GALIFORM Plc

PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 27 DECEMBER 2008

HIGHLIGHTS

Financially and operationally the Group is now significantly stronger, more focussed and adaptable, reflecting the strength of the Howden Joinery business and the decision to divest MFI in 2006. However, the overall Group financial results for 2008 reflect the continued cost to the Group of MFI legacy issues as well as the pro-active decisions taken by management during the year to manage down those costs for the future.

Financial results

- Howden Joinery UK depot revenue increased by 1.9% to £782.9m (down 3.1% on same depot basis). As expected, Group revenue (£805.7m) fell as a result of the planned ending of product supply to MFI;
- Profit before tax and exceptional items fell by £5.5m to £74.3m, reflecting the £28.1m impact of adverse currency movements and 'residual' logistics costs (see Financial Review section note 1), which was partly offset by 'one off' cost savings of £6.5m;
- Exceptional charge of £108.8m, mainly in respect of provisioning for MFI legacy issues - cash element only of £11.7m;
- Basic earnings per share from continuing operations before exceptional items of 8.5p (2007: 9.1p);
- Basic 'loss' per share from continuing and discontinued operations of 8.6p (2007: 7.3p earnings);
- Net cash outflow from operating activities of £37.8m included a cash outflow of almost £46m in respect of a number of 'one-off' payments, primarily to MEP. Excluding these, there was a net cash inflow of £7.8m;
- Net debt of £61.2m at 27 December 2008 (29 December 2007: £3.3m).

Operating developments

Howden Joinery continues to strengthen its competitive position:

- 20 new Howden Joinery UK depots opened in 2008, bringing total to 454;
- Various new products introduced, including 10 new kitchen ranges;
- Steps taken to increase consumer awareness of Howdens.

In addition:

- Successful mitigation of legacy issues as a result of deals on seven guaranteed properties;
- The Group continues to focus on improving efficiency and managing cash flow:
    - employee numbers fell by over 10% in 2008;
    - capital expenditure, including depot openings, curtailed in 2008 and 2009.

Current trading

- Howden Joinery UK depot revenue* in the first two periods of 2009 fell by 9.1% (down 10.6% on a same depot basis) compared to the same two periods in 2008.

*Week 1 sales excluded because of distortion arising from New Year's Day falling on different days of the week (Monday in 2008, Thursday in 2009) which meant not only were there two fewer trading days this year, but there was also very limited trading on those days.

Galiform's Chief Executive, Matthew Ingle, said:

"We are very pleased with our performance last year, given the difficult circumstances.

Although it is still early days, trading conditions in 2009 have been resilient so far, with year-on-year sales levels consistent with those seen in the last three months of 2008. We believe we will benefit from reduced capacity in the market and increased end-user awareness of Howdens. We continue to stick to the principles that have enabled Howdens to achieve its pre-eminent market position, and will continue to manage our operations in light of the circumstances we encounter. In tough market conditions, we will benefit from the strength of our unique business model, and the scale and efficiency of our supply operations.

In 2008, we took early and decisive action to begin to deal with the MFI guaranteed property issue, and the costs of this are reflected in our reported performance. We are working to resolve the outstanding legacy issues and, meanwhile, other actions we have taken have improved our underlying operations and mean we are better placed to manage the business through 2009 and beyond, to ensure that Howdens can achieve its full potential."

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SUMMARY OF GROUP RESULTS

The information presented below relates to the 52 weeks to 27 December 2008 and the 52 weeks to 29 December 2007, unless otherwise stated.

£m unless stated	**2008**	2007
Continuing operations before exceptional items unless stated		
Revenue		
- Group	**805.7**	976.5
- Howden Joinery UK depots	**782.9**	768.4
Gross profit	**427.5**	456.2
Gross profit margin, %	**53.1**	46.7
Operating profit	**75.9**	88.1
Profit before tax		
- excluding exceptional items	**74.3**	79.8
- including exceptional items[1]	**79.1**	44.4
Loss from discontinued items before tax		
- including exceptional items[1]	**(108.8)**	(11.1)
Earnings per share from continuing operations		
- basic excluding exceptional items	**8.5p**	9.1p
- basic including exceptional items	**9.2p**	8.8p
Earnings/(loss) per share from continuing and discontinued operations		
- basic excluding exceptional items	**8.5p**	9.1p
- basic including exceptional items	**(8.6)p**	7.3p
Net debt at end of period	**61.2**	3.3

1 Details of exceptional items are given in note 3 to the Financial Statements.

FINANCIAL REVIEW

The following discussion relates to continuing operations unless otherwise stated.

FINANCIAL RESULTS FOR 2008

The financial performance of the Group during 2008 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 are subject to different economic drivers than the owner-occupied sector, and very limited exposure to the new housing market.

Sales through our Howden Joinery UK depots increased by £14.5m in 2008. Total Group revenue fell by £170.8m to £805.7m, but this reflected the termination of sales to MFI at the end of 2007.

Revenue £m	**2008**	2007
Group	**805.7**	976.5
including:		
Howden Joinery UK depots	**782.9**	768.4
MFI* /Hygena Cuisines	**11.1**	200.1
Houdan France	**11.7**	8.0

* no sales in 2008

Howden Joinery UK depot revenue increased by 1.9% to £782.9m, declining 3.1% on a same depot basis. The strong total sales growth achieved in the first part of the year, to the end of spring, when it was over 10%, moderated during the summer and early autumn to around 2.5%. Sales declined in the latter part of the year by around 8% year-on-year, as markets responded to the financial crisis coming to a head in mid-September.

Sales of our French depots grew by around 25% in local currency terms to £11.7m.

