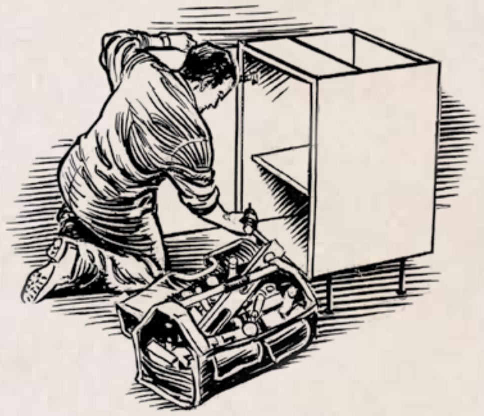
Galiform

Annual report and accounts 2009

Howdens supplies from

local stock

nationwide



the small
builder's
routine kitchen
and joinery
requirements,

assuring no-call-back

quality

and

best local price.

HOWDENS JOINERY CO. | MAKING SPACE MORE VALUABLE

HOWDENS
JOINERY CO.
MAKING SPACE MORE VALUABLE

The business review

The financial statements

Galiform

"The strength and flexibility of Howdens' business model and the timely steps we took from 2008 onwards in anticipation of the economic downturn enabled us to deliver a strong set of results in challenging market conditions."

Financial highlights

	2009 £m	2008 £m	
Turnover			
– Howden Joinery UK depots*	756.4	782.9	↓
– Group	769.5	805.7	
Gross margin %	56.2%	53.1%	↑
Operating profit			
– before exceptional items*	79.5	75.9	↑
– after exceptional items	79.4	80.7	
Profit before tax from continuing operations			
– before exceptional items	68.7	74.3	↓
– after exceptional items	68.6	79.1	
Earnings per share from continuing operations			
– basic excluding exceptional items*	8.3p	8.5p	↓
– basic including exceptional items	8.3p	9.2p	
Depots opened at period end*	462	454	↑
Net cash/(debt) at period end	2.4	(61.2)	↑

* Financial KPIs for the Group
Details of exceptional items are given in note 6 to the Financial Statements.

Howdens' mission statement has remained unchanged since the business was established in 1995:

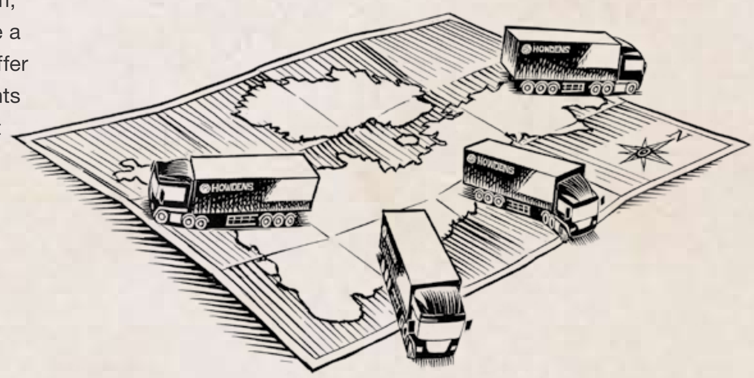
"To supply from local stock nationwide the small builder's routine kitchen and joinery requirements, assuring no-call-back quality and best local price."

To supply from local stock...

Howden Joinery is a business that has been designed from scratch around the needs of the small builder. Firstly, we keep all our ranges in stock in all our depots. This means our customers can be assured of getting the kitchen they want, as soon as they want it. We offer nett monthly credit terms to the trade, so the builder can plan ahead, manage cash flow and keep complex schedules on track. The availability of local stock also means the builder does not have to worry about storage and, because he can collect the product promptly, we get paid on time.

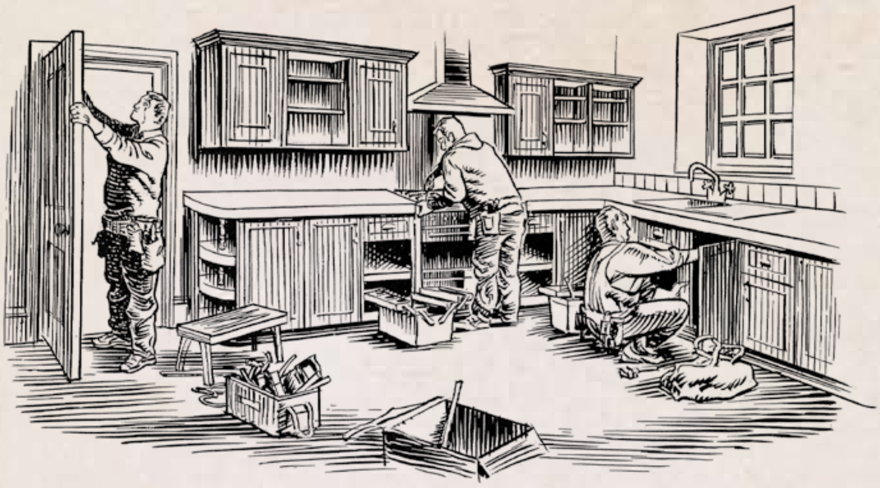
nationwide...

Over the last 15 years we have built a national network of 462 Howden Joinery depots. In each one of them, experienced and knowledgeable local staff provide a sophisticated kitchen design and planning service, offer informed advice on products and open credit accounts for local trade professionals. We think carefully about new areas when planning depot openings, because we know that each depot's success will depend on how deeply, as well as how fast, it takes root in its own community. We believe there is scope for at least 600 depots in the UK.



the small builder's...

Our customers are professional builders and kitchen fitters and our business is focused on their needs. We know they only want to pay for things that are of use to them. So we keep plain, trade-friendly depots, rather than costly retail showrooms. We only sell rigid cabinets, not flatpack ones, which saves the builder two or three days' assembly time on site. And we provide a complete set of marketing tools for builders to use with their customers, from comprehensive catalogues and DVDs to detailed CAD plans and visuals showing how the kitchen will look once installed.



routine...

Our ranges are designed to be versatile and to suit most everyday requirements. We see our 185,000 credit account customers very often, so we have expert and up-to-date knowledge of what sells well. Our customers rely on us to provide the right solutions, every day, without delay, which is why we do not offer special finishes or one-off products – which would be incompatible with our business model and with our customers' expectations.

kitchen and joinery requirements...

The ongoing success of Howden Joinery is based on our business model, which has always been focused on kitchens, joinery and associated products, including appliances, doors and flooring. Today's kitchens need to be installed by professionals and our offer has been developed with a thorough understanding of their priorities. We are leading new developments in kitchen design and technology as well as in the use of innovative and sustainable raw materials. We plan to grow our business further by continuing to serve the dynamic trade kitchen market that we know so well.

assuring no-call-back quality...

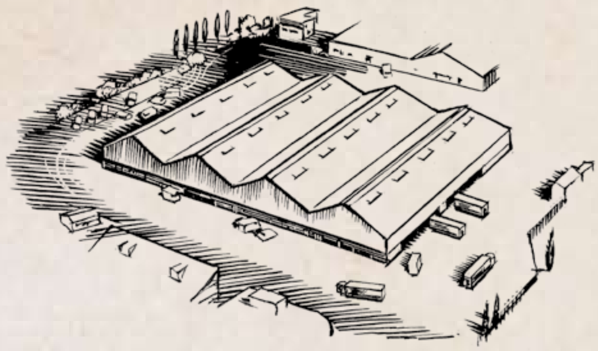
Our promise to the builder is that Howden Joinery products look good, are easy to fit and will not break. We keep this promise by applying the highest quality assurance standards to the 4 million 18mm rigid cabinets we produce in our own factories every year. We manage our own packaging and distribution to our depots, where local managers have the authority to replace any product found to be defective. We have found this is the best way to control product quality and to minimise the cost and time involved in rectifying mistakes, and thereby to earn the trust of our customers.

and best local price.

Howden Joinery's customers benefit from the fact that our business is both national and local. We sell more kitchens than any other player in the UK, so the scale of our manufacturing, purchasing and distribution activities means we can assure the lowest cost of fulfilment. At the same time, we believe that depots should be run locally, with managers responsible for hiring staff, for fine-tuning product selection to suit their area, for targeted local marketing and for setting competitive local prices. Howdens is not promotion-driven. We prefer to build long term relationships of trust with customers who know that with our help they can plan and manage their own business throughout the year.

What we do...

1 We always try to source wood and timber-based products in a way that is good for the environment as well as good for our business.



2 All our cabinets are made in our factories in Yorkshire and Cheshire using raw material from trees grown in managed forests in the UK.

3 We also buy kitchen frontals, appliances and joinery products from specialist suppliers all over the world.

4 We have a team of product designers who are responsible for making sure our kitchen ranges look good, work beautifully and are quick and easy for our customers to install.

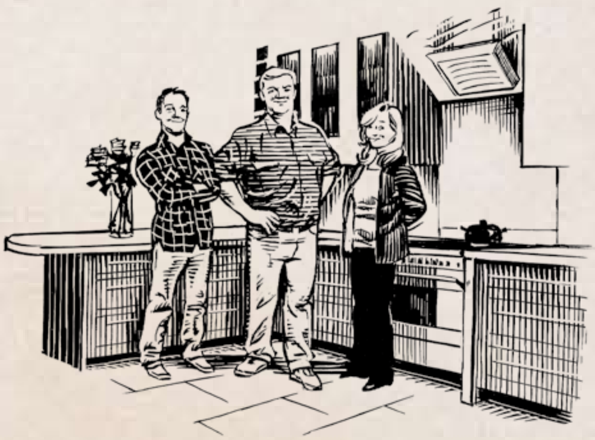
5 We operate a fleet of 100 lorries to deliver product to our 462 depots across the country. In the run-up to our peak autumn trading period a fully loaded lorry leaves our Howden factory every 20 minutes of every day.

6 A typical depot occupies around 10,000 square feet. Our lorries unload straight into the warehouse where our ranges are stocked ready for local trade customers.

7 The depot's display area is where the builder can find samples, information and advice on buying and fitting all Howden Joinery products.

8 Our experienced kitchen designers use the latest planning software to create the best possible layout within budget for each individual home.

9 All our ranges are kept in stock, so the builder can collect the order directly from the loading bay of his local depot on the day of the planned installation.



10 Howden Joinery staff are always on hand locally to offer advice or deal with any queries that arise on site.

Chairman's statement

Howdens' business model has withstood the challenges of restructuring and recession. It is our ability to harness its power that will drive the business forward.

I am pleased to report that Howden Joinery performed resiliently in the very challenging market conditions that persisted in 2009. In this difficult environment, contrary to the expectations of some commentators, we delivered an increase in gross margin of over three percentage points and a reduction in stock of £35m. Cash generated from operations enabled us to continue to invest in the business, to meet our legacy commitments and significantly to reduce our borrowings.

Howdens' business model is locally based, which means it depends on personal relationships of trust built up by individual depot staff with the small builders who are their customers. It is this model that has withstood the challenges of restructuring and recession. It is our ability to harness its power that will drive the business forward.

Today, Howdens sells more kitchens than any other player in the UK market. The business is strongly positioned to deliver continuing growth and value to shareholders. The Board believes that, in the current economic climate, Howdens' resources should be focused on continuing to seize opportunities to grow sales, profit and market share; and therefore that, although the matter remains under constant review, the time is not yet right to recommend the resumption of dividend payments.

When we sold MFI in October 2006, we retained responsibilities in respect of a portfolio of over 100 legacy properties, with an annual net rent and rates liability of £30m. Today, through the skill and determination of our property team, and thanks to the cash generated by the Howden Joinery business, that liability has been greatly reduced. At the year end, only 55 legacy properties remained in our portfolio, and our annual rent and rates payments had decreased to £18m. We continue to work to mitigate the impact of legacy property liabilities.

During the year we were pleased to reach agreement with the Group's pension trustees in respect of our contributions to the Group pension scheme until April 2012. This agreement, which is testimony to the strength of our relationship with the scheme's trustees, is performance-related, which means our cash liabilities are defined in a way which takes account of market conditions, and will decrease should performance deteriorate.

As a leading supplier of kitchen and joinery products, we are conscious that we have a duty to mitigate the environmental impact of our products and services. The Board is committed to improving our performance in this area through responsible sourcing and continuous innovation as well as the vigorous implementation of energy efficiency measures.

In 2009, over 96% of all our UK manufactured product was certified by the UK Forest Stewardship Council (2008: 85%) and we recycled over 95% of our manufacturing waste (2008: 90%). We continue to receive Energy Efficiency Accreditation from the Carbon Trust, and are working with our suppliers to gain Energy Savings Trust certification for several of our appliances.

Peter Wallis, who has served as a non-executive director since 2001, has decided to step down at the Annual General Meeting on 19 May. We thank him for his valuable contribution to the work of the Board over nine years. The search for his successor is underway.

In the spring of 2009 we began publication of a series of pocket-sized books entitled "A Truly Local Business". These books, which are distributed to our staff, customers, suppliers and investors, celebrate the active role played by our people in their local communities across the country. Last year, our staff made around 1,750 separate donations to help local causes of all kinds, from youth clubs to care homes, from life support machines to lifeboats. The books also serve to underline the fact that Howdens is founded on people and the relationships they make. These relationships, which depend on honesty, integrity, openness and trust, are at the heart of our business. We are grateful for and proud of the dedication and commitment shown by all our people throughout the year.

During the year the Company was entered for three prestigious awards, and we are especially pleased to have our achievements recognised in all three cases. The scale of the turnaround of the Company's performance was recognised when we were named European Listed Company Turnaround at the Institute for Turnaround's annual awards, and we went on to win the Turnaround of the Year prize at the PLC awards 2010. We also reached the Top 25 in The Sunday Times Best Companies award, which measures employee engagement, with an exceptionally high level of participation from our staff. On behalf of the Board, I would like to congratulate all concerned.

Looking ahead, we expect market conditions in 2010 to remain challenging and are cautious about the outlook. As the year evolves, and we enter the next stage of Howdens' growth and development, we will continue to adapt to any changes in market and economic conditions. I strongly believe that the actions taken by the management team have positioned your company to rise to the challenges of the current environment, and to recognise and take advantage of opportunities that will undoubtedly arise.

Will Samuel
Chairman

3 March 2010

We will continue to adapt to any changes in market and economic conditions.

Chief executive's statement

The Howdens' model has been the guiding statement of our business since it was founded in 1995. It has served us well in all kinds of economic weather.

Our depot expansion programme is adaptable. It can be switched on and off in anticipation of, and in reaction to, market conditions.

2009 was a very important year for Howdens. The downturn which began in 2008 reshaped the economic landscape. It combined with the continuing legacy of MFI to present us with a real test of our business model.

The results we achieved in 2009 bear witness to the strength and resilience of the Howdens' model. This model has been the guiding statement of our business since it was founded in 1995. It has served us well in all kinds of economic weather and it has seen us through the turmoil that surrounded the demise of MFI. Last year, we continued to trust the model in difficult and unpredictable market conditions, and our trust was repaid. So ours is not an inflexible model. It is inherently responsive to market needs.

There will always be as many kitchens as there are households. Kitchens are not about to go out of fashion. They play an increasingly important role in our lives; and they are becoming more sophisticated all the time.

We have always believed that the best way to get a kitchen installed and working is to have it fitted by a small builder. Many people now agree with our view. One of the main reasons for the resilience of the Howdens' model is that the business serves many sectors of the market via one channel – the small builder. From the outset, we designed our business around his needs.

The small builder is an entrepreneur who migrates from one sector of the market to another by recommendation. Many of his customers are private landlords or owner-occupiers. Some may be housing associations or local authorities. Occasionally, he may work for a big builder or developer. The pattern of his work will vary from season to season and from year to year.

Howdens benefits directly from this structure. It is the builder who regulates the mix of end-users. The builder's relationship with us is not with a central organisation but with his local depot. Once the depot has earned his trust and loyalty, the builder allows us immediate access, at no extra cost, to all sectors of the market. We already have a significant share of the retail market in the UK without any of the costs (such as showrooms, fitters or home delivery) that are normally associated with retail.

We have 185,000 credit account customers. The average spend per account in 2009 was £3,500. Our sales are spread across a very large number of small accounts, and we do not have any significant exposure to one major customer.

Ours is a low-cost model. Depots are not retail showrooms. The rent we pay for them is low, the fit-out costs are modest, and a new depot can be up and running very quickly. A typical depot occupies around 10,000 square feet, only 10% of which is selling and office space. The rest is low-cost storage, because we operate an in-stock model.

Our depot expansion programme is therefore adaptable. It can be switched on and off in anticipation of, and in reaction to, market conditions. That is why we were able to resume our depot opening programme so quickly last year following strong autumn trading. We opened eight new depots in December 2009, bringing the total number of depots trading to 462.

Howden Joinery gains in flexibility by being a truly local business. We know exactly what sells in each of our 462 depots. We trust our depot managers to adjust their stockholding, and their pricing, to suit their local conditions.

We can exercise this trust because of the role played in Howdens by incentivisation. In our depots, each person's bonus is directly linked to local margin and profit. Everyone is personally engaged in the success and development of the business.

Depots are not the only area in which we have been able to demonstrate adaptability. We take a commercial view of purchasing. We make what we need to make, and buy what we need to buy. With security of supply in mind, as well as cost, we took the decision in 2008 to bring some sourcing back to the UK.

During 2009, our own factories in the UK produced 3.5 million kitchen cabinets; 800,000 kitchen worktops and breakfast bars; and over 2 million kitchen frontals, which was over 2.5 times more than in 2008.

The inherent adaptability of the Howdens' model allowed us to make early decisions that enabled us to concentrate on increasing cash.

Given our legacy obligations and the economic outlook from 2008 onwards, we recognised that cash was a priority. So we took a series of actions.

First, we stopped opening depots in May 2008.Then in July of the same year we reorganised our banking arrangements in anticipation of the need to do so. Next, we looked for greater efficiency throughout the business. In the depots we focused on margin growth, less stock and better service.

At the start of the year, it was clear that volumes were going to be lower than they were in 2008. We decided, in difficult market conditions, to sell our product at the right price rather than at any price. We adjusted to the rhythm of the market.

The consequent margin growth was down to a combination of factors. Each depot can manage its own sales mix, its discounting policy, its local stock needs and its staffing requirements. The results we achieved were a testimony to what we call "best demonstrated practice", by which we mean understanding how well we can do things. We share information about the range of individual performance throughout the business, in particular in the depots, and we measure ourselves against the very best we can do. 2009 was not a one-off effort. Since we opened our first depot in 1995, we have always been adapting to the changing market, and encouraging the lower-performing depots to improve to the standards set by the best-performing ones.

Margin growth plus greater efficiency delivered the cash we needed.

Howden Joinery gains in flexibility by being a truly local business.

Chief executive's statement

continued

With one route to market, via the depots, we can reap the rewards of focus.

Investors can look to us to check and re-check our assumptions, and to make any adjustments that may be necessary, or to take advantage of opportunities that arise as the years advance.

We would not have been able to find efficiency, however, if Howdens had not been a completely focused business. We conceive of Howdens as an interlocking whole. Supply needs to have an accurate view of what depots will require next week, next month, and even next year, and be able to link that to the reliable delivery of very large volumes in order to achieve lowest cost fulfilment.

Supply also has to deliver the right quality of product, which means no-call-back quality for the builder, while making sure it is available in all of our depots, and producing it at a lower cost than anybody else in the sector.

With one route to market, via the depots, we can reap the rewards of focus. And because we have a tightly focused business, in which a whole kitchen is available on demand from stock, we can also collect payment efficiently.

During 2009 we also undertook several major IT projects, all of which were implemented smoothly. They included: first, the rollout of a new, trade-focused computer system to all depots; secondly, the introduction of a new warehouse management system; and thirdly, the latest version of the SAP manufacturing applications. These and other IT initiatives have already been instrumental in helping us reduce stock and deliver better service. In particular, we are able to improve stock replenishment cycles; reduce lead times; gain access to better information more quickly; and generally have much better visibility of the whole supply chain. This year, there are more benefits to come from these major projects.

Today, we are looking forward to the further growth and development of Howdens. We know the world has changed, and continues to change. We do not know what is coming. It could be bad – or good. But we know our model is sound, and that it is adaptable as well as strong. So investors can look to us to check and re-check our assumptions, and to make any adjustments that may be necessary, or to take advantage of opportunities that arise as the years advance.

We have many possible routes to growth.

First, we can expect further growth in our existing depots. A typical depot continues to increase sales for at least seven years after opening, and many continue to achieve further growth after that. As you are aware, around 200 of our 462 depots have yet to reach maturity.

Secondly, we plan to open between 20 and 30 new depots in 2010. Our experienced property team has already identified suitable low-cost locations in catchment areas where we see good opportunities for growth.

Thirdly, we are confident that we have the best product offer in the marketplace. We carried out extensive work on quality and range in the course of 2009. On the quality front, this included: improving the build quality of our cabinets and our joinery doors; incorporating better-designed, higher-specification accessories such as drawer closers and wirework into our ranges; and re-sourcing product to suppliers who can guarantee a reliable, year-round flow of product that consistently meets our quality demands.

As Howdens grows, so does our visibility in the marketplace. Our scale in itself brings influence. We lead a market that we have helped to create. We know that we have a voice that we can use, for example, through advertising, to speak to many more markets. Our current magazine campaign is designed to help the builder sell by giving him the tools to build awareness among his own customers. Our total advertising spend in 2009 was £1.6m or less than a quarter of one per cent of sales.

We have also identified several gaps and opportunities, in terms of range and price points, in our current offer. We know what our customers like, and more importantly, what they buy. Over the course of 2010 we will be rolling out further colour options in some of our most successful ranges, and will investigate the possibilities in this area in more detail as we gather more information. The new introductions should make it easier for our planners to plan and sell, allow us to offer a better choice to our customers, and give us more opportunities to continue to improve margin.

We also have other tools to help us find further margin opportunities. These include the latest version of the kitchen planning software used by our 800 designers, which has just been rolled out to all of our 462 depots. This is an important step, which makes it far easier for our designers to select and sell our product and should make it easier for our customers to buy.

As previously reported, we have ten pilot depots in the North East of France and the Paris region. We have recently developed their product offer to ensure it is more closely suited to local market requirements, and we continue to monitor their performance. Clearly, we would like to be able to progress further with France, but we will not make any moves until we are satisfied that all the necessary criteria for growth are in place.

In summary, Howdens today is a relevant business, with strong foundations, consistent values and principles and substantial prospects.

We intend to continue to build a strong and vibrant business, ready to adapt in uncertain times, ready to take opportunities when they present themselves and able to provide value to all concerned.

Matthew Ingle
Chief Executive

3 March 2010

Howdens today is a relevant business, with strong foundations, consistent values and principles and substantial prospects.

