GALIFORM Plc

INTERIM RESULTS FOR THE 24 WEEKS ENDED 16 JUNE 2007

HIGHLIGHTS

- Revenue from continuing operations £429.0m (2006: £285.3m).
  - Reflects additional trading week for Howden Joinery (c. £10m) and growth in external turnover of Supply in relation to interim supply arrangements (c. £100m), particularly with MFI Retail Limited (MFI), in 2007.
  - Howden Joinery up 10.7%, adjusted for additional trading week (6.6% same depot basis).

- Howden Joinery operating profit before exceptional items up £4.4m to £55.1m.
  - Gross margin similar to 2006 full year margin.

- Cost of Supply, our sourcing and manufacturing business, before exceptional items down £12.2m to £13.2m, including a currency gain of £4.6m.

- Profit before tax and exceptional items from continuing operations rose £16.3m to £24.8m (£24.1m after exceptional items (2006: £34.7m loss)).

- Basic earnings per share before exceptional items from continuing operations 2.7p (2006: (1.4)p).

- Basic earnings per share from continuing and discontinued operations 7.0p (2006: (0.1)p).

- Net cash inflow of £7.8m resulted in the Group having net funds of £3.7m at 16 June 2007.

- As already announced, date for termination of supply of products and logistics services to MFI brought forward to 21 December 2007.
  - Final order received in August.
  - Proposals for restructuring of Supply business announced.

- 27 new Howden Joinery depots opened so far in 2007 – on track to open 60 in the year.

- As previously announced, payment of £53.1m made to MEP Mayflower (Holdings) Limited on 3 September 2007.

Galiform's Chief Executive, Matthew Ingle, said:

"Over the first half, we made good progress, both operationally and in our strategic development. Howden Joinery traded well in the first half and has continued to do so, and it is on track to open 60 depots in 2007.

"We retain a positive outlook for the remainder of the year, although we recognise that a decline in consumer confidence could lead to a softening in demand. The relationship with MFI has proceeded satisfactorily and Supply is positioning itself to focus solely on supporting Howden Joinery going forward."

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SUMMARY OF GROUP RESULTS

The information presented below relates to the 24 weeks to 16 June 2007 and the 24 weeks to 10 June 2006, unless otherwise stated.

£m unless stated	**2007**	2006
Continuing operations (before exceptional items unless stated):		
Revenue	**429.0**	285.3
Gross profit	**190.0**	141.8
Operating profit	**29.5**	12.7
Profit before tax		
- excluding exceptional items	**24.8**	8.5
- including exceptional items[1]	**24.1**	(34.7)
Earnings per share from continuing operations		
- basic excluding exceptional items	**2.7p**	(1.4)p
- basic including exceptional items	**7.0p**	(7.1)p
(Loss)/profit before tax from discontinued operations		
- excluding exceptional items	**-**	(22.3)
- including exceptional items	**-**	34.9
Earnings per share from continuing and discontinued operations		
- basic excluding exceptional items	**2.7p**	(4.5)p
- basic including exceptional items	**7.0p**	(0.1)p
Net funds at end of period	**3.7**	92.9

1 Details of exceptional items for the 24 weeks to 16 June 2007 are shown in note 3.

2 The Group currently operates two distinct businesses, Howden Joinery and Supply, which form the basis on which the Group reports its primary segment information for the 24 weeks to 16 June 2007. This format will be followed for the Preliminary Results for the 52 weeks ending 29 December 2007. For 2008, with the ending of the supply arrangements with MFI, the Group intends to report its results as a single entity.

GROUP RESULTS

The following discussion relates to continuing operations, there being no discontinued operations in 2007.

Revenue rose by £143.7m to £429.0m, reflecting the increased sales of Howden Joinery (£41.6m) and third party sales of Supply (£101.8m). The increase in sales by Howden Joinery partly reflected the impact of the first week of 2007 being a trading week, whereas it was Christmas week in 2006, when depots were closed. The growth of third party sales by Supply reflected MFI being an external customer in 2007, having been part of the Group until October 2006.

Excluding exceptional items, gross profit increased by £48.2m to £190.0m. With selling and distribution costs and administrative expenses increasing by £31.2m, operating profit before exceptional items was £29.5m (2006: £12.7m). The net interest charge rose £0.5m to £4.7m. The net result was profit before tax and exceptional items of £24.8m (2006: £8.5m).

Exceptional charges before tax totalled £0.7m, giving profit before tax of £24.1m (2006: £34.7m loss). The exceptional charge relating to the restructuring of Supply (around £35m), announced in June 2007, will be accounted for in the second half of the year.

The tax charge on profit before tax excluding exceptional items was £8.4m, based on a tax rate of 34%, being the estimated effective rate of tax for the 2007 financial year. In addition, the Group has recognised deferred tax assets in certain of its subsidiaries (£26.0m) that were previously unrecognised. Given their size and one-off nature, they have been treated as exceptional items (see note 5).