The gross profit margin was 53.1% (2007: 46.7%). The increase reflects the ending of product sales to MFI, which were supplied 'at cost'. These sales did not contribute to gross profit and therefore reduced the gross profit margin in 2007. The absolute level of gross profit fell, primarily because of the expected loss of delivery income from MFI (note: the corresponding and equal cost was in operating costs last year – see below) and the adverse effect of the exchange rate on the cost of goods purchased from overseas suppliers. The impact of these factors was partly offset by purchasing efficiencies and higher depot sales.

Excluding exceptional items, selling and distribution costs and administrative expenses decreased by £17.3m to £351.7m.

Within this, Howden Joinery UK depot operating costs increased by £17.1m, primarily reflecting costs associated with depots opened in the last two years.

These cost increases were offset by cost reductions elsewhere. Increased logistics (warehouse and transport) costs in relation to depot sales were more than offset by a reduction arising from the end of the supply contract with MFI. The net result of this was that logistics costs (including 'residual' costs of £10.9m – see note 1 at the end of Financial Review) fell by £14.2m. Indirect costs associated with the supply chain fell by £9.4m and corporate costs fell by £8.6m. Approximately £6.5m of this decrease was 'one off' in nature, mostly within the supply chain.

Operating profit before exceptionals was £75.9m (2007: £88.1m), reflecting the impact of the weaker pound against the euro and US dollar (£17.1m), and 'residual' logistics costs (£10.9m), which were partly offset by the 'one-off' elements of the cost reductions in indirect supply chain and corporate costs, referred to above.

The net interest charge fell £6.7m to £1.6m, due to an increase in the net finance credit in respect of pensions and a decrease in interest related to payments to MEP Mayflower Limited (MEP). The net result was profit before tax and exceptional items of £74.3m (2007: £79.8m).

There was an exceptional credit before tax of £4.8m relating to continuing operations (2007: £35.4m charge).

There was an exceptional charge before tax of £108.8m (2007: £11.1m) in respect of discontinued operations. Of this, £99.7m related to rent and other obligations payable on properties which had been occupied by the MFI UK Retail operations (the 'guaranteed' properties – see Group Developments section below), the remainder mainly relating to other legacy issues. Cash expenditure incurred in 2008 was £11.7m, the remainder of the charge being non-cash items, mostly provisions.

The tax charge on profit before tax and exceptional items from continuing operations was £23.3m, an effective tax rate of 31.4%. There was a tax credit of £2.6m in respect of the exceptional charge relating to discontinued operations.

Basic earnings per share excluding exceptional items from continuing operations was 8.5p (2007: 9.1p) and including exceptional items was 9.2p (2007: 8.8p). Basic (loss)/earnings per share including exceptional items from continuing and discontinued operations was (8.6)p (2007: earnings of 7.3p)

Net cash outflows from operating activities were £37.8m.

Within this, working capital changes meant a cash outflow of £89.5m. This included 'one-off' cash expenditure in relation to the restructuring of manufacturing and logistics operations announced in June 2007 (£10.8m). It also included 'one-off' payments to MEP in respect of the final payment due under the terms of Galiform's agreement with MEP in relation to the disposal of the MFI retail business (£12m), settlement of the 'closing cash adjustment' due in respect of cashflows generated by MFI between the effective date and completion date of the sale (£14.8m including interest), and settlement of MEP's net asset value claim (£8m). These 'one-off' payments totalled £45.6m. Stock levels at the end of 2008 were £19.3m higher than a year earlier, reflecting the sharp deterioration in trading conditions towards the end of the year (although stock levels subsequently began to fall in period 1 of 2009). Debtors fell by £22.4m, reflecting the termination of product supply to MFI at the end of 2007 and lower sales at the end of 2008. Trade and other creditors items were £47.0m lower. Included within this, a fall in trade creditors reflected the termination of product supply to MFI at the end of 2007.

Also included within net cash flows from operating activities was cash expenditure in respect of the £108.8m discontinued operations exceptional charge totalling £11.7m. This was mainly in respect of payments to landlords of guaranteed properties, including £5.8m paid for the Group to be released from all obligations arising from the leases of six of the 46 properties for which Galiform was guarantor (details of which were given in our announcement of 23 December 2008).

There was a cash contribution to the Group's pension schemes, in excess of the operating charge, of £24.3m and tax paid totalled £10.9m.

Excluding the 'one-off' payments mentioned above, there was a net cash inflow from operating activities of £7.8m

Payments to acquire fixed and intangible assets totalled £19.4m (2007: £21.2m), of which £8.1m related to a new depot IT system (see below) that was fully paid for in 2008. Cash receipts from property disposals totalled £3.5m.

As a result of the above, net debt rose by £57.9m in 2008, resulting in Group net borrowings of £61.2m at 27 December 2008.

At 27 December 2008, the pension deficit shown on the balance sheet was £122.2m (29 December 2007: £83.5m). The increase in the deficit has been driven by lower than expected asset returns and changes in certain assumptions to calculate liabilities, principally with respect to mortality. This has been offset by the impact of a higher discount rate, lower inflation and the Company's contribution (£24.3m) as part of the 2006 agreement to clear the actuarial deficit (over a 10-year period).

DIVIDEND

With the marked deterioration in market conditions since the 2008 Half Yearly Report was issued, the Board is not recommending a final dividend for 2008 (2007: 0.5p).

FUNDING AND LIQUIDITY

As at 27 December 2008, in respect of the Group's £175m bank facility, which expires in May 2011, the Group had available £77.3m of undrawn committed borrowing facilities (£93.5m at 29 December 2007).

The Group's committed borrowing facility contains certain covenants which were met throughout the 2008 year. The covenants are tested every four weeks and are based around (i) fixed charges, (ii) tangible net worth and (iii) earnings before interest tax, depreciation and amortisation (EBITDA) for Howden Joinery.