Review of operations and finance

Group results

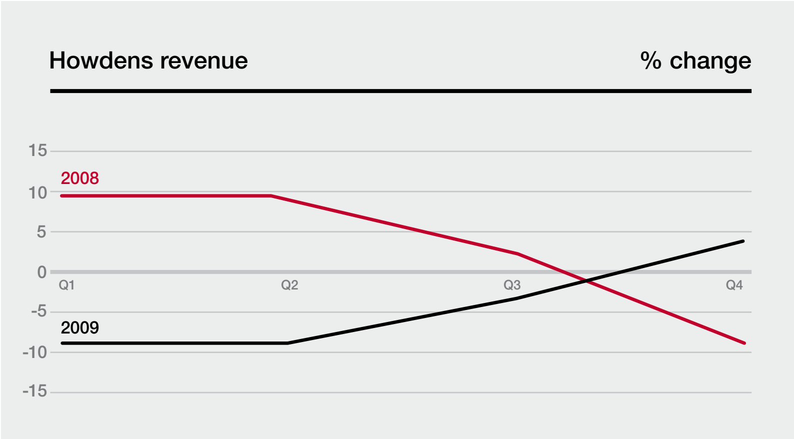
The financial performance of the Group during 2009 benefited from the strength of the Group's competitive position and the characteristics of the end-users of its products. This includes significant exposure to the tenanted housing sector, both public and private, which are subject to different economic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

Total Group revenue fell by £36.2m to £769.5m, primarily reflecting a decrease of £26.5m through Howden Joinery UK, and also reflecting the termination of sales to Hygena Cuisines early in the year.

Revenue	2009 £m	2008 £m
Howden Joinery UK depots	756.4	782.9
Howden Joinery French depots	12.0	11.7
Hygena Cuisines*	1.1	11.1
Group	769.5	805.7

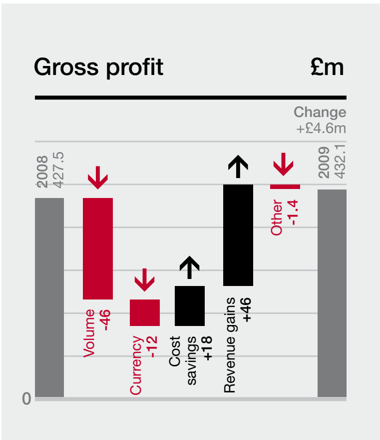
* ceased in H1 2009

Howden Joinery UK depot revenue fell by 3.4% to £756.4m, declining 4.6% on a same depot basis. Trading conditions were stable throughout the year, with evidence of improving market sentiment emerging in the second half. Comparative sales performance improved as 2009 progressed, reflecting the deteriorating sales pattern seen during 2008 (see chart above right). In the last three periods of the year, from early October, underlying sales were around 4% higher than in the comparable periods in 2008.



Sales by our French depots of £12.0m were down 8% in constant currency terms.

Gross profit rose by £4.6m to £432.1m. This reflected an increased focus in our depots on gross profit margin and the benefit of a small price increase implemented early in the year. In addition, gross profit benefited from purchasing and manufacturing efficiencies. These were partly offset by the impact of the lower underlying sales volume and the £11.7m adverse effect of the exchange rate on the cost of goods purchased from overseas suppliers.



As a result, the gross profit margin for the year was 56.2% (2008: 53.1%).

Selling and distribution costs and administrative expenses increased slightly to £352.6m (2008: £351.7m).

Within this, operating costs in Howden Joinery depots opened before 2008 fell as a result of changes to resource levels made in the middle of 2008. In addition, logistics (warehouse and transport) costs were reduced. However, these and other cost savings were partly offset by the impact of inflation on certain other costs (e.g. payroll, property and energy), the costs of newer depots and the reversal of one-off cost savings made in 2008.

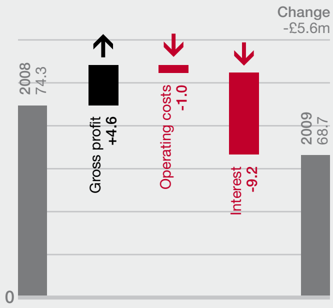
It should be noted that within operating costs there were certain cost savings totalling around £4m that were one-off in nature.

There has been no material increase of bad debt write-offs at this stage. However, the provision for bad debt has increased, reflecting delays in our ability to recover debt through the judicial system and the consequent increase in the ageing of the debtor book.

Operating profit before exceptional items rose by £3.6m to £79.5m.

The net interest charge rose £9.2m to £10.8m, mainly due to the £8.0m finance expense in respect of pensions (2008: £3.3m income). The net result was profit before tax and exceptional items of £68.7m (2008: £74.3m).

Profit before tax and exceptional items £m



There was a small exceptional charge before tax of £0.1m in respect of continuing operations and an exceptional charge before tax of £4.4m in respect of discontinued operations. The latter was reported in the first half of the year and related to the rent and other obligations payable on nine properties which had been occupied by Sofa Workshop prior to it going in to administration early in 2009.

Taxation
The tax charge on profit before exceptional items from continuing operations was £18.5m, an effective rate of tax of 26.9%. This was a result of one-off adjustments, our underlying effective tax rate being around 32%.

Basic earnings per share excluding exceptional items from continuing operations were 8.3p (2008: 8.5p) and including exceptional items were 8.3p (2008: 9.2p). Basic earnings per share including exceptional items from continuing and discontinued operations were 7.6p (2008: loss of 8.6p).

Cash
Net cash inflows from operating activities were £71.4m.

Within this, stock levels at the end of the year were £35.0m lower than at the end of 2008. The reduction was achieved by bringing stock levels into line with current trading in the early part of the year and realising the benefit of a more sophisticated replenishment of stock in depots. The net movement in creditors and debtors was £11.8m.

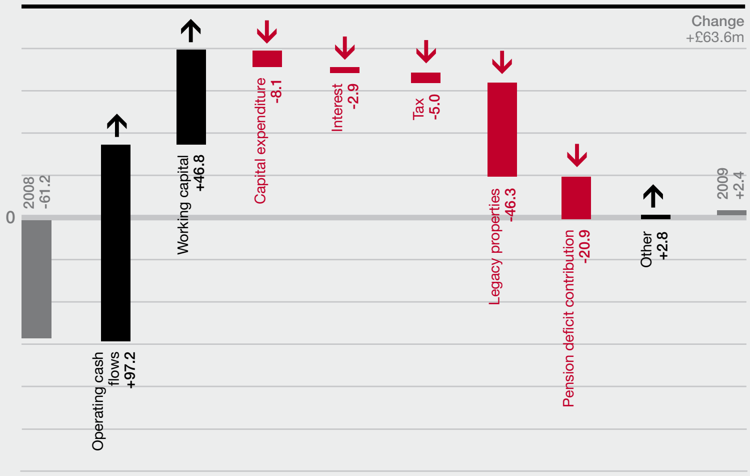
As a result, "underlying" working capital fell by £46.8m. However, payments relating to legacy properties totalling £46.3m, including rent & rates and payments in respect of early termination of leases, meant that reported working capital was virtually unchanged.

Also included within net cash flows from operating activities was a cash contribution to the Group's pension schemes, in excess of the operating charge, of £20.9m (the "pension deficit contribution") and tax paid totalling £5.0m.

Payments to acquire fixed and intangible assets totalled £8.1m (2008: £19.4m).

As a result of the above, there was a net cash inflow of £63.6m in 2009, resulting in Group net cash of £2.4m at 26 December 2009 (27 December 2008: £61.2m net borrowings).

Cash flows £m



Review of operations and finance

continued

Excluding the payments relating to legacy properties and the pension deficit contribution, there was a net cash inflow of £130.8m.

At 26 December 2009, the pension deficit shown on the balance sheet was £196.3m (27 December 2008: £122.2m). The increase in the deficit has been driven by the impact of changes in actuarial assumptions used to calculate liabilities, principally with respect to the discount rate and inflation. This has been partly offset by better than expected asset returns and the Company's contribution to clear the actuarial deficit. As announced in July 2009, the Company has agreed with the trustees of the Group's defined benefit pension scheme the deficit funding contributions for the three years ending April 2012.

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 manage cash flow prudently. Operations throughout the Group are continually 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 development

Following satisfactory trading in the key autumn trading period (Period 11) of 2009, the decision was taken to recommence our UK depot opening programme, and eight new depots were opened in the last four weeks of the year. During the course of the year, two depots were also extended. This meant that 462 depots were trading at the end of 2009.

During the course of 2008, we commenced the introduction of a new front-end IT system in our UK depots. The rollout of this new point-of-sale system, K8, was completed in the first half of 2009.

More recently, we have introduced a new version of the "Fusion" kitchen CAD tool that we use in our depots. This should help our designers to select products and plan kitchens for our customers.

Product development

Investment in product development remains key to our continued success.

In the first half of the year, we introduced the new "Lamona" brand name for our range of kitchen appliances. This move brings a number of competitive advantages.

Last November, we said that we were at the early stages of reviewing our range of kitchens. The review has been completed.

We have now begun the phased rollout of the new kitchens we selected, which will enable us to offer customers improved choice and service. Our selection process included the engagement of depot managers and designers in a series of major events that have been held nationwide, incorporating displays of the new kitchens being introduced. The changes we are making will not affect the number of kitchen options we offer.

Raw materials and finished products, manufacturing and logistics

We continually look to minimise the cost of raw materials and finished products that we buy in, without compromising the quality of our products, their acceptability to our customers and the need to purchase responsibly. We regularly benchmark the cost of existing suppliers against alternatives, and we also look for ways to improve the efficiency of our manufacturing and logistics operations. If necessary, we change product design and specifications, 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 incurred. In 2009, we generated sourcing gains of over £18m and non-volume related logistics savings of £7m.

During the year, new IT systems for manufacturing and warehouse management were successfully implemented in our operations in Runcorn, where we manufactured some 3.5 million kitchen cabinets in 2009. These facilitate improved production planning and stock control.

Group developments

Banking arrangements

The Group has successfully renegotiated the terms of its banking facility, which is provided by Burdale Financial Limited (a member of the Bank of Ireland Group) and Lloyds TSB Commercial Finance Limited.

Under the new terms, the facility will run for an additional three years, until May 2014. The facility will enable the Group to borrow up to £160m.

As before, any loan under the facility carries interest at a rate of LIBOR plus a margin. The minimum margin has increased by 25 basis points to 200, while the maximum of 300 basis points is unchanged.

Apart from a slight amendment to the fixed charge covenant, the existing covenants will apply for the additional three years.

Pensions

In July, the triennial actuarial review of the pension schemes as at April 2008 was completed and deficit funding contributions for the three years ending April 2012 were agreed with the schemes' trustees.

Under the agreement, Galiform's contributions to the pension deficit are shown in the following table.

Pension funding contribution

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

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

Contingent pension funding payments

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

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

Legacy properties

When MFI was sold in 2006, the Group retained liability for a number of vacant properties that had previously been utilised by MFI Retail operations. Following MFI ceasing to trade in 2008 and Sofa Workshop doing likewise in 2009, the Group became liable for a number of other properties that had been occupied by these businesses.

During the course of 2009, the Group's liability for these legacy properties was significantly reduced. Agreement was reached with the landlords of 16 properties to release Galiform from all obligations in respect of the leases, the Group incurring costs totalling £16.5m In addition, our liability for five other properties ended, either because the landlord took the lease back at nil cost or because the lease expired.

As a result, total future costs of over £70m have been mitigated.

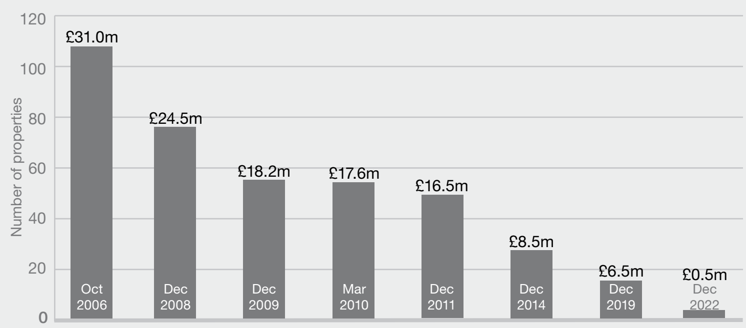
Since the end of 2009, the lease of one further property has been terminated, at a cost of £2.9m, mitigating total future costs of over £12m.

Currently, Galiform retains liability for 54 legacy properties, the current net annual rent and rates of these properties totalling £17.6m.

Current trading and outlook

In what is the quietest time of year for the business, Howden Joinery UK depot total sales fell by 3.7%* in the first two periods of the year (to 20 February), with sales on a same depot basis down by 4.1%*. This result reflects the impact of the heavy snowfall and the prolonged period of cold weather seen in January and February.

Reducing our legacy property liabilities



* Week 1 sales excluded because of distortion arising from New Year's Day falling on different days of the week (Thursday in 2009, Friday in 2010), which meant there was no trading in the first week of this year (2009: £0.8m).

Review of operations and finance

continued

For the rest of 2010, we expect market conditions to continue to be challenging and we are cautious about the outlook. As in recent years, we will continue to adapt our business model to the market and economic conditions we encounter.

The Group remains committed to its view that the number of depots in the UK can be increased to more than 600 in the longer term. During the course of 2010, we are planning to open between 20 and 30 depots as part of our investment in the next stage of Howdens' growth and development.

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 14 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 the business continues to benefit from the growth of its depots that have yet to reach maturity and we open new depots.

Key financial performance indicators

The Group uses a number of financial performance indicators to measure operational and financial activity in the business. These are shown in the financial highlights on the first page of this Annual Report. Non-financial indicators are discussed further in the corporate and social responsibility report on pages 20 to 25.

Total sales growth

Growth in sales of the UK Howden Joinery depots is obviously key to enhancing shareholder value. This measure, along with monitoring our programme of depot openings, tracks the ability of the Group to grow the business.

Operating profit

This is a key measure of the Group's ability to generate profits. The Group targets steady growth in operating profit before exceptional items over the medium term.

Earnings per share (EPS)

We believe that EPS, while not perfect, is an accessible measure of the returns we are generating as a Group for our shareholders, and also has the merit of being auditable and well understood. The key measure of short term financial performance is basic earnings per share before exceptional items.

Depot openings

The business model is based on individual depots providing kitchens to small builders within a local community. The continuing drive to open new depots in new localities is therefore key to the Group's growth prospects. We have the ability to adjust the rhythm of the opening programme in line with economic conditions.

Management of commercial risks and uncertainties

Defined benefit pension scheme

Accounting for pensions and other post-retirement benefits involves judgement about uncertain events, including estimated retirement dates, salary levels, mortality rates, inflation rates, rates of return on scheme assets and determination of discount rates for measuring plan obligations. The assumptions used from year to year may vary, which will affect future results of operations. Any difference between these assumptions and the actual outcome also affects future results of operations. Pension assumptions are discussed and agreed with the independent actuaries in December each year. These assumptions are used to determine the projected benefit obligation at the year end and hence the liability or asset recorded on the Group's balance sheet.

Details of the pensions charge and defined benefit scheme's assets and liabilities are shown in note 24 to the financial statements. This shows a deficit of £196.3m (2008: £122.2m). Changes in this deficit are affected by the assumptions made in valuing the liabilities and the market performance of the assets. Most importantly, the discount rate used for measuring the defined benefit liabilities has decreased from 6.3% in 2008 to 5.6% in 2009.

As part of the secured lending facilities announced on 17 February 2006, the Company and the Trustees together with the Pensions Regulator reached agreement with regard to the funding of the remaining deficit. The Trustees have been granted security over the Group's shares in Howden Joinery Limited.

As part of the triennial valuation, which was completed in 2009, the Group and its pension trustees agreed a schedule of contributions until April 2012. The payment schedule is based on the Group's profit performance, which means that payments will be reduced should performance deteriorate significantly.

Legacy properties

At the end of 2009, the Group was responsible for a total of 55 properties with a net annual rent and rates liability of £18.2m. These properties included non-trading MFI properties excluded from the sale of MFI in October 2006, and properties guaranteed by the Group, the liabilities for which reverted to the Group following the administration of MFI and that of Sofa Workshop. We have already substantially reduced the total number of legacy properties for which we are liable and we continue to work to mitigate our current and future liabilities. As a result, total property provisions at the 2009 year end totalled £84.4m compared with £115.7m in 2008. These provisions are reviewed on a regular basis to ensure that the Group is adequately covered in respect of reasonably foreseeable events.

Since the year end we have agreed with a landlord to terminate a lease, reducing our annual rent and rates liability by a further £0.6m.

Market conditions
The Group's products are sold to professional fitters for installation in public and private housing, predominantly in the repair, maintenance and improvement market. The results are consequently dependent on levels of activity in these markets, which in turn are impacted by many factors including general economic conditions, consumer confidence, interest rates and credit availability, unemployment, demographic trends and, in the short term, weather. We monitor the market closely and can take swift management action to address any adverse change. During the earlier part of 2008, we suspended our depot opening programme and reduced our staff numbers with a view to conserving cash and ensuring our ability to work within our borrowing facilities and covenants. The Group will take action as necessary to ensure that the business is aligned to market conditions.

IT systems
The business involves high transaction volumes and complex logistics. We are therefore heavily dependent on the resilience of both the application software and the data-processing and network infrastructure in our depots, logistics operations and back-office functions. A serious failure could immediately and materially affect our business. The Group has a detailed disaster recovery plan in place. Our main data centre in Northampton has high levels of resilience built into it and we also have a physically separate third party disaster-recovery site in Harrogate.

Continuity of supply
Any disruption to the relationship with key suppliers could adversely affect the Group's ability to meet its sales and profit plans if suitable alternatives could not be found quickly. The Group strives to maintain dual supply wherever possible in the event that one supplier is unable to deliver goods or services. Good supplier relations are maintained by regular communication, an annual supplier conference and prompt settlement of invoices.

Failure to implement business strategy
The future success of Howden Joinery's business depends on the successful implementation of the Company's strategy and culture. In particular, if the Group fails to implement Howdens' business model in the locally enabled, decentralised manner envisaged, there may be an adverse affect on the Group's future financial condition and results of operations.

Product design leadership
If there was a misalignment between the products we offer and the requirements of our customers and the current trends in the market, there could be an adverse change to the Group's future financial condition and results of operations. Active engagement with suppliers, independent research and, critically, depot managers and their designers encourages and enables product development activity.

Loss of key personnel
The Group's success depends largely on the skills, experience and performance of some key members of its management team. The loss of any key members of the Group's management may adversely affect the Group's financial condition and results of operations. The Group utilises the Remuneration Committee to ensure that team members are appropriately compensated for their roles.

Management of financial risks and uncertainties
The Group holds financial instruments for one principal purpose: to finance its operations. The Group does not currently use derivative financial instruments to reduce its exposure to interest or exchange rate movements. The Group finances its operations by a mixture of cash flows from operations and longer term loans from banks. Treasury operations are managed within policies and procedures approved by the Board.

Review of operations and finance

continued

The main risks arising from the Group's financial instruments are funding and liquidity risk, interest rate risk, counterparty risk and foreign currency risk, all of which are discussed below.

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

Funding and liquidity

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

During 2009, the Group had a £175m asset-backed bank facility which was due to expire in May 2011. Since the year end, the maturity of the facility has been extended until May 2014. As part of the extension, the facility has been reduced to £160m, alongside a revised interest rate structure and a slight amendment to the fixed charge covenant.

The Group's committed borrowing facility contains certain financial covenants which have been met throughout the 2009 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. Further detail is given in note 32(a) to the financial statements.

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 unit.

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. The Group's latest forecasts and projections have been stress-tested for reasonably possible adverse variations in trading performance and show that the Group will operate within the terms of its current borrowing facility and covenants for the foreseeable future. The covenant with the lowest headroom is the EBITDA for Howden Joinery, which is calculated each four-week period on a three or six-period 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.

The cash drawdown against the bank facility at the year end was £11.6m and, after taking into account other utilisation of the facilities for terminable indemnities, the Group was left with £110.5m of available funds.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings may be managed when necessary by borrowing on a fixed rate basis and entering into rate swaps, rate caps and forward rate agreements. The Group's policy objective has been to undertake transactions of this nature only when net debt exceeds £150m. Net debt has not exceeded £150m during the year.

Counterparty risk

Group Treasury policy on investment restricts counterparties to those with a minimum Standard and Poor's/Moody's long term credit rating of AA- and a short term credit rating of A-1/P-1. Investments mainly consist of bank deposits and certificates of deposit. The Group continuously reviews the credit quality of counterparties, the limits placed on individual credit exposures and categories of investments.

Foreign currency risk

The most significant currencies for the Group are the US dollar and the euro. It is difficult to pass the prescribed tests under IAS 39 "Financial Instruments: Recognition and Measurement" to ensure the ability to hedge account for derivative currency transactions. As the resultant volatility cannot be avoided in the profit and loss account, it is the view of the Board that routine transactional conversions between currencies are completed at the relevant spot exchange rate. This policy is reviewed on a regular basis.

The net adverse impact of exchange rates on currency transactions in the year, compared to the previous year, was to increase cost of sales by £11.7m to £337.4m. The Group

Principal exchange rates	2009 average	2009 year-end	2008 average	2008 year-end
United States dollar (US$)	1.57	1.60	1.86	1.49
Euro (€)	1.12	1.12	1.26	1.06

does not have many overseas assets/liabilities, so the impact of currency translation is not material.

Set out in the table above are the principal exchange rates affecting the Group's profits. More detail on sensitivity is given in note 32(h) to the financial statements.

No new accounting standards came into effect during the year which have an implication for the Group.

Mark Robson
Chief Financial Officer

3 March 2010

Corporate social responsibility report

Howden Joinery is a leading supplier of kitchens and joinery to trade customers across the United Kingdom through a network of 462 depots. Our kitchens are fitted in all kinds of homes, from local authority and social housing to privately owned and rented flats and houses.

The business was founded in 1995. Today, the Company directly employs over 5,600 people and sells more kitchens than any other company in the UK. Each year, we supply our customers, principally small builders, with around 3.5 million kitchen cabinets, 2 million doors and 400,000 complete kitchens.

Our market leading position means we have responsibilities that must be reconciled with the pursuit of our commercial interests. This report describes the actions we have taken over the past year to ensure that our commitment to all our stakeholders is real and sustainable and continues to progress along with our business. Unless otherwise stated, the report covers the entirety of our business.

Measuring our achievements

Last year we introduced Key Performance Indicators (KPIs) for those areas where we feel that our operations most significantly impact the environment. These KPIs, which are discussed in detail below, help us to ensure that the action we take to reduce our environmental impact is targeted where it will have most benefit, and that our progress is measurable and motivational for all those involved.

We performed well against our KPIs in 2009 and also made progress in other areas of the business. For 2010, we are introducing an additional KPI to measure the effectiveness of our waste management. We will also introduce a more demanding performance target in relation to the supply of energy-efficient appliances.

Committed to responsible manufacturing in the UK

We operate two manufacturing facilities in the UK – one in Runcorn and one in Howden. Manufacturing at scale in the UK benefits our domestic workforce and the communities in which they live and work.

During 2009, our UK-based manufacturing teams produced approximately:

- 3,500,000 kitchen cabinets;
- 800,000 kitchen worktops and breakfast bars; and
- 2,100,000 kitchen frontals.

Having made a decision to bring the manufacture of some of our best selling kitchen ranges back to the UK at the end of 2008, the number of frontals produced in 2009 by our own staff in Yorkshire was over 2.5 times more than they produced in the prior year.

