the next two years.

Pensions

At 28 December 2019, the pension deficit shown on the balance sheet was £56.6m (29 December 2018: £36.0m). The increase in the deficit was due to a £196.9m increase in liabilities (the main elements of which are a £244.8m increase in liabilities primarily due to a reduction in the net discount rate, and a £47.9m decrease in liabilities due to adopting updated longevity assumptions), partly offset by an increase in asset returns of £149.8m and a £46.9m cash contribution.

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

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

The contribution to the pension deficit in the financial year ended 28 December 2019 was £30.0m (2018: £27.5m).

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Financial review continued

CURRENT TRADING AND OUTLOOK FOR 2020

Current trading

Howden Joinery UK depots sales in the first two periods of the new financial year (to 22 February), increased by 1.6% (-0.2% on a same depot basis), with one fewer trading day than in 2019. Excluding the first week of trading (which this year had 2.5 trading days, one fewer than in 2019), sales in 2020 were up 3.5% (1.6% on a same depot basis.

Outlook for 2020

In 2020, we expect additional operating costs of £20m to be incurred in respect of: the one-year impact of running the old National Distribution Centre whilst also incurring the costs of the second phase of our new Raunds distribution facility; digital upgrades; increased pension charges; and additional depreciation. These are in addition to the impact of ongoing growth in the business, inflationary pressures, new depots and any impact of foreign exchange rates. Compared to 2019, we will benefit from not bearing the £5.8m costs of closing our operations in the Netherlands and Germany. Capital expenditure of around £80m is expected, including the final phase of the Raunds distribution centre, together with further investment in digital and new depots.

The Group will adopt IFRS 16 for the year to 26 December 2020. The first report under IFRS 16 will be the June 2020 half-year report, released on 23 July 2020. Further details can be found in Note 2 to the Financial Statements on page 128.

With respect to coronavirus, we are monitoring our supply chain closely and have increased forward stock levels for product sourced from China, whilst reviewing alternative sources and means of supply.

Whilst we are aware of the economic uncertainties that we face, we remain confident in our business model for the future.

USE AND MANAGEMENT OF FINANCIAL INSTRUMENTS, AND EXPOSURE TO FINANCIAL RISK

The Group holds financial instruments for one principal purpose: to finance its operations. The Group does not currently use derivative financial instruments to reduce its exposure to interest or exchange rate movements.

The Group finances its operations by using cash flows from operations, and it has access to an asset-backed loan facility if additional financing is required. Treasury operations are managed within policies and procedures approved by the Board. The main potential risks arising from the Group's financial instruments are foreign currency risk, counterparty risk, funding and liquidity risk and interest rate risk, which are discussed below.

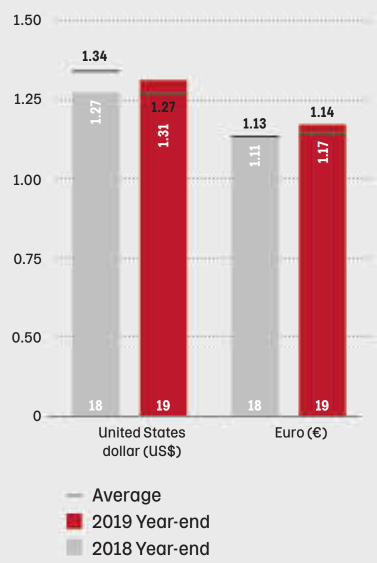
No speculative use of derivatives, currency or other instruments is permitted. The Treasury function does not operate as a profit centre and transacts only in relation to the underlying business requirements.

Foreign currency risk

The most significant currencies for the Group are the US dollar and the Euro. It is the Group's current policy that routine transactional conversion between currencies is completed at the relevant spot exchange rate. This policy is reviewed on a regular basis.

The net adverse impact of exchange rates on currency transactions in the year was £2.5m. The principal exchange rates affecting the profits of the Group are set out in the following table.

Principal exchange rates versus UK pound (£)



Counterparty risk

Group Treasury policy on investment restricts counterparties to those with a short-term credit rating at least equivalent to Standard and Poor's A-1 or Moody's P-1. It also places limits on the maximum amount which can be invested with a single counterparty. The Group continuously reviews the credit quality of counterparties, the limits placed on individual credit exposures and categories of investments.

Funding and liquidity

The Group's objective with respect to managing capital is to maintain a balance sheet structure that is both efficient in terms of providing long-term returns to shareholders and safeguards the Group's ability to continue as a going concern. As appropriate, the Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, the returns of capital to shareholders, the level of capital expenditure, or by issuing new shares.

The Group has a committed, asset-backed, bank facility which allows borrowing of up to a maximum of £140m, dependent on the actual levels of stock and trade debtors held at any time. The facility was not used at any point during 2019 and is in place until December 2023.

The Group's committed borrowing facility contains certain financial covenants which have been met throughout 2019. The covenants are tested every four weeks and are based around: (i) fixed charges; (ii) tangible net worth; and (iii) earnings before interest, tax, depreciation and amortisation (EBITDA) for Howden Joinery Limited.

In addition, our pension trustees, who carry a charge over the share capital of Howden Joinery Limited, have a separate covenant test around the EBITDA of Howden Joinery Limited.

The Group's latest forecasts and projections have been stress-tested for reasonably possible adverse variations in trading performance and show that the Group will operate within the terms of its borrowing facility and covenants for the foreseeable future.

At the 2019 year end, the Group had £267m of net cash and £138m of funds available to borrow under the committed borrowing facility.

Interest rate risk

The Group has not had any borrowings during 2019 and does not consider interest rate risk to be significant at present.

NEW ACCOUNTING STANDARDS

None of the new accounting standards that came into effect during 2019 had a material implication for the Group.

CAUTIONARY STATEMENT

Certain statements in this Annual 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.

By order of the Board

Mark Robson
Deputy Chief Executive and Chief Financial Officer

26 February 2020

Principal risks and uncertainties

What's changed in 2019?

- No new principal risks
- No changes to risk scores
- Biggest influences on risks over the year have been
  - Brexit uncertainty
  - Preparations to exploit growth opportunities

Our approach to risk

When we look at risks, we specifically consider the effects they could have on our business model, our culture and our long-term strategic objectives. These are set out on pages 14 to 21, and we encourage you to refer to them as you read this section. We consider both short and long-term risks within a timeframe of up to three years.

CLIMATE, ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

Our approach to identifying risks considers a wide spectrum of exposure areas that includes environmental and climate risks as well as social and governance issues.

RISK APPETITE

'Risk appetite' describes the amount of risk we are willing to tolerate, accept or seek. Our risk appetite is determined by the nature of the risk and how that risk could affect us.

We have a higher appetite for risks that present us with a clear opportunity for reward, and we actively seek out those that provide the greatest opportunities.

We have some appetite for risks with a possible opportunity for reward. With these risks, we carefully balance our mitigation efforts with our view of the possible rewards.

We have a very low appetite or tolerance for risks that only have negative consequences, particularly when they could adversely impact health & safety, our values, culture or business model. We aim to eliminate these risks with our mitigation efforts.

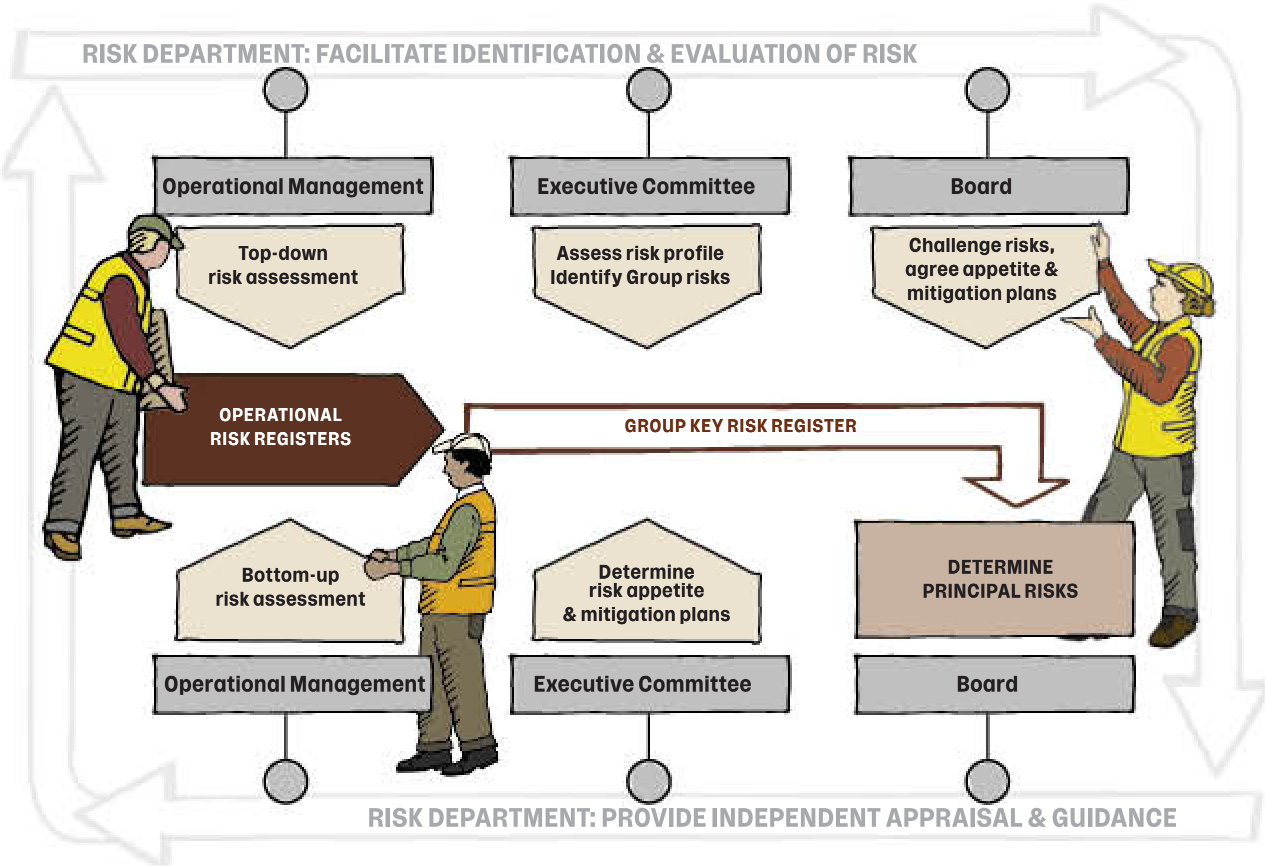
EMERGING RISKS

Our process considers both our current and emerging risks. Emerging risks are considered by the business and the risk management team as a part of every risk review. Both internal expertise and external resources are used to identify emerging issues and the potential impact of these could have on our business. Where appropriate, these are escalated to the Executive Committee and Board as part of our regular risk reporting.

With the World Health Organisation declaring the coronavirus outbreak a public health emergency of international concern, citing worries about its spread, we are identifying potential risks across our business, taking appropriate mitigation action as necessary and ensuring we keep up to date with the rapidly developing situation.

The risk management process

The main steps in the process are set out below:



- **Operational Management** review their risks regularly, to update their **Operational Risk Register**. They assess the likelihood and impact each risk could have on the business if not managed, identify what mitigations are in place to establish how much risk remains and discuss future mitigation strategies, where appropriate. They do this on both a top-down and a bottom-up basis.
- The **Group Key Risk Register** is formed of our most significant risks from across the entire business and gives an overview of how our risk profile is changing, how risks are being managed currently and future mitigation plans for review.
- **The Executive Committee** then review the Group Key Risk Register to assess any changes to our risk profiles. They also identify the risks that they are managing at a Group level. They then determine risk appetites and future mitigation plans for the Board to review.
- **The Board** challenge and agree the Group key risks, appetites and mitigation strategies twice yearly and use this information to determine the Group's principal risks.
- **The Group Risk Department** facilitates the identification and evaluation of risks, providing independent appraisal and guidance across the Group.

The principal risks are also taken into account in the Board's consideration of Long-Term Viability, as described in the Group Viability Statement on page 62.

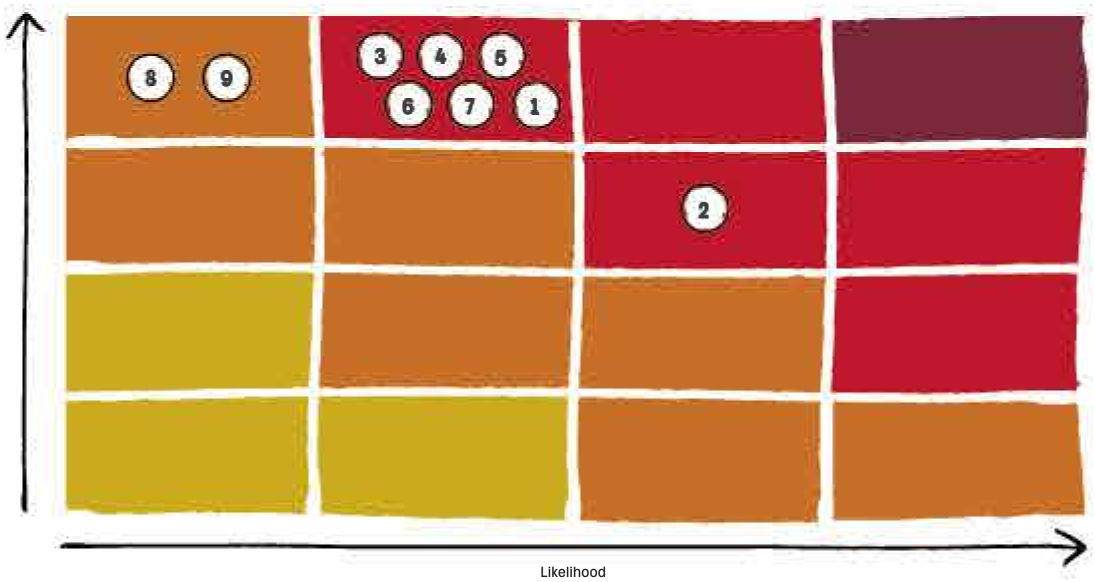
Principal risks and uncertainties continued

Principal risks

- No new principal risks
- No changes to risk scores
- Brexit remains a key risk influence
- 2019 Updates to mitigation actions

RISK HEAT MAP

To help visualise our principal risks, we have plotted them on the heat map below.
The individual risks are described in more detail on the following pages.



Risk movement in 2019

- Increased
- Stayed the same
- Decreased

Risk

1 Failure to maximise growth potential
2 Deterioration of business model and culture
3 Changes in market conditions
4 Interruption to continuity of supply
5 Loss of key personnel
6 Health and Safety
7 Cyber security incident
8 Product design relevance
9 Credit control failure

BREXIT RISKS

In line with the way we manage risks within the business, we have not presented a separate principal risk relating to Brexit. Brexit will impact a number of our existing risks, with the severity and timeframes varying significantly, depending on the nature of the UK's withdrawal from the EU.

The following table summarises some of the key risk areas. It also shows which of our principal risks these elements are managed under, and gives examples of key mitigating actions.

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

Principal risks and uncertainties continued

2019 Principal Risks

The arrows alongside each risk show the year on year change

1. FAILURE TO MAXIMISE THE GROWTH POTENTIAL OF THE BUSINESS

Risk and impact

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

Mitigating factors

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

Mitigation actions in 2019

- Rooster Depots; creating the best environment for our staff and customers to do business with us.
- Howdens.com; improved digital interface between customers and depots, to enhance those relationships and streamline operating processes to free up time in the depot.

2. DETERIORATION OF BUSINESS MODEL AND CULTURE

Risk and impact

- Our future success depends on continuing to maintain our values, our unique business model and our locally-enabled, entrepreneurial culture (see pages 15 and 18 to 19).
- If we lose sight of our values, model or culture we will not successfully service the needs of the local small builder and their customers, and our long-term profitability may suffer.

Mitigating factors

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

Mitigation actions in 2019

- Regular Board and Executive Committee events with staff across the business to emphasise Business Model and Culture.
- 2019 'Rooster Awards' event, bringing together almost 1,000 managers from across the business to discuss our Model and Culture.

Links to strategic areas

Growth · Depots · People · Finance · Digital

3. CHANGES IN MARKET CONDITIONS

Risk and impact

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

Mitigating factors

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

Mitigation actions in 2019

- Brexit preparations and investment in contingency stock.
- New Commercial function with customer focused market place insight.

4. INTERRUPTION TO CONTINUITY OF SUPPLY

Risk and impact

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

Mitigating factors

- We build strong relationships with our suppliers, focused on integrity, fairness and respect, and which are worthwhile for all concerned.
- Where appropriate we enter into long-term contracts to secure supply of key products, services and raw materials.
- Wherever possible we have multiple-sourcing strategies for our key products, to reduce the effect of a supply failure.
- We have invested heavily in our manufacturing operations and this investment gives us an enhanced disaster recovery capability.
- We are also investing in new warehouse space to support our distribution capabilities and equip them for growth.
- Brexit uncertainty has also driven us to increase stock holding of at-risk products to help ensure the continuity of supply.

Mitigation actions in 2019

- New Commercial structure to provide clearer accountabilities and closer working practices between Supply, Commercial and Trade teams.
- Obtained 'AEO' preferred importer/exporter status to reduce potential Customs delays.

Principal risks and uncertainties continued

2019 Principal Risks continued

The arrows alongside each risk show the year on year change

Links to strategic areas: Growth, Depots, People, Finance, Digital

5. LOSS OF KEY PERSONNEL

Risk and impact

- The skills, experience and performance of key members of our management team make a major contribution to the success of the business.
- The loss of a key member of the Group's management team could adversely affect the Group's operations.

Mitigating factors

- We use the Remuneration Committee to ensure that key team members are appropriately compensated for their contributions and incentivised to continue their careers with us.
- Work is ongoing to ensure that appropriate continuity and succession plans are in place. We will also continue to focus on leadership development and succession planning.

Mitigation actions in 2019

- Focus on Executive succession planning by Nomination Committee.

6. HEALTH AND SAFETY

Risk and impact

- Howdens is about people and relationships. We have over 750 depots, around 10,000 employees, hundreds of suppliers and hundreds of thousands of customers.
- Care for the health & safety of employees, customers, suppliers and everyone who comes into contact with Howdens is integral to our values and to our behaviour.
- If we don't ensure safe ways of working across the business, this could compromise the safety and wellbeing of individuals and the reputation and viability of the business.

Mitigating factors

- Since the beginning of our business, we have invested in safe ways of working. We have developed dedicated health & safety teams and formalised systems that help us stay safe.
- We monitor, review and update our practices to take account of changes in our environment or operations and in line with best practice and changing legislation.
- Most importantly, we make sure we keep talking about health & safety at every level of the business. See page 54 for our related KPI and discussion of our performance in recent years.

Mitigation actions in 2019

- Continued focus on H&S leadership & behavioural safety programmes across the business.
- Commenced phased enhancement from ISO18001 to ISO45001 standards across the entire business.

7. CYBER SECURITY INCIDENT

Risk and impact

- We depend on a core set of critical IT systems which are fundamental to the day-to-day running of the business. These systems are at risk from increasingly sophisticated security threats.
- If we experienced a major security breach, this could result in a key system being unavailable causing operational difficulties, and/or sensitive data to be unavailable or compromised. This could also lead to breach of customer data.

Mitigating factors

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

Mitigation actions in 2019

- New Head of Cyber Security role created, reporting directly to the group's Chief Information Officer.

8. PRODUCT DESIGN RELEVANCE

Risk and impact

- Ensuring that we have products that meet the design, price and quality needs of the small builder, and their customer, is a key focus of the business model and is a critical element of our future success and growth aspirations. Kitchen technology and design do not stand still, and our products must reflect that.
- If we do not support the builder with new products that their customers want, we could lose their loyalty, and sales could diminish.

Mitigating factors

- Our dedicated product team regularly refresh our offerings to meet builders' and end-users' expectations for design, price, quality and availability.
- We work with external design and brand specialists and attend product design fairs to monitor likely future trends.
- Our local depot staff have close relationships with their customers and end-users, and we actively gather feedback from them about changes in trends.
- We work with our suppliers, to develop new and improved products for the future, some of which are unique to Howdens. A number of new products were introduced during the year across all product categories, and more are already planned for 2020.

Mitigation actions in 2019

- 12 new kitchen ranges introduced including a new handleless design.
- Improved how we align our product offering to our customers and their customers' needs.
- Lamona appliance range improved and increased.

9. CREDIT CONTROL FAILURE

Risk and impact

- When a builder comes into one of our depots for the first time, we offer them a trade account, so they can complete the job before paying Howdens. Many of our customers rely on our trade account facilities, as cash flow is often critical to small businesses.
- Failure to provide, or service these facilities could affect our ability to continue to support our customers, and potentially our ability to collect debt. This could have a direct impact on both our revenue and our working capital.

Mitigating factors

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

Mitigation actions in 2019

- Builder log-on on Howdens.com, providing customers with improved ways to manage their trade account.
- Insurance obtained to mitigate the risk of exploiting large account opportunities.

Sustainability Matters

Sustainability Matters

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Why Sustainability Matters to us

SUSTAINABLE BEHAVIOUR GENERATES LONG-TERM VALUE

Howdens is a growing business, with exciting prospects for the future. Sustainable behaviour will help us continue to grow over time in a way that preserves our culture, maintains focus on our business model, mitigates our risks and addresses the needs of our stakeholders.

SUSTAINABILITY BEHAVIOUR IS PART OF OUR CULTURE

When we talk about the Howdens culture, we describe it 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 operate in.

SUSTAINABLE BEHAVIOUR SUPPORTS OUR UNIQUE BUSINESS MODEL

Sustainable behaviour gives us a competitive advantage.

Lowest cost production in our dedicated UK factories leads naturally to minimising waste, energy and raw materials. Our mission statement aim of 'no-call-back quality' means that we need to produce and source product which is durable and safe.

Being trusted partners to both our suppliers and customers means that our relationships with them need to work for all parties over the long term.

We have over 750 depots in the UK and Europe, and the relationships that those depots rely on to trade profitably mean that our success relies on us being a good neighbour in each of those communities.

SUSTAINABLE BEHAVIOUR MITIGATES OUR RISKS

We discuss our principal risks on pages 40 to 47. Sustainable behaviour helps us to address some of those risks.

For example, we place a great emphasis on looking after our people. We invest in keeping them safe, developing their skills, and offering them rewarding careers and a great place to work. We do this because it's the right thing to do, but it also mitigates our 'Health & Safety' and 'Loss of key personnel' risks.

Developing and maintaining sustainable supplier relationships mitigates the 'Interruption to continuity of supply' risk, and energy-efficient, safe, tested and durable product mitigates our 'Product design relevance' risk.

THE BOARD LEADS OUR COMMITMENT TO SUSTAINABILITY

The importance of sustainable behaviour is recognised right through the business. You can see the Board's Statements of Intent on Health & Safety and Sustainability on our website at www.howdenjoinerygroupplc.com/sustainability/group-health-safety-and-sustainability-policies.

WHAT ARE THE MATERIAL SUSTAINABILITY AREAS FOR US AND OUR STAKEHOLDERS?

We've organised this report into five sections, reflecting the main areas of importance to us and to our stakeholders:

People: keeping them safe, offering rewarding careers.

Sustainable supply chain: sustainable sourcing, shared values throughout the supply chain, active monitoring of suppliers.

Sustainable product: safe, traceable, energy-efficient and durable.

Environment: reducing waste, responsible operations, lowering emissions.

Communities: local community projects, our nationwide work with Leonard Cheshire Disability, Community Kitchens.

OUR SUSTAINABILITY KPIS

Our sustainability KPIs cover safety, use of wood from certified sources and re-use, recovery and recycling of waste. You can find them on pages 54, 56 and 58.

Sustainability Matters

Our impact on our stakeholders

ENVIRONMENT

240,000m^3 of chipboard from sustainably managed UK forests

99.8% of manufacturing waste recycled or reused

12,000 tonnes of waste sawdust converted to energy to heat our factories

PEOPLE

450 apprentices in training. Tailored apprentice programmes across the Group

10,000 full-time jobs with prospects. In UK manufacturing, in over 750 local depots and in distribution, systems and support

100% of employees in share ownership schemes, or similar

Top 25 Best Big Companies to Work For

SHAREHOLDERS

£126m returned to shareholders in dividends and buybacks

WIDER ECONOMY

£70m of rent paid to around 650 commercial landlords

£330m of tax generated or collected. Corporation tax, NI, PAYE and VAT

£270m of working capital extended to over 400,000 small businesses in our peak trading period. No fees, up to 8 weeks to pay

£61m capital investment in the year. Investing in UK manufacturing and distribution. Expanding our depot network in the UK and France

COMMUNITY & CHARITY

15th year of our national partnership with Leonard Cheshire. £0.75m donated in 2019. Supporting young, disabled adults to find valuable roles within their communities

3,600 other charity donations. £1.5m given to local charities and community activities across our network

PEOPLE

£440m of wages, salaries and benefits paid to our employees

Responsible for all or part of the pensions of over

18,000 people

£260m cash contributed to our pension schemes in the last five years

Employing people in over **750** communities

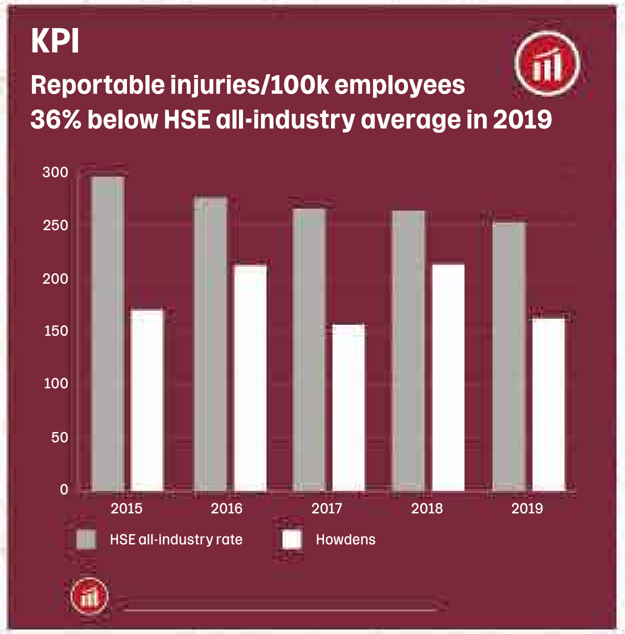
Sustainability Matters

Our people

Keeping them safe and healthy, offering them rewarding careers

Keeping our people safe and healthy

Focusing on a safety culture, supporting employees' physical and mental health



We have around 10,000 employees and we want all of them to go home, safe and healthy every day.

We are pleased that our safety KPI - the level of RIDDOR reportable injuries - continues to be significantly below the UK industry average, and we continue to invest in safe behaviours, processes and machinery to continue to maintain and improve these high standards.

In 2018 we reported in detail on our Safe to Trade programme for our depot network, and Safe to Supply for our factories and logistics network. In 2019 we extended this to the solid surface fitters involved in kitchen and worktop fitting with Safe to Fit.

Safe to Fit offers practical safety guidance to our own employees as well as subcontractors and our customers, to reduce risks associated with processing and installation of solid stone products. The final element of our 'Safe to..' strategy is Safe to Support, for our colleagues in support functions, which will give us a unified but tailored approach across the whole business.

Our focus on building robust systems and processes has given us strong foundations to drive the maturity of our safety culture forward. The 'Safe To..' programme is built on strong safety leadership, engagement and inclusion of everyone in safety, and working towards a fair and just culture where everyone takes responsibility for themselves and others - an interdependent culture.

Given our focus on driving further improvement through developing a strong safety culture, we welcome the new global health and safety standard ISO 45001. This builds upon the outgoing standard, OHSAS 18001 - which we have held since 2008 - with an increased emphasis on safety leadership, culture and employee participation.

We are very pleased to have achieved ISO 45001 certification in 2019 for our factories and logistics network, and our objective is to have the new standard in place across the whole Group by the first half of 2021.

We continue to work with other leading companies and external consultants to share best practice, to help us benchmark and to learn and challenge ourselves. We hope that these actions will improve our safety record even further in the future.

We also recognise the benefits of supporting our employees' mental health and wellbeing, both at work and at home. Our free and completely confidential Employee Assistance Program is available to all employees and offers mental and physical health support, counselling, coaching, help with challenging life situations and legal advice.

Offering rewarding careers

Great rewards, great opportunities to develop, great place to work

We pay a good basic salary; all of our pay rates are above living wage and most of them are well above it.

We also offer a range of benefits, including pension schemes which we contributed £57m to in 2019, for the benefit of our 18,000 current and past employee members. We give free shares to all our people who stay with the company for at least three years so that they can share in our growth.

Part of our culture and our business model is that we offer staff the chance to get significant bonuses for exceptional performance. Depot, manufacturing and warehouse staff bonuses are directly linked to the specific profitability or productivity of their area, so teams are directly rewarded for their hard work.

We offer rewarding career opportunities because we want to recruit the best people, and when we've found them we want to keep them. We're very proud that a lot of our staff choose to stay with us to develop their careers. When carrying out some analysis of our HR records during 2019, we found that almost half of our staff have been with Howdens for more than 5 years, and 85% of manager vacancies had been filled by existing employees.

We also employ 450 apprentices throughout the business, offering a range of worthwhile futures and high-quality nationally-recognised qualifications to people across the country. We work with local colleges to develop bespoke apprentice programmes, tailored to the specific skills and development needs of our apprentices, and which also fit the needs and demands of a growing modern business. See a video about our apprentice programs on our website here: www.howdenjoinerygroupplc.com/about/our-people.asp

We've increased the number of apprentices in the business in 2019 and we currently have apprentices working and learning skills in areas such as sales, customer service, warehouse work, senior leadership, business admin, HR, manufacturing, engineering, IT, design, truck driving and business improvement techniques. These programmes offer development opportunities for all levels - from school leavers learning foundation skills to experienced staff doing master's degree level qualifications.

Find out more about working with Howdens, and see our current vacancies on our careers website at https://careers.howdens.com.

Employee engagement:

Best Big Companies to Work For 2020

As part of our employee engagement activities, we have taken part in the Sunday Times Best Big Companies to Work For assessment process every three years since 2010. This involves a comprehensive survey, sent in confidence by an independent third party to every one of our employees.

The survey asks them for their views on their manager, their team, their wellbeing, personal growth and future prospects, whether they think they get a fair deal, the company as a whole, the leadership, and whether they think that Howdens gives back to society and has a positive impact.

We are very pleased that our employees' views have led to us being in the top 25 Best Big Companies to work for on every occasion, as well as being awarded a 2 Star Best Companies accreditation which recognises 'an outstanding commitment to workforce engagement'.

We also won a special 'Giving Something Back' award, recognising the work we do in our communities, with particular recognition given to the volunteer On-Call Firefighter and Emergency Medical Responder teams that operate from our factory and warehouse sites and work with their local Fire and Rescue Services to save lives and support their local communities.

Strategic report
Governance
Financial statements
Additional information

Sustainable supply chain

Sustainable sourcing, actively engaging with our supply chain

Sustainable sourcing

Timber management and chain of custody, shared values throughout the supply chain

KPI

100% of chipboard & MDF used in our manufacturing processes from FSC® or PEFC™ certified sources

100%

FOR FURTHER KPIS SEE PAGES 32-34

In 2019 we used 237,000 cubic metres of chipboard and 44,000 cubic metres of MDF in our factories - that's enough to fill the Royal Albert Hall more than three times. We use either FSC or PEFC certified chipboard & MDF in our manufacturing process. All the new kitchen ranges we introduced during 2019 were from one of these certified sources.

This means that the wood comes from responsibly managed forests and that we have independent documented evidence of an unbroken chain of ownership all the way from the forest to us, via the mill, the importer, and our suppliers.

We are also a member of the Timber Trade Federation which requires our commitment to implementing an environmental due diligence system to fulfil the Federation's responsible purchasing commitments.

We continually look to improve our processes and our awareness of timber sourcing risks. This includes attending workshops run by The Office for Product Safety and Standards who monitor and enforce the Timber Regulations, so that we can keep up to date with the latest developments.

We only want to work with suppliers who share our ethical values. We are clear about our expectations and we aim to align them through our whole supply chain.

Every year we bring our main suppliers together at a forum to talk about shared issues. This benefits both us and our suppliers, and is an example of the principle that our business needs to be 'worthwhile for all concerned'.

As well as talking to our suppliers about product development, we use the supplier forum as an opportunity to repeat and reinforce our expectations for sustainability and ethical behaviour. We tell our suppliers what we need from them and we work together to come up with solutions.

Active engagement with our supply chain

Supplier assessments, risk-based testing, ethical procurement

We know that there will always be potential ethical, social and environmental risks in our supply chain, and we are committed to understanding, identifying, and minimising them as much as possible. We will only trade with a supplier when we have carried out a thorough risk assessment and are satisfied that we have credible evidence that they meet our high standards.

In 2019 we have continued to strengthen our approach to reducing supply chain risks. We make our expectations clear in our supplier contract terms and conditions, which include specific ethics and sustainability clauses. We also have a Supplier Code of Conduct where we set out what we expect and how we will monitor that suppliers are complying.

After clearly setting out our standards and expectations, we then work to understand the specific risk profile of each supplier.

In 2018 we started to use Sedex, a leading worldwide platform for sharing responsible sourcing data, to help us assess supplier risk and to verify any specific mitigations which may be in place. Sedex is used by over 50,000 members in over 150 countries. It is a place where suppliers can share a wide range of sustainability data and accreditation information for their companies and their individual operating sites, as well as the results of independent third party sustainability audits.

We encourage all our suppliers to become members of Sedex. For those who are not, we use a combination of specific questionnaires and targeted verification processes - which may include us commissioning an independent sustainability audit.

We need our people to understand and demonstrate best practice and integrity, so we've given them training to support them in their dealings with suppliers. All of our buyers and our compliance team have taken and passed the Chartered Institute of Procurement and Supply's Ethical Procurement & Supply training, and we have a rolling programme of refresher training on Modern Slavery and Anti-Bribery.

There is more information about the work we do to safeguard against human rights violations, in both our own business and our supply chain, in our modern slavery statement. You can find this in the Sustainability section of our investor relations website.

Sustainable product

Offering our customers a range of high-quality, durable products

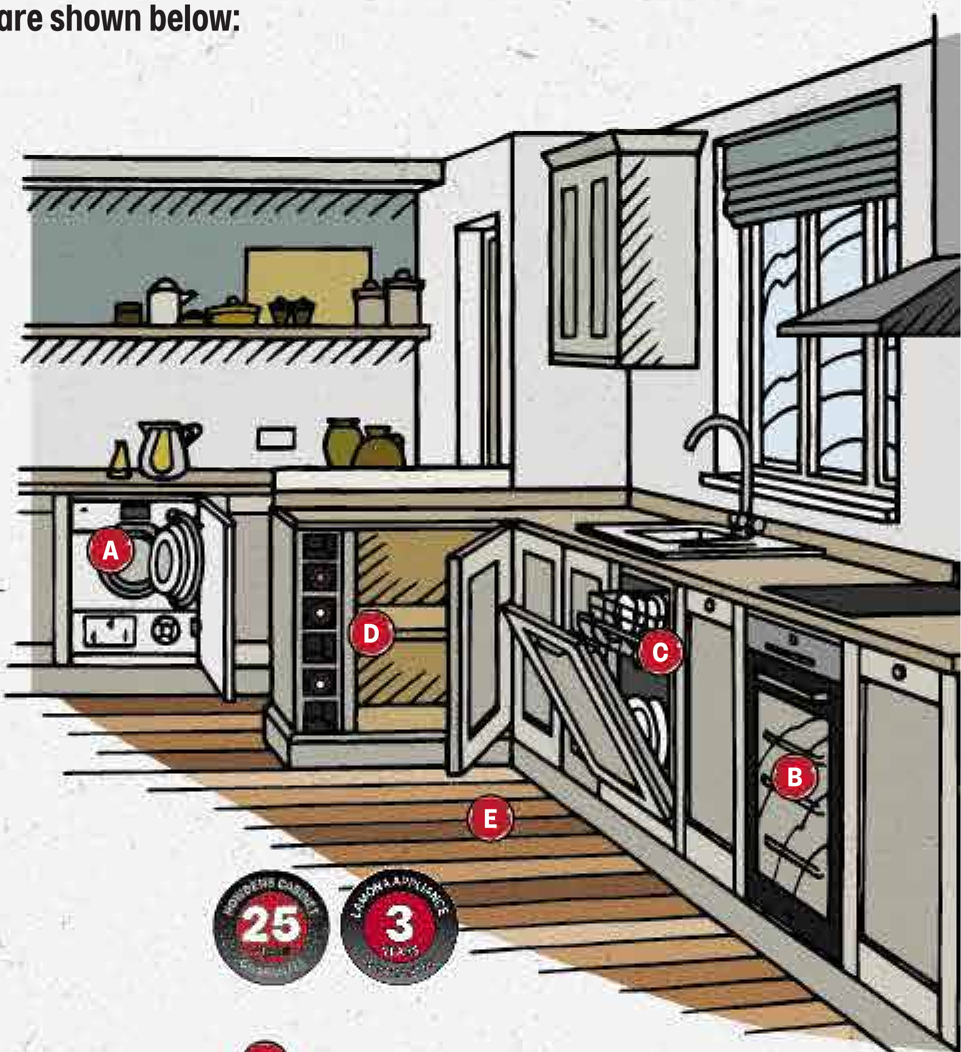
We need to offer our customers and end-users a range of high-quality products which are durable, energy-efficient and responsibly produced, as well as looking good and offering excellent value for money.

We have direct control of these factors with the cabinets, frontals and worktops that we make in our UK factories. We know where the raw materials are sourced from, and we can test the finished products to levels beyond industry standards in our own test laboratories. This allows us to be confident offering a 25 year guarantee on our cabinets, for example. It's part of our mission statement: 'No-call-back quality'.

For the product we buy in, our aim is to develop long-lasting and trusted relationships with responsible suppliers. As the UK's number one kitchen brand, we can offer suppliers sufficient volume to make it worth their while committing investment funds to develop efficient products to our demanding specifications. It's part of our culture: 'Worthwhile for all concerned….creating the conditions that allow everyone to succeed'. It also allows us to offer a three-year warranty on all our Lamona appliances.

We're always working in our factories and with our suppliers to make our product offer more sustainable.