Basic earnings per share excluding exceptional items was 2.7p (2006: 1.4p loss) and including exceptional items was 7.0p (2006: 7.1p loss).

Net cash flows from operating activities were £9.6m. Net capital expenditure was £6.5m (2006: £0.6m net receipts). Payments to acquire fixed and intangible assets totalled £6.6m (2006: £13.2m). In the first half of 2007, there was a cash inflow of £7.8m (2006: £148.4m). At 16 June 2007, the Group had net funds of £3.7m, compared with net borrowings of £4.1m at the start of the period.

At 16 June 2007, the pension liability shown on the balance sheet stood at £78.9m (30 December 2006: £189.2m). Of the decrease, over £80m arose from a reduction of the schemes' liabilities, reflecting an increase in the liability discount rate. The remainder related to an increase in value of the schemes' assets, reflecting higher equity prices.

DIVIDEND

There will be no interim dividend (2006: nil).

The Board will consider whether it is appropriate to recommend a nominal final dividend when it reviews the 2007 full year results in March 2008.

HOWDEN JOINERY

Howden Joinery sells kitchens and joinery products to the building trade, predominantly small local builders, via a nationwide network of depots.

Results

	2007	2006
	£m	£m
Revenue	**314.5**	272.9
Operating profit before exceptional items	**55.1**	50.7

Howden Joinery continued to trade well throughout the period, against a background of rising interest rates. Revenue increased by £41.6m to £314.5m. As previously indicated, the inclusion of a 53rd week in 2006 means that the business traded for all of the period in 2007, whereas in 2006 the depots were closed during the first week, which covered the Christmas shutdown. Adjusting for this by comparing the first half of 2007 with the same calendar period in 2006, total revenue increased by 10.7%, up 6.6% on a same depot basis. This reflected a continuing increase in the turnover of mature depots, which have typically been operating for six years or more, the benefit of the maturing profile of sales from newer depots and new depot openings. Of particular note has been the sales of doors and joinery products, which have benefited from the introduction of a more extensive range of doors and a new joinery catalogue last autumn. Gross margin in the first half of 2007 was similar to that seen in 2006 as a whole.

The rise in sales through existing and new depots, after allowing for sales-related cost increases, contributed £7.8m to the growth in operating profit. This was partly offset by an increase in non-depot costs of £3.4m. The net result was that operating profit before exceptional items rose by £4.4m to £55.1m.

The main elements of the increase in non-depot costs related to increased expenditure on promotional material and expenditure incurred in relation to a major new product design initiative to address the issue of the kitchens that will be required to meet market requirements beyond the short term (see Supply below). In addition, costs were incurred in relation to the launch of a new facility that is primarily intended to make Howden Joinery an attractive supplier to larger organisations that have not used the business in the past (see below – 'Trade Expo Centre').

Business developments

So far this year, 27 new depots have been opened, bringing the total number to 409, the business remaining on course to open 60 during the year. In addition, 2 existing depots have been relocated and 4 were extended.

In May, Howden Joinery opened its 'Trade Expo Centre' (the Centre), the primary purpose of this new facility being to provide a showcase for the business. The Centre has an extensive range of existing products on display, in inspirational and innovative settings designed to inspire the visitor, which is not possible within the confines of the limited show area of a depot.

The Centre is intended to appeal to professionals from larger organisations that purchase kitchens, such as house builders, local authorities and housing associations, which may not have used Howden Joinery in the past. This may have been because of a lack of appreciation of what the business has to offer and awareness of the scale of the organisation behind the local depots.

In addition, the Centre provides a forum to educate depot staff about the product range and the scope of design opportunities that it presents. Finally, it also provides an opportunity for depots to enable their existing and potential trade customers to see the range of products offered by the business in realistic settings.

The initial focus of the Centre was on employees, of whom over 2,500 (65% of depot employees) have visited the facility. In addition, over 600 existing and potential trade customers have also visited the Centre so far.

Following comments from its customers, a Howden Joinery website (www.howdens.com) was launched in April. Initially, this featured the range of kitchens offered by the business but it has now been extended to include all the main product groups. This supports the extensive range of product catalogues, etc., that builders can show their customers.

SUPPLY

Supply primarily sources products for Howden Joinery. The products are either manufactured, in the case of kitchen cabinets and worktops, or sourced from third parties by Supply. As part of the transitional arrangements following the disposal of Hygena Cuisines and MFI, which have proceeded satisfactorily, Supply also sources products for these businesses on an interim basis.

Results

External turnover of Supply was £111.1m (2006: £9.3m), reflecting sales to MFI and Hygena Cuisines as third parties, the former having been part of the Group in 2006.

The net cost of Supply before exceptional items decreased to £13.2m (2006: £25.4m). This primarily reflected the move from manufacturing to buying-in fascias and own-brand appliances that was instigated in the first half of 2006 as part of the drive to bring a new commercial focus to Supply. The benefits of this change were indicated when it was announced in February 2006. In addition, there was an increased currency gain arising from the strengthening of the pound against the euro and the US dollar (this gain is against the currency assumptions used in setting standard prices).