Committed to managing our impact on the environment

Wood

Manufactured product

As a supplier of kitchen and joinery products, wood obviously plays a central role in what we do. It is therefore our policy to always try and source wood in a way that is good for the environment as well as good for our business. Our preferred option is to buy wood which is certified by either the UK Forest Stewardship Council (UK FSC) or by the European Programme for the Endorsement of Forest Certification (PEFC). These respected, independent schemes enable us to source wood and paper products from suppliers that use sustainable methods to manage their forests.

To monitor the effectiveness of this policy, we set ourselves an annual KPI which is:

"To ensure that 100% of our wood product used in manufacturing comes from certified sources."

In 2009, we used 208,000 cubic metres of chipboard and 11,000 cubic metres of MDF in our manufacturing process. As was the case in 2006, 2007 and 2008, all of this came from certified sources.

We also aim to source all our cardboard packaging from either recycled or certified sources. In 2009, we used 2,820 tonnes of cardboard packaging for our manufactured products, all of which came from recycled sources (2008: 2,570 tonnes from recycled sources). It is our intention to aim for a similar high standard in the future.

All our UK manufactured kitchen ranges are certified by the UK FSC. Over 96% of all our UK manufactured product is now UK FSC compliant (2008: 85%).

Bought-in product

As well as manufacturing much of our product in the UK, we continue to source joinery products and kitchen frontals from a range of suppliers in the UK, Europe and elsewhere in the world. Ethical and environmental sourcing is an important factor in our international supply chain, and we expect all our suppliers to exercise high standards in this area.

- In 2009, over 90% of our European timber based product suppliers were certified as sourcing timber from a sustainable supply. We continue to work towards increasing this percentage.
- Regular audits and continuous improvement programmes have become an integral part of supplier selection and development and we continue to audit a sample of our suppliers on an annual basis to verify their compliance with our requirements. Our Vendor Management and Development Programme operates across all our key suppliers and incorporates measures relating to environmental, health & safety and ethical performance as well as to commercial performance in areas such as quality.
- Our key finished goods suppliers are audited annually by a dedicated team using recognised quality performance metrics and measures. In 2009, all our key suppliers were audited and assessed for compliance. All achieved an A rating in this programme (2008: 80%).
- The increasing focus on environmental matters by our customers, particularly those working with local authority and housing association properties, means that we are constantly required to review our products, our supply chain and our logistical and operational processes to ensure that we address their concerns appropriately.
- Howden Joinery has been certified by the UK FSC and the PEFC since February 2008. At the end of 2009, 19 of our 43 kitchen ranges (44% of our kitchens) were fully compliant with UK FSC requirements (compared to 25% in 2008). We aim to maintain this proportion in 2010.

Energy

The two key areas where we have specifically concentrated our efforts to measure and reduce energy consumption are at our manufacturing sites and across our fleet of trucks. We are also working to increase the number of energy efficient products which we supply to our customers.

Manufacturing

- One of our key metrics for energy usage in our factories is the electricity we consume per cabinet produced. Following restructuring in 2008, we reset our baseline measurement for energy consumption per cabinet to 3.62Kw/Hr per unit and we set ourselves a target of reducing this in 2009. We are therefore pleased to report that during the year we reduced consumption by 9% per unit to 3.28Kw/Hr and we aim at least to maintain this lower level of energy usage in the coming year.
- The Company remains certified under the Carbon Trust's prestigious Energy Efficiency Accreditation scheme, an accreditation which we have held continuously for more than ten years.
- At the end of 2008, we committed to extending our ISO14001 accreditation further within our manufacturing and logistics operations. In 2009 we achieved this objective with all our manufacturing operations now certified to ISO14001, along with our warehousing facilities at Howden.

Truck fleet

The Company operates a fleet of 106 trucks and has decreased the size of its fleet by 34% in the last 2 years. This reduction in the number of trucks which we operate was achieved through a traffic sharing arrangement in conjunction with our haulier partners. This arrangement improved our transport usage by removing inefficiencies and maximising use of backhaul capacity.

In 2008 we set ourselves a target:

"To increase the proportion of our trucks that are Euro4 compliant and above over a three year period."

In just two years, we have changed our entire truck fleet and all our trucks are now Euro5 compliant.

Corporate social responsibility report

continued

Car fleet

Last year we decided to reduce our carbon emissions further by allocating more eco-friendly cars to our sales representatives and depot managers (who account for approximately 80% of our car fleet usage). This change will mean that over 800 vehicles will be replaced by more environmentally friendly models over the next four years.

Products

In line with EU regulations, all kitchen appliances must be rated and labelled in respect of energy efficiency. Until recently, ratings ranged from A-G with A being the most energy efficient. Some appliances also qualified for A+ and A++ ratings.

For the last three years, our KPI in this area has been to ensure that at least 90% of our products were A rated or above. As in previous years, during 2009 we met this KPI. However, positive developments in the market and moves towards more stringent legislation in this area mean that more products now meet this standard.

In order to ensure that our KPIs are sufficiently demanding, we have therefore decided to implement new targets from 2010 onwards, aiming to improve the efficiency of our best selling products both in terms of energy consumption and water usage over the coming three years. Our targets in relation to electrical appliances will therefore be as follows:

"To improve the efficiency of our best selling electric ovens by reducing the kilowatt consumption per hour by 5% or more over the next three years."

"To reduce the water consumed per cycle by 5% or more for laundry and dishwashers over the next three years."

In addition to measuring our performance against our chosen KPIs, at the beginning of 2009 we also made a commitment to gain Energy Savings Trust certification for some of our appliances. Two of our appliances (HJA 8640 dishwasher and HJA 8553 washing machine) are now certified and recommended by the Energy Savings Trust. We hope to have more of our products certified during 2010 as we work with our suppliers to continue to improve performance in this area.

Waste

Our employees are encouraged to consider how we can improve our environmental performance in all areas by reducing consumption, re-using materials and recycling wherever possible.

- In 2009, we made good progress in the area of waste management. We achieved a 20% reduction in the amount of waste produced from our manufacturing operations (54,000 tonnes in 2008 down to 43,300 tonnes in 2009), and we also managed to recycle over 95% of that waste compared to 90% in the prior year. In 2010, we aim to maintain a high percentage of waste recycled and will therefore introduce a new KPI:

"To recycle more than 95% of all manufacturing waste produced."

- One element of "waste" from the manufacturing process is sawdust. In 2009, we converted over 23,500 tonnes of sawdust into energy at our Howden and Runcorn sites, with the sawdust fuelling eight wood combustion boilers that burn this waste to heat our factories. This equates to approximately 122,000 Mw/Hr of energy generated from sawdust in 2009.
- In 2009, a returnable "eco-pallet" initiative was introduced resulting in 79 tonnes of transit waste being removed during the year.
- We also continued the initiative started in 2007 to recover and repair pallets which would otherwise have been scrapped. This year we recovered more than 134,000 pallets, 16% up on the prior year (2008: 115,000).

Committed to supporting our workforce to acquire and practise core skills

Employee responsibilities

We take our responsibilities as an employer very seriously and we aim to provide a positive work environment for all our staff, whether they work in factories, warehouses, depots or offices. Our culture emphasises the importance of individual accountability, which means the personal responsibility of each of us towards those we work with every day. We are proud of this culture, which encourages openness and transparency within the business and has been vital to its growth and development since 1995.

This culture is reinforced by our commitment to certain core principles:

- Recognising by reward the hard work of all employees.
- Investing in training and development across the business.
- Ensuring that recruitment, career success and progression are solely determined by an employee's abilities and achievements.

In December 2009, we were invited to enter Howden Joinery for the Sunday Times "Best Companies to Work For 2010" award, which measures workplace engagement via an employee survey and an in-depth questionnaire. We reached the Top 25 of the "Big Companies" section of the award, and were especially pleased to achieve a 75% rate of return on our employee questionnaires (against the 29.5% minimum required).

Supporting learning and development in the community

Howden Joinery's heritage and culture means we place a high value on the whole range of skills – technical, commercial and interpersonal – that are practised by local tradespeople. We are keen to promote the use of these skills in the workplace and interest in them in the wider community.

Developing apprenticeships and training at Howdens

During 2009, we further promoted the use of apprenticeships within the workplace. The Group currently employs seven modern apprentices in our Supply division and 20 within the depot network. In addition, we are supporting over 160 staff across the Group in their achievement of a variety of NVQ and other professional qualifications.

As part of this commitment to developing our staff we have, in conjunction with a training partner, Talent Training UK LLP, launched a unique course in Trade Customer Service which can be accredited either as an apprenticeship or NVQ Level 2. Created on a bespoke basis for Howdens to develop skills which are core to our business, the programme delivers not only development opportunities for the individuals involved but also helps us to deliver true value to the business as their skills are enhanced and improved.

As well as supporting staff in gaining external accreditations, our staff have also invested their time in internal courses with over 80,000 training hours completed during the year. Courses were offered in subjects ranging from HR skills to manual handling, from diversity & inclusion to health & safety, from environmental awareness to LGV and fork-lift truck driving. IT training was also prevalent as we launched new systems into the business. The plan is to invest in training to the same degree in 2010 as well as maintaining a strong in-house delivery capability in training as we continue to encourage staff to achieve training qualifications in their own right.

Encouraging apprentices and traditional skills in the community

As well as a commitment to developing our own staff, at Howdens we believe that one way of offering support to the local tradespeople we serve and keeping their traditional skills alive, is to give young people the opportunity to learn traditional skills and understand how to deploy them professionally. To support that objective we have developed two initiatives during the year.

The first of these has been to continue building relationships with local further education colleges which offer courses in construction skills. As well as supplying college departments with discontinued products on which students can practise their joinery skills, our depots also sponsor prizes, offer fitting guides and tools, and encourage students and builders to visit our marketing trailers as they tour the country. This not only exposes students to real product but also creates links between students and local businesses who may be able to offer them apprenticeships or work experience opportunities. In 2010, we plan to support a number of colleges offering specific courses in kitchen installation by providing "real life" kitchen sets and equipment. Two colleges in Stockport and Newcastle have already benefited in this way in 2009.

Our second initiative has been to work with ConstructionSkills, the Sector Skills Council and Industry Training Board for the construction industry, to put in place a bursary scheme for new apprentice joiners. The scheme, which is the first of its kind in the country for any industry, aims to fund first year wages for around 20 new apprentice joiners. The intention is to create new opportunities for apprentices in companies which would otherwise be unable to afford to fund apprenticeships.

Corporate social responsibility report

continued

Other than stipulating that the money be used for apprentice joiners, Howdens has no involvement in choosing either the apprentices or the companies involved.

Health & Safety

The managers and directors in our operating divisions are personally responsible and accountable for the health & safety of their employees. The health & safety requirements of these two divisions necessarily differ somewhat and as such, each of the operating divisions reviews its own strategy, issues and performance on a regular basis.

In the depots

- There were 35 reportable health & safety incidents in our 462 depots during 2009 (2008: 34). As well as maintaining a low number of incidents across the depot network, we were also pleased to note a 54% reduction year on year in the number of working hours lost due to injury (2008 already represented a 21% reduction on 2007).

- We continue to run a defensive driving course for those staff across the depot network who are required to drive as part of their day to day role. A total of 203 drivers completed the course in 2009.

In our manufacturing, warehouse and distribution sites

- All our manufacturing, warehouse and distribution sites are now certified to OHSAS 18001 in line with our commitment made in late 2008 to extend our OHSAS 18001 accreditation.

- Our Supply division achieved a 67% reduction in reportable injuries in 2009 (16 compared to 48 in 2008) and a 29% reduction year on year in lost working time.

- We continue to support the knowledge and awareness of staff in this area, by encouraging staff to gain externally accredited health & safety qualifications (IOSH, NEBOSH and CIEH) as well as training operatives in the requirements of OHSAS 18001.

- In recognition of our achievements in health & safety, our Howden site was also proud to receive the British Safety Council's prestigious International Safety Award for its excellent performance in this area.

Across the Group, there were no improvement or prohibition notices served on us during the year by the Health & Safety Executive (HSE), nor were there any prosecutions by the HSE or the Environment Agency.

Committed to playing an active part in our local communities

Our business is driven at local level, and it is our policy to engage in community activities at local level too.

Each depot, manufacturing site and distribution centre fulfils an important role in the life of the area it serves, and all our staff are encouraged to make a contribution to the local community.

This year, our staff made around 1,750 donations to local good causes (2008: 1,300). This amounted to some £599,000 across the Group (2008: £425,000). As well as cash donations and employee fund raising initiatives, the Group donated joinery and kitchen equipment to local schools, village halls, care homes (see below), local youth groups and sports clubs.

Leonard Cheshire Disability is a key community partner for us and, mindful of their reliance on volunteer support (they need to recruit 1,000 new volunteers a year), in 2009 we decided to increase our contributions to their volunteer recruitment and training programme, which we have now funded for the past three years. Our staff continue to find ways to fundraise for Leonard Cheshire, taking part in various sponsored challenges throughout the year. For example, the 26 people who entered the Great North Run for Howdens this year managed to raise enough money to fund the purchase of a new minibus for the Leonard Cheshire care home in Liverpool.

Our inclusive kitchen research with Leonard Cheshire, inspired by working with their residents, helps us to offer relevant, affordable kitchen solutions to our customers, regardless of their ability. In 2009 we designed, donated and installed four further kitchen "activity" centres in various Leonard Cheshire Disability locations across the UK. We also revisited three centres to upgrade and improve facilities following feedback from residents. Our multi-ability kitchen solutions, available from stock, work particularly well for local authorities and housing associations, who have to meet minimum criteria for the housing of disabled residents, frequently without knowing for whom they are providing facilities before they are installed.

We are proud of the fact that our staff, our customers and indeed all our stakeholders take such an active part in giving something back to their local communities. In celebration of their generosity, in spring 2009 we launched a series of "Truly Local" books – pocket-sized illustrated books that tell the stories of people everywhere who enrich our lives through their engagement with their local community. We are lucky in the fact that these books represent only a fraction of the good work carried out by our staff and customers and their families as part of their daily lives.

Matthew Ingle
Chief Executive

3 March 2010

Board of directors

Non-executive Chairman

Will Samuel

Will was appointed a non-executive director and Chairman designate in July 2006 and became Chairman in October 2006. He is a Vice Chairman of Lazard & Co Ltd, Deputy Chairman of Inchcape plc and of Ecclesiastical Insurance Group plc and a non-executive director of the Edinburgh Investment Trust plc. Prior to this he was a director of Schroders plc, Co-Chief Executive Officer at Schroder Salomon Smith Barney (a division of Citigroup Inc) and Vice Chairman, European Investment Bank of Citigroup Inc and Chairman of H P Bulmer plc. He is a Chartered Accountant.

Chief Executive

Matthew Ingle

Matthew was appointed Chief Executive in October 2005. He set up Howden Joinery in 1995 and has been responsible for its growth into a successful business today. Prior to joining the Company he had been Managing Director of the Magnet Trade operation. He was elected to the Board of the Company in 1998.

Chief Financial Officer

Mark Robson

Mark joined the Board in April 2005 as Chief Financial Officer. Mark spent the previous six years as Group Finance Director at Delta plc. Prior to this, he had held a number of senior financial positions with ICI between 1985 and 1998. He is a Chartered Accountant and qualified with Price Waterhouse.

Non-executive directors

Angus Cockburn

Angus was appointed a non-executive director in October 2006. He has been Group Finance Director of Aggreko plc since 2000, having previously been Managing Director of Pringle of Scotland and Regional Finance Director Central Europe for Pepsico Foods. He is a Chartered Accountant and qualified with KPMG Peat Marwick.

Ian Smith

Ian was appointed non-executive director in September 2001. Most recently Chief Executive Officer of Reed Elsevier plc, he was previously Chief Executive Officer of Taylor Woodrow plc, Chief Executive Officer of the General Healthcare Group, CEO Europe for Exel, Group Commercial Director of Ocean Group plc (before its merger with NFC to form Exel) and prior to that, Managing Director of Monitor Company Europe Ltd, a strategy consulting firm. Ian began his business career with the Royal Dutch Shell Group of companies, working with Shell UK Oil in various roles. He then moved to the Middle East where he was Marketing Director of Shell Oman and set up and managed the Shell joint venture in Jordan.

Peter Wallis

Peter was appointed a non-executive director in January 2001. Peter is Senior Partner and founder of the respected SRU strategy and market research consultancy. His speciality is advice to CEOs on strategic direction.

Michael Wemms

Michael was appointed a non-executive director in November 2006. Michael was Chairman of House of Fraser plc from 2001 until November 2006 and was an executive director of Tesco plc from 1989 to 2000. He is a non-executive director of Inchcape plc and Moneysupermarket.com plc. He was Chairman of the British Retail Consortium from 2004 until 2006.

Directors' report

The directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 26 December 2009. Comparative figures relate to the 52 weeks ended 27 December 2008.

Principal Group activities, business review and results

The principal activity of Galiform Plc and its subsidiaries is the sale of kitchens and joinery products, along with the associated procurement, manufacture and distribution of these products.

The Company is required by the Companies Act to include a business review in this report. The information that fulfils the requirements of the business review can be found in the following sections which are incorporated in this report by reference:

- Chairman's statement on pages 6 to 7.
- Chief Executive's statement on pages 8 to 11.
- Review of operations and finance on pages 12 to 19 (including a review of principal risks and uncertainties and key performance indicators).
- Corporate Governance report including Going Concern statement on pages 42 to 49.
- Corporate Social Responsibility report on pages 20 to 25 containing environmental matters, social & community issues and additional information on employees.

The full results for the period are shown in the financial statements on pages 50 to 109.

Information about the use of financial instruments by the Company and its subsidiaries is given in note 32 to the financial statements.

The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in the table of Parent Company and Principal Subsidiary Undertakings on page 110.

There have been no significant events since the balance sheet date other than the extension of the ABL facility detailed in note 23 to the financial statements.

Dividends

The Board is not recommending payment of a final dividend (2008: nil). No interim dividend was paid during the year (2008: nil).

Share capital

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 26. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 30. Shares held by the Galiform Plc Employee Share Trust abstain from voting.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation. The Articles may be amended by special resolution of the shareholders. The business of the Company is managed by the Board who may exercise all the powers of the Company subject to the provision of the Articles of Association, the Companies Act and any ordinary resolution of the Company.

Under its Articles of Association, the Company has authority to issue 1,077,656,060 ordinary shares.

There are a number of agreements that take effect, alter or terminate upon a change of control such as commercial contracts, bank loan agreements and employee share plans. The only one of these which is considered to be significant in terms of likely impact on the business of the Group as a whole, is the bank facility (as described in note 23) which requires majority lender consent for any change of control. Should such consent not be forthcoming, a change of control would trigger a mandatory repayment of the entire facility.

Directors' report

continued

The directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Essential contracts

The mission of the Group relies on product of "no-call-back quality" being in stock at all times in order to service the needs of the builder. The Group benefits from a number of contracts which are key to providing the volume of product required to enable the Group to fulfil this mission but is nevertheless confident that other commercial solutions would be available should these contracts be terminated.

Contracts with key personnel are discussed in the review of principal risks and uncertainties on page17.

Directors and their interests

Details of the directors in office on 26 December 2009 are shown on page 26.

Will Samuel, Angus Cockburn, Michael Wemms and Ian Smith will retire by rotation at the Annual General Meeting and, in accordance with Article 76 of the Articles of Association, offer themselves for re-election.

In proposing their re-election, the Chairman confirms that the Nomination Committee has considered the formal performance evaluation in respect of those directors seeking re-election and the contribution and commitment of the directors that are required to offer themselves for re-election. He has confirmed to the Board that their performance and commitment is such that the Company should support their re-election.

Information on the directors' service agreements, options and interests of the directors and their families in the share capital of the Company, is set out in the separate Directors' Remuneration Report on pages 30 to 41. Details of indemnity provisions made for the benefit of directors are given in the Corporate Governance Report on pages 42 to 49.

Suppliers' payment terms

The Group and Company's policy in relation to all its suppliers is to settle its terms of payment when agreeing the terms of the transaction and to abide by those terms provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The number of days' purchases outstanding for payment by the Group at the period end was 38 days (2008: 41 days) and nil (2008: nil) for the Company.

Fixed assets

There is no material difference between the book value and the current open market value of the Group's interest in land and buildings.

Charitable and political contributions

In addition to kitchen and joinery products and services donated to various charities, the Group made charitable donations during the period amounting to £599,000 (2008: £425,000). The Group made no political donations during the current and previous period.

Substantial shareholdings

As at 3 March 2010, the following substantial interests (3% or more) in the Company's share capital had been notified to the Company:

Standard Life Investments Ltd	16.94%
Old Mutual Asset Managers (UK) Ltd	5.33%
Jupiter Asset Management Ltd	5.28%
JP Morgan Asset Management (UK) Ltd	5.07%
Cazenove Capital Management Ltd	4.64%
J M Finn & Co	4.42%
EES Trustees International Limited (as Trustee of Galiform Employee Benefit Trust)	4.56%
Classic Fund Management	4.09%
Deutsche Bank AG (Abbey Life Assurance Company Ltd)	3.96%
Legal & General Assurance (Pensions Management Ltd)	3.87%

The percentage interest is as stated by the shareholder at the time of notification and current interests may vary.

Acquisition of the Company's own shares

At the end of the year, the directors had authority under the shareholders' resolutions of 15 May 2009 to purchase through the market 63,391,533 of the Company's ordinary shares at prices ranging between 10p and the higher of (a) 105% of the average middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System. The authority expires at the conclusion of the next Annual General Meeting or 15 months from the date of passing.

Employees

The average number of employees and their remuneration are shown in note 8 to the financial statements.

At the year end, the Group had 5,619 employees throughout the United Kingdom and overseas. It strives to engage its employees wherever possible in its business goals by means of regular regional and local staff meetings.

The Board remains committed to linking reward to business budgets and targets, thereby giving employees the opportunity to share in the financial success of the Group. In keeping with the structure of the business, the Company is committed to applying this policy locally, and as a result, staff of all levels regularly benefit from achieving local targets throughout the year. The Board also recognises employees for their contribution through the use of employee incentive plans and share plans within overall remuneration.

The Group promotes the importance of diversity and adopts an Equal Opportunities Policy under which training and career development opportunities are available to all employees, regardless of gender, religion or race. The Group is committed to meeting the code of practice on the employment of disabled people and full and fair consideration is given to disabled applicants for employment. It aims to do all that is practicable to meet its responsibility towards the employment and training of disabled people and welcomes and considers fully applications by disabled persons, having regard to their particular aptitudes and abilities. It is also the Group's policy to retain employees who may become disabled while in service and to provide appropriate training.

Audit information and auditors

Each of the persons who is a director at the date of approval of this annual report confirm that:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting is to be held at UBS Investment Bank, 1 Finsbury Avenue, London, EC2M 2PP on 19 May 2010.

By order of the Board
Caroline Bishop
Secretary

3 March 2010

Directors' remuneration report

Summary of changes in the year

The principal driver for the Remuneration Committee when setting total remuneration is to ensure that the remuneration arrangements provided to the executive directors and their senior colleagues continue to support the strategic imperatives of the business.

