GALIFORM Plc

HALF YEARLY REPORT FOR THE 24 WEEKS ENDED 12 JUNE 2010

HIGHLIGHTS

Galiform's Chief Executive, Matthew Ingle, said:

"We are pleased with these results, which reflect the strength of Howdens' business model and point the way to future growth. After a slow start to the year, we delivered a further improvement in gross profit margin and a substantial increase in operating profit. We also succeeded in further reducing our property liabilities. The 16 new depots we have opened so far this year are performing well, as are the new kitchen ranges we have introduced.

"We have identified further opportunities to develop the business and intend to continue to invest in its growth. We remain cautious about the economic environment, however, and will continue to manage the business in the light of economic conditions."

Financial results

- Howden Joinery UK depot revenue increased by 3.2%* to £319.2m, up 2.5%* on a same depot basis (* see note 1 below). However, revenue increased by 6.0% year on year in the last four periods of the half, after the end of the cold weather that disrupted the start of 2010. Group revenue was £324.7m (2009: £316.8m);
- Gross profit margin rose from 54.1% to 58.1%;
- Operating profit before exceptional items increased to £24.5m (2009: £10.0m);
- Profit before tax and exceptional items increased by £16.9m to £21.6m (2009: £4.7m);
- Basic earnings per share from continuing operations[2] increased to 2.3p (2009: 0.5p);
- Basic earnings per share from continuing and discontinued operations[3] increased to 2.3p (2009: 0.2p loss);
- Net cash outflow of £5.1m included cash payments totalling £21.7m relating to 'legacy' properties and a payment, in excess of the operating charge, of £13.2m to the Group's pension schemes (the 'pension deficit contribution');
- Net debt of £2.7m at 12 June 2010 (26 December 2009: £2.4m net cash).

Business developments

- We continue to strengthen our competitive position:
  - 16 new depots opened so far in 2010, bringing total to 478 and in line with plan to open between 20 and 30 this year;
  - New product development and introduction well received.
- Further mitigation of legacy property liability, with termination of leases on three more legacy properties since the Interim Management Statement, bringing the total so far this year to seven.

Current trading

- Howden Joinery UK depot total revenue increased by 5.7% in the first period of the second half of the year (period 7) compared with the same period last year.

Note 1: Week 1 sales (2010: nil, 2009 £0.8m) excluded because of the impact arising from New Year's Day falling on different days of the week (Thursday in 2009, Friday in 2010).
Note 2: There were no exceptional items from continuing operations in H1 2009 or H1 2010.
Note 3: There were no items arising from discontinued operations in 2010.

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Note for editors:

Galiform Plc is the parent company of Howden Joinery. In the UK, Howden Joinery is engaged in the sale of kitchens and joinery products to trade customers, primarily small local builders, through over 475 depots. Around one-third of the products it sells are manufactured in the company's own factories in Runcorn, Cheshire, and Howden, East Yorkshire. The business also has a small operation in France.

SUMMARY OF GROUP RESULTS

The information presented below relates to the 24 weeks to 12 June 2010 and the 24 weeks to 13 June 2009, unless otherwise stated.

£m unless stated	**2010**	2009
Continuing operations[1]:		
Revenue		
- Group	**324.7**	316.8
- Howden Joinery UK depots	**319.2**	310.1
Gross profit	**188.8**	171.3
Gross profit margin, %	**58.1**	54.1
Operating profit	**24.5**	10.0
Profit before tax	**21.6**	4.7
Loss from discontinued operations before tax		
- including exceptional items[2]	**-**	(4.4)
Earnings per share from continuing operations[1]		
- basic	**2.3p**	0.5p
Earnings/(loss) per share from continuing and discontinued operations		
- basic excluding exceptional items	**2.3p**	0.5p
- basic including exceptional items	**2.3p**	(0.2)p
Net debt at end of period	**2.7**	50.3

1 There were no exceptional items in continuing operations in 2009 and 2010.
2 Details of exceptional items incurred in 2009 are given in note 6 to the Condensed Financial Statements.

The following discussion relates to the 24 weeks to 12 June 2010 and the 24 weeks to 13 June 2009, unless otherwise stated.

FINANCIAL RESULTS FOR FIRST HALF OF 2010

There were no exceptional items in respect of continuing operations in 2009 and 2010. There were no items arising from discontinued operations in 2010. In 2009, there were exceptional items arising from discontinued operations (see note 6). In the following, all of the figures relating to the Condensed Consolidated Income Statement are in respect of continuing operations only.

