GALIFORM Plc

HALF YEARLY REPORT FOR THE 24 WEEKS ENDED 13 JUNE 2009

HIGHLIGHTS

Howden Joinery has performed resiliently during the first half of 2009, reflecting actions taken during the course of 2008 and this year to enable the business to deal with an economic slowdown. This is despite market conditions continuing to be impacted by the downturn that occurred in 2008, most notably in October. In addition, progress continues to be made on pro-actively dealing with legacy issues.

Financial highlights

Satisfactory underlying performance on key measures:

- Howden Joinery UK depot revenue decreased by 8.3%* to £310.1m, down 9.8%* on same depot basis** (*Excluding the distorting effect of week 1 - see note 1 below; **Excluding depots opened in 2008);
- Group revenue was £316.8m (2008: £354.6m);
- Gross profit margin rose from 52.7% to 54.1%, despite impact of adverse currency movements;
- Operating profit fell to £10.0m (2008: £20.8m), reflecting lower sales partly offset by gross profit margin improvement;
- Profit before tax and exceptional items fell to £4.7m (2008: £20.1m), partly reflecting the £5.2m increase in the net finance charge in respect of pensions;
- Basic earnings per share before exceptional items from continuing operations of 0.5p (2008: 2.1p);
- Basic loss per share from continuing and discontinued operations of (0.2)p (2008: Basic earnings of 2.4p);
- Net debt fell to £50.3m at 13 June 2009 (27 December 2008: £61.2m), reflecting a £21.8m reduction in stock levels. The fall in debt was achieved despite cash payments totalling £15.4m relating to 'legacy' properties and a payment of £13.4m to the Group's pension schemes in excess of the operating charge.

Other highlights

We continue to manage 'legacy' issues pro-actively and strengthen our competitive position:

- further mitigation of legacy property liability, including termination of leases on five more guaranteed properties;
- agreement reached on funding of pension deficit for three years starting April 2009 (announced 16 July 2009);
- various new products introduced, including 'own label' Lamona appliances and nine kitchen ranges.

Note 1: Week 1 sales (2008: £5.7m, 2009 £0.8m) excluded because of the impact arising from New Year's Day falling on different days of the week (Tuesday in 2008, Thursday in 2009) which meant not only were there two fewer days trading this year, but also that there were far fewer builders returning to work that week.

CURRENT TRADING

Howden Joinery UK depot revenue fell 5.2% in the first period of the second half of the year (period 7) compared with the same period last year. The lower relative decline in sales compared to that seen in the first half of the year reflects the weaker comparators arising from the change in sales pattern that occurred in the middle of last year.

Galiform's Chief Executive, Matthew Ingle, said:

"We are encouraged by the resilient operating and financial performance of the business in a challenging environment. Sales have remained stable throughout the year and the impact on profitability of the weakness of the pound has been more than offset by actions we have taken to protect our gross profit margin. The fall in net debt we have seen since the start of the year reflects our continuing focus on all aspects of cash flow management.

"In addition, we continue to make progress on dealing with legacy issues, including reducing our guaranteed properties liability. We remain confident of the strength and potential of the Howdens business model and, in time, plan to resume depot openings."

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SUMMARY OF GROUP RESULTS

The information presented below relates to the 24 weeks to 13 June 2009 and the 24 weeks to 14 June 2008, unless otherwise stated.

£m unless stated	**2009**	2008
Continuing operations before exceptional items:		
Revenue		
- Group	**316.8**	354.6
- Howden Joinery UK depots	**310.1**	342.6
Gross profit	**171.3**	186.8
Gross profit margin, %	**54.1**	52.7
Operating profit	**10.0**	20.8
Profit before tax		
- excluding exceptional items	**4.7**	20.1
- including exceptional items[1]	**4.7**	21.6
Loss from discontinued operations before tax		
- including exceptional items[1]	**(4.4)**	-
Earnings per share from continuing operations		
- basic excluding exceptional items	**0.5p**	2.1p
- basic including exceptional items	**0.5p**	2.4p
Earnings/(loss) per share from continuing and discontinued operations		
- basic excluding exceptional items	**0.5p**	2.1p
- basic including exceptional items	**(0.2)p**	2.4p
Net debt at end of period	**50.3**	40.9

1 Details of exceptional items are given in note 7 to the Condensed Financial Statements.

FINANCIAL REVIEW

The following discussion relates to the 24 weeks to 13 June 2009 and the 24 weeks to 14 June 2008, unless otherwise stated.

FINANCIAL RESULTS FOR FIRST HALF OF 2009

The financial performance of the Group during the first half of 2009 benefited from the strength of the Group's competitive position and the characteristics of the end-users of its products. This includes significant exposure to the tenanted housing sector, both public and private, which is subject to different economic drivers than the owner-occupied sector, and very limited exposure to the new housing market. Performance also benefited from actions taken during the course of 2008 and this year to enable the business to cope with weaker economic and market conditions, including rationalising depot operations and pursuing opportunities to improve gross profit.

Sales through our Howden Joinery UK depots decreased by £32.5m to £310.1m in 2009, Group revenue falling slightly more as a result of the ending of supply to Hygena Cuisines early this year.

Revenue £m	**2009**	2008
Group	**316.8**	354.6
comprising:		
Howden Joinery UK depots	**310.1**	342.6
Howden Joinery French depots	**5.5**	5.0
Hygena Cuisines*	**1.1**	7.1

* now terminated

Excluding the distorting effect of trading in the first week of the year (see note 1 at end of Highlights section above), Howden Joinery UK depots' revenue was down 8.3%, declining 9.8% on a same depot basis (excludes depots opened in 2008). Trading conditions were stable throughout the first half of the year, remaining on a par with that seen in the last three periods of 2008.