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

The current economic conditions create uncertainty around the Group's trading position, particularly over the level of demand for the Group's products and the exchange rate between sterling and both the Euro and the US dollar. In the directors' consideration of going concern, the Group's latest forecasts and projections, which include the full impact of the property guarantees relating to stores that were used by MFI Retail operations, have been stress-tested for reasonably possible adverse variations in trading performance and show that the Group will operate within the terms of its current borrowing facility and covenants for the foreseeable future. The covenant with lowest headroom is the EBITDA for Howden Joinery, which is calculated each period on a three or six month rolling basis, such that short term variability in trading performance would increase the risk of non-compliance. Nevertheless, whilst there can be no absolute certainty, after due consideration of the impact of a reasonably possible further decline on the recent trading performance experienced, it is not considered that this covenant will be breached in the foreseeable future.

Note 1: With the ending of product supply to MFI, a major restructuring of supply operations was successfully undertaken to bring the cost base into line with the Group's new requirements. In the logistics area, a legacy of 'residual' costs remained that it was not possible to deal with immediately, arising from areas such as transport and warehouse space utilisation, but these are steadily being addressed.

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 weak consumer confidence and general 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 to prudently manage cash flow. Operations throughout the Group have been reviewed so as to ensure appropriate resourcing levels.

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

Depot network

In 2008 20 new depots were opened in the UK, three depots were extended and one depot was relocated. A review of the prospects for two depots led to the decision being taken to close them. This meant that 454 depots were trading at the end of 2008.

Sales

We continue to take actions to improve sales.

Investment in product development remains key to our continued success. In 2008, we introduced ten new kitchens to our product range and extended the range of appliances we offer to include free standing appliances. In December, new kitchens to be introduced in the first part of 2009 were presented to depot managers, along with possible extensions to our ranges of doors, joinery, flooring, worktops and appliances.

We are pursuing a number of initiatives to increase awareness of Howdens as a supplier of kitchens. As well as advertising in trade and consumer magazines, we have been rolling-out a new Howdens livery across our fleet of lorries used to deliver goods to our depots. So far, over 450 of the 520 trailers in the fleet are sporting the new livery.

Depot IT system

During the course of 2008 and following an extensive trial, we commenced the roll-out of a new IT system in our UK depots, replacing a 20 year-old system that was costly to maintain and provided limited functionality. The new point-of–sale system, K8, is the market leading trade depot system and is used to manage sales and stock within the depots. By the end of 2008, it was operational in over one third of depots and it is now live in almost three quarters of all depots. Rollout to all depots is on plan to be completed in April 2009. Later on, it is planned to introduce additional functionality that is available as standard within K8.

Operating costs

Following a decision to curtail the number of depot openings in 2008 and with the onset of more difficult market conditions, resource levels in Howden UK depots and depot support functions were reviewed. As a result, the number of employees in these operations at the year-end was 9% lower than at its peak. This was mostly achieved through natural wastage and the ending of temporary contracts.

Following completion in early spring 2008 of the major reorganisation of manufacturing and logistics operations after the ending of product supply to MFI at the end of 2007, further steps have been taken to improve operational efficiency and flexibility. A new transport sharing agreement with third parties means that some 60% of return trips by our lorries are carrying goods instead of being empty, thereby helping to reduce the 'residual' logistics costs referred to above. Improved productivity has enabled a further streamlining of manufacturing and warehousing operations. New progressive labour agreements mean that we are able to better schedule working hours of employees to match demand.

The number of employees (FTEs) in the Group at the end of 2008 was 5,782 (2007: 6,548).

Raw materials and finished products

We continually look to miminimise the cost of raw materials and finished products that we buy-in, regularly benchmarking the cost of existing suppliers against alternatives. If necessary, we change product design and specifications, when acceptable to our customers, so that lowest cost can be accessed. In doing this, we look not just at the direct purchase costs of raw materials and products but also the indirect costs of using different suppliers, such as freight costs. In 2008, this generated purchasing gains of over £7m.

GROUP DEVELOPMENTS

The Group's strategy also involves the proactive management of MFI 'legacy' issues.

Guaranteed and excluded properties

The number of 'guaranteed' properties from the MFI estate now stands at 39. In January 2009, the lease of one store was terminated at nil cost to Galiform. So far, the leases of seven properties have been terminated at a cost of £5.8m, mitigating future rent and rates that would have totalled over £27m, at current rates.

For the outstanding 39 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 crystalised 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	39	34	17	11	1
Net annual rent and rates, £m	21.4	17.8	16.4	8.3	5.2	0.3

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

For the retail properties that were excluded from the sale of MFI in 2006 (originally 33, but now 18), tenants have recently been found for a further three, meaning that only seven remain vacant.

Pensions

The triennial actuarial review of the Group's pension schemes as at 1 April 2008 that is being carried out on behalf of the trustees continues. Details of the outcome of this will be announced when the review is completed.

CURRENT TRADING AND OUTLOOK FOR 2009

Howden Joinery UK depot total sales* declined by 9.1% in the first two periods of the year (to 21 February), with sales on a same depot basis falling by 10.6%. This reflected the impact of heavy snowfall in early February that disrupted business in a number of regions, most notably London and the South East. Without this disruption, it is estimated that sales performance would have been on a par with that seen in the last three periods of 2008, when total sales fell by around 8%.

We expect market conditions to continue to be challenging and will manage the business accordingly. Comparative sales figures for the remainder of the year will reflect the changes in sales performance that were seen during the course of 2008, as well as any change in market conditions that may occur.

We are not planning to open any new depots in 2009 and other capital expenditure will be managed prudently, but the Group remains committed to its view that the number of depots in the UK can be increased to more than 600 in a more stable economic environment.