The financial performance of the Group during the first half of 2010 benefited from the strength of the Group's competitive position. It also benefited from actions taken during the course of 2009 and this year to improve financial performance, including pursuing opportunities to increase gross profit.

Sales through our Howden Joinery UK depots increased by £9.1m to £319.2m in 2010.

Revenue £m	**2010**	2009
Group	**324.7**	316.8
comprising:		
Howden Joinery UK depots	**319.2**	310.1
Howden Joinery French depots	**5.5**	5.5
Hygena Cuisines*	**-**	1.1

* ceased in H1 2009

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 up 3.2%, rising 2.5% on a same depot basis. This performance reflects the previously reported impact of the cold weather seen in the first two periods of the year (to 20th February). Since then, trading has returned to more stable conditions, with total sales increasing by 6.0% year-on-year in the last four periods of the first half of the year.

Sales by our French depots of £5.5m were up 3.2% in constant currency terms.

Gross profit rose by £17.5m to £188.8m. This primarily reflects the continuing 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, with exchange rate movements having only a limited impact.

As a result, the gross profit margin rose from 54.1% in the first half of 2009 to 58.1%, which was ahead of the 57.6% achieved in the second half of last year.

Selling and distribution costs and administrative expenses increased by £3.0m to £164.3m. This reflects the costs of new depots, the impact of inflation, particularly on payroll costs, increased marketing expenditure and higher logistics costs, which were partly offset by cost reductions in other areas.

Operating profit increased by £14.5m to £24.5m (2009: £10.0m).

The net interest charge fell by £2.4m to £2.9m, due to the lower level of debt this year and the reduced finance expense in respect of pensions. The net result was profit before tax from continuing operations rose by £16.9m to £21.6m (2009: £4.7m).

The tax charge on profit before tax was £7.4m, based on the estimated effective rate of tax on profit before tax for the 2010 financial year of 34.1%. This tax rate mainly reflects the impact of depreciation on capital expenditure that is disallowable for tax purposes and other non-deductible expenditure.

Basic earnings per share were 2.3p (2009: 0.5p)

Net cash inflows from operating activities were £2.1m. This included payments relating to 'legacy' properties totalling £21.7m and a cash contribution to the Group's pension schemes, in excess of the operating charge, of £13.2m.

Excluding the 'legacy' properties payments, underlying working capital changes generated a cash inflow of £8.4m. Within this, stock levels at the end of the period were £3.0m lower than at the beginning of the year, despite the requirement for stock in new depots. Creditors increased by £12.4m. Offsetting these, debtors increased by £7.0 million pounds. The movements in creditors and debtors reflected the seasonal difference in sales levels at the year-end and the end of the half year. In respect of debtors, we have seen an improvement in the age profile of debtors and a reduction in the bad debt write-off.

Payments to acquire fixed and intangible assets totalled £6.7m (2009: £3.8m).

As a result of the above, there was a £5.1m net cash outflow in the first half of the year, the Group having net debt at the end of the period of £2.7m (26 December 2009: £2.4m net cash). Excluding payments in respect of legacy properties and the contribution to the pension deficit, there was a cash inflow of £29.8m.

At 12 June 2010, the pension deficit shown on the balance sheet was £176.1m (26 December 2009: £196.3m). The decrease in the deficit in the period was driven by the Company's contribution (£13.2m) made as part of the 2009 agreement to clear the actuarial deficit (over a 10-year period) and the impact of changes in actuarial assumptions used to calculate liabilities, principally with respect to inflation.

No interim dividend is being paid (2009: nil).

OPERATIONAL REVIEW

The overriding strategic goal of Howden Joinery is "To supply from local stock nationwide the small builder's ever-changing routine kitchen and joinery requirements, assuring no call back quality and best local price".

An unwavering focus on this goal, a unique business model and a readiness to test and learn from new ideas led to the rapid growth of Howden Joinery from the time it was founded in 1995. In recent years, the strength of the business has enabled it to continue to perform well, despite the severity of the economic downturn and the major challenges posed by the effects of the disposal of MFI. The business has continued to invest in areas that are critical to future growth, including product development and implementation of robust, scalable IT systems.

Today, the opportunity to transform the scale of the business is apparent. This can be achieved through: further significant growth in the size of the depot portfolio, beyond previous expectations; ongoing sales and profit growth in existing depots as they become mature, typically over 7 years or so; and the pursuit of further opportunities to improve performance that have been identified across the depot portfolio. The growth and development of the business takes place against a background of ever-increasing demand for sophisticated, functional, professionally fitted kitchens that represent value for money. In addition, there is the opportunity to develop Howdens' operations in France, at the appropriate time.