Some of our current highlights are shown below:



A Lamona heat-pump tumble dryer

- Co-developed with a long-term supply partner, requiring the supplier to commit to significant R&D expenditure in a project that lasted several years
- A unique product on the market - the first integrated heat-pump tumble dryer. Required the supplier to re-engineer the pump to fit into an integrated appliance
- We can encourage suppliers to do this because we have sufficient scale
- A+ energy rating. Uses 41% less energy than the product that it replaced.
- 98% recyclable at the end of its life

B Lamona dual cavity single oven

- Top and bottom fans with dividing shelf in the middle
- Allows you to just heat half of the oven, or to heat both halves to different temperatures, saving energy. Also allows you to use the whole oven as one space if you need it
- 91% recyclable at the end of its life

C Lamona dishwasher

- A++ rated
- Saves an average of 560 litres of water/yr over our standard dishwasher, and is 5db quieter
- 84% recyclable at the end of its life

D Cabinets

UK MANUFACTURED

- Made in our own UK factories from 100% FSC or PEFC compliant raw materials, sourced from UK forests
- 25 year guarantee - we know it's made to last
- Cabinet foot made out of recycled plastic

E Howdens bamboo flooring

- Twice as durable as oak - can be sanded and refinished up to 5 times
- Bamboo is renewable and much faster-growing than hardwood
- 25 year residential guarantee

Sustainability Matters

Our environment

Reducing waste, responsible operations, lowering emissions

Reducing waste

Reducing amounts to landfill, highly-efficient production, turning production waste into energy

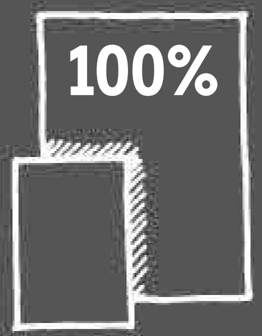
KPI

Total % of production and warehouse waste reused, recovered and recycled

99.8%

FOR FURTHER KPIS SEE PAGES 32-34

100% of all packaging used in our manufacturing is from recycled or certified sources



We're very pleased to have improved our KPI from last year's figure of 98.5% to this year's 99.8%. We are even more pleased that by the end of 2019 we had managed to find a way of recycling the one remaining element of waste so that we will be operating at 100% in 2020.

Highly-efficient production is one of our strategic aims as it gives us a competitive cost advantage. Over the years we've invested in efficient production machinery and in software that takes the constantly-changing production mix, and maximises the number of panels that we can get from each sheet of chipboard. We've also worked with our chipboard supplier to develop a new size of board that allows us to minimise cutting waste even further.

Nevertheless, the sheer scale of our manufacturing operations means that we still generate a lot of sawdust waste. At both of our factories, we have invested in biomass boilers which burn this waste to produce heat. They allow us to reuse waste, they reduce our emissions and they save us the cost of the equivalent bought-in fuel.

In 2019, we converted 12,000 tonnes of sawdust into energy at our Howden and Runcorn sites. This is enough sawdust to fill 15 Olympic swimming pools. Burning it onsite means that it doesn't have to be transported elsewhere to be reused. It also saves us money. We generated 46,000 MWh of energy from our biomass boilers in 2019, equivalent to the average annual electricity consumption of around 12,000 households.

Responsible operations

Energy-efficient factories and warehouses

All our factories, warehouses and transport sites hold the ISO 14001 standard for Environmental Management. This assures us that we have sustainable processes in place, and it encourages us to look for improvements.

2019 initiatives in our factories should give us an aggregate energy saving of around 0.8 million kWh per year, the equivalent of the annual energy use of 50 average homes. Our total electricity used in manufacturing was 4% less than last year, despite a 5% increase in factory production volumes.

The cumulative effect of the energy saving projects in our factories since 2010 means that despite manufacturing 45% more finished goods per annum in 2019, we used 18% less electricity to make them.

Safe and efficient transport fleet

Our sustainability-award-winning transport fleet drives over 16 million miles per year, so it needs to be efficient and safe.

All of our trucks are of the latest and most efficient European standard. We then add further measures to the standard vehicles to increase efficiency.

We also invest in safety and energy-efficiency training for our drivers. We combine this with in-cab telemetry and a system of daily debriefs where driver behaviour is assessed against energy-efficiency and safety targets. We reward drivers who reach the highest standards, and we work with any who need help to improve.

We keep looking for further improvements and we continue to work with industry bodies and truck manufacturers in trials of new technology.

Lowering emissions

Efficient operations lead to reduced emissions

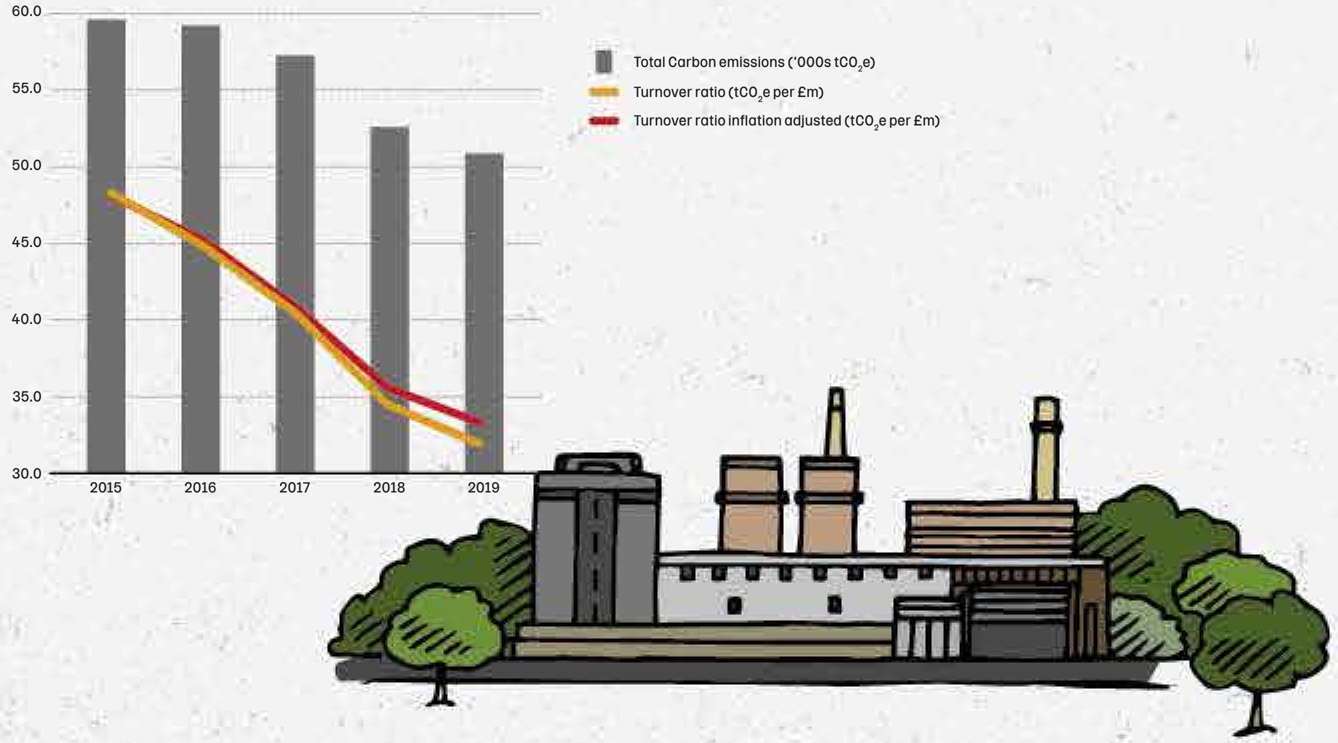
GREENHOUSE GAS AND EMISSIONS REPORTING

We are pleased to report that our total emissions have reduced in 2019 despite an increase in turnover.

Turnover increased by 4.8% in 2019, whilst the turnover ratio decreased by 7.6% and the inflation adjusted turnover ratio decreased by 6.4%. We will continue to look for further improvements. Our record over the past five years is shown on the chart below.

	Total CO_2 Emissions (Tonnes) 2019	Total CO_2 Emissions (Tonnes) 2018
Scope 1 - Direct: Gas	2,622	3,472
Scope 1 - Direct: Diesel	28,705	26,683
Scope 1 - Direct: Other fuels	690	898
SCOPE 1 - DIRECT: TOTAL	32,016	31,053
Scope 2 - Indirect: Electricity	18,517	21,130
SCOPE 2 - INDIRECT: TOTAL	18,517	21,130
TOTAL (Scope 1 and 2)	50,532	52,183
Turnover (£m)	1,583.6	1,511.3
Turnover ratio (tCO_2e per £m)	31.9	34.5
Inflation adjusted turnover ratio (tCO_2e per £m)	33.3	37.0

Emission source data is converted to carbon tonnes using the conversion factors published by Defra. Source data includes meter readings for electricity and gas and purchasing records for other fuels.



Sustainability Matters

Our communities

Local community projects

Local involvement on a nationwide basis, thousands of donations, £1.5m contributed

Each of our depots, and every one of our manufacturing, distribution and support sites, has an important role in the life of its local community. Each site depends on the local community for its success and growth; for customers and staff.

Our culture is based on personal relationships and individual accountability, and we encourage our people to support and engage with local activities and charities.

We make our products, time and cash available for staff to get involved in all sorts of ways. This year we have donated 40 kitchens to local good causes, and paid for them to be fitted. These kitchens go into places like village halls and community centres, as well as to organisations that provide education and employment skills training for young adults with additional needs. It helps them to continue to serve their neighbourhoods.

We also support thousands of small local projects with cash donations. Typical donations may be just a few hundred pounds, but they will make a big difference. They might cover things like:

- Helping local hospices to fund vital care for patients or counselling for bereaved families.
- Donating cash to local air ambulance charities, helping them to keep on providing essential emergency services.
- Buying kit for a local children's sports team.
- Donating cash to a local hospital's appeal for vital equipment.
- Donating stock to help renovate facilities at a local community centre or scout hut.

In 2019, we've made over 3,600 separate donations which have involved us giving cash or products worth £1.5m.

Our culture of giving back to the local community also shows in the actions our people take as individuals. Every year, we support our people as they take the Howdens culture and make it personal. They give up their time and put themselves to the test to raise money for all sorts of local and national causes. Some of the amazing things our people do are showcased in a video on our website here: www.howdenjoinerygroupplc.com/about/our-people.asp

We hold the Charities Aid Foundation Gold Award in recognition of the high level of employee participation in payroll giving. As an example, in 2019 a team of nine from our East Midlands region raised over £19,000 for a local children's hospital by completing a gruelling million metre row.

Leonard Cheshire

15th year of partnership. £750,000 donated, 27 inclusive kitchens donated, 'Can Do' projects

We've had a successful partnership with Leonard Cheshire since 2004 it continues to grow. In 2019 we have donated cash and goods worth £0.75m.

Leonard Cheshire's aim is to support individuals to live, learn and work as independently as they choose, whatever their ability. They work for a fairer, more inclusive society that recognises the contributions that we all make and where we can all play our part.

Like Howdens, they value local relationships, and their work supports people to be active and proud members of their local communities.

Our work with Leonard Cheshire is currently focused in two areas:

- Designing and fitting inclusive kitchens in their care homes and day centres so that disabled people can live more independently.
- Helping young people living with disabilities to play an active role in their communities through Howdens' sponsorship of the 'Can Do' volunteering programme.

Inclusive kitchens

Howdens are experts at designing inclusive and democratic kitchens that can help a wide range of people with different needs. This could range from features that help the youngest and oldest members of multi-generational families, to features that can help people with limited mobility, sight or other additional needs.

All of our kitchen ranges are available with a variety of inclusive features such as easy access cabinets, pull-down shelves and pull-out storage, variable-height worktops for sinks and preparation areas, high-contrast work surfaces and cupboards to help with limited sight, and raised plinths to allow wheelchairs to pass below.

There is an obvious fit between our skills in inclusive kitchen design and the needs of Leonard Cheshire's residents. We have pledged to supply and fit inclusive kitchens from our range wherever they are needed in any of Leonard Cheshire's homes across the country, and we have been doing this for many years. In 2019 we fitted a further 27 kitchens nationwide.

One of the kitchen users commented: "I struggle with my disability every day and find baking a great way to improve the mobility in my arms. For me it's like occupational therapy in that it keeps my hand movement going. At first, I struggled to maintain a grip on items, but I'm building strength now."

The manager of one of the Leonard Cheshire homes where we fitted an inclusive kitchen told us: "Having a fully accessible kitchen for our service users is extremely important for their independence. I couldn't begin to describe the hours of freedom and joy, and the levels of independence this kitchen will bring to our residents."

Can Do

We began to support the Can Do programme in 2010 and we are its single biggest funder. Can Do is a skills development programme for people aged 16-35 with a disability or long-term health condition. It gives them the chance to develop important life and work skills, boost their self-confidence, give back to their community and add something to their CV.

It does this by supporting them to devise and take part in a range of projects in their local community. The participants design their projects according to their specific needs and interests, so they cover a wide range of activities.

In 2019, for example, projects have ranged from community sports events to garden renovation to making videos to raise awareness. The Can Do programme provides these activities in a safe environment where young disabled people can step out of their comfort zone to develop their skills, while mixing with their peers and having the opportunity to gain a City & Guilds qualification.

Howdens support has helped Can Do expand from four locations in 2010 to 24 locations in 2019, supporting 3,000 young people per year through meaningful projects in their local communities.

90% of participants said that they had learnt new skills which would help them in the future.

Some feedback from Can Do participants in 2019 were: "I now feel far more confident in myself and have gained more skills. I have also tried things I've never done before.", that it "gave me a good sense of independence", and "I have achieved a lot in a short time on Can Do and there's a lot of improvements to master in the future".

Case Study

Community kitchens

During 2019 we worked with one of our suppliers, NEFF, to donate new kitchens to two community centres, in Leeds and London. The aim behind these community kitchens is to bring local residents together to share recipes and learn new skills.

With a national decline in cooking skills, the project provides a space for people of all generations to share recipes, cook, socialise and eat well together, as well as catering for community events.

Home cooking skills are crucial to healthier, more sustainable diets. In response to local demand, the kitchens run courses to support people to build life skills in cooking, and also budgeting, self-reliance and caring for their own health through better diets.

Our depots are at the heart of local communities, so we're proud to support initiatives like this.

Going Concern and Viability statements

GOING CONCERN

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

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

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

LONG TERM PROSPECTS AND VIABILITY

Assessment of long-term prospects

The Directors have assessed the Company's long-term prospects, with particular reference to the factors below:

Current position

- history of profits, strong net profit margins
- debt-free. Consistently cash-generative. Proven ability to maintain strong cash balances whilst also investing for growth and returning cash to shareholders. £140m lending facility available if needed
- strong relationships with suppliers and customers, built on trust
- proven ability to flex the operating cost base in a severe economic downturn
- robust disaster recovery and business continuity framework

Strategy and business model

- proven, successful business model
- scope, and resources, for growing the depot network in line with announced plans
- clear strategic direction

Robust assessment of principal risks

- the Directors' role in the risk identification, management, and assessment process is outlined on pages 40 to 47, together with details of the principal risks and mitigations
- the Directors are satisfied that they have carried out a robust assessment of the Company's principal risks

Assessment of Viability

The Directors' review of the Company's long-term viability was mainly done with reference to the Company's annual strategic planning process, which looks forward over a three-year period.

The three-year plans were subjected to sensitivity analysis which modelled reduced income, cash flow and capital expenditure scenarios, modelled on the biggest downturn in sales and margin that the Company has ever experienced over a three year period.

The Directors consider that the reasonably foreseeable financial effects of any reasonably likely combination of the Company's principal risks are unlikely to be greater than those effects which were modelled in the downturn scenarios.

The results of the sensitivity analysis showed that the Company would remain profitable over the three-year period, and would not need to use its current lending facility. The testing did not factor in any mitigating actions that would be open to the Company in the event that such a downturn was experienced.

Having taken into account the Company's current position, strategic plans and principal risks in their evaluation of the prospects of the business, the Directors concluded that they have a reasonable expectation that the Company will continue to operate and to meet its liabilities as they fall due during the three year period to December 2022.

Other Directors' statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors are required to prepare Group Financial Statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the Financial Statements.
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SECTION 172(1) STATEMENT

The Board reviews all matters and decisions through the consideration and discussion of reports which are sent in advance of each of their meetings and through presentations to the Board. When the Directors discharge their duty as set out in section 172 of the Companies Act 2006 ('section 172' or 's.172'), they have regard to the other factors set out on page 76 and they also consider the interests and views of other stakeholders, including our pensioners, regulators and the government, and the customers of our trade customers.

The Directors are required to include a statement of how they have had regard to stakeholders and the other factors set out in section 172(1)(a) to (f) when performing their duty. The full s.172(1) statement may be found on pages 74 and 75. On page 75, we have set out examples of how the Directors have had regard to the matters in s.172(1)(a) - (f) when discharging their section 172 duty.

NON-FINANCIAL REPORTING

In order to consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006 in respect of Non-Financial Reporting, the table on page 121 shows where in this Annual Report and Accounts to find each of the disclosure requirements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Having made the requisite enquiries, the Directors in office at the date of this report have each confirmed that, so far as they are aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each of the Directors has taken all the steps they ought to have taken as a Director to make themself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and the undertakings including the consolidation taken as a whole;
- the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and Company and the undertakings including the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:

Andrew Livingston
Chief Executive Officer

Mark Robson
Deputy Chief Executive and Chief Financial Officer

Governance

Corporate Governance Report
Includes the Chairman's introduction (pages 66 and 67) and the Board's key activities in 2019 and for 2020 (pages 70 and 71).

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Board of Directors
Each Director brings their own perspective, experience and skills, which collectively contribute to a Board which can effectively govern and contribute to the long-term sustainable success of the Company.

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Executive Committee and Company Secretary
Our Executive Committee is made up of senior employees who assist the Executive Directors in the day-to-day management of the Company.

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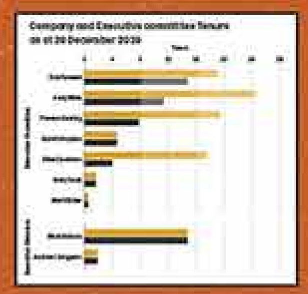
Section 172(1) Statement and Stakeholder Engagement
Our stakeholders are always considered in the decisions we make, but it's imperative that we engage and foster long-term relationships with them so that we truly understand their experience of the Company.

74

2018 UK Corporate Governance Code Application and Compliance
The UK Corporate Governance Code is the framework by which we can benchmark our governance arrangements.

79

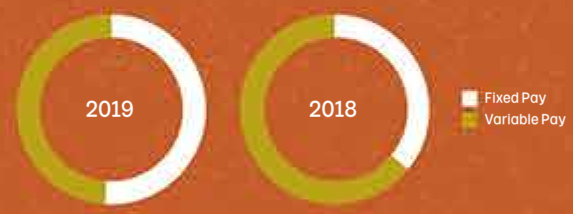
Nominations Committee Report
The recruitment of talented individuals to the Board and senior management team ensures we can remain competitive.



84

Remuneration Committee Report
Fair and balanced remuneration practices for our Executive Directors and senior managers plays a key role in ensuring sustainable growth of the business and the fulfilment of our strategic objectives.

Total Executive Director - Fixed vs Variable Pay



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Audit Committee Report
The oversight of the financial reporting process and the Company's system of internal controls is a crucial pillar in our governance framework.

112

Directors' Report
The Directors' Report is a requirement of the Companies Act 2006.

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Corporate Governance Report

Board Meeting Attendance

Richard Pennycook (6/6)
Mark Allen (3/6)[1]
Karen Caddick (6/6)
Andrew Cripps (6/6)
Geoff Drabble (6/6)
Louise Fowler (1/1)[2]
Tiffany Hall (5/5)[3]
Andrew Livingston (6/6)
Mark Robson (6/6)
Debbie White (6/6)

1. Mark was unable to attend the February and April meetings due to his commitments at Dairy Crest and the November meeting due to health reasons. Mark received all of the Board papers in advance of the meetings and was able to feedback his views to the Chairman.
2. Louise was appointed to the Board on 1 November 2019.
3. Tiffany retired from the Board on 17 September 2019.

INTRODUCTION FROM THE CHAIRMAN

The new principles-based approach adopted in the latest version of the UK Corporate Governance Code encourages companies to demonstrate throughout their reporting how the governance of the company contributes to its long-term sustainable success and achieves wider objectives. As such we have ensured that our Annual Report and Accounts as a whole address the Principles and Provisions of the Code.

Reporting

Our reporting of culture and purpose are considered in detail in the Strategic Report. Consideration of our wider objectives and broader societal contribution is detailed in our 'Sustainability Matters' report.

The detail we have set out in the corporate governance reports is intended to provide you with more granular detail, not about our model or our results, but information about the teams delivering and overseeing those results and their reporting hierarchies.

In our Corporate Governance report we identify who our key stakeholders are, how we engage and foster relationships with them and how consideration of their needs have influenced our decision-making. In the Nominations Committee Report we consider in more detail how we manage succession at Board and senior management levels. In our Remuneration Committee Report we consider how our Executive pay aligns with strategy. And in the Audit Committee Report we consider what the procedural safeguards are that we have in place to protect the interests of our stakeholders.

We have updated our corporate governance reports this year to draw out more clearly the disclosures which matter most to our stakeholders. Parts of these reports unavoidably must cover statutory and other regulatory disclosures but, where possible, we have moved some of the information previously contained in these reports online or put them elsewhere in the Annual Report to prioritise the information which matters most.

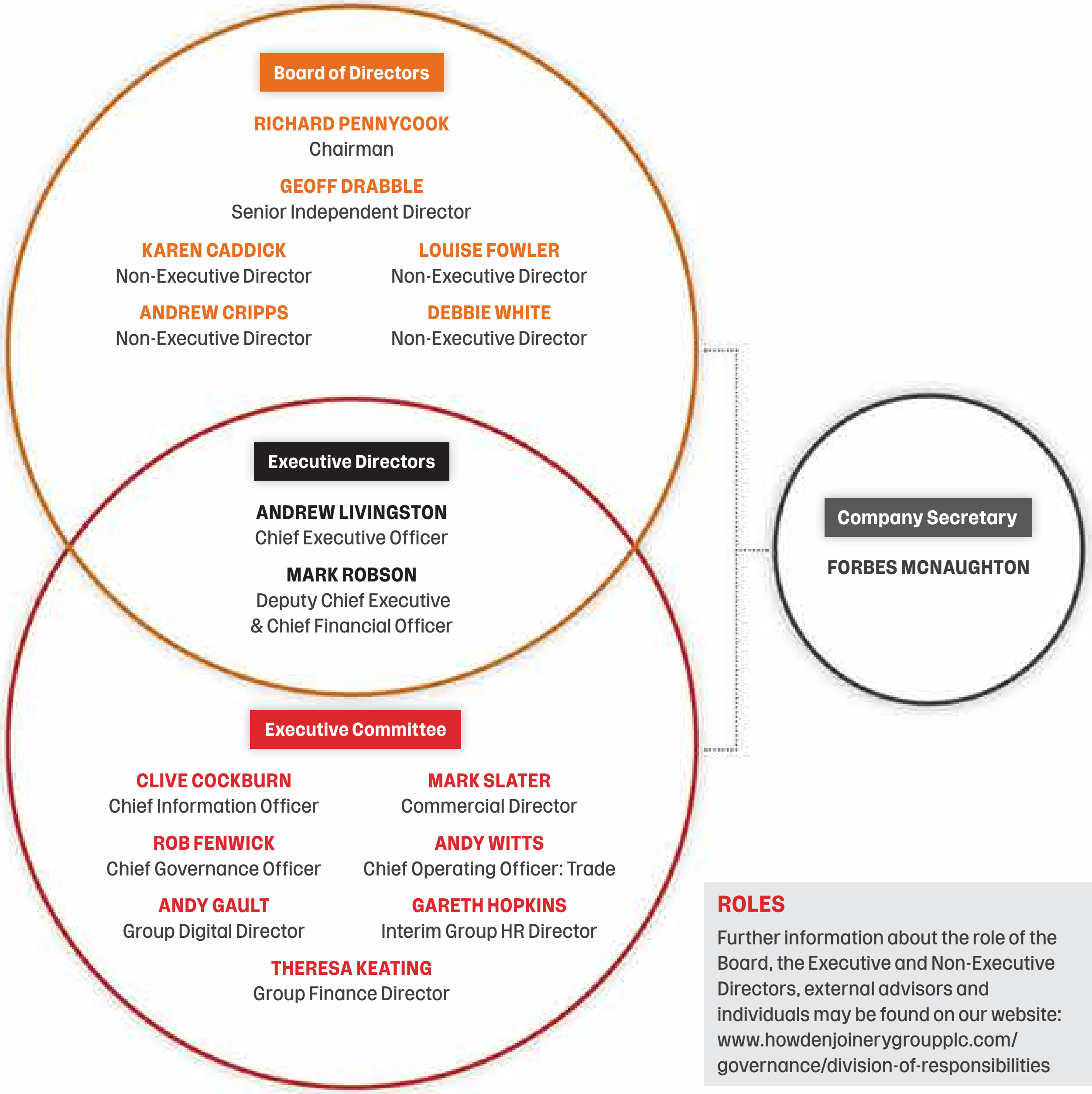
Agenda

Like many companies, the Board's agenda is driven by financial and non-financial matters and we have provided more detail this year to demonstrate how the matters we considered and the decisions we made are aligned with the different stakeholders. We have embedded good processes for employment engagement and equality, diversity and inclusion and we will improve these processes over time. We are also dedicating more time to our environmental agenda.

But the Board recognises that all of this is only possible if our purpose is clear, our commercial strategy is sound, our leadership teams are fit-for-purpose and our financial controls robust. These things must remain our primary focus and they will deliver the long-term, sustainable success for all of our stakeholders.

Principles first

It is true to say that Howdens is no stranger to a principles-based approach. The Company was founded on the single principle that it must be worthwhile for all concerned. That is as true today as it ever was and it continues to underpin all strategic, all commercial and all governance decision making.



2020 ANNUAL GENERAL MEETING ('AGM')

Details of the 2020 AGM may be found in the 'Additional Information' section on page 176.

SHARE CAPITAL AND SIGNIFICANT AGREEMENTS

Specific statutory and regulatory disclosures previously contained in this report have been moved to the 'Additional Information' section on pages 176 and 177.

ROLES

Further information about the role of the Board, the Executive and Non-Executive Directors, external advisors and individuals may be found on our website: www.howdenjoinerygroupplc.com/governance/division-of-responsibilities

Corporate Governance Report continued

Board of directors

Executive Directors

ANDREW LIVINGSTON
Chief Executive Officer

Andrew was appointed CEO Designate in January 2018 and was appointed to the Board as Chief Executive Officer on 2 April 2018.

Other listed company appointments

Non-Executive Director at LondonMetric Property Plc

Contribution to the long-term sustainable success of the Company

Andrew has a strong track record of performance, execution and driving change through improving digital capability, ranges and new site openings. He also has knowledge of key European geographies, is a competent French speaker, and has a strong entrepreneurial mindset. Andrew's mindset fits the Howdens culture which has served the Company well and is fundamental to its success. He was previously the CEO of Screwfix.

MARK ROBSON
Deputy Chief Executive and Chief Financial Officer

Mark was appointed Deputy Chief Executive in May 2014, having joined the Board in April 2005 as Chief Financial Officer.

Contribution to the long-term sustainable success of the Company

Mark has served on the Board since April 2005 and in this time has accrued deep sector and market knowledge relevant to Howdens. Mark has an excellent reputation underpinned by his record of achievement across a number of different sectors. He also has relevant financial experience from his major finance roles at Delta plc and ICI and trained as an accountant at Price Waterhouse.

Non-Executive Directors

RICHARD PENNYCOOK
Independent Non-Executive Chairman

Richard was appointed to the Board in September 2013 and became Non-Executive Chairman and Chairman of the Nominations Committee in May 2016.

Other listed company appointments

Chairman of On the Beach Group plc[1]

Contribution to the long-term sustainable success of the Company

Richard has in-depth knowledge of UK listed companies and the associated high corporate governance standards required by such companies. He has served in remuneration, audit and nominations committee chairman roles and as board chairman. Richard also has extensive experience in logistics, supply chain management, retailing, manufacturing and consumer goods, and therefore he brings a wealth of relevant knowledge to the Board.

GEOFF DRABBLE
Senior Independent Director and Non-Executive responsible for workforce engagement

Geoff was appointed to the Board in July 2015 and became Senior Independent Director in September 2019.

Other listed company appointments

Chairman of Ferguson Plc[1]

Contribution to the long-term sustainable success of the Company

Geoff brings extensive experience of the building products and construction markets having spent over a decade as CEO of Ashtead Group Plc in addition to his current appointment as Chairman of Ferguson plc. He also has extensive experience from his time as an executive director at the Laird Group, where he was responsible for the Building Products division. Geoff understands and has managed businesses with multi-site depot operations and he has strong business-to-business sector experience.

Key to Board committee membership

- Chair of Committee
- Nominations Committee
- Remuneration Committee
- Audit Committee

Independence

The Board considered that all of the Non-Executive Directors were independent for the full duration of the period being reported on and that Richard Pennycook was independent upon his appointment as Chairman.

Non-Executive Directors

KAREN CADDICK
Independent Non-Executive Director

Karen was appointed to the Board in September 2018 and became Chair of the Remuneration Committee in September 2019.

Contribution to the long-term sustainable success of the Company

Karen's professional experience provides her with a strong diversity of perspective and cultural fit to help with the leadership of the Howdens business. Having served as the Group Human Resources Director of large listed organisations such as Saga plc and currently at RSA Insurance Group plc, Karen has particular strengths in organisational development, delivery of diversity programmes, and executive remuneration. These attributes have stood Karen in good stead when she succeeded Tiffany Hall as chair of the Remuneration Committee in September 2019 and has made her a valuable addition to the Nominations Committee.

ANDREW CRIPPS
Independent Non-Executive Director

Andrew was appointed to the Board in December 2015 and became Chair of the Audit Committee in May 2016.

Other listed company appointments

Deputy Chair of Swedish Match AB

Contribution to the long-term sustainable success of the Company

Andrew brings extensive experience as a non-executive director and audit committee chair with particular knowledge of branded consumer and business-to-business products, manufacturing and distribution in the UK and continental Europe. His experience of multisite wholesale distribution to small business customers at Booker Group plc is valuable to the Board's decision-making process. He is a Chartered Accountant and former Finance Director with extensive recent and relevant financial experience.

LOUISE FOWLER
Independent Non-Executive Director

Louise was appointed to the Board in November 2019.

Other listed company appointments

Non-Executive Director of Assura plc

Contribution to the long-term sustainable success of the Company

Louise has over 25 years' customer, brand and digital experience at a senior level. Her experience encompasses publically listed and private businesses, the mutual sector and not-for-profit organisations. Louise's strong background in consumer experience and reputation is valuable to the Company as it strives to provide a strong aftersales service to further support the builder customer. Her digital experience will also provide valuable insight given the investment the Company is making in its digital programme.

DEBBIE WHITE
Independent Non-Executive Director

Debbie was appointed to the Board in February 2017.

Contribution to the long-term sustainable success of the Company

Debbie has direct operational experience in the business-to-business sector from her time as CEO at Interserve plc. She also has in-depth knowledge of the UK and French markets, both of which Howdens operates within. Her previous experience as a chief financial officer and as chair of the audit committee of the charity Wellbeing of Women ensures Debbie has strong financial awareness and competence. Debbie has also supported management in the formation and delivery of its equality, diversity and inclusion ('EDI') programme.

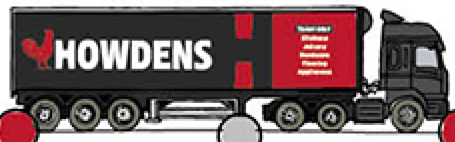
1 The Board considered Richard's appointments as Chairman to On the Beach Group Plc and Boparan Holdings Ltd and Geoff's appointment as Chairman to Ferguson Plc prior to their appointment. The Board were satisfied that both had the requisite time available to commit to all of the their responsibilities in their respective roles. In both instances the Board recognised that they were retiring from other roles. Further information is available on page 81.

Howden Joinery Group Plc Annual Report & Accounts 2019

Corporate Governance Report continued

Key Board Activity

2019



JANUARY

- Board evaluation feedback
- Five-year plan
- Pensions update[1]
- Brexit contingency planning and downturn modelling
- Health & Safety
- Key Risks and Principal Risks
- Non-Executive Director fees
- A tour of the Howdens new product Expo in Northampton preceded the meeting

Executive Committee presenters:

- Andy Witts (COO: Trade)
- Kevin Barrett (Group Development Director[3])

FEBRUARY

- Draft 2018 preliminary results
- Draft 2018 Annual Report and Accounts and 2019 AGM documents
- Dividend and capital returns strategy
- Group policies and statements
- Updated Long Term Incentive Plan ('LTIP') rules
- Amended Articles of Association
- Principal Advisors
- Health and safety

APRIL

- Diversity Working Group
- Health & Safety
- Malus & Clawback, Shareholding and Competition Law policies
- Investor relations, including broker feedback following preliminary results
- A session focusing on strategy and the Company's five year plan followed the meeting

Executive Committee presenters:

- Gareth Hopkins (Interim Group HR Director)

MAY - AGM

- A meeting of the shareholders of the Company was held and all resolutions were passed, including for a new Executive Director Remuneration Policy, a new set of LTIP rules, and amendments to the Articles of Association. Members had the opportunity to ask questions of the Board

JULY

- Diversity Working Group
- Brexit planning
- Raunds development
- Health & Safety
- Draft interim results and announcement
- Principal Risks
- Health & Safety and Sustainability Statements of Intent

Executive Committee presenters:

- Theresa Keating (Group Finance Director)
- Kevin Barrett (Group Development Director[3])
- Rob Fenwick (COO: Supply[2])

SEPTEMBER

- Pensions update[1]
- Investor relations, including broker feedback following interim results
- Key risks
- Corporate governance
- Health and safety

A session with the Group's corporate lawyers, Freshfields, followed the meeting. The following topics were covered:

- Directors' duties
- Market Abuse Regulations
- FRC reform
- Market developments in takeover defence

Executive Committee presenters:

- Rob Fenwick (COO Supply*)

OCTOBER - NOVEMBER

Board effectiveness evaluation

Further details available on pages 90 and 91

NOVEMBER

- 2019/20 Executive Business Priorities
- P11 performance
- French and Belgian operations
- Market and competitor analysis
- Digital programme
- Health & Safety
- Shares and dividend forfeiture programme
- Investor relations

Executive Committee presenters:

- Andy Witts (COO: Trade)
- Kevin Barrett (Group Development Director[3])
- Andy Gault (Group Digital Director)

2020

JANUARY

- 2019 External Board Evaluation
- 2020 Budget
- Environmental, Social and Governance ('ESG') plans
- Pensions (including a presentation from the chair of trustees)
- Employee Engagement
- Health & Safety
- Whistleblowing
- Investor Relations

FEBRUARY

- Draft 2019 preliminary results, draft 2019 Annual Report and Accounts and 2020 AGM documents
- Risk Management
- Shareholder and capital returns
- Health and safety

APRIL

- The Board will be taken on a tour of the Company's 'Expo' (our annual new product exhibition)
- Strategic opportunities
- Draft Interim Management Statement
- Health & Safety
- Investor Relations
- Group Policies and Statements

MAY

- AGM - further details on page 176

JULY

- Draft 2020 Interim results
- Digital Programme
- Commercial update
- ESG plans
- Pensions
- Whistleblowing
- Health & Safety

SEPTEMBER

- The Board will be taken on a tour of the Howden factories.
- Employee Engagement
- Investor Relations
- Key Risks
- Corporate Governance
- Health and safety

NOVEMBER

- Operations and Commercial update
- ESG plans
- Health & Safety
- Board Committees' Terms of Reference and the Schedule of Matters Reserved for the Board
- Investor relations
- 2021 Board calendar

Set out above and on the facing page are highlights of the matters the Board considered (or will consider - see 2020 Activities on the opposite page) as part of its annual meeting cycle. Not all of the matters the Board considered or will consider are listed, therefore this should not be considered an exhaustive list of activities.

In addition to the matters shown on the timeline above, at each meeting the Board received detailed strategic, operational and financial updates from the CEO and DCEO & CFO. The Board also considered aspects of Group culture and strategy at various points during the year in addition to the more focused strategy session at the April meeting.

Governance and Risk

The Board received governance, legal and regulatory updates at regular intervals from the Company Secretary and the Board's advisors. It also continued to receive regular updates from the Brexit Readiness Sub-Committee (a sub-committee of the Executive Committee).

Risk remains a matter reserved for the Board and a detailed review of our risk management processes and principal risks can be found on pages 40 to 47. We have reviewed our risk management processes and remain satisfied that they are robust and effective. Reporting from our whistleblowing helpline is also considered by the Board on a biannual basis.

Attendees

Following the successful CEO transition process, the Board agreed that the standing invitations of the Divisional Operating Officers, Group Finance Director and Interim Group HR Director were no longer required for the smooth running of the meetings. Individual Executive Committee members and senior managers were invited to present to the Board and its Committees as required.

Shareholder Engagement

Information about how we interact with shareholders can be found in our new section on Stakeholder Engagement on pages 76 to 78.

1. The Company's actuaries reported to the Board on routine funding and investment matters.
2. Rob Fenwick was appointed Chief Governance Officer in January 2020. Prior to this, he served as Chief Operating Officer of the Supply Division. Further information about Rob's change of role may be found in the Nominations Committee Report on page 89.
3. At the date of this report, the role of Group Development Director was no longer an Executive Committee role.

Corporate Governance Report continued

Executive Committee and Company Secretary

Executive Directors

ANDREW LIVINGSTON
Chief Executive Officer

MARK ROBSON
Deputy Chief Executive and Chief Financial Officer

Andrew and Mark's profiles may be found on page 68

Executive Committee Members

CLIVE COCKBURN
Chief Information Officer

Clive joined Howdens in October 2002 and has been a member of the Executive Committee since January 2016.

Clive was appointed Chief Information Officer having joined Howdens in 2002 as Head of IT Infrastructure and Service Delivery. Prior to joining, he held senior IT positions in Hays Logistics UK, United Transport Limited and Exel Logistics Plc.

ROB FENWICK
Chief Governance Officer

Rob joined Howdens in January 2001 and has been a member of the Executive Committee since April 2005.

Between October 2005 and December 2019, Rob was responsible for the Supply Division. As part of the succession planning for the Executive Committee, Rob was appointed Chief Governance Officer in January 2020, further information about which may be found on page 89. Prior to joining Howdens, Rob worked in the automotive and FMCG sectors.

ANDY GAULT
Group Digital Director

Andy joined Howdens in April 2018 as a member of the Executive Committee.