Since its inception in 1995, Howden Joinery's share of the UK kitchen market is estimated to have grown to almost one-fifth in just 13 years and it now sells some 400,000 kitchens a year. Even in these challenging market conditions, we would expect our market share growth to continue, as competitors disappear from the market and the business continues to benefit from the growth of its depots that have yet to reach maturity.

*Week 1 sales excluded because of distortion 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 trading days this year, but there was also very limited trading on those days.

Consolidated income statement

	Notes	52 weeks to 27 December 2008 Before exceptional items £m	Exceptional items (note 3) £m	Total £m	52 weeks to 29 December 2007 Before exceptional items £m	Exceptional items £m	Total £m
Continuing operations:							
Revenue		**805.7**	**-**	**805.7**	976.5	-	976.5
Cost of sales		**(378.2)**	**1.0**	**(377.2)**	(520.3)	(6.9)	(527.2)
Gross profit		**427.5**	**1.0**	**428.5**	456.2	(6.9)	449.3
Selling & distribution costs		**(298.3)**	**1.5**	**(296.8)**	(307.5)	(15.6)	(323.1)
Administrative expenses		**(53.4)**	**0.4**	**(53.0)**	(61.5)	(6.6)	(68.1)
Other operating income/(expenses)		**-**	**1.9**	**1.9**	-	(6.3)	(6.3)
Share of joint venture profit		**0.1**	**-**	**0.1**	0.9	-	0.9
Operating profit		**75.9**	**4.8**	**80.7**	88.1	(35.4)	52.7
Finance income	4	**1.4**	**-**	**1.4**	1.3	-	1.3
Finance expense	4	**(6.3)**	**-**	**(6.3)**	(9.9)	-	(9.9)
Other finance income - pensions	4	**3.3**	**-**	**3.3**	0.3	-	0.3
Profit before tax		**74.3**	**4.8**	**79.1**	79.8	(35.4)	44.4
Tax (charge)/credit	5	**(23.3)**	**(0.8)**	**(24.1)**	(25.5)	34.0	8.5
Profit after tax from continuing operations		**51. 0**	**4.0**	**55.0**	54.3	(1.4)	52.9
Discontinued operations:							
Exceptional loss before tax	3	**-**	**(108.8)**	**(108.8)**	-	(11.1)	(11.1)
Tax on loss	3	**-**	**2.6**	**2.6**	-	2.1	2.1
Loss after tax from discontinued operations		**-**	**(106.2)**	**(106.2)**	-	(9.0)	(9.0)
Profit for the period		**51. 0**	**(102.2)**	**(51.2)**	54.3	(10.4)	43.9
Earnings per share:				**pence**			pence
From continuing operations							
Basic earnings per 10p share	6			**9.2**			8.8
Diluted earnings per 10p share	6			**9.0**			8.6
From continuing and discontinued operations							
Basic (loss)/earnings per 10p share	6			**(8.6)**			7.3
Diluted (loss)/earnings per 10p share	6			**(8.4)**			7.2

Consolidated balance sheet

	Notes	As at 27 December 2008 £m	As at 29 December 2007 £m
Non current assets			
Goodwill		**2.5**	-
Other intangible assets		**6.2**	2.5
Property, plant and equipment		**89.4**	91.2
Investments		**4.0**	10.1
Deferred tax asset		**52.6**	45.6
		154.7	149.4
Current assets			
Inventories		**121.3**	101.0
Trade and other receivables		**99.2**	122.3
Other assets		**1.3**	2.4
Cash at bank and in hand		**21.2**	33.6
		243.0	259.3
Total assets classified as held for sale		**1.0**	3.1
Total assets		**398.7**	411.8
Current liabilities			
Trade and other payables		**(120.4)**	(201.1)
Current tax liability		**(4.9)**	(8.5)
Current borrowings		**(3.4)**	(3.3)
		(128.7)	(212.9)
Non current liabilities			
Borrowings		**(80.3)**	(36.0)
Pension liability		**(122.2)**	(83.5)
Deferred tax liability		**(5.5)**	(2.9)
Provisions	8	**(119.8)**	(39.4)
		(327.8)	(161.8)
Total liabilities		**(456.5)**	(374.7)
Net (liabilities)/assets		**(57.8)**	37.1
Equity			
Called up share capital	9	**63.4**	63.4
Share premium account	9	**85.1**	85.0
ESOP reserve	9	**(27.1)**	(32.6)
Other reserves	9	**28.1**	28.1
Retained loss	9	**(207.3)**	(106.8)
Total (deficit)/equity		**(57.8)**	37.1

Consolidated cash flow statement

	Notes	**52 weeks to 27 December 2008 £m**	52 weeks to 29 December 2007 £m
Net cash flows from operating activities	10	**(37.8)**	25.7
Cash flows used in investing activities			
Interest received		**1.5**	1.3
Cash flows from acquisition		**3.2**	-
Repayment of investment		**4.0**	-
Payments to acquire property, plant and equipment and intangible assets		**(19.4)**	(21.2)
Dividend received from joint venture		**-**	0.5
Receipts from sale of property, plant and equipment and intangible assets		**3.5**	-
Net cash used in investing activities		**(7.2)**	(19.4)
Cash flows from financing activities			
Interest paid		**(8.5)**	(8.4)
Receipts from issue of share capital		**0.1**	1.5
Receipts from release of shares from share trust		**-**	4.9
Increase/(decrease) in loans		**44.1**	(24.3)
Repayment of capital element of obligations under finance leases		**(1.2)**	(0.3)
Decrease in other assets		**1.1**	0.7
Dividends paid to Group shareholders		**(3.0)**	-
Net cash generated from/(used in) financing activities		**32.6**	(25.9)
Net decrease in cash and cash equivalents		**(12.4)**	(19.6)
Cash and cash equivalents at beginning of period	10	**33.6**	53.2
Cash and cash equivalents at end of period	10	**21.2**	33.6

For the purposes 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 discontinuing operating activities are shown in Note 10. There are no cash flows from discontinued investing or financing activities.