Sales by our French depots of £5.5m were down slightly in constant currency terms.

Gross profit fell by £15.5m to £171.3m. The impact of lower underlying sales volumes was exacerbated by the £7.0m adverse effect of the deterioration in the exchange rate on the cost of goods purchased from overseas suppliers. However, the impact of the weaker exchange rates was more than offset by an increased focus in our depots on gross profit margin and the benefit from a small price increase early in the year. In addition, gross profit benefited from purchasing and manufacturing efficiencies.

Although gross profit fell, the gross profit margin rose from 52.7% in 2008 to 54.1%.

Selling and distribution costs and administrative expenses fell by £4.8m to £161.3m.

Within this, operating costs of Howden Joinery UK depots opened before 2008 fell as a result of changes to resource levels made in the middle of last year. In addition, logistics (warehouse and transport) costs were reduced. These savings were partly offset by the impact of inflation on certain other costs and the costs of depots opened in 2008 (no depots have been opened in 2009). In addition, we have increased the provision for bad debt, reflecting delays in our ability to recover debt through the judicial system and the consequent increase in the ageing of the debtor book. Whilst the provision has been increased, this issue has not led to an increase in the occurrence of debt write-offs at this stage.

Operating profit before exceptional items was £10.0m (2008: £20.8m).

The net interest charge rose by £4.6m to £5.3m, mainly due to the £3.7m finance expense in respect of pensions (2008: £1.5m income). The net result was profit before tax and exceptional items from continuing operations of £4.7m (2008: £20.1m).

There was an exceptional charge before tax of £4.4m in respect of discontinued operations. This related to the rent and other obligations payable on nine properties which had been occupied by Sofa Workshop prior to it going into administration earlier this year. Cash expenditure incurred in the first half of this year in respect of these properties was £0.4m.

The tax charge on profit before tax was £1.7m, based on the estimated effective rate of tax on profit before tax for the 2009 financial year of 35.6%. This tax rate mainly reflects the proportionate increase in the impact of depreciation on capital expenditure that is disallowable for tax purposes.

Basic earnings per share excluding exceptional items was 0.5p (2008: 2.1p) and including exceptional items was a loss of (0.2)p (2008: 2.4p earnings).

Net cash inflows from operating activities were £13.5m. Within this, working capital changes generated a cash inflow of £7.4m. This was after payments relating to 'legacy' properties (including Sofa Workshop – see above) totalling £15.4m, including rent & rates and payments in respect of early termination of leases. Stock levels at the end of the period were £21.8m lower than at the beginning of the year, having been reduced to bring them into line with current trading levels. Trade creditors and debtors at the end of the period were little changed from the start of the year.

Also included within net cash flows from operating activities was a cash contribution to the Group's pension schemes, in excess of the operating charge, of £13.4m.

Payments to acquire fixed and intangible assets totalled £3.8m (2008: £10.0m).

As a result of the above, net debt fell by £10.9m in the first half of 2009, resulting in Group net borrowings of £50.3m at 13 June 2009. At the same date, in respect of the Group's £175m bank facility (see note 23 of 2008 Annual Report and Accounts), the Group had available £75.7m of undrawn committed borrowing facilities (£77.3m at 27 December 2008).

At 13 June 2009, the pension deficit shown on the balance sheet was £131.2m (27 December 2008: £122.2m). The increase in the deficit was driven by changes in certain assumptions used to calculate liabilities, principally an increase in inflation expectations. This has been partially offset by the impact of a higher discount rate and the Company's contribution (£13.4m) made as part of the 2006 agreement to clear the actuarial deficit (over a 10-year period).

Details of the 2009 funding agreement covering the three-year period commencing April 2009, that was announced on 16 July 2009, are given below.

OPERATIONAL REVIEW

The overriding strategic goal of Galiform was first set out in the original Howden Joinery business plan and remains unaltered. It is "To supply from local stock nationwide the small builder's routine kitchen and joinery requirements, assuring no call back quality and best local price".

Against the background of a continuing weakness in consumer confidence and concerns about economic prospects, the Group continues to focus on opportunities to grow sales through improving its products and service, and increasing awareness of Howdens. We continue to work to increase profitability through greater efficiencies and prudently manage cash flow.

In pursuing these goals, numerous actions have been taken, the most significant of which are as follows.

Product

We continue to review arrangements with suppliers, re-sourcing where appropriate, the benefits from which have helped offset cost pressures within our supply chain.

Investment in product development remains key to our continued success. We have introduced the new 'Lamona' brand name for our 'own label' appliances, which brings a number of competitive advantages. So far this year, we have also introduced nine new kitchens as well as various new items in our other product ranges.

Runcorn

New IT systems for manufacturing and warehouse management have been successfully implemented in our operations in Runcorn, where we manufacture some 3.5m kitchen cabinets each year. These facilitate improved production planning and stock control.

GROUP DEVELOPMENTS

Guaranteed and other legacy properties

The Group continues to manage proactively its 'legacy property' portfolio.

Since the end of the first half of the year, agreement has been reached with the landlords of five more properties that will further reduce Galiform's financial exposure to properties that had until November 2008 been occupied by MFI Retail operations (the 'guaranteed' properties). In return for being released from all obligations in respect of the leases, Galiform has made a cash payment to the landlords totalling £6.0m, which is equivalent to around twice the average net annual costs of the leases, the average remaining period of the leases being in excess of seven years. This payment mitigates total future costs of almost £22m at current rates. This cash outflow will be included in the results for the second half of the year and was in line with the amount provided.

Excluding a property that reaches the end of its lease period in September, this means that there are now 32 outstanding guaranteed properties. The profile of properties remaining and the net annual rent and rates (current values) for the associated leases, before any mitigating action is taken, is shown below, along with the situation when this liability crystallised last September.