As the performance of the business is improving and legacy issues diminish, investment in the future growth of Howden Joinery is being stepped up. Already this year, a number of developments have taken place.

Depots

16 new depots have been opened so for this year, bringing the total to 478. This is in line with the plan to open between 20 and 30 depots in 2010. The stated target of 600 depots is being reviewed and is likely to be revised upwards.

Products

Following the review of our kitchen ranges undertaken at the end of 2009, the phased roll-out of new products continues. So far this year, this has included eight new kitchens that complement our most successful existing ranges. These new introductions are performing well. We have also launched new sinks and appliances in our 'own brand' Lamona range and extended our range of Bosch appliances to cover all large domestic appliances.

Supply operations

New IT systems for manufacturing have been successfully implemented in our factories at Howden, completing the roll-out in all our manufacturing plants, and a new warehouse management system has been implemented in our distribution centre in Northampton. These systems facilitate improved production planning and stock control.

In the coming months, investment in the business to support its growth will continue, as new depots are opened, staffing levels in existing depots are increased to enable them to reach their full potential, and new machinery is introduced in manufacturing to increase its capacity and improve efficiency.

GROUP DEVELOPMENTS

Legacy properties

The Group continues to reduce its 'legacy property' portfolio.

The number of legacy properties now stands at 46, compared with 55 at the end of 2009. Included within this are 22 properties that are fully or part occupied by tenants.

Since the release of the Interim Management Statement, on 29 April 2010, the leases of a further three properties have been terminated, at a cost of £7.4m. This means that the leases of seven properties have been terminated so far this year, at a cost of £14.5m (of which £10.1m was incurred in the first half of the year), mitigating future liabilities that would have totalled over £50m.

With the leases of two additional properties having reached the end of their term, the profile of properties remaining and the net annual rent and rates (current values) for the associated leases going forward, before any further mitigating action is taken, is shown below.

	Current	As at 31 Dec 2011	31 Dec 2014	31 Dec 2019	31 Dec 2024
Number of properties[1]	46	43	24	13	3[3]
Net annual rent and rates, £m[2]	14.6	14.3	8.0	6.3	0.4

Estimated future costs associated with these properties were provided for in 2009 and previous years.

1. *Vacant and tenanted.*
2. *Gross rent & rates less payments by tenants.*
3. *The leases on these properties expire during the course of 2025.*

Group name

We intend to change the name of the Group to a variant of the Howden Joinery name, rather than Galiform, and are taking steps to effect the formal change.

OUTLOOK

With sales 5.7% ahead of last year in the first period of the second half of 2010, sales growth continues to be in line with management's expectations. We are seeing pressures on product input costs in a number of areas, although we would hope to be able to offset these.

In the second half, our cost base will be impacted by the non-recurrence of one-off cost savings last year that totalled around £4m and the increasing costs associated with new depots. Our year-end net cash/debt position will reflect any costs associated with terminating further legacy leases.

The key risk to performance in the second half of the year is the continuing uncertainty surrounding the general economic environment. Other risks to the business are discussed in the following section on 'Risks and Uncertainties'.

Although, we remain cautious about the macro outlook, we will invest prudently in the areas that present growth opportunities for the business. However, as in recent years, we will continue to manage the business in light of economic conditions.

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 £160m, which is due for renewal in May 2014. 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 show that the Group should be able to operate within the level of its current facility and covenants. The Group's banking facility expires in May 2014 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 16 to 17 of the Group's 2009 Annual Report, and which are summarised below:

- Defined benefit pension scheme
- Legacy properties
- Market conditions
- IT systems
- Continuity of supply
- Failure to implement Howdens' strategy
- Product design leadership
- Loss of key personnel

A copy of the Group's 2009 Annual Report is available on the Group's website, www.galiform.com.