In making decisions the Committee takes into account regulatory guidance and market sentiment. In 2009, this included not only the difficult economic conditions, but also the general public sentiment towards executive pay as well as developments in regulatory guidance, including the FSA review on remuneration practices.

In light of the above, the Committee decided to make the following changes to executive director packages:

- Total potential compensation for 2009 was set at a lower level than for 2008.
- Salaries for executive directors for 2009 were frozen at 2008 levels.
- The profit share element of the 2009 annual bonus was simplified by applying a fixed profit share percentage above a minimum acceptable risk-adjusted level of performance.
- Annual bonus was structured so that any bonus earned for 2009 in excess of 100% of salary must be deferred into shares, half of which vests after one year and half vests after two years subject to continued employment.
- The long term incentive potential was adjusted to reflect the Board's decision to curtail the aggressive depot opening strategy. Instead of using the Co-Investment Plan in 2009, executive directors were granted a more modest award of premium-priced share options where the exercise price was set higher than the market price. A premium exercise price was used to avoid windfall gains that might arise given the low share price at the start of the year. The exercise of the options was also subject to achieving a cumulative profit target over three years.

Summary of planned changes for 2010

The Company does not anticipate any significant changes to executive director packages in 2010. However, there are two key points to note:

- The maximum annual bonus in respect of cash flow performance will be reduced from 50% of salary to 40% of salary. The profit share percentages for the CEO and CFO have also been reduced compared to last year.
- Last year, a few of our largest shareholders expressed concerns over the use of options with a premium exercise price as the primary performance condition with a profit underpin. Their concern was that executives could potentially be rewarded for general market movements in share price rather than underlying improvements in performance. In light of this feedback, the Committee has decided in 2010 to grant market value share options with scaled profit performance targets and vesting.

Compliance

This Report sets out information on the remuneration of the directors of Galiform Plc for the year ended 26 December 2009.

We have prepared this Report in accordance with the Companies Act 2006, Statutory Instrument 2008/410 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) and to meet the requirements of the Listing Rules of the UK Listing Authority. We describe how the principles of good governance relating to directors' remuneration set out in the Combined Code on Corporate Governance (the Code) are applied in practice.

The Regulations require our auditors to report to shareholders on the audited information within this Report and to state whether, in their opinion, those parts of the Report have been prepared in accordance with the Companies Act 2006. The auditors' opinion is set out on page 104 and the information in Part B of this Report has been audited by Deloitte LLP.

Part A Unaudited Information

The Remuneration Committee

The Remuneration Committee comprises four independent non-executive directors who have no personal financial interest, other than as shareholders, in the matters to be decided. During the year, the members of the Committee were:

- Michael Wemms (Chairman)
- Angus Cockburn
- Ian Smith
- Peter Wallis

Under its term of reference (published on Galiform Plc's website at www.galiform.com and reviewed on an annual basis) the Committee is responsible for determining the broad policy and specific remuneration packages for executive directors, the Company Secretary and other members of the Executive Committee, including pension rights and, where applicable, any compensation payments.

The Committee met six times during 2009 and attendance of the Committee is shown in the table in the Corporate Governance report. The meetings covered the following key areas:

- Benchmarking the competitiveness of the total reward package.
- Review of entitlements under the 2009 annual bonus plan.
- Review and agreement of pension arrangements including salary supplements in lieu of pension provided to executive directors.
- Review of incentives for 2009 and 2010.
- Review and agreement of the remuneration report to shareholders.
- Review and agreement of the Chairman's fees.

The Committee's Chairman ensures that the Group maintains timely dialogue with its principal shareholders on executive remuneration. During the year, the Committee Chairman consulted with some of our largest shareholders on the changes to executive remuneration in 2009.

The Committee regularly consults with the Chief Executive on matters concerning remuneration, although he is never present when his own reward is under discussion. The Company Chairman attends the Remuneration Committee by invitation except when his own remuneration is determined. The Company Secretary acts as secretary to the Committee but is never present when her own reward is determined. The Committee received advice from PricewaterhouseCoopers LLP ("PwC") during the year. PwC were appointed by the Committee and also provided tax advice to the Company during the year.

Remuneration policy for executive directors

In determining the executive remuneration policy, the Committee considers factors which it deems necessary to ensure that senior executives of the Group are provided with appropriate incentives to encourage stronger performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company and the creation of shareholder value.

The Committee determines policy for current and future years, which is reviewed on an annual basis. Galiform's remuneration policy is set out below:

- The remuneration package should be simple and support the transition of Galiform to maturity while continuing to encourage an entrepreneurial culture.
- Where possible, there should be a common and consistent remuneration policy throughout the business from the CEO down to the depot managers.
- Our policy is to position base salaries at the median level against companies of a similar size and complexity.
- Upper quartile levels of total remuneration should be available for truly superior performance with at least two-thirds of the executive directors' total potential reward being performance-related.
- Annual cash-based incentives are considered to be an effective incentive but the overall reward policy also encourages executives to own and invest in Galiform shares aligning performance over the longer term.
- Profit growth and cash management, which are within management's control and influence, are considered to be the key performance drivers of shareholder value. The Company's targets are considered achievable but still at the top end of stretching performance.
- Executives are encouraged to invest in shares in the Company and to build and maintain a shareholding of at least one times salary over a reasonable time frame (two times salary for CEO).

Galiform's remuneration arrangements for the senior management team places a strong emphasis on performance-related reward. The individual elements are designed to provide the appropriate balance between fixed remuneration and variable "risk" reward, linked to the performance of the Group. In making decisions, the Committee takes into account a number of factors, including the strategy of the Company and the relationship between remuneration and risk and affordability.

Directors' remuneration report

continued

Components of executive director remuneration

Summarised below are the key elements of the total reward package provided to executive directors and the purpose of each element:

Element	Maximum value	Purpose
Base salary	N/A	To recognise market value of role and individual's skill, responsibilities, performance and experience.
Annual bonus	200% of base salary. Any bonus in excess of 100% of salary is deferred into shares.	To reward annual profit and cash flow performance over the short term. The deferred element of the bonus aligns annual financial performance and bonuses with sustainable performance over the medium term.
Share options	Face value of award of 200% of base salary.	To reward improvements in shareholder value over the longer term and to align management and shareholder interests.
Pension & benefits	N/A	To provide a competitive level of benefits, providing short term protection and long term savings opportunities.

i. Base salary

The Committee's policy is to position base salary for each director at the median level compared to market practice. Base salaries are reviewed annually and are determined by taking into account the performance of the individuals, changes in their responsibilities and information from independent remuneration consultants on the levels of salary for similar jobs having regard to the size of the Company – its turnover, market capitalisation and complexity. The Committee also takes into account internal relativities and the total remuneration of the executives compared to the market. Base salary is the only element of remuneration which is pensionable. In addition, benefits are provided to executive directors in accordance with market practice.

As a result of the Company's restructuring in 2006, the salaries for the CEO and CFO are currently above the median of market practice and therefore outside the stated policy. The Committee remains committed to aligning policy with practice over the coming years.

In line with this stated policy and reflecting the current economic environment, executive director salaries were frozen for 2009 and will be frozen for 2010.

Executive director	Salary 2009	Increase on prior year	Salary 2010	Increase on prior year
Matthew Ingle	£538,000	0%	£538,000	0%
Mark Robson	£360,000	0%	£360,000	0%

ii. Incentive arrangements

Annual bonus

Annual bonuses payable to executive directors in respect of 2009 comprised two elements. The first element related to pre-exceptional profit before tax ("PBT"), and the second element related to cash flow performance over the year. The maximum annual bonus a participant can receive under the combined elements is 200% of salary. Any bonus earned over 100% of salary will be deferred into shares, with 50% of the deferred amount released after year one and 50% released after year two subject to continued employment.

The PBT element of the bonus is determined on a "profit share" basis whereby an executive can earn a bonus based on a fixed percentage of the Company's PBT. No bonus in respect of the PBT element is paid below a minimum acceptable risk-adjusted level of performance. For 2009, the minimum level of performance was set at £27m being equivalent to a return on assets equal to at least the weighted average cost of capital return.

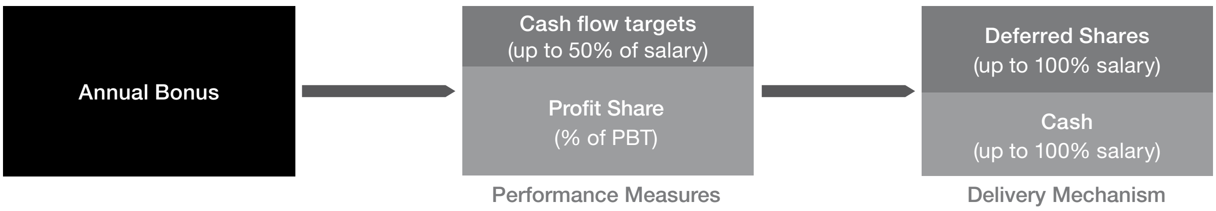
The following table shows the percentage profit share for the main board directors for 2009:

	M Ingle	M Robson
Percentage Profit Share	0.60%	0.40%

In respect of the cash flow element of the bonus, executives can earn up to 50% of salary based on achieving pre-determined cash flow targets. 15% of salary will be paid for achieving Threshold target with up to 50% of salary payable for achieving a Maximum target, with payments determined on a straight line basis between these points. No bonus in respect of the cash flow element will be paid below Threshold.

Cash flow targets were assessed again at the end of February 2010 to ensure that cash flow levels had been maintained beyond the December 2009 year end. Cash flow is defined as the difference between reported Net Debt at the end of the financial year and the beginning of the financial year.

A summary of the operation of the annual bonus plan for 2009 is shown below:



The Group's performance against its financial targets, as it affected the payout of the bonus in respect of the performance year ending December 2009, is shown in the table below:

	Actual Performance in 2009	Bonus as % of salary	
Key performance indicator		M Ingle	M Robson
PBT	£68.7m	77%	76%
Cash inflow	£63.6m	50%	50%
Total bonus earned		127%	126%

Directors' remuneration report

continued

Share Option Plan Portfolio

Following consultation with our largest shareholders, the Committee decided to grant premium-priced share options in 2009 with a profit underpin instead of using the Co-Investment Plan. The rationale was:

- The Co-Investment Plan is highly leveraged and was designed at the time to support the Company's aggressive depot opening strategy. When economic conditions started to deteriorate, the Board decided it was prudent to curtail the aggressive depot opening strategy. Accordingly, the Committee thought it was appropriate to adjust the total package and suspend using the Co-Investment Plan for the time being.

- The Committee wanted to use a simple incentive that rewarded management for improvements in shareholder value though the Committee was mindful to avoid excessive windfall gains by executives given the relatively low share price at the time of award.

The award of share options granted in 2009 was split into two tranches, each with a premium exercise price. An award of share options with a face value of 100% of salary and an exercise price of 25p; plus an award of share options with a face value of 100% of salary and an exercise price of 50p.

The options are exercisable after three years subject to the Company achieving a cumulative PBT of £90m over the three financial years ending December 2011. A cumulative measure has been chosen to mitigate any potential volatility in annual performance over the three years particularly in the current environment. The Remuneration Committee also retains discretion to reduce the number of options that are exercisable at the end of three years if they consider that the performance in any year during the performance period is unsatisfactory. A summary of the operation of the Share Option Plan Portfolio for 2009 is shown below:

Performance Measures

Delivery Mechanism

The Remuneration Committee may, in addition to the performance targets described above, at its discretion and where it considers it appropriate reduce the numbers of options that may be exercised to take account of an individual's general performance and the overall performance of the Company over the three year performance period.

Incentives for 2010

It is intended that our executive incentive arrangements will remain broadly consistent for 2010. The Profit Share Plan structure combined with an award of share options is well understood by the management team and provides a strong link to performance, with PBT and cash management continuing to be considered to be the key performance drivers of shareholder value. However in 2010, the Committee intend to make the following changes:

- Annual bonus
  The profit share percentage applicable for 2010 has been reduced compared to last year. The profit share percentages will be between 0.4% to 0.5% for the CEO and 0.30% to 0.35% for the CFO depending on the level of PBT achieved. No profit share will be paid below a return on assets that is less than the weighted average cost of capital return. The maximum bonus in respect of cash flow performance has been reduced from 50% of salary to 40% of salary.

- Share options
  An award of market value share options will be granted in 2010 to the CEO and CFO with a face value equivalent to 200% of salary. These options will be exercisable after three years subject to the following PBT growth over the three financial years ending December 2012.

PBT growth targets	Proportion of the share option award that is exercisable
RPI + 8% p.a. or above	100%
	Straight-line vesting between these points
RPI p.a.	15%
Below RPI p.a.	0%

Other existing arrangements

The following incentive plans (discretionary and all-employee) are also at the Committee's disposal. These plans were not operated in 2009.

- Co-Investment Plan ("CIP")
  Under the CIP, participants are eligible to invest up to a predetermined number of their own shares into the plan for a period of three years. In return for their commitment, each invested share can be matched with up to five additional shares subject to the achievement of stretching performance targets over the three year vesting period. No award was made under the CIP in 2009 and there is no intention to use the CIP for executive directors in 2010.

- Performance Share Plan ("PSP")
  A new PSP was adopted by the Company at the AGM in 2009 on broadly similar terms to our previous plan but with rules (i.e. change of control and leavers) brought into line with current corporate governance best practice. No awards have been made to directors under the PSP since 2005 and there is no intention to grant any further shares under this plan in 2010 for executive directors. Conditional awards of shares equivalent to one times salary have previously been made to executive directors annually at the discretion of the Committee and are released subject to the achievement of company performance targets.

- FreeShare Plan
  The FreeShare Plan was introduced in 2002. Executive directors may participate in the Plan on the same terms as all other eligible employees. The plan is HMRC approved and is not subject to performance conditions other than continued employment. Under the FreeShare Plan all eligible employees were invited to accept an allocation of up to £200 of the Company's shares in September 2002 and again in May 2003. The shares are held in a Trust for a holding period being between three and five years after which the award of shares will vest and participants may withdraw their shares. No further allocations have been made since those dates.

Directors' remuneration report

continued

iii. Pensions

Executive directors can participate in the Galiform Pension Plan ("The Plan"). The Plan is funded and HMRC approved. With effect from 1 September 2006 the basis changed to a hybrid defined benefit, occupational pension plan. Its main features are currently:

- The defined benefit pension accrues on a Career Average Revalued Earnings (CARE) basis at the rate of 1/50th of actual pensionable pay in each year (currently capped at £123,600); post-retirement increases are linked to the increase in the retail prices index with a maximum of 2.5%.
- Members contribute 8% of pensionable pay to the CARE plan.
- In addition to the defined benefit section, the Company will match any voluntary member contribution made to the defined contribution top-up section to a maximum of 8% of pensionable pay.
- Life assurance cover of six times pensionable pay for those members with dependents and two times for those without dependents.
- Pension payable in the event of ill health.
- Spouse's pension on death in retirement of 2/3 of deceased's pension.
- Pensionable pay is limited to the member's basic salary. All plan benefits are subject to HMRC limits.

A pension supplement system operates concurrently with the Plan which recognises that pension entitlement in respect of the CARE part of the Plan has included maximum benefit restrictions (the "Plan Cap") which is currently £123,600 (being based on the Earnings Cap). This supplement is 30% of basic salary above the Plan Cap to reflect competitive market practice.

If a director chooses to opt out of membership of the Pension Plan, then the supplement payment will be 30% of total basic salary. The CEO had a fully funded pension position in 2006 and hence has chosen to opt out of membership of the Plan and consequently receives a salary supplement. Mark Robson continues to participate in the Plan.

iv. Service contracts

All executive directors' employment contracts have twelve months' notice of termination on both sides. In event of termination by the Company, there will be no compensation for loss of office due to misconduct or resignation. In other circumstances, executive directors may be entitled to receive compensation for loss of office which will be paid monthly for a maximum of twelve months. Such payments will be equivalent to the monthly salary that the executive would have received if still in employment with the Company. Executive directors will be expected to mitigate their loss within a twelve month period of their departure from the Company.

v. External appointments

It is recognised that executive directors may be invited to become non-executive directors of other companies and that exposure to such duties can broaden their experience and skills, which will benefit the Company.

Galiform allows executive directors and other appropriate senior employees to accept a maximum of one non-executive appointment outside the Company, subject to permission from the Committee, provided this is not with a competing company nor likely to lead to conflicts of interest. No such appointments are currently in place. Executive directors may retain the fees paid to them in respect of their non-executive duties.

vi. Non-executive directors' remuneration

Non-executive director appointments are for an initial period of three years. They are subject to re-appointment every three years, and annually after 9 years. Non-executive directors do not have contracts of service or notice periods and are not entitled to any form of compensation in the event of early termination for whatever reason.

The remuneration of non-executive directors, other than the Chairman, is considered by the Chairman and the Chief Executive. The Chairman's remuneration is determined by the Remuneration Committee while the Chairman is absent. It is intended that a review will be conducted in 2010 to ensure that remuneration for non-executive directors reflects the time commitment and responsibilities of their roles.

	Basic Chairman/ Non-executive fee	Chairman of Audit Committee	Member of Audit Committee	Chairman of Remuneration Committee	Member of Remuneration Committee	Total fees
William Samuel	£170,000	–	–	–	–	£170,000
Angus Cockburn	£35,000	£8,000	£2,500	–	£2,500	£48,000
Ian Smith	£35,000	–	£2,500	–	£2,500	£40,000
Peter Wallis	£35,000	–	£2,500	–	£2,500	£40,000
Michael Wemms	£35,000	–	£2,500	£8,000	£2,500	£48,000

Directors' remuneration report

continued

Part B Audited Information

Directors' remuneration

The following table sets out the directors' emoluments for the 52 weeks to 26 December 2009:

	Basic salary £000	Fees £000	Benefits[1] £000	Annual cash incentive[2] £000	Pension supplement[3] £000	52 weeks to 26 Dec 2009 £000	52 weeks to 27 Dec 2008 £000
Chairman							
Will Samuel	–	170	–	–	–	170	170
Executive directors							
Matthew Ingle	538	–	18	538	161	1,255	1,201
Mark Robson[4]	321	–	29	360	72	782	763
Sub-total	859	170	47	898	233	2,207	2,134
Non-executive directors							
Angus Cockburn	–	48	–	–	–	48	48
Ian Smith	–	40	–	–	–	40	40
Peter Wallis	–	40	–	–	–	40	40
Michael Wemms	–	48	–	–	–	48	48
Total	859	346	47	898	233	2,383	2,310

1 The benefits column incorporates benefits in kind which relate in the main to the provision of a fully expensed car or cash equivalent, private medical cover and use of the company driver.

2 Total bonus outcome for Messrs Ingle and Robson was 127% and 126% of salary respectively. Any amount earned in excess of 100% of salary will be deferred into shares, half of which will be held in trust for a further year and the remaining 50% will be held in trust for a further two years.

3 Pension supplements are paid every six months in arrears and the next payment is due in March 2010. The table above includes an accrued amount for the period from 1 October 2009 to 26 December 2009. Further details of the pension supplement are given on page 36.

4 Employee pension contributions are made on a salary sacrifice basis. Therefore the basic salary figure noted for Mark Robson is lower to take account of that.

Directors' shareholdings

The beneficial interests of the directors in office on 26 December 2009 and their families in the share capital of the Company are as follows:

	Ordinary shares of 10p each 26 December 2009	Ordinary shares of 10p each 27 December 2008
Will Samuel	40,000	40,000
Matthew Ingle	2,122,050	1,178,339
Mark Robson	527,427	132,385
Angus Cockburn	3,000	3,000
Ian Smith	154,110	154,110
Michael Wemms	42,000	7,000
	2,888,587	1,514,834

Changes to the directors' interests shown above since 26 December 2009 and the publication of the Company's preliminary results announcement on 4 March 2010 are as follows:

- Matthew Ingle 2,361,930 following a release of 239,880 shares from the 2007 Foundation Plan on 31 December 2009
- Mark Robson 680,683 following a release of 153,256 shares from the 2007 Foundation Plan on 31 December 2009

Share options

Details of share options of those directors who served during the year are as follows:

Director	At 27 Dec 2008	Awarded	Lapsed / Expired unexercised	Exercised	At 26 Dec 2009	Exercise price (pence)	Earliest date of exercise	Expiry date
Matthew Ingle								
2000 Share Option Plan (Section 3)	450,902	–	–	–	450,902	124.74	30 May 2004	29 May 2011
2000 Share Option Plan (Section 3)	275,483	–	–	–	275,483	106.5	26 May 2008	26 May 2015
Foundation Plan 2006	1,194,032	–	(1,194,032)	–	–	92.0	31 Dec 2008	31 Dec 2009
2000 Share Option Plan (Section 3)	1,324,921	–	(1,324,921)	–	–	158.5	18 May 2010	18 May 2017
2000 Share Option Plan (Section 2)	–	2,862,972	–	–	2,862,972	50.0	16 April 2012	16 April 2019
2000 Share Option Plan (Section 2)	–	2,862,972	–	–	2,862,972	25.0	16 April 2012	16 April 2019
Mark Robson								
2000 Share Option Plan (Section 3)	191,388	–	–	–	191,388	106.5	26 May 2008	26 May 2015
Foundation Plan 2006	716,419	–	(716,419)	–	–	92.0	31 Dec 2008	31 Dec 2009
2000 Share Option Plan (Section 3)	870,662	–	(870,662)	–	–	158.5	18 May 2010	18 May 2017
2000 Share Option Plan (Section 2)	–	1,915,743	–	–	1,915,743	50.0	16 April 2012	16 April 2019
2000 Share Option Plan (Section 2)	–	1,915,743	–	–	1,915,743	25.0	16 April 2012	16 April 2019
	5,023,807	9,557,430	(4,106,034)	–	10,475,203			

1 The options outstanding are exercisable at prices between 25 pence and 124.74 pence. In the period the highest middle market closing price was 92.95 pence per share and the lowest middle market closing price was 12 pence per share. The middle market price on 24 December 2009 (the last business day before the financial year end) was 75.95 pence per share.

2 Options granted under Sections 2 and 3 of the 2000 Share Option Plan Portfolio are not normally exercisable unless challenging targets are met. These options have been divided into the following performance conditions:
- For the options granted in 2001, 50% of the award vested if EPS growth of 60% was achieved over the performance period, and 100% vested if EPS growth of 120% was achieved over the performance period.
- For the options granted in 2005, 40% of the options became exercisable subject to growth in EPS, calculated on an IIMR basis, being equal to RPI+40% over three years; increasing on a straight line basis up to 100% of the option becoming exercisable where EPS growth equals or exceeds RPI+100% over three years. Options lapsed on 26 May 2008 to the extent that these targets were not satisfied. Targets are not restated.
- For the options granted in 2007, 20% of the options will vest if the share price over 30 consecutive dealing days is 185 pence rising on a straight line basis to 100% vesting if the share price over thirty consecutive days reaches 265 pence. Underpinning this is a requirement to achieve 20% annual compound growth over the performance period. The options lapsed on 26 December 2009 as the financial underpin was not met.
- For the options granted in 2009, options will vest if the Group achieves a cumulative pre-exceptional PBT of £90m over the three financial years ending 2009, 2010 and 2011.