Consolidated statement of recognised income and expense

	52 weeks to 27 December 2008 £m	52 weeks to 29 December 2007 £m
Actuarial (losses)/gains on defined benefit pension schemes	**(66.3)**	87.2
Deferred tax on actuarial loss/(gain) on defined benefit pension schemes	**18.6**	(26.1)
Effect of change in rate of deferred tax on actuarial gains/losses	**-**	(3.6)
Currency translation differences	**1.4**	1.1
Net (expense)/income recognised directly in equity	**(46.3)**	58.6
(Loss)/profit for the financial period	**(51.2)**	43.9
Total recognised income and expense for the period attributable to equity holders of the parent	**(97.5)**	102.5

1 Basis of preparation

The Group's accounting period covers the 52 weeks to 27 December 2008. The comparative period covered the 52 weeks to 29 December 2007.

The preliminary results for the year ended 27 December 2008 have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") adopted for use in the European Union and International Financial Reporting Interpretations Committee interpretations, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The accounting policies followed are the same as those detailed within the 2007 Annual Report and Accounts, which are available on the Group's website (www.galiform.com). Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The financial information set out in this announcement does not constitute the statutory accounts for the Group within the meaning of Section 240 of the Companies Act 1985. The statutory accounts for the 52 weeks to 29 December 2007 have been filed with the Registrar of Companies. The statutory accounts for the 52 weeks ended 27 December 2008 will be filed in due course. The auditors' reports on these accounts was not qualified or modified and did not contain any statement under sections 237(2) or (3) of the Companies Act 1985.

2 Segmental results

(a) Change in basis of segmentation

On the first day of the current period, the trade and assets of Howden Kitchens, the entity which historically carried out the Group's supply and sourcing, were transferred to Howden Joinery Limited, the entity which previously sold kitchen and joinery products to the building trade. In previous periods, the business carried out by Howden Kitchens was treated as a separate operating segment, which was formerly called Supply. The Group now operates and reports as one business segment, Howden Joinery. Segmental information for previous periods has been represented on the new basis of segmentation.

(b) External revenue	**52 weeks to 27 December 2008 £m**	52 weeks to 29 December 2007 £m
Continuing operations:		
Howden Joinery	**805.7**	976.5
Total revenue	**805.7**	976.5

	52 weeks to 27 December 2008 £m	52 weeks to 29 December 2007 £m
(c) Result		
Continuing operations:		
Howden Joinery - result before exceptional items	**75.9**	88.1
Exceptional items - continuing operations	**4.8**	(35.4)
Total continuing operations - operating profit	**80.7**	52.7
Finance income	**1.4**	1.3
Finance expenses (including pension finance income)	**(3.0)**	(9.6)
Profit before tax - continuing operations	**79.1**	44.4
Tax on continuing operations	**(24.1)**	8.5
Profit after tax from continuing operations	**55.0**	52.9
Discontinued operations:		
Discontinued exceptional items - before tax	**(108.8)**	(11.1)
Tax on discontinued operations	**2.6**	2.1
Loss after tax from discontinued operations	**(106.2)**	(9.0)
(Loss)/profit for the period after tax - continuing and discontinued operations	**(51.2)**	43.9
(d) Other information		
Capital additions	**19.6**	26.3
Depreciation and amortisation	**17.2**	18.7
Impairment losses recognised in income	**-**	7.4

3 Exceptional items

Exceptional items charged to the income statement 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:	a					
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:	b					
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**

(a) Continuing operations

All of the items in continuing operations, with the exception of "Other profit on disposal of tangible fixed assets", represent releases of provisions made in prior periods. The release of the exceptional stock provision is a release against a provision booked as an exceptional item in continuing operations in the 52 weeks to 30 December 2006. The other releases are releases against provisions booked as continuing exceptional items in the 52 weeks to 29 December 2007 for the purposes of Supply restructuring. The 2007 Supply restructuring provision is shown in the analysis of prior period exceptional items given below. The 2006 exceptional stock provision is shown in the 2006 consolidated accounts.

The item "Other profit on disposal of property plant and equipment" comprises the net profit on disposals of property plant and equipment during the current period.

(b) Discontinued operations

The items in discontinued operations are connected to the Group's former MFI Retail operations which were sold and treated as discontinued in 2006, and which went into administration in the current period.

As the Group disclosed at the time of the sale of the MFI business in 2006, and as the Group has disclosed in the Contingent Liabilities notes to its Annual and Half-Yearly Reports since the sale, the Group is the guarantor on leases in relation to properties which were held by MFI Properties Ltd and which were occupied by the MFI UK Retail operations. During the course of the current year, these contingent liabilities have crystallised and the Group has begun to incur costs in connection with them. The developments which have taken place during the current period have been detailed in various of the Group's regulatory announcements made on 29 and 30 September, 13 and 26 November, and 23 December 2008.

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 year, as well as a provision for future amounts payable. It also includes the payments made to landlords of 6 of the Guaranteed Properties in order to release the Group from all obligations in respect of those properties, as detailed in the Group's regulatory announcement made on 23 December 2008. The amounts are discounted to their present value. 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 8.

The Group is indemnified by MEP Mayflower Limited for payments made in respect of the guaranteed properties. Claims have or will be submitted under this indemnity for payments made to date. However, all amounts due have been fully provided against as at the year end as MEP Mayflower Limited itself went into administration in November 2008.

The other items are as described in the analysis of discontinued items, above, and they are all connected to the administration of the Group's former MFI Retail operations during the year.