Condensed consolidated income statement

	Notes	24 weeks to 12 June 2010 unaudited Total £m	24 weeks to 13 June 2009 unaudited Before exceptional items £m	Exceptional items £m	Total £m	52 weeks to 26 December 2009 audited Before exceptional items £m	Exceptional items £m	Total £m
Continuing operations:								
Revenue – sales of goods		**324.7**	316.8	-	316.8	769.5	-	769.5
Cost of sales		**(135.9)**	(145.5)	-	(145.5)	(337.4)	-	(337.4)
Gross profit		**188.8**	171.3	-	171.3	432.1	-	432.1
Selling & distribution costs		**(133.6)**	(131.7)	-	(131.7)	(294.0)	-	(294.0)
Administrative expenses		**(30.7)**	(29.6)	-	(29.6)	(58.6)	-	(58.6)
Other operating expenses	6	**-**	-	-	-	-	(0.1)	(0.1)
Operating profit		**24.5**	10.0	-	10.0	79.5	(0.1)	79.4
Finance income	7	**0.2**	0.1	-	0.1	0.2	-	0.2
Finance expense	7	**(0.7)**	(1.7)	-	(1.7)	(3.0)	-	(3.0)
Other finance expense - pensions	7	**(2.4)**	(3.7)	-	(3.7)	(8.0)	-	(8.0)
Profit before tax		**21.6**	4.7	-	4.7	68.7	(0.1)	68.6
Tax charge for the period	8	**(7.4)**	(1.7)	-	(1.7)	(18.5)	-	(18.5)
Profit after tax		**14.2**	3.0	-	3.0	50.2	(0.1)	50.1
Discontinued operations:								
Loss before tax	6	**-**	-	(4.4)	(4.4)	-	(4.4)	(4.4)
Tax on loss	6	**-**	-	-	-	-	-	-
Loss after tax		**-**	-	(4.4)	(4.4)	-	(4.4)	(4.4)
Profit/(loss) for the period		**14.2**	3.0	(4.4)	(1.4)	50.2	(4.5)	45.7

There are no exceptional items in the current period. All profits and losses for all periods are attributable to the equity holders of the parent.

Condensed consolidated income statement (continued)

	Notes	**24 weeks to 12 June 2010 unaudited** **Total pence**	24 weeks to 13 June 2009 unaudited Total pence	52 weeks to 26 December 2009 audited Total pence
Earnings per share:				
From continuing operations				
Basic earnings per 10p share	9	**2.3**	0.5	8.3
Diluted earnings per 10p share	9	**2.3**	0.5	8.3
From continuing and discontinued operations				
Basic earnings/(loss) per 10p share	9	**2.3**	(0.2)	7.6
Diluted earnings/(loss) per 10p share	9	**2.3**	(0.2)	7.5

Condensed consolidated statement of comprehensive income

	Notes	**24 weeks to 12 June 2010 unaudited £m**	24 weeks to 13 June 2009 unaudited £m	52 weeks to 26 December 2009 audited £m
Profit/(loss) for the financial period		**14.2**	(1.4)	45.7
Items of other comprehensive income:				
Actuarial gain/(loss) on defined benefit pension schemes	11	**9.4**	(18.7)	(87.0)
Deferred tax on actuarial (gain)/loss on defined benefit pension schemes		**(2.6)**	5.3	24.4
Deferred tax on share schemes		**(0.3)**	0.1	2.1
Currency translation differences		**(0.4)**	0.1	(0.7)
Other comprehensive income for the period		**6.1**	(13.2)	(61.2)
Total comprehensive income for the period attributable to equity holders of the parent		**20.3**	(14.6)	(15.5)

Condensed consolidated balance sheet

	Notes	**12 June 2010 unaudited £m**	13 June 2009 unaudited £m	26 December 2009 audited £m
Non current assets				
Goodwill		**2.5**	2.5	2.5
Other intangible assets		**5.1**	5.8	5.4
Property, plant and equipment	10	**78.7**	85.2	79.5
Investments		**2.0**	2.0	2.0
Deferred tax asset		**68.4**	56.9	73.6
		156.7	152.4	163.0
Current assets				
Inventories		**83.3**	99.5	86.3
Trade and other receivables		**102.4**	100.1	95.4
Other assets		**0.4**	1.0	0.7
Cash at bank and in hand		**17.4**	18.4	14.0
		203.5	219.0	196.4
Total assets		**360.2**	371.4	359.4
Current liabilities				
Trade and other payables		**(127.1)**	(122.4)	(119.4)
Current tax liability		**(12.7)**	(5.7)	(12.8)
Current borrowings		**(1.9)**	(2.6)	(2.3)
		(141.7)	(130.7)	(134.5)
Non current liabilities				
Non current borrowings		**(18.6)**	(67.1)	(10.0)
Pension liability	11	**(176.1)**	(131.2)	(196.3)
Deferred tax liability		**(5.5)**	(5.5)	(5.5)
Provisions	12	**(70.1)**	(107.5)	(86.8)
		(270.3)	(311.3)	(298.6)
Total liabilities		**(412.0)**	(442.0)	(433.1)
Net liabilities		**(51.8)**	(70.6)	(73.7)
Equity				
Called up share capital		**63.4**	63.4	63.4
Share premium account		**85.1**	85.1	85.1
ESOP reserve		**(25.9)**	(25.3)	(27.5)
Other reserves		**28.1**	28.1	28.1
Retained loss		**(202.5)**	(221.9)	(222.8)
Total deficit		**(51.8)**	(70.6)	(73.7)