	As at 30 Sept 2008	Current	As at 1 Jan 2012	1 Jan 2015	1 Jan 2020	1 Jan 2025
Number of properties	46	32	29	15	10	-
Net annual rent and rates, £m	21.4	15.7	14.7	7.5	4.6	-

The future costs associated with these properties have been provided for in the £108.8m exceptional charge incurred in 2008.

In respect of retail properties that were excluded from the sale of MFI in 2006, one that was previously vacant has now been sub-let. In addition, one that was previously vacant has been taken back by the landlord and one of the previously sub-let properties has been assigned to a new tenant, removing any further liability for Galiform in both cases.

Pensions

As announced on 16 July 2009, the triennial actuarial review of the pension schemes as at April 2008 has been completed and deficit funding contributions for the three years commencing April 2009 have been agreed with the schemes' trustees.

Under the agreement, Galiform's contributions to the pension deficit will be as follows:

Year ending 5 April	2010	2011	2012
	£19m	£28m	£33m

An element of each of the annual contributions is, however, contingent on the attainment of an agreed level of performance of the Group in the financial year that ends during the relevant pension year. The contingent payments are:

Year ending 5 April	2010	2011	2012
	£5m	£8m	£8m

If payable, these contingent payments will be made shortly after the relevant audited accounts have been signed. All other amounts are payable in equal monthly instalments during the relevant pension year.

The agreement will result in an expected cash contribution to the pension deficit in the current financial year (ending 26 December 2009) of £21m. This includes payments in respect of the previous agreement with the trustees, reached in 2006.

OUTLOOK

Should economic and market conditions continue to remain stable, we would expect the reported sales performance of Howden Joinery UK depots in the second half of 2009 relative to last year to improve compared with the performance seen in the first half of the year. This would reflect the slowdown of sales growth seen in mid-2008 and the sharp decline seen from October 2008.

We are not expecting the economic environment to improve markedly in the short term and will continue to manage the business in light of prevailing conditions. However, if our current performance is sustained during the coming months and we have a successful Period 11 in October, we will consider opening a small number of depots later this year.

The key risk to performance in the second half of the year is the continuing uncertainty surrounding the general economic environment, in particular, the impact of rising unemployment and the effect this could have on trading. Other risks to the business are discussed in the following section on 'Risks and Uncertainties'.

GOING CONCERN AND RISKS AND UNCERTAINTIES

GOING CONCERN

The Group meets its day to day working capital requirements through an asset backed lending facility of £175m, which is not due for renewal until May 2011. The current economic conditions create uncertainty, particularly over (a) the level of demand for the Group's products and, (b) the exchange rate between sterling and both the Euro and the US Dollar which would affect the cost of the Group's operations.

The Group's forecasts and projections have been stress-tested for reasonably possible adverse variations in trading performance. The results of this testing shows that the Group should be able to operate within the level of its current committed facility and covenants. The Group's banking facility expires in May 2011 so at this stage the Group has not sought any written commitment that the facility will be renewed. We will open renewal negotiations with the banks in due course.

After making 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 half-yearly condensed financial statements.

RISKS AND UNCERTAINTIES

The Board continually assesses and monitors the key risks of the business. The principal risks and uncertainties that could have a material impact on the Group's performance over the remaining 28 weeks of the financial year have not changed from those which are set out in detail on pages 14 to 17 of the Group's 2008 Annual Report, and which are summarised below:

- Market conditions
- Continuity of supply
- Product design leadership
- Failure to implement the Howdens' strategy
- Loss of key personnel
- IT systems
- Defined benefit pension scheme
- Disposal of MFI property leases

A copy of the Group's 2008 Annual Report is available on the Group's website, www.galiform.com.

Condensed consolidated income statement

		24 weeks to 13 June 2009 unaudited			24 weeks to 14 June 2008 unaudited			52 weeks to 27 December 2008 audited		
	Notes	**Before exceptional items £m**	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Continuing operations:										
Revenue		**316.8**	**-**	**316.8**	354.6	-	354.6	805.7	-	805.7
Cost of sales		**(145.5)**	**-**	**(145.5)**	(167.8)	-	(167.8)	(378.2)	1.0	(377.2)
Gross profit		**171.3**	**-**	**171.3**	186.8	-	186.8	427.5	1.0	428.5
Selling & distribution costs		**(131.7)**	**-**	**(131.7)**	(139.8)	-	(139.8)	(298.3)	1.5	(296.8)
Administrative expenses		**(29.6)**	**-**	**(29.6)**	(26.3)	-	(26.3)	(53.4)	0.4	(53.0)
Other operating income	7	**-**	**-**	**-**	-	1.5	1.5	-	1.9	1.9
Share of joint venture profit		**-**	**-**	**-**	0.1	-	0.1	0.1	-	0.1
Operating profit		**10.0**	**-**	**10.0**	20.8	1.5	22.3	75.9	4.8	80.7
Finance income	8	**0.1**	**-**	**0.1**	0.3	-	0.3	1.4	-	1.4
Finance expense	8	**(1.7)**	**-**	**(1.7)**	(2.5)	-	(2.5)	(6.3)	-	(6.3)
Other finance (expense)/income - pensions	8	**(3.7)**	**-**	**(3.7)**	1.5	-	1.5	3.3	-	3.3
Profit before tax from continuing operations		**4.7**	**-**	**4.7**	20.1	1.5	21.6	74.3	4.8	79.1
Tax charge for the period from continuing operations	9	**(1.7)**	**-**	**(1.7)**	(7.5)	-	(7.5)	(23.3)	(0.8)	(24.1)
Profit after tax from continuing operations		**3.0**	**-**	**3.0**	12.6	1.5	14.1	51. 0	4.0	55.0