Business developments

Following the agreement to bring forward the termination of the supply and logistics arrangements with MFI to December 2007, detailed proposals for the restructuring of our Supply business were announced on 27 June 2007. A period of consultation with employees and their representatives is now underway.

In relation to the revised supply and logistics arrangements with MFI, the final product order from MFI, for delivery by 21 December 2007, was received in August.

As one of the major suppliers of kitchens in the UK market, it is important that Howden Joinery is supplying a comprehensive range of products that both inspires and meets consumers' needs. Not only does this mean having products that are appropriate for today, it also means considering the products that will be required in the future as factors affecting consumer preferences change.

To ensure that the business remains in a competitive position both in the short and the longer term, two initiatives have been pursued. First, a new 15,000 square foot design facility has been built at Supply's headquarters at Howden in Yorkshire. This enables prototype products to be built and viewed in realistic settings, where they can be critically evaluated before being brought to market. Second, in beginning to address the issue of future trends in the kitchen market and thus ensure that Howden Joinery is offering appropriate products, a 'design forum' has been held to help develop our thinking. This involved liaising with external design consultants and suppliers to consider issues that might influence kitchen design in the longer term, such as environmental concerns, the trend to smaller properties and the blurring of the distinction between rooms, particularly in apartment-style properties. A number of 'concept' kitchens were then designed and built. This phase of work culminated in a major 'design forum' event, where the concepts were shown and explained to audiences that included all of Howden Joinery's depot managers and a large gathering of our suppliers.

CORPORATE

The cost of the corporate centre was broadly unchanged at £10.7m (2006: £11.0m).

CURRENT TRADING AND OUTLOOK

In the first two periods in the second half of the year, Howden Joinery continued to trade well. Gross margin remained in line with 2006. The increase in sales compared with last year on a period by period basis has risen, such that total sales (on an adjusted basis) for the first eight periods of 2007 (to 11 August) are now up by 11.9%, up 7.7% on a same depot basis. However, the recent rise in sales may have been enhanced by builders undertaking more internal jobs than would be normal due to the very wet weather this summer. Although the business continues to trade well, there is a risk that the economic environment may have an impact on demand in the future.

The Supply business has seen the full benefit of the change from manufacturing to buying-in fascias and appliances that was implemented in the middle of last year. If the business continues to benefit from current exchange rates for the remainder of the year, the impact on a comparative basis will be less than in the first half because of the currency strengthening seen in the second half of last year.

Corporate costs in the second half of the year will reflect the additional period compared with the first half (seven versus six). In addition, pension levy and share option costs are especially biased to the second half of the year, adding around £2m to costs relative to the first half.

Consolidated income statement

	Notes	24 weeks to 16 June 2007 unaudited			24 weeks to 10 June 2006 unaudited			53 weeks to 30 December 2006 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
Continuing operations:										
Revenue	2	**429.0**	**-**	**429.0**	285.3	-	285.3	733.0	-	733.0
Cost of sales		**(239.0)**	**-**	**(239.0)**	(143.5)	-	(143.5)	(370.5)	(12.8)	(383.3)
Gross profit		**190.0**	**-**	**190.0**	141.8	-	141.8	362.5	(12.8)	349.7
Selling & distribution costs		**(134.2)**	**(0.5)**	**(134.7)**	(103.3)	-	(103.3)	(241.6)	(12.7)	(254.3)
Administrative expenses		**(26.5)**	**-**	**(26.5)**	(26.2)	(43.2)	(69.4)	(56.2)	7.8	(48.4)
Other operating expenses		**-**	**(0.2)**	**(0.2)**	-	-	-	-	(14.5)	(14.5)
Share of joint venture profits		**0.2**	**-**	**0.2**	0.4	-	0.4	1.0	-	1.0
Operating profit/(loss)	2	**29.5**	**(0.7)**	**28.8**	12.7	(43.2)	(30.5)	65.7	(32.2)	33.5
Finance income	4	**0.4**	**-**	**0.4**	1.7	-	1.7	3.5	-	3.5
Finance expense	4	**(4.2)**	**-**	**(4.2)**	(3.2)	-	(3.2)	(7.0)	-	(7.0)
Other finance charges - pensions	4	**(0.9)**	**-**	**(0.9)**	(2.7)	-	(2.7)	(5.0)	-	(5.0)
Profit/(loss) before tax		**24.8**	**(0.7)**	**24.1**	8.5	(43.2)	(34.7)	57.2	(32.2)	25.0
Tax on profit/loss	5	**(8.4)**	**26.0**	**17.6**	(16.6)	9.2	(7.4)	(20.9)	2.0	(18.9)
Profit/(loss) after tax from continuing operations		**16.4**	**25.3**	**41.7**	(8.1)	(34.0)	(42.1)	36.3	(30.2)	6.1