Andy has over 20 years' retail eCommerce experience having worked at leading retailers such as Screwfix, B&Q and Travis Perkins. His eCommerce experience encompasses the disciplines of supply chain and buying. He is also a member of the IMRG Advisory Board and has served on the Google Retail Advisory Council ('EMEA').

GARETH HOPKINS
Interim Group HR Director

Gareth joined Howdens in April 2015 as a member of the Executive Committee.

Gareth was appointed Interim Group HR Director having previously worked in the business as a HR consultant for 15 months. He has worked as an interim HR Director in FTSE 250 companies for 15 years and was previously Group HR Director at Dairy Crest and Whitworths.

Executive Committee Members

THERESA KEATING
Group Finance Director

Theresa joined Howdens in September 2000 and has been a member of the Executive Committee since February 2012.

Theresa was appointed Group Finance Director in May 2014, having been Group Financial Controller since 2007. She joined the Group Finance team in 2000 having previously held various commercial finance roles at Waterstones, HMV and Heals. Theresa is also a trustee of E-Act, a multi-academy trust.

MARK SLATER
Commercial Director

Mark joined Howdens in June 2019 as a member of the Executive Committee.

Mark has over 25 years' experience in retail and trade businesses working in senior commercial, marketing and strategy roles. Prior to joining the business Mark held senior commercial positions with Travis Perkins Plc, Home Retail Group and Dixons Carphone.

ANDY WITTS
Chief Operating Officer: Trade

Andy joined Howdens in July 1995 and has been a member of the Executive Committee since September 2008.

Andy was one of the founding members of the Howdens depot management team, having joined from Magnet in 1995. He was promoted from the regional team to become Sales Director in January 2007 and was appointed Chief Operating Officer of Trade in January 2014.

Company Secretary

FORBES MCNAUGHTON
Company Secretary

Forbes joined Howdens in July 2012 and was appointed Group Company Secretary in May 2014.

Forbes joined the Company as Deputy Company Secretary in 2012 following a period of secondment from KPMG. He is a fellow of the Institute of Chartered Secretaries and Administrators ('ICSA') and is Secretary to the Executive Committee as well as to the Board of Directors.

Corporate Governance Report continued

Directors' Duties

SECTION 172(1) STATEMENT

A director of a company is required to act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, the director must have regard, amongst other matters, to the following:

HOWDENS

ENVIRONMENT AND COMMUNITY

The impact of the company's operations on the community and the environment.

LONG-TERM THINKING

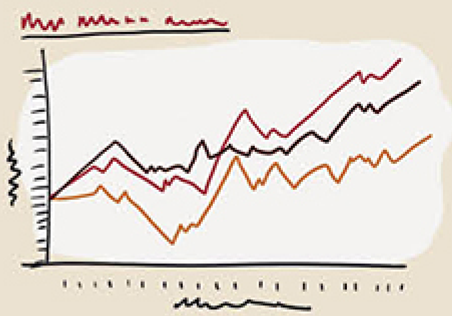
The likely consequences of any decision in the long term.

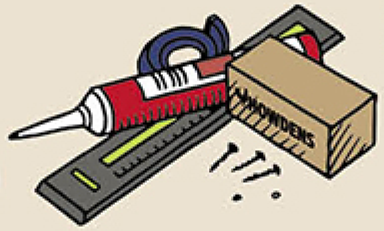
REPUTATION

The desirability of the company for maintaining a reputation for high standards of business conduct.

INVESTORS

The need for every member to be treated fairly and for no member to be favoured over another member.





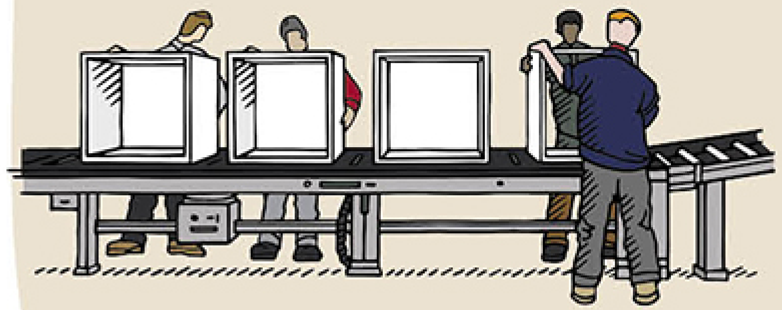
SUPPLIERS

The need to foster the company's business relationships with (amongst others) suppliers and...

...customers.

WORKFORCE

The interests of the Company's employees.



CUSTOMERS

Howdens is a company that strives to be worthwhile for all concerned. It's the principle that it was founded on. But balancing the needs and views of all of our stakeholders is challenging as there are often competing interests. This is why the Board first and foremost considers our purpose, our culture, our mission and our strategy to ensure all decisions have a clear and consistent rationale. For details on the matters which the Board discussed and debated during 2019 please see pages 70 and 71. Details about our key stakeholders, how we engage with them, and how we foster relationships with them may be found on pages 76 to 78.

As Directors, when we discharge our duty as set out in section 172 of the Companies Act 2006 ('Section 172'), we have regard to the other factors set out on the previous page. In addition to these factors, we also consider the interests and views of other stakeholders, including our pensioners, regulators and the government, and the customers of our trade customers.

We have set out some examples below of how the Directors have had regard to the matters in s.172(1)(a)-(f) when discharging their Section 172 duty and the effect of that on certain decisions taken by them in 2019.

LONG TERM INCENTIVE PLAN

In February 2019, the Board approved a new set of long-term incentive share plan ('LTIP') rules to be put to shareholders at the AGM in May 2019. The new LTIP rules had been updated to ensure they reflected best market practice and regulatory changes. In reaching its decision to put the new LTIP rules to shareholders, the Board had regard to a number of factors. The Directors considered the flexibility the rules afforded the Board to grant a variety of share award types over the lifetime of the LTIP, which would ensure the Board could award the most appropriate type of award to individuals or groups in order to drive desirable behaviours. This is particularly important from a long-term risk management point of view.

The Chair of the Remuneration Committee consulted extensively with shareholders and investor groups whilst the policy relating to the LTIP was being formulated. Whilst no specific changes to the rules were requested, the Remuneration Committee introduced an additional financial measure to the LTIP following feedback from shareholders. More information on the additional measure can be found on page 105.

Enforceable malus and clawback provisions are essential in protecting the interests of a wide range of stakeholders and are important in the management of reputation of the Company (see page 15 for discussion of our culture and our commitment to being worthwhile to all concerned). The Board noted during the approval process that the rules governing malus and clawback had been extrapolated from the rules into a separate policy. Although not included within the new LTIP rules, the Board was satisfied that malus and clawback provisions were extensively covered and could be applied to any share awards made under the new LTIP (as well as to the annual bonus award).

INTERNATIONAL STRATEGY

The Board reviewed and approved management's proposals regarding international strategy at the beginning of 2019. They concluded that there was a viable, city-based business for Howdens in France and Belgium and approved five new depot openings. In conjunction, operations in Holland and Germany were closed.

After careful consideration of factors detailed in s172(1), the Board concluded that these decisions would promote the success of the Company for the benefit of its members. In particular, the Board considered the amount of human resource and capital that would be required to make the Howdens model profitable in the different international jurisdictions. The Board took into account the mature depot estate in France and Belgium and the ability to utilise the existing operational leverage available. Whilst full coverage of the UK market is not imminent, the Board were also mindful of having additional capacity outside of the UK available before that occurred. As such, the investment in the French depot network was intended to safeguard sustainable growth in the longer term.

In contrast, the Dutch and German businesses were not profitable and to make them profitable would have required significant additional investment. The Board were mindful of the detrimental impact closure of these businesses would have on local employees. Redeployment of employees was considered but not possible given the scale of local operations and as such appropriate compensation arrangements were made with the workforce who had been made redundant.

SHAREHOLDER RETURNS

Following the Company's year end, the Board made an assessment of the strength of the Company's balance sheet and future prospects relative to uncertainties in the external environment. Details of our long-term approach to dividends and our policy are set out on page 35 of the Financial Review.

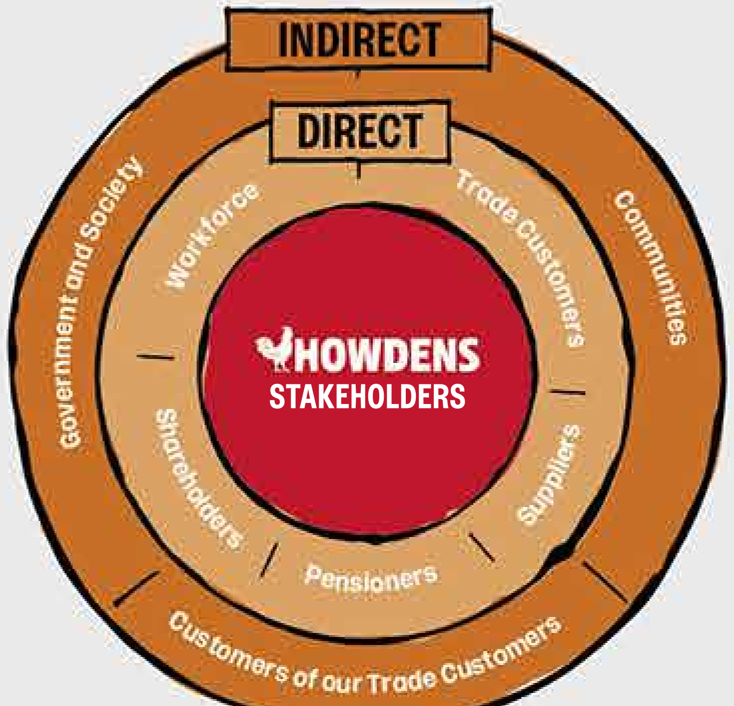
In February 2019, the Board recommended an increased final ordinary dividend of 7.9 pence per ordinary share, up from 7.5 pence in 2018 (an increase of just over 5%). In making their decision, the Board considered a range of factors including the long-term viability and business plan (including financing requirements) of the Company, the Company's Defined Benefit pension scheme deficit, as well as the availability of alternative strategic options which would benefit the Company in the long term.

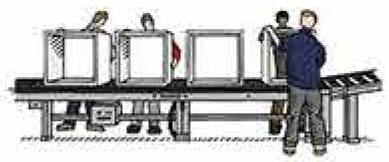
The Board take regular feedback from shareholders on the most appropriate method of returning capital, including at the AGM where all shareholders, regardless of the size of their shareholding, are invited to attend and ask questions of the Board. Dividend policy, other shareholder returns and alternative uses of capital are regularly considered by the Board. Management also discuss this during investor roadshows following results announcements. In light of this regular feedback, it was noted that the Company had a reputation for a well-understood and prudent capital structure and dividend policy and therefore the Board should not deviate from or change these at this time. The increase of just over 5% was therefore approved.

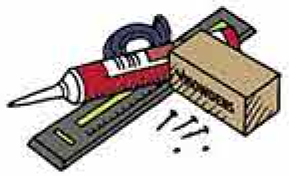
Corporate Governance Report continued

Stakeholder Engagement

STAKEHOLDER MAP

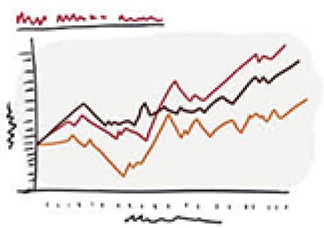


Stakeholder and Forms of Engagement	Engagement detail and how it has influenced Board discussions and decision-making
Workforce Engagement with our workforce includes the following: • Employee surveys • Senior Leadership meetings • Town Hall-style meetings • Regional Board meetings • Meetings with the trade union • French Workers' Council meetings 	**Non-Executive Director responsible for workforce engagement** During 2019, the Board appointed Geoff Drabble as the Non-Executive Director responsible for workforce engagement. **All-Employee Survey** In the second half of 2019, all employees were given the chance to participate in the Sunday Times Best Companies to Work For survey. The survey assessed 8 key factors which inform how desirable a company is to work for. The Company was pleased that the overall score remained in the 'Outstanding' category; however, further analysis of the scores by business area and collation of the employee feedback is ongoing. This will provide the Board with more in-depth information around the key learnings and will inform the next steps they take in response to the survey. In particular, the Board will consider a number of opportunities for improving employee wellbeing with management during 2020. The survey result was considered as part of the decision-making process of the Remuneration Committee when it set Executive Director remuneration in February 2020. **Senior Leadership Meetings ('SLMs')** During 2019, a Senior Leadership Team ('SLT') was formalised and began meeting on a quarterly basis. The SLT is made up of around 25 leaders from across the business who work closely with the Executive Committee to develop and deliver our business plans. The SLMs are designed to encourage open and frank discussions across all business matters. Following the success of the first meetings in 2019, members of the SLT will be invited to present to the Board directly when relevant, which is both important for individuals' development, but also provides the Board with an ongoing view of the talent pipeline below Executive Committee level.

Stakeholder and Forms of Engagement	Engagement detail and how it has influenced Board discussions and decision-making
Workforce continued	**Whistleblowing Helpline** The Company uses an third-party operated, confidential whistleblowing helpline. The helpline is multilingual and available 24 hours a day. The Company Secretary provides the Board with a bi-annual report which details the number and nature of whistleblowing instances made during the period. Whilst no specific complaints were escalated for Board attention, the governance processes are in place should this be deemed necessary. The Board encouraged management to ensure that employee communication about the helpline were refreshed during the year and that there be a continuous communication programme put in place.
Trade Customers Engagement with our trade customers includes the following: • Local depots • Builder Forums 	**Local Depots** The primary method of engaging with our trade customers since Howdens opened its doors in 1995 has been through the conversations at the local depot. The relationship between the depot manager and the trade customer has always been at the heart of what we do. Our depot managers feed back builder views to management at Regional Board meetings, which the COO of Trade is present at and which the CEO and other members of the Executive Committee often attend. Feedback from Regional Board meetings influences product and pricing decisions. However, it also reinforces our strategic decisions on new depot openings, ensuring that we are maintaining excellent customer service and investing in new product. The strategic digital improvements, as set out on page 23 of the Chief Executive's Statement, were extensively tested on a cohort of trade customers to ensure that our digital offering is as aligned to their needs as possible. **Builder Forums** To ensure we're hearing all the concerns and feedback of our trade customers, we have set up regular direct feedback sessions with them in the form of Builder Forums. These forums see a small group of customers coming together in an informal setting to talk about their experiences. We have nearly 40 forums planned for 2020. The agenda is driven by the customers themselves so we can be sure we're hearing everything that's on their mind. Our CEO has regularly reported specific feedback from these sessions to the Board. In response to feedback from the forums, we made improvements to our worktop specifications and the way we store the worktops in the depots to ensure their quality is not compromised. Ensuring all levels of our organisation understand the challenges of our trade customer is fundamental to ensuring our service proposition is worthwhile to them. A case study on our Builder Forums may be found in the Chief Executive's Statement on page 23 of the Strategic Report.
Suppliers Engagement with our suppliers includes the following: • Supplier Conference • Category Team relationships 	**Supplier Conference** Each year, our key suppliers are invited to join senior leadership at our annual Supplier Conference. This is a important date in our calendar as it's a time when the Company is able to communicate its priorities and any changes in the business to its suppliers, ensuring a consistent message is heard by all. The 2019 conference was particularly important given the changes which had been made during the year to introduce a commercial function into the business and also for continuing discussions around Brexit preparedness. It is also an opportunity for our suppliers to provide their feedback to a wider Company audience. Our Non-Executive Directors have standing invitations to the conference. **Category Team Relationships** In our Chief Executive's Statement on page 28 you will find detail about the establishment of a new commercial structure, which is organised into categories. This structure provides clearer accountabilities for ranging decisions and with greater internal accountability comes the fostering of stronger relationships with our suppliers. Suppliers are now engaging with focused teams within the organisation and this clarity brings the opportunity for even more valuable discussions.

Corporate Governance Report continued

Stakeholder Engagement

Stakeholder and Forms of Engagement	Engagement detail and how it has influenced Board discussions and decision-making
Pensioners Engagement with our pensioners includes the following: • Board engagement with the Trustee Board • Annual Newsletter • Triennial valuations 	**Board engagement with the Trustee Board** The Trustee Board, chaired by an independent trustee, is responsible for investment strategy and for the day-to-day running of the Howden Joinery Defined Benefit Pension Plan (the 'Plan'). There are a number of matters reserved for the Company as sponsor under the Trust deed and the Board invites the Chair of the Trustees to present to the Board on an annual basis and provide an update on matters affecting the membership. In January 2020, following extended interaction between the Trustees and the Company, the Board approved the long-term strategy proposed by the Trustees. The Company will monitor Trustee performance against the strategy. **Triennial valuations** At 31 December 2019, the Plan had 10,681 members (more than the total number of current employees), of which 1,371 were active members, 5,488 were deferred members and 3,822 were pensioners. Whilst safeguarding the long-term viability of the Company is the primary imperative for these members, ensuring that there is an appropriate balance between shareholder distributions and Plan deficit funding is a priority for the Board. The Company has historically made contributions well in excess of peers but this will be reviewed during the 2020 valuation process and the Board will review the balance of distribution of capital between the different stakeholder groups.
Shareholders Engagement with our shareholders includes the following: • Annual General Meeting • Shareholder consultations • Investor site visits • Prelims and Interims Roadshows 	**Annual General Meeting ('AGM')** At the Company's AGM, shareholders are given the opportunity to ask questions to the Board members directly. At the 2019 AGM, shareholders asked the Board about Brexit readiness, debtors per depot, and capital returns. Following the meeting, the Board agreed that more detailed commentary would be provided in Company reporting when the timing of peak trading had made financial metrics anomalous. **Shareholder Consultations** The Chairman of the Board and of the Nominations Committee, Richard Pennycook, wrote to our major shareholders after the 2019 AGM with the offer of a meeting to discuss governance and strategy matters (or any other matters of interest) without the Company's management present. Richard met with the shareholders who requested a meeting in June and July and discussed topics including executive remuneration, strategy, ESG, Brexit and the transition to a new CEO. The discussion regarding ESG in part informed the Nominations Committee's support of Rob Fenwick's appointment as Chief Governance Officer on the Executive Committee, focusing on the Group's ESG agenda (see page 89 of the Nominations Committee Report for further details of Rob's new role). In January 2019, Tiffany Hall, who chaired the Remuneration Committee at the time, wrote to major shareholders (and the Investment Association and other proxy advisors) to set out the proposed changes to the Executive Remuneration Policy and welcoming any views on these proposals. Following these meetings, the Remuneration Committee reduced the pension provision further for executive director joiners to ensure it was in line with the pension provision available to the majority of employees in the organisation and increased the stated minimum percentage of bonus measures attributable to financial performance. **Investor Site Visits** During 2019, investors were invited to attend the Company's annual exposition ('Expo'). Those that attended received presentations from members of the senior leadership team, which covered depot format, digital development and kitchen ranges. They were then given a tour of the Expo, which covered kitchens, flooring, doors, appliances and depot formats. Investors were also invited to join a tour of the Company's site in Howden, East Yorkshire. **Results Roadshows** Following the preliminary results announcement, the Executive Directors met with more than 40 investors. At these meetings investors showed particular interest in the initiatives that the business was pursuing and conversely the level of investment needed, and the returns and margin expected. Following the interim results, the Executive Directors met with around 30 investors.

2018 UK Corporate Governance Code: Application and Compliance

The Financial Reporting Council ('FRC') published its most recent iteration of the UK Corporate Governance Code (the 'Code') in 2018, which applies to accounting periods beginning on or after 1 January 2019. The period we are reporting on is 30 December 2018 to 28 December 2019. Although this period began prior to the Code's date of application, the Board updated its processes to meet the 2018 Code for the 52 weeks ended 28 December 2019 and has reported accordingly. In meeting the 2018 Code, the Board considers that it also applied the Principles and complied with all the Provisions of the 2016 Code throughout the period.

We are pleased to report that the Company applied all the Principles of the Code throughout the period and we have reported in summary below how we have done so. We are also pleased to report that, in the first year in which we applied the new Code, the Company was compliant with all Provisions except for Provision 38. Provision 38 provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the workforce. Our Remuneration Policy ('Policy'), which was approved by shareholders in 2019, stipulates that Executive Director new joiners' pension contribution rates must match that available to the wider workforce. Our incumbent Executive Directors' pension contribution rates, while in line with Policy for existing Directors, do not yet match the wider workforce. This is because the reduction of fixed, contractual remuneration must be done so carefully and proportionally over time. Both of our Executive Directors are fully supportive of their respective rates tapering as set out on page 93 of the Remuneration Committee Report and the Board confirms that existing Executive Director pension contribution rates will be in line with the wider workforce by the AGM in 2022.

SECTION 1: BOARD LEADERSHIP AND COMPANY PURPOSE

A

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

Howdens' founding principle of being worthwhile for all concerned supports the premise that its role is to ensure long-term, sustainable growth and value for all its stakeholders. During 2019, the Company (led by the Board) increased shareholder returns, paid more tax, employed more people and contributed to the communities in which we operate. More information on our sustainable business model and strategy can be found on pages 18 to 21 and our contribution to wider society can be found in our Sustainability Matters report beginning on page 48.

Governing in an effective way ensures the framework and controls needed to align our operations with our strategy are in place. It's only by doing this that we can ensure long-term strategic success of the Company for our stakeholders. We discuss throughout the Governance section how our actions support the strategy. For example, we have set out on page 96 of the Remuneration Committee Report the way our remuneration structure supports our strategic aims.

The effectiveness of the Board was reviewed by an independent third party in line with Code requirements (see pages 90 and 91).

B

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

An explanation of our purpose, values and strategy are set out in the Strategic Report which starts on page 10. The Board regularly discusses the importance of Howdens' unique culture and are mindful that it remains aligned with its purpose, values and strategy. This remains an area of regular scrutiny following the transition from the Founder CEO. Workforce engagement is an important part of the Board's agenda and an independent survey of employee views was undertaken during 2019, the results of which were presented to the Board. More information on workforce engagement can be found on pages 76 and 77.

Integrity and sympathy to the Howdens culture are paramount when the Board recruits new members to the Board. More information about our recruitment and inductions process can be found on page 88.

C

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Board are satisfied that the necessary resources are in place to ensure that the Company meets its objectives and measures performance against them. Our KPIs and how we have performed against them can be found on pages 32 to 34.

More information on our risk processes, including our principal and emerging risks, can be found in the Principal Risks and Uncertainties section starting on page 40. Our Audit Committee report provides a summary of our internal control framework on page 118.

Corporate Governance Report continued

2018 UK Corporate Governance Code: Application of Principles

SECTION 1: BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

D

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Howdens has a broad group of clearly defined stakeholders and the Board actively engage with each of these groups on a regular basis. A detailed explanation of our engagement with our shareholders and wider stakeholder base and how this engagement has informed the Board's decision making processes can be found on pages 76 to 78. How the Board members discharged their s.172 statutory directors duties is described on pages 74 and 75.

E

The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

The Board and its committees review workforce policies and practices on a regular basis. A Group policy framework has been established and is reported on to the Board on an annual basis, as well as any updates needed for Group policies. Part of this review includes ensuring that policies remain aligned to the Howdens culture and support long-term success.

One example of this is how our Remuneration Committee consider the pay policies and practices of the wider workforce when determining Executive reward. More information in this regard can be found on page 102.

All employees are able to raise any matters of concern via the confidential whistleblowing helpline. The helpline is available 24 hours a day, is multilingual and operated by an independent third party. The Board receive reporting from the helpline twice a year and any matters of significant concern are escalated as appropriate by the Company Secretary who oversees the helpline with support from the internal audit team.

SECTION 2 - DIVISION OF RESPONSIBILITIES

F

The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

The Board confirms that Richard Pennycook was independent on appointment when assessed against the circumstances set out in Provision 10 of the Code. The roles of Chief Executive and Chairman are not held by the same individual and the Chairman has never held the position of Chief Executive of the Company. These factors help ensure that the Chairman demonstrates objective judgement throughout his tenure.

The Chairman is mindful of his role in facilitating constructive board relations and promoting a culture of openness and debate amongst the Board. This in turn encourages the effective contribution of all the Non-Executive Directors. The 2019 externally-facilitated Board evaluation concluded that the Board's culture was one of transparency, support, constructive challenge and balance. Further information about the outcomes and process of the 2019 Board evaluation may be found on pages 90 and 91 of the Nominations Committee Report.

The Chairman is also mindful of the need for the Directors to receive information which is accurate, timely and clear. He is supported in this by the Company Secretary, who ensures the effective flow of information in a timely manner between the Board and senior management.

G

The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

At least half of the Board was made up of Independent Non-Executive Directors (not including the Chairman) throughout the reporting period. The Non-Executive Directors which the Board considered to be independent are shown as such on pages 68 and 69. The Board confirms that all the Non-Executive Directors (excluding the Chairman) were independent during the reporting period and that the Chairman was independent on appointment.

There is a clear division of responsibilities between the leadership in the organisation. The responsibilities of the Chairman, Chief Executive, and Senior Independent Director may be found on the Company's website (www.howdenjoinerygroupplc.com/governance/division-of-responsibilities) and the function of the Board Committees may be found in the respective committee terms of reference, also available on the Company's website (www.howdenjoinerygroupplc.com/governance/corporate-governance-report/introduction-from-the-chair).

SECTION 2 - DIVISION OF RESPONSIBILITIES CONTINUED

H

Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The number of Board meetings which were held during the reporting period and the attendance at each of these meetings may be found on page 67. Similarly, the number of each Board Committee's meetings and attendance may be found on the following pages:

- Nominations Committee: page 85
- Remuneration Committee: page 93
- Audit Committee: page 113

When reviewing the Nominations Committee's recommendation to appoint a new Director, the Board will always assess whether the candidate is able to allocate enough time to the role. Similarly, when assessing the acceptability of an existing Director's wish to take on external appointments, the Board will assess the additional demand on that Director's time before authorising the appointment.

During the reporting period, the following additional significant appointments were authorised by the Board:

- **Geoff Drabble's appointment as Chairman of Ferguson plc**

  Prior to Geoff's appointment as Chairman of Ferguson Plc, the Board considered whether Geoff could allocate enough time to his role as Non-Executive Director of the Company in addition to a chair role of a FTSE 100 company. The Board was satisfied that, following his retirement as Chief Executive of Ashtead Group Plc, Geoff had the requisite time to fulfil the new role as well as both his current role with the Company and his role as Senior Independent Director of the Company once Tiffany Hall had retired.

- **Richard Pennycook's appointment as Chairman of On the Beach Group plc**

  Prior to Richard's appointment as Chairman of On the Beach Group plc ('OTB'), a FTSE small cap company, the Board carefully considered the additional time requirement. The Board was satisfied that, following his retirement from the board of The Hut Group the previous year, which required a similar time commitment as the role with OTB, Richard would still be able to fulfil his time commitment with the Company and therefore authorised his appointment as Chairman of OTB's board.

- **Richard Pennycook's appointment as Chairman of Boparan Holdings Ltd**

  Prior to Richard's appointment as Chairman of Boparan Holdings Ltd ('Boparan'), the Board again carefully considered the additional time requirement. The Board was satisfied that, as his term as Chairman of the British Retail Consortium would be concluding in early 2020 (with the last meeting being in February 2020) and he would be retiring from his role as Chairman of Fenwick Ltd in Q1 of 2020, Richard would be able to dedicate enough time to the Company and to a new role as Chairman of Boparan. The appointment was therefore authorised.

The feedback received during the 2019 externally-facilitated Board evaluation (which was received from both management and the Board) was that the relationship between the Board and senior management was very strong and there was mutual respect. Further information about the Board evaluation may be found on pages 90 and 91.

Members of the senior management team regularly presented to the Board on their respective areas of the business (please see pages 70 and 71 for a timeline of Board meetings and information regarding any Executive Committee attendees), which provided an opportunity for the Board to constructively challenge and to provide advice to our senior management team. The April strategy sessions also offered a chance for the Board to provide the senior management team with direct guidance on strategy and the business's five-year plan.

Information about the management of conflicts between the duties Directors owe the Company and either their personal interests or other duties they owe to a third party may be found on page 119.

I

The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

All of the Directors of the Company have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

The Board have implemented a Group Policy framework which is considered by the Board on an annual basis. Individual policies and associated practices are considered alongside the framework review process.

As stated in the Schedule of Matters Reserved for the Board (which may be found at www.howdenjoinerygroupplc.com/governance/corporate-governance-report/schedule-of-matters-reserved-for-the-board) the appointment and removal of the Company Secretary is a decision for the Board as a whole.

Corporate Governance Report continued

2018 UK Corporate Governance Code: Application of Principles

SECTION 3 - COMPOSITION, SUCCESSION AND EVALUATION

J

Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Nominations Committee engages external search consultancies when searching for Board position candidates. An external search consultancy, Russell Reynolds Associates, was engaged to find candidates for the Nominations Committee prior to the Board's decision to appoint Louise Fowler. Further information about the appointments process is available on page 88 of the Nominations Committee Report and the Board's Diversity Policy is available on page 87.

The Nominations Committee regularly reviews the tenure of each Board member and the skills matrix (please see page 86 for further details). This ensures the Board's succession plan remains aligned with the natural rotation of Directors off the Board and the strategic objectives of the business.

The succession plans for the senior management team are regularly reviewed by the Nominations Committee (please see the Nominations Committee timeline on pages 84 and 85).

K

The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

As mentioned above, the Board uses a skills matrix to ensure it has the necessary combination of skills, experience and knowledge to meet its strategic objectives, business priorities and to ensure the unique Howdens culture is maintained. The skills matrix may be found on page 86.

The tenure of each Director may be found on page 88 of the Nominations Committee Report. The Board has a good balance of new and longer-serving Directors (as at the year end date, tenures of the Non-Executive Directors (including the Chairman) range from just under two months to just over six years, and the average tenure is just over three years).

L

Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Details of the 2019 externally-facilitated Board evaluation process and outcomes may be found on pages 90 and 91 of the Nominations Committee Report.

The specific reasons why the Board considers that each Director's contribution is, and continues to be, important to the Company's long-term sustainable success may be found on pages 68 and 69 of this report. Reference to the specific reasons and where to find them in the Annual Report and Accounts will accompany the resolutions to re-elect the Directors in the 2020 AGM Notice. The Board recommends that shareholders vote in favour of the re-election or election of all the Directors.

SECTION 4 - AUDIT, RISK AND INTERNAL CONTROL

M

The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

The Board has established formal and transparent policies and procedures, which ensure the external auditor and internal audit function are independent and effective and are accountable to the Audit Committee. The Board also monitored the integrity of the financial statements of the Company and any other formal announcement relating to its financial performance via the Audit Committee. Further information about the work of the Audit Committee, including the subjects above, may be found on pages 112 to 119.

N

The board should present a fair, balanced and understandable assessment of the company's position and prospects.

A statement regarding the Directors' responsibility for preparing the Annual Report and Accounts and the Directors' assessment of the Annual Report and Accounts, taken as a whole, as being fair, balanced and understandable and providing the necessary information for shareholders to assess the Company's position, performance, business model and strategy may be found on page 63.

O

The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

The Board is responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. The Board is assisted with these responsibilities by the Audit Committee. Such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives. The Board has conducted reviews of the effectiveness of the system of internal controls through the processes described within the Principal Risks and Uncertainties section of the Strategic Report (pages 40 to 47) and are satisfied that it accords with the Code and with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board has not identified, or been advised of, any failings or weaknesses which it has determined to be significant.

The assessment of the principal and emerging risks, the uncertainties facing the Group, and the ongoing process for identifying, evaluating and managing the significant risks faced by the Group is set out on pages 40 to 47. The Board confirms that it has conducted a robust assessment of the principal and emerging risks as set out on pages 40 to 47.

SECTION 5 - REMUNERATION

P

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

The way the Remuneration Committee has ensured our remuneration policies and practices are aligned with our culture, our strategy and risk management is discussed in the Remuneration Committee Report, which starts on page 92.

Q

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

The Remuneration Committee has delegated responsibility for setting the Executive Directors' remuneration under the shareholder-approved Director Remuneration Policy (the full Policy is set out in full at www.howdenjoinerygroupplc.com/governance/remuneration-policy). The Remuneration Committee also has delegated responsibility for setting the Chair of the Board's remuneration and the remuneration of senior management (i.e. the members of the Executive Committee and the Company Secretary). No Director is able to determine their own remuneration outcome.

The Remuneration Committee reviews workforce remuneration and related policies when setting Executive Director remuneration. Ensuring these factors are always considered means our remuneration policies are largely predictable and clear. Further information may be found in the Remuneration Committee Report on page 102.

R

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

The Remuneration Committee membership is made up of only independent Non-Executive Directors.

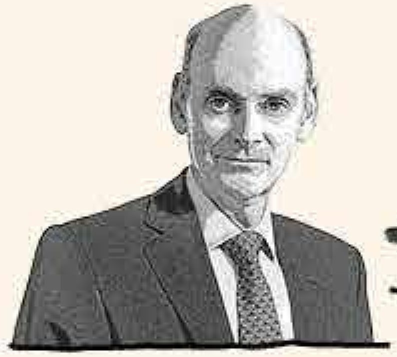
Details of how the Remuneration Committee exercised its discretion during the year may be found on page 95 of the Remuneration Committee Report.

By order of the Board

Richard Pennycook
Chairman

26 February 2020

Nominations Committee Report



Nominations Committee Meeting Attendance

Richard Pennycook (5/5)
Mark Allen (3/5)[1]
Karen Caddick (4/4)[2]
Andrew Cripps (5/5)
Geoff Drabble (5/5)
Tiffany Hall (4/4)[3]
Debbie White (5/5)

1. Mark was unable to attend the February meeting due to his commitments at Dairy Crest and he was unable to attend the November meeting due to health reasons. Mark received all of the meeting papers in advance of the meetings and was able to feedback his views to the Committee Chairman.
2. Karen was appointed to the Nominations Committee after the January meeting following the completion of her induction programme.
3. Tiffany retired from the Board on 17 September 2019.

INTRODUCTION FROM THE COMMITTEE CHAIRMAN

The 2018 UK Corporate Governance Code (the 'Code') made clear that the remit of nomination committees should not be limited to boards of directors. Ensuring that there is a diverse talent pipeline at senior management level is just as important to the long-term success of the business as it is at Board level. In recognition of the changes in the Code, you will see that we have changed the structure of the Nominations Committee Report from previous years by breaking it down into the three core areas discussed in Section 3 of the Code: **Succession**, **Composition** and **Evaluation**. Below, I have drawn out some of the highlights from the year within each of these areas.

Succession

We were pleased to welcome Louise Fowler as a Non-Executive Director in November. Louise has over 25 years' of branding, customer and digital experience which are valuable additions to the Board's combined skillset, further enhancing the diversity of background, skills and perspective on the Board. You can read more about how we view Louise's contribution to the long-term sustainable success of the Company on page 69 and further detail about her appointment and induction on page 88.

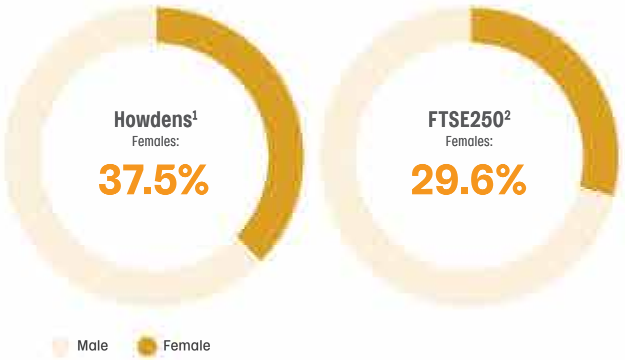
Tiffany Hall retired from the Board in September having served since May 2010 and Mark Allen retired from the Board in December having served since May 2011. On behalf of the Board, I would like to thank both Tiffany and Mark for their significant and valuable contributions to the operation of our Board and service to the Company.

Throughout 2019, the Committee has not only discussed Board succession, but senior management succession as well. The Board received regular updates from the Interim Group HR Director regarding succession and talent management of the Executive Committee, including the succession of the Group Interim HR Director himself. Further discussion of this may be found on page 89.

Composition

I'm pleased to report that, at the time of writing, half of our Non-Executive Directors are female, bringing our female representation on the Board to 37.5%. While we are all too aware that improving gender representation is not the only means by which a Board achieves diversity, I hope you'll agree this is a positive step. As stated in our Boardroom Diversity Policy on page 87, the Committee will not only seek diversity of gender when making any new appointments, we will also seek diversity of mindset, race, and background.

Board gender split



1. Figures correct as at 28 December 2019.
2. Figures derived from 2019 Hampton-Alexander Review report and correct as at 14 October 2019.

On page 86, we have provided a view of the skillset and experience of our Non-Executive Directors using a skills matrix. This is a particularly useful tool for the Nominations Committee to aid identification of skills and experience opportunities, which in turn informs our non-executive succession plans.

Evaluation

In 2019, we invited Independent Board Evaluation ('IBE') to undertake our tri-ennial externally-facilitated Board evaluation. IBE previously undertook our 2016 evaluation and more information about the 2019 Board evaluation process and outcomes may be found on pages 90 and 91.

Richard Pennycook
Nomination Committee Chairman

2019 NOMINATIONS COMMITTEE ACTIVITY

2019

January
Meeting
- 2018 Board evaluation feedback
- Nominations Committee Terms of Reference updates

February
Meeting
- Board succession and recommendations for AGM elections
- Review of the draft 2018 Nominations Committee Report

June
Executive Committee appointment
- Mark Slater appointed Commercial Director

July
Meeting
- Non-Executive Director succession update, including skills matrix consideration
- Executive Committee succession
- 2019 external Board evaluation planning

September
Meeting
- Non-Executive Director succession update
- Executive Committee succession planning and talent management
- Board Diversity Policy review
- Nominations Committee Terms of Reference updates

November
Meeting
- Executive Succession Planning

Non-Executive Director appointment
- Louise Fowler appointed as a Non-Executive Director

Key activities in the year ahead
- All current Directors will stand for election (if appointed since the last AGM) or re-election at the AGM on 7 May 2020.
- Regular Group HR Director succession updates to be provided to the Committee.
- The Committee to undertake its review of skills, composition and size of the Board.
- Executive Committee succession planning and talent management updates to be provided to the Committee.

Howden Joinery Group Plc Annual Report & Accounts 2019

Nominations Committee Report continued

Composition

SKILLS AND EXPERIENCE MATRIX

The Nominations Committee used a skills matrix when assessing its Non-Executive Director succession plans. The matrix highlights where the skills and experience of our Non-Executive Directors are particularly strong, where there are opportunities to further grow the Board's collective knowledge and to inform the Board's future composition as Non-Executive Directors naturally rotate off the Board.