Exceptional items charged to the income statement in the 52 weeks to 29 December 2007 are analysed as follows:

	Cost of sales £m	Other operating expenses £m	Administration expenses £m	Selling and distribution costs £m	Total £m
Continuing operations:					
Group restructuring	6.9	7.4	6.6	15.6	36.5
Other profit and loss on disposal	-	(1.1)	-	-	(1.1)
Total charged to operating profit	6.9	6.3	6.6	15.6	35.4
Tax credit on exceptional items in continuing operations					(10.1)
Total operating exceptional items after tax					25.3
Exceptional tax credit					(23.9)
Net exceptional items					1.4
Discontinued operations:					
Business rates and other property costs					7.1
Professional fees associated with discontinued operations					4.0
Total exceptional items before tax					11.1
Tax on exceptional items					(2.1)
Net exceptional items					9.0
Continuing and discontinued operations:					
Total exceptional items before tax					46.5
Tax on exceptional items					(12.2)
Exceptional tax credit					(23.9)
Total exceptional items after tax					10.4

(c) Restructuring - 2007

In June 2007, the Group announced that it was restructuring the Supply business, decreasing the scale and complexity of Supply's manufacturing, warehousing, and transport operations. The IT restructuring involved relocating and restructuring the IT department, in response to the new business structure of the continuing group.

The costs of restructuring comprise the following items:

	£m	£m
Supply restructuring:		
- site closure/relocation costs	6.7	
- provision for future rent payable on vacated sites	10.1	
- redundancies and other staff costs	10.4	
- asset write offs/impairments	7.4	
- other admin	0.2	
- release of exceptional stock provision made in 2006	(1.5)	
	33.3	
IT restructuring:		
- redundancies and other staff costs	1.2	
- asset write offs	1.6	
- systems separation	0.4	
Total restructuring costs before tax		36.5
Tax credit on restructuring costs		(10.1)
Total restructuring costs after tax		26.4

(d) Exceptional tax credit

This relates to the Group recognising £23.9m of deferred tax assets in certain of its subsidiaries. These subsidiaries had been loss-making in 2006 and no deferred tax asset had previously been booked on the balance sheet.

(e) Discontinued operations

A change to the law regarding business rates on vacant properties was substantially enacted during 2007. Prior to the change, there were no business rates to pay for the first three months that a property was empty, and then there was a business rates exemption of 50% for retail properties and 100% for warehouses. Following the change, there was still an exemption for the first three months for all properties and six months for industrial and warehouse properties, but after that time companies now have to pay business rates at 100% for all properties.

The amount provided in 2007 related primarily to business rates on properties which were part of the Group's former MFI Retail operations, which were discontinued in 2006. On the disposal of the MFI Retail operations, the continuing Group remained the ultimate guarantor for these properties and made such provision for rent payable in empty periods as was considered necessary at the time. That provision was included in the £31.7m item "Exceptional provisions on disposal of MFI Retail Limited" included in the 2006 accounts. Of the total £7.1m charged in 2007, £5.6m relates to business rates, while the balance related to other related property expenses. There was an associated tax credit of £2.1m.

4 Finance income, other finance income - pensions and finance expenses

	52 weeks to 27 December 2008 £m	52 weeks to 29 December 2007 £m
Finance income		
Bank interest receivable	**0.5**	1.3
Other interest receivable	**0.9**	-
	1.4	1.3

Other interest receivable relates to interest on a refund from HMRC.

Other finance income - pensions		
Pension finance credit	**3.3**	0.3
Finance expenses		
Interest payable on bank loans	**5.6**	5.7
Interest charge on remeasuring creditors to fair value	**0.2**	3.1
Interest charge on finance lease payments	**0.1**	-
Other interest	**0.4**	1.1
	6.3	9.9

The Group acquired assets via finance leases at the end of 2007, but the amount of finance lease interest paid in 2007 was less than £0.1m.

5 Tax

(a) Tax in the income statement

	Continuing operations		Discontinued operations		Total	
	52 weeks to 27 December 2008 £m	52 weeks to 29 December 2007 £m	**52 weeks to 27 December 2008 £m**	52 weeks to 29 December 2007 £m	**52 weeks to 27 December 2008 £m**	52 weeks to 29 December 2007 £m
Current tax						
Current year	**12.0**	10.3	**(2.6)**	(2.1)	**9.4**	8.2
Adjustments in respect of previous years	**(2.1)**	(3.0)	**-**	-	**(2.1)**	(3.0)
Total current tax	**9.9**	7.3	**(2.6)**	(2.1)	**7.3**	5.2
Deferred tax						
Current year	**16.2**	9.9	**-**	-	**16.2**	9.9
Adjustments in respect of previous years	**(2.0)**	(25.7)*	**-**	-	**(2.0)**	(25.7)
Total deferred tax	**14.2**	(15.8)	**-**	-	**14.2**	(15.8)
Total tax charged/(credited) in the income statement	**24.1**	(8.5)	**(2.6)**	(2.1)	**21.5**	(10.6)

UK Corporation tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the period.

* The adjustment in respect of previous years in the comparatives for 2007 relates principally to the Group recognising £23.9m of deferred tax assets in certain of its subsidiaries. These subsidiaries had been loss making in 2006 and no deferred tax assets had previously been booked on the balance sheet.

(b) Tax related to items credited to equity

	52 weeks to 27 December 2008 £m	52 weeks to 29 December 2007 £m
Deferred tax		
Actuarial (loss)/gain on pension scheme	**(18.6)**	26.1
Charge to equity re tax rate change *	**-**	3.6
Total tax (charged)/credited to statement of recognised income and expense	**(18.6)**	29.7

* The tax relating to items credited to equity all relates to continuing operations.