Condensed consolidated statement of changes in equity

24 weeks to 12 June 2010	Share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
As at 26 December 2009 - audited	**63.4**	**85.1**	**(27.5)**	**28.1**	**(222.8)**	**(73.7)**
Profit for the period	**-**	**-**	**-**	**-**	**14.2**	**14.2**
Net actuarial gain on pension schemes	**-**	**-**	**-**	**-**	**6.8**	**6.8**
Deferred tax on share schemes	**-**	**-**	**-**	**-**	**(0.3)**	**(0.3)**
Currency translation differences	**-**	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Net movement in ESOP	**-**	**-**	**1.6**	**-**	**-**	**1.6**
As at 12 June 2010 - unaudited	**63.4**	**85.1**	**(25.9)**	**28.1**	**(202.5)**	**(51.8)**

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

24 weeks to 13 June 2009	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 period above, the Group did not issue any shares.

52 weeks to 26 December 2009	Share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
As at 27 December 2008	63.4	85.1	(27.1)	28.1	(207.3)	(57.8)
Profit for the period	-	-	-	-	45.7	45.7
Net actuarial loss on pension schemes	-	-	-	-	(62.6)	(62.6)
Deferred tax on share schemes	-	-	-	-	2.1	2.1
Currency translation differences	-	-		-	(0.7)	(0.7)
Net movement in ESOP	-	-	(0.4)	-	-	(0.4)
As at 26 December 2009	63.4	85.1	(27.5)	28.1	(222.8)	(73.7)

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

Condensed consolidated cash flow statement

	Notes	**24 weeks to 12 June 2010 unaudited £m**	24 weeks to 13 June 2009 unaudited £m	52 weeks to 26 December 2009 audited £m
Net cash flows from operating activities	14	**2.1**	13.5	71.4
Cash flows from investing activities				
Interest received		**0.1**	0.1	0.2
Redemption of investment		**-**	2.0	2.0
Payments to acquire property, plant and equipment and intangible assets		**(6.7)**	(3.8)	(8.1)
Receipts from sale of property, plant and equipment and intangible assets		**-**	1.0	1.2
Net cash used in investing activities		**(6.6)**	(0.7)	(4.7)
Cash flows from financing activities				
Interest paid		**(0.6)**	(1.9)	(3.1)
Increase/(decrease) in loans		**9.0**	(13.2)	(69.7)
Repayment of capital element of finance leases		**(0.8)**	(0.8)	(1.7)
Decrease in other assets		**0.3**	0.3	0.6
Net cash from/(used in) financing activities		**7.9**	(15.6)	(73.9)
Net increase/(decrease) in cash and cash equivalents		**3.4**	(2.8)	(7.2)
Cash and cash equivalents at beginning of period	14	**14.0**	21.2	21.2
Cash and cash equivalents at end of period	14	**17.4**	18.4	14.0

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 General information

The results for the 24 week periods ended 12 June 2010 and 13 June 2009 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 26 December 2009 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. 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 498(2) or (3) of the Companies Act 2006.

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 7, 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, and except for the adoption of IFRS8 and the revisions to IAS1, which are explained directly below.

Adoption of new accounting standards in the current period

In the current period, the Group has adopted International Financial Reporting Standard 8 'Operating segments' and the revisions to International Accounting Standard 1 'Presentation of Financial Statements'.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor (IAS 14 'Segmental reporting') required the group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for identification of such segments.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed statement of changes in equity has been included in the primary statements.

3 Segmental results

Basis of segmentation

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

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 £0.6m to write inventories down to their net realisable value (24 weeks to 13 June 2009 - £3.5m, 52 weeks to 26 December 2009 - £7.1m).

6 Exceptional items

Exceptional items in the 24 weeks to 12 June 2010:

There are no exceptional items in the 24 weeks to 12 June 2010.

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 24 weeks to 13 June 2009, these contingent liabilities 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 24 weeks to 13 June 2009, as well as a provision for expected future amounts payable. The amounts are discounted to their present value where material.