Skills and Experience	Importance	Number of Non-Executive Directors: Direct experience	Number of Non-Executive Directors: Indirect experience
Industry/Sector			
Business-to-business	H	6	0
Manufacturing	H	4	2
Logistics, distribution and supply chain management	H	4	2
Consumer goods	H	5	0
Geographic exposure			
UK	H	6	0
France	M	4	2
Governance			
UK listed companies	H	6	0
Company chair experience	M	4	1
Remuneration committee chair experience	M	3	0
Audit committee chair experience	M	3	0
Policy development	M	4	1
Senior independent director experience	M	2	0
Technical			
Accounting and Finance	H	4	2
Audit	H	4	1
Executive management	H	6	0
Risk management	H	5	1
HR/Remuneration	M	2	4
Ecommerce	M	2	4
Marketing	M	2	4
IT/Cyber security	M	1	3
Legal	M	2	2
Howden Specific Considerations			
Vertical integration	H	4	2
Multisite depot operation	H	4	2

Importance

M Medium   H High

DIVERSITY

Equality, Diversity and Inclusion ('EDI') Group

The Howdens EDI Group was established during 2019 as a sub-committee of the Executive Committee. The EDI Group is chaired by the Chief Governance Officer, Rob Fenwick, and its members include employees from a range of roles, seniority, backgrounds, abilities, race and geographic location. To ensure the workforce and the EDI Group is reassured that there is Board-level commitment of the EDI Group's objectives, Non-Executive Director Debbie White also acts as the Board's sponsor to the Group.

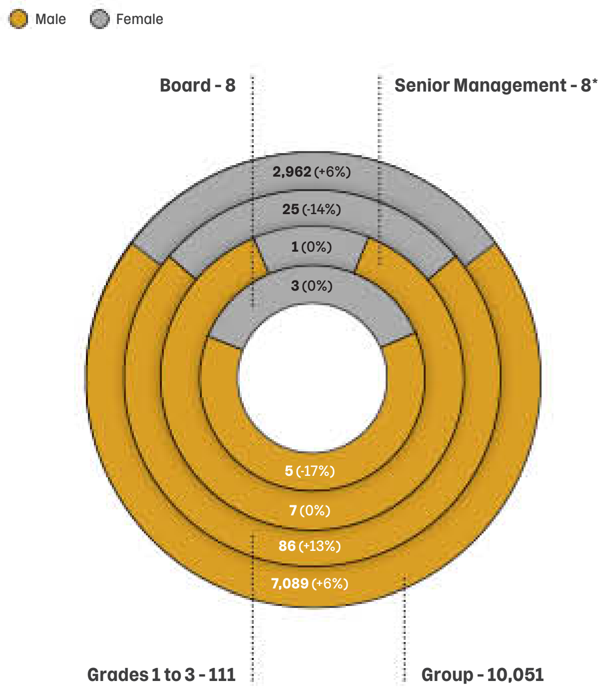
The EDI Group has begun its work by articulating what EDI currently looks like in Howdens and what it should look like. During 2020, the EDI Group will identify opportunities for line management to improve equality, diversity and inclusion within their areas and it will begin to raise the profile and awareness of EDI within Howdens in support of the business's culture and values. Rob Fenwick will provide regular updates to the Board on the EDI Group's progress and recommendations.

Group Gender Diversity Statistics

The Nominations Committee reviews the gender statistics shown in the chart to the right. Where other data is available, this is presented to the Committee in order to determine whether there are any implicit diversity issues.

Group Gender Diversity as at 28 December 2019

The percentages shown in brackets below indicate the change since 2018.



* Excluding Executive Directors and including the Company Secretary.

Boardroom Diversity Policy

The Board recognises the importance of ensuring that there is diversity of perspective, background and approach in its management team and on its Board. Since the business was established in 1995, it has sought to enable individuals to progress within the organisation regardless of age, gender, background or formal qualifications.

We believe that it is in the interests of the business and of its shareholders for us to build a stable, cohesive and representative Board. Whilst the setting of targets on particular aspects of diversity may be relevant in many cases, we feel that this could be given inappropriate focus within the context of a smaller board, resulting in the possible overlooking of certain well-qualified candidates.

The Nominations Committee will continue to seek diversity of mindset as well as of gender, race, and background when considering new appointments in the period to 2021, and it will continue to review this policy on an annual basis to ensure it remains appropriate. More widely, we are committed to developing a long-term pipeline of executive talent that reflects the diversity of Howdens' business and its stakeholders. As at 28 December 2019, 37.5% of Board members were women. Both of the Executive Directors were male.

Group Diversity Policy

The Group promotes the importance of diversity and adopts an Equal Opportunities Policy under which training and career development opportunities are available to all employees, regardless of gender, religion or race.

The Group is committed to meeting the code of practice on the employment of disabled people and full and fair consideration is given to disabled applicants for employment. It aims to do all that is practicable to meet its responsibility towards the employment and training of disabled people. The Group welcomes, and considers fully, applications by disabled persons, having regard to their particular aptitudes and abilities. It is also the Group's policy to retain employees who may become disabled while in service and to provide appropriate training.

Nominations Committee Report continued

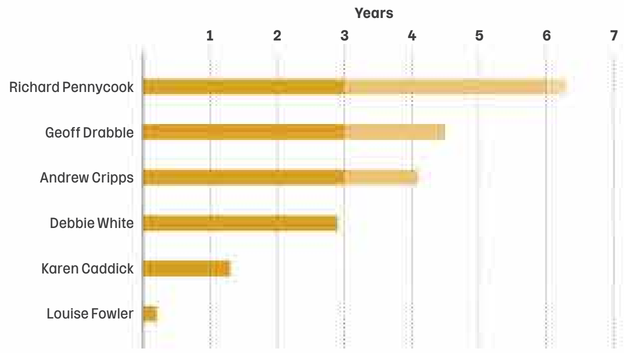
Succession

An integral part of the work of the Nominations Committee is to establish and maintain a stable leadership framework and to proactively manage changes and their impacts on the future leadership needs of the Company, both in terms of Executive and Non-Executive leadership. Ensuring the correct leaders are in place enables the organisation to compete effectively in the marketplace and therefore to meet its various obligations to its stakeholders.

As detailed in the rest of the report, the Nominations Committee has managed succession programmes for both the Board and senior management, which have ensured that the necessary skills, expertise and experience are present in the leadership of the organisation.

Board Succession

Non-Executive Tenure
as at 28 December 2019



The Nominations Committee regularly reviews the skills and expertise that are present on the Board and compares these to the expertise that it believes are required given the strategy, business priorities and culture of the organisation.

Since Howdens began trading in 1995, its core strategy has remained largely unchanged. The market, the size and the stage of maturity of our organisation, however, have changed, and so our Board has needed to evolve through sensible and well-managed succession planning that doesn't compromise the stability of the Board.

Retirements

Tiffany Hall and Mark Allen both retired from the Board during 2019. Upon retirement, Tiffany was succeeded in her role as Remuneration Committee Chair by Karen Caddick and in her role as Senior Independent Director by Geoff Drabble.

Appointment

In October 2019, following consideration of a number of candidates, the Nominations Committee recommended to the Board that it appoint Louise Fowler as a Non-Executive Director. Prior to this recommendation, Louise met with each member of the Board. Louise's significant digital, consumer, brand and marketing experience was identified as being particularly valuable to the collective skillset of the Board. Louise's affinity to the Howdens entrepreneurial culture was also considered in the Committee's recommendation to appoint her.

The Committee engaged the external search consultancy, Russell Reynolds Associates[1] ('Russell Reynolds'), to undertake the process of recruiting a new Non-Executive Director. Russell Reynolds is aware of our Boardroom Diversity Policy and the Nominations Committee specifically tasked them with producing a diverse shortlist of candidates for the position.

The skills matrix (the current version of which may be found on page 86), together with the collective knowledge, experience and diversity of the Board and the length of service of the Directors, was used by the Committee to highlight where there were opportunities for a new Non-Executive Director to contribute to the skillset of the Board. This informed the search that Russell Reynolds undertook.

Induction

Following Louise's appointment, a tailored induction programme was created for her. The first part of the induction included a visit to our site in Howden, East Yorkshire, where Louise met with senior managers involved in the supply chain, manufacturing and logistics and was given a tour of some of the factory lines at the site.

Louise has also met with senior managers in our support services, such as the Head of Health & Safety, the Company Secretary, and the Head of Investor Relations, and she has met with our Remuneration Committee advisors, PwC, and the audit partner at our external audit firm, Deloitte.

We were pleased that Louise was also able to attend the Company's annual awards ceremony, the Golden Rooster Awards, at the beginning of January, which gave her the chance to meet employees from all levels and areas of the business, and to be immersed in our unique culture as we celebrated our colleagues' achievements together.

Louise will meet all members of the Executive Committee, senior members of the Commercial team and will visit a number of depots as part of her induction. She will also be invited to attend employee engagement sessions , such as Regional Board meetings, and will meet with trade customers at Builder Forums.

1. The Committee confirms that Russell Reynolds has no other connection with the Company or its directors other than in relation to the recruitment of members of the Board.

Senior Management Succession

The Committee received regular updates regarding senior management[2] succession planning (see Nominations Committee Activity on pages 84 and 85). These updates included the following:

Commercial Director appointment

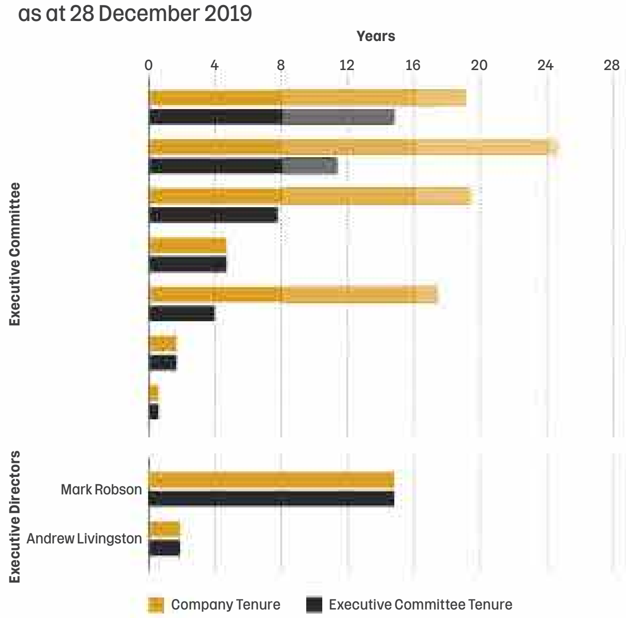
Mark Slater was appointed as Commercial Director in June 2019. The Board had been fully briefed on the plans to launch a commercial function in the business and, as part of these plans, understood and were supportive of the need for a Group Commercial Director.

Group Human Resources ('HR') Director retirement

In 2019, Gareth Hopkins, our Interim Group HR Director, announced his plan to retire once a suitable replacement for his role had been found. The Company engaged an external recruitment consultant, who spent time in the business and met with senior managers and Karen Caddick prior to launching the search. The Nominations Committee was, and will continue to be, regularly briefed on the recruitment process and will have the opportunity to provide their views to the senior management team.

COO of Supply retirement (see Case Study to the right)

Company and Executive committee Tenure
as at 28 December 2019



2. The definition of 'senior management' for this purpose is defined in footnote 4 of the 2018 UK Corporate Governance Code as 'the executive committee or the first layer of management below board level, including the company secretary'.

Case Study:

Chief Operating Officer (COO), Supply

Howdens is fortunate to have a settled and long-serving senior management team, particularly from an operations perspective. Careful management of the succession process for their roles is fundamental to the future long-term success of the Company. It is also a cultural necessity that long-serving Executives are treated with the respect they have earned.

In January 2020, it was announced to the business that Rob Fenwick, the Chief Operating Officer of Supply, would move to the new position of Chief Governance Officer until his retirement in early 2021. The new role will see Rob helping the business to develop its broader purpose, in particular by developing the Group's Wellbeing programme, EDI Sub-Committee, and Sustainability agenda.

As part of this succession plan, two existing senior managers, Julian Lee and Richard Sutcliffe, were promoted to the positions of Director of Supply Operations and Director of Business Planning respectively. Both Julian and Richard have standing invitations to Executive Committee meetings and report directly to the CEO; however, to ensure continuity, Rob remains on hand to provide any support that is needed.

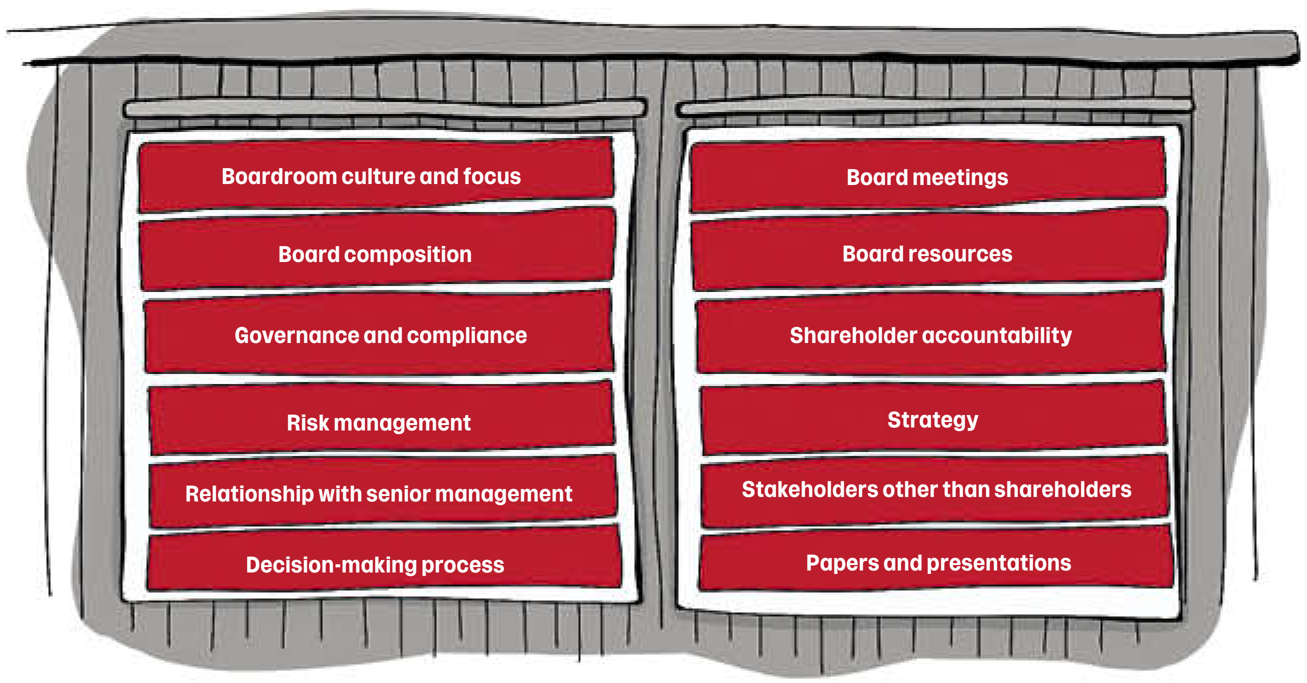
The Nominations Committee was provided with updates on the succession process and members were able to express their views and provide advice on the plans throughout 2019. The Committee will continue monitor the success of the transition throughout 2020.

Nominations Committee Report continued

Evaluation

In line with the requirements of the 2018 UK Corporate Governance Code to undertake an externally-facilitated Board evaluation every three years, and as has been the policy of the Board for some time, the Board invited Lisa Thomas of Independent Board Evaluation ('IBE') to undertake our 2019 Board evaluation. IBE previously facilitated our 2016 evaluation but does not have any other business relationship with the Company or with any member of the Board. The process and outcomes of the evaluation are set out below.

EVALUATION AREAS OF FOCUS



NATURE AND EXTENT OF THE EXTERNAL FACILITATOR'S CONTACT

- Observations of Board and Board Committee meetings
- Interviews with all members of the Board
- Interviews with members of senior management
- Meetings with the external auditor, Remuneration Committee advisor, and pensions advisor

CONCLUSIONS AND RECOMMENDATIONS

The overarching message from the feedback gathered during the evaluation was that the Board was performing well and had increased its effectiveness over the last year. The continuity provided by longer-standing Board members and the fresh thinking from newer members has been particularly helpful.

Highlighted strengths

- Boardroom culture is transparent, supportive, constructive, balanced and challenging
- There was a 'good rhythm' to Board meetings, especially helped by the introduction of additional Audit Committee meetings during 2019
- Relationships with senior management were strong and there was mutual respect
- High engagement and contributions on senior management succession decisions were valued

Recommended areas for development

- More time to be dedicated on the long-term strategy of the business and to the discussion of culture, talent planning and diversity and the methods by which these could be looked at more systematically
- A reduction in the amount of time spent on operational updates in meetings so that further debate and discussion could be engendered

Actions going forward

The feedback identified some areas where the Board would like to spend a bit more time, or to address some topics in a different way. The Board will continuously review its objectives to determine what its priorities are for 2020 and 2021. This will allow the Board to identify where it wishes to make the most impact and give its support.

During 2020, two of the scheduled six Board meetings will be held outside of the London head office at other company sites and the Non-Executive Directors will undertake more visits within the business themselves to ensure they are more exposed to the culture and challenges faced by the Company 'on the ground'.

Influence on Board composition

The evaluation made it clear that the mix of long-standing and new Directors contributed to the effectiveness of the Board and that the Board did not suffer from 'group think'. The Nominations Committee will continue to seek diversity in all areas as it appoints new Non-Executive Directors in future to ensure this remains the case.

NOMINATIONS COMMITTEE EVALUATION

Specific feedback on the Nominations Committee was given as part of the evaluation and focused on the following areas:

- Meetings
- Board composition
- Diversity and succession planning

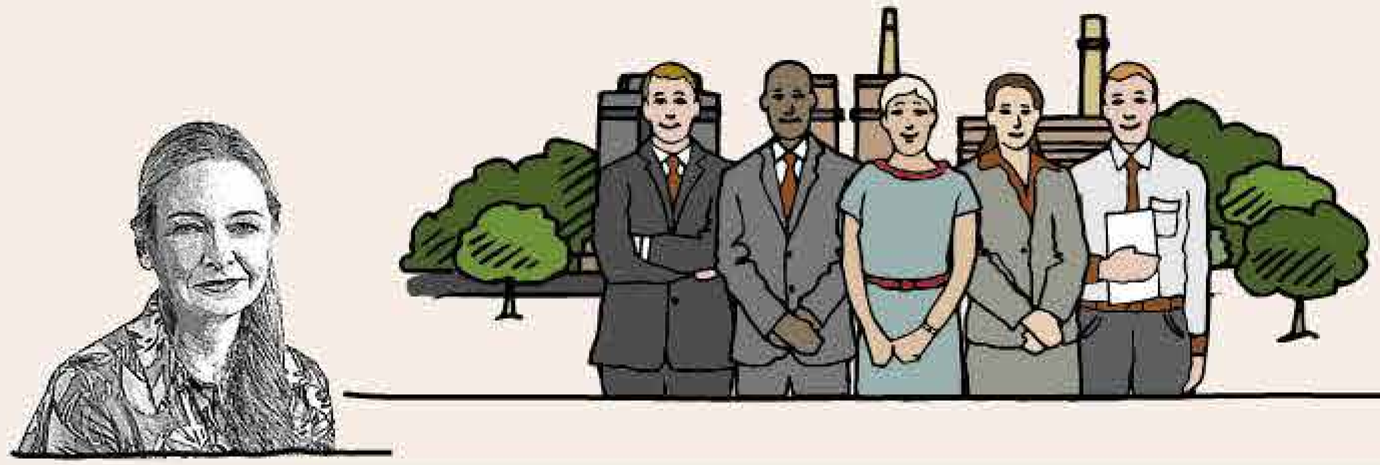
The feedback gathered indicated that the Nominations Committee had engaged well over the year and had actively participated in discussions regarding senior management succession. It was also noted that the composition of the Board was well settled, but the Committee was alive to thinking about how to ensure there is diverse input into its discussions.

A recommended area of focus for the coming year was to ensure that the diversity initiatives already in progress were used to support the culture of the organisation. Developing diverse pipelines of talent further would be integral to this.

Richard Pennycook
Nomination Committee Chairman

26 February 2020

Remuneration Committee Report



Remuneration Committee Meeting Attendance

Karen Caddick (5/5)
Tiffany Hall (4/4)[1]
Mark Allen (2/5)[2]
Andrew Cripps (5/5)
Geoff Drabble (5/5)
Louise Fowler (1/1)[3]
Debbie White (5/5)

1. Tiffany retired from the Board on 17 September 2019.
2. Mark was unable to attend the February and April meetings due to commitments at Dairy Crest and he was unable to attend the November meeting due to health reasons. Mark received all of the meeting papers in advance of the meetings and was able to feedback his views to the Committee Chair.
3. Louise was appointed to the Board on 1 November 2019.

Remuneration Committee Report contents

ANNUAL REMUNERATION COMMITTEE CHAIR STATEMENT

I am pleased to present the Howden Joinery Group Remuneration Committee Report for 2019. The report has been prepared in compliance with the requirements of the Large and Medium-sized Companies and Groups Regulations 2013.

It has been another busy year for the Howdens Remuneration Committee. Our new Remuneration Policy was approved at the AGM in May with more than 97% support from shareholders and the Chair of the Committee retired from the Board in September. I'd like to take this opportunity to thank Tiffany for her efforts in this role and for her support in ensuring a seamless handover over the course of the last year.

I will be presenting a summary of the work of the Committee in 2019 at the Annual General Meeting on 7 May 2020.

POLICY

Our new Remuneration Policy was approved by shareholders at the 2019 AGM with a high level of support from shareholders. This policy is due to expire at the 2022 AGM and a short-form version can be found on page 96. The policy in full can be accessed at www.howdenjoinerygroupplc.com/governance/remuneration-policy

Having consulted widely with our principal shareholders and investor groups on the draft policy (and the application of the policy) prior to the Annual General Meeting, we were able to incorporate much of the feedback we received. The Committee remains committed to ensuring there are appropriate channels for stakeholder feedback on our Executive Director remuneration policy and practices. More information on how we engage with our stakeholders can be found in the Corporate Governance Report on pages 76 to 78.

The Committee were particularly mindful that the new policy continued to reflect the entrepreneurial culture of the business and was able to be cascaded consistently throughout the workforce. Howdens' staff are paid on the profitability of their local depot or on the profitability of the Group as a whole. This has created an autonomous, entrepreneurial, profit-focused culture and is reflected in the heavy weighting given to profit measures in our incentive schemes for Executive Directors and senior management. This entrepreneurial culture has served our shareholders well.

As such, the updates to the policy were made to ensure continued compliance with the new UK Corporate Governance Code, best practice requirements and to continue to support our long-term strategy. We introduced post-vesting and post-termination holding periods to ensure greater alignment with our shareholders and reduced pension provision for new Executive Director joiners to be in line with the wider workforce.

A breakdown of voting for both the Remuneration Policy and Remuneration Reports for the previous three AGMs can be found in the Appendix on page 111.

UK CORPORATE GOVERNANCE CODE

The Committee has also taken time to consider its broader remit under the 2018 UK Corporate Governance Code ('the Code') and we have updated this year's Remuneration Committee Report to reflect this.

The Remuneration Committee is mindful of the increased public and investor focus on Executive pensions, variable pay and the links between remuneration, strategy and long-term success. We have specifically highlighted where the Committee exercised discretion, and the reasons why, in this report.

Vote on the Executive Directors' Remuneration Policy at the 2019 AGM

% votes for:	97.15%
% votes against:	2.85%

Votes 'withheld' were not counted in the calculation of the proportion of the votes for and against

We have also mapped how our policy and practices address the six key themes identified in Provision 40: Clarity, simplicity, risk, predictability, proportionality and alignment to culture. You can find this on page 98.

SENIOR MANAGEMENT AND THE WIDER WORKFORCE

The Howdens Remuneration Committee pre-empted the Code's requirement for remuneration committees to set remuneration for senior management. During the year, the Committee updated its Executive Committee Remuneration Policy which details the remuneration parameters for this group.

The Committee also received updates on the ongoing employee benefits review and all-employee remuneration related policies in order to provide the context for, and to ensure alignment with, the policy on Executive Director remuneration. In accordance with the Code, the Committee have adopted a 'Provision 33 dashboard' which shows some of the key internal and external measures that the Committee members should be aware of when determining Executive Director and senior management remuneration. Our template for this dashboard can be found on page 102 of this report.

INTRODUCTION OF A NEW MEASURE FOR THE PERFORMANCE SHARE PLAN ('PSP')

As reported in the 2018 Remuneration Committee report, the Committee was committed to reviewing and introducing a shareholder returns measure from 2020 in respect of the long term incentive plan. I am pleased to confirm that, from 2020, relative Total Shareholder Return ('TSR') will be used as an additional metric to profit before tax. More detail on the analysis of the Committee in determining the appropriate measure, including peer group identification, the weighting of TSR for the 2020 award and calibration of the measure can be found in our case study on page 105.

PENSIONS

During 2019, the Committee considered the updated guidance from the Investment Association which provides that Remuneration Committees should ensure that there is a credible plan to ensure that Executive Director pensions are aligned with the wider workforce by the Company's next policy cycle. Provision 38 of the Code also provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the workforce.

I am therefore pleased to confirm that our incumbent Executive Directors have agreed to reduce their pension benefits to be in line with the wider workforce by the next Executive Director Remuneration Policy approval (at the AGM in May 2022). Andrew Livingston's pension supplement received in lieu of Company pension contributions will reduce in January 2020 by 2% from 20% of basic salary to 18% of basic salary. In January 2021 it will reduce by a further 4% to 14% of basic salary and in May 2022, Andrew's pension supplement will be aligned to the Company pension contributions of the wider workforce, which is currently 4% of basic salary. Similarly, Mark Robson's pension supplement received in lieu of salary will reduce from 30% of basic salary to 24% with effect from January 2020 and will reduce further to 18% of basic salary from January 2021. His pension supplement will then be aligned with the CEO and wider workforce in May 2022.

I would like to thank both Andrew and Mark for their engagement on this matter. These reductions have been entered into voluntarily and demonstrate their commitment to ensuring fairness in Howdens' remuneration practices.

1. The Howdens Remuneration Committee classifies 'senior management' as members of the Executive Committee, excluding Executive Directors, and the Company Secretary.
2. That being the level of pension provision available with the highest level of employee participation.

Remuneration Committee Report continued

KPI link

2019 REWARD OUTCOMES

See page 32

For the 2019 annual bonus, performance was based on the delivery of both profit and cash flow targets. Despite considerable uncertainty in the market due to the lack of clarity of the UK's future relationship with the European Union, Howdens has performed well over the year delivering 4.8% growth in sales on 2018 whilst continuing to deliver a strong gross profit margin of 62.3%. This has resulted in a Profit Before Tax ('PBT') of £260.7m and cash flow of £295.4m. This has allowed us to continue to invest in key strategic opportunities such as depots, digital initiatives, and supply chain resilience which will position us competitively to meet future demand.

Our strong financial performance has resulted in an annual bonus outcome between on-target and maximum of 114% of salary for our Executive Directors, 76% of the maximum opportunity.

The 2017 Performance Share Plan ('PSP') with performance measured to FY 2019 is based on three year PBT growth per annum. Over the three-year period of the 2017 Performance Share Plan cycle, our PBT has grown by 3.2% per annum In line with performance targets (requiring 3% per annum PBT growth to achieve threshold vesting) the award will vest at 16% of maximum opportunity.

2020 REWARD AND INCENTIVES

The CEO's salary increase in January 2018 was in line with the wider workforce. The Deputy Chief Executive Officer & Chief Financial Officer ('DCEO' & 'CFO') did not receive a salary increase in 2019. The Committee implemented a 3% base salary increase in 2020 for the CEO and DCEO & CFO, which was in line with the wider workforce.

For the 2020 annual bonus, we replicated the methodology and measures used in the 2019 annual bonus PBT and cash flow measures, subject to an aggregate maximum of 150% of basic salary. This maintains the focus on profit in incentives and alignment with the depots, whilst maintaining a healthy stretch between target and maximum bonus levels to ensure strong shareholder alignment.

For the 2020 PSP, it is our intention to maintain both the target range and opportunity under the 2019 PSP of 220% of salary for a target range of 5% to 15% PBT growth per annum.

Following comments from shareholders that a greater diversity of measures within our long term incentive plans would be desirable, we have introduced relative TSR as a measure for the 2020 PSP. Alignment with the strategy of the business has and will continue to be the central driver for the selection of performance measures and we believe that the relative TSR measure will complement the PBT growth measure whilst retaining the focus on profit across the business as a whole. Given market practice, and the current use of profit within incentives, the Committee has agreed a weighting of 33% for the relative TSR measure and 67% for PBT growth.

I hope the information presented within this report provides a clear explanation as to how we have operated our remuneration policy over 2019 and as to how we intend to implement our Policy for 2020. We continue to be committed to an open and transparent dialogue with our stakeholders, and the Committee would welcome any feedback or comments you have on this report, our Policy or how we implement it for 2020.

Karen Caddick
Remuneration Committee Chair

HOW THE COMMITTEE EXERCISED DISCRETION FOR THE INCENTIVE PERIOD ENDING 28 DECEMBER 2019

The Committee considered the financial performance for the incentive period ending 28 December 2019. Profit before tax for the year was £260.7m and cash flow was £295.4m. The three-year profit before tax growth was 3.2%.

The Committee considered whether the incentive outturns projected for the 2019 annual bonus and 2017 PSP were proportionate to the financial performance, whether the combined quantum of the awards were excessive, and whether there were any other external factors of which the Committee were aware which would make increasing or decreasing the payments under these awards appropriate. In reaching their conclusion, the Committee considered the Remuneration structures and policies for the workforce as a whole, the relative ratios of Executive and employee reward, continued alignment to shareholder value, as well as the predictability, proportionality of the incentives and their ongoing alignment to culture.

Taking all of these matters into consideration, the Committee approved the payment of these awards without adjustment.

2019 REMUNERATION COMMITTEE ACTIVITY

December 2018 - January 2019
Shareholder consultation
- Company and Remuneration Committee Chair consultation with shareholders on draft Remuneration policy

January
Committee meeting (out-of-cycle)
- Consideration of shareholder feedback relating to the draft Remuneration policy
- Consideration of the use of additional measures for the PSP

February
Committee meeting
- Further shareholder feedback was considered prior to approval of the Remuneration Policy to be put for shareholder approval
- Approval of 2019 salaries for Executive Directors and Senior Management as well as payment of the 2018 bonus and lapse in full of the 2016 PSP
- Targets agreed for 2019 annual bonus and 2019 PSP
- Approval of 2018 Remuneration Committee Report
- Governance update

March
Share award grant
- PSP granted to Executive Directors and Executive Committee

April
Committee meeting
- SIP grant to all UK employees approved
- All employee benefits review and gender pay gap data considered

May
AGM
- Remuneration Policy and Remuneration Report approved by shareholders
- New LTIP rules also approved by shareholders

July
Committee meeting
- Governance and AGM update
- Update on outstanding awards
- All employee benefits review update
- Review of shadow PSP measures
- PSP granted to management grades below Executive Committee
- Remuneration Committee advisor review initiated

November
Committee meeting
- Governance update
- 2020 planning and salary benchmarking
- All employee benefits review update and gender pay gap data considered
- Approach to analysing how current reward structure related to key risks identified by the Company considered
- Executive Director pension benefits
- Board Chair fee review
- Review of shadow PSP measures and agreement in principle to use relative TSR as additional measure for 2020 LTIP
- Executive Committee Remuneration Policy and renewal of Interim Group HR Director's contract approved
- Review of Committee's terms of reference
- Remuneration Committee advisor review summary

2019

Strategic report
Governance
Financial statements
Additional information

Remuneration Committee Report continued

Fixed Variable KPI link

DIRECTORS' REMUNERATION POLICY SUMMARY

At the Annual General Meeting of shareholders on 2 May 2019, the Directors' Remuneration Policy (the 'Remuneration Policy'), as set out in the 2018 Annual Report and Accounts, was approved by shareholders. Set out below is a summary of that policy, how that policy links to strategy and consideration of some of the factors the Committee addressed when formulating the policy. How the Policy has been applied during 2019 can be found on subsequent pages in the report. The Remuneration Policy can be viewed in full online at www.howdenjoinerygroupplc.com/governance/remuneration-policy.

EXECUTIVE DIRECTORS

Fixed Pay

Base Salary	Benefits	Pension
Salaries are reviewed annually and set within a range defined by a market benchmark. This is derived from companies of a comparable size or operating in a similar sector. Our policy is to pay at median.	The Company pays the cost of providing benefits on a monthly basis or as required for one-off events.	Executive Directors appointed after May 2019 are invited to join the auto-enrolment defined contribution pension scheme or receive a salary supplement in lieu of pension in line with the maximum level of benefit they would have received if they had enrolled in the scheme. Company contributions for Executive Directors are aligned with those for the wider workforce.[1] The pension benefits of the incumbent Executive Directors are governed by earlier Remuneration Policies and their contracts of employment. However, the incumbent Executive Directors have voluntarily agreed to reduce their current benefits to be in line with the wider workforce by May 2022, that being the next scheduled renewal by shareholders of this Policy. More detail on the tapering of their benefits is set out on page 93.
Link to strategy: Salaries reflect the market value of the Executive's role in addition to their skill, responsibilities, performance and experience.	**Link to strategy:** Our policy provides a competitive level of benefits.	**Link to strategy:** The Committee remains committed to providing competitive long-term savings opportunities provided they are aligned with the opportunities afforded to the wider workforce.

Variable Pay

See page 32

	Annual Bonus	Deferred Bonus	Performance Share Plan
	The annual bonus has a maximum opportunity of 150% of base salary. Performance is assessed annually against stretching PBT and cash flow targets.	30% of any bonus earned is deferred into shares. Shares are paid out on the second anniversary of the deferral date. Malus and/or clawback provisions operate on the bonus for a period of up to two years after the performance period.	The vesting of awards is based on performance over a three-year performance period. The maximum opportunity allowed under the award is 270% of salary. Malus provisions apply for the duration of the vesting period. Vested awards are subject to a two-year holding period following vesting, during which no performance measures apply.
	Link to strategy: PBT and cash flow targets reflect our key internal performance indicators and the role of sustainable profit growth in our entrepreneurial culture. The annual bonus incentivises performance over the financial year.	**Link to strategy:** Deferral links bonus pay out to share price performance over the medium term.	**Link to strategy:** Focuses management on longer-term financial growth than addressed by the annual bonus. Long-term financial growth is fundamental to the generation of shareholder value. As with the annual bonus, deferral links bonus pay out to share price performance but the post-vesting holding period does this over a longer period.
Performance Period	1 Year		3 Years
Additional Deferral Period		2 Years	2 Years
Time from grant to receipt	1 Year	3 Years	5 Years

1. At 28 December 2019, Company contributions to the wider workforce were 4% of basic salary.

Executive Director Shareholdings

Significant shareholdings on the part of our Executive Directors are key to ensuring effective alignment with shareholders. Under the Remuneration Policy, the Executive Directors are expected to have a personal shareholding equal to twice their annual base salary. Shares deferred under the deferred bonus plan and unvested conditional share awards are not counted towards this requirement. Executive Directors are also eligible to receive shares awarded under the Share Incentive Plan, the Company's all-employee share scheme. Shares awarded under the Share Incentive Plan are not counted towards the shareholding requirement.

In 2019 a post-cessation shareholding requirement was introduced in the Remuneration Policy. This requires Executive Directors to hold 100% of their shareholding requirement (or full actual holding if lower) for a period of two years post cessation. See the Appendix on page 110 for a table of total shares in the Company held by the Directors, together with unvested performance shares and those held subject to deferral conditions.

NON-EXECUTIVE DIRECTORS

Non-Executive Directors only receive fees for their services and are not eligible to participate in any performance-related arrangements. There are no shareholding requirements for Non-Executive Directors prescribed by the Remuneration Policy.

Fees are reviewed every year and are set within a range defined by a market benchmark of comparable size companies and with reference to any pay increase awarded to the wider workforce. All fees for 2020 and increases from the prior year are set out below. Non-Executive Directors are also entitled to receive expenses in respect of reasonable travel and accommodation costs.

		Basic NED Fee[1]	Chair Fee	SID Fee	Committee Chair Fee
2020	Fee	£56,650	£257,500	£15,000	£12,500
	% change from 2019	3%	3%	50%[2]	25%
2019	Fee	£55,000	£250,000	£10,000	£10,000
	% change from 2018	0%	0%	0%	0%

1. The Chair of the Board of Directors does not receive the basic Non-Executive Director fee or an additional fee for chairing the Nominations Committee.
2. In recognition of the additional time requirement necessary to undertake the role of Non-Executive Director responsible for workforce engagement, the SID Fee was increased by £5,000.

Remuneration Committee Report continued

When determining the Remuneration Policy, the Committee were mindful of their obligations under Provision 40 of the Corporate Governance Code to ensure that the Policy and other remuneration practices were clear, simple, predictable, proportionate, safeguarded the reputation of the Company and were aligned to Company culture and strategy. Set out below are examples of how the Committee addressed these factors:

Clarity	Simplicity	Risk
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	*Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.*	*Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risk that can arise from target-based incentive plans, are identified and mitigated.*
The Company invited its principal shareholders and shareholder representative groups to consult on the updated Remuneration Policy and received good feedback. The level of pension benefit for new Executive Directors was reduced and the minimum percentage of variable pay linked to financial measures was increased following input from these meetings. All UK employees are awarded shares in the Company through the Share Incentive Plan. As such they are entitled to attend and vote on the Remuneration Policy and Remuneration Report at the Annual General Meeting.	The Remuneration Policy has received positive feedback from stakeholders in relation to its simplicity. When the Remuneration Policy was updated in 2019 the profit share element of the annual bonus was replaced due to the complexity of the calculation and lack of understanding of its operation. The Committee's approach to performance measures had always been that they must be understandable for participants in the schemes in order to ensure they are effective.	The Remuneration Committee have a track record of setting maximum levels of award for the PSP below the maximum allowed under the policy. This ensures that such awards do not become excessive due to share price volatility. Whilst the Committee has consciously not set an absolute annual quantum on Executive remuneration, this is something that the Committee will keep under review. The total pay of the Executive Directors is considered by the Committee as well as pay ratios with the wider workforce and shareholder returns.