Condensed consolidated income statement (continued)

	Notes	24 weeks to 13 June 2009 unaudited			24 weeks to 14 June 2008 unaudited			52 weeks to 27 December 2008 audited		
		Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Discontinued operations:										
Loss before tax from discontinued operations	7	**-**	**(4.4)**	**(4.4)**	-	-	-	-	(108.8)	(108.8)
Tax on loss from discontinued operations	7	**-**	**-**	**-**	-	-	-	-	2.6	2.6
Loss after tax from discontinued operations		**-**	**(4.4)**	**(4.4)**	-	-	-	-	(106.2)	(106.2)
Profit/(loss) for the period attributable to the equity holders of the parent		**3.0**	**(4.4)**	**(1.4)**	12.6	1.5	14.1	51. 0	(102.2)	(51.2)

Earnings per share:		**pence**	pence	pence
From continuing operations				
Basic earnings per 10p share	10	**0.5**	2.4	9.2
Diluted earnings per 10p share	10	**0.5**	2.3	9.0
From continuing and discontinued operations				
Basic (loss)/earnings per 10p share	10	**(0.2)**	2.4	(8.6)
Diluted (loss)/earnings per 10p share	10	**(0.2)**	2.3	(8.4)

Exceptional items are analysed in note 7.

Condensed consolidated balance sheet

	Notes	**As at 13 June 2009 unaudited £m**	As at 14 June 2008 unaudited £m	As at 27 December 2008 audited £m
Non current assets				
Goodwill		**2.5**	2.5	2.5
Other intangible assets		**5.8**	6.6	6.2
Property, plant and equipment	11	**85.2**	90.5	89.4
Investments	12	**2.0**	8.0	4.0
Deferred tax asset		**56.9**	55.5	52.6
		152.4	163.1	154.7
Current assets				
Inventories		**99.5**	116.2	121.3
Trade and other receivables		**100.1**	116.1	99.2
Other assets		**1.0**	2.1	1.3
Cash at bank and in hand		**18.4**	27.3	21.2
		219.0	261.7	243.0
Total assets classified as held for sale		**-**	1.3	1.0
Total assets		**371.4**	426.1	398.7
Current liabilities				
Trade and other payables		**(122.4)**	(174.8)	(120.4)
Current tax liability		**(5.7)**	(8.6)	(4.9)
Current borrowings		**(2.6)**	(3.0)	(3.4)
		(130.7)	(186.4)	(128.7)
Non current liabilities				
Non-current borrowings		**(67.1)**	(67.3)	(80.3)
Pension liability	17	**(131.2)**	(112.0)	(122.2)
Deferred tax liability		**(5.5)**	(2.9)	(5.5)
Provisions	15	**(107.5)**	(36.6)	(119.8)
		(311.3)	(218.8)	(327.8)
Total liabilities		**(442.0)**	(405.2)	(456.5)
Net (liabilities)/assets		**(70.6)**	20.9	(57.8)
Equity				
Called up share capital	13	**63.4**	63.4	63.4
Share premium account	13	**85.1**	85.1	85.1
ESOP reserve	13	**(25.3)**	(29.0)	(27.1)
Other reserves	13	**28.1**	28.1	28.1
Retained loss	13	**(221.9)**	(126.7)	(207.3)
Total (deficit)/equity		**(70.6)**	20.9	(57.8)

Condensed consolidated cash flow statement

	Notes	24 weeks to 13 June 2009 unaudited £m	24 weeks to 14 June 2008 unaudited £m	52 weeks to 27 December 2008 audited £m
Net cash flows from operating activities	14	**13.5**	(26.9)	(37.8)
Cash flows from investing activities				
Interest received		**0.1**	0.3	1.5
Cash flow from acquisitions		**-**	3.2	3.2
Redemption of investment		**2.0**	-	4.0
Payments to acquire property, plant and equipment and intangible assets		**(3.8)**	(10.0)	(19.4)
Receipts from sale of property, plant and equipment and intangible assets		**1.0**	3.5	3.5
Net cash used in investing activities		**(0.7)**	(3.0)	(7.2)
Cash flows from financing activities				
Interest paid		**(1.9)**	(4.8)	(8.5)
Receipts from issue of own share capital		**-**	0.1	0.1
(Decrease)/increase in loans		**(13.2)**	31.5	44.1
Repayment of capital element of finance leases		**(0.8)**	(0.5)	(1.2)
Decrease in other assets		**0.3**	0.3	1.1
Dividends paid to Group shareholders		**-**	(3.0)	(3.0)
Net cash (used in)/from financing activities		**(15.6)**	23.6	32.6
Net decrease in cash and cash equivalents		**(2.8)**	(6.3)	(12.4)
Cash and cash equivalents at beginning of period	14	**21.2**	33.6	33.6
Cash and cash equivalents at end of period	14	**18.4**	27.3	21.2

For the purpose of the cash flow statement, cash and cash equivalents are included net of overdrafts payable on demand. These overdrafts are excluded from the definition of cash and cash equivalents disclosed on the balance sheet.

Cash flows from discontinued operating activities are shown in note 14. There are no cash flows from discontinued investing or financing activities.