	Notes	**24 weeks to 16 June 2007 unaudited** Before exceptional items £m	Exceptional items £m	Total £m	24 weeks to 10 June 2006 unaudited Before exceptional items £m	Exceptional items £m	Total £m	53 weeks to 30 December 2006 audited Before exceptional items £m	Exceptional items £m	Total £m
Discontinued operations:										
Profit/(loss) before tax		**-**	**-**	**-**	(22.3)	57.2	34.9	(44.8)	(134.8)	(179.6)
Tax on profit/loss		**-**	**-**	**-**	4.0	2.7	6.7	5.1	(2.3)	2.8
Profit/(loss) after tax from discontinued operations		**-**	**-**	**-**	(18.3)	59.9	41.6	(39.7)	(137.1)	(176.8)
Profit/(loss) for the period		**16.4**	**25.3**	**41.7**	(26.4)	25.9	(0.5)	(3.4)	(167.3)	(170.7)

	Notes			24 weeks to 16 June 2007			24 weeks to 10 June 2006			53 weeks to 30 December 2006
Earnings per share:	6			**pence**			pence			pence
From continuing operations										
Basic earnings per 10p share				**7.0**			(7.1)			1.0
Diluted earnings per 10p share				**6.8**			(7.1)			1.0
From continuing and discontinued operations										
Basic earnings per 10p share				**7.0**			(0.1)			(28.7)
Diluted earnings per 10p share				**6.8**			(0.1)			(28.7)

Exceptional items are analysed in note 3.

Consolidated balance sheet

	Notes	As at 16 June 2007 unaudited £m	As at 10 June 2006 unaudited £m	As at 30 December 2006 audited £m
Non current assets				
Intangible assets		**3.6**	3.6	1.9
Property, plant and equipment		**93.9**	178.0	97.1
Investments		**9.5**	9.1	9.7
Deferred tax asset		**50.7**	94.6	60.6
		157.7	285.3	169.3
Current assets				
Inventories		**111.8**	147.1	126.1
Trade and other receivables		**147.0**	150.0	102.4
Other assets		**3.2**	3.8	3.1
Cash at bank and in hand		**41.8**	139.7	53.2
		303.8	440.6	284.8
Total assets classified as held for sale		**-**	14.7	-
Total assets		**461.5**	740.6	454.1
Current liabilities				
Trade and other payables		**(276.7)**	(339.1)	(249.6)
Non current liabilities				
Borrowings		**(39.1)**	(52.1)	(58.2)
Other payables due in more than one year		**-**	-	(10.8)
Pension liability	11	**(78.9)**	(295.6)	(189.2)
Provisions		**(23.0)**	(9.6)	(23.8)
		(141.0)	(357.3)	(282.0)
Total liabilities associated with assets classified as held for sale		**-**	(3.6)	-
Total liabilities		**(417.7)**	(700.0)	(531.6)
Net assets/(liabilities)		**43.8**	40.6	(77.5)
Equity/(deficit)				
Called up share capital	7	**63.4**	62.8	63.2
Share premium account	7	**84.9**	81.5	83.7
ESOP reserve	7	**(37.9)**	(49.6)	(43.2)
Other reserves	7	**28.1**	28.1	28.1
Retained earnings	7	**(94.7)**	(82.2)	(209.3)
Total equity/(deficit)		**43.8**	40.6	(77.5)

Consolidated cash flow statement

	Notes	**24 weeks to 16 June 2007 unaudited £m**	24 weeks to 10 June 2006 unaudited £m	53 weeks to 30 December 2006 audited £m
Net cash flows from operating activities	8	**9.6**	75.6	70.0
Cash flows from investing activities				
Interest received		**0.4**	1.7	3.5
Sale of subsidiary undertakings		**-**	74.6	(2.1)
Payments to acquire property, plant and equipment and intangible assets		**(6.6)**	(13.2)	(30.3)
Dividend received from joint venture investment		**0.4**	-	-
Receipts from sale of property, plant and equipment and intangible assets		**0.1**	12.6	12.0
Net cash (used in)/from investing activities		**(5.7)**	**75.7**	**(16.9)**
Cash flows from financing activities				
Interest paid		**(2.1)**	(3.5)	(6.3)
Receipts from issue of own share capital		**1.4**	0.5	2.9
Receipts from release of shares from share trust		**4.6**	-	1.6
Decrease in loans		**(19.1)**	(97.9)	(89.6)
(Decrease)/increase in other assets		**(0.1)**	1.7	2.4
Net cash used in financing activities		**(15.3)**	(99.2)	(89.0)
Net (decrease)/increase in cash and cash equivalents		**(11.4)**	52.1	(35.9)
Cash and cash equivalents at beginning of period	8	**53.2**	89.0	89.0
Currency translation differences		**-**	0.1	0.1
Cash and cash equivalents at end of period	8	**41.8**	141.2	53.2

For the purposes of the cash flow statement, cash and cash equivalents are included net of overdrafts payable on demand. Total cash of £141.2m at 10 June 2006 is made up of £139.7m shown on the balance sheet as cash and cash equivalents, and £1.5m included in assets for sale.