Exceptional items charged to operating profit in the 52 weeks to 26 December 2009 are analysed as follows:

	Notes	Other operating expenses £m	Total £m
Continuing operations:	a		
Loss on disposal of property, plant and equipment		(0.1)	(0.1)
Total charged to operating profit		(0.1)	(0.1)
Tax on exceptional items			-
Total exceptional items after tax			(0.1)
Discontinued operations:	b		
Costs and obligations relating to empty properties			(4.4)
Total exceptional items before tax			(4.4)
Tax on exceptional items			-
Total exceptional items after tax			(4.4)
Continuing and discontinued operations:			
Total exceptional items before tax			(4.5)
Tax on exceptional items			-
Total exceptional items after tax			(4.5)

(a) Continuing operations

The item "Loss on disposal of property, plant and equipment" comprises the net loss on disposals of property, plant and equipment during the 52 weeks to 26 December 2009.

(b) Discontinued operations

As was disclosed in the Contingent Liabilities note to the Group's Annual Report and Accounts for the 52 weeks ended 27 December 2008, the Group is guarantor for certain leases in relation to properties which were held by Sofa Workshop Limited and which were occupied by Sofa Workshop retail operations. During the course of the 52 weeks to 26 December 2009, these contingent liabilities 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 26 December 2009, 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 52 weeks to 26 December 2009.

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

	24 weeks to 12 June 2010 unaudited £m	24 weeks to 13 June 2009 unaudited £m	52 weeks to 26 December 2009 audited £m
Finance income			
Bank interest receivable	**0.1**	0.1	0.2
Other interest receivable	**0.1**	-	-
	0.2	0.1	0.2
Finance expense			
Bank interest payable	**(0.5)**	(1.5)	(2.6)
Other interest (including finance lease interest) payable	**(0.1)**	(0.1)	(0.2)
Interest charge on remeasuring creditors to fair value	**(0.1)**	(0.1)	(0.2)
	(0.7)	(1.7)	3.0
Other finance expense - pensions			
Finance element of pension charge	**(2.4)**	(3.7)	(8.0)

8 Tax

(a) Tax in the income statement

	24 weeks to 12 June 2010 unaudited £m	24 weeks to 13 June 2009 unaudited £m	52 weeks to 26 December 2009 audited £m
Current tax			
Current year	**5.1**	0.9	15.2
Adjustments in respect of previous periods	**-**	-	(2.2)
Total current tax	**5.1**	0.9	13.0
Deferred tax			
Current year	**2.3**	0.8	4.3
Adjustments in respect of previous periods	**-**	-	1.2
Total deferred tax	**2.3**	0.8	5.5
Total tax charged in the income statement	**7.4**	1.7	18.5

The tax charge is based on the estimated effective rate of tax on profit before tax for the 2010 financial year of 34.14% (52 weeks to 26 December 2009 – 35.6%). Tax on losses from discontinued operations for the 24 weeks to 13 June 2009 was £nil.

(b) Tax relating to items credited to equity

	24 weeks to 12 June 2010 unaudited £m	24 weeks to 13 June 2009 unaudited £m	52 weeks to 26 December 2009 audited £m
Deferred tax			
Actuarial gains/(losses) on pension scheme	**2.6**	(5.3)	(24.4)
Share schemes	**0.3**	(0.1)	(2.1)
Total tax charged/(credited) to statement of recognised income and expense	**2.9**	(5.3)	(26.5)

9 Earnings per share

	24 weeks to 12 June 2010 unaudited			24 weeks to 13 June 2009 unaudited			52 weeks to 26 December 2009 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	**14.2**	**605.0**	**2.3**	3.0	602.5	0.5	50.1	602.8	8.3
Effect of dilutive share options	**-**	**0.7**	**-**	-	7.1	-	-	3.2	-
Diluted earnings per share	**14.2**	**605.7**	**2.3**	3.0	609.6	0.5	50.1	606.0	8.3
From discontinued operations									
Basic loss per share	**-**	**605.0**	**-**	(4.4)	602.5	(0.7)	(4.4)	602.8	(0.7)
Effect of dilutive share options	**-**	**0.7**	**-**	-	7.1	-	-	3.2	-
Diluted loss per share	**-**	**605.7**	**-**	(4.4)	609.6	(0.7)	(4.4)	606.0	(0.7)
From continuing and discontinued operations									
Basic earnings/(loss) per share	**14.2**	**605.0**	**2.3**	(1.4)	602.5	(0.2)	45.7	602.8	7.6
Effect of dilutive share options	**-**	**0.7**	**-**	-	7.1	-	-	3.2	(0.1)
Diluted earnings/(loss) per share	**14.2**	**605.7**	**2.3**	(1.4)	609.6	(0.2)	45.7	606.0	7.5
From continuing operations, excluding exceptional items									
Basic earnings per share	**14.2**	**605.0**	**2.3**	3.0	602.5	0.5	50.2	602.8	8.3
Effect of dilutive share options	**-**	**0.7**	**-**	-	7.1	-	-	3.2	-
Diluted earnings per share	**14.2**	**605.7**	**2.3**	3.0	609.6	0.5	50.2	606.0	8.3
From continuing and discontinued operations, excluding exceptional items									
Basic earnings per share	**14.2**	**605.0**	**2.3**	3.0	602.5	0.5	50.2	602.8	8.3
Effect of dilutive share options	**-**	**0.7**	**-**	-	7.1	-	-	3.2	-
Diluted earnings per share	**14.2**	**605.7**	**2.3**	3.0	609.6	0.5	50.2	606.0	8.3