Condensed consolidated statement of recognised income and expense

		24 weeks to 13 June 2009 unaudited £m	24 weeks to 14 June 2008 unaudited £m	52 weeks to 27 December 2008 audited £m
Actuarial loss on defined benefit pension schemes	17	**(18.7)**	(43.3)	(66.3)
Deferred tax on actuarial loss on defined benefit pension schemes		**5.3**	12.1	18.6
Deferred tax on share schemes		**0.1**	-	-
Currency translation differences		**0.1**	0.2	1.4
Net loss recognised directly in equity		**(13.2)**	(31.0)	(46.3)
(Loss)/profit for the financial period		**(1.4)**	14.1	(51.2)
Total recognised income and expense for the period, attributable to the equity shareholders of the parent		**(14.6)**	(16.9)	(97.5)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 General information

The results for the 24 week periods ended 13 June 2009 and 14 June 2008 are unaudited but have been reviewed by the Group's auditors, whose report on the current period forms part of this document. The information for the 52 week period ended 27 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified or modified, did not draw attention to any matters by way of emphasis and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2 Accounting policies

The annual financial statements of Galiform Plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

Basis of preparation

The Group's business activities, together with the factors likely to affect its future development, performance, and position are set out on pages 4 to 8, and include a summary of the Group's financial position, its cash flows and borrowing facilities, and a discussion of why the directors consider that the going concern basis is appropriate.

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

3 Segmental results

Basis of segmentation

The Group operates and reports as one business segment, Howden Joinery. Thus, the information required in respect of segmental disclosure can all be found in the condensed consolidated income statement.

4 Seasonality of revenue

Howden Joinery sales are more heavily weighted to the second half of the financial year. This partly reflects the fact that there are 24 weeks in the first half of the financial year and 28 weeks in the second half. It also reflects sales in the peak October trading period. In the last two financial years, approximately 60% of sales have been in the second half of the year.

5 Write down of inventories

During the period, the Group incurred a charge of £3.5m to write inventories down to their net realisable value (24 weeks to 14 June 2008 - £2.4m, 52 weeks to 27 December 2008 - £9.5m).

6 Dividends

	24 weeks to 13 June 2009 unaudited £m	24 weeks to 14 June 2008 unaudited £m	52 weeks to 27 December 2008 audited £m
Amounts recognised as distributions to equity holders in the period:			
Proposed final dividend for the 52 weeks to 27 December 2008 – nil (24 weeks to 14 June 2008 and 52 weeks to 27 December 2008 - both 0.5p per share)	**-**	3.0	(3.0)
	-	3.0	(3.0)

7 Exceptional items

Exceptional items charged to operating profit in the 24 weeks to 13 June 2009 are analysed as follows:

	Total £m
Discontinued operations:	
Costs and obligations relating to empty properties	**(4.4)**
Total discontinued exceptional items before tax	**(4.4)**
Tax on discontinued exceptional items	**-**
Net exceptional items in discontinued operations	**(4.4)**
Continuing and discontinued operations:	
Total exceptional items before tax	**(4.4)**
Tax on exceptional items	**-**
Total exceptional items after tax	**(4.4)**

There are no exceptional items in continuing operations. The items in discontinued operations relate to the Group's former Sofa Workshop Limited operations, which were sold and treated as discontinued in 2006 and which are currently in administration.

As was disclosed in the Contingent Liabilities note to the Group's Annual Report and Accounts for the 52 weeks to 27 December 2008, the Group is guarantor on up to 12 leases in relation to properties which were held by Sofa Workshop Limited and which were occupied by Sofa Workshop Limited retail operations. During the course of the current period, these contingent liabilities have crystallised and the Group has begun to incur costs in connection with them.

The item "Costs and obligations relating to empty properties" covers the Group's best estimate of the rent, rates, and other associated costs of these properties. It includes amounts paid under the property guarantees up to the end of the current period, as well as a provision for expected future amounts payable. The amounts are discounted to their present value where material. The provision element of the exceptional item is included as part of the total additions to the property provision in the current period as shown in note 15.

Exceptional items credited to operating profit in the 24 weeks to 14 June 2008 are analysed as follows:

	Other operating income £m	Total £m
Profit on sale of tangible fixed assets	1.5	1.5
Total credited to operating profit	1.5	1.5
Tax on exceptional items		-
Total exceptional items after tax		1.5

Exceptional items (credited)/charged to operating profit in the 52 weeks to 27 December 2008 are analysed as follows:

	Notes	Cost of sales £m	Administration expenses £m	Selling and distribution costs £m	Other operating expenses £m	Total £m
Continuing operations:						
Provision for future rent payable on vacated sites		-	-	(1.5)	-	(1.5)
Redundancies and other staff costs		-	-	-	(0.2)	(0.2)
Other administrative costs		-	-	-	(0.2)	(0.2)
Release of exceptional stock provision made in 2006		(1.0)	-	-	-	(1.0)
Other profit on disposal of property, plant and equipment		-	(1.9)	-	-	(1.9)
Total credited to operating profit		(1.0)	(1.9)	(1.5)	(0.4)	(4.8)
Tax on exceptional items						0.8
Net exceptional items						(4.0)
Discontinued operations:						
Costs and obligations relating to empty properties						99.7
Redundancies and other staff costs						3.0
Associated legal and professional costs						2.1
Product warranty liabilities						2.0
Bad debts written off						2.0
Total exceptional items before tax						108.8
Tax on exceptional items						(2.6)
Net exceptional items						106.2
Continuing and discontinued operations:						
Total exceptional items before tax						104.0
Tax on exceptional items						(1.8)
Total exceptional items after tax						102.2

All items in continuing operations for the 52 weeks to 27 December 2008, with the exception of "Other profit on disposal of property, plant and equipment", represent releases from provisions made in prior periods. Further details can be found on page 54 of the Group's 2008 Annual Report.