Consolidated statement of recognised income and expense

	24 weeks to 16 June 2007 unaudited £m	24 weeks to 10 June 2006 unaudited £m	53 weeks to 30 December 2006 audited £m
Actuarial gains on defined benefit schemes	**104.2**	-	64.2
Deferred tax on actuarial gain on defined benefit pension schemes	**(31.3)**	-	(19.2)
Currency translation differences	**-**	(0.7)	(0.3)
Impact of first-time adoption of IAS 39	**-**	(0.9)	-
Net income/(loss) recognised directly in equity	**72.9**	(1.6)	44.7
Profit/(loss) for the financial period	**41.7**	(0.5)	(170.7)
Total recognised income and expense for the period	**114.6**	(2.1)	(126.0)

Notes to the Financial Statements

1 Basis of preparation and accounting policies

This interim financial information, which is unaudited, has been prepared in accordance with the Listing Rules of the Financial Services Authority and in accordance with recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the European Union ("IFRS"). It is prepared on the basis of the principal accounting policies which are applicable as at the date of approval of these financial statements. These accounting policies are consistent with the policies applied in the 53 weeks to 30 December 2006, which are published as part of the Annual Report and Accounts for that period and which are available from the Group's website (www.galiform.com). As permitted, the Group has not adopted IAS 34 'Interim Financial Reporting', which is not yet mandatory for UK groups.

The taxation charge is calculated by applying the annual effective tax rate to the profit for the period.

The results for the 24-week periods ended 16 June 2007 and 10 June 2006 are unaudited but have been reviewed by the Group's auditors, whose report forms part of this document. This interim financial information does not constitute full statutory accounts as defined by Section 240 of the Companies Act 1985. The figures for the 53 weeks to 30 December 2006 are derived from the published statutory accounts. Full statutory accounts for the 53 weeks ended 30 December 2006, including an unqualified auditors' report, have been delivered to the Registrar of Companies.

The items classified as discontinued operations for the 24 weeks to 10 June 2006 have been revised since the 2006 interim accounts. At the time of publishing the 2006 interim accounts, the MFI Retail business had not been discontinued, and so it was treated as a continuing operation in those accounts. The MFI Retail business was sold in October 2006, and so it was treated as a discontinued operation in the accounts for the 53 weeks to 30 December 2006. In these interim accounts, the figures for the 24 weeks to 10 June 2006 have been represented to show the MFI Retail business as discontinued. This is in accordance with IFRS 5.

2 Segmental analysis

The following tables show the segmental analysis of external turnover and operating profit by business segment. This is based on the commercial and legal structure of the Group, in which Howden Joinery, Supply and Corporate are separate entities.

	24 weeks to 16 June 2007 unaudited £m	24 weeks to 10 June 2006 unaudited £m	53 weeks to 30 December 2006 audited £m
External revenue			
Continuing operations			
Howden Joinery	**314.5**	272.9	676.3
Supply	**111.1**	9.3	50.8
Other	**3.4**	3.1	5.9
	429.0	285.3	733.0
Retail and other discontinued operations	**-**	333.6	546.8
Total revenue	**429.0**	618.9	1,279.8
Operating profit/(loss) before exceptional items			
Continuing operations			
Howden Joinery	**55.1**	50.7	132.6
Supply	**(13.2)**	(25.4)	(39.6)
Corporate	**(10.7)**	(11.0)	(24.2)
Other	**(1.9)**	(2.0)	(4.1)
Share of joint venture	**0.2**	0.4	1.0
	29.5	12.7	65.7
Retail and other discontinued operations	**-**	(22.3)	(44.8)
Total operating profit/(loss) before exceptional items	**29.5**	(9.6)	20.9

3 Exceptional items

Exceptional items related to continuing operations charged to operating profit in the 24 weeks to 16 June 2007 are analysed as follows:

Unaudited	Selling and distribution costs £m	Other operating expenses £m	**Total £m**
Loss on sale of tangible fixed assets	-	(0.2)	**(0.2)**
Supply restructuring	(0.3)	-	**(0.3)**
IT restructuring	(0.2)	-	**(0.2)**
Total charged to operating profit	(0.5)	(0.2)	**(0.7)**
Tax credit on exceptional items			**-**
Total operating exceptional items after tax			**(0.7)**
Exceptional tax credit – see note 5			**26.0**
Total exceptional items after tax			**25.3**