3 For awards of market value options granted under the Foundation Plan 2006, vesting was dependent upon the achievement of a share price hurdle over thirty consecutive dealing days and subject to an improvement in underlying financial performance of the Company over the financial year commencing 25 December 2005. 35% of the award vested if the share price achieved 115 pence over thirty consecutive dealing days and 100% of the award vested if the share price achieved 160 pence over thirty consecutive dealing days. The award vested on a straight line basis between these two points. Vested awards can be exercised for a 12 month period commencing on 31 December 2008. The awards lapsed on 31 December 2009.

Directors' remuneration report

continued

Details of the Company's ordinary shares over which those directors who served during the year have conditional rights under the LTIP

Director	Scheme interest at 27 Dec 2008	Awarded	End of the period for qualifying conditions to be fulfilled	Lapsed / Expired	Vested	At 26 Dec 2009
Matthew Ingle						
Foundation Plan 2007*	407,143	–	31 December 2009	–	(407,143)	–
Deferred Bonus	191,167	–	13 March 2009	–	(191,167)	–
Deferred Bonus	125,151	–	26 March 2010	–	–	125,151
2007 Co-Investment Plan	3,250,000	–	31 December 2010	–	–	3,250,000
Mark Robson						
Foundation Plan 2007*	260,119	–	31 December 2009	–	(260,119)	–
Deferred Bonus	94,628	–	13 March 2009	–	(94,628)	–
Deferred Bonus	61,950	–	26 March 2010	–	–	61,950
2007 Co-Investment Plan	2,600,000	–	31 December 2010	–	–	2,600,000
	6,990,158	–		–	(953,057)	6,037,101

* Shares shown as vested above were released on 31 December 2009

1 For awards of nil-cost options granted under the Foundation Plan 2007, vesting was dependent upon the achievement of a share price hurdle over thirty consecutive dealing days and an underlying profit target of £65m for the year being met. 20% of the award vests if the share price achieves 150 pence over thirty consecutive dealing days and 100% of the award vests if the share price achieves 185 pence over thirty consecutive dealing days. The award vests on a straight line basis between these two points. The percentage of the award which vested was held in trust for a further two years before being released on 31 December 2009.

2 The 2007 Co-Investment Plan is a plan where each participant is permitted to invest a limited amount of shares on an annual basis for the purposes of the Plan. At the end of a three-year performance period, each invested share will be matched by an award of up to three matching shares if 2010 PBT of £135m is achieved; 25% of the maximum match (i.e. 0.75:1) will be earned for achieving 2010 PBT of £110m and the awards will vest on a sliding scale between these two points. A further match of up to two shares will be made for achieving upper quartile Total Shareholder Return (TSR), measured against the FTSE 250 Index (excluding investment trusts).

Executive directors' pensions

The table below shows the accrued pension should the director leave employment as at the financial period end:

	Transfer value at 27 Dec 2008	Real increase in accrued pension	Inflation	Increase in accrued pension	Transfer value of real increase in accrued pension (less directors' contributions)	Other changes to transfer value	Increase / (decrease) in transfer value less directors' contributions	Directors' contributions	Accrued pension at 26 Dec 2009	Transfer value at 26 Dec 2009
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Matthew Ingle	735.6	–	(0.6)	(0.6)	0.2	(243.4)	(243.2)	–	41.4	492.4
Mark Robson	146.7	2.6	(0.1)	2.5	31.9	(3.2)	28.7	–	13.0	175.4

1 Matthew Ingle opted out of the pension plan on 5 April 2006 and consequently receives a 30% salary supplement from this date. Mark Robson receives a salary supplement of 30% on basic earnings over and above the earnings cap.

2 Employee pension contributions are paid on a salary sacrifice basis and therefore aggregate pension costs paid by the Company in respect of the directors' qualifying services were £67,214, (2008 – £132,024). The amount paid in respect of the highest paid director was £67,214 (2008 – £74,012).

3 Matthew Ingle's transfer value was subject to a reduction this year further to a decision by the Group's pension trustees to change the basis of any transfer value calculation under the Group's pension plan.

Name	Date pensionable service commenced	Pensionable service (complete years and months)
Matthew Ingle	12 April 1995	10 years 11 months
Mark Robson	12 April 2005	4 years 8 months

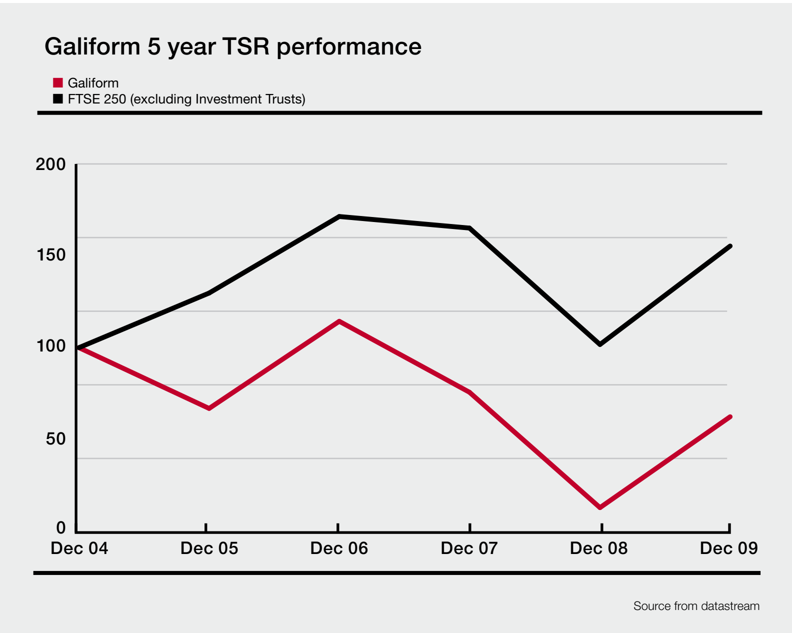
Directors' award of FreeShares – Share Incentive Plan

The aggregate awards of free shares made to the executive directors under the Share Incentive Plan are as follows:

Executive	No of Shares
Matthew Ingle	311

Directors' Remuneration Report Regulations 2002

Under the Directors' Remuneration Report Regulations 2002, the Company is required to include in this report a graph showing the Company's total shareholder return (TSR) performance over the most recent five years compared to an appropriate index. The graph below illustrates the Company's TSR performance relative to the constituents of the FTSE 250 index (excluding investment companies) of which the Company is a constituent.



By order of the Board
Caroline Bishop
Secretary

3 March 2010

Corporate governance report

Statement of Compliance

The Board is committed to high standards of corporate governance. Throughout the year ended 26 December 2009, the Company has complied with the provisions set out in section 1 of the 2008 FRC Combined Code ("the Combined Code" or "Code"). Further explanation of how the principles and supporting principles have been applied is set out below and in the Directors' Remuneration Report.

The Board

The role of the Board

The primary purpose of the Board is to ensure that the needs and aspirations of all stakeholders are satisfied. The Board seeks to achieve this through the development of a balanced strategy which serves the interests of the stakeholders. The Board's role is to set the context for the business, to create suitable structures for implementing the Group's chosen strategy and to ensure the co-ordination, alignment and motivation of resource to fulfil that strategy. The Board then assesses the results of these actions and sets revised priorities where appropriate to service the needs of the stakeholders. The Board reviews annually the schedule of matters reserved for its decision.

The Board holds regular meetings and receives accurate and timely information. During 2009, the Board held seven formal Board meetings and a number of other meetings and teleconferences to discuss and review progress on issues affecting the Company during the year. In addition to the regular Board meetings, information is circulated to the directors outside of these meetings. The Chairman meets with the non-executive directors twice a year without the executive directors being present and the Senior Independent Director meets with the other non-executive directors without the Chairman present to appraise the Chairman's performance.

Board composition

During the year, the Board comprised the non-executive Chairman, Will Samuel, two executive directors and four independent non-executive directors. The Chief Executive is Matthew Ingle who has held that position since October 2005. The other executive director is Mark Robson, who joined the Board as Chief Financial Officer in April 2005. Will Samuel's other commitments include his positions as Vice Chairman of Lazard & Co., Deputy Chairman of Inchcape plc and Ecclesiastical Insurance Group plc and non-executive director of Edinburgh Investment Trust plc. Michael Wemms holds the position of Senior Independent Director.

For the year ended 26 December 2009, the following non-executive directors were deemed independent in accordance with the definition of independence contained in the Combined Code:

- Will Samuel (Chairman)
- Angus Cockburn
- Ian Smith
- Peter Wallis
- Michael Wemms

Non-executive directors are appointed for an initial term of three years, subject to reappointment by shareholders. Their letters of appointment are available for inspection at the Annual General Meeting and on request. A committee appointed by the Board comprising the Chairman and Chief Executive agrees the fees of the non-executive directors. The Remuneration Committee determines the Chairman's fee. All directors are subject to reappointment by shareholders at the first annual general meeting following their appointment by the Board and thereafter at intervals of no more than every three years under the Articles of Association.

Following the amendment of the Company's Articles of Association by a special resolution passed at the Company's 2008 Annual General Meeting, the Company adopted a procedure for authorising directors' conflicts of interest and potential conflicts of interest in accordance with the provisions of the Companies Act 2006 with effect from 1 October 2008. The procedure, and how it differs from the procedure in place up to 1 October 2008, was summarised in the explanatory notes to the Notice of the Company's 2008 Annual General Meeting. The procedure is included in the Company's Articles of Association and has been adhered to by the Board since 1 October 2008.

Division of responsibilities

The separate roles of the Chairman and Chief Executive are clearly defined. The Chairman is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. Working with his colleagues on the Executive Committee, the Chief Executive is responsible for the satisfactory execution of the strategy agreed by the Board. Appropriate induction (as described below in the section on the Nominations Committee) and training is available to all directors. Biographical details of the directors are given on page 26.

In accordance with the Code, the Board has established Audit, Remuneration and Nominations Committees, each with defined terms of reference. The terms of reference of these committees are reviewed regularly. Membership of these Committees, which is reviewed annually, is shown on page 113. The terms of reference are available on request from the Company Secretary and on the Company's website, www.galiform.com. During the year, the Board also established a Pensions Committee dealing with matters associated with the Group's pension scheme.

In addition to these standing committees, the Group has an Executive Committee comprising those members detailed on page 113. The principal purpose of the Committee, which meets twice a month, or more frequently if required, is the implementation of the Group's strategy and operational plans. The Committee monitors the operational and financial performance of the business on a divisional basis, as well as being responsible for the optimisation of resources and the identification and control of operational risk within the Group.

Board evaluation
The Board has adopted a formal process for reviewing its own effectiveness. During the year, a formal evaluation of the Board's performance was carried out. Given that an external, independent facilitator undertook the evaluation process in 2008, this year the process was conducted internally with interviews led by the Chairman and Senior Independent Director. The interviews addressed key topics which included:

- the composition of the Board;
- the extent and quality of information provided to the Board;
- the conduct of Board meetings and processes;
- the extent to which the Board engages in strategic planning;
- the performance of the Chairman, of Board committees and of individual members;
- the quality of debate within the Board; and
- the extent to which actions arising from the 2008 evaluation exercise had proved beneficial.

The Senior Independent Director met with the non-executive directors in the absence of the Chairman to assess the Chairman's performance.

A report of the evaluation was presented to the Board in January 2010 and the Board accepted its findings and recommendations. The Board also concluded that good and positive progress had been made in respect of the actions arising from the 2008 review.

There is a procedure for all directors to take independent external advice, at the Company's expense, in the course of their duties via the Company Secretary. Working with the Chairman, the Company Secretary is responsible for ensuring that board procedures are followed and all directors have access to her advice and services.

Directors' indemnity & insurance
In accordance with the Articles of Association, the Company has provided indemnities to the directors (to the extent permitted by the Companies Act) in respect of liabilities incurred as a result of their office and the Company has taken out an insurance policy in respect of those liabilities for which directors may not be indemnified. Neither the indemnity nor insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

Attendance
The table on page 44 shows the number of meetings individual directors could have attended (taking account of eligibility, appointment and retirement dates during the year) and their actual attendance. For the committees, only the attendance of members of that committee is shown, although other directors, where appropriate, have often also attended at the invitation of the chairman of the committee.

Current directors	Main Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nominations Committee meetings	
	Possible attendance	Actual attendance	Possible attendance	Actual attendance	Possible attendance	Actual attendance	Possible attendance	Actual attendance
Will Samuel	7	7	–	–	–	–	3	3
Angus Cockburn	7	7	4	4	6	6	3	2
Matthew Ingle	7	7	–	–	–	–	–	–
Mark Robson	7	7	–	–	–	–	–	–
Ian Smith	7	5	4	1	6	3	3	3
Peter Wallis	7	6	4	4	6	6	3	3
Michael Wemms	7	7	4	4	6	6	3	3

Audit Committee

Composition of the Audit Committee

In compliance with the Code, during the year the Audit Committee comprised four independent non-executive directors: Angus Cockburn, Ian Smith, Peter Wallis and Michael Wemms. It has been chaired since March 2007 by Angus Cockburn who, as a qualified accountant and Group Finance Director of Aggreko plc, fulfils the Committee's requirement to include one financially qualified member. Appointments to the Committee are for a period of three years and are extendable by no more than two additional three-year periods.

The Audit Committee's terms of reference include all matters indicated by Disclosure and Transparency Rule 7.1 and the Combined Code. The terms of reference are considered annually by the Committee and are then referred to the Board for approval.

The Audit Committee met four times in 2009 and has an agenda linked to the events in the Group's financial calendar. The Audit Committee invites the Chief Executive, the Chief Financial Officer, the Group Financial Controller, Head of Internal Audit and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

Summary of the role of the Audit Committee

The Audit Committee assists the Board in ensuring that the Group's financial systems provide accurate and up-to-date information on its financial position and that the Group's published financial statements represent a true and fair reflection of this position.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Company's internal financial controls and the Group's internal control systems, with the Board as a whole responsible for reviewing the Group's risk management systems;
- monitoring and reviewing the effectiveness of the Company's internal audit function;
- making recommendations to the Board in relation to the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is also responsible for reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

Overview of the actions taken by the Audit Committee to discharge its duties

During the year, the Committee discharged its responsibilities through the following activities:

- Reviewing the Group's 2008 annual report and financial statements, the half yearly financial report published in July 2009 and the interim management statements issued in April and November 2009.
- Reviewing the effectiveness of the Group's internal financial controls, with specific reference to controls used on a divisional basis.
- Receiving reports from the external auditors on the conduct of their audit, their review of accounting policies, areas of judgement and their comments on risks and controls.
- Reviewing the proposed plan of work presented by the external auditors in respect of the year end audit, including terms of engagement and fees.
- Reviewing the Group's policy on the engagement of the external auditor for non-audit work.
- Reviewing the Group's policy on the employment of former staff of the external audit firm.
- Assessing the risk of a possible withdrawal of the external auditors from the market.
- Reviewing the effectiveness of the external auditors, including consideration of the independence of the external auditors, Deloitte LLP's own quality control procedures and their annual transparency report.
- Evaluating the performance of the Internal Audit function and agreeing with that function a programme of work.
- Receiving reports from the Internal Audit function on its work and monitoring the status of actions taken in response to its findings.
- Reviewing the Group's whistleblowing policy.
- Reviewing its own effectiveness as part of the Board's evaluation process.
- Reviewing the Committee's terms of reference and recommendation of minor changes to the Board.

External Auditors

The external auditors were appointed in 2002. The Committee recognises that auditor independence is an essential part of the audit framework and the assurance it provides. The Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The current policy sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Group, subject to de minimis levels. Details of Deloitte LLP's fees for audit and non-audit work during 2009 are included on page 62.

To fulfil its responsibility regarding the independence of the external auditors, the Committee has, during the year:

- reviewed the independence of the external auditors and the arrangements which Deloitte LLP have in place to identify, report and manage conflicts of interest;
- reviewed changes in key external audit staff for the current year (noting the role of the senior statutory audit partner, who signs the audit report and who, in accordance with professional rules, has not held office for more than five years), and the arrangements for the day-to-day management of the audit relationship;
- considered the effectiveness of the external auditors through a review of their plan of work and the outputs arising from the audit;
- considered the overall extent of non-audit services provided by the external auditors, in addition to case by case approval of the provision of non-audit services as appropriate; and
- considered the likelihood of a withdrawal of the auditor from the market and noted that there are no contractual obligations to restrict the choice of external auditors.

As a result of its work above, and taking into account the tenure of the auditors, the Committee has concluded that the independence criteria under the relative standards continued to be met and accordingly it was not necessary to tender for the audit work. The Committee has therefore recommended to the Board that a proposal be put to the shareholders at the Annual General Meeting that Deloitte LLP be reappointed as external auditors and that the Directors be authorised to fix their remuneration.

Corporate governance report
continued

Internal Audit
The Audit Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy of resourcing and plans of the Internal Audit department. During the year, the Committee reviewed:

- Internal Audit's programme of work and progress made against planned activity;
- results of key audits and other significant findings including the adequacy and timeliness of management's response; and
- staffing, reporting and effectiveness of divisional audits.

The Group's whistleblowing policy contains arrangements for the Head of Internal Audit to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate. The policy was formally reviewed during the year.

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Remuneration Committee
During the year, the Remuneration Committee consisted of four independent non-executive directors. The Committee is chaired by Michael Wemms and its composition is further described in the Remuneration Report on pages 30 to 41. It is responsible for advising on the remuneration packages needed to attract, retain and motivate executive directors of the required quality. The Remuneration Committee is responsible for developing strategy and policy on executive remuneration, deciding on the remuneration packages of individual executive directors and reviewing the remuneration and policy of certain other senior executives who are not on the Board. The Committee is regularly assisted in its work by its appointed firm of professional advisers, the Chairman, the Chief Executive, the Company Secretary and the Company's internal Human Resources function. Full details of the Committee's work are contained in the Remuneration Report which is incorporated in this Corporate Governance Report by reference. This report includes details on remuneration policy, terms of appointment, and the remuneration of executive directors.

All executive directors' notice and contract periods do not exceed one year. Executive directors' service contracts also provide that compensation on termination is determined by reference to a notice period of 12 months.

During 2009, the Committee met six times.

Nominations Committee
The Nominations Committee consists of the Chairman of the Board, who chairs the Committee and the independent non-executive directors. The Committee keeps under review the size, composition and structure of the Board, including succession, and makes recommendations to the Board for all new appointments and reappointments.

During 2009, the Nominations Committee met three times to consider:

- the reappointment of directors at the 2009 Annual General Meeting;
- a review of the balance of skills and experience necessary within the Board;
- the engagement of external recruitment consultants and the recruitment process for the role of non-executive director (in anticipation of the fact that from January 2010, Peter Wallis would no longer meet the independence criteria detailed in the Combined Code). Search consultants have been instructed by the Committee in connection with this process; and
- a general review of succession planning.

The Group's induction programme for newly appointed directors concentrates on familiarisation with the businesses of the Group, including meeting directors and executives individually, visiting operational locations, discussions with the Company's external advisers and the provision of introductory materials. Ongoing training and development for the directors includes attendance at formal conferences and internal events as well as briefings from external advisers.

Relations with shareholders

The Company considers its relationship with both institutional and private investors to be important and readily enters into dialogue with investors. The Company has consulted extensively with its principal shareholders in the course of 2009 in relation to the ongoing progress of the Company and also in relation to identifying appropriate executive incentive arrangements to reflect the changing business profile of the Company. All of the executive directors, the Chairman and the Senior Independent Director met with shareholders during the year and all make themselves available for meetings with shareholders as required. An investor relations website (www.galiform.com) provides an ideal channel for communication with existing and potential investors. The Annual General Meeting provides an opportunity for shareholders to put their questions to the directors.

The Board receives regular reports on relations with the major shareholders and developments and changes in their shareholdings. At the Annual General Meeting, the Company proposes separate resolutions on each substantially separate issue and the numbers of proxy votes cast for and against each resolution are made available to shareholders when voting has been completed. The notice of the Annual General Meeting is sent to shareholders at least twenty working days before the meeting.

Risk and internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness, whilst the role of management is to implement Board policies on risk and control. Such a system is, however, designed to manage rather than eliminate the risks of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable assurance against misstatement or loss. The Combined Code recommends that the Board at least annually reviews the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management. The Board has conducted reviews of the effectiveness of the system of internal controls through the processes described below and is satisfied that it accords both with the Combined Code and with the Turnbull Guidance. During the course of its review of the system of internal control, the Board has not identified or been advised of any failings or weaknesses which it has determined to be significant, therefore a confirmation in respect of necessary actions has not been considered appropriate.

i. Risk management

The Board can confirm that, for the 2009 financial year and up to the date of approval of the Annual Report and Financial Statements, there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Group that is reviewed regularly by the Board and accords with the Turnbull Guidance. Under the guidance of the Chief Financial Officer, it is the responsibility of the Executive Committee to review the effectiveness of the risk management process and internal controls on behalf of the Board. The Executive Committee regularly reports to the Board on how risks are being managed. In addition, there is a mechanism in place to report significant control breakdowns or risk occurrences to the Executive Committee.

An ongoing process for the effective management of risk has been defined by the Board and is operated in the following stages:

- Each operating division and central function identifies key risks through the adoption of both a "bottom-up" and "top-down" process. These key risks are regularly reviewed by each executive team. The key risks to each business area's objectives are identified and scored for probability and impact. The key controls to manage the risks to the desired level are identified.
- A local database of risks and controls is maintained within each operating division and central service function, which is consolidated into a central register to become the key risk register for the Group. The Group Risk department facilitates the identification of these risks and provides an independent appraisal of the interpretation of the scoring mechanism, to ensure that the key risks are brought forward to the Executive Committee. The Executive Committee then reviews the key risks to assess the effectiveness of the risk management strategies.
- The senior executive team within each division and central service area are responsible for the ongoing review of their functions' risk registers. Regular reporting on internal and external changes that affect the risks or their importance to the business, and any risk occurrences, are reported upwards through their register to the Executive Committee.

Corporate governance report

continued

- Key generic risks and their management are regularly reported to and discussed at the Executive Committee.
- A review of the risk process and key risks arising are formally discussed by the Group Board every six months.

ii. Internal control

The Group has an established framework of internal controls, which includes the following key elements:

- The Board reviews the strategies of the divisions, and the executive management are accountable for their performance within the agreed strategies.
- The Group and its subsidiaries operate control procedures designed to ensure complete and accurate accounting of financial transactions, and to limit exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties in key areas and periodic Internal Audit reviews.
- The Audit Committee meets regularly and its responsibilities are set out above. It receives reports from the Internal Audit function on the results of work carried out under a bi-annually agreed audit programme. The Audit Committee has independent access to the internal and external auditors.
- Internal Audit facilitates a process whereby operating entities provide certified statements of compliance with internal financial controls. The effectiveness of the key controls detailed in the compliance statements are tested cyclically as part of the ongoing Internal Audit programme.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on pages 6 to 7, the Chief Executive's statement on pages 8 to 11 and the Review of Operations and Finance on pages 12 to 19. The Review of Operations and Finance describes the financial position of the Group, its cash flows, liquidity position, borrowing facilities and the Group's objectives, policies and processes for managing its commercial and financial risks. The Group's financial risk management objectives and its exposures to credit risk and liquidity risk in relation to financial instruments are described in note 32.