10 Property, plant and equipment

During the period, the Group spent £6.4m on additions to property, plant and equipment (24 weeks to 13 June 2009 - £3.6m; 52 weeks to 26 December 2009 - £7.5m). It also disposed of property, plant and equipment with a net book value of £nil (24 weeks to 13 June 2009 - £0.4m; 52 weeks to 26 December 2009 - £0.6m) for proceeds of £nil (24 weeks to 13 June 2009 - £nil; 52 weeks to 26 December 2009 - £0.2m).

There are non-cancellable commitments to purchase property, plant and equipment of £3.5m (24 weeks to 13 June 2009 - £0.5m; 52 weeks to 26 December 2009 - £0.5m) at the current period end.

11 Retirement benefit obligations

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

	24 weeks to 12 June 2010 unaudited £m	24 weeks to 13 June 2009 unaudited £m	52 weeks to 26 December 2009 audited £m
Charged to the income statement			
Defined benefit schemes – current service cost and total operating charge	**3.5**	3.2	6.9
Defined benefit schemes - net finance charge	**2.4**	3.7	8.0
Total net amount charged to profit before tax	**5.9**	6.9	14.9
Charged to equity			
Defined benefit schemes - net actuarial losses, net of deferred tax	**6.8**	13.4	62.6

(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 12 June 2010 and restated the results onto a basis consistent with market conditions at that date. The pension deficit has decreased over the 24 weeks ended 12 June 2010. The following summary information analyses the main changes in greater detail.

Key assumptions used in the valuation of the schemes

	24 weeks to 12 June 2010 unaudited	24 weeks to 13 June 2009 unaudited	52 weeks to 26 December 2009 audited
Rate of increase of pensions in payment:			
Pensions with guaranteed increases (i.e. most of the pre-1997 pensions)	**3.25%**	3.00	3.55
Pensions with increases capped at the lower of LPI and 5%	**3.25%**	3.60	3.55
Pensions with increases capped at the lower of LPI and 2.5%	**2.50%**	2.50	2.50
Rate of increase in salaries	**4.25%**	4.60	4.55
Inflation assumption	**3.25%**	3.60	3.55
Expected return on scheme assets (weighted average)	**6.79%**	6.35	6.79
Discount rate	**5.55%**	6.60	5.65

Balance sheet

Movements in the deficit during the period were as follows:

	24 weeks to 12 June 2010 unaudited	24 weeks to 13 June 2009 unaudited	52 weeks to 26 December 2009 audited
Deficit at start of period	**(196.3)**	(122.2)	(122.2)
Current service cost	**(3.5)**	(3.2)	(6.9)
Employer contributions	**16.7**	16.6	27.8
Other finance charge	**(2.4)**	(3.7)	(8.0)
Actuarial gains/(losses) gross of deferred tax	**9.4**	(18.7)	(87.0)
Deficit at end of period	**(176.1)**	(131.2)	(196.3)

Statement of comprehensive income

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

	24 weeks to 12 June 2010 %	24 weeks to 13 June 2009 %	52 weeks to 26 December 2009 %
Actuarial (loss)/gain on scheme assets	**(9.7)**	(0.7)	62.1
Actuarial gain/(loss) on scheme liabilities	**19.1**	(18.0)	(149.1)
Total actuarial gain/(loss) before tax	**9.4**	(18.7)	(87.0)

12 Provisions

	Property provision £m	Other provisions £m	Total £m
At 26 December 2009 - audited	84.4	2.4	86.8
Additional provision in the period	5.1	0.7	5.8
Utilisation of provision in the period	(21.7)	(0.8)	(22.5)
At 12 June 2010 - unaudited	**67.8**	**2.3**	**70.1**

The property provision mainly covers onerous leases. For any such leases, the Group provides for any shortfall between rent payable and rent receivable. 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.