4 Finance income, finance expenses and other finance charges

	24 weeks to 16 June 2007 unaudited £m	24 weeks to 10 June 2006 unaudited £m	53 weeks to 30 December 2006 audited £m
Finance income			
Bank interest receivable	**0.4**	1.7	3.5
Finance expenses			
Bank interest paid	**(2.4)**	(3.2)	(6.0)
Interest charge on remeasuring creditors to fair value	**(1.8)**	-	(1.0)
	(4.2)	(3.2)	(7.0)
Other finance charges - pensions			
Finance element of pension charge	**(0.9)**	(2.7)	(5.0)

5 Tax

	24 weeks to 16 June 2007 unaudited £m	24 weeks to 10 June 2006 unaudited £m	53 weeks to 30 December 2006 audited £m
Current tax			
Current year UK corporation tax	**4.0**	-	3.1
Over provision in previous periods	**-**	(0.5)	(1.1)
Current tax charge/(credit)	**4.0**	(0.5)	2.0
Deferred tax			
Current year	**4.4**	3.1	18.2
Over provision in previous periods	**-**	(1.9)	(4.1)
Deferred tax charge	**4.4**	1.2	14.1
Total tax charged in the income statement before exceptional deferred tax credit	**8.4**	0.7	16.1
Exceptional deferred tax credit*	**(26.0)**	-	-
Total tax (credited)/charged in the income statement	**(17.6)**	0.7	16.1
Total tax (credited)/charged in the income statement:			
- continuing operations	**(17.6)**	7.4	18.9
- discontinued operations	**-**	(6.7)	(2.8)
Total tax (credited)/charged in the income statement	**(17.6)**	0.7	16.1

The tax charge is calculated at 34% of profit before exceptional items and tax, being the estimated effective rate of tax for the 2007 financial year.

* As the financial condition of the Group has improved significantly over the period, the Group has recognised £26.0m of deferred tax assets in certain of its subsidiaries. The relevant subsidiaries were loss making in 2006 and therefore no deferred tax asset was booked on the balance sheet. Given the size and one-off nature, this deferred tax credit has been treated as an exceptional item.

6 Earnings per share

	24 weeks to 16 June 2007 unaudited			24 weeks to 10 June 2006 unaudited			53 weeks to 30 December 2006 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	**41.7**	**599.8**	**7.0**	(42.1)	591.9	(7.1)	6.1	594.4	1.0
Effect of dilutive share options	**-**	**13.8**	**(0.2)**	-	-	-	-	7.2	-
Diluted earnings per share	**41.7**	**613.6**	**6.8**	(42.1)	591.9	(7.1)	6.1	601.6	1.0
From discontinued operations									
Basic earnings per share	**-**	**-**	**-**	41.6	591.9	7.0	(176.8)	594.4	(29.7)
Effect of dilutive share options	**-**	**-**	**-**	-	-	-	-	-	-
Diluted earnings per share	**-**	**-**	**-**	41.6	591.9	7.0	(176.8)	594.4	(29.7)
From continuing and discontinued operations									
Basic earnings per share	**41.7**	**599.8**	**7.0**	(0.5)	591.9	(0.1)	(170.7)	594.4	(28.7)
Effect of dilutive share options	**-**	**13.8**	**(0.2)**	-	-	-	-	-	-
Diluted earnings per share	**41.7**	**613.6**	**6.8**	(0.5)	591.9	(0.1)	(170.7)	594.4	(28.7)
From continuing operations excluding exceptional items									
Basic earnings per share	**16.4**	**599.8**	**2.7**	(8.1)	591.9	(1.4)	36.3	594.4	6.1
From continuing and discontinued operations excluding exceptional items									
Basic earnings per share	**16.4**	**599.8**	**2.7**	(26.4)	591.9	(4.5)	(3.4)	594.4	(0.6)

In accordance with IAS 33 "Earnings per share", potential ordinary shares are only treated as dilutive if their conversion to ordinary shares would decrease earnings per share or increase loss per share. Therefore, where there is a loss, as in the two comparative periods above, no adjustment is made in respect of potential ordinary shares, and diluted earnings per share is equal to basic earnings per share.

7 Reconciliation of movement in reserves

	Called up share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 30 December 2006 - audited	63.2	83.7	(43.2)	28.1	(209.3)	(77.5)
Profit for the period	-	-	-	-	41.7	41.7
Net actuarial gain on pension schemes	-	-	-	-	72.9	72.9
Issue of new shares	0.2	1.2	-	-	-	1.4
Net movement in ESOP	-	-	5.3	-	-	5.3
At 16 June 2007 - unaudited	**63.4**	**84.9**	**(37.9)**	**28.1**	**(94.7)**	**43.8**