Predictability	Proportionality	Alignment to culture
The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	*The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.*	*Incentive schemes should drive behaviours consistent with company purpose, values and strategy.*
The range of possible rewards for the Executive Directors is considered on page 103 and were communicated when the Remuneration Policy was approved by shareholders. The range in relation to the PSP reflects the reduced maximum award for 2020 rather than maximum allowed under the policy. The Committee has a wide range of discretion in relation to variable pay awards, new joiner and leavers which were identified and explained when the Remuneration Policy was approved.	In this Remuneration Report we have linked where measures for individual awards are linked to KPIs. The Committee remains confident that the awards used to ensure continued delivery of strategy and long-term performance are working as intended. In both 2018 and 2019, the annual bonus paid out at about three quarters of maximum opportunity following delivery of good PBT results in challenging market conditions and which were slightly ahead of market expectations. However, as longer-term profit growth remained subdued in the three years leading up to these financial year ends, the PSP lapsed in full in the first year and vested at a low level in the second following a return to growth.	The Committee remain confident that the incentive schemes operated under the Remuneration Policy are aligned with purpose, values and strategy. Howdens' staff are paid on the performance of their local depot or on the profitability of the Group as a whole. This has created an autonomous, entrepreneurial, profit-focused culture and is reflected in the heavy weighting given to profit measures in our incentive schemes for Executive Directors and senior management.

OUR CORPORATE PERFORMANCE

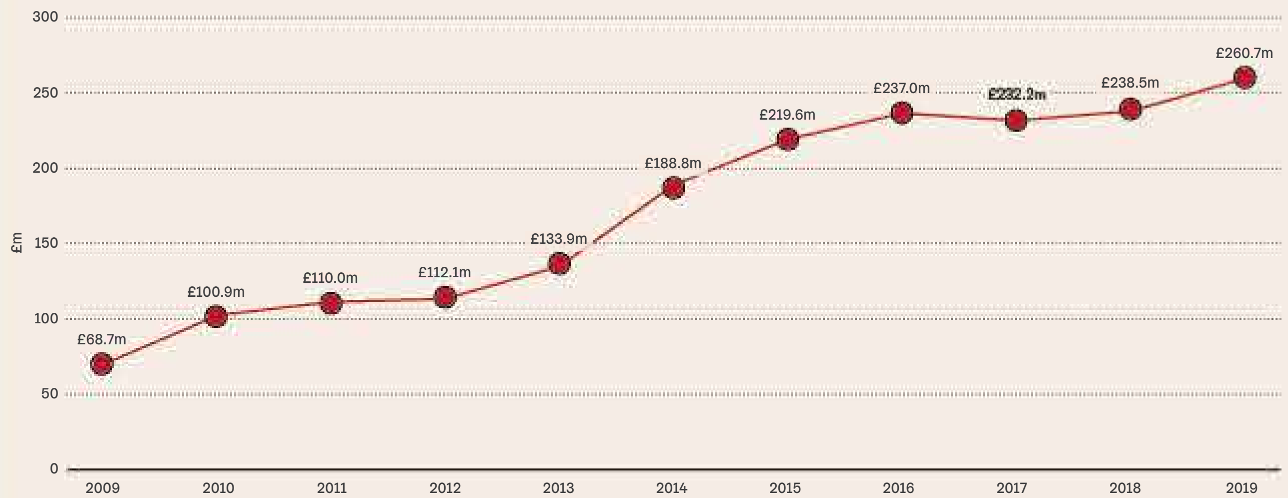
Total Shareholder Return ('TSR')

The graph below illustrates the Company's TSR performance relative to the constituents of the FTSE 250 (excluding investment trusts) of which the Company is a constituent. It shows that over the past 10 years Howdens has generated significantly higher returns than the FTSE 250 (excluding Investment Trusts).

Profit Before Tax ('PBT')

The graph below illustrates the Company's historic PBT performance.

Howdens historic PBT



Remuneration Committee Report continued

DIRECTORS' REMUNERATION REPORT

SINGLE FIGURE OF REMUNERATION: EXECUTIVE DIRECTORS (AUDITED)

	Salary		Benefits		Pension		Bonus		LTIP		Recruitment award		Total Remuneration	
£000s	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Executive Directors:														
Andrew Livingston*	564	413	72	81	113	83	643	462	-	-	-	1,530	1,391	2,569
Mark Robson	441	441	62	51	134	182	502	494	210	0	-	-	1,349	1,168
Former Executive Directors														
Matthew Ingle	-	145	-	78	-	44	-	163	-	0	-	-	-	430
Total	1,005	999	134	210	247	309	1,145	1,119	210	0	-	1,530	2,740	4,167

* Andrew was appointed to the Board on 2 April 2018 and therefore only received his salary, benefits, pension and annual bonus as CEO for a proportion of 2018.

	Total (Fixed)		Total (Variable)	
£000s	**2019**	**2018**	**2019**	**2018**
Executive Directors:				
Andrew Livingston	748	577	643	1,992
Mark Robson	637	674	712	494
Former Executive Directors				
Matthew Ingle	-	267	-	163
Total	1,385	1,518	1,355	2,649

Total Executive Director Fixed vs Variable Pay

NOTES TO THE SINGLE FIGURE TABLE

Salary, benefits, pension

Salaries will not be changed outside of the annual review, unless there are exceptional circumstances, such as a mid-year change in role. Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set within a range defined by market benchmark derived from companies in a similar sector (policy is to pay median). Salaries for 2020 can be found on page 103. The peer group used is reviewed whenever benchmarking is performed, and the Committee applies judgement in identifying appropriate peer group constituent companies. The individual's level of total remuneration against the market is considered at the same time.

Benefits are based upon market rates and include receipt of a car allowance, non-exclusive use of a driver, health insurance and death-in-service insurance payable by the Company. Following Andrew Livingston's appointment as CEO, the Remuneration Committee agreed that the Company would pay reasonable hotel costs in order to provide flexibility whilst he undertook the logistical demands of the role. During 2019 the Committee agreed that the Company would continue to pay reasonable hotel costs until he had successfully relocated.

Mark Robson opted-out of the Defined Benefit Pension Scheme on 31 December 2018. Under the terms of his employment contract and the Remuneration Policy agreed by shareholders in 2016 he received pension benefit in lieu of 30% of basic salary for the remainder of the financial year. More information about future Executive Director pension benefits can be found on page 93.

Recruitment award

Andrew Livingston's recruitment award figure is higher than reported in the 2018 Remuneration Committee Report due to the growth in the Company's share price since the award was made. The calculation of the value of the award was therefore updated to take account of this growth. More information on the recruitment awards can be found on page 109.

Annual Bonus (Audited)

Targets for 2019

Our annual bonus for 2019 was based on PBT and cash flow measures subject to an aggregate maximum of 150% of salary. The PBT and cash flow measures were weighted as follows:

	PBT component	Cash flow component
Threshold	£242.3m (17% of salary)	£243.0m (3% of salary)
Target	£255.1m (63.75% of salary)	£259.0m (11.25% of salary)
Outperformance	£267.9m (127.5% of salary)	£269.0m (22.5% of salary)

70% of the annual bonus was paid in cash and 30% of the annual bonus was deferred as shares, which will vest two years following the deferral date (subject to continued employment).

Outcomes for the year

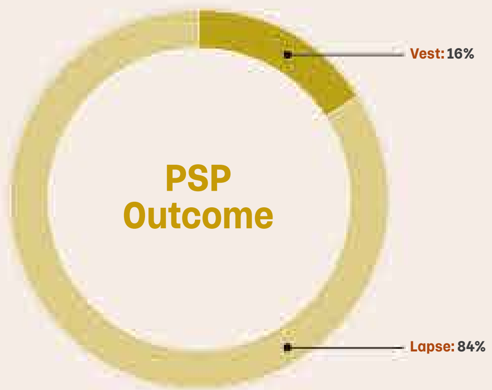
The PBT figure for the year in relation to the annual bonus is £260.7m (between target and outperformance). The cash flow figure for the year in relation to the bonus was £295.4m (above outperformance). In aggregate, the Executive Directors will receive an annual bonus of 114% of salary for 2019.

	Andrew Livingston	Mark Robson
PBT (% of salary)	91.6%	91.6%
Cash Flow (% of salary)	22.5%	22.5%
Total Bonus (% of salary)	114%	114%
Total Bonus (£'000)	643	502

Performance Share Plan ('PSP') (Audited)

Targets for 2019

2020 is the first year in which the PSP award will vest. The PSP awards granted from 2016 to 2019 have been measured against PBT growth over a three year period. The PBT growth for the 2017 award was measured between FY 2017 to FY 2019. Any PSP award that vests is subject to a two-year holding period for serving Executive Directors.



Outcomes for the year

The 2017 PSP had a threshold requirement of 3% p.a. and a maximum requirement of 15% p.a. 2019 PBT was £260.7m, and therefore growth on FY 2016 was 3.2% p.a. The award will therefore vest at 16% of maximum opportunity at the end of March.

£59,830 of Mark Robson's 2019 long-term incentive award was attributable to share price increases. The share price at the date of grant was 430.9p and the three month average to 28 December 2019, the price on which the value of the award is calculated, was 602.2p.

Remuneration Committee Report continued

Single figure of Remuneration: Non-executive directors (Audited)

The table below sets out the remuneration received by Non-Executive Directors in 2018 and 2019.

		Remuneration (£'000)	
Non-Executive Director	**Notes**	**2019**	**2018**
Richard Pennycook		260	250
Mark Allen	Retired from the Board in December 2019	50	55
Karen Caddick	Appointed Remuneration Committee Chair in September 2019	61	17
Andrew Cripps		65	65
Geoff Drabble	Appointed Senior Independent Director in September 2019	58	55
Louise Fowler	Appointed to the Board in November 2019	9	-
Tiffany Hall	Retired from the Board in September 2019	53	75
Debbie White		55	55
Total		611	572

WIDER WORKFORCE CONSIDERATIONS

The Remuneration Committee received regular updates from the Interim Group HR Director in respect of the ongoing all-employee benefits review. This review incorporates all aspects of employee reward at Howdens. The Committee also adopted the template dashboard shown below in 2019. This dashboard, known as our Provision 33 Dashboard, shows some of the key internal and external measures and information that the Committee must be mindful of when they determine Executive Director and senior management remuneration. These measures are considered in addition to wider workforce-related policies and the alignment of incentives with the culture of the organisation. The Provision 33 Dashboard is populated with up-to-date information prior to each meeting where it is to be considered.

Provision 33 Dashboard template

Workforce Reward

- Salary
- Pensions
- Benefits
- Bonus
- Shares

External Ratios

CEO Ratio as at YE2019

25th percentile (vs prior year), 50th percentile (vs prior year), 75th percentile (vs prior year)

Gender Pay Gap

Group	Prior Year	Current
Mean pay gap		
Median pay gap		
Bonus mean gap		
Bonus median gap		

Provision 40

- Clarity
- Simplicity
- Risk
- Predictability
- Proportionality
- Alignment to culture

Shareholder Alignment

Executive Director shareholdings

CEO as % of salary
DCEO & CFO as % of salary

Share price performance

The Committee also considers the appropriateness of introducing an absolute quantum for Executive reward during the year.

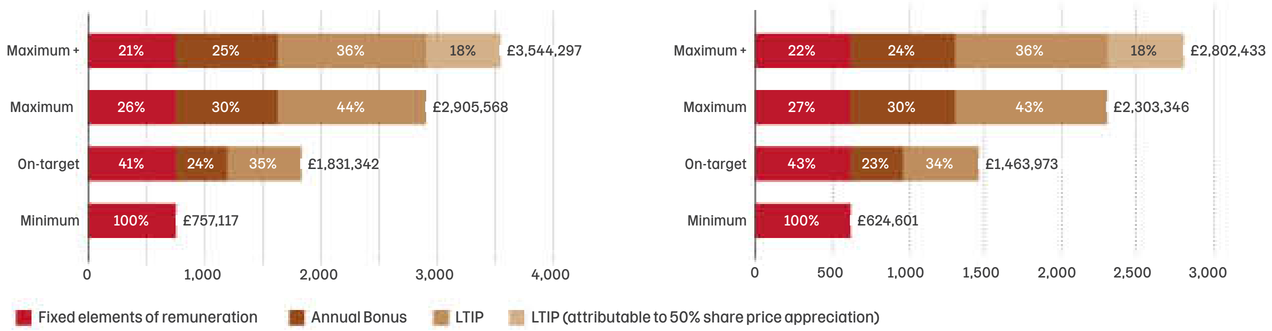
Fixed Variable

IMPLEMENTATION OF REMUNERATION POLICY FOR 2020

2020 REMUNERATION SCENARIOS

The remuneration package for the Executive Directors is designed to provide an appropriate balance between fixed and variable performance-related components, with a significant proportion of the package weighted towards long-term variable pay. The Committee remains satisfied that the composition and structure of the remuneration packages is appropriate, clearly supports the Company's strategic ambitions and does not incentivise inappropriate risk-taking and reviews this on an annual basis.

Value of package (£'000)



Fixed elements of remuneration consist of the annual salary that the Executive Director will receive for 2020, alongside their 2020 pension entitlement, and actual benefits received in 2018/19 (as a proxy for 2020).

Annual bonus is based on a maximum opportunity of 150% of salary and an on-target opportunity of 75% of salary.

LTIP is based on a maximum opportunity of 220% of salary in line with the 2020 grant (noting that the overall policy maximum is 270% of salary). Target opportunity is calculated as 50% of maximum (110% of salary).

The 'maximum +' includes share price appreciation of 50%. This column is calculated on the same basis as the maximum column however includes an uplift of 50% total over three years for the performance share plan.

The composition and value of the Executive Directors' remuneration packages in a range of performance scenarios are set out in the charts above. These show that the proportion of the package delivered through long-term performance is in line with our remuneration policy and changes significantly across the performance scenarios. As a result, the package promotes the achievement of superior long-term performance and aligns the interests of the Executive Directors with those of other shareholders. A brief description of each remuneration scenario is set out below the charts.

Base salaries

Base salary increases from 2020 are set out in the table below. The salary increase awarded to Andrew Livingston and Mark Robson were in line with the average increase that will be made to our workforce in 2020.

	2020		2019	
Executive Directors	**Salary (£'000)**	**% increase**	**Salary (£'000)**	**% increase**
Andrew Livingston	581	3.0%	564	2.5%
Mark Robson	454	3.0%	441	-

Remuneration Committee Report continued

Fixed Variable

Annual Bonus measures

The table below sets out Annual Bonus measures for 2020. Targets for these measures are considered commercially sensitive by the Board and so are not disclosed here. Performance targets, together with achievement against them, will be set out in full in the 2020 Remuneration Committee Report.

Bonus measure	Definition	Performance level	Pay out level
PBT	Pre-exceptional profit before tax from continuing operations	Threshold	17% of salary
		Target	63.75% of salary
		Maximum	127.5% of salary
Cash Flow	Net cash flow from operating activities, taking into account the efficiency with which working capital is used, and adjusted for exceptional items	Threshold	3% of salary
		Target	11.25% of salary
		Maximum	22.5% of salary

Performance Share Plan measures

As reported earlier in this report and in the case study on page 105 the Remuneration Committee have introduced a relative Total Shareholder Returns ('TSR') measure in 2020 in addition to the existing PBT measure. Set out below are the performance measures and relative weightings for each of the measures. For 2020 the maximum opportunity under the PSP remains 220% in line with the approach taken in 2019. The performance period is three years, measured over the relevant financial years, starting with the financial year of grant. For scheme interests awarded in 2019 see the Appendix on page 108.

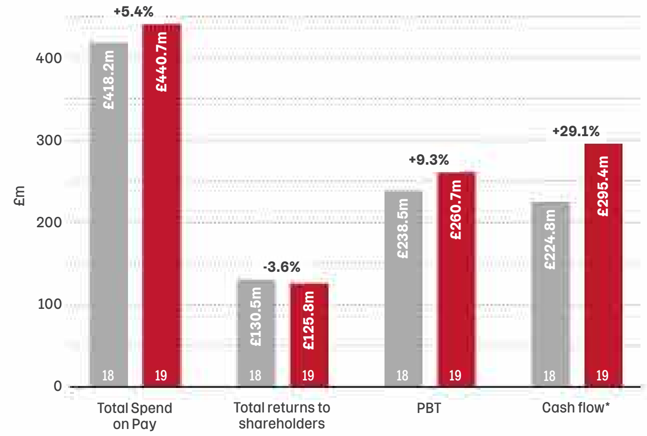
PSP measure	PBT growth	
Measure weighting	67%	
	PBT growth performance condition	**Payout level**
PBT component vesting schedule	15% p.a.	100% of maximum
	Straight-line vesting between these points	
	5% p.a.	15% of maximum
	Less than 5% p.a.	0

PSP measure	Relative TSR	
Measure weighting	33%	
Comparator group and averaging period for TSR performance	• Companies ranked up to 50 above and 50 below Howdens by market capitalisation in the FTSE All Share index at or shortly before the start of the performance period (excluding Investment Trusts). • One month TSR average for the month preceding the first day of the performance period and one month TSR average for the final month of the performance period.	
	Performance against comparator group	**Payout level**
Performance assessment	Equal to or above upper quartile	100% of maximum
	Straight-line vesting between these points	
	Equal to median	15% of maximum
	Below median	0

Under the terms of the Remuneration Policy approved by shareholders at the 2019 Annual General Meeting, the 2020 PSP awards will be subject to a two-year post-vesting holding period.

Relative importance of spend on pay

The graph below sets out the change in the Group's total remuneration spend from 2018 to 2019 compared to the total returns to shareholders of the Group and the two incentive performance measures PBT and cash flow.

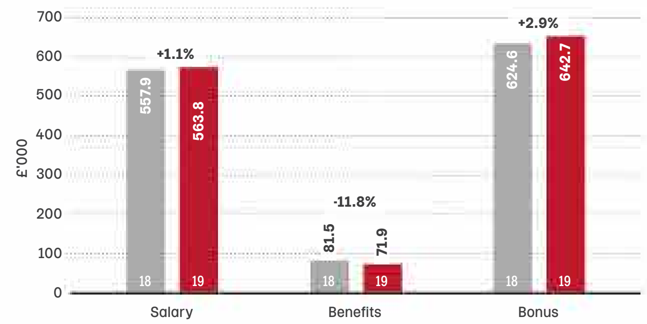


* Net cash flow from operating activities, being the definition used for the annual bonus scheme (see page 104)

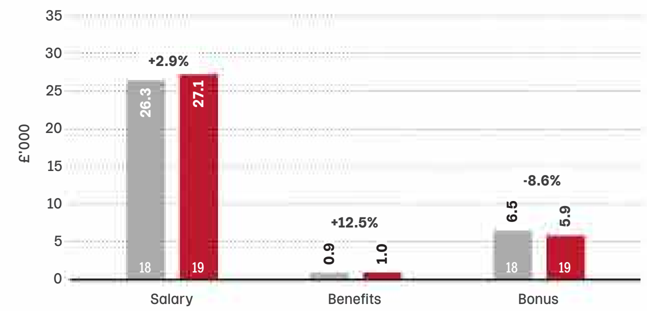
Percentage change in remuneration of Director undertaking the role of Chief Executive Officer

The graphs below set out the change in short-term pay from 2018 to 2019 of the CEO compared to all employees (on a per capita basis).

CEO



All full time employees (per capita)



Case Study

Additional measure for the Long Term Incentive Plan

In the 2018 Remuneration Committee Report we committed to introducing a greater diversity of measures for our long-term incentives following shareholder feedback. The Committee stated that, from 2020 onwards, a returns measure would be introduced into our long-term incentive program alongside the PBT measure and throughout 2019 we would monitor them against internal targets to ensure we could appropriately calibrate these metrics. This ensured that they were well understood within the senior management population before they were formally introduced.

In January 2019, the Committee discussed with management a number of potential measures and it was agreed that Relative Total Shareholder Returns ('TSR') and Return On Invested Capital ('ROIC') would provide greatest alignment with shareholder interests and best complement the existing PBT measure.

Performance against these two measures were considered at the Committee meeting in July as well as more detailed analysis on the most appropriate definitions of ROIC and the TSR peer group. Wider market analysis and benchmarking was undertaken and considered by the Committee.

In November, the Committee approved the use of TSR as the returns measure for the 2020 PSP. Due to its widespread adoption, both the Committee and management agreed that a TSR measure was a more relevant comparator externally which would safeguard against complexity and provide the best alignment with shareholder interests.

The Committee also agreed the weighting of the measure (33%), performance period, comparator group, average period for TSR performance and the performance assessment. More detailed information about the operation of the TSR measure can be found on page 104.

Alignment with the strategy of the business and the avoidance of rewarding failure has and will always be the central drivers for the selection of performance measures and the Committee is confident that the introduction of the TSR measure continues to provide this alignment without introducing unnecessary complexity.

Remuneration Committee Report continued

OUR CORPORATE PERFORMANCE AND REMUNERATION

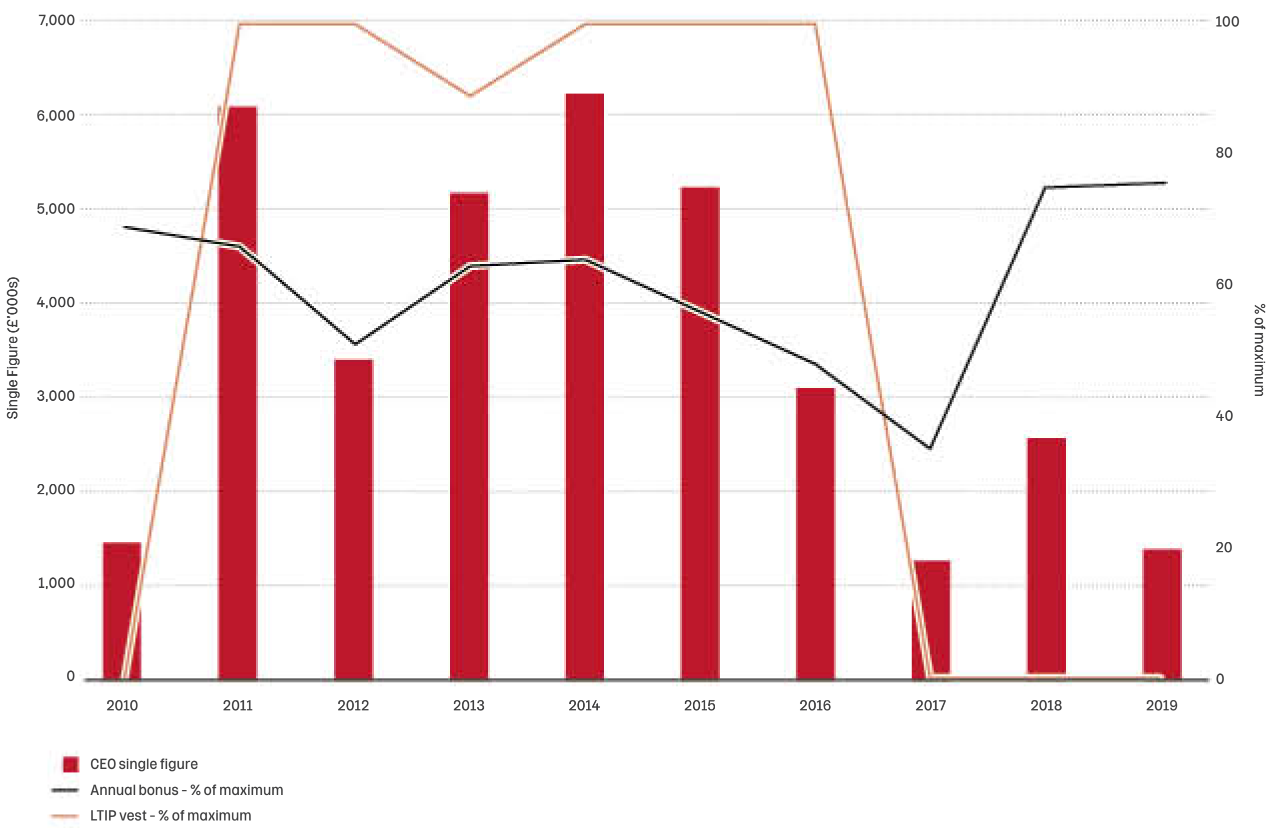
Historic single figure

The table and graph below show the historic CEO single figure and incentive pay-out levels. They show that the annual bonus has performed strongly and that long-term incentives have reflected the challenges that faced the Company after 2008 and the challenging market conditions following the 2016 referendum on membership of the European Union.

The maximum bonus opportunity reduced from 200% of basic salary to 150% following the approval of the Directors' Remuneration Policy by shareholders in May 2016.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
CEO single figure (£'000)	1,458	6,083	3,401	5,168	6,221	5,225	3,098	1,268	2,569	1,391
Annual bonus (% of maximum)	69%	66%	51%	63%	64%	56%	48%	35%	75%	76%
LTIP vest (% of maximum)	0%	100%	100%	89%	100%	100%	100%	0%	0%	0%*

* Andrew Livingston was appointed as CEO in April 2018 and therefore he was not granted an award under the LTIP in 2017.



CEO PAY RATIO TABLE

Financial Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	A	71:1	58:1	48:1
2018	A	122:1	100:1	81:1

During 2019, Howdens has identified the CEO pay ratio in line with the updates to the Directors' Remuneration Reporting Regulations. The data used to calculate the CEO pay ratio was accurate as at 31 December 2019.

In accordance with section 17 of The Companies (Miscellaneous Reporting) Regulations 2018, method A was used in the calculation of the pay ratios; ranking the pay and benefits of all our UK employees for the relevant financial year to identify the 25th, 50th, and 75th percentile-ranked employees and using the pay and benefits figures for these three UK employees to determine the pay ratios at each quartile. Method A has been used as it has been identified by the Department for Business, Energy and Industrial Strategy ('BEIS') in its guidance as the most statistically accurate method for identifying the pay ratios.

The total pay, benefits and salary of each colleague who is the best equivalent of the 25th, 50th, and 75th ranked employee is as follows:

	25th percentile	50th percentile	75th percentile
Total pay and benefits ('FTE')	£24,743	£30,185	£36,783
Salary (including overtime) ('FTE')	£19,353	£23,782	£28,792

The pay and benefits of our colleagues was calculated in line with the Single Total Figure of Remuneration methodology. In our calculations we used actual pay from 1 January 2019 to 31 December 2019. Joiners, leavers and part-time employees' earnings have been annualised on an FTE basis (excluding any payments of a one-off nature).

Where bonus payments are made on a weekly, monthly or quarterly basis, we included payments made in the 2019 compensation year; however, for annual bonus payments, we estimated the bonus due to employees for the 2019 compensation year (payment is due in March 2020). P11D values have been based on the 2018/19 reportable values; however, they have been annualised accordingly.

Howdens' vertically integrated business means that our workforce is made up of a wide range of roles from kitchen designers to skilled engineers, from warehouse staff to senior management. We work on the premise that Howdens must be worthwhile for all concerned and our reward structures across the business are designed to reflect the levels of personal autonomy and outperformance we expect from every individual. Pay structures vary between roles in order to deliver an appropriate balance between fixed and variable pay but our emphasis on profit in our reward structures, from the depots to the Executive Directors, helps to provide some alignment of reward across the business.

The significant decrease in the CEO pay ratio from 2018 to 2019 was primarily the result of the inclusion of the CEO's one-off recruitment award in the single pay figure for 2018 which was not repeated in 2019. The 2018 figures excluding this award were broadly in line with those reported for 2019 (2018: 25th Percentile 62:1, 50th percentile 50:1 and 75th percentile 41:1). It is a feature of our pay structure that senior management receive a larger proportion of their total pay via incentives and the outcome of incentives is likely to be the main cause of variability in the ratio in future years. Andrew Livingston did not join the Board until April 2018 and will not be in receipt of a long-term incentive award until 2021 at the earliest. Should his long-term incentive awards vest, they will increase the ratio.

The Remuneration Committee are regularly updated on the benefits review across the business and are mindful that consistency of approach and fairness are two important drivers for change.

Remuneration Committee Report continued

Fixed Variable

DIRECTORS' REMUNERATION REPORT APPENDIX

In this Appendix a number of key disclosures are set out that provide further clarity to investors and other readers of this report on the implementation of our remuneration policy in the year under review.

TOTAL PENSION ENTITLEMENTS (AUDITED)

Executive Directors who joined the business before 2012 were eligible to participate in the Howden Joinery Group Pension Plan (the 'Plan'). The Plan closed to new joiners in 2012 and new Executive Directors are invited to participate in the Howden Joinery Auto-Enrolment Pension Scheme or receive an amount in lieu of membership of the Scheme. More information on pension entitlements for Executive Directors can be found in the Remuneration Policy at www.howdenjoinerygroupplc.com/governance/remuneration-policy

The table below sets out the accrued pension for the Executive Directors who served during the year, with pension values calculated using the HMRC method. No additional benefits become receivable if Executive Directors retire early. Mark Robson has chosen to opt-out of the memberships of the plan and therefore received a salary supplement of 30% of base salary in lieu of pension in 2019.

	Current Executive Directors	
	Andrew Livingston	Mark Robson
Accrued pension at 28 Dec 2019 (£'000)	-	46
Normal retirement date	-	16/01/2019
Pension value in the year from defined benefit component (£'000)	-	2
Pension value in the year from defined contribution component (£'000)	-	-
Pension value in the year from cash allowance (£'000)	**113**	**132**
Total	113	134

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED)

During 2019 the Executive Directors were invited to participate in the Performance Share Plan, as follows:

Nature of award	Restricted shares awarded under the PSP		
Level of award	**Executive**	**Number of awarded shares**	**Face value of award[1]**
	CEO	246,766	£1,283,183
	Deputy CEO & CFO	193,036	£1,003,787
PBT component vesting schedule	**PBT growth performance condition**		**Vesting**
	15% p.a.	220% of salary (100% of maximum)	
	Straight-line vesting between these points		**Straight-line vesting**
	5% p.a.	33% of salary (15% of maximum)	
	Less than 5% p.a.	0	
Performance period	Performance measured from FY2019 to FY2021		
Vesting date	3 May 2022		

1. Based on a share price of £5.20, being the closing price on 2 May 2019.

Free shares awarded under the Share Incentive Plan				
Executive	Number of awarded shares	Face value of award[1]	Date of grant	Performance criteria
Andrew Livingston	100	£517	8 April 2019	n/a
Mark Robson	100	£517	8 April 2019	n/a

1. Based on a share price of £5.17, being the closing price on 5 April 2019.

RECRUITMENT AWARDS (AUDITED)

Andrew Livingston forfeited a number of awards from his previous employment on leaving that role, including performance based awards and awards of restricted shares not subject to performance conditions. As per our approved 2016 recruitment policy, these awards were replaced by awards of similar structure, fair value, and timing as far as practical.

Awards not previously subject to performance conditions were replaced with awards of restricted shares, with equivalent remaining periods to release of awards foregone.

Performance based awards were replaced with restricted share awards of an equivalent expected value and release date. Due to the short period (of less than one year) between Andrew's date of appointment and the original vesting date of the foregone performance awards, it was not considered appropriate to apply performance conditions to the replacements for these awards, but rather to mirror the expected value of the number of shares granted.

In total, 249,330 shares were awarded to replace those forfeited from previous employment with a total value of £1,233,233. The table below sets out details for each tranche of the replacement awards made to Andrew:

(Audited)	Number of shares	Vesting date	Value of shares (£)[1]
	131,639	31 March 2018	605,025
	69,397	1 March 2019	337,408
	48,294	1 March 2020	290,800

1. As the recruitment awards were granted in 2018, the value of the awards were based on actual date of vest, or three month average share price to 28 December 2019 of £6.02 if unvested.

Andrew will retain these shares as part of his shareholding requirement as CEO (200% of salary), subject to disposals to cover tax liabilities arising.

As reported in the 2018 Remuneration Committee Report, Andrew forfeited his 2017 annual bonus on leaving his previous role. In line with our approved policy, this was replaced with a like-for-like cash award of £296,413. This amount was determined to be an appropriate estimate of the value of the bonus foregone, pro-rated for time in role.

SERVICE CONTRACTS/NOTICE PERIOD

All Executive Directors' employment contracts have twelve months' notice of termination on both sides. In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation. In other circumstances, Executive Directors may be entitled to receive compensation for loss of office which will be paid monthly for a maximum of twelve months. Such payments will be equivalent to the monthly salary that the Executive would have received if still in employment with the Company. Executive Directors will be expected to mitigate their loss within a twelve-month period of their departure of the Company.

Non-Executive Director appointments are for an initial period of three years. They are subject to re-appointment annually in accordance with the UK Corporate Governance Code. Non-Executive Directors are not entitled to any form of compensation in the event of early termination for whatever reason.

PAYMENTS TO PAST DIRECTORS (AUDITED)

Matthew Ingle retired from the Board on 2 April 2018 and from the Group on 31 July 2018. For his services provided to the Group to 31 July 2018, Matthew received a pro-rated long-term incentive award under the PSP. In light of the 2017 PSP outcome, as set out on page 101, Matthew received 21,087 shares with a total value of £126,973 based on the three month average share price at 28 December 2019 of £6.02. £36,110 of Matthew Ingle's long-term incentive award was attributable to share price increases. The share price at the date of grant was £4.31. No post-vest holding period will be applied to this award.

Remuneration Committee Report continued

EXTERNAL APPOINTMENTS

It is recognised that Executive Directors may be invited to become Non-Executive Directors of other companies and that exposure to such duties can broaden their experience and skills, which will benefit the Company. Howdens allows Executive Directors and other appropriate senior employees to accept a maximum of one external non-executive appointment outside the Company, subject to permission from the Committee, provided this is not with a competing company nor likely to lead to conflicts of interest.

Andrew Livingston is currently Non-Executive Director of LondonMetric Property Plc, a FTSE250 REIT. Andrew received £54,083 in fees in respect of his role as Non-Executive Director. Andrew held this position upon appointment. Mark Robson does not have any external appointments. Executive Directors may retain the fees paid to them in respect of their Non-Executive duties.

DIRECTOR SHAREHOLDINGS (AUDITED)

In order that their interests are aligned with those of shareholders, Executive Directors are expected to build up and maintain a personal shareholding in the Company of at least 200% of salary.

The table below sets out the total shares held together with unvested performance shares and those held subject to deferral conditions.

	Current Executive Directors	
	Andrew Livingston	Mark Robson
Shareholding requirement %	200%	200%
Shareholding requirement (number of shares)	187,247	146,310
Owned outright (including connected persons)	109,388	153,020
Share awards subject only to continued employment	48,494[2]	300[3]
Share awards subject to performance conditions and continued employment[4]	511,536	623,700
Options subject to performance conditions	-	-
Vested but unexercised options	-	-
Current shareholding (% of salary)[1]	117%	209%
Guideline met	N	Y

1. Based on a share price of £6.02, being the three-month average price to 28 December 2019. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons.
2. Recruitment Plan and Share Incentive Plan.
3. Share Incentive Plan.
4. Performance Share Awards under the Long Term Incentive Plan.

NON-EXECUTIVE DIRECTOR SHAREHOLDINGS (AUDITED)

There is no shareholding requirement for Non-Executive Directors.

	Non-Executive Director:					
	Karen Caddick	Andrew Cripps	Geoff Drabble	Louise Fowler	Richard Pennycook	Debbie White
Shareholding:	6,000	3,000	3,000	-	54,663	4,562

No changes to the Executive and Non-Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 26 February 2020.

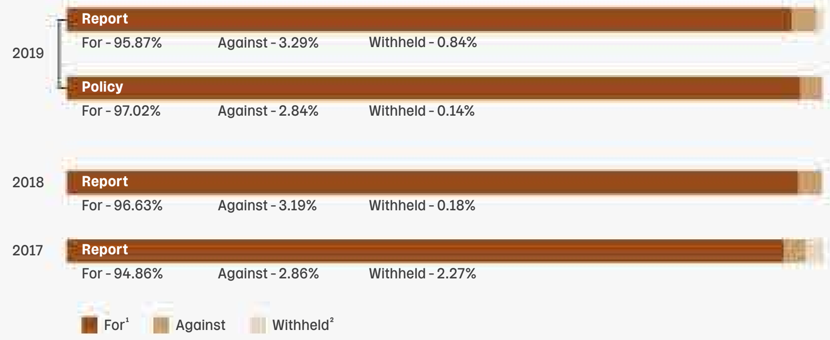
CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Committee met five times during 2019 and discussed a number of items for which it is responsible. Under its terms of reference, which are reviewed on an annual basis, the Committee is responsible for determining the broad policy and specific remuneration packages for Executive Directors and senior management (that being the Company Secretary and members of the Executive Committee), including pension rights and, where applicable, any compensation payments. The Committee is also regularly updated on pay and conditions applying to other employees in the Company.

VOTING AT THE 2019 ANNUAL GENERAL MEETING ('AGM')

The results of the advisory vote in respect of the Directors' Remuneration Report and the binding vote on the Directors' Remuneration Policy at the 2019 AGM may be found in the chart below.

AGM VOTING OUTCOMES



1. A vote 'for' includes those votes giving the Chair discretion.
2. A vote 'withheld' is not a vote in law.

ADVISORS TO THE COMMITTEE

The Committee regularly consults with the CEO and the Interim Group HR Director on matters concerning remuneration, although they are never present when their own reward is under discussion. The Company Chair attends the Remuneration Committee by invitation except when his own remuneration is determined. The Company Secretary acts as secretary to the Committee but is never present when his own reward is determined.

The Committee also has access to detailed external information and research on market data and trends from independent consultants. PricewaterhouseCoopers LLP ('PwC') is the Committee's retained independent advisor and provided advice to the Committee during the year. PwC has been independent advisor to the Committee since 2007 and was appointed by the Committee as the result of a tender process. During the year, the Committee reviewed the ongoing independence of PwC as adviser to the Committee and agreed to retain them following a short external search. It was satisfied that PwC was providing robust and professional advice.

Work undertaken by PwC for the Committee included updating the Committee on trends in compensation and governance matters and advising the Committee in connection with benchmarking of the total reward packages for the Executive Directors and other senior members of staff. A representative from PwC attends each meeting of the Remuneration Committee. Fees paid to PwC in relation to remuneration services provided to the Committee in 2019 totalled £130,550 with fee levels based on the quantity and complexity of work undertaken. PwC also provided consultancy advice and support to the internal audit function to the Company during 2019.