(c) Reconciliation of the total tax charge

The total tax charge for the year can be reconciled to the result per the income statement as follows:

Profit/(loss) before tax:	**52 weeks to 27 December 2008 £m**	52 weeks to 29 December 2007 £m
Continuing operations	**79.1**	44.4
Discontinued operations	**(108.8)**	(11.1)
	(29.7)	33.3

	Continuing operations			**Discontinued operations**			**Total**	
	52 weeks to 27 December 2008 £m		52 weeks to 29 December 2007 £m	**52 weeks to 27 December 2008 £m**		52 weeks to 29 December 2007 £m	**52 weeks to 27 December 2008 £m**	52 weeks to 29 December 2007 £m
Tax at the UK Corporation tax rate of 28.5% (2007: 30%)	**22.5**		13.3	**(31.0)**		(3.3)	**(8.5)**	10.0
Non-qualifying depreciation	**0.9**		4.2	**-**		-	**0.9**	4.2
Expenses not deductible for tax purposes	**0.7**		1.7	**27.8**	***	1.2	**28.5**	2.9
Sub-total	**24.1**		19.2	**(3.2)**		(2.1)	**20.9**	17.1
IFRS2 share scheme charge	**2.9**	*	-	**0.6**	*	-	**3.5**	-
Abolition of industrial building allowances	**1.5**	**	-	**-**		-	**1.5**	-
Tax adjustments in respect of previous years	**(4.1)**		(28.7)	**-**		-	**(4.1)**	(28.7)
Change in tax rate	**-**		(1.8)	**-**		-	**-**	(1.8)
Others	**(0.3)**		2.8	**-**		-	**(0.3)**	2.8
Total tax (charged)/credited in the income statement	**24.1**		**(8.5)**	**(2.6)**		**(2.1)**	**21.5**	**(10.6)**

* Where share schemes do not vest or are unlikely to vest, the Group is not able to reverse the IFRS2 accounting charge if the scheme carries market related targets. As a consequence, a permanent timing difference has arisen amounting to £5.5m, and this is shown as an additional deferred tax charge in the current year. There is also a reduction in the deferred tax asset recognised in relation to future tax deductions available to the Group on future share option exercises driven by the Group's share price (£7m).

** In July 2008 the House of Commons approved the Finance Bill which abolishes Industrial Building Allowances (IBAs). This has resulted in a deferred tax charge of £1.5m in the current year charge.

*** The Group has assumed no tax relief for the payments and provisions made for the MFI rental guarantees until the tax position is agreed with HMRC.

6 Earnings per share

	52 weeks to 27 December 2008			52 weeks to 29 December 2007		
	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	**55.0**	**598.0**	**9.2**	52.9	598.6	8.8
Effect of dilutive share options	**-**	**11.5**	**(0.2)**	-	13.8	(0.2)
Diluted earnings per share	**55.0**	**609.5**	**9.0**	52.9	612.4	8.6
From discontinued operations						
Basic earnings per share	**(106.2)**	**598.0**	**(17.8)**	(9.0)	598.6	(1.5)
Effect of dilutive share options	**-**	**11.5**	**0.4**	-	13.8	-
Diluted earnings per share	**(106.2)**	**609.5**	**(17.4)**	(9.0)	612.4	(1.5)
From continuing and discontinued operations						
Basic earnings per share	**(51.2)**	**598.0**	**(8.6)**	43.9	598.6	7.3
Effect of dilutive share options	**-**	**11.5**	**0.2**	-	13.8	(0.1)
Diluted earnings per share	**(51.2)**	**609.5**	**(8.4)**	43.9	612.4	7.2
From continuing operations excluding exceptional items						
Basic earnings per share	**51.0**	**598.0**	**8.5**	54.3	598.6	9.1
Effect of dilutive share options	**-**	**11.5**	**(0.1)**	-	13.8	(0.2)
Diluted earnings per share	**51.0**	**609.5**	**8.4**	54.3	612.4	8.9
From continuing and discontinued operations excluding exceptional items						
Basic earnings per share	**51.0**	**598.0**	**8.5**	54.3	598.6	9.1
Effect of dilutive share options	**-**	**11.5**	**(0.1)**	-	13.8	(0.2)
Diluted earnings per share	**51.0**	**609.5**	**8.4**	54.3	612.4	8.9

7 Dividends

	52 weeks to 27 December 2008 £m	52 weeks to 29 December 2007 £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the 52 weeks to 29 December 2007 – 0.5p (53 weeks to 30 December 2006 nil)	**3.0**	-

No interim dividend was paid in either period. No final dividend is proposed for the 52 weeks to 27 December 2008 (52 weeks to 29 December 2007: 0.5p)

8 Provisions

	Property provision £m	**Other provisions £m**	**Total £m**
At 30 December 2006	19.8	-	19.8
Additional provision in the period	22.0	1.0	23.0
Provision released in the period	(0.3)	-	(0.3)
Utilisation of provision in the period	(3.1)	-	(3.1)
At 29 December 2007	38.4	1.0	39.4
Additional provision in the period	90.5	4.4	94.9
Provision released in the period	(2.8)	-	(2.8)
Utilisation of provision in the period	(10.4)	(1.3)	(11.7)
At 27 December 2008	**115.7**	**4.1**	**119.8**

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, dilapidations, agents' fees and other professional fees.

The additions to the property provision in the current period are included in the £99.7m exceptional item relating to discontinued operations which is shown in Note 3(b).

The amount of the future expected cash flows have been adjusted to reflect the expected range of possibilities and as the outflows under this provision are expected to take place over a number of years, the provision has been discounted at a discount rate to reflect management's best estimate of an appropriate cost of capital.