8 Finance income, finance expense and other finance charges - pensions

	24 weeks to 13 June 2009 unaudited £m	24 weeks to 14 June 2008 unaudited £m	52 weeks to 27 December 2008 audited £m
Finance income			
Bank interest receivable	**0.1**	0.3	0.5
Other interest receivable	**-**	-	0.9
	0.1	0.3	1.4
Finance expense			
Bank interest payable	**(1.5)**	(1.9)	(5.6)
Other interest (including finance lease interest) payable	**(0.1)**	(0.4)	(0.5)
Interest charge on remeasuring creditors to fair value	**(0.1)**	(0.2)	(0.2)
	(1.7)	(2.5)	(6.3)
Other finance (expense)/income - pensions			
Finance element of pension charge	**(3.7)**	1.5	3.3

9 Tax

(a) Tax in the income statement

	24 weeks to 13 June 2009 unaudited £m	24 weeks to 14 June 2008 unaudited £m	Continuing operations 52 weeks to 29 December 2008 audited £m	Discontinued operations 52 weeks to 27 December 2008 audited £m	Total 52 weeks to 27 December 2008 audited £m
Current tax					
Current year	**0.9**	5.3	12.0	(2.6)	9.4
Adjustments in respect of previous periods	**-**	-	(2.1)	-	(2.1)
Total current tax	**0.9**	5.3	9.9	(2.6)	7.3
Deferred tax					
Current year	**0.8**	2.2	16.2	-	16.2
Adjustments in respect of previous periods	**-**	-	(2.0)	-	(2.0)
Total deferred tax	**0.8**	2.2	14.2	-	14.2
Total tax charged/(credited) in the income statement	**1.7**	7.5	24.1	(2.6)	21.5

The tax charge is based on the estimated effective rate of tax on profit before tax for the 2009 financial year of 35.6% (52 weeks to 27 December 2008 – 30.5%). Tax on losses from discontinued operations for the 24 weeks to 13 June 2009 was £nil. There were no discontinued operations for the 24 weeks to 14 June 2008.

(b) Tax relating to items credited to equity

	24 weeks to 13 June 2009 unaudited £m	24 weeks to 14 June 2008 unaudited £m	52 weeks to 27 December 2008 audited £m
Deferred tax			
Actuarial loss on pension scheme	**(5.2)**	(12.0)	(18.6)
Share schemes	**(0.1)**	-	-
Total tax credited to statement of recognised income and expense	**(5.3)**	(12.0)	(18.6)

10 Earnings per share

	24 weeks to 13 June 2009 unaudited			24 weeks to 14 June 2008 unaudited			52 weeks to 27 December 2008 audited		
	Earnings £m	**Weighted average number of shares m**	**Earnings per share p**	Earnings £m	Weighted average number of shares m	Earnings per share p	Earnings £m	Weighted average number of shares m	Earnings per share p
From continuing operations									
Basic earnings per share	**3.0**	**602.5**	**0.5**	14.1	602.0	2.4	55.0	598.0	9.2
Effect of dilutive share options	**-**	**7.1**	**-**	-	22.8	(0.1)	-	11.5	(0.2)
Diluted earnings per share	**3.0**	**609.6**	**0.5**	14.1	624.8	2.3	55.0	609.5	9.0
From discontinued operations									
Basic loss per share	**(4.4)**	**602.5**	**(0.7)**	-	-	-	(106.2)	598.0	(17.8)
Effect of dilutive share options	**-**	**7.1**	**-**	-	-	-	-	11.5	0.4
Diluted loss per share	**(4.4)**	**609.6**	**(0.7)**	-	-	-	(106.2)	609.5	(17.4)
From continuing and discontinued operations									
Basic (loss)/earnings per share	**(1.4)**	**602.5**	**(0.2)**	14.1	602.0	2.4	(51.2)	598.0	(8.6)
Effect of dilutive share options	**-**	**7.1**	**-**	-	22.8	(0.1)	-	11.5	0.2
Diluted (loss)/earnings per share	**(1.4)**	**609.6**	**(0.2)**	14.1	624.8	2.3	(51.2)	609.5	(8.4)
From continuing operations, excluding exceptional items									
Basic earnings per share	**3.0**	**602.5**	**0.5**	12.6	602.0	2.1	51.0	598.0	8.5
Effect of dilutive share options	**-**	**7.1**	**-**	-	22.8	(0.1)	-	11.5	(0.1)
Diluted earnings per share	**3.0**	**609.6**	**0.5**	12.6	624.8	2.0	51.0	609.5	8.4
From continuing and discontinued operations, excluding exceptional items									
Basic earnings per share	**3.0**	**602.5**	**0.5**	12.6	602.0	2.1	51.0	598.0	8.5
Effect of dilutive share options	**-**	**7.1**	**-**	-	22.8	(0.1)	-	11.5	(0.1)
Diluted earnings per share	**3.0**	**609.6**	**0.5**	12.6	624.8	2.0	51.0	609.5	8.4

11 Property, plant and equipment

During the period, the Group spent £3.8m on additions to property, plant and equipment (24 weeks to 14 June 2008 - £10.0m; 52 weeks to 27 December 2008 - £14.5m). It also disposed of fixed assets with a net book value of £1.0m (24 weeks to 14 June 2008 - £2.0m; 52 weeks to 27 December 2008 - £0.6m) for proceeds of £1.0m (24 weeks to 14 June 2008 - £3.5m; 52 weeks to 27 December 2008 - £3.5m).

There are non-cancellable commitments to purchase property, plant and equipment of £0.5m (24 weeks to 14 June 2008 - £4.1m; 52 weeks to 27 December 2008 - £0.3m) at the current period end.

12 Investments

The change in investments during the current period relates to the redemption of part of an unlisted investment at cost during the period. The part of the investment which was disposed of had a cost and carrying value of £2m. The £2m cash received on redemption is shown in the cash flow statement for the current period.

The change in investments from 14 June 2008 to 31 December 2008 relates to the redemption of another part of the same unlisted investment, which had a cost and carrying value of £4m and which was redeemed for £4m. The £4m proceeds is shown in the cash flow for the period to 27 December 2008.