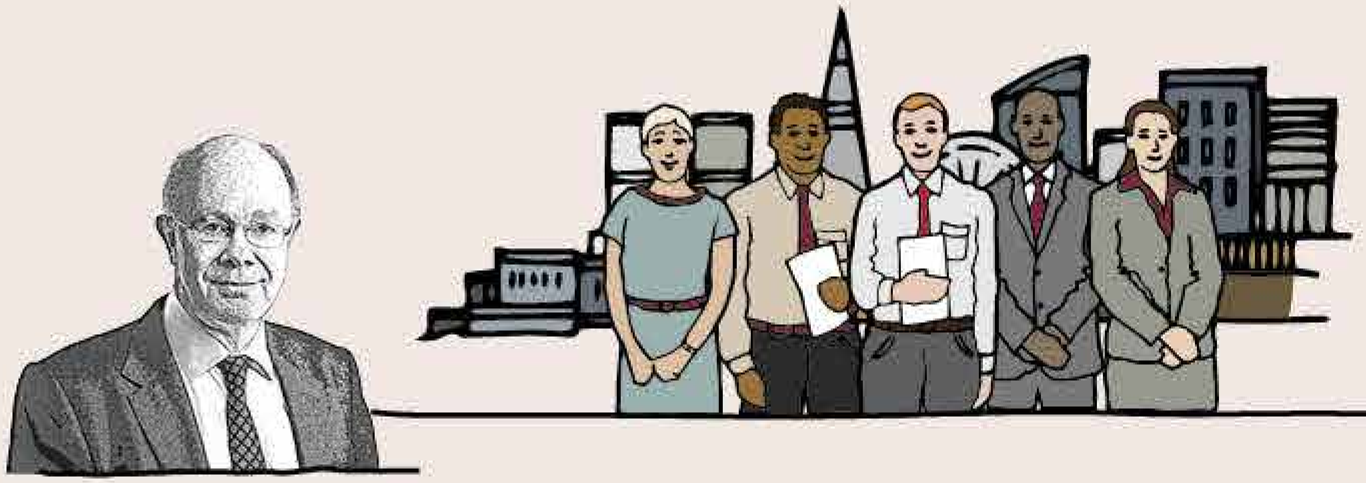
PwC is a member of the Remuneration Consultants' Group which operates a code of conduct in relation to executive remuneration consulting.

By order of the Board

Karen Caddick
Remuneration Committee Chair

26 February 2020

Audit Committee Report



Audit Committee Meeting Attendance

Andrew Cripps (5/5)
Mark Allen (2/5)[1]
Karen Caddick (5/5)
Geoff Drabble (5/5)
Louise Fowler (1/1)[2]
Tiffany Hall (4/4)[3]
Debbie White (5/5)

1. Mark was unable to attend the February and April meetings due to his commitments at Dairy Crest and the November meeting due to health reasons. Mark received all of the meeting papers ahead of each meeting and was able to feedback his views to the Committee Chair.
2. Louise was appointed to the Board on 1 November 2019.
3. Tiffany retired from the Board on 17 September 2019.

INTRODUCTION FROM THE COMMITTEE CHAIR

As stakeholders seek ever greater assurance over the robustness of financial controls and the integrity of financial reporting, so the importance of the Audit Committee has evolved such that it is a central pillar of the corporate governance framework of the organisation. It provides independent challenge and scrutiny of the Company's internal financial controls and risk management systems.

The Audit Committee is supported in providing assurance over the integrity of financial reports by our independent external auditor, Deloitte LLP ('Deloitte'). Deloitte provide an impartial evaluation of our financial statements and their report to members of the Company may be found on pages 161 to 168. We have committed to retendering the external audit and engaging a new external auditor no later than 2022 and will continue to monitor Deloitte's independence throughout the remainder of their appointment.

The Howdens internal audit function is also a key partner for the Audit Committee in ensuring that the internal controls of the Company are robust. The Internal Audit Plan is regularly reviewed by the Committee to ensure it's fully aligned to the strategy and the latest view of emerging and significant risks to the business. The Head of Internal Audit and Risk also has a standing invitation to Audit Committee meetings.

In 2019, the Audit Committee increased its scheduled meetings from three to five, which allowed more time for the Committee to focus on the Company's internal controls.

At the end of 2019, the Board undertook its triennial externally-facilitated effectiveness evaluation. Information about the evaluation outcomes for the Audit Committee may be found on page 115.

During 2020, the Committee will continue to monitor the integrity of financial statements and formal announcements relating to financial performance, review internal controls, review and monitor the effectiveness of the Internal Audit function, and the effectiveness and objectivity of the external auditor. It will also continue its plan for the re-tender of the external audit work in preparation for the change of auditor in 2022 (see 'Key activities in the year ahead' to the right).

Andrew Cripps
Audit Committee Chair

Key activities in the year ahead

- Review of the Annual Report and Accounts and preliminary results announcement.
- Deloitte's reappointment as auditor to be recommended to shareholders at the AGM.
- Update to be given by the Audit Committee Chair to shareholders at the AGM.
- Planning for the retender of external audit services.
- Review of the 2020 interim results.
- Consideration of Internal Audit's findings.
- Review of key controls in the Supply and Trade business areas.
- Approval of the 2021 Audit Committee calendar.
- Review of the Committee's terms of reference.

2019 AUDIT COMMITTEE ACTIVITY

2019

February

Meeting

- IFRS 16 project update
- 2018 Draft Annual Report and Accounts and Preliminary Announcement
- External Audit Report
- Internal Audit Report
- External Audit Policies
- Audit Committee Effectiveness
- Effectiveness of the external auditor and audit processes
- Discussion with external auditors (without management present)

April

Meeting

- IFRS 16 project update
- Accounting for intangible assets
- Cyber security
- Internal Audit Report
- External audit process effectiveness

May

AGM

- Authority for the Directors to determine the auditor's remuneration and the reappointment of the external auditor were approved by shareholders

July

Meeting

- IFRS 16 project update
- 2019 Interim Results
- External auditor half year review
- Internal Audit Report
- Conflicts of interest review
- Discussion with external auditor (without management present)

September

Meeting

- IFRS 16 planning update
- Review of distributable reserves
- Internal Audit Report
- Annual Report timetable
- Discussion with the Head of Internal Audit and Risk (without management present)

November

Meeting

- IFRS 16 project update
- Review of distributable reserves
- 2019 External audit plan
- Internal and operational control update
- Audit tender planning
- Terms of reference review
- Discussion with external auditor (without management present)

Audit Committee Report continued

FINANCIAL REPORTING

Results Review

The Audit Committee reviewed the Group's 2019 Annual Report and Accounts and the half-yearly financial report published in July 2019.

As part of these reviews, the Committee received papers from management on changes in accounting policy, areas of significant judgement, the Group's key risks, going concern considerations and longer-term viability. The Committee also received reports from Deloitte on their audit of the Annual Report and Accounts and review of the half-yearly financial report.

The Committee considered whether the Annual Report and Accounts were fair, balanced and understandable and contained the information necessary for shareholders to assess the Company's position, performance, business model, and strategy.

Financial Controls

The Committee received a report from the Head of Internal Audit and Risk on the results of key control questionnaires prepared by Group and Divisional management. The effectiveness of the Group's internal financial controls (with specific reference to controls in place on a divisional basis) and the disclosures made in the Annual Report and Accounts on this matter were reviewed by the Audit Committee.

Areas of Significant Financial Judgement

The Committee exercises its judgement in deciding the areas of accounting that are significant to the Group's accounts. The external auditor reports detailed results of their procedures in relation to these significant areas to the Committee.

Areas of significant financial judgement

Inventory obsolescence provisioning
Validity of the actuarial assumptions
Management override of controls (presumed risk)

■ Area of significant financial judgement in 2019 and 2018

□ Presumed risk for the audit under ISA 240

The matters shown below have been discussed with the Deputy Chief Executive & Chief Financial Officer, Group Finance Director and the external auditor, and the Committee is satisfied that each of the matters have been fully and adequately addressed by the Executive Committee, appropriately tested and reviewed by the external auditor, and the disclosures made in the Annual Report and Accounts are appropriate.

Inventory obsolescence provisioning

The Group's in-stock model (further information about which may be found on page 6) and the scale of our product range necessitates tight management of inventory to ensure local availability of stock while at the same time minimising obsolescence and wastage.

The Committee reviewed the results of stock counts and the processes used to value each category of inventory, including the assumptions behind obsolescence provisions, with management.

The external auditor provided reports to the Committee which considered the appropriateness of provisions held against the carrying value of inventory, while also having regard to the age of discontinued lines and volumes of continuing lines relative to the expected usage and the levels of historical write-offs.

Validity of the actuarial assumptions

During 2019, the Group moved to a policy of updating CMI tables, a key element of the mortality assumptions, annually. The previous approach had been to update these every three years following completion of the triennial valuation. Given the more modest life expectancy improvement rate forecast in the 2018 CMI table and a deterioration of the discount rate, the pension deficit increased from £36m at the end of 2018 to £56.6m at this balance sheet date. The Committee remains aware that the valuation of assets and liabilities remain sensitive to changes in the actuarial assumptions, particularly the discount, inflation and mortality rates applied.

The Committee carefully considered:

- whether the actuarial assumptions, and in particular the discount, inflation and mortality assumptions, applied were appropriate; and
- the views of the external auditors.

The Committee also met with the Group's external actuaries during the year and considered their recommendations.

Distributable Reserves

The Committee requested that management analyse the revenue and other reserves of the parent company to ascertain the full extent to which these may be distributable. This information is now included on page 170.

GOVERNANCE

Governance Updates

Updates on the latest governance practices for Audit Committees and changes in reporting requirements were provided by the external auditor. All members of the Audit Committee are also members of the Deloitte Academy, which provides updates on financial and reporting matters.

Committee Effectiveness

An effectiveness review was carried out on the Committee as part of the Board's triennial externally-facilitated evaluation process (further details about the process may be found on pages 90 and 91 of the Nominations Committee Report).

The evaluation of the Audit Committee focused on the following areas:

- Chairship
- Meetings and meeting agendas
- Evolution of responsibilities
- External audit
- Internal audit
- The internal Finance team

Feedback from the review was that the Audit Committee has evolved in a positive way in response to increased responsibilities and regulations and also to the increased size of the business. The feedback also showed that the Committee is 'thorough and tenacious in its approach" and that the addition in 2019 of two further scheduled meetings a year allowed for more challenge and consideration of subjects in more detail.

Policies and Conflicts

The Committee reviewed its policies in relation to allocation of non-audit work (further detail on this policy may be found on page 118) and employment of ex-audit firm personnel. It also reviewed the Directors' conflicts of interest register. Further information about conflicts of interest may be found on page 119.

CMA Order Compliance

The Audit Committee confirms that the Company has complied with the provisions of the Competition and Markets Authority Order 2014 throughout its financial year ended 28 December 2019 and up to the date of this report.

Case Study

IFRS 16

As we have been reporting in our Annual Report and Accounts since 2015, Howdens will report under IFRS 16 for first time in our financial year to December 2020.

IFRS 16 will bring all leases onto the Group balance sheet as right to use assets and associated financial liabilities, increasing both by a material amount. At the end of December 2018, Howdens had leases with committed repayments of c.£0.5bn. In recognition of the fact that IFRS 16 would bring this amount onto the balance sheet, albeit discounted to reflect the time value of money, the Committee agreed an implementation plan, progress against which was reported at each meeting during 2019.

A project team formed in 2017, made up of representatives from the Group divisional accounting teams and Information Services, has been working towards the implementation plan. The project team confirmed early in the process that an IT solution was required and a tender process was carried out. System penetration and interface testing was carried out on the selected solution. The uploading of templates to the system then commenced.

In April 2019, the Committee considered the basis of adoption and in July approved the modified retrospective basis, having also considered alternative permitted bases. The Committee concluded that the adopted method combined the simplicity of not needing to derive a large number of discount rates with most of the P&L benefits of a fully retrospective adoption.

In September 2019, the Committee discussed and approved the incremental borrowing rate methodology, one of the main judgemental inputs into the IFRS 16 calculation. The incremental borrowing rate being the discount rate used to give the present value of leases on the balance sheet. The key features of the methodology were considered prior to adoption.

In November, the Committee considered the draft disclosure for 2019, the final version of which can be found in Note 2 on pages 128 and 129.

The external auditor was engaged with the process throughout the implementation plan and provided input on the basis of adoption and the incremental borrowing rate methodology.

Audit Committee Report continued

Committee Membership

The Committee is composed entirely of independent Non-Executive Directors. Independence is critical for fair assessment of the management team and the external and internal audit functions.

Committee Chair

Andrew Cripps was appointed Audit Committee Chair in May 2016. He is responsible for determining the Committee's agenda and for maintaining the key relationships between the Group's senior management, Head of Internal Audit and Risk, the Company Secretary and senior representatives of the external auditor.

Andrew is also responsible for ensuring that key audit issues are reported to the Board in an effective and timely manner and that they are reported to shareholders in the Annual Report.

From 2020, he will also present a summary of the work of the Audit Committee to shareholders at the Annual General Meeting.

Recent and relevant financial experience

Andrew Cripps qualified as a Chartered Accountant with KPMG and has held executive director roles in the UK and Europe with Rothmans International, where he was Corporate Finance Director. More recently, Andrew has been Audit Committee Chair of a number of public companies.

Competence relevant to the sector

The unique business model of Howdens means it does not naturally fit into one sector and therefore when the Committee undertook an assessment of its skills and experience it assessed them against a number of sectors relevant to the Company. These included building and construction, multi-site wholesale, manufacturing and logistics, and service to customers.

The Committee concluded that competence relevant to these sectors was well represented within the current membership and that the thorough inductions provided to the Committee members and the opportunities for them to meet with senior management and Executives further enhanced their working knowledge of the way the Company operates and the sectors it spans.

EXTERNAL AUDITOR

External auditor	Deloitte LLP ('Deloitte')
External auditor tenure	18 years
Lead audit partner	Claire Faulkner
Lead audit partner tenure	3 years (of a 5 year cycle)
Latest that a new external auditor will be engaged*	2022
Total fees paid to auditor in the year	£0.7m (Non-audit fees accounted for £0.1m of the total fee)

* The information above is correct as at 28 December 2019.

External Audit Tender

As previously reported, the Audit Committee will engage a new external auditor no later than 2022 (following the conclusion of the current five-year lead audit partner cycle). The Committee will keep the need to re-tender the external audit under review until this time.

In coming to this decision, the Audit Committee considered the transitional arrangements published by the Department of Business, Energy & Industrial Strategy in 2015, which provide that the Company cannot renew Deloitte's appointment as external auditor beyond June 2023, given it has been the external auditor for over eleven years but less than twenty years.

The Committee also considered the UK Corporate Governance Code and the FRC's Guidance on Audit Committees, which provides that the external audit should be re-tendered at least every ten years and that this process should fit in with the lead audit partner five-year rotation.

Deloitte has expressed their willingness to continue in office as auditor and the Committee has unanimously recommended to the Board that a proposal to reappoint them as the auditor and to authorise the Directors to fix their remuneration is put to the shareholders at the Annual General Meeting on 7 May 2020 (details of the AGM may be found on page 176).

External Auditor Independence

Auditor independence is an essential part of the audit framework and the assurance it provides. The Committee therefore undertook a comprehensive review of auditor independence during 2019, which included:

- A review of the independence of the external auditor and the arrangements which they have in place to identify, report and manage conflicts of interest.
- A review of the changes in key external audit staff for the current year and the arrangements for the day-to-day management of the audit relationship.
- Consideration of the overall extent of non-audit services provided by the external auditor, in addition to case-by-case approval of the provision of non-audit services as appropriate.
- Deliberation of the likelihood of a withdrawal of the auditor from the market and note taken of the fact that there are no contractual obligations to restrict the choice of external auditor.

At the year-end, the external auditor formally confirmed that they had complied with the requirements of the FRC Ethical Standard as well as internal requirements and their independence and objectivity had been maintained. The Audit Committee also has a policy in relation to the employment of former members of the external audit team.

External Auditor Effectiveness

To assess the effectiveness of the external auditor, the Committee reviewed:

- The proposed plan of work presented by the external auditor, including audit risks, materiality, terms of engagement and fees prior to commencement of the 2019 audit.
- The external auditor's fulfilment of the agreed audit plan and any variations from the plan.
- Perceptions and professional scepticism of the external auditor and audit process from key management personnel in the finance function.
- Robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements.
- Internal control and risk content of the external auditor's report.
- Independence of thought and potential for conflict.

The only non-audit services provided by Deloitte in the year was their review of the half-yearly financial report. No advisory work was requested from the auditor this year or last.

External Auditor Fees

All relevant fees proposed by the external auditor must be reported to and approved by the Audit Committee.

Details of the total fees, including non-audit fees, paid during the year to Deloitte may be found on the opposite page and in Note 6 to the consolidated financial statements (page 136).

Performance Expectations for the External Auditor

Specific auditor responsibilities

- Discuss audit approach and areas of focus in advance.
- Report issues at all levels within the Company in a timely fashion.
- Ensure clarity of roles and responsibilities between local Deloitte and Howdens' Finance teams.
- Respond to any issues raised by management on a timely basis.
- Meet agreed deadlines.
- Provide continuity and succession planning of key staff members of Deloitte.
- Provide sufficient time for management to consider draft auditor's reports and respond to requests and queries.
- Ensure consistent communication between local and central audit teams.

Wider responsibilities

- Provide timely up-to-date knowledge of technical and governance issues.
- Serve as an industry resource, communicating best practice trends in reporting.
- Adhere to all independence policies.
- Deliver a focused and consistent audit approach for the Group that reflects local risks and materiality.
- Liaise with the Howdens Internal Audit and Risk team to avoid duplication of work.
- Provide consistency in advice at all levels.
- Ultimately, provide a high quality service to the Board, be scrupulous in their scrutiny of the Group and act with utmost integrity.

Independence

The Committee reviews the independence of the external auditor bi-annually. This includes consideration of the potential for conflicts of interest as well as the auditor's internal procedures to ensure independence of its staff.

The Committee noted that the only non-audit services provided by Deloitte in the year was their review of the half-yearly financial report. No advisory work was requested from the auditor this year or last.

Howden Joinery Group Plc Annual Report & Accounts 2019

Audit Committee Report continued

Policy for Non-Audit Services Provided by the External Auditor

The main aims of this policy are to:

- Ensure the independence of the auditor in performing the statutory audit; and
- Avoid any conflict of interest by clearly detailing the types of work that the auditor can and cannot undertake.

The Audit Committee has reviewed and updated the policy for non-audit services to ensure that it is in line with the FRC's Revised Ethical Standards 2019 (which will take effect from 15 March 2020) and the FRC's Audit Quality Practice Aid 2019.

The policy, in line with regulation, substantially limits the non-audit services which can be provided by the external auditor. The policy provides:

- A 70% cap of the value of the audit fee for all non-audit services calculated on a rolling three-year basis.
- Categories of service that are prohibited from being carried out by the auditor.

The policy specifies a de minimus limit as well as the type of non-audit work that the auditor may be engaged in without the matter first being referred to the Audit Committee, which considers each referral on a case-by-case basis.

The policy ensures that the auditor does not audit its own work or make management decisions for the Company or any of its subsidiaries. The policy also clarifies responsibilities for the agreement of fees payable for non-audit work.

CONTROLS AND INTERNAL AUDIT

Internal Control Framework

The Group has an established framework of internal controls, which includes the following key elements:

- The Board reviews Group strategy, and the Executive Committee are accountable for performance within the agreed strategy.
- The Group and its subsidiaries operate control procedures designed to ensure complete and accurate accounting of financial transactions and to limit exposure to loss of assets or fraud.
- The Audit Committee meets regularly and its responsibilities are set out in the Audit Committee Terms of Reference (which may be found on the Company's website at www.howdenjoinerygroupplc.com/governance/corporate-governance-report/terms-of-reference-of-the-audit-committee). It receives reports from the Internal Audit function on the results of work carried out under an annually agreed audit programme. Operational and compliance controls are considered when the Committee reviews the annual Internal Audit programme. The Audit Committee has full and unfettered access to the internal and external auditors.
- Operating entities provide certified statements of compliance with specified key financial controls. These controls are then cyclically tested by Internal Audit to ensure they remain effective, and are being consistently applied.
- The Audit Committee annually assesses the effectiveness of the assurance provided by the internal and external auditors. Every five years an external assessment is also undertaken with regard to the assurance provided by the Internal Audit department. An external assessment was undertaken by Grant Thornton in 2017.

Internal Audit

During the year, the Committee reviewed:

- Internal Audit's programme of work and resources and approved its annual plan.
- Results of audits and other significant findings including the adequacy and timeliness of management's response.
- The level and nature of assurance activity performed by Internal Audit.
- Staffing, reporting and effectiveness of divisional audit.

The Committee considered that the Internal Audit function remained effective and provided a comprehensive level of assurance through its programme of work.

Fraud Risk

The Committee considered the controls in place to mitigate fraud risk and received a report from Internal Audit which confirmed the effectiveness of those controls.

Divisional Controls

Senior management from the business were invited to discuss the controls in their business areas. The Director of Commercial Finance and Head of Compliance of the Trade division gave presentations on the control environments in their area. An update on the IT control environment was also presented by the Chief Information Officer. Updates on cyber and information security were also provided by the Head of Information Systems Security.

Independent Assurance

The Committee assessed the coverage of independent assurance by reviewing the annual internal audit plan against the Group assurance map. In addition, the Committee reviewed reports on preparedness to manage crises, business continuity and product recall. It also received reports on the scope of preparations for the UK's exit from the EU.

Whistleblowing

Complaints on accounting, risk issues, internal controls, auditing issues and related matters are reported to the Audit Committee as appropriate. Oversight of the Company's whistleblowing policy is a matter considered by the Board. The Board receives biannual updates on whistleblowing statistics and trends (see pages 77 and 80).

Conflicts of Interest

The Companies Act 2006 places a duty upon Directors to ensure that they do not, without the Company's prior consent, place themselves in a position where there is a conflict, or possible conflict, between the duties they owe the Company and either their personal interests or other duties they owe to a third party.

If any Director becomes aware that they, or any party connected to them, have an interest in an existing or proposed transaction with the Company, they must notify the Board as soon as practicable. The Board has the authority to authorise a conflict if it is determined that to do so would be in the best interests of the Company. The Audit Committee reviews the output of this process annually to ensure it is appropriately monitored.

By order of the Board

Andrew Cripps
Audit Committee Chair

26 February 2020

Case Study

Intangible Assets

Intangible assets considered for capitalisation in the Group balance sheet principally comprise the directly attributable costs of developing computer software and ongoing costs of software licences. In view of the significant increase in expenditure on the Group's digital framework, the Committee reviewed:

- how software costs are accounted for
- the controls applied
- the disclosures made

The Committee noted that judgement is carefully applied as to whether expenditure produces demonstrable future economic benefit which justifies recognition as an asset in the Group's balance sheet, subject to annual amortisation. All other software costs are expensed as incurred. As a result of this review, the Committee were satisfied with the accounting policies for intangible assets and their application, including disclosure in the Annual Accounts. Further details of intangible assets are set out in Notes 2 and 12 to the consolidated financial statements.

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 28 December 2019. Comparative figures relate to the 52 weeks ended 29 December 2018.

In order to make our Annual Report and Accounts more accessible a number of the sections traditionally found in this report can now be found in other sections of this Annual Report and Accounts where it was deemed that the information would be presented in a more connected and accessible way. The Directors' Report comprises the sections detailed below, including the statement on political donations and research and development ('R&D'). Any sections that have been moved have been cross-referenced below for ease of reference:

LOCATED IN THE SUSTAINABILITY REPORT:

Greenhouse Gas Emissions: Details of the Group's greenhouse gas emissions, as required by Sch. 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, are set out on page 59.

LOCATED IN THE GOVERNANCE SECTION:

Corporate governance code: Information on how the Company applied the Principles and complied with the Provisions of the 2018 UK Corporate Governance Code may be found on pages 79 to 83. A copy of the 2018 UK Corporate Governance Code can be accessed via www.frc.org.uk.

Internal control and risk management arrangements: Internal control arrangements information may be found in the Audit Committee Report on page 118. Risk management arrangements information may be found on pages 70 and 83 and in the Principal risks and uncertainties section beginning on page 40.

Diversity policies: The Board and Group Diversity Policies are available on page 87 of the Nominations Committee Report.

Stakeholder engagement: Details regarding the engagement with suppliers, customers, and others in business relationships with the Company, as required by Sch. 7 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), may be found on pages 76 to 78.

Employees: Information about the total number of employees and gender diversity statistics are located on page 87. The average number of employees and their remuneration are shown in Note 7 on page 136. The methods of engaging with the workforce may be found on pages 76 and 77. All eligible UK employees have been invited to participate in a free share award under the Company's Share Incentive Plan ('SIP') each year since 2015. Further details of the SIP may be found in Note 24.

LOCATED IN THE STRATEGIC REPORT:

Principal Group activities, business review and results: The principal activities of Howden Joinery Group Plc and its subsidiaries can be found on pages 2 to 63.

Dividend: Information about the final dividend can be found in the Chairman's Statement on page 11 and the Financial Review on page 35.

Directors' statement of disclosure of information to the auditor: This statement may be found on page 63.

LOCATED IN THE ADDITIONAL INFORMATION SECTION:

Annual General Meeting ('AGM'): Information about the AGM can be found on page 176. The recommendation to reappoint the Group's auditor, can be found on page 113.

Share capital, substantial shareholdings and acquisition of the Company's own shares: Information in this regard can be found on page 176.

Indemnity and Insurance: Details of Directors' Indemnity and Insurance is located on page 177.

Significant agreements: Details of any agreements that take effect, alter or terminate upon a change of control may be found page 177.

POLITICAL DONATIONS AND R&D

The Group made no political donations during the current and previous financial year. Nor has it made any contributions to any non-EU political party during the current or previous financial year.

The Group has undertaken research and development activities during the financial year to further enhance the service proposition to our trade customers.

By order of the Board

Forbes McNaughton
Company Secretary

26 February 2020

NON-FINANCIAL REPORTING:

Non-financial measures are an important part of our business and we have recognised the importance of non-financial information in our Annual Reports for many years. The Board are committed to acting responsibly and working with our stakeholders to manage the social and ethical impact of our activities. We aim to treat all our stakeholders fairly and with integrity, as we explain in the introduction to our Sustainability Report on page 51.

We have a number of Group policies to provide guidance to our employees. The policies are designed to be easily understood and they generally include examples of acceptable and unacceptable behaviours.

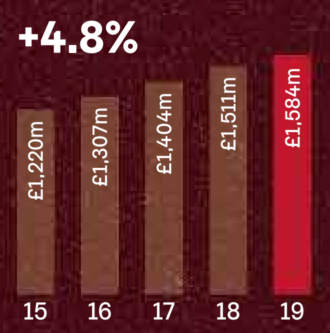
In order to consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006 in respect of Non-Financial Reporting, the table below shows where in this Annual Report to find each of the disclosure requirements.

Focus area	Policies and statements	More information and outcomes
Environmental matters	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	• Greenhouse gas and emissions reporting (page 59). • KPI on production, reuse, recovery and recycling of warehouse waste and our target of 100% packaging used in manufacturing being made from recycled or certified sources (page 58). • KPI on use of certified timber in our manufacturing processes (page 56). • Discussions of our efforts to reduce waste and our responsible, energy-efficient operations (page 58).
Social matters	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	• Our impact on our stakeholders (starting on page 52) and engagement with stakeholders (starting on page 76). • Our work with local and national charities (pages 60 and 61).
Respect for human rights	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	• Discussion of Supplier Code of Conduct (page 56). • Discussion of sustainable sourcing, active monitoring of suppliers and training of our procurement staff (page 56 and 57). • Modern Slavery Statement (see Group website). • Internationally recognised labour standards form part of our contracts of employment.
Anti-bribery and corruption	Anti-Bribery and Corruption, Conflicts of interest, Corporate gifts and hospitality, Anti-money laundering, Anti-tax evasion and Competition law policies.	• During 2019, the Board considered and approved updated versions of the following Group policies: anti-bribery and corruption, anti-money laundering, anti-tax evasion, competition law policy, market abuse compliance and the modern slavery statement and whistleblowing. We have a rolling programme of refresher training on Modern Slavery and Anti-Bribery for our compliance team and buyers.
Employees	Health & Safety Statement of Intent (see Group website), Market abuse compliance, Data Protection and Privacy, Whistleblowing.	• KPI on Health & Safety (page 54). • Discussion of Health & Safety performance and initiatives (page 54). • Discussion of employee rewards and benefits, development opportunities (page 55). • Apprentice schemes (page 55). • Diversity policies and statistics (page 87). • Director's remuneration policy (see Group website for the full policy or page 96 for a summary of the policy).

We outline our business model on pages 18 and 19. All of our non-financial KPIs are presented together on pages 33 and 34. A discussion of our principal and emerging risks, including those related to our business relationships, products and services, as well as a description of our risk management process, starts at page 40.

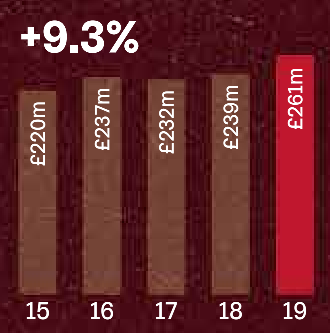
Revenue

£1,584m (2018: £ 1,511m)



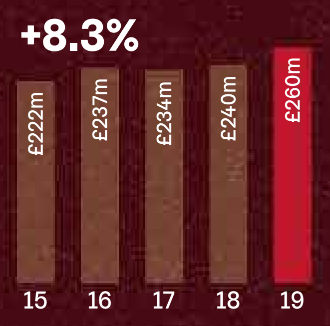
Profit before tax

£261m (2018: £239m)



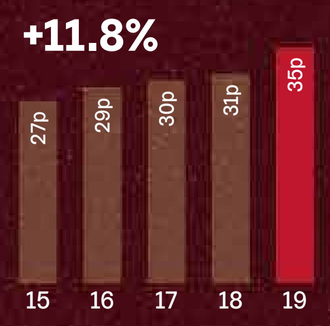
Operating profit

£260m (2018: £240m)



EPS

35.0p (2018: 31.3p)

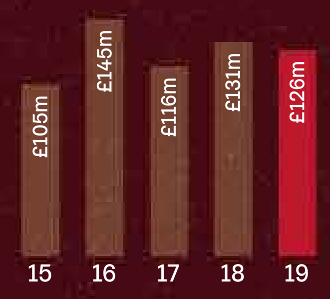


Net cash

In line with our targeted capital structure (see page 37), we continue to maintain sufficient cash to operate through the annual capital cycle without debt. Balance at year end - £267m (2018: £219m)

Returns to shareholders

Dividends and share buybacks £126m (2018: £131m)



Financial Statements

Consolidated income statement

	Notes	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Continuing operations:			
Revenue	4	1,583.6	1,511.3
Cost of sales		(597.4)	(579.1)
Gross profit		986.2	932.2
Selling & distribution costs		(621.7)	(594.4)
Administrative expenses		(104.5)	(97.7)
Operating profit	6	260.0	240.1
Finance income	8	1.1	0.7
Other finance expense - pensions	19	(0.4)	(2.3)
Profit before tax		260.7	238.5
Tax on profit	9	(51.7)	(48.1)
Profit for the period attributable to the equity holders of the parent		209.0	190.4
Earnings per share:			
Basic earnings per 10p share	10	35.0p	31.3p
Diluted earnings per 10p share	10	34.8p	31.2p

Consolidated statement of comprehensive income

	Notes	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Profit for the period		209.0	190.4
Items of other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension scheme	19	(47.1)	59.3
Deferred tax on actuarial gains & losses on defined benefit pension scheme	9	8.0	(11.3)
Change of tax rate on deferred tax		(0.7)	-
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(1.9)	(0.2)
Other comprehensive income for the period		(41.7)	47.8
Total comprehensive income for the period attributable to equity holders of the parent		167.3	238.2

Consolidated balance sheet

	Notes	28 December 2019 £m	29 December 2018 £m
Non-current assets			
Intangible assets	12	24.9	23.1
Property, plant and equipment	13	212.4	187.1
Deferred tax asset	14	13.5	11.2
Long-term prepayments		0.9	-
		251.7	221.4
Current assets			
Inventories	15	231.8	226.3
Trade and other receivables	16	193.1	186.0
Cash and cash equivalents	22	267.4	231.3
		692.3	643.6
Total assets		944.0	865.0
Current liabilities			
Trade and other payables	17	(241.4)	(232.9)
Current tax liability		(20.3)	(20.2)
		(261.7)	(253.1)
Non-current liabilities			
Pension liability	19	(56.6)	(36.0)
Deferred tax liability	14	(1.5)	(1.5)
Provisions	20	(9.0)	(7.3)
		(67.1)	(44.8)
Total liabilities		(328.8)	(297.9)
Net assets		615.2	567.1
Equity			
Share capital	21	60.5	61.5
Share premium and capital redemption reserve		92.2	87.5
ESOP reserve		(6.3)	(8.8)
Treasury shares		(29.3)	(32.9)
Retained earnings		498.1	459.8
Total equity		615.2	567.1

The financial statements were approved by the Board and authorised for issue on 26 February 2020 and were signed on its behalf by

Mark Robson
Deputy Chief Executive and Chief Financial Officer

Consolidated statement of changes in equity

	Called up share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP reserve £m	Treasury shares £m	Retained profit £m	Total £m
At 30 December 2017	62.8	-	87.5	(10.7)	(36.2)	350.8	454.2
Accumulated profit for the period	-	-	-	-	-	190.4	190.4
Other comprehensive income for the period	-	-	-	-	-	47.8	47.8
Total comprehensive income for the period	-	-	-	-	-	238.2	238.2
Current tax on share schemes	-	-	-	-	-	0.1	0.1
Deferred tax on share schemes	-	-	-	-	-	(0.1)	(0.1)
Movement in ESOP	-	-	-	5.2	-	-	5.2
Buyback and cancellation of shares	(1.3)	-	-	-	-	(60.9)	(62.2)
Transfer of shares from treasury into share trust	-	-	-	(3.3)	3.3	-	-
Dividends	-	-	-	-	-	(68.3)	(68.3)
At 29 December 2018	61.5	-	87.5	(8.8)	(32.9)	459.8	567.1
Accumulated profit for the period	-	-	-	-	-	209.0	209.0
Other comprehensive income for the period	-	-	-	-	-	(41.7)	(41.7)
Total comprehensive income for the period	-	-	-	-	-	167.3	167.3
Current tax on share schemes	-	-	-	-	-	0.3	0.3
Deferred tax on share schemes	-	-	-	-	-	0.2	0.2
Movement in ESOP	-	-	-	6.1	-	-	6.1
Buyback and cancellation of shares (Note 1)	(1.0)	4.7	-	-	-	(58.9)	(55.2)
Transfer of shares from treasury into share trust	-	-	-	(3.6)	3.6	-	-
Dividends	-	-	-	-	-	(70.6)	(70.6)
At 28 December 2019	60.5	4.7	87.5	(6.3)	(29.3)	498.1	615.2

The ESOP reserve includes shares in Howden Joinery Group Plc with a market value on the balance sheet date of £38.7m (2018: £27.1m), which are held by the Group's Employee Share Trusts in order to satisfy share options and awards made under the Group's various share-based payment schemes.

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

At the current period end there were 6,015,580 ordinary shares held in treasury, each with a nominal value of 10p (2018: 6,738,280 shares).

Note 1: This includes a re-presentation of the cancellation of shares to retained earnings and capital redemption reserve for the shares bought back and cancelled before 29 December 2018, under which retained earnings have been reduced by £3.7m and the capital redemption reserve has been increased by £3.7m. This line also records the shares bought back and cancelled in the current period, which had an aggregate nominal value of £1m and a cost of £55.2m.

Consolidated cash flow statement

	Notes	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Operating profit		260.0	240.1
Adjustments for:			
Depreciation and amortisation included in operating profit		34.5	30.2
Share-based payments charge		4.9	4.3
Loss on disposal of property, plant and equipment and intangible assets		1.4	-
Operating cash flows before movements in working capital		300.8	274.6
Movements in working capital and exceptional items			
Increase in inventories		(5.5)	(18.0)
Increase in trade and other receivables		(7.1)	(48.2)
Increase in trade and other payables and provisions		6.3	16.5
Difference between pensions operating charge and cash paid		(26.9)	(16.3)
		(33.2)	(66.0)
Cash generated from operations		267.6	208.6
Tax paid		(46.2)	(45.4)
Net cash flow from operating activities		221.4	163.2
Cash flows used in investing activities			
Payments to acquire property, plant and equipment and intangible assets		(61.1)	(44.3)
Receipts from sale of property, plant and equipment and intangible assets		0.3	0.1
Interest received		1.1	0.7
Net cash used in investing activities		(59.7)	(43.5)
Cash flows used in financing activities			
Payments to acquire own shares		(55.2)	(62.2)
Receipts from release of shares from share trust		1.1	0.9
(Increase)/decrease in long-term prepayments		(0.9)	0.1
Dividends paid to Group shareholders		(70.6)	(68.3)
Net cash used in financing activities		(125.6)	(129.5)
Net increase/(decrease) in cash and cash equivalents		36.1	(9.8)
Cash and cash equivalents at beginning of period		231.3	241.1
Cash and cash equivalents at end of period	22	267.4	231.3

Notes to the consolidated financial statements

1 GENERAL INFORMATION

Howden Joinery Group Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The registered office address is 40 Portman Square, London, W1H 6LT. The nature of the Group's operations are set out in the Strategic Report, and the Group's principal activity is the sale of kitchens and joinery products, along with the associated manufacture, sourcing, and distribution of these products.

These financial statements are presented in UK pounds sterling, being the currency of the primary economic environment in which the Group operates.

Foreign operations are included in accordance with the policies set out in Note 2.

2 SIGNIFICANT ACCOUNTING POLICIES

Accounting period

The Group's accounting period covers the 52 weeks to 28 December 2019. The comparative period covered the 52 weeks to 29 December 2018.

Statement of compliance and basis of preparation

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

The financial statements have been prepared on the historical cost basis, and on the going concern basis, as described in the going concern statement in the Strategic Report. The principal accounting policies are set out below.

Standards adopted in the period

None of the IFRSs adopted in the current period, including IFRS 15; Revenue from Contracts with Customers and IFRS 9: Financial Instruments, have had a material effect on the Group.

Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following standards, amendments to standards, and interpretations, were in issue but not yet effective for the Group in these financial statements:

IFRS 16: Leases

IFRIC 23: Uncertainty over Income Tax Treatments

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Amendments to IAS 28: Long-term Interests in Associates and JVs

Annual Improvements to IFRSs 2015 - 17 cycle

IFRS 17: Insurance Contracts

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to References to the Conceptual Framework in IFRS Standards

Amendment to IFRS 3: Business Combinations

Amendments to IAS 1 and IAS 8: Definition of Material

Amendments to IFRS 9, IAS 39, and IFRS 7 - Interest rate Benchmark Reform

Amendments to IAS 1 - Classification of liabilities as Current or Non-Current

The Directors anticipate that the adoption of the standards and interpretations mentioned above will have no significant impact on the Group's financial statements when the relevant standards come into effect, other than in the case of IFRS 16 which we discuss in more detail below.