8 Notes to the cash flow statement

(a) Net cash flows from operating activities

	24 weeks to 16 June 2007 unaudited £m	24 weeks to 10 June 2006 unaudited £m	53 weeks to 30 December 2006 audited £m
Group operating profit/(loss) after exceptional items			
Continuing operations	**28.8**	(30.5)	33.5
Discontinued operations	**-**	34.9	(179.6)
	28.8	4.4	(146.1)
Adjustments for:			
Depreciation and amortisation	**7.8**	18.4	40.9
Share-based payments charge	**0.7**	1.8	3.8
Share of joint venture profits	**(0.2)**	(0.4)	(1.0)
Loss on disposal of property, plant and equipment and intangible assets	**0.2**	15.1	14.5
Other exceptional items (before tax)	**0.5**	(29.1)	152.5
Operating cash flows before movements in working capital	**37.8**	10.2	64.6
Movements in working capital and exceptional items			
Decrease/(increase) in stock	**14.3**	6.5	(18.6)
Increase in trade and other receivables	**(44.6)**	(44.4)	(59.6)
Increase in trade and other payables	**9.7**	107.0	115.4
Difference between pensions operating charge and cash paid	**(7.1)**	(3.7)	(10.7)
HMRC refund re structural guarantee	**-**	21.8	21.8
Net cash flow - exceptional items	**(0.5)**	(21.8)	(44.5)
	(28.2)	65.4	3.8
Cash generated from operations	**9.6**	75.6	68.4
Tax received	**-**	-	1.6
Net cash flows from operating activities	**9.6**	75.6	70.0

Net cash flow from operating activities comprises:			
Continuing operating activities	**9.6**	85.4	154.5
Discontinued operating activities	**-**	(9.8)	(84.5)
	9.6	75.6	70.0

(b) Reconciliation of movement in net debt

	24 weeks to 16 June 2007 unaudited £m	24 weeks to 10 June 2006 unaudited £m	53 weeks to 30 December 2006 audited £m
Net debt at start of period	**(4.1)**	(55.5)	(55.5)
Net (decrease)/increase in cash and cash equivalents	**(11.4)**	52.1	(35.9)
Decrease/(increase) in investments	**0.1**	(1.7)	(2.4)
Decrease in debt and lease financing	**19.1**	97.9	89.6
Currency translation differences	**-**	0.1	0.1
Net funds/(debt) at end of period	**3.7**	92.9	(4.1)

Represented by:

Cash and cash equivalents	**41.8**	139.7	53.2
Investments	**3.2**	3.8	3.1
Borrowings	**(41.3)**	(52.1)	(60.4)
Assets held for resale	**-**	1.5	-
	3.7	92.9	(4.1)

(c) Analysis of net funds

	Cash and cash equivalents £m	Current asset investment £m	Bank loans £m	Net funds/ (borrowings) £m
At 30 December 2006 - audited	53.2	3.1	(60.4)	(4.1)
Cash flow	(11.4)	0.1	19.1	7.8
At 16 June 2007 - unaudited	**41.8**	**3.2**	**(41.3)**	**3.7**

Closing bank loans at 16 June 2007 comprise £39.1m of non current liabilities and £2.2m of current liabilities.

9 Post balance sheet events

In the 2007 Budget, the Chancellor announced his intention to reduce the rate of Corporation tax from the current rate of 30% to a rate of 28% with effect from 1 April 2008. As at the half year-end date (16 June 2007), the legislation had not passed through the House of Commons and had therefore not been substantively enacted. Therefore, in accordance with IAS 12 "Income Taxes", we have not remeasured our current or deferred tax charge or provision in these interim results to reflect the forthcoming change in tax rates.

Since the half year-end date, the legislation has been substantively enacted. The change in rate will therefore be reflected in our deferred tax balances in the accounts for the full year to 29 December 2007, and will be reflected in our current tax balances after 1 April 2008. Under IAS 12 deferred tax assets and liabilities are calculated with reference to the tax rate at which they are expected to crystallise in the future. In accordance with IAS 12, the rate used in these interim accounts is 30%, but the rate used in the accounts for the full year to 29 December 2007 will be 28%. Current tax is calculated based on the rate in force at the time. Therefore, current tax will be calculated at 30% until 1 April 2008, when it will be calculated at 28%.

We are unable to quantify what the effect of the change in rate will be on future deferred tax assets and liabilities. As an illustrative example, if the new rate of 28% was substantively enacted before the date of these accounts, the effect on the deferred tax balances as at 16 June 2007 would be a £3.4m reduction of deferred tax assets and a £0.3m reduction of deferred tax liabilities. Of the total net reduction, £1.5m relating to items taken to equity will be adopted via the SORIE and the remaining £1.6m will be adjusted via the Income Statement.

10 Contingent liabilities

Relating to the disposal of the MFI Retail operations

As disclosed at the time of the transaction with MEP Mayflower Limited ("MEP"), the Group was the ultimate guarantor on leases in relation to 56 properties which were occupied by the MFI Retail operations. By 16 June 2007, this number had reduced to 53 properties. The Group's guarantees are triggered if MEP suffers financial distress and defaults on its obligations under the relevant leases. The current annual net rentals payable by the Group in respect of these remaining properties total £16.4m. Remaining lease terms range between 3 months and 18 years from 16 June 2007.