As highlighted in note 23 to the financial statements, the Group meets its day to day working capital requirements through an asset backed lending facility which is due for renewal in May 2014. The current economic conditions create uncertainty particularly over (a) the level of demand for the Group's products and (b) the exchange rate between sterling and both the euro and the US dollar which would impact the cost of the Group's operations.

The Group's forecasts and projections have been stress-tested for reasonably possible adverse variations in trading performance. The results of this testing show that the Group should be able to operate within the level of its current facility and covenants. The Group's banking facility expires in May 2014 so at this stage the Group has not sought any written commitment that the facility will be renewed. We will open renewal negotiations with the bank in due course.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under IFRSs as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' Responsibility Statement

We confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings including the consolidation taken as a whole; and
- the review of operations and finance along with other documents which are incorporated into the Directors' Report, together include a fair review of the development and performance of the business and the position of the Company and the undertakings including the consolidation taken as a whole together with a description of the principal risks and uncertainties they face.

By order of the Board
Matthew Ingle
Chief Executive

Mark Robson
Chief Financial Officer

3 March 2010

Consolidated income statement

	Notes	52 weeks to 26 December 2009 Before exceptional items £m	52 weeks to 26 December 2009 Exceptional items (note 6) £m	52 weeks to 26 December 2009 Total £m	52 weeks to 27 December 2008 Before exceptional items £m	52 weeks to 27 December 2008 Exceptional items (note 6) £m	52 weeks to 27 December 2008 Total £m
Continuing operations:							
Revenue – sale of goods	4	769.5	–	769.5	805.7	–	805.7
Cost of sales		(337.4)	–	(337.4)	(378.2)	1.0	(377.2)
Gross profit		432.1	–	432.1	427.5	1.0	428.5
Selling & distribution costs		(294.0)	–	(294.0)	(298.3)	1.5	(296.8)
Administrative expenses		(58.6)	–	(58.6)	(53.4)	0.4	(53.0)
Other operating (expenses)/income	6	–	(0.1)	(0.1)	–	1.9	1.9
Share of joint venture profits		–	–	–	0.1	–	0.1
Operating profit	7	79.5	(0.1)	79.4	75.9	4.8	80.7
Finance income	9	0.2	–	0.2	1.4	–	1.4
Finance expense	10	(3.0)	–	(3.0)	(6.3)	–	(6.3)
Other finance (expense)/income – pensions	10	(8.0)	–	(8.0)	3.3	–	3.3
Profit before tax		68.7	(0.1)	68.6	74.3	4.8	79.1
Tax on profit	11	(18.5)	–	(18.5)	(23.3)	(0.8)	(24.1)
Profit after tax		50.2	(0.1)	50.1	51.0	4.0	55.0
Discontinued operations:							
Loss before tax	12	–	(4.4)	(4.4)	–	(108.8)	(108.8)
Tax on loss	11	–	–	–	–	2.6	2.6
Loss after tax	12	–	(4.4)	(4.4)	–	(106.2)	(106.2)
Profit/(loss) for the period attributable to the equity holders of the parent		50.2	(4.5)	45.7	51.0	(102.2)	(51.2)
Earnings per share:							
From continuing operations							
Basic earnings per 10p share	13			8.3p			9.2p
Diluted earnings per 10p share	13			8.3p			9.0p
From continuing and discontinued operations							
Basic earnings/(loss) per 10p share	13			7.6p			(8.6)p
Diluted earnings/(loss) per 10p share	13			7.5p			(8.4)p

Consolidated balance sheet

	Notes	26 December 2009 £m	27 December 2008 £m
Non current assets			
Goodwill	15	2.5	2.5
Other intangible assets	16	5.4	6.2
Property, plant and equipment	17	79.5	89.4
Investments	18	2.0	4.0
Deferred tax asset	19	73.6	52.6
		163.0	154.7
Current assets			
Inventories	20	86.3	121.3
Trade and other receivables	21	95.4	99.2
Other assets	21	0.7	1.3
Cash at bank and in hand	21	14.0	21.2
		196.4	243.0
Total assets classified as held for sale	17 (a)	–	1.0
Total assets		359.4	398.7
Current liabilities			
Trade and other payables	22	(119.4)	(120.4)
Current tax liability		(12.8)	(4.9)
Current borrowings	23	(2.3)	(3.4)
		(134.5)	(128.7)
Non current liabilities			
Non current borrowings	23	(10.0)	(80.3)
Pension liability	24	(196.3)	(122.2)
Deferred tax liability	19	(5.5)	(5.5)
Provisions	25	(86.8)	(119.8)
		(298.6)	(327.8)
Total liabilities		(433.1)	(456.5)
Net liabilities		(73.7)	(57.8)
Equity			
Called up share capital	26	63.4	63.4
Share premium account	27	85.1	85.1
ESOP reserve	27	(27.5)	(27.1)
Other reserves	27	28.1	28.1
Retained loss	27	(222.8)	(207.3)
Total deficit		(73.7)	(57.8)

The financial statements were approved by the Board on 3 March 2010 and were signed on its behalf by Mark Robson, Chief Financial Officer.

Consolidated cash flow statement

	Notes	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Net cash flows from operating activities	28	71.4	(37.8)
Cash flows used in investing activities			
Interest received		0.2	1.5
Cash flow from acquisition		–	3.2
Repayment of investment		2.0	4.0
Payments to acquire property, plant and equipment and intangible assets		(8.1)	(19.4)
Receipts from sale of property, plant and equipment and intangible assets		1.2	3.5
Net cash used in investing activities		(4.7)	(7.2)
Cash flows from financing activities			
Interest paid		(3.1)	(8.5)
Receipts from issue of share capital		–	0.1
(Decrease)/increase in loans		(69.7)	44.1
Repayment of capital element of obligations under finance leases		(1.7)	(1.2)
Decrease in other assets		0.6	1.1
Dividends paid to Group shareholders		–	(3.0)
Net cash (used in)/generated from financing activities		(73.9)	32.6
Net decrease in cash and cash equivalents		(7.2)	(12.4)
Cash and cash equivalents at beginning of period		21.2	33.6
Cash and cash equivalents at end of period	28	14.0	21.2

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

Cash flows from discontinued operating activities are shown in note 28. There are no cash flows from discontinued investing or financing activities.

Consolidated statement of recognised income and expense

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Actuarial losses on defined benefit pension schemes	(87.0)	(66.3)
Deferred tax on actuarial losses on defined benefit pension schemes	24.4	18.6
Deferred tax on share schemes	2.1	–
Currency translation differences	(0.7)	1.4
Net expense recognised directly in equity	(61.2)	(46.3)
Profit/(loss) for the financial period	45.7	(51.2)
Total recognised income and expense for the period attributable to equity holders of the parent	(15.5)	(97.5)

Notes to the consolidated financial statements

1 General information

Galiform Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 113. The nature of the Group's operations and principal activities are set out in note 5, and in the review of operations and finance on pages 12 to 19.

2 Significant accounting policies

Basis of presentation

The Group's accounting period covers the 52 weeks to 26 December 2009. The comparative period covered the 52 weeks to 27 December 2008.

Statement of compliance and basis of accounting

The Group's financial statements have been prepared in accordance with the IFRSs adopted for use in the European Union and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They therefore comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, and on the going concern basis, as described in the going concern statement in the Corporate Governance Report on pages 42 to 49. The principal accounting policies are set out below.

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the Group:

- IFRS 1 "First time Adoption of International Financial Reporting Standards (revised)"
- IFRS 3 "Business Combinations"
- IFRS 8 "Operating Segments"
- IFRS 9 "Financial Instruments"
- IAS 24 "Related Party Disclosures (revised)"
- IAS 39 "Financial Instruments Recognition and Measurement: Eligible Hedged Items"
- IFRIC 11 "IFRS2 – Group and Treasury Share Transactions"
- IFRIC 12 "Service Commission Agreements"
- IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- IFRIC 18 "Transfers of Assets to Customers"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
- Amendments to IFRS 1 and IAS 27 "Cost of an Investment in Subsidiary"
- Amendments to IAS 1 "Presentation of Financial Statements: A revised presentation"
- Amendments to IFRS 2 "Share-based payment: Vesting Conditions and Cancellations"
- Amendments to IFRS 7 "Improving Disclosures about Financial Instruments"
- Amendments to IAS 23 "Borrowing Costs"
- Amendments to IAS 27 "Consolidated and Separate Financial Statements"
- Amendments to IAS 32 "Classification of Rights Issues"
- Amendments to IFRIC 14 "Prepayments of a Minimum Funding Requirement"
- Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives"
- Amendments to IAS 32 and IAS 1 "Puttable Financial Instruments and Obligations arising on Liquidation"
- Improvements to IFRSs

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Group's financial statements when the relevant standards come into effect.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

Joint ventures

Joint ventures are accounted for in the financial statements of the Group under the equity method of accounting. Any losses in joint ventures in excess of the Group's interest in those joint ventures are not recognised.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired company, plus any costs directly attributable to the business combination. The acquired company's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If after reassessment, the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is immediately recognised in the income statement.

Foreign currencies

Foreign currency transactions

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at the date. Foreign exchange gains and losses are recognised in the income statement.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at foreign exchange rates ruling at the balance sheet date. The results and cash flows of overseas subsidiaries and the results of joint ventures are translated into sterling on an average exchange rate basis, weighted by the actual results of each month.

Exchange differences arising from the translation of the results and net assets of overseas subsidiaries are taken to equity via the Statement of Recognised Income and Expense.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services, based on despatch of goods or services provided to customers outside the Group, excluding sales taxes and discounts. Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income from investments is recognised when the right to receive payment has been established.

Exceptional items

Certain items do not reflect the Group's underlying trading performance and, due to their significance in terms of size or nature, have been classified as exceptional. The gains and losses on these discrete items, such as profits on disposal of businesses, property interests, restructuring costs and other non-operating items can have a material impact on the absolute amount of and trend in profit from operations and the result for the period. Therefore any gains and losses on such items are analysed as exceptional on the face of the income statement.

Current tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Deferred tax

Deferred tax is provided in full using the balance sheet liability method. It is the tax expected to be payable or recoverable on the temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets and liabilities other than in a business combination that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, to the extent that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the income statement except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. For property leases, the land and building elements are treated separately to determine the appropriate lease classification.

Finance leases

Assets funded through finance leases are capitalised as property, plant and equipment, and depreciated over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the asset or the present value of the minimum lease payments during the lease term at the inception of the lease. The resulting lease obligations are included in liabilities net of finance charges. Finance costs on finance leases are charged directly to the income statement.

Operating leases
Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the income statement.

Lease incentives
Lease incentives primarily include up-front cash payments or rent-free periods. Lease incentives are capitalised and spread over the period of the lease term.

Leases with predetermined fixed rental increases
The Group has a number of leases with predetermined fixed rental increases. These rental increases are accounted for on a straight-line basis over the period of the lease term.

Investments
Investments are stated at cost less any provision for impairment.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units which is expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets – software
Where computer software is not an integral part of a related item of computer hardware, the software is classified as an intangible asset. The capitalised costs of software for internal use include external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the software is substantially complete and ready for its intended internal use. These costs are amortised over their expected useful lives, which are reviewed annually. The expected useful life is four years.

Property, plant and equipment
The Group adopted the transitional provisions of IFRS 1 to use previous revaluations of freehold properties as the new deemed cost at the date of transition to IFRSs.

All property, plant and equipment is stated at cost (or deemed cost, as applicable) less accumulated depreciation, and less any provision for impairment.

Depreciation of property, plant and equipment, excluding freehold land, is provided to write off the difference between the cost and their residual value over their estimated lives on a straight-line basis. The current range of useful lives is as follows:

Freehold property	50 years
Long leasehold property	over period of lease
Short leasehold property	over period of lease
Fixtures and fittings	2-10 years
Plant and machinery	3-10 years

Residual values, remaining useful economic lives and depreciation periods and methods are reviewed annually and adjusted if appropriate.

Capital work in progress is not depreciated.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Impairment of assets
The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

For goodwill assets that have an indefinite life and intangible assets not yet available for use, the recoverable amounts are estimated at each balance sheet date.

Apart from in the case of trade and other receivables, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For trade and other receivables which are considered to be impaired, the carrying amount is reduced through the use of an allowance for estimated irrecoverable amounts. Changes in the carrying value of this allowance are recognised in the income statement.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes an attributable proportion of manufacturing overheads based on budgeted levels of activity. Cost is calculated using a standard cost which is regularly updated to reflect average actual costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

Non-current assets held for sale
Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of fair value, less costs to sell, and carrying amount. No depreciation is charged on non-current assets classified as held for sale.

Impairment losses on initial classification as held for sale are included in profit or loss. Gains or losses on subsequent re-measurements are also included in profit or loss.

Discontinued operations
Cash flows and operations that relate to a major component of the business or geographical region that has been sold or is classified as held for sale are shown separately from continuing operations.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Pensions
Payments to defined contribution retirement benefit schemes are charged to the income statement as they fall due.

The Group operates a defined benefit pension scheme. The Group's net obligation in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value, and the fair value of any scheme asset is deducted. The discount rate used is selected so as to closely approximate the yield at the balance sheet date on AA rated bonds that have maturity dates approximating to the terms of the Group's obligations. Because there are no AA rated bonds with maturity dates which are as long as those of the Group's retirement benefit obligations, the discount rate is derived using the rate of return of zero-coupon Gilts which have the same maturity as the Group's obligations, to which is added a premium which is calculated to account for the difference in risk between Gilts and AA rated bonds. The calculation is performed by a qualified actuary using the projected unit method. Scheme assets are valued at bid price.

Current and past service costs are recognised in operating profit and net financing costs include interest on pension scheme liabilities and expected return on assets.

All actuarial gains and losses as at 25 December 2004, the date of transition to IFRSs, were recognised. Actuarial gains and losses that arise subsequent to 25 December 2004 in calculating the Group's obligation in respect of a scheme are recognised immediately in reserves and reported in the statement of recognised income and expense.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables do not carry any interest and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts. Such allowances are raised based on an assessment of debtor ageing, past experience, or known customer circumstances.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings
Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables
Trade payables are not interest-bearing and are stated at their nominal value.

Derivative financial instruments
The Group does not currently use derivative financial instruments to reduce its exposure to interest or exchange rate movements. The Group does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Changes in their fair values are recognised in the income statement and this is likely to cause volatility in situations where the carrying value of the hedged item is either not adjusted to reflect the fair value changes arising from the hedged risk or is so adjusted but that adjustment is not recognised in this income statement. Provided the conditions specified by IAS 39 are met, hedge accounting may be used to mitigate this income statement volatility.

The Company expects that hedge accounting will not generally be applied to transactional hedging relationships, such as hedges of forecast or committed transactions.

Where the hedging relationship is classified as a cash flow hedge, to the extent the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in equity rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity will be either recycled to the income statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

Other payables
Other payables are stated at their fair value.

Share-based payments
The Group has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 25 December 2004 (the date of the Group's transition to IFRS).

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a binomial model or a Black-Scholes model, according to the relative complexity of the type of share-based payment to be measured. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3 Judgements and estimates
The Group makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed in the next column.

Impairment of assets
Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on a calculation of expected future cash flows which includes management assumptions and estimates of future performance.

Post-employment benefits
The Group operates various defined benefit schemes for its employees. The present value of the schemes' liabilities recognised at the balance sheet date is dependent on interest rates of high quality corporate bonds. The net financing charge recognised in the income statement is dependent on the interest rate of high quality corporate bonds and an expectation of the weighted average returns on the assets within the schemes. Other key assumptions within this calculation are based on market conditions or estimates of future events, including mortality rates, as set out in note 24.

Provisions
Descriptions of the provisions held at period end are given at note 25. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability is accounted for in the period when such determination is made.

The property provisions require judgement and estimation in determining management's best estimate of the following main areas: the length of time it might take to find a tenant for a vacant property; the amount which the landlord of a property may accept as a lump sum in order to release the Group from its future obligations; the amount and timing of likely future increases in rent and other property costs; the extent, and hence the likely cost, of any associated legal and professional advice which will be required; future maintenance costs and dilapidations; and an estimate of future costs of capital in order to arrive at a suitable discount rate.

Income taxes
The Group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made.

Allowances against the carrying value of inventories
The Group reviews the market value of and demand for its inventories on a periodic basis to ensure that recorded inventory is stated at the lower of cost and net realisable value. In assessing the ultimate realisation of inventories, the Group is required to make judgements as to future demand requirements and to compare these with the current or committed inventory levels. Factors that could impact estimated demand and selling prices are the timing and success of product ranges.

Allowances against the carrying value of trade receivables
Using information available at the balance sheet date, the Group reviews its accounts receivable balances and makes judgements based on an assessment of debt ageing, past experience, or known customer circumstances in order to determine the appropriate level of allowance required to account for potential uncollectable trade receivables.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date, together with details of any impairment loss and details of the impairment loss calculation, are included in note 15.

4 Revenue

An analysis of the Group's revenue is as follows:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Continuing operations		
Sales of goods	769.5	805.7
Finance income	0.2	1.4
Total revenue	769.7	807.1

There was no revenue from discontinued operations.

5 Segmental reporting

Primary segmental reporting: business segments

(a) Basis of segmentation

The Group operates and reports as one business segment, Howden Joinery.

(b) External revenue

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Continuing operations		
Howden Joinery	769.5	805.7
Total revenue	769.5	805.7

(c) Result

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Continuing operations		
Howden Joinery – result before exceptional items	79.5	75.9
Exceptional items	(0.1)	4.8
Operating profit	79.4	80.7
Finance income	0.2	1.4
Finance expenses (including pension finance (charge)/income)	(11.0)	(3.0)
Profit before tax	68.6	79.1
Tax	(18.5)	(24.1)
Profit after tax	50.1	55.0
Discontinued operations		
Exceptional items – before tax	(4.4)	(108.8)
Tax	–	2.6
Loss after tax	(4.4)	(106.2)
Profit/(loss) for the period after tax – continuing and discontinued operations	45.7	(51.2)

(d) Other information and balance sheet information

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Other information		
Capital additions	8.8	19.6
Depreciation and amortisation	(18.1)	(17.2)

	26 December 2009 £m	27 December 2008 £m
Balance sheet		
Segment assets	359.4	398.7
Segment liabilities	(433.1)	(456.5)

Secondary segmental reporting: geographical segments
The Group's operations are located in the UK and France. The Group has depots located in both the UK and France. The Group's manufacturing is located in the UK.

The following table analyses the Group's sales by geographical market, irrespective of the origin of the goods:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Sales		
UK	756.4	783.3
France	13.1	22.4
	769.5	805.7

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	26 December 2009 £m	27 December 2008 £m
Carrying amount of segment assets		
UK	352.6	390.0
France	6.8	8.7
	359.4	398.7

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Additions to property, plant and equipment and intangible assets		
UK	8.8	19.0
France	–	0.6
	8.8	19.6

Notes to the consolidated financial statements continued

6 Exceptional items

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

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

(a) Continuing operations

The item "Loss on disposal of property, plant and equipment" comprises the net loss on disposals of property, plant and equipment during the current period.

(b) Discontinued operations

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

The item "Costs and obligations relating to empty properties" covers the Group's best estimate of the rent, rates and other associated costs of these properties. It includes amounts paid under the property guarantees up to the end of the current period, as well as a provision for expected future amounts payable. The amounts are discounted to their present value where material. The provision element of the exceptional item is included as part of the total additions to the property provision in the current period as shown in note 25.

Exceptional items charged to the income statement in the 52 weeks to 27 December 2008 are analysed as follows:

	Note	Cost of sales £m	Other operating expenses £m	Selling and distribution costs £m	Administrative 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)
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
Total exceptional items after tax						(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)
Total exceptional items after tax						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 "Profit on disposal of property, plant and equipment", represent releases from 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 recorded 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 2007 consolidated accounts. The 2006 exceptional stock provision is shown in the 2006 consolidated accounts.

The item "Profit on disposal of property, plant and equipment" comprises the net profit on disposals of property, plant and equipment during the 2008 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 2008 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 2007 and 2008 Annual and Half-Yearly Reports, the Group is the guarantor on leases in relation to properties which were held by MFI Properties Limited and which were occupied by the MFI Retail operations. During the course of the 2008 period, these contingent liabilities crystallised and the Group had begun to incur costs in connection with them. The developments which took place during the 2008 period were 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 2008 period, as well as a provision for future amounts payable. It also includes the payments made to landlords of six 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 2008 period as shown in note 25.

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 2008 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 were all connected to the administration of the Group's former MFI Retail operations during the 2008 period.

7 Operating profit

Operating profit has been arrived at after (charging)/crediting:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Net foreign exchange losses	(11.7)	(11.2)
Depreciation of property plant and equipment:		
– on owned assets	(15.0)	(15.8)
– on assets held under finance lease	(1.6)	(0.4)
Amortisation of intangible assets (included in administrative expenses)	(1.5)	(1.0)
Cost of inventories recognised as an expense	(330.3)	(367.1)
Write downs of inventories	(7.1)	(10.1)
(Loss)/profit on disposal of fixed assets	(0.1)	1.9
Movement in allowance for doubtful debts (note 21)	(0.7)	(0.2)
Staff costs (note 8)	(195.0)	(207.9)
Minimum lease payments under operating leases	(48.2)	(46.6)
Auditors' remuneration for audit services (see below)	(0.3)	(0.3)

All of the items above relate to continuing operations.

A more detailed analysis of auditors' total remuneration is given below:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Audit services		
Fees paid to the Company's auditors for the audit of the Company's annual accounts	(0.1)	(0.1)
Fees paid to the Company's auditors and their associates for other services to the Group:		
– the audit of the subsidiary companies pursuant to legislation	(0.2)	(0.2)
Total audit fees	(0.3)	(0.3)
Other services		
Other services pursuant to legislation	(0.2)	(0.1)
Tax services	(0.2)	(0.1)
Corporate finance services	–	–
Other services	–	–
Total non-audit fees	(0.4)	(0.2)

8 Staff costs

The aggregate payroll costs of employees, including executive directors, was:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Wages and salaries	172.3	184.4
Social security costs	14.8	14.9
Pension operating costs (note 24)	7.9	8.6
	195.0	207.9

Wages and salaries includes a credit in respect of share-based payments of £0.4m (2008: charge of £5.5m).

The average monthly number of persons (full time equivalent, including executive directors) employed by the Group during the period was as follows:

	52 weeks to 26 December 2009 Number	52 weeks to 27 December 2008 Number
Howden Joinery	4,236	4,538
Houdan France	86	99
Howden Joinery Supply Division	1,124	1,269
Other	177	195
Total	5,623	6,101

9 Finance income

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Bank interest receivable	0.2	0.5
Other interest receivable	–	0.9
Total finance income	0.2	1.4

10 Finance expenses and other finance (expense)/income – pensions

Finance expenses	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Interest payable on bank loans	(2.6)	(5.6)
Finance charge on remeasuring creditors to fair value	(0.2)	(0.2)
Interest charge on finance lease payments	(0.2)	(0.1)
Other interest	–	(0.4)
Total finance expenses	(3.0)	(6.3)

Further details of the finance charge on remeasuring creditors to fair value in the current period are given in note 25.