IFRS 16: Leases

We will adopt IFRS 16 in the year to 26 December 2020, with a transition date of 29 December 2019. Our first report under IFRS 16 will be the June 2020 half-yearly report.

Transactions affected by IFRS 16

We lease our depot, warehouse, factory and office properties, as well as other assets such as fork lift trucks, lorries, vans and cars. Under IAS 17, the previous lease accounting standard, these leases were not recognised on the balance sheet, and annual rent payments were charged to income on a straight-line basis.

IFRS 16 will require us to recognise these leases on the balance sheet, causing both our gross assets and gross liabilities to increase. The addition to gross assets will represent our right to use the leased asset, and the addition to gross liabilities will reflect our obligation to make future lease payments.

IFRS 16 will also have a timing effect on the annual lease expense, which will no longer be equal to the rent payable for that year. The total income statement charge under IFRS 16 will consist of an operating charge representing straight line depreciation on the leased asset, plus an interest charge, which will vary over the life of the lease. More interest will be charged in the early periods of each lease and less interest will be charged in the later periods as the outstanding balance reduces, as with interest on a loan.

This means that the annual IFRS 16 income statement charge for a lease will not be the same each year. It will be more than the annual rent payable in the earlier years of a lease, and less in the later years.

Total interest and depreciation charged over the life of a lease will still equal the total rent paid, as at present. Whether the IFRS 16 charge in a year is larger or smaller than the rent payable will depend on the maturity profile of the leases which we have at any one time.

We show our operating lease commitments under IAS 17 at Note 23, and our annual rent payable at Note 6.

Adoption and transition

We are adopting IFRS 16 using the modified retrospective approach for all of our leases. This means that we will not restate the 2019 comparative figures in our 2020 financial statements, and that we will discount leases using incremental borrowing rates as at the date of adoption.

For all of our property leases and some of our vehicle leases - representing approximately 90% of our total lease commitments by value - we are measuring the leases as if IFRS 16 had been applied since the lease commencement date. For the remaining leases we are measuring them as if the lease had started on adopting IFRS 16, i.e. 29 December 2019.

We have elected to use the following permitted practical expedients on transition:

- to apply the portfolio approach where a group of leases have similar characteristics
- to use hindsight when determining the lease term
- to use the existing onerous lease provision on transition to reduce the right of use asset, rather than conducting an impairment review
- to exclude initial direct costs from measurement of the right of use asset
- to use the definition of a lease which existed under the previous accounting standard when determining if a contract contains a lease under IFRS 16

We will present our updated accounting policies as part of the 2020 half-yearly report, together with details of incremental borrowing rates, key judgements and a reconciliation between 2019 closing IAS 17 lease commitments and 2020 opening IFRS 16 lease liabilities.

Impact of IFRS 16 on the financial statements

1) Balance Sheet

Using the Group's leases on the transition date, 29 December 2019, the pre-tax impact of IFRS 16 will be:

- recognition of an opening right of use asset of £549m
- recognition of an opening lease liability of £568m
- an adjustment to opening reserves in the 2020 financial statements which will reduce them by £31m.

The amount of the adjustment to opening reserves does not equal the difference between the right of use asset and the lease liability because it also includes items such as rent prepayments and rent-free balances which were being carried on the balance sheet under IAS 17, and which are also required to be taken to opening reserves on adopting IFRS 16.

2) Income Statement

If we took the leases at 29 December 2019 and rolled them forward to the end of the 2020 financial year, the income statement will include:

- IFRS 16 lease depreciation of £73m, which will be charged in arriving at operating profit, and
- IFRS 16 lease interest of £9m, which will be included as a finance charge, below operating profit

Under IAS 17, the projected rent payable for these leases in the year would be £81m, which would all be charged to operating profit. This means that the effect of IFRS 16 would be to increase operating profit by £8m, to increase finance charges by £9m and therefore to decrease profit before tax by £1m.

It should be noted that the 2020 income statement estimates above will differ from the actual 2020 figures because the estimates do not include assumptions for any new leases, lease renewals or rent reviews in 2020. There are also a number of properties whose lease renewals are in negotiation at 29 December 2019 and which are therefore prevented from being treated as leases under IFRS 16 and excluded from the figures above. The rent for these properties will be charged to operating profit until the new leases are signed, at which point they will be recognised as leases under IFRS 16.

Notes to the consolidated financial statements continued

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. 'Control' is defined in this case as the power to govern financial and operating policies so as to obtain benefits from the subsidiaries' activities. Subsidiaries are fully consolidated from the date on which control is established until the date that control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services, based on despatch of goods or services provided to customers outside the Group, excluding sales taxes and discounts. Interest income is recognised in the income statement as it accrues, using the effective interest method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes an attributable proportion of manufacturing overheads based on budgeted levels of activity. Cost is calculated using a standard cost which is regularly updated to reflect average actual costs. Provision is made for obsolete, slow-moving, or defective items where appropriate.

Property, plant and equipment

On adopting IFRS, the Group adopted the transitional provisions of IFRS 1 to use previous revaluations of freehold properties as the new deemed cost at the date of transition to IFRSs.

All property, plant and equipment is stated at cost (or deemed cost, as applicable) less accumulated depreciation, and less any provision for impairment.

Depreciation of property, plant and equipment is provided to write off the difference between their cost and their residual value over their estimated lives on a straight-line basis. The current range of useful lives is as follows:

Freehold property	50 years
Long leasehold property	the period of the lease, or the individual asset's life, if shorter
Short leasehold property	the period of the lease, or the individual asset's life if shorter
Plant, machinery & vehicles	3-20 years
Fixtures & fittings	2-15 years

Capital work-in-progress and freehold land are not depreciated.

Residual values, remaining useful economic lives and depreciation periods and methods are reviewed annually and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Intangible assets

Our intangible assets represent computer software. Where computer software is not an integral part of a related item of computer hardware, the software is classified as an intangible asset. The capitalised costs of software for internal use include external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the software is substantially complete and ready for its intended internal use. These costs are amortised over their expected useful lives, which are reviewed annually. The expected useful lives range between three and seven years, depending on the nature of the software.

Impairment of assets

The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

Apart from in the case of trade and other receivables, and inventories, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For trade and other receivables and inventories which are considered to be impaired, the carrying amount is reduced through the use of an allowance for estimated irrecoverable amounts. Changes in the carrying value of this allowance are recognised in the income statement.

Current tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Deferred tax

Deferred tax is provided in full using the balance sheet liability method. It is the tax expected to be payable or recoverable on the temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets and liabilities other than in a business combination that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, to the extent that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Foreign currencies

Foreign currency transactions

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at the date. Foreign exchange gains and losses are recognised in the income statement.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, where applicable, are translated into sterling at foreign exchange rates ruling at the balance sheet date. The results and cash flows of overseas subsidiaries and the results of joint ventures are translated into sterling on an average exchange rate basis, weighted by the actual results of each month.

Exchange differences arising from the translation of the results and net assets of overseas subsidiaries are taken to equity via the statement of comprehensive income.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount required to settle the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation, and are discounted to present value where the effect is material.

Pensions

Payments to defined contribution retirement benefit schemes are charged to the income statement as they fall due.

The Group operates a defined benefit pension scheme. The Group's net obligation in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value, and the fair value of any scheme assets is deducted. The discount rate used is selected so as to closely approximate the yield at the balance sheet date on AA-rated bonds that have maturity dates approximating to the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit method. Scheme assets are valued at bid price.

Current and past service costs are recognised in operating profit and net financing costs include interest on pension scheme liabilities and assets. Actuarial gains and losses are recognised immediately through the remeasurement of the defined benefit liability and are taken through the statement of comprehensive income.

Notes to the consolidated financial statements continued

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. For property leases, the land and building elements are treated separately to determine the appropriate lease classification.

Finance leases

Assets funded through finance leases are capitalised as property, plant and equipment, and depreciated over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the asset or the present value of the minimum lease payments during the lease term at the inception of the lease. The resulting lease obligations are included in liabilities net of finance charges. Finance costs on finance leases are charged directly to the income statement.

Operating leases

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement.

Lease incentives

Lease incentives primarily include up-front cash payments or rent-free periods. Lease incentives are capitalised and spread over the period of the lease term.

Leases with predetermined fixed rental increases

The Group has some leases with predetermined fixed rental increases. These rental increases are accounted for on a straight-line basis over the period of the lease term.

Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred. In the case of prepaid loan facility fees, they are capitalised and set against the related borrowings, and then amortised over the life of the related loan facility.

Other payables

Other payables are stated at their fair value.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at the date of the Group's transition to IFRS.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts. Such allowances are raised based on an assessment of debtor ageing, past experience, or known customer circumstances.

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and in hand together with any overdrafts repayable on demand and any short-term investments with a maturity date of less than three months from the balance sheet date.

Net cash

Net cash, as shown in Note 22, comprises cash and cash equivalents plus any bank borrowings/prepaid loan fees, and any finance leases.

Short-term investments

From time to time, the Group uses short-term investments in UK Gilts as part of its cash management activities. The Group reviews these investments before entering into them, and, after establishing that the Group has both the intention and the ability to hold these investments to maturity, they are classified as held-to-maturity and are initially recognised at cost, including any transaction fees.

Subsequent to initial recognition, these investments are carried at amortised cost using the effective interest method. Income from these investments is recognised in the income statement on an effective yield basis. They form part of our cash and cash equivalents for balance sheet and cash flow disclosure purposes.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Group makes some judgements when applying its accounting policies which can have a significant effect on the amounts recognised in these financial statements. The Group also makes assumptions concerning the future and other major sources of estimation uncertainty that can result in a material adjustment to the carrying amounts of assets and liabilities within the next financial period. We discuss these below.

Actuarial assumptions underlying the value of pension liabilities - judgement and estimation uncertainty

The Group operates a defined benefit scheme for its employees. There is significant judgement involved in selecting appropriate measurement bases for the actuarial assumptions used to measure the pension deficit.

There is also estimation uncertainty which means that reasonable alternative assumptions could have led to measurement at a materially different amount.

The key assumptions within this calculation are discount rate, inflation rates and mortality rates. These are set out in Note 19, together with sensitivity analysis that shows the effect that these estimates can have on the carrying value of the pension deficit.

Allowances against the carrying values of inventories - estimation uncertainty

In order to achieve the accounting objective that inventories are stated at the lower of cost and net realisable value, the Group carries an allowance against products which it estimates may not sell at a price above cost, or where we may be holding levels of product in excess of estimated future demand. The Group bases these estimates on a regular review of product lifecycles and selling prices achieved in the market, and in particular on historical sales profiles of products after they have been discontinued. These estimates are regularly reviewed against actual experience, and revised to reflect any differences, but the accuracy of the estimates at any point in time can be affected by the extent to which current products may not follow historical patterns.

Both the gross inventory balance and the amount of the allowance against carrying value are material items and we would expect this to remain the case as the Group grows in size, and as consumer demand for regular introductions of new product continues. Details of inventories and of the allowance against their carrying amount for the current and prior period end are shown in Note 15.

We derive our allowance against carrying value based on specific kitchen ranges and stock items where a decision has been made to discontinue future sales or where our monitoring of current sales indicates that the rate of sales is in decline. As such, the allowance is specific in nature and does not lend itself to meaningful sensitivity analysis in the same way as a figure which is derived by a general formula.

Once a decision is made to discontinue future sales of a product, it will still be available for sale in depots for a set standard period of time, after which any remaining units of that product will be removed from sale. Our stock allowance is calculated so that the carrying value of any unsold units is progressively written down to nil over the period in which they are available for sale. The rate at which the units are written down to nil is based on actual historical experience of realised selling prices for previous similar products, and recognises that higher selling prices are typically achievable at the beginning of the period than at the end of the period.

Notes to the consolidated financial statements continued

4 REVENUE

An analysis of the Group's revenue is as follows:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Continuing operations		
Sales of goods	1,583.6	1,511.3
Total revenue	1,583.6	1,511.3

5 SEGMENTAL REPORTING

(a) Basis of segmentation, and other general information

Information reported to the Group's Executive Committee is focused on one operating segment, Howden Joinery. Thus, the information required in respect of profit or loss, assets and liabilities, can all be found in the relevant primary statements and notes of these consolidated financial statements.

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

(b) Other information

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Capital additions	63.6	45.2
Depreciation and amortisation	(34.5)	(30.2)

(c) Geographical information

The Group's operations are mainly located in the UK, with a small presence in France and Belgium. The Group has depots in each of these three countries. The number of depots in each location at the current and prior period ends is shown in the five year record which is located towards the back of this Annual Report. The Group's manufacturing and sourcing operations are located in the UK.

The following table analyses the Group's revenues from external customers by geographical market, irrespective of the origin of the goods:

Revenues from external customers

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
UK	1,550.3	1,477.3
Continental Europe	33.3	34.0
	1,583.6	1,511.3

The following is an analysis of the carrying amount of assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

Carrying amount of assets

	28 December 2019 £m	29 December 2018 £m
UK	916.8	828.4
Continental Europe	27.2	36.6
	944.0	865.0

Non-current assets (excluding deferred tax assets)

	28 December 2019 £m	29 December 2018 £m
UK	233.8	205.8
Continental Europe	4.4	4.4
	238.2	210.2

Additions to property, plant and equipment and intangible assets

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
UK	61.0	44.0
Continental Europe	2.6	1.2
	63.6	45.2

6 OPERATING PROFIT

Operating profit has been arrived at after (charging)/crediting:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Net foreign exchange(loss)/gain	(2.5)	1.1
Depreciation of property, plant and equipment	(28.0)	(25.8)
Amortisation of intangible assets (included in administrative expenses)	(6.5)	(4.4)
Cost of inventories recognised as an expense	(586.5)	(571.4)
Write down of inventories	(8.4)	(8.8)
(Loss)/profit on disposal of fixed assets	(1.4)	-
Increase in allowance for doubtful debts (Note 16)	(0.1)	(1.4)
Staff costs (Note 7)	(440.7)	(418.2)
Lease payments under operating leases	(85.1)	(82.7)
Auditor's remuneration for audit services (see below)	(0.6)	(0.5)

All of the items above relate to continuing operations.

Notes to the consolidated financial statements continued

A more detailed analysis of auditor's total remuneration is given below:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Audit services:		
Fees paid to the Company's auditor for the audit of the Company's annual financial statements	(0.2)	(0.2)
Fees paid to the Company's auditor and their associates for other services to the Group:		
- the audit of the subsidiary companies pursuant to legislation	(0.4)	(0.3)
Total audit fees	(0.6)	(0.5)
Other services:		
Audit related assurance services (review of the half-year results)	(0.1)	(0.1)
Tax compliance services	-	-
Tax advisory services	-	-
Total non-audit fees	(0.1)	(0.1)

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Corporate Governance Report. No services were provided pursuant to contingent fee arrangements.

7 STAFF COSTS

The aggregate payroll costs of employees, including executive directors, were:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Wages and salaries	(375.0)	(352.7)
Social security costs	(35.2)	(32.0)
Pension operating costs (Note 19)	(30.5)	(33.5)
	(440.7)	(418.2)

Wages and salaries includes a charge in respect of share-based payments of £4.9m (2018: £4.3m).

The average monthly number of persons (full time equivalent, including executive directors) employed by the Group during the period was as follows:

	52 weeks to 28 December 2019 No.	52 weeks to 29 December 2018 No.
	9,903	9,590

8 FINANCE INCOME

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Bank interest receivable	1.1	0.7

9 TAX

(a) Tax in the income statement

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Current tax:		
Current year	47.9	44.8
Adjustments in respect of previous periods	(1.3)	0.3
Total current tax	46.6	45.1
Deferred tax:		
Current year	5.3	3.0
Adjustments in respect of previous periods	(0.2)	-
Total deferred tax	5.1	3.0
Total tax charged in the income statement	51.7	48.1

UK Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdictions.

(b) Tax relating to items of other comprehensive income or changes in equity

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Deferred tax charge/(credit) to other comprehensive income on actuarial gain/loss on pension scheme	(8.0)	11.3
Change of rate effect on deferred tax	0.7	-
Deferred tax charge/(credit) to equity on share schemes	(0.2)	0.1
Current tax charge to equity on share schemes	(0.3)	(0.1)
Total charge/(credit) to other comprehensive income or changes in equity	(7.8)	11.3

Notes to the consolidated financial statements continued

(c) Reconciliation of the total tax charge

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

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Profit before tax	260.7	238.5
Tax at the UK corporation tax rate of 19% (2018: 19%)	49.5	45.3
IFRS2 share scheme charge	0.2	(0.6)
Expenses not deductible for tax purposes	1.9	0.9
Overseas losses not utilised	0.4	1.0
Non-qualifying depreciation	1.2	1.2
Other tax adjustments in respect of previous years	(1.5)	0.3
Total tax charged in the income statement	51.7	48.1

The Group's effective rate of tax is 19.8% (2018: 20.2%).

10 EARNINGS PER SHARE

	52 weeks to 28 December 2019			52 weeks to 29 December 2018		
From continuing operations	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	209.0	596.9	35.0	190.4	608.3	31.3
Effect of dilutive share options	-	3.0	(0.2)	-	2.5	(0.1)
Diluted earnings per share	209.0	599.9	34.8	190.4	610.8	31.2

11 DIVIDENDS

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the 52 weeks to 28 December 2019 - 3.9p/share	23.2	-
Final dividend for the 52 weeks to 29 December 2018 - 7.9p/share	47.4	-
Interim dividend for the 52 weeks to 29 December 2018 - 3.7p/share	-	22.4
Final dividend for the 53 weeks to 30 December 2017 - 7.5p/share	-	45.9
	70.6	68.3

	52 weeks to 28 December 2019 £m
Dividend proposed at the end of the period (but not recognised in the period):	
Proposed final dividend for the 52 weeks to 28 December 2019 - (9.1p/share)	54.9

The Directors propose a final dividend in respect of the 52 weeks to 28 December 2019 of 9.1p per share, payable to ordinary shareholders who are on the register of shareholders at 22 May 2020, and payable on 19 June 2020.

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

The proposed final dividend for the current period is subject to the approval of the shareholders at the 2020 Annual General Meeting, and has not been included as a liability in these financial statements.

12 INTANGIBLE ASSETS

The intangible assets shown below all relate to software, as detailed further in the accounting policies note.

	Intangible assets in use £m	Intangible assets under construction £m	TOTAL £m
Cost			
At 30 December 2017	23.5	6.8	30.3
Additions	9.6	2.6	12.2
Reclassifications	6.5	(6.5)	-
At 29 December 2018	39.6	2.9	42.5
Exchange adjustments	(0.1)	-	(0.1)
Additions	6.2	2.3	8.5
Disposals	(1.3)	(0.1)	(1.4)
At 28 December 2019	44.4	5.1	49.5
Accumulated depreciation			
At 30 December 2017	(14.9)	-	(14.9)
Charge for the period	(4.4)	-	(4.4)
At 29 December 2018	(19.4)	-	(19.4)
Exchange adjustments	0.1	-	0.1
Charge for the period	(6.5)	-	(6.5)
Disposals	1.2	-	1.2
At 28 December 2019	(24.6)	-	(24.6)
Net book value at 28 December 2019	19.8	5.1	24.9
Net book value at 29 December 2018	20.2	2.9	23.1

Notes to the consolidated financial statements continued

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £m	Leasehold property £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Capital WIP £m	TOTAL £m
Cost						
At 30 December 2017	33.9	67.8	167.5	118.5	18.9	406.6
Exchange adjustments	-	-	-	0.1	-	0.1
Additions	1.4	4.5	5.5	14.7	6.9	33.0
Disposals	-	(0.9)	(4.8)	(0.7)	-	(6.4)
Reclassifications	3.3	0.3	10.5	1.2	(15.3)	-
At 29 December 2018	38.6	71.7	178.7	133.8	10.5	433.3
Exchange adjustments	-	-	(0.1)	(0.3)	-	(0.4)
Additions	0.6	5.2	8.1	15.9	25.3	55.1
Disposals	-	(0.6)	(11.3)	(2.4)	(0.1)	(14.4)
Reclassifications	0.2	5.2	3.6	0.1	(9.1)	-
At 28 December 2019	39.4	81.5	179.0	147.1	26.6	473.6
Accumulated depreciation						
At 30 December 2017	(4.3)	(25.7)	(113.4)	(83.2)	-	(226.6)
Charge for the period	(1.1)	(5.5)	(11.4)	(7.8)	-	(25.8)
Disposals	-	0.9	4.8	0.5	-	6.2
At 29 December 2018	(5.4)	(30.3)	(120.0)	(90.5)	-	(246.2)
Exchange adjustments	-	-	0.1	0.1	-	0.2
Charge for the period	(1.2)	(5.4)	(12.1)	(9.3)	-	(28.0)
Disposals	-	0.5	11.1	1.2	-	12.8
At 28 December 2019	(6.6)	(35.2)	(120.9)	(98.5)	-	(261.2)
Net book value at 28 December 2019	32.8	46.3	58.1	48.6	26.6	212.4
Net book value at 29 December 2018	33.2	41.4	58.7	43.3	10.5	187.1

14 DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements on them during the current and prior reporting periods:

	Retirement benefit obligations £m	Accelerated capital allowances £m	Company share schemes £m	Other temporary differences £m	Total £m
At 30 December 2017	20.8	1.6	0.7	0.9	24.0
(Charge)/credit to income statement	(2.7)	(0.4)	-	0.2	(2.9)
Charge outside income statement	(11.3)	-	(0.1)	-	(11.4)
At 29 December 2018	6.8	1.2	0.6	1.1	9.7
(Charge)/credit to income statement	(4.5)	(0.7)	0.1	-	(5.1)
(Charge)/credit outside income statement - change of rate	(0.7)	-	0.1	-	(0.6)
Credit outside income statement	8.0	-	-	-	8.0
At 28 December 2019	9.6	0.5	0.8	1.1	12.0

Deferred tax arising from accelerated capital allowances, company share schemes and other temporary differences can be further analysed as a £3.9m asset and a £1.5m liability (2018: £4.4m asset and £1.5m liability).

The presentation in the balance sheet is as follows:

	28 December 2019 £m	29 December 2018 £m
Deferred tax assets	13.5	11.2
Deferred tax liabilities	(1.5)	(1.5)
	12.0	9.7

At the balance sheet date the Group had unused tax losses as disclosed below. These losses are carried forward by particular Group companies and may only be offset against profits of that particular company. Deferred tax assets are not recognised in relation to these losses as it is not considered probable that suitable future taxable profits will be available in the relevant company against which the unused losses can be utilised. Specifically, in the case of the trading and non-trading losses this is due to the unpredictability of future profit streams in the relevant entities, while for the capital losses it is due to the future capital gains not currently being forecast to arise. All unrecognised losses may be carried forward indefinitely and have been valued in GBP at the year end closing exchange rate.

The analysis below does not include any tax losses attributable to our former subsidiaries in The Netherlands and Germany, which have now ceased to trade.

	28 December 2019 £m	29 December 2018 £m
Trading losses	41	41
Non-trading losses	20	20
Capital losses	86	86
Total losses	147	147

Notes to the consolidated financial statements continued

15 INVENTORIES

	28 December 2019 £m	29 December 2018 £m
Raw materials	8.7	6.1
Work in progress	5.7	5.4
Finished goods and goods for resale	255.3	246.6
Allowance against carrying value of inventories	(37.9)	(31.8)
	231.8	226.3

In the event that the Group were to use its bank facility, it has pledged its inventories as security for any borrowing under the facility. More details are given in Note 18.

16 OTHER FINANCIAL ASSETS

Trade and other receivables

	28 December 2019 £m	29 December 2018 £m
Trade receivables (net of allowance)	148.3	145.2
Prepayments	42.1	37.4
Other receivables	2.7	3.4
	193.1	186.0

Trade and other receivables are not interest-bearing, and are on commercial terms. Their carrying value approximates to their fair value.

An analysis of the Group's allowance for doubtful receivables is as follows:

	28 December 2019 £m	29 December 2018 £m
Balance at start of period	11.3	9.9
Increase in allowance recognised in the income statement	0.1	1.4
Balance at end of period	11.4	11.3

The Group's exposure to the credit risk inherent in its trade receivables is discussed in Note 26. We have no significant concentration of credit risk, as our exposure is spread over a large number of customers. We charge interest at appropriate market rates on balances which are in litigation.

Before accepting any new credit customer, we obtain a credit check from an external agency to assess the potential customer's credit quality, and then we set credit limits on a customer-by-customer basis. We review credit limits regularly, and adjust them if circumstances change. In the case of one-off customers, our policy is to require immediate payment at the point of sale, and not to offer credit terms.

The historical level of customer default is low, and as a result we consider the 'credit quality' of period end trade receivables to be high. We regularly review trade receivables which are past due but not impaired, and we consider, based on past experience, whether the credit quality of these amounts at the balance sheet date has deteriorated since the transaction was entered into and therefore whether the amounts are recoverable. We maintain regular contact with all such customers and, where necessary, we take legal action to recover the receivable. We make an allowance for impairment for any specific amounts which we consider to be irrecoverable or only partly recoverable. We also have a separate general allowance, which is calculated as a percentage of sales and is based on historical default rates. At the period end, the total bad debt provision of £11.4m (2018: £11.3m) consists of a specific provision of £4.6m (2018: £5.3m) which has been made against specific debts with a gross carrying value of £5.8m (2018: £6.6m), and a general provision of £6.8m (2018: £6.0m). To the extent that recoverable amounts are estimated to be less than their associated carrying values, we have recorded impairment charges in the consolidated income statement and have written carrying values down to their estimated recoverable amounts.

We wrote off £6.9m of debts in the period (2018: £5.5m). Included within our aggregate trade receivables balance are specific debtor balances with customers totalling £27.7m before bad debt provision (2018: £25.8m before provision) which are past due as at the reporting date. We have assessed these balances for recoverability and we believe that their credit quality remains intact.

An ageing analysis of these past due trade receivables is as follows:

	28 December 2019 £m	29 December 2018 £m
1-30 days past due	13.2	11.4
31-60 days past due	3.2	3.4
61-90 days past due	2.2	2.0
90+ days past due	9.1	9.0
Total overdue amounts, excluding allowance for doubtful receivables	27.7	25.8

There were no trade receivables which would have been impaired at either period end were it not for the fact that their credit terms were renegotiated. The Group does not renegotiate credit terms.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and at bank, together with demand deposits and other short-term investments. Cash at bank is either in current accounts, or is placed on short-term deposit, and is available on demand. Interest on short-term deposits is paid at prevailing money market rates. The carrying amount of these assets approximates to their fair value.

Short-term investments

Short-term investments at the end of 2019 comprised investments in short-term UK Gilts. They had maturity dates ranging between one and three months from the balance sheet date. They returned a fixed rate of interest and the weighted average effective interest rate on the Gilts held at the balance sheet date was 0.48% p.a.

These investments were classified as held-to-maturity, and held at amortised cost. The Directors estimated that the fair value of these investments at the period end was equal to their carrying value.

The Group did not have any short-term investments at the end of 2018.

Assets pledged as security

In the event that the Group were to use its bank facility, it has pledged its trade receivables as security for any borrowing under the facility. More details are given in Note 18.

Notes to the consolidated financial statements continued

17 OTHER FINANCIAL LIABILITIES

Trade and other payables

	28 December 2019 £m	29 December 2018 £m
Current liabilities		
Trade payables	96.4	95.6
Other tax and social security	71.1	69.0
Other payables	11.3	11.9
Accruals	62.6	56.4
	241.4	232.9

Trade payables, other payables, and accruals principally comprise amounts due in respect of trade purchases and ongoing costs. Their carrying value in both periods approximates to their fair value.

The average credit taken for trade purchases during the period, based on total operations, was 42 days (2018: 41 days).

The Group's policy on payment of creditors is to agree terms of payment prior to commencing trade with a supplier, and to abide by those terms on the timely submission of satisfactory invoices.

18 BORROWING FACILITY

At the period end date, the Group had a £140m committed borrowing facility, due to expire in December 2023. The Group did not use the facility in the year.

The facility is secured on the trade receivables and stock of the Group. The available facility limit is calculated every week, based on the asset backing at the time and can never exceed £140m. There were no borrowings under the facility at either the current or previous year end. As at 28 December 2019, the Group had available £138m of undrawn committed borrowing facilities, in respect of which all conditions precedent had been met (29 December 2018: £138m), in addition to the Group's cash and short-term investments as shown on the balance sheet.

If the Group were to use the facility, it would carry interest at a rate of LIBOR plus a margin of 125 basis points. Under the terms of the facility, none of the Group's principal subsidiary companies can sign up to additional secured borrowings, other than those expressly permitted within the terms of the facility. The facility (i) permits normal trade credit granted to it in the ordinary course of business; (ii) allows up to £10m of additional secured borrowings, and (iii) allows up to £20m of finance lease borrowing.

19 RETIREMENT BENEFIT OBLIGATIONS

(a) Overview of all retirement benefit arrangements

Defined contribution: auto-enrolment plan

The Group operates an auto-enrolment defined contribution plan for employees. Under the terms of this scheme, employees make pension contributions out of their salaries, and the Group also makes additional contributions.

The total cost charged to income in respect of this plan in the current period of £9.3m (2018: £6.7m) represents the Group's contributions due and payable in respect of the period. All of this amount was paid in the period as it also was in the previous period.

Defined contribution: other plan

The Group operates another defined contribution plan for its employees. The assets of this plan are held separately from those of the Group, and are under the control of the scheme trustees. This plan began operation during 2006.

The total cost charged to income in respect of this plan in the current period of £1.2m (2018: £0.9m) represents the Group's contributions due and paid in respect of the period.

Defined benefit plan

Characteristics and risks of the plan
The Group operates a funded 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.

The assets of the plan are held separately from those of the Group, being held in a trustee-administered pension plan and invested with independent fund managers. The trustee directors of the plan comprise three member-elected trustees, one independent trustee, and four Group-appointed trustees. All trustees are required to act in the best interests of the plan beneficiaries.

The plan exposes the Group to actuarial risks, such as longevity risk, interest rate risk, inflation risk and market (investment) risk.

Accounting and actuarial valuation
Contributions are charged to the consolidated income statement so as to spread the cost of pensions over the employees' working lives with the Group. The present value of the defined benefit obligation, the related current service cost, and past service cost are determined by a qualified actuary using the projected unit method. The most recent completed actuarial valuation was carried out at 5 April 2017 by the plan actuary. The actuary advising the Group has subsequently rolled forward the results of the 5 April 2017 valuation to 28 December 2019. This roll-forward exercise involves updating all the assumptions which are market-based (i.e. inflation, discount rate, rate of increase in pensions and rate of CARE revaluation) to values as at 28 December 2019. We are using CMI 2018 mortality tables, being the most recent tables available.

Funding and estimated contributions
The Group has an agreement with the pension plan trustees to make additional deficit contributions to the plan, over and above the normal level of contributions, of £30m per year until June 2023. The Group's estimated total cash contributions to the defined benefit plan in the 52 weeks ending 26 December 2020 are £47m.

Differences between the defined benefit pension deficit on an IAS 19 basis and on a funding basis

As is mandatory under International Financial Reporting Standards, the Group values its pension deficit in these accounts on an IAS 19 basis. As shown below, the IAS 19 deficit at the current period end is £56.6m. On a funding basis (also known as a 'Technical Provisions basis', being the basis on which the triennial actuarial valuations are carried out), the funding deficit at the current period end is estimated at £129.9m, this estimate being based on an approximate roll-forward of the 2017 triennial funding valuation, updated for market conditions.

Notes to the consolidated financial statements continued

(b) Total amounts charged/(credited) in respect of pensions in the period

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Charged to the income statement:		
Defined benefit plan - current service cost	17.2	19.8
Defined benefit plan - past service cost (GMP equalisation[1])	-	3.8
Defined benefit plan - administration costs	2.8	2.3
Defined benefit plan - total operating charge	20.0	25.9
Defined benefit plan - net finance charge	0.4	2.3
Defined contribution plans - total operating charge	10.5	7.6
Total net amount charged to profit before tax	30.9	35.8
Charged/(credited) to equity:		
Defined benefit plan - actuarial losses/(gains)	47.1	(59.3)
Total charge/(credit)	78.0	(23.5)

1. The past service cost in the prior period related to a charge recognised in respect of equalising the Guaranteed Minimum Pension entitlements between female and male members of the plan between 1978 and 1997. This was an issue which affected all UK defined benefit pension plans which provide Guaranteed Minimum Pensions, although it was only since the High Court ruling in a test case in October 2018 that there was some clarity as to the obligations which existed and the range of suitable ways in which to measure them. The plan's actuary applied the principles of the High Court ruling to the specific details of the plan's membership in order to calculate the past service cost shown above.

(c) Other information - defined benefit pension plan

	52 weeks to 28 December 2019	52 weeks to 29 December 2018
Key assumptions used in the valuation of the plan		
Rate of increase of pensions in deferment capped at lower of CPI and 5%	2.40%	2.45%
Rate of CARE revaluation capped at lower of RPI and 3%	2.50%	2.60%
Rate of increase of pensions in payment:		
- pensions with increases capped at lower of CPI and 5%	2.40%	2.45%
- pensions with increases capped at lower of CPI and 5%, with a 3% minimum	3.35%	3.35%
- pensions with increases capped at the lower of LPI and 2.5%	2.20%	2.25%
Rate of increase in salaries	4.20%	4.45%
Inflation assumption - RPI	3.20%	3.45%
Inflation assumption - CPI	2.40%	2.45%
Discount rate	1.95%	2.85%
Life expectancy (years): pensioner aged 65		
- male	86.5	87.4
- female	88.1	89.0
Life expectancy (years): non-pensioner aged 45		
- male	87.6	88.6
- female	90.3	91.1

Sensitivities

If there was a decrease in the discount rate of 0.25%, there would be a corresponding increase in the scheme liabilities of around 6%, or £90m, an increase in the operating charge of around £1.8m and an increase in pensions finance charge of around £1.25m.

An increase of 0.25% to the inflation rate would increase scheme liabilities by around 2.4%, or £36m, increase the operating charge by around £0.2m and increase the pensions finance charge by around £0.75m.

The effect of increasing the assumption regarding life expectancy by one year longer than shown above would be to increase the assessed value of liabilities by around 3.5%, or £52m, to increase the operating charge by around £0.8m and to increase the pensions finance charge by around £1.1m.

The sensitivities above are applied to the defined benefit obligation at the end of the reporting period, and the projected total service cost for 2020. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide a reasonable approximation. The same amount of movement in the opposite direction would produce a broadly equal and opposite effect.

Analysis of plan assets

	28 December 2019		29 December 2018	
	Quoted market price in an active market £m	No quoted market price in an active market £m	Quoted market price in an active market £m	No quoted market price in an active market £m
Government bonds	505.5	-	420.2	-
Equities				
- passive equities	138.6	-	115.2	-
- low volatility equities	-	-	-	-
Private equity[1]	-	4.1	-	10.1
Alternative growth assets				
- fund of hedge funds	-	94.2	89.2	-
- absolute return fund	80.6	-	67.7	-
Insurance-linked securities	-	64.0	62.0	-
Corporate bonds	170.4	-	152.2	-
Commercial property fund[2]	36.9	65.7	61.5	49.1
Other secure income	-	89.6	-	-
Asset-backed securities	126.1	-	200.0	-
Cash and cash equivalents	53.0	-	18.5	-
Total	1,111.1	317.6	1,186.5	59.2

The plan assets do not include any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group.

1. The private equity investments are held in two funds. One fund values the assets based on guidelines from the European Private Equity and Venture Capital Association and International Private Equity and Venture Capital Valuation. The assets in the other fund are measured at fair market value on a quarterly basis in accordance with US GAAP: using the latest closing prices for publicly traded and quoted securities and applying a possible exit price for non-marketable and direct investments.
2. This holding is recorded at historical costs and then adjusted for amortisation and other payments received.

Asset allocation

The plan trustees' asset allocation strategy, as communicated to members in November 2019, was to target a weighting of 60% - with a range of between 50% and 70% - in return-seeking assets (such as equities, alternative growth assets, private equity and the commercial property fund), and a weighting of 40% - with a range of between 30% and 50% - in risk-reducing assets (such as government bonds, corporate bonds, and cash and cash equivalents).

Notes to the consolidated financial statements continued

Analysis of plan members, scheme liability split and duration

	2019[1]		
	No. of members	% of total liability	Duration (years)
Active members	1,448		
Deferred members	5,677		
Subtotal	7,125	72%	25
Pensioners	3,652	28%	15
Total No./average duration	10,777	100%	22

1. The figures are on an IAS 19 basis and are as at 5 April 2019, the date of the latest agreed pension plan accounts.

	2018[2]		
	No. of members	% of total liability	Duration (years)
Active members	1,534		
Deferred members	5,890		
Subtotal	7,424	69%	25
Pensioners	3,495	31%	14
Total No./average duration	10,919	100%	22

2. The figures are on an IAS 19 basis and are as at 5 April 2018, from the pension plan accounts.

Balance sheet

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

	28 December 2019 £m	29 December 2018 £m
Present value of defined benefit obligations	(1,485.3)	(1,281.7)
Fair value of scheme assets	1,428.7	1,245.7
Deficit in the scheme, recognised in the balance sheet	(56.6)	(36.0)

Movements in the present value of defined benefit obligations were as follows:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Present value at start of period	1,281.7	1,374.6
Current service cost	17.2	19.8
Past service cost	-	3.8
Administration cost	2.8	2.3
Interest on obligation	35.8	33.8
Actuarial losses/(gains):		
- changes in financial and demographic assumptions	203.5	(104.7)
- experience	(6.6)	(0.6)
Benefits paid, including expenses	(49.1)	(47.3)
Present value at end of period	1,485.3	1,281.7

The £203.5m item 'changes in financial and demographic assumptions' in 2019 comprises an increase in liabilities of £251.4m relating to changes in the net discount rate and a decrease of £47.9m due to adopting the most recent longevity tables.

Movements in the fair value of the plan's assets is as follows:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Fair value at start of period	1,245.7	1,265.3
Interest income on plan assets	35.4	31.5
Contributions from the Group	46.9	42.2
Actuarial gains/(losses)	149.8	(46.0)
Benefits paid, including expenses	(49.1)	(47.3)
Fair value at end of period	1,428.7	1,245.7

Movements in the deficit during the period are as follows:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Deficit at start of period	(36.0)	(109.3)
Current service cost	(17.2)	(19.8)
Past service cost	-	(3.8)
Administration cost	(2.8)	(2.3)
Employer contributions	46.9	42.2
Other finance charge	(0.4)	(2.3)
Actuarial (losses)/gains gross of deferred tax	(47.1)	59.3
Deficit at end of period	(56.6)	(36.0)

Income statement

Amounts recognised in the income statement arising from the Group's obligations in respect of the defined benefit plan are shown below.