13 Reconciliation of movement in reserves and details of shares issued in the period

	Share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
As at 27 December 2008 - audited	63.4	85.1	(27.1)	28.1	(207.3)	(57.8)
Loss for the period	-	-	-	-	(1.4)	(1.4)
Net actuarial loss on pension schemes	-	-	-	-	(13.4)	(13.4)
Deferred tax on share schemes	-	-	-	-	0.1	0.1
Currency translation differences	-	-	-	-	0.1	0.1
Net movement in ESOP	-	-	1.8	-	-	1.8
As at 13 June 2009 - unaudited	**63.4**	**85.1**	**(25.3)**	**28.1**	**(221.9)**	**(70.6)**

During the current period, the Group did not issue any shares.

	Share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
As at 28 December 2007 - audited	63.4	85.0	(32.6)	28.1	(106.8)	37.1
Profit for the period	-	-	-	-	14.1	14.1
Dividends paid	-	-	-	-	(3.0)	(3.0)
Net actuarial loss on pension schemes	-	-	-	-	(31.2)	(31.2)
Issue of new shares	-	0.1	-	-	-	0.1
Currency translation differences	-	-	-	-	0.2	0.2
Net movement in ESOP	-	-	3.6	-	-	3.6
As at 14 June 2008 - unaudited	63.4	85.1	(29.0)	28.1	(126.7)	20.9

During the period above, the Group issued 132,119 shares.

	Share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
As at 29 December 2007	63.4	85.0	(32.6)	28.1	(106.8)	37.1
Net actuarial loss on defined benefit scheme	-	-	-	-	(47.7)	(47.7)
Foreign exchange	-	-	-	-	1.4	1.4
Accumulated loss for the period	-	-	-	-	(51.2)	(51.2)
Issue of new shares	-	0.1	-	-	-	0.1
Net movement in ESOP	-	-	5.5	-	-	5.5
Dividends declared and paid	-	-	-	-	(3.0)	(3.0)
As at 27 December 2008	63.4	85.1	(27.1)	28.1	(207.3)	(57.8)

During the period above, the Group issued 132,119 shares.

14 Notes to the cash flow statement

(a) Net cash flows from operating activities

	24 weeks to 13 June 2009 unaudited £m	24 weeks to 14 June 2008 unaudited £m	52 weeks to 27 December 2008 audited £m
Group operating profit before tax and interest - continuing operations	**10.0**	22.3	80.7
Group operating profit before tax and interest - discontinued operations	**(4.4)**	-	(108.8)
Group operating profit before tax and interest	**5.6**	22.3	(28.1)
Adjustments for:			
Depreciation and amortisation included in operating profit	**8.1**	8.0	17.2
Share based payments charge	**1.8**	3.6	5.5
Share of joint venture profits	**-**	(0.1)	(0.1)
Profit on disposal of property, plant and equipment and intangible assets	**-**	(1.5)	(1.9)
Other exceptional items before tax	**4.4**	-	105.9
Operating cash flows before movements in working capital	**19.9**	32.3	98.5
Movements in working capital and exceptional items			
Decrease/(increase) in stock	**21.8**	(15.2)	(19.3)
(Increase)/decrease in trade and other receivables	**(0.9)**	6.2	22.4
Decrease in trade and other payables and provisions	**(13.5)**	(31.7)	(92.6)
Difference between pensions operating charge and cash paid	**(13.4)**	(13.3)	(24.3)
Net cash flow – other exceptional items	**(0.4)**	-	(11.7)
	(6.4)	(54.0)	(125.5)
Cash generated from/(used in) operations	**13.5**	(21.7)	(27.0)
Tax paid	**-**	(5.2)	(10.8)
Net cash flows from/(used in) from operating activities	**13.5**	(26.9)	(37.8)
Net cash flows from/(used in) from operating activities comprises:			
Continuing operating activities	**13.9**	(26.9)	(26.1)
Discontinued operating activities	**(0.4)**	-	(11.7)
	13.5	(26.9)	(37.8)

(b) Reconciliation of movement in net debt

	24 weeks to 13 June 2009 unaudited £m	24 weeks to 14 June 2008 unaudited £m	52 weeks to 27 December 2008 audited £m
Net debt at start of period	**(61.2)**	(3.3)	(3.3)
Net decrease in cash and cash equivalents	**(2.8)**	(6.3)	(12.4)
Decrease in investments	**(0.3)**	(0.3)	(1.1)
Decrease/(increase) in bank borrowings	**13.2**	(31.5)	(44.1)
Decrease/(increase) in finance leases	**0.8**	0.5	(0.3)
Net debt at end of period	**(50.3)**	(40.9)	(61.2)

Represented by:

Cash and cash equivalents	**18.4**	27.3	21.2
Investments	**1.0**	2.1	1.3
Bank loans	**(67.0)**	(67.6)	(80.2)
Finance leases	**(2.7)**	(2.7)	(3.5)
	(50.3)	(40.9)	(61.2)

(c) Analysis of net debt

	Cash and cash equivalents £m	**Current asset investment £m**	**Bank loans £m**	**Finance leases £m**	**Net borrowings £m**
At 27 December 2008 - audited	21.2	1.3	(80.2)	(3.5)	(61.2)
Cash flow	(2.8)	(0.3)	13.2	0.8	10.9
At 13 June 2009 - unaudited	**18.4**	**1.0**	**(67.0)**	**(2.7)**	**(50.3)**

Closing bank loans at 13 June 2009 comprise £66.1m of non-current liabilities and £0.9m of current liabilities.
Closing finance leases at 13 June 2009 comprise £1.0m of non-current liabilities and £1.7m of current liabilities.