Other provisions relate to amounts due in respect of contractual terminations. Additions in the current period include the £2.1m shown in Note 3(b) as an exceptional item in discontinued operations and called "Product liability warranties". They also include an element of the £3.0m shown in Note 3(b) as an exceptional item in discontinued operations as "Redundancies and other staff costs".

9 Reconciliation of movement in reserves and details of shares issued

	Called up share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
Opening equity at 30 December 2006	63.2	83.7	(43.2)	28.1	(209.3)	(77.5)
Net actuarial gain on defined benefit scheme	-	-	-	-	61.1	61.1
Effect of change in tax rate, taken through reserves	-	-	-	-	(3.6)	(3.6)
Foreign exchange	-	-	-	-	1.1	1.1
Accumulated profit for the period	-	-	-	-	43.9	43.9
Issue of new shares	0.2	1.3	-	-	-	1.5
Net movement in ESOP	-	-	10.6	-	-	10.6
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)**

The ESOP Reserve includes shares in Galiform Plc with a market value on the balance sheet date of £5.3m (2007: £33.9m), which have been purchased in the open market and which are held by the Group's Employee Share Trusts in order to satisfy share options and awards made under the Group's various share-based payment schemes.

The Other Reserve was created in the year to 30 April 1994, following a Group reconstruction. It is distributable.

10 Notes to the cash flow statement

(a) Net cash flows from operating activities

	52 weeks to 27 December 2008 £m	52 weeks to 29 December 2007 £m
Group operating profit/(loss) before tax and interest		
Continuing operations	**80.7**	52.7
Discontinued operations	**(108.8)**	(11.1)
	(28.1)	41.6
Adjustments for:		
Depreciation and amortisation included in operating profit	**17.2**	17.4
Share-based payments charge	**5.5**	5.7
Share of joint venture profits	**(0.1)**	(0.9)
Profit on disposal of property, plant and equipment and intangible assets	**(1.9)**	(1.1)
Other exceptional items before tax	**105.9**	47.6
Operating cash flows before movements in working capital	**98.5**	110.3
Movements in working capital and exceptional items		
(Increase)/decrease in stock	**(19.3)**	25.1
Decrease/(increase) in trade and other receivables	**22.4**	(19.9)
Decrease in trade and other payables and provisions	**(92.6)**	(60.0)
Difference between pensions operating charge and cash paid	**(24.3)**	(18.2)
Net cash flow – other exceptional items	**(11.7)**	(11.9)
	(125.5)	(84.9)
Cash generated from operations	**(27.0)**	25.4
Tax (paid)/reclaimed	**(10.8)**	0.3
Net cash flows from operating activities	**(37.8)**	25.7

Net cash flow from operating activities comprises:		
Continuing operating activities	**(26.1)**	25.7
Discontinued operating activities	**(11.7)**	-
	(37.8)	25.7

(b) Reconciliation of net debt

	52 weeks to 27 December 2008 £m	52 weeks to 29 December 2007 £m
Net debt at start of period	**(3.3)**	(4.1)
Net decrease in cash and cash equivalents	**(12.4)**	(19.6)
Net decrease in current asset investments	**(1.1)**	(0.7)
(Increase)/decrease in bank borrowings	**(44.1)**	24.3
Increase in finance leases	**(0.3)**	(3.2)
Net debt at end of period	**(61.2)**	(3.3)

Represented by:

Cash and cash equivalents	**21.2**	33.6
Investments	**1.3**	2.4
Bank loans	**(80.2)**	(36.1)
Finance leases	**(3.5)**	(3.2)
	(61.2)	(3.3)

(c) Analysis of net debt

	Cash and cash equivalents £m	Current asset investment £m	Bank loans £m	Finance leases £m	**Net borrowings £m**
At 29 December 2007	33.6	2.4	(36.1)	(3.2)	**(3.3)**
Finance leases entered into in the period	-	-	-	(1.5)	**(1.5)**
Cash flow	(12.4)	(1.1)	(44.1)	1.2	**(56.4)**
At 27 December 2008	**21.2**	**1.3**	**(80.2)**	**(3.5)**	**(61.2)**

11 Contingent liabilities

(a) Relating to Sofa Workshop

This Group used to own Sofa Workshop Limited ("Sofa Workshop"). Sofa Workshop was sold to a third party in the period to 30 December 2006. Following the sale, the Group remained the guarantor of leases in relation to up to 12 properties which were held by Sofa Workshop and used in their business. The Group's guarantees are triggered if Sofa Workshop defaults on its obligations under the leases, for example because it is suffering financial distress.

It was previously management's assessment that any possibility of the Group having an obligation under the guarantees was remote. However, late in 2008, shortly before the current period end, the Group became aware that Sofa Workshop had made an application to appoint an administrator. In management's opinion the application to appoint an administrator increases the possibility that the Group has a possible obligation, and therefore it is appropriate to disclose a contingent liability.

It is currently uncertain as to what will happen to the Sofa Workshop business during its administration. If Sofa Workshop were to cease meeting its liabilities under the leases of the 12 properties, the Group would become liable for them. The Group's best estimate of the current annual rent payable on these properties is £1.0m. If the liability were to crystallise, there may also be rates and other associated costs which may become payable. The remaining lease terms range from less than 1 year to just over 11 years, with an average remaining term of just under 6.5 years from the current period end.

(b) Other guarantees

Members of the Group have assigned UK property leases in the normal course of business. Should the assignees fail to fulfil any obligations in respect of these leases, members of the Group will be liable for those defaults. The number of claims arising to date has been small and the cost, which is charged to income as it arises, has not been material.

5 March 2009

APPENDIX 1

FINANCIAL CALENDAR

2009

Interim Management Statement	30 April 2009
Half Yearly Report	22 July 2009
Interim Management Statement	12 November 2009
End of financial year	26 December 2009