Amount charged to operating profit:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Current service cost	17.2	19.8
Past service cost	-	3.8
Administration cost	2.8	2.3
Total operating charge	20.0	25.9

The total operating charge is included in the financial statement heading Staff costs.

Amount credited to other finance charges:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Interest income on plan assets	(35.4)	(31.5)
Interest cost on defined benefit obligation	35.8	33.8
Net charge	0.4	2.3

The actual return on plan assets was £185.2m (52 weeks to 29 December 2018: loss of £14.5m).

Notes to the consolidated financial statements continued

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:

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Actuarial gain/(loss) on plan assets	149.8	(46.0)
Actuarial (loss)/gain on plan liabilities	(196.9)	105.3
Net actuarial (loss)/gain, before associated deferred tax	(47.1)	59.3

20 PROVISIONS

	Property £m	Warranty £m	Other £m	Total £m
At 30 December 2017	4.3	3.9	2.3	10.5
Additional provision in the period	0.4	3.5	0.3	4.2
Provision released in the period	(0.6)	-	(1.1)	(1.7)
Utilisation of provision in the period	(0.7)	(3.8)	(1.2)	(5.7)
At 29 December 2018	3.4	3.6	0.3	7.3
Additional provision in the period	3.1	5.3	5.5	13.9
Provision released in the period	(0.9)	-	-	(0.9)
Utilisation of provision in the period	(2.2)	(3.8)	(5.3)	(11.3)
At 28 December 2019	3.4	5.1	0.5	9.0

Property provision

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

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

Warranty provision

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

Other provision

Movement in the period relates to the closure of the Group's trials in Germany and The Netherlands. The closure of these businesses was substantially completed in 2019, with a final £0.2m of further closure expenses expected in 2020.

21 SHARE CAPITAL

Ordinary shares of 10p each:	52 weeks to 28 December 2019 No.	52 weeks to 29 December 2018 No.	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Allotted, called up and fully paid:				
Balance at the beginning of the period	615,436,307	628,192,755	61.5	62.8
Bought back and cancelled during the period	(10,772,446)	(12,756,448)	(1.0)	(1.3)
Balance at the end of the period	604,663,861	615,436,307	60.5	61.5

22 NOTES TO THE CASH FLOW STATEMENT

Analysis of net cash	Cash at bank and in hand £m	Short-term investments £m	Cash and cash equivalents, and net cash £m
At 29 December 2018	231.3	-	231.3
Cash flow	(12.8)	48.9	36.1
At 28 December 2019	218.5	48.9	267.4

The short-term investments held at the period end had a maturity of less than three months, and as such were considered to be cash equivalents for the purposes of the cash flow statement. More details are given in Note 2 and Note 16.

23 FINANCIAL COMMITMENTS

Capital commitments

	28 December 2019 £m	29 December 2018 £m
Contracted for, but not provided for in the financial statements:		
- Tangible assets	17.8	3.6
- Intangible assets	0.3	1.0
	18.1	4.6

The increase in commitments for tangible assets in the current period is mainly due to committed fitout works on the second and third phases of our new warehouse development.

Notes to the consolidated financial statements continued

Operating lease commitments

The Group as lessee:

Payments under operating leases during the period are shown at Note 6. At the balance sheet date, the Group had outstanding lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as shown below.

	Properties		Other leases		Total	
	28 December 2019 £m	29 December 2018 £m	28 December 2019 £m	29 December 2018 £m	28 December 2019 £m	29 December 2018 £m
Payments falling due:						
Within one year	69.6	67.0	15.2	15.1	84.8	82.1
In the second to fifth year inclusive	197.4	195.8	37.4	32.2	234.8	228.0
After five years	258.9	179.6	7.1	8.5	266.0	188.1
	525.9	442.4	59.7	55.8	585.6	498.2

The Group as lessor:

The Group sublets certain leased properties to third parties. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	28 December 2019 £m	29 December 2018 £m
Payments receivable:		
Within one year	0.6	1.9
In the second to fifth year inclusive	1.9	2.9
After five years	1.1	0.9
	3.6	5.7

24 SHARE-BASED PAYMENTS

1) Details of each scheme

The Group recognised a charge of £4.9m (2018: charge of £4.3m) in respect of share-based payments during the period. The Group has various share-based payment schemes, which are all equity-settled. The main details of all schemes which existed during the period are given below.

Freeshares

This is a UK tax-advantaged 'all-employee' Share Incentive Plan where eligible UK employees receive an award of free shares in the Company. If participants are still employed by a UK Howdens group company on the third anniversary of the date the shares were granted, the shares will vest. There are no other performance conditions attached to these awards. Dividends are payable on the free shares during the vesting period.

Howden Joinery Group Long Term Incentive Plan ('LTIP')

This is a discretionary employee share plan under which the Company may grant different types of award including options, conditional awards and restricted share awards. With the exception of (vi) below, neither dividends nor dividend equivalents are payable during the vesting period. The different types of awards are as follows:

(i) **Market value options**, the vesting period for which was three years commencing from the date of grant with an exercise period of seven years (i.e. a total life of 10 years). Options vested where cumulative PBT of £90m was achieved over the three financial years ending 2009, 2010 and 2011.

(ii) **Market value options**, the vesting period for which was three years commencing from the date of grant with an exercise period of seven years (i.e. a total life of 10 years). 15% of the options vested if the Group achieved growth in pre-exceptional PBT equivalent to RPI over the performance period; 100% vested if pre-exceptional PBT growth equivalent to RPI + 8% was achieved.

(iii) **Conditional Share Awards**, the vesting period for which is three years commencing on the date of grant and subject to continued employment. The shares are not subject to any other performance conditions.

(iv) **Market value options**, the vesting period for which was three years commencing from the date of grant with an exercise period of seven years (i.e. a total life of 10 years). The vesting conditions for these options were as follows:

Date of award	2015	2016
Vesting based on growth in profits - from year ended December	2014	2015
- to year ended December	2017	2018
Award vests at 15% if profits over the vesting period grow by	8%	8%
Award vests at 100% if profits over the vesting period grow by	20%	20%

If profits grow by a figure between the upper and lower thresholds for each year, the award will vest on a sliding scale.

(v) **Performance Share Plan**, the vesting period for which is three years commencing from the date of grant. The awards are subject to the following performance conditions:

Date of award	2017	2018	2019
Vesting based on growth in profits - from year ended December	2016	2017	2018
- to year ended December	2019	2020	2021
Award vests at 15% if profits over the vesting period grow by	3%	5%	5%
Award vests at 100% if profits over the vesting period grow by	15%	15%	15%

(vi) **Restricted Share Awards**, where the participant receives beneficial entitlement to shares upon grant of the award. The legal interest however is not transferred to the participant until the forfeiture provisions and restrictions applicable to the awards cease to apply. The shares are not subject to any performance conditions other than continued employment. Dividends are payable during the vesting period.

Recruitment Plan

This is a discretionary employee share plan under which the Company may grant an eligible employee conditional rights to acquire shares subject to certain conditions. The shares are not subject to any performance conditions other than continued employment. Neither dividends nor dividend equivalents are payable during the vesting period. The awards granted under this plan may only be satisfied with existing shares.

Notes to the consolidated financial statements continued

2) Movements in the period

52 weeks to 28 December 2019	Freeshares Number	LTIP (i) Number	LTIP (ii) Number	LTIP (iii) Number	LTIP (v) Number
In issue at start of period	2,496,344	58,500	80,277	42,500	4,840,735
Granted in period	944,100	-	-	-	1,589,842
Lapsed in period	(208,500)	-	-	(11,500)	(1,690,324)
Exercised in period	(453,497)	(58,500)	(80,277)	(8,100)	(8,976)
In issue at end of period	2,778,447	-	-	22,900	4,731,277
Exercisable at end of period	530,847	-	-	-	-
Number of options in the closing balance granted before 7 November 2002	23,456	-	-	-	-
Weighted average share price for options exercised during the period (£)	5.34	5.22	5.10	5.22	5.07
Weighted average life remaining for options outstanding at the period end (years)	1.37	N/A	N/A	0.79	1.37
Weighted average fair value of options granted during the period (£)	5.17	N/A	N/A	N/A	4.65
Exercise price for all options (£)	0.00	0.36	0.81	0.00	0.00

	LTIP (iv)		LTIP (vi)	Recruitment Plan
	Number	WAEP (£)	Number	Number
In issue at start of period	927,176	2.94	-	117,691
Granted in period	-	N/A	111,327	-
Lapsed in period	-	N/A	-	-
Exercised in period	(396,094)	2.56	-	(69,397)
In issue at end of period	531,082	3.22	111,327	48,294
Exercisable at end of period	531,082	3.22	-	-
Number of options in the closing balance granted before 7 November 2002	-		-	-
Weighted average share price for options exercised during the period (£)	5.52		N/A	4.86
Weighted average life remaining for options outstanding at the period end (years)	0.00		0.96	0.18
Weighted average fair value of options granted during the period (£)	N/A		5.60	N/A
Exercise price for all options (£)	1.09 to 3.79		0.00	0.00

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52 weeks to 29 December 2018	Freeshares Number	LTIP (i) Number	LTIP (ii) Number	LTIP (iii) Number	LTIP (v) Number
In issue at start of period	2,101,110	62,150	96,919	34,800	3,778,976
Granted in period	909,200	-	-	16,500	1,648,746
Lapsed in period	(215,000)	-	-	(2,600)	(585,333)
Exercised in period	(298,966)	(3,650)	(16,642)	(6,200)	(1,654)
In issue at end of period	2,496,344	58,500	80,277	42,500	4,840,735
Exercisable at end of period	358,644	58,500	80,277	-	-
Number of options in the closing balance granted before 7 November 2002	358,644	-	-	-	-
Weighted average share price for options exercised during the period (£)	4.86	4.81	4.65	4.66	4.76
Weighted average life remaining for options outstanding at the period end (years)	1.37	0.00	0.00	1.40	1.34
Weighted average fair value of options granted during the period (£)	4.65	N/A	N/A	4.57	4.68
Exercise price for all options (£)	0.00	0.36	0.81	0.00	0.00

	LTIP (iv)		Recruitment Plan
	Number	WAEP (£)	Number
In issue at start of period	1,266,435	2.91	-
Granted in period	-	N/A	249,330
Lapsed in period	-	N/A	-
Exercised in period	(339,259)	2.82	(131,639)
In issue at end of period	927,176	2.94	117,691
Exercisable at end of period	927,176	2.94	-
Number of options in the closing balance granted before 7 November 2002	-		-
Weighted average share price for options exercised during the period (£)	4.87		4.60
Weighted average life remaining for options outstanding at the period end (years)	0.00		0.58
Weighted average fair value of options granted during the period (£)	N/A		4.44
Exercise price for all options (£)	1.09 to 3.79		0.00

3) Fair value of options granted

The fair value of all options granted is estimated on the date of grant using a binomial option valuation model.

The key assumptions used in the model were:

	52 weeks to 28 December 2019	52 weeks to 29 December 2018
Dividend yield (%)	2.2 to 2.6	2.6
Expected life of options (years)	0.6 to 3	0.1 to 3

Notes to the consolidated financial statements continued

25 RELATED PARTY TRANSACTIONS

Companies which are related parties

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. All transactions between the Group and the Group's pension schemes have been disclosed in Note 19.

Remuneration of key management personnel

Key management personnel comprise the Board of Directors (including non-executive directors) and the Executive Committee. Details of the aggregate remuneration to these personnel is set out below. The figure disclosed for share-based payments represents the gain realised on the exercise of share options in the year, albeit that those options will have been granted in previous periods. All figures include any related employer's National Insurance.

	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Short-term employment benefits	8.4	6.7
Share-based payments	0.4	0.8
	8.8	7.5

Other transactions with key management personnel

There were no other transactions with key management personnel.

26 FINANCIAL RISK MANAGEMENT

(a) Capital risk management

The Group manages its capital structure to maximise shareholder returns through its debt and equity balance, trading-off the benefits of financial leverage with the potential future costs of financial distress.

The capital structure of the Group consists of cash and short-term investments, the committed borrowing facility discussed further in Note 18 - if needed - and equity attributable to equity holders of the parent (including issued share capital and reserves as disclosed in the Consolidated Statement of Changes in Equity, and in Note 21).

The Board of Directors reviews the capital structure regularly, including at the time of preparing annual budgets, preparing three-year corporate plans, and considering corporate transactions. As part of this review, the Board reviews the costs and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buybacks, taking on or issuing new debt or repaying any existing debt.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are in Note 2 to the financial statements.

(c) Categories of financial instruments

	28 December 2019 £m	29 December 2018 £m
Financial assets (current and non-current)		
Trade receivables	148.3	145.2
Cash and cash equivalents	267.4	231.3
Financial liabilities (current and non-current)		
Trade payables	96.4	95.6

(d) Financial risk management

General

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, controlling and reporting structures. The types of risk exposure, the way in which these exposures are managed, and the quantification of the level of exposure in the balance sheet is shown below (subcategorised into credit risk, liquidity risk and market risk). The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Board and are overseen by the Executive Committee. In turn, the Executive Committee delegates authority to a central treasury function ('Group Treasury') for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group Treasury regularly reassesses and reports on the financial risk environment, identifying and evaluating financial risks. The Group does not take positions on derivative contracts and only enters into contractual bank deposit or lending arrangements with counterparties that have appropriate credit ratings, as detailed in section (e) below.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand together with demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Arrangements are in place to ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and to ensure that the Group earns the most advantageous rates of interest available. The prime consideration in the investment of cash balances is the security of the asset, followed by liquidity and then yield.

Current asset investments consist of UK Government Treasury Bills with an initial term to maturity of up to three months. These investments are held to maturity and, whilst of lower liquidity than cash, will ensure that the primary Group policy objective of asset security is met.

Management of trade receivables is discussed in Note 16.

Notes to the consolidated financial statements continued

(e) Credit risk

The Group's principal financial assets are cash, investments, and trade and other receivables. Our main credit risk is the risk of trade customers defaulting their debts. We have a policy of only dealing with creditworthy counterparties in order to mitigate the risk of defaults.

We describe our policy on dealing with trade customers in Note 16 and Note 2. Trade receivables are spread over a large number of customers, and we do not have a significant exposure to any single counterparty.

We limit our exposure to credit risk on liquid funds and investments through adherence to a policy of minimum short-term counterparty credit ratings assigned by international credit-rating agencies (Standard & Poor's A-1 and Moody's P-1). However, when accounts are opened in new territories there may be instances where there is no appropriate partner which meets the Group's credit rating conditions. In such circumstances, arrangements with a counterparty which does not meet the Group's credit rating criteria can be made only at the specific approval of the Board and is subject to a maximum cash holding limit.

In addition, the Group Treasury function monitors counterparty risk through regular assessments which take account of counterparties' key financial ratios, corporate bond and equity prices together with agency credit ratings.

Our maximum exposure to credit risk is presented in the following table:

	28 December 2019 £m	29 December 2018 £m
Trade receivables (net of allowance)	148.3	145.2
Cash	218.5	231.3
Current asset investments	48.9	-
Total credit risk exposure	415.7	376.5

(f) Liquidity risk

Liquidity risk is the risk that the we could experience difficulties in meeting our commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient cash and investment reserves, committed borrowing facilities and other credit lines as appropriate. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has agreed an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities as far as is possible. Included in Note 18 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. In addition, the Strategic Review contains a section describing the interaction of liquidity risk and the going concern review.

Maturity profile of outstanding financial liabilities

Our only outstanding financial liabilities are our trade creditors. These are capital liabilities, with no associated interest, and are payable within one year.

(g) Market risk

This is the risk that financial instrument fair values will fluctuate owing to changes in market prices. The significant market risks to which we are exposed are foreign exchange risk, and interest rate risk. These are discussed further below:

Foreign exchange risk

We are exposed to foreign exchange risk, principally as a result of operating costs incurred in foreign currencies, and to a lesser extent, from non-sterling revenues. Our policy is generally not to hedge such exposures. The exposure of our financial assets and liabilities to currency risk is as follows:

	28 December 2019 £m	29 December 2018 £m
Euro		
Trade receivables	4.5	4.2
Other receivables	2.4	2.3
Cash and cash equivalents	13.5	21.4
Trade payables	(18.8)	(23.2)
Other payables	(3.1)	(3.1)
	(1.5)	1.6
US Dollar		
Cash and cash equivalents	0.1	-
Trade payables	(0.1)	(1.1)
	-	(1.1)
Total	(1.5)	0.5

Interest rate risk

The Group does not have any significant exposure to interest rate risk.

(h) Financial instrument sensitivities

Financial instruments affected by market risk include deposits, trade receivables and trade payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's financial instruments as at its year end to changes in market variables, being exchange rates and interest rates. The sensitivity analysis has been prepared on the basis that the components of net cash and the proportion of financial instruments in foreign currencies are all constant. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the year end date was outstanding for the whole year. As a consequence, this sensitivity analysis relates to the position as at the balance sheet date. The following assumptions were made in calculating the sensitivity analysis:

- Deposits are carried at amortised cost and therefore carrying value does not change as interest rates move.
- No sensitivity is provided for accrued interest as accruals are based on pre-agreed interest rates and therefore are not susceptible to further rate movements.
- Finance lease interest payments are fixed at the inception of the contract and are not subject to repricing. They have therefore been excluded from this analysis.
- Translation of foreign subsidiaries and operations into the Group's presentation currency have been excluded from the sensitivity.

Using the above assumptions, the following analyses show the illustrative effect on the income statement and equity that would result from reasonably possible changes in the relevant foreign currency or interest rates:

Notes to the consolidated financial statements continued

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for floating rate non-derivative instruments at the balance sheet date. The Group holds no derivative financial instruments. Fixed rate liabilities are not susceptible to changes in interest rates, and are omitted from the analysis below. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase is used as this represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 50 basis points higher and all other variables were held constant, the Group's net profit and profit and loss reserve would increase by £0.4m (2018: increase by £0.4m).

For a decrease of 50 basis points, the current year figures would decrease by £0.4m (2018: decrease by £0.4m).

Foreign exchange sensitivity

As noted above, the Group is mainly exposed to movements in Euro and US dollar exchange rates. The following information details our sensitivity to a 10% weakening or strengthening in Sterling against the Euro and the US Dollar. These percentages are the rates used by management when assessing sensitivities internally and represent management's assessment of the possible change in foreign currency rates. The sensitivity analysis of our exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the end of the financial period, and based on the outstanding foreign currency balances at the period end.

	28 December 2019 £m	29 December 2018 £m
10% weakening of Sterling to Euro	(0.2)	0.2
10% strengthening of Sterling to Euro	0.1	(0.2)
10% weakening of Sterling to US dollar	-	(0.1)
10% strengthening of Sterling to US dollar	-	0.1

Independent auditor's report

to the members of Howden Joinery Group Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. Opinion

In our opinion:

- **the financial statements of Howden Joinery Group plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 28 December 2019 and of the Group's profit for the period then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated cash flow statement; and
- the related Group Notes 1 to 26 and Company Notes 1 to 6

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were consistent with prior year: • Valuation of the UK inventory obsolescence provision • Appropriateness of the actuarial assumptions underlying the valuation of pension liabilities Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £12.5 million which was determined on the basis of approximately 5% of statutory profit before tax.
Scoping	Full audit procedures were performed over 98% of the Group's total assets, revenue and profit before tax comprising the UK trading and corporate entities.
Significant changes in our approach	There has been no significant change in our approach.

Independent auditor's report continued

to the members of Howden Joinery Group Plc

4. Conclusions relating to going concern, principal risks and viability statement

4.1. Going concern

We have reviewed the directors' statement in Note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 38 to 45 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 60 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 38 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the UK inventory obsolescence provision

Key audit matter description	At the year end, the gross inventory balance is £269.6 million (2018: £258.2 million), of which there is a £37.9 million (2018: £31.8 million) allowance against the carrying value. The scale of the Group's product range means there is significant Management judgement involved in determining the adequacy of the inventory obsolescence provision for active, discontinued, and slow moving ranges as well as display items. In particular the provision percentages applied to those discontinued and slow moving inventory lines. Given the high level of Management judgement involved, we deemed this a potential fraud risk for our audit. The Audit Committee report on page 112 also refers to inventory provisioning as one of the significant issues and judgements. Further information is included in Note 3 and Note 15.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the inventory obsolescence provision. We have considered the methodology used to calculate the inventory provision. We have challenged the reasonableness of Management's judgements and the assumptions used, specifically by assessing the provision percentages from an evaluation of sales of discontinued inventory lines. For active lines we have assessed stock turn and evidence of sales below cost price to determine whether further provisions are required. We have assessed the integrity of the underlying calculation by checking the accuracy of the ageing of the discontinued inventory items. We have also reviewed the level of inventory write offs in the year compared to the overall inventory provision. We have checked the completeness of the provision by assessing the net realisable value and inventory turn for a sample of inventory lines.
Key observations	On the basis of our testing, we are satisfied the overall provision is appropriate and is prepared on a basis consistent with the prior period.

5.2. Appropriateness of the actuarial assumptions underlying the valuation of pension liabilities

Key audit matter description	There is a significant Management judgement involved in the assessment of the actuarial assumptions used to measure the defined benefit pension deficit of £56.6 million (2018: £36 million), particularly in respect of the discount rate, inflation and mortality rates applied. The valuation of gross pension liabilities (£1,485.3 million) is materially sensitive to changes in these underlying assumptions. Management has highlighted defined benefit pension arrangements as a critical accounting judgement and key source of estimation in Note 3. Further information in respect of the pension scheme is included in Note 19. The Audit Committee report on page 112 also refers to the valuation of the defined benefit deficit as one of the significant judgements considered by the Committee.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the key assumptions used to determine the pension liability. With the involvement of our pension specialists,we have reviewed the valuation report prepared by the Group's external actuaries and assessed each of the key assumptions, being the discount rate, inflation rate and mortality. We did this through comparison to available market data, our own benchmarks and by reference to the Company's accounting policies. We also assessed the appropriateness of the methodology used by the Group's actuaries to calculate the liabilities of the pension scheme. In addition, we benchmarked the key assumptions against a population of other companies as at December 2019. We have considered whether, individually and in aggregate, the assumptions are appropriate. We have assessed the competence and independence of the Group's external actuaries, confirming they have sufficient and appropriate experience and are members of the Institute and Faculty of Actuaries. We have assessed the pension disclosures in the financial statements and considered their compliance with the requirements of IAS 19 Employee Benefits.
Key observations	We are satisfied that, individually and in aggregate, the actuarial assumptions applied in respect of the scheme's liabilities are appropriate.

Independent auditor's report continued

to the members of Howden Joinery Group Plc

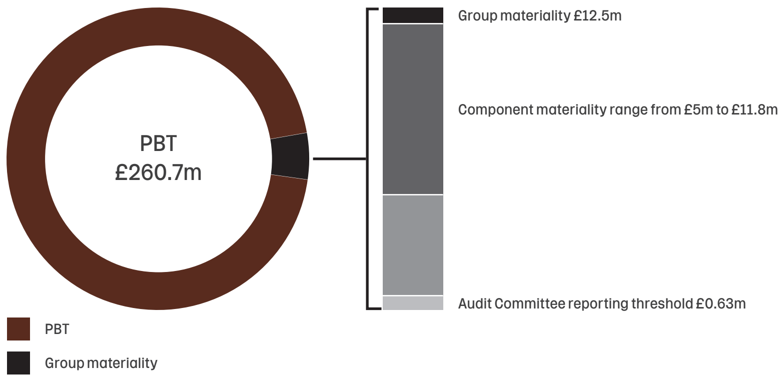
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£12.5 million (2018: £11.5 million)	£5 million (2018: £4.6 million)
Basis for determining materiality	Approximately 5% (2018: 5%) of statutory pre-tax profit	1% (2018: 1%) of net assets
Rationale for the benchmark applied	Profit before tax has been used as the basis for determining materiality as it is one of the most relevant benchmarks for users of the accounts.	Net assets have been used as this is a non-trading holding company and we consider this to be the most appropriate basis.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- the quality of the control environment where no significant deficiencies were identified;
- the low turnover of management and key accounting personnel; and
- history of prior period errors of which there were a low number of corrected and uncorrected misstatements.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £625,000 (2018: £575,000) for the Group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our audit scope on the UK trading and corporate entities. All of these were subject to a full audit. For the period ended 28 December 2019 the French and Belgian trading entities were taken out of Group audit scope on the basis they only contribute 2% to Group revenue. Desktop reviews for these two entities have been performed. Given the relative size of the Continental European business to the UK business we do not consider this a significant change in scope.

Our audit work for the UK trading and corporate entities was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged between £5 million and £11.8 million (2018: £4.6 million and £10.9 million) of Group materiality. These locations represent the principal business units and account for 98% (2018: 98%) of the Group's net assets, Group's revenue and of the Group's profit before tax for the 52 weeks ended 28 December 2019. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. The UK trading and corporate entities account for 98% (2018: 98%) of Group revenue and were audited by the Group team.

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

8. Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable - the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting - the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code - the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company'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 the Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report continued

to the members of Howden Joinery Group Plc

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Group's in-house legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, corporate treasury, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of the UK inventory obsolescence provision. This was raised as a key audit matter in the current year. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence, regulatory solvency requirements, environmental regulations and covenant requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of the UK inventory obsolescence provision as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and both in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent auditor's report continued

to the members of Howden Joinery Group Plc

14. Other matters

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the members at the Annual General meeting held on 21 June 2002 to audit the financial statements for the year ending 28 December 2002 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 18 years, covering the years ending 28 December 2002 to 28 December 2019.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Claire Faulkner FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, England

26 February 2020

Company Balance Sheet

	Notes	28 December 2019 £m	29 December 2018 £m
Non-current assets			
Investments in subsidiaries	3	699.0	699.0
Long-term prepayments		0.9	-
		699.9	699.0
Current assets			
Debtors	4	2.9	1.1
Cash and cash equivalents		256.0	212.0
		258.9	213.1
Current liabilities			
Creditors: amounts falling due within one year	5	(27.0)	(78.5)
Net current liabilities		231.9	134.6
Total assets less current liabilities		931.8	833.6
Net assets		931.8	833.6
Equity			
Called-up share capital	6	60.5	61.5
Share premium and capital redemption reserve		92.2	87.5
Retained earnings		808.4	717.5
Treasury shares		(29.3)	(32.9)
Total equity		931.8	833.6

The Company profit after tax for the 52 weeks to 28 December 2019 was £220.4m (52 weeks to 29 December 2018: profit after tax of £208.0m).

These financial statements were approved by the Board on 26 February 2020 and were signed on its behalf by

Mark Robson
Deputy Chief Executive and Chief Financial Officer

For and on behalf of Howden Joinery Group Plc, registered number 02128710

Company statement of changes in equity

	Called up share capital £m	Capital redemption reserve £m	Share premium account £m	Treasury shares £m	Retained earnings £m	Total £m
At 30 December 2017	62.8	-	87.5	(36.2)	638.7	752.8
Retained profit for the period	-	-	-	-	208.0	208.0
Buyback and cancellation of shares	(1.3)		-	-	(60.9)	(62.2)
Transfer of shares from treasury into share trust	-	-	-	3.3	-	3.3
Dividends declared and paid	-	-	-	-	(68.3)	(68.3)
At 29 December 2018	61.5	-	87.5	(32.9)	717.5	833.6
Retained profit for the period	-	-	-	-	220.4	220.4
Buyback and cancellation of shares (Note 1)	(1.0)	4.7	-	-	(58.9)	(55.2)
Transfer of shares from treasury into share trust	-	-	-	3.6	-	3.6
Dividends declared and paid	-	-	-	-	(70.6)	(70.6)
At 28 December 2019	60.5	4.7	87.5	(29.3)	808.4	931.8

Note 1: This includes a re-presentation of the cancellation of shares to retained earnings and capital redemption reserve for the shares bought back and cancelled before 29 December 2018, under which retained earnings have been reduced by £3.7m and the capital redemption reserve has been increased by £3.7m. This line also records the shares bought back and cancelled in the current period, which had an aggregate nominal value of £1m and a cost of £55.2m.

The Company's distributable reserves at period end are:

	28 December 2019 £m
Retained earnings	808.4
Treasury shares	(29.3)
Distributable reserves	779.2

The difference between the Howden Joinery Group Plc entity Retained Earnings Reserve (£808.4m at 28 December 2019) and the Group's consolidated Retained Earnings Reserve (£498.1m at 28 December 2019) is primarily due to the effect of goodwill purchased by the Group's predecessor company MFI Furniture Group Plc, and subsequent capital reconstructions, which resulted in the write off of that goodwill against consolidated reserves.

Notes to the Company financial statements

1 SIGNIFICANT COMPANY ACCOUNTING POLICIES

General information

Howden Joinery Group Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The Company's principal activity is being the parent company of the Howden Joinery Group. More information about the Group structure is given at page 174.

Basis of presentation

The Company's accounting period covers the 52 weeks to 28 December 2019. The comparative period covered the 52 weeks to 29 December 2018.

Basis of accounting

These financial statements have been prepared on the going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and the UK Companies Act.

The accounts are prepared under the historical cost convention. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement or statement of comprehensive income.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of Cash Flows and related notes;
- a comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- an additional statement of financial position for the beginning of the earliest comparative period as required by IFRS 1 First-time Adoption of International Financial Reporting Standards;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of Key Management Personnel.

As the Group Financial Statements include the equivalent disclosures, the Company has also taken advantage of the exemptions under FRS 101 available in respect of IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments.

Investments in subsidiaries

These investments are shown at cost less any provision for impairment.

2 PROFIT AND LOSS ACCOUNT INFORMATION

The Company has no employees (2018: none), did not pay directors' emoluments (2018: £nil), and the fees payable to the Company's auditor for the audit of the Company's annual accounts were £10,000 in both current and prior periods.

Notes to the Company financial statements continued

3 INVESTMENTS IN SUBSIDIARIES

	Shares in subsidiary undertakings £m	Long-term loans to subsidiary undertakings £m	Total £m
Cost and carrying value:			
At 29 December 2018 and 28 December 2019	262.1	436.9	699.0

Details of principal subsidiary undertakings are given on page 174.

4 DEBTORS

	28 December 2019 £m	29 December 2018 £m
Other debtors	0.3	0.2
Other tax and social security	2.6	0.9
	2.9	1.1

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 December 2019 £m	29 December 2018 £m
Owed to subsidiaries	(27.0)	(78.2)
Accruals and deferred income	-	(0.3)
	(27.0)	(78.5)

6 SHARE CAPITAL

	52 weeks to 28 December 2019 No.	52 weeks to 29 December 2018 No.	52 weeks to 28 December 2019 £m	52 weeks to 29 December 2018 £m
Ordinary shares of 10p each:				
Allotted, called-up and fully paid:				
Balance at the beginning of the period	615,436,307	628,192,755	61.5	62.8
Bought back and cancelled during the period	(10,772,446)	(12,756,448)	(1.0)	(1.3)
Balance at the end of the period	604,663,861	615,436,307	60.5	61.5

Additional information

Parent company and all subsidiary undertakings

as at 28 December 2019

	Country of registration or incorporation	Registered office
PARENT COMPANY		
Howden Joinery Group Plc	England and Wales	40 Portman Square, London, W1H 6LT
ALL SUBSIDIARY UNDERTAKINGS		
Intermediate Holding Companies:		
Howden Joinery Holdings Limited	England and Wales	40 Portman Square, London, W1H 6LT
Howden Joinery International Holdings Limited	England and Wales	40 Portman Square, London, W1H 6LT
Trading:		
Howden Joinery Limited	England and Wales	40 Portman Square, London, W1H 6LT
Houdan Cuisines SAS	France	1 Rue Calmette, ZA Du Bois Rigault Nord, 62880 Vendin-Le-Vieil
Houdan Cuisines SPRL	Belgium	Rue Des Emailleries, 4, 6041 Gosselies
Property Management:		
Howden Joinery Properties Limited	England and Wales	40 Portman Square, London, W1H 6LT
Howden Kitchens Properties Limited	England and Wales	40 Portman Square, London, W1H 6LT
Administration and Employee Services:		
Howden Joinery Corporate Services Limited	England and Wales	40 Portman Square, London, W1H 6LT
Howden Joinery People Services Limited	England and Wales	40 Portman Square, London, W1H 6LT
Dormant:		
Howden Kitchens Limited	England and Wales	40 Portman Square, London, W1H 6LT
Galiform Limited	England and Wales	40 Portman Square, London, W1H 6LT
Foreign Company Registrations:		
Howden Joinery Limited	Isle of Man	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ
Howden Joinery Properties Limited	Isle of Man	6th Floor, Victory House, Prospect Hill, Douglas, IM1 1EQ

The Company ultimately owns 100% of the ordinary share capital of all of the subsidiary undertakings listed above.

Five year record

	Dec 2019 52 weeks £m	Dec 2018 52 weeks £m	Dec 2017 53 weeks £m	Dec 2016 52 weeks £m	Dec 2015 52 weeks £m
Summarised Income Statement					
Revenue	1,583.6	1,511.3	1,403.8	1,307.3	1,220.2
Operating Profit	260.0	240.1	234.4	237.2	221.9
Profit before tax	260.7	238.5	232.2	237.0	219.6
Full year dividend per share (pence)	13.0	11.6	11.1	10.7	9.9
Basic EPS (pence)	35.0	31.3	29.9	29.5	27.3
Summarised Balance Sheet					
Total non-current assets	251.7	221.4	221.3	201.6	153.0
Inventories	231.8	226.3	208.3	183.7	177.1
Receivables	193.1	186.0	137.8	135.9	129.5
Payables and provisions	(272.2)	(261.9)	(245.0)	(244.8)	(214.8)
Pension liability	(56.6)	(36.0)	(109.3)	(106.0)	(49.2)
	96.1	114.4	(8.2)	(31.2)	42.6
Net cash, short term investments, and borrowings	267.4	231.3	241.1	226.6	226.1
Total net assets	615.2	567.1	454.2	397.0	421.7
Number of depots at end of year					
UK	732	694	661	642	619
France	25	20	20	20	17
Belgium	2	2	2	2	2
Netherlands	-	1	1	1	1
Germany	-	1	1	1	-
Total	759	718	685	666	639
Capital expenditure	61	44	49	64	46

Shareholder and share capital information

ANNUAL GENERAL MEETING

The 2020 Annual General Meeting ('AGM') will be held at UBS, 5 Broadgate, London, EC2M 2QS on 7 May 2020 at 11:00am. Shareholders will have the opportunity to discuss Howdens' progress and operations directly with the Board at the AGM.

The notice of the AGM will be sent to shareholders at least 21 clear days before the meeting and will detail the resolutions to be voted on.

SHARE CAPITAL

Issued share classes	Ordinary only (fully paid)
Voting rights at general meetings	One vote per share
Fixed income rights	None
Individual special rights of control	None
Holding size restrictions[1]	None
Transfer restrictions[1]	None

The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of shares or on voting rights.

Treasury shares

The Company held 6,015,580 ordinary shares in Treasury at the end of the period (28 December 2019). Shares held in Treasury have no voting rights and are used solely for the satisfaction of employee share awards.

Employee share awards

Details of employee share schemes are set out in Note 24 to the Financial Statements. Shares held by the Howden Joinery Group Plc Employee Share Trust abstain from voting at the Company's general meetings.

Acquisition of the Company's own shares

During 2019, the Company returned over £55m to shareholders by repurchasing 10,772,446 of its ordinary shares (representing a nominal value of £1,077,244.60), which equated to 1.8% of the called up share capital of the Company at the beginning of the period (excluding Treasury shares). All of the shares repurchased during 2019 were cancelled.

At the AGM on 2 May 2019, the Directors were granted authority by shareholders to purchase up to 60,709,803 of the Company's ordinary shares through the market[2]. The authority expires at the conclusion of the 2020 AGM or within 15 months from the date of passing the resolution (whichever is earlier).

Substantial shareholdings

As at 26 February 2020, the Company had been notified, in accordance with Rule 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company:

Substantial Shareholder	% of total voting rights	Date of last notification
Ameriprise Financial, Inc. and its group	4.99%	Nov 2019
Fiera Capital Corporation	3.18%	Nov 2019

The percentage interest is as stated by the shareholder at the time of notification and current interests may vary.

1. Governed by the general provisions of the Articles of Association (which may be amended by special resolution of the shareholders) and prevailing legislation.
2. At prices ranging between 10p and the higher of (a) 105% of the average middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System.

SIGNIFICANT AGREEMENTS

There are a number of agreements that take effect, alter or terminate upon a change of control such as commercial contracts, bank loan agreements and employee share plans. The only one of these which is considered to be significant in terms of likely impact on the business of the Group as a whole is the bank facility (as described in Note 18), which requires majority lender consent for any change of control.

If the lender were not prepared to consent to a change of control, a mandatory repayment of the entire facility would be triggered. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

PROVISION FOR INDEMNITY AGAINST LIABILITY INCURRED BY A DIRECTOR

The Company has provided indemnities to the Directors (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office. Neither the indemnity nor any insurance provides cover in the event that the Director is proven to have acted dishonestly or fraudulently.

Shareholder ranges as at 28 December 2019

	Number of Holdings	Number of Shares	% of Holdings	% of Shares
Corporate holders				
0 and 1,000	148	60,048	1.69	0.01
1,001 and 5,000	157	369,970	1.79	0.06
5,001 and 10,000	68	506,401	0.78	0.08
10,001 and 50,000	153	4,013,370	1.75	0.66
50,001 and 100,000	68	5,025,206	0.78	0.83
100,001 and 250,000	100	16,500,547	1.14	2.73
Over 250,000	215	569,901,492	2.45	94.25
Total	909	596,378,034	10.37	98.63
Individual holders				
0 and 1,000	6,551	2,259,130	74.71	0.37
1,001 and 5,000	1,106	2,600,440	12.62	0.43
5,001 and 10,000	130	947,171	1.48	0.16
10,001 and 50,000	65	1,347,745	0.74	0.22
50,001 and 100,000	4	311,989	0.05	0.05
100,001 and 250,000	1	127,352	0.01	0.02
Over 250,000	2	693,000	0.02	0.11
Total	7,859	8,286,827	89.63	1.37
Total	**8,768**	**604,664,861**	**100**	**100**

Corporate timetable

2020	
Trading update	30 April
Half-Yearly Report	23 July
Trading update	5 November
End of financial year	26 December

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