15 Provisions

	Property provision £m	**Other provisions £m**	**Total £m**
At 27 December 2008 - audited	115.7	4.1	119.8
Additional provision in the period	4.5	0.7	5.2
Utilisation of provision in the period	(16.1)	(1.4)	(17.5)
Provision released in the period	-	-	-
At 13 June 2009 - unaudited	**104.1**	**3.4**	**107.5**

The property provision mainly covers onerous leases. For any such leases, the Group provides for any shortfall between rent payable and rent receivable on any non-trading leased properties. The provision is based on the period until the end of the lease, or until the Group can cover the shortfall by subletting, assigning or surrendering the lease. None of the provisions are short term. The property provision also includes amounts for any related shortfalls in business rates on these properties and for dilapidations.

Other provisions relate to amounts due in respect of a contractual termination.

16 Related party transactions

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

(a) Trading transactions

During the period, Group companies did not enter into any transactions with related parties who are not members of the Group. Transactions in prior periods were:

Howden Joinery Supply Division (Asia) Limited – formerly Howden Kitchens (Asia) Limited

	24 weeks to 14 June 2008 unaudited £m	52 weeks to 27 December 2008 audited £m
Sale of goods and services during the period	-	-
Purchases of goods and services during the period	5.2	5.2
Amounts owed to related party at period end	-	-
Amounts owed by related party at period end	-	-

Howden Joinery Supply Division (Asia) Limited was a related party because it was a joint venture. On 7 March 2008, the Group purchased the remaining 50% of the joint venture and from that time it became a 100% owned subsidiary. The information given above for the period ended 14 June 2008 and 27 December 2008 are only in respect of the time from 29 December 2007 until 7 March 2008.

Purchases from the related party were on the basis of cost plus a commission based on benefits achieved and throughput.

(b) Remuneration of key management personnel

This information will be disclosed in the Group's Annual Report for the year ending 26 December 2009.

17 Retirement benefit obligations

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

	24 weeks to 13 June 2009 unaudited £m	24 weeks to 14 June 2008 unaudited £m	52 weeks to 27 December 2008 audited £m
Charged/(credited) to the income statement			
Defined benefit schemes – current service cost and total operating charge	**3.2**	3.5	7.6
Defined benefit schemes - net finance charge/(credit)	**3.7**	(1.5)	(3.3)
Total net amount charged to profit before tax	**6.9**	2.0	4.3
Charged to equity			
Defined benefit schemes - net actuarial losses, net of deferred tax	**13.4**	30.8	47.7

(b) Other information – defined benefit pension schemes

The most recent actuarial valuation was carried out at 6 April 2008 by the scheme actuary. The actuary advising the Group has subsequently rolled forward this valuation to 13 June 2009 and restated the results onto a basis consistent with market conditions at that date. The pension deficit has increased over the 24 weeks ended 13 June 2009. The following summary information analyses the main changes in greater detail.

Key assumptions used in the valuation of the schemes

	24 weeks to 13 June 2009 %	24 weeks to 14 June 2008 %	52 weeks to 27 December 2008 %
Rate of increase of pensions in payment:			
Pensions with guaranteed increases (i.e. most of the pre-1997 pensions)	**3.00**	3.00	3.00
Pensions with increases capped at the lower of RPI and 5%	**3.60**	4.00	3.00
Pensions with increases capped at the lower of RPI and 2.5%	**2.50**	2.50	2.50
Rate of increase in salaries	**4.60**	4.00	4.00
Inflation assumption	**3.60**	4.00	3.00
Expected return on scheme assets (weighted average)	**6.35**	7.39	6.35
Discount rate	**6.60**	6.40	6.30

Balance sheet

Movements in the deficit during the period were as follows:

	24 weeks to 13 June 2009 £m	24 weeks to 14 June 2008 £m	52 weeks to 27 December 2008 £m
Deficit at start of period	**(122.2)**	(83.5)	(83.5)
Current service cost	**(3.2)**	(3.5)	(7.6)
Employer contributions	**16.6**	16.8	31.9
Other finance (charge)/income	**(3.7)**	1.5	3.3
Actuarial losses gross of deferred tax	**(18.7)**	(43.3)	(66.3)
Deficit at end of period	**(131.2)**	(112.0)	(122.2)

Statement of recognised income and expense

Amounts taken to equity via the statement of recognised income and expense in respect of the Group's defined benefit schemes are shown below.

	24 weeks to 13 June 2009 £m	24 weeks to 14 June 2008 £m	52 weeks to 27 December 2008 £m
Actuarial loss on scheme assets	**(0.7)**	(46.8)	(140.1)
Actuarial (loss)/gain on scheme liabilities	**(18.0)**	3.5	73.8
Total actuarial loss before tax	**(18.7)**	(43.3)	(66.3)

CAUTIONARY STATEMENT

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
(b) the Half Yearly Report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 24 weeks and description of principal risks and uncertainties for the remaining 28 weeks of the year); and
(c) the Half Yearly Report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

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

By order of the Board

Matthew Ingle
Chief Executive Officer

Mark Robson
Chief Financial Officer

21 July 2009

INDEPENDENT REVIEW REPORT TO GALIFORM PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 24 weeks ended 13 June 2009 which comprises the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense and related notes 1 to 17. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 24 weeks ended 13 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Registered Auditor
London

21 July 2009

APPENDIX 1

FINANCIAL CALENDAR

2009

Interim Management Statement	12 November 2009
End of financial year	26 December 2009

2010

2009 Preliminary Results	4 March 2010
Interim Management Statement	29 April 2010 (provisional)
Half Yearly Report	21 July 2010 (provisional)
Interim Management Statement	11 November 2010 (provisional)