The Group is not aware of any signs which indicate that the purchaser is in financial distress. There is uncertainty whether the purchaser will ever suffer financial distress and thereby trigger the guarantee, and as to whether there would be any actual net liability if the Group ever did have to meet the lease obligations, given that the Group could mitigate any liabilities by surrendering or assigning the leases, or by subletting them to third parties.

Because of the nature of the uncertainties, as described above, the Group is unable to give an estimate of the financial effect of this contingent liability.

The Group is also exposed to potential costs in respect of certain warranties and indemnities in relation to the disposal agreement in favour of the purchaser. The Group has made such provision as is considered necessary in this respect.

The full list of contingent liabilities, as disclosed in the 2006 Annual Report and Accounts, has not been reproduced in these interim accounts, as management consider that there has been no significant change in any of the contingent liabilities disclosed in the 2006 Annual Report and Accounts other than the one shown above.

11 Retirement benefit obligations

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

	24 weeks to 16 June 2007 unaudited £m	24 weeks to 10 June 2006 unaudited £m	53 weeks to 30 December 2006 audited £m
Charged/(credited) to the income statement			
Defined benefit schemes - total operating charge/(credit)	**2.6**	13.2	(17.1)
Defined benefit schemes - net finance charge	**0.9**	2.7	5.0
Defined contribution scheme - total operating charge	**0.3**	-	0.2
Total net amount charged/(credited) to profit before tax	**3.8**	15.9	(11.9)
Charged/(credited) to equity			
Defined benefit schemes - net actuarial gains net of deferred tax	**(72.9)**	-	(44.9)

(b) Defined benefit pension schemes

The most recent actuarial valuation was carried out at 6 April 2005 by the scheme actuary. The actuary advising the Group has subsequently rolled forward this valuation to 16 June 2007 and restated the results onto a basis consistent with market conditions at that date. Due mainly to changes in the discount rate since 30 December 2006, the pension deficit has significantly reduced over the 24 weeks ended 16 June 2007. The following summary information analyses the main changes in greater detail.

Key assumptions used in the valuation of the schemes

	24 weeks to 16 June 2007 %	24 weeks to 10 June 2006 %	53 weeks to 30 December 2006 %
Rate of increase of pensions in payment			
Pensions with guaranteed increases (i.e. most of the pre-1997 pensions)	**3.30**	3.00	3.00
Pensions with increases capped at the lower of RPI or 5%	**3.30**	2.90	2.90
Pensions with increases capped at the lower of RPI or 2.5%	**2.50**	2.50	2.50
Rate of increase in salaries	**4.30**	4.00	4.00
Inflation assumption	**3.30**	3.00	3.00
Expected return on scheme assets	**7.06**	7.06	7.06
Discount rate	**5.80**	5.10	5.10

Balance sheet

Movements in the deficit during the period were as follows:

	24 weeks to 16 June 2007 £m	24 weeks to 10 June 2006 £m	53 weeks to 30 December 2006 £m
Deficit at start of period	**(189.2)**	(297.1)	(297.1)
Current service cost	**(2.6)**	(13.2)	(20.9)
Past service credit	**-**	-	38.0
Employer contributions	**9.6**	17.4	31.6
Other finance expense	**(0.9)**	(2.7)	(5.0)
Actuarial gains gross of deferred tax	**104.2**	-	64.2
Deficit at end of period	**(78.9)**	(295.6)	(189.2)

Income statement

Amounts recognised in the income statement arising from the Group's obligations in respect of defined benefit schemes are shown below.

	24 weeks to 16 June 2007 £m	24 weeks to 10 June 2006 £m	53 weeks to 30 December 2006 £m
Amount charged/(credited) to profit			
Current service cost	**2.6**	13.2	20.9
Past service credit	**-**	-	(38.0)
Net charge/(credit)	**2.6**	13.2	(17.1)

The current service cost and the past service credit are included within staff costs.

Amount charged to other finance charges			
Net charge	**0.9**	2.7	5.0

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 16 June 2007 £m	24 weeks to 10 June 2006 £m	53 weeks to 30 December 2006 £m
Actuarial gain on scheme assets	**21.4**	-	24.2
Actuarial gain on scheme liabilities	**82.8**	-	40.0
Net actuarial gain	**104.2**	-	64.2

Independent review report to Galiform Plc

Introduction

We have been instructed by the company to review the financial information for the 24 weeks ended 16 June 2007 which comprise the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 24 weeks ended 16 June 2007.

Deloitte & Touche LLP
Chartered Accountants
London

6 September 2007

Appendix 1

FINANCIAL CALENDAR

2007

Trading update	22 November 2007
End of financial year	29 December 2007

2008

2007 Preliminary results	6 March 2008
Interim Management Statement	1 May 2008 (provisional)
2008 Half Yearly Report	23 July 2008 (provisional)
Interim Management Statement	13 November 2008 (provisional)
End of financial year	27 December 2008