Other finance (expense)/income – pensions	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Pensions finance (expense)/income	(8.0)	3.3

11 Tax

(a) Tax in the income statement

	Continuing operations		Discontinued operations		Total	
	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Current tax						
Current year	15.2	12.0	–	(2.6)	15.2	9.4
Adjustments in respect of previous years	(2.2)	(2.1)	–	–	(2.2)	(2.1)
Total current tax	13.0	9.9	–	(2.6)	13.0	7.3
Deferred tax						
Current year	4.3	16.2	–	–	4.3	16.2
Adjustments in respect of previous years	1.2	(2.0)	–	–	1.2	(2.0)
Total deferred tax	5.5	14.2	–	–	5.5	14.2
Total tax charged/(credited) in the income statement	18.5	24.1	–	(2.6)	18.5	21.5

UK Corporation tax is calculated at 28% (2008: 28.5%) of the estimated assessable profit for the period.

(b) Tax relating to items credited to equity

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Deferred tax		
Actuarial loss on pension scheme	(24.4)	(18.6)
Credit to equity on share schemes	(2.1)	–
Total tax credited to statement of recognised income and expense	(26.5)	(18.6)

The tax relating to items charged/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:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Profit/(loss) before tax – Continuing operations	68.6	79.1
– Discontinued operations	(4.4)	(108.8)
	64.2	(29.7)

	Continuing operations		Discontinued operations		Total	
	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Tax at the UK Corporation tax rate of 28% (2008: 28.5%)	19.2	22.5	(1.2)	(31.0)	18.0	(8.5)
Non–qualifying depreciation	1.1	0.9	–	–	1.1	0.9
Expenses not deductible for tax purposes	0.5	0.7	***1.2	***27.8	1.7	28.5
Tax adjustments in respect of previous years	(1.0)	(4.1)	–	–	(1.0)	(4.1)
IFRS 2 share scheme charge*	(1.0)	2.9	–	0.6	(1.0)	3.5
Abolition of industrial building allowances	–	**1.5	–	–	–	1.5
Others	(0.3)	(0.3)	–	–	(0.3)	(0.3)
Total tax charged/(credited) in the income statement	18.5	24.1	–	(2.6)	18.5	21.5

* Permanent differences arise in relation to share schemes, resulting from a difference between the accounting and tax treatments. In accordance with IAS 12, the excess of current and deferred tax over and above the related cumulative remuneration expense under IFRS 2 has been recognised directly in equity.

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

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

12 Discontinued operations

The items in the current and prior periods relating to discontinued operations are all exceptional items, and are all explained in the exceptional item note (note 6). The cash flow associated with the discontinued items is shown in note 28.

13 Earnings per share

	52 weeks to 26 December 2009			52 weeks to 27 December 2008		
	Earnings	Weighted average number of shares	Earnings per share	Earnings	Weighted average number of shares	Earnings per share
	£m	m	p	£m	m	p
From continuing operations						
Basic earnings per share	50.1	602.8	8.3	55.0	598.0	9.2
Effect of dilutive share options	–	3.2	–	–	11.5	(0.2)
Diluted earnings per share	50.1	606.0	8.3	55.0	609.5	9.0
From discontinued operations						
Basic loss per share	(4.4)	602.8	(0.7)	(106.2)	598.0	(17.8)
Effect of dilutive share options	–	3.2	–	–	11.5	0.4
Diluted loss per share	(4.4)	606.0	(0.7)	(106.2)	609.5	(17.4)
From continuing and discontinued operations						
Basic earnings/(loss) per share	45.7	602.8	7.6	(51.2)	598.0	(8.6)
Effect of dilutive share options	–	3.2	(0.1)	–	11.5	0.2
Diluted earnings/(loss) per share	45.7	606.0	7.5	(51.2)	609.5	(8.4)
From continuing operations excluding exceptional items						
Basic earnings per share	50.2	602.8	8.3	51.0	598.0	8.5
Effect of dilutive share options	–	3.2	–	–	11.5	(0.1)
Diluted earnings per share	50.2	606.0	8.3	51.0	609.5	8.4
From continuing and discontinued operations excluding exceptional items						
Basic earnings per share	50.2	602.8	8.3	51.0	598.0	8.5
Effect of dilutive share options	–	3.2	–	–	11.5	(0.1)
Diluted earnings per share	50.2	606.0	8.3	51.0	609.5	8.4

14 Dividends

Amounts recognised as distributions to equity holders in the period:

	52 weeks to 26 December 2009	52 weeks to 27 December 2008
	£m	£m
Final dividend for the 52 weeks to 27 December 2008 – nil (Final dividend for the 52 weeks to 29 December 2007 – 0.5p)	–	3.0

15 Goodwill

	£m
Cost	
At 29 December 2007	–
Recognised on acquisition of subsidiary	2.5
At 27 December 2008 and 26 December 2009	2.5
Accumulated impairment losses	
At 29 December 2007, 27 December 2008 and 26 December 2009	–
Carrying value	
At 27 December 2008 and 26 December 2009	2.5

The goodwill recognised in the prior period was recognised on the acquisition of the remaining 50% of Howden Joinery Supply Division (Asia) Limited ("HJ Asia") during that period.

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the Cash Generating Unit ("CGU") has been determined from a value in use calculation. The key assumptions for the value in use calculation are those regarding the discount rates, growth rates and the expected future net benefits of using HJ Asia to source products at a saving compared to sourcing from elsewhere.

The estimates of future sourcing benefits are based on a detailed analysis of planned 2010 sourcing via HJ Asia, and management's assessments of the net savings to be made from sourcing via HJ Asia, after taking into account the associated overhead costs of running the HJ Asia business. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money. Because any Group borrowings are negotiated on the basis of the Group as a whole, management has chosen a discount rate which reflects their assessment of the Group's pre-tax weighted average cost of capital (8.2%). This is arrived at using the actual cost of the Group's current borrowings as a benchmark, which is then adjusted as necessary for any expected future changes. The growth rates assume no growth other than inflation (3.6%), which does not exceed the long term growth rate or the market in which HJ Asia operates. The growth rate is felt to be appropriate in the current economic climate although management will continue to update this assumption in future periods in line with actual experience. The value in use calculations use this growth rate to perpetuity.

The whole of the goodwill is allocated to the HJ Asia CGU.

The Group has conducted sensitivity analysis on the impairment test of the HJ Asia CGU. Even with reasonably possible changes in the key assumptions, there is no indication that the carrying amount of the goodwill would have to be reduced to its recoverable amount.

16 Other intangible assets

The other intangible assets shown below all relate to software, as detailed further in the accounting policies note.

	£m
Cost	
At 29 December 2007	8.0
Additions	5.1
Disposals	(0.5)
At 27 December 2008	12.6
Exchange adjustments	(0.1)
Additions	1.4
Disposals	(0.6)
At 26 December 2009	13.3
Amortisation	
At 29 December 2007	5.5
Charge for the period	1.0
Disposals	(0.1)
At 27 December 2008	6.4
Charge for the period	1.6
Disposals	(0.1)
At 26 December 2009	7.9
Net book value at 26 December 2009	5.4
Net book value at 27 December 2008	6.2

Details of intangible assets held under finance leases is given in note 17, together with the corresponding analysis of tangible assets held under finance leases.

17 Property, plant and equipment

Cost	Freehold property £m	Short term leasehold property £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Capital WIP £m	Total £m
At 29 December 2007	20.4	20.0	172.1	64.3	5.8	282.6
Exchange adjustments	–	–	0.4	0.4	–	0.8
Additions	0.1	2.2	7.0	3.4	1.8	14.5
Disposals	–	(1.8)	(26.3)	(3.7)	–	(31.8)
Reclassifications	0.4	0.7	4.6	(0.1)	(5.6)	–
At 27 December 2008	20.9	21.1	157.8	64.3	2.0	266.1
Exchange adjustments	–	–	(0.1)	(0.1)	–	(0.2)
Additions	0.3	1.1	3.5	1.7	0.8	7.4
Disposals	–	(0.1)	(4.0)	(0.4)	–	(4.5)
Reclassifications	–	–	1.2	0.5	(1.7)	–
At 26 December 2009	21.2	22.1	158.4	66.0	1.1	268.8
Depreciation						
At 29 December 2007	0.4	5.6	143.0	42.4	–	191.4
Exchange adjustments	–	–	0.2	0.1	–	0.3
Charge for the period	0.5	1.3	8.5	5.9	–	16.2
Disposals	–	(1.4)	(26.2)	(3.6)	–	(31.2)
At 27 December 2008	0.9	5.5	125.5	44.8	–	176.7
Charge for the period	0.5	1.4	8.1	6.5	–	16.5
Disposals	–	–	(3.6)	(0.3)	–	(3.9)
Reclassifications	–	–	(0.3)	0.3	–	–
At 26 December 2009	1.4	6.9	129.7	51.3	–	189.3
Net book value at 26 December 2009	19.8	15.2	28.7	14.7	1.1	79.5
Net book value at 27 December 2008	20.0	15.6	32.3	19.5	2.0	89.4

The Group has pledged its property, plant and equipment to secure bank borrowings. More details are given in note 23.

At 26 December 2009, the Group had entered into contractual commitments to acquire property, plant and equipment amounting to £0.5m (2008: £0.3m).

Analysis of assets held under finance leases

	26 December 2009			27 December 2008		
	Plant, machinery & vehicles £m	Intangible assets £m	Total £m	Plant, machinery & vehicles £m	Intangible assets £m	Total £m
Cost	4.3	0.6	4.9	4.3	0.6	4.9
Accumulated depreciation	(1.6)	(0.2)	(1.8)	(0.3)	(0.1)	(0.4)
Net book value	2.7	0.4	3.1	4.0	0.5	4.5

17(a) Assets classified as held for sale

Assets held for sale are as follows:

	Long leasehold property £m	Total £m
26 December 2009	–	–
27 December 2008	1.0	1.0

18 Investments

	Other unlisted investments £m	Share of joint ventures £m	Total £m
At 29 December 2007	8.0	2.1	10.1
Profit for the period	–	0.1	0.1
Repayment of investment	(4.0)	–	(4.0)
Acquisition of remainder of joint venture	–	(2.2)	(2.2)
At 27 December 2008	4.0	–	4.0
Profit for the period	–	–	–
Repayment of investment	(2.0)	–	(2.0)
At 26 December 2009	2.0	–	2.0

In the opinion of the directors, the fair value of the unlisted investment is materially equal to its carrying value.

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

The change in investments in the prior period relates to the redemption of another part of the same unlisted investment, which had a cost and carrying value of £4m, and which was redeemed for £4m. The £4m proceeds are shown in the cash flow for the prior period.

During the prior period, the Group purchased the remaining 50% of the joint venture investment, thus making it a subsidiary, whose assets and results are included in the consolidated Group results from the date of the acquisition transaction.

19 Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements on them during the current and prior reporting periods:

	Retirement benefit obligations £m	Accelerated capital allowances £m	Controlled foreign company differences £m	Other timing differences £m	Total £m
At 29 December 2007	23.4	9.6	(0.7)	10.4	42.7
(Charge)/credit to income	(7.8)	(4.5)	0.7	(2.6)	(14.2)
Credit to equity	18.6	–	–	–	18.6
At 27 December 2008	34.2	5.1	–	7.8	47.1
(Charge)/credit to income	(3.5)	(2.9)	–	0.9	(5.5)
Credit to equity	24.4	–	–	2.1	26.5
At 26 December 2009	55.1	2.2	–	10.8	68.1

Deferred tax arising from accelerated capital allowances and short term timing differences can be further analysed as an £18.5m asset and a £5.5m liability (2008: £18.4m asset and £5.5m liability).

The presentation in the balance sheet is as follows:

	26 December 2009 £m	27 December 2008 £m
Deferred tax assets	73.6	52.6
Deferred tax liabilities	(5.5)	(5.5)
	68.1	47.1

There are potential deferred tax assets in relation to trading tax losses totalling £14.8m (2008: £14.8m) that have not been recognised on the basis that their future economic benefit is uncertain. All of these losses may be carried forward indefinitely. The Group also has carried forward capital losses and the related potential deferred tax asset of £23.9m (2008: £23.9m) has not been recognised. These capital losses may be carried forward indefinitely.

20 Inventories

	26 December 2009 £m	27 December 2008 £m
Raw materials	3.1	2.5
Work in progress	2.1	1.9
Finished goods and goods for resale	99.0	134.1
Allowance against carrying value of inventories	(17.9)	(17.2)
	86.3	121.3

The Group has pledged its inventories to secure bank borrowings. More details are given in note 23.

21 Other financial assets

Trade and other receivables

	26 December 2009 £m	27 December 2008 £m
Trade receivables	65.4	77.6
Prepayments and accrued income	29.2	19.6
Other receivables	0.8	2.0
	95.4	99.2

Trade and other receivables are not interest-bearing, and are on commercial terms.
Their carrying value approximates to their fair value.

An analysis of the Group's allowance for doubtful receivables is as follows:

	26 December 2009 £m	27 December 2008 £m
Balance at start of period	10.2	10.0
Increase in allowance recognised in the income statement	0.7	0.2
Balance at end of period	10.9	10.2

The Group's exposure to the credit risk inherent in its trade receivables is discussed in note 32. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. Interest is charged at appropriate market rates on balances which are in litigation.

Before accepting any new credit customer, the Group obtains a credit check from an external agency to assess the potential customer's credit quality, and then sets credit limits on a customer-by-customer basis. These credit limits are reviewed regularly. In the case of one-off customers, the Group's policy is to require immediate payment at the point of sale, and not to offer credit terms.

The historical level of customer default is low, and as a result the "credit quality" of year end trade receivables is considered to be high. The Group reviews trade receivables past due but not impaired on a regular basis and considers, based on past experience, whether the credit quality of these amounts at the balance sheet date has deteriorated since the transaction was entered into and therefore whether the amounts are recoverable or require provision. Regular contact is maintained with all such customers and, where necessary, legal action is taken to recover the receivable. An allowance for impairment is made for any specific amounts which are considered irrecoverable or only partly recoverable. There is also a separate allowance, which is calculated as a percentage of sales. At the period end, the total bad debt provision of £10.9m (2008: £10.2m) consists of a specific provision of £6.0m (2008: £6.4m) which has been made against specific debts with a gross carrying value of £6.5m (2008: £7.1m), and an additional provision of £4.9m (2008: £3.8m) based on sales. To the extent that recoverable amounts are estimated to be less than their associated carrying values, impairment charges have been recorded in the consolidated income statement and the carrying values have been written down to their recoverable amounts.

£8.3m debts were written off in the period (2008: £9.9m). Included within the Group's aggregate trade receivables balance are specific debtor balances with customers totalling £17.9m before bad debt provision (2008: £21.6m before provision) which are past due as at the reporting date. The Group has assessed these balances for recoverability and believes that their credit quality remains intact.

An ageing analysis of these past due trade receivables is provided as follows:

	26 December 2009 £m	27 December 2008 £m
0-30 days past due	9.1	10.9
30-60 days past due	1.3	2.4
60-90 days past due	0.9	1.6
90+ days past due	6.6	6.7
Total overdue amounts, excluding allowance for doubtful receivables	17.9	21.6

There were no trade receivables which would have been impaired at either period end were it not for the fact that their credit terms were renegotiated. The Group does not renegotiate credit terms.

Other assets
Other assets are disclosed separately in the balance sheet and are funds held in escrow to meet future insurance claims from furniture insurance policies written on behalf of the Group's customers. The balance at the period end was £0.7m (2008: £1.3m) and the monies are held with financial institutions which have an AA- rating or higher, and have maturities of up to one year. Interest is paid at both fixed and floating rates based on LIBOR. The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents
Cash and cash equivalents comprises cash at bank and in hand. Cash at bank is either in current accounts, or is placed on short term deposit with maturity periods of less than three months. Interest on short term deposits is paid at prevailing money market rates. The carrying amount of these assets approximates to their fair value.

Assets pledged as security
The Group has pledged its other financial assets to secure bank borrowings. More details are given in note 23.

22 Other financial liabilities
Trade and other payables

Current liabilities	26 December 2009 £m	27 December 2008 £m
Trade payables	50.1	55.6
Other tax and social security	28.2	26.3
Other payables	4.4	4.2
Accruals and deferred income	36.6	34.3
	119.3	120.4

Trade payables, other payables and accruals principally comprise amounts due in respect of trade purchases and ongoing costs. Their carrying value in both periods approximates to their fair value.

The average credit taken for trade purchases during the period, based on total operations, was 38 days (2008: 41 days).

The Group's policy on payment of creditors is to agree terms of payment prior to commencing trade with a supplier, and to abide by those terms on the timely submission of satisfactory invoices.

23 Borrowings

Total borrowings

	26 December 2009 £m	27 December 2008 £m
Current borrowings		
Bank borrowings	0.9	1.7
Current portion of finance lease obligations	1.4	1.7
	2.3	3.4
Non-current borrowings		
Bank borrowings	9.6	78.5
Non-current portion of finance lease obligations	0.4	1.8
	10.0	80.3
Total borrowings	12.3	83.7

Bank borrowings

The bank borrowings are repayable as follows:

	26 December 2009 £m	27 December 2008 £m
Current liabilities		
On demand or within one year	1.7	2.5
Less: prepaid issue fees set against cost of loan	(0.8)	(0.8)
	0.9	1.7
Non-current liabilities		
In the second year	9.9	1.8
In the third to fifth years inclusive	–	77.9
Less: prepaid issue fees set against cost of loan	(0.3)	(1.2)
	9.6	78.5
Total bank borrowings	10.5	80.2

All bank borrowings are in sterling and are drawn under the £175m committed bank facility. The terms of this facility are explained further in the penultimate paragraph of note 32(a).

This facility is secured on the property, other assets and investments of the Group. The carrying values of each of these classes of assets is as presented in the balance sheet and notes to these consolidated financial statements.

The available facility limit is calculated every week, based on the asset backing at the time and can never exceed £175m. As at 26 December 2009, the Group had available £110.5m of undrawn committed borrowing facilities, in respect of which all conditions precedent had been met (2008: £77.3m).

The loan carries interest at a rate of LIBOR plus a margin. The margin varies between 175 and 300 basis points and is determined by the minimum headroom against the Group's lending covenants in the prior month.

Since the period end, the maturity of the facility has been extended until May 2014 and there have been some changes to the terms of the facility. These are detailed further in note 32(a).

Finance lease obligations
The finance lease obligations are repayable as follows:

	26 December 2009 £m	27 December 2008 £m
Current liabilities		
Within one year	1.4	1.7
Non-current liabilities		
In the second year	0.4	1.4
In the third to fifth years inclusive	–	0.4
Total finance lease obligations	1.8	3.5

All finance lease obligations are in sterling. Each lease contract is at a fixed interest rate.

The weighted average of the fixed rates on the various contracts is 6.2% at the current year end (2008: 6.5%).

The finance lease obligations are unsecured. The average remaining lease term is 1 year and 3 months (2008: 2 years and 4 months).

Reconciliation of total future minimum lease payments to their present value

	Minimum lease payments		Present value of minimum lease payments	
	26 December 2009 £m	27 December 2008 £m	26 December 2009 £m	27 December 2008 £m
Amounts payable under finance leases:				
Within one year	1.5	1.8	1.4	1.7
In the second year	0.4	1.5	0.4	1.4
In the third to fifth years inclusive	–	0.4	–	0.4
	1.9	3.7	1.8	3.5
Less: future finance charges	(0.1)	(0.2)		
Present value of lease obligations	1.8	3.5		
Disclosed as:				
Current	1.4	1.7		
Non–current	0.4	1.8		
	1.8	3.5		

Interest rate and fair value information for bank borrowings and lease obligations
The weighted average interest rates paid were as follows:

	52 weeks to 26 December 2009 %	52 weeks to 27 December 2008 %
Finance lease obligations	6.2	6.5
Bank borrowings	3.2	7.0

The directors estimate the fair value of the Group's borrowings are as follows:

	26 December 2009 £m	27 December 2008 £m
Finance lease obligations	1.8	3.5
Bank borrowings	10.5	80.2

24 Retirement benefit obligations

Defined contribution plan

The Group operates a defined contribution scheme for its employees. The assets of this scheme are held separately from those of the Group, and are under the control of the scheme trustees. This scheme began operation during 2006.

The total cost charged to income in respect of this scheme in the current period of £1.0m (2008: £1.0m) represents the Group's contributions due and paid in respect of the period.

Defined benefit plans

The Group operates a funded pension scheme which provides benefits based on the pensionable pay of participating employees. Prior to 5 April 2008, the Group operated two such schemes, which were always reported on an aggregate basis in the Group consolidated statutory accounts. The two schemes were merged on 5 April 2008 for ease of administration, but this merger did not change the benefits payable under the schemes, or their assets or liabilities. The assets of the scheme are held separately from those of the Group, being invested with independent fund managers. Contributions are charged to the consolidated income statement so as to spread the cost of pensions over the employees' working lives with the Group. The present value of the defined benefit obligation, the related current service cost, and past service cost are determined separately for each scheme by a qualified actuary using the projected unit method. The most recent actuarial valuation was carried out at 5 April 2008 by the scheme actuary. The actuary advising the Group has subsequently rolled forward this valuation to 26 December 2009 and restated the results onto a basis consistent with market conditions at that date.

Total amounts charged in respect of pensions in the period

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Charged/(credited) to the income statement:		
Defined benefit schemes – total operating charge	6.9	7.6
Defined benefit schemes – net finance charge/(credit)	8.0	(3.3)
Defined contribution scheme – total operating charge	1.0	1.0
Total net amount charged to profit before tax	15.9	5.3
Charged to equity:		
Defined benefit schemes – net actuarial losses, net of deferred tax	62.6	47.7
Total pension charge	78.5	53.0

Key assumptions used in the valuation of the schemes

	52 weeks to 26 December 2009	52 weeks to 27 December 2008
Rate of increase of pensions in payment:		
– pensions with guaranteed increases (i.e. most of the pre-1997 pensions)	3.55%	3.00%
– pensions with increases capped at the lower of LPI and 5%	3.55%	3.00%
– pensions with increases capped at the lower of LPI and 2.5%	2.50%	2.50%
Rate of increase in salaries	4.55%	4.00%
Inflation assumption	3.55%	3.00%
Expected return on scheme assets (weighted average)	6.79%	6.35%
Discount rate	5.65%	6.30%

The following mortality tables were used:

Mortality before retirement, 2009 and 2008	Males AM92 Females AF92
Mortality in retirement (i.e. current pensioners), 2009 and 2008	Males PNMA00 U2008, long cohort with 1.0% pa underpin on the improvement factors Females PNMA00 U2008, long cohort with 0.5% pa underpin on the improvement factors
Mortality in retirement (i.e. pensions not yet in payment), 2009 and 2008	Males PNMA00 U2008, long cohort with 1.0% pa underpin on the improvement factors Females PNMA00 U2008, long cohort with 0.5% pa underpin on the improvement factors

The mortality assumption adopted by the Group in 2009 and 2008 is equivalent to the following life expectancies:

	Male (yrs)	Female (yrs)
Non-pensioner (age 45)	90.8	92.1
Pensioner (age 65)	88.8	90.9

Sensitivity to changes in assumptions

If there was an increase/decrease in the net discount rate (i.e. the difference between the discount rate and the assumed rates of increase in salaries, deferred pension revaluation or pensions in payment) of 0.1%, there would be a corresponding decrease/increase in the scheme liabilities of around 2%, or £15m, and a decrease/increase in the current service cost of around 1% or £0.1m.