During the current period, the property provision has been increased by £0.1m arising from an unwinding of the discount rate over time. None of this amount relates to a change in the discount rate. This amount is shown as a finance charge in note 7. The amount of the expected future cash flows has been adjusted to reflect the expected range of possibilities and, as the outflows under this provision are expected to take place over a number or years, the provision has been discounted to its present value.

Other provisions relate to amounts due in respect of contractual terminations.

13 Related party transactions

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are therefore not disclosed. The only other transactions which fall to be treated as related party transactions are those relating to the remuneration of key management personnel, which are not disclosed in the Half Yearly Report, and which will be disclosed in the Group's next Annual Report.

14 Notes to the cash flow statement

(a) Net cash flows from operating activities

	24 weeks to 12 June 2010 unaudited £m	24 weeks to 13 June 2009 unaudited £m	52 weeks to 26 December 2009 audited £m
Group operating profit before tax and interest - continuing operations	**24.5**	10.0	79.4
Group operating profit before tax and interest - discontinued operations	**-**	(4.4)	(4.4)
Group operating profit before tax and interest	**24.5**	5.6	75.0
Adjustments for:			
Depreciation and amortisation included in operating profit	**7.7**	8.1	18.1
Share based payments charge/(credit)	**1.6**	1.8	(0.4)
Profit on disposal of property, plant and equipment and intangible assets	**-**	-	0.1
Other exceptional items before tax	**-**	4.4	4.4
Operating cash flows before movements in working capital	**33.8**	19.9	97.2
Movements in working capital and exceptional items			
Decrease in stock	**3.0**	21.8	35.0
(Increase)/decrease in trade and other receivables	**(7.0)**	(0.9)	3.8
Decrease in trade and other payables and provisions	**(9.3)**	(13.5)	(38.3)
Difference between pensions operating charge and cash paid	**(13.2)**	(13.4)	(20.9)
Net cash flow – exceptional items	**-**	(0.4)	(0.4)
	(26.5)	(6.4)	(20.8)
Cash generated from operations	**7.3**	13.5	76.4
Tax paid	**(5.2)**	-	(5.0)
Net cash flows from operating activities	**2.1**	13.5	71.4
Net cash flows from operating activities comprises:			
Continuing operating activities	**2.1**	13.9	71.8
Discontinued operating activities	**-**	(0.4)	(0.4)
	2.1	13.5	71.4

(b) Reconciliation of movement in net debt

	24 weeks to 12 June 2010 unaudited £m	24 weeks to 13 June 2009 unaudited £m	52 weeks to 26 December 2009 audited £m
Net funds/(debt) at start of period	**2.4**	(61.2)	(61.2)
Net increase/(decrease) in cash and cash equivalents	**3.4**	(2.8)	(7.2)
Decrease in investments	**(0.3)**	(0.3)	(0.6)
(Increase)/decrease in bank borrowings	**(9.0)**	13.2	69.7
Decrease in finance leases	**0.8**	0.8	1.7
Net (debt)/funds at end of period	**(2.7)**	(50.3)	2.4

Represented by:

Cash and cash equivalents	**17.4**	18.4	14.0
Investments	**0.4**	1.0	0.7
Bank loans	**(19.5)**	(67.0)	(10.5)
Finance leases	**(1.0)**	(2.7)	(1.8)
	(2.7)	(50.3)	2.4

(c) Analysis of net debt

	Cash and cash equivalents £m	**Current asset investment £m**	**Bank loans £m**	**Finance leases £m**	**Net (debt)/funds £m**
At 26 December 2009 - audited	14.0	0.7	(10.5)	(1.8)	2.4
Cash flow	3.4	(0.3)	(9.0)	0.8	(5.1)
At 12 June 2010 - unaudited	**17.4**	**0.4**	**(19.5)**	**(1.0)**	**(2.7)**

Closing bank loans at 12 June 2010 comprise £18.4m of non-current liabilities and £1.1m of current liabilities.

Closing finance leases at 12 June 2010 comprise £0.2m of non-current liabilities and £0.8m of current liabilities.

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

20 July 2010

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 12 June 2010 which comprises the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly 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 (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 12 June 2010 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

20 July 2010

FINANCIAL CALENDAR

2010

Interim Management Statement	11 November 2010
End of financial year	25 December 2010

2011

2010 Preliminary Results	3 March 2011
Interim Management Statement	28 April 2011 (provisional)
Half Yearly Report	21 July 2011 (provisional)
Interim Management Statement	10 November 2011 (provisional)