The effect of changing the assumption regarding life expectancy by one year longer than shown above would be to increase the assessed value of liabilities by around 2% or £15m, and to increase the assessed value of the current service cost by around 2% or £0.15m.

Analysis of scheme assets and the expected rates of return

	Expected rate of return		Fair value of scheme assets	
	52 weeks to 26 December 2009	52 weeks to 27 December 2008	26 December 2009	27 December 2008
	%	%	£m	£m
Equities	7.8	7.3	380.6	297.3
Government bonds	4.1	3.6	100.1	97.0
Corporate bonds	5.65	6.3	52.5	49.0
Cash	0.5	2.0	8.1	3.0
			541.3	446.3

The Group establishes the long term expected rate of return on scheme assets by developing a forward-looking long term return assumption for each asset class, taking into account factors such as market yield on bond investments of appropriate duration, and the expected outperformance for other asset classes based on analysis of long term historical trends. A single long term assumption is then calculated as the weighted average of the actual asset allocation and the long term assumption for each asset class.

Balance sheet

The amount included in the balance sheet arising from the Group's obligations in respect of defined benefit retirement benefit schemes is as follows:

	26 December 2009 £m	27 December 2008 £m
Present value of defined benefit obligations	(737.6)	(568.5)
Fair value of scheme assets	541.3	446.3
Deficit in the scheme, recognised in the balance sheet	(196.3)	(122.2)

Movements in the present value of defined benefit obligations are as follows:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Present value at start of period	568.5	617.0
Current service cost	6.9	7.6
Interest cost	35.4	36.1
Contributions from scheme members	0.2	0.2
Actuarial losses/(gains)	149.1	(73.8)
Benefits paid	(22.5)	(18.6)
Present value at end of period	737.6	568.5

Movements in the fair value of the schemes' assets are as follows:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Fair value at start of period	446.3	533.5
Expected return on assets	27.4	39.4
Contributions from scheme members	0.2	0.2
Contributions from the Group	27.8	31.9
Actuarial gains/(losses)	62.1	(140.1)
Benefits paid	(22.5)	(18.6)
Fair value at end of period	541.3	446.3

Movements in the deficit during the period are as follows:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Deficit at start of period	(122.2)	(83.5)
Current service cost	(6.9)	(7.6)
Employer contributions	27.8	31.9
Other finance (charge)/income	(8.0)	3.3
Actuarial losses gross of deferred tax	(87.0)	(66.3)
Deficit at end of period	(196.3)	(122.2)

Income statement

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

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Amount charged to profit:		
Current service cost	6.9	7.6
Net cost	6.9	7.6

The current service cost is included in the statutory accounts heading Staff costs.

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Amount charged/(credited) to other finance charges:		
Expected return on pension scheme assets	(27.4)	(39.4)
Expected charge on pension scheme liabilities	35.4	36.1
Net charge/(credit)	8.0	(3.3)

The actual return on scheme assets was £99.5m (52 weeks to 27 December 2008, £100.7m).

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:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Actuarial gain/(loss) on scheme assets	62.1	(140.1)
Actuarial (loss)/gain on scheme liabilities	(149.1)	73.8
Net actuarial loss	(87.0)	(66.3)

History of scheme deficit and experience adjustments

	26 December 2009 £m	27 December 2008 £m	29 December 2007 £m	30 December 2006 £m	24 December 2005 £m
Present value of defined benefit obligations	(737.6)	(568.5)	(617.0)	(670.8)	(707.6)
Fair value of schemes' assets	541.3	446.3	533.5	481.6	410.5
Deficit in the schemes	(196.3)	(122.2)	(83.5)	(189.2)	(297.1)

Experience adjustments on scheme liabilities – difference between actual and expected returns:

	26 December 2009	27 December 2008	29 December 2007	30 December 2006	Cumulative since adoption of IFRS
Amount of experience gain/(loss) on scheme liabilities (£m)	(149.1)	73.8	79.0	40.0	(39.2)
Percentage of scheme liabilities	20.2%	13.0%	12.8%	6.0%	

Experience adjustments on scheme assets – difference between actual and expected returns:

	26 December 2009	27 December 2008	29 December 2007	30 December 2006	Cumulative since adoption of IFRS
Amount of experience gain/(loss) on scheme assets (£m)	62.1	(140.1)	8.2	24.2	(6.8)
Percentage of scheme assets	11.5%	31.4%	1.5%	5.0%	
Total cumulative actuarial loss since adoption of IFRS – all recognised through the SORIE (£m)					(46.0)

In accordance with the transitional provisions for adopting the amendments to IAS 19 issued in December 2004, the disclosures above relating to experience adjustments are shown prospectively from the period ended 24 December 2005, being the first annual period in which the Group adopted the IAS 19 amendments.

Expected future contributions
The Group's estimated contributions to the defined benefit schemes in the 52 weeks ending 25 December 2010 are £35m.

25 Provisions

	Property provision £m	Other provisions £m	Total £m
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
Additional provision in the period	12.4	2.1	14.5
Provision released in the period	(0.2)	(1.4)	(1.6)
Utilisation of provision in the period	(43.5)	(2.4)	(45.9)
At 26 December 2009	84.4	2.4	86.8

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. The property provision also includes amounts for any related shortfalls in business rates on these properties, and for dilapidations, agents' fees and other professional fees.

During the current period, the property provision has been increased by £0.2m arising from an unwinding of the discount rate over time. None of this amount relates to a change in the discount rate. This amount is shown as a finance charge in note 10. There is a discussion of the main sources of estimation and uncertainty which apply to this provision at note 3. The amount of the expected future cash flows has been adjusted to reflect the expected range of possibilities and, as the outflows under this provision are expected to take place over a number or years, the provision has been discounted to its present value.

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

26 Share capital

Ordinary shares of 10p each	52 weeks to 26 December 2009 Number	52 weeks to 27 December 2008 Number	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Authorised				
At 27 December 2008	775,152,000	775,152,000	77.5	77.5
Authorised in the period	302,504,060	–	30.3	–
At 26 December 2009	1,077,656,060	775,152,000	107.8	77.5
Allotted, called up and fully paid				
At 27 December 2008	633,915,329	633,783,210	63.4	63.4
Issued during the period	–	132,119	–	–
At 26 December 2009	633,915,329	633,915,329	63.4	63.4

27 Reconciliation of movements in reserves

	Called up share capital £m	Share premium account £m	ESOP reserve £m	Other reserves £m	Retained earnings £m	Total £m
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)
At 27 December 2008	63.4	85.1	(27.1)	28.1	(207.3)	(57.8)
Net actuarial loss on defined benefit scheme	–	–	–	–	(62.6)	(62.6)
Foreign exchange	–	–	–	–	(0.7)	(0.7)
Accumulated profit for the period	–	–	–	–	45.7	45.7
Net movement in ESOP	–	–	(0.4)	–	–	(0.4)
Deferred tax on share schemes	–	–	–	–	2.1	2.1
At 26 December 2009	63.4	85.1	(27.5)	28.1	(222.8)	(73.7)

The ESOP reserve includes shares in Galiform Plc with a market value on the balance sheet date of £22.5m (2008: £5.3m), 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.

28 Notes to the cash flow statement

(a) Net cash flows from operating activities

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Group operating profit/(loss) before tax and interest		
Continuing operations	79.4	80.7
Discontinued operations	(4.4)	(108.8)
Group operating profit/(loss) before tax and interest	75.0	(28.1)
Adjustments for:		
Depreciation and amortisation included in operating profit	18.1	17.2
Share-based payments (credit)/charge	(0.4)	5.5
Share of joint venture profits	–	(0.1)
Loss/(profit) on disposal of property, plant and equipment and intangible assets	0.1	(1.9)
Other exceptional items (before tax)	4.4	105.9
Operating cash flows before movements in working capital	97.2	98.5
Movements in working capital and exceptional items		
Decrease/(increase) in stock	35.0	(19.3)
Decrease in trade and other receivables	3.8	22.4
Decrease in trade and other payables and provisions	(38.3)	(92.6)
Difference between pensions operating charge and cash paid	(20.9)	(24.3)
Net cash flow – exceptional items	(0.4)	(11.7)
	(20.8)	(125.5)
Cash generated from/(used in) operations	76.4	(27.0)
Tax paid	(5.0)	(10.8)
Net cash flow from/(used in) operating activities	71.4	(37.8)
Net cash flow from/(used in) operating activities comprises:		
Continuing operating activities	71.8	(26.1)
Discontinued operating activities	(0.4)	(11.7)
	71.4	(37.8)

(b) Reconciliation of net cash/(debt)

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Net debt at start of period	(61.2)	(3.3)
Net decrease in cash and cash equivalents	(7.2)	(12.4)
Net decrease in current asset investments	(0.6)	(1.1)
Decrease/(increase) in bank borrowings	69.7	(44.1)
Decrease/(increase) in finance leases	1.7	(0.3)
Net cash/(debt) at end of period	2.4	(61.2)
Represented by:		
Cash and cash equivalents	14.0	21.2
Investments	0.7	1.3
Bank loans	(10.5)	(80.2)
Finance leases	(1.8)	(3.5)
	2.4	(61.2)

(c) Analysis of net debt

	Cash and cash equivalents £m	Current asset investment £m	Bank loans £m	Finance leases £m	Net cash/(debt) £m
At 27 December 2008	21.2	1.3	(80.2)	(3.5)	(61.2)
Cash flow	(7.2)	(0.6)	69.7	1.7	63.6
At 26 December 2009	14.0	0.7	(10.5)	(1.8)	2.4

29 Financial commitments

Capital commitments

	26 December 2009 £m	27 December 2008 £m
Contracted for, but not provided for in the accounts	0.5	0.3

Operating lease commitments

The Group as lessee:

Payments under operating leases during the period are shown at note 7. At the balance sheet date, the Group had outstanding lease commitments for future minimum lease payments under non-cancellable operating leases which fall due as shown below.

	Properties		Other leases		Total	
	26 December 2009 £m	27 December 2008 £m	26 December 2009 £m	27 December 2008 £m	26 December 2009 £m	27 December 2008 £m
Payments falling due:						
Within one year	41.6	43.1	7.5	8.7	49.1	51.8
In the second to fifth year inclusive	157.5	153.9	21.3	11.6	178.8	165.5
After five years	144.0	186.0	2.2	0.8	146.2	186.8
	343.1	383.0	31.0	21.1	374.1	404.1

The Group as lessor:

The Group sublets certain leased properties to third parties.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	26 December 2009 £m	27 December 2008 £m
Payments receivable:		
Within one year	1.8	1.3
In the second to fifth year inclusive	4.1	4.6
After five years	4.8	2.9
	10.7	8.8

Finance lease commitments are analysed in note 23.

30 Share-based payments

1) Details of each scheme

The Group recognised a credit of £0.4m (2008: charge of £5.5m) in respect of share-based payments during the period. The Group has various share-based payment schemes, which are all equity-settled. The main details of all schemes which existed during the period are given below.

a) Performance Share Plan

This is a discretionary free share plan where participants have a contingent right to receive free shares with performance conditions attached.

The performance period is measured from the start of the financial period in which the awards are granted. The performance period is three years. Vesting occurs at the end of the performance period. The different subdivisions and performance conditions are as follows:

(i) no other condition other than continued employment.

(ii) 50% of the Options shall be exercisable if the compound annual growth in the Group's Operating Profit over the performance period is at least 10% rising to 100% if compound annual growth over the same period is at least 20%.

(iii) 25% of the award will vest if 2010 PBT of £110m is achieved. 100% will vest if 2010 PBT of £135m is achieved. The awards will vest on a sliding scale between these two points.

b) (i) Deferred Bonus Plan – pre-2008 grants

Participants defer their cash bonus into shares for a period of three years. Participants have no entitlement to dividends during the deferral period. There are no performance conditions attached. The shares vest at the end of the three year holding period.

b) (ii) Deferred Bonus Plan – 2008 grant

Under the Co-Investment Plan participants can defer some or all of their cash bonus into shares and pledge these deferred shares as "invested shares" under the plan (see below (d)). The deferred share awards in 2008 are the result of participants deferring the cash bonuses awarded to them in March 2008. The shares are held in trust and participants are entitled to dividends during the deferral period. A participant can remove the shares from the Trust at any time but, as they would no longer be pledged as Invested Shares under the Co-Investment Plan, then unless replaced, the participant would forego the resulting match.

c) Co-Investment Plan

This is a Co-Investment Plan where each participant is permitted to invest a limited amount of shares on an annual basis for the purposes of the Plan.

(i) (A) 2007 award: PBT targets. At the end of a three year performance period, each invested share will be matched by an award of up to three matching shares if 2010 PBT of £135m is achieved; 25% of the maximum match (i.e. 0.75:1) will be earned for achieving 2010 PBT of £110m and the awards will vest on a sliding scale between these two points.

(B) 2007 award: individual non-market related performance conditions. On 31 December 2008 each invested share will be matched by an award of up to three matching shares if certain individual targets are achieved.

(ii) (A) 2007 award: TSR target. A further match of up to two shares will be made for achieving upper quartile Total Shareholder Return (TSR), measured against the FTSE 250 Index (excluding investment trusts).

(B) 2007 award: 2009 PBT target. As at 31 December 2009, each invested share will be matched by an award of up to two matching shares if a PBT target (pro rata in relation to that set in 2010) is achieved.

d) Foundation Plan

This plan awards nil-cost options, and also options with an exercise price equal to the market price at the date of grant.

2006 Awards

These vested on the last day of the 2005/06 financial year, as the performance conditions were met. There is a further deferral period of two years before the awards are made available to the participants.

Vesting of awards granted in the form of nil-cost options depended on the achievement of a share price hurdle over thirty consecutive dealing days. 15% of the award vests for the achievement of 95 pence and 100% of the award vests for the achievement of 125 pence. The award vests on a straight line basis between these two points.

Vesting of awards granted in the form of options with an exercise price equal to the market price at the date of grant vest depended on the achievement of a share price hurdle over thirty consecutive dealing days. The exercise price of the options granted in 2006 was 92p. 35% of this award vests if the share price achieves 115 pence over thirty consecutive dealing days, and 100% of the award vests if the share price achieves 160 pence over thirty consecutive dealing days. The award vests on a straight line basis between these two points.

2007 Awards

These awards were granted in the form of nil cost options and vested on the last day of the 2006/07 financial year to the degree that the performance conditions had been met. There is a further deferral period of two years before the vested awards are made available to the participants.

Vesting was dependent upon the achievement of a share price hurdle over thirty consecutive dealing days and an underlying profit target of £65m for the year being met. 20% of the award vests if the share price achieves 150 pence over thirty consecutive dealing days and 100% of the award vests if the share price achieves 185 pence over thirty consecutive dealing days. The award vests on a straight line basis between these two points.

e) Executive Share Options

This is a discretionary share option plan. These options are granted with an exercise price equal to market value.

The vesting period is three years from the date of grant with an exercise period of seven years (i.e. a total life of ten years). In the information below, these options have been further subdivided according to their different performance conditions, in order to give more meaningful information. The different subdivisions and performance conditions are as follows:

(i) 40% vesting if EPS growth equals RPI+40%, rising to 100% vesting for EPS growth of RPI+100%.

(ii) 50% vesting if there is EPS growth of 60% over the performance period, and 100% vesting if there is EPS growth of 120% over the performance period.

(iii) No other condition except for continued employment with the Group.

(iv) EPS growth must equal RPI + 9%. If this is achieved there will be full vesting. If this is not achieved there will be no vesting.

(v) 20% of the options will vest if the share price over thirty consecutive dealing days is 185p rising on a straight line basis to 100% vesting if the share price over thirty consecutive days reaches 265p. Underpinning this is a requirement to achieve 20% annual compound growth over the performance period.

(vi) Full vesting will occur if the Group's cumulative profit before tax is at least £90m over the three financial years ending December 2009, 2010 and 2011. If this is not achieved there will be no vesting.

f) Galiform Long Term Incentive Plan

This is a discretionary plan under which the Company may grant different types of share award including market value and nil cost options, conditional awards of shares and restricted shares (where the employee is the owner of the shares from the date of award but subject to forfeiture).

(i) Market value options, the vesting period for which is three years from the date of grant with an exercise period of seven years (i.e. a total life of ten years), will vest if cumulative PBT of £90m is achieved over the three financial years ending 2009, 2010 and 2011.

g) Share Incentive Scheme (Freeshares)

This is an "all-employee" share incentive plan whereby participants receive a grant of free shares in the Company. If the employees are still employed by the Group three years after the grant, then the shares vest. Dividends are paid out on the shares between award date and vesting date. There are no other performance conditions attached to these awards.

h) SAYE (Sharesave)

This is a save as you earn scheme for all employees whereby participants receive an option to purchase shares at a later date at a price equal to the market price at grant date. The term of this scheme is five years ending on 1 December 2008. Participants have a right to exercise options for a period of six months after this date.

2) Movements in the period

The following tables show the number and weighted average exercise prices ("WAEP") of each category of share options during the period, and the movements in each category. The significance of options granted before 7 November 2002 is that they have been excluded from the IFRS 2 share-based payment charge on the basis of their date of grant, as allowed on adoption of IFRS.

a) Performance Share Plan
i) No conditions other than employment

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	288,000	nil	315,500	nil
Granted in period	–	–	–	–
Lapsed in period	(20,500)	nil	(14,500)	nil
Exercised in period	(3,000)	nil	(13,000)	nil
In issue at end of period	264,500	nil	288,000	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		0.45		0.53
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.42		1.42	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	nil		nil	
– to	nil		nil	

a) Performance Share Plan
ii) 50% of award vests if compound annual operating profit growth is >10%, rising to 100% vesting if growth is >20%

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	1,208,877	nil	1,273,861	nil
Granted in period	–	–	–	–
Lapsed in period	(38,991)	nil	–	–
Exercised in period	(124,550)	nil	(64,984)	nil
In issue at end of period	1,045,336	nil	1,208,877	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		0.61		0.75
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.42		1.42	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	nil		nil	
– to	nil		nil	

a) Performance Share Plan

iii) 25 % vests if PBT in 2010 is £110m, rising to 100% vesting if PBT in 2010 is £135m

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	1,186,746	nil	1,232,658	nil
Granted in period	–	–	–	–
Lapsed in period	(17,733)	nil	–	–
Exercised in period	(69,952)	nil	(45,912)	nil
In issue at end of period	1,099,061	nil	1,186,746	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		0.61		0.24
Weighted average contractual life remaining for share options outstanding at the period end (years)	1.00		2.00	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	nil		nil	
– to	nil		nil	

b) Deferred Bonus Plan

i) Pre-2008 grants

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	472,976	nil	643,807	nil
Granted in period	–	–	–	–
Lapsed in period	–	–	–	–
Exercised in period	(285,875)	nil	(170,831)	nil
In issue at end of period	187,101	nil	472,976	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		0.61		0.82
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.25		0.55	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	nil		nil	
– to	nil		nil	

b) Deferred Bonus Plan
ii) 2008 grant

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	1,371,881	nil	–	–
Granted in period	–	–	1,371,881	nil
Lapsed in period	–	–	–	–
Exercised in period	(212,390)	nil	–	–
In issue at end of period	1,159,491	nil	1,371,881	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	1.25		2.01	
Weighted average fair value of options granted during the period (£)	–		0.79	
Range of exercise prices for options outstanding at the period end (£):				
– from	nil		nil	
– to	nil		nil	

c) Executive Co-investment Plan
i) (A) 2007 award, PBT target

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	6,150,000	nil	7,710,000	nil
Granted in period	–	–	–	–
Modified in period	–	–	(1,560,000)	nil
Exercised in period	–	–	–	–
In issue at end of period	6,150,000	nil	6,150,000	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	1.00		2.00	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	nil		nil	
– to	nil		nil	

c) Executive Co-investment Plan
i) (B) 2007 award, individual non-market conditions

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	1,560,000	nil	–	–
Granted in period	–	–	1,560,000	nil
Lapsed in period	–	–	–	–
Exercised in period	(1,560,000)	nil	–	–
In issue at end of period	–	–	1,560,000	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	–		2.57	
Weighted average fair value of options granted during the period (£)	–		0.69	
Range of exercise prices for options outstanding at the period end (£):				
– from	–		nil	
– to	–		nil	

c) Executive Co-investment Plan
ii) (A) 2007 award, TSR target

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	4,100,000	nil	5,140,000	nil
Granted in period	–	–	–	–
Modified in period	–	–	(1,040,000)	nil
Exercised in period	–	–	–	–
In issue at end of period	4,100,000	nil	4,100,000	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	1.00		2.00	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	nil		nil	
– to	nil		nil	

c) Executive Co-investment Plan
ii) (B) 2007 award, 2009 PBT target

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at start of period	1,040,000	nil	–	–
Granted in period	–	–	1,040,000	nil
Lapsed in period	(519,762)	nil	–	–
Exercised in period	–	–	–	–
In issue at end of period	520,238	nil	1,040,000	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.25		2.57	
Weighted average fair value of options granted during the period (£)	–		0.69	
Range of exercise prices for options outstanding at the period end (£):				
– from	nil		nil	
– to	nil		nil	

d) Foundation Plan
i) 2006 award, Nil-Cost Option

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	4,445,000	nil	4,445,000	nil
Granted in period	–	–	–	–
Exercised in period	(4,445,000)	nil	–	–
In issue at end of period	–	–	4,445,000	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period	0.15		–	
Weighted average contractual life remaining for share options outstanding at the period end (years)	–		–	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	–		nil	
– to	–		nil	

d) Foundation Plan
ii) 2006 award, Market-value Options

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	5,850,760	0.92	5,850,760	0.92
Granted in period	–	–	–	–
Lapsed in period	(358,210)	0.92	–	–
Exercised in period	–	–	–	–
In issue at end of period	5,492,550	0.92	5,850,760	0.92
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period	–		–	
Weighted average contractual life remaining for share options outstanding at the period end (years)	–		–	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	0.92		0.92	
– to	0.92		0.92	

d) Foundation Plan
iii) 2007 award, Nil-Cost Options

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	3,930,000	nil	3,930,000	nil
Granted in period	–	–	–	–
Lapsed in period	(2,242,620)	nil	–	–
Exercised in period	–	–	–	–
In issue at end of period	1,687,380	nil	3,930,000	nil
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	–		–	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	nil		nil	
– to	nil		nil	

e) Executive Share Options
i) 40% vesting if EPS growth = RPI+40% rising to 100% vesting if EPS growth = RPI+100%

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	896,073	1.07	1,664,017	1.07
Granted in period	–	–	–	–
Lapsed in period	–	–	(767,944)	1.07
Exercised in period	–	–	–	–
In issue at end of period	896,073	1.07	896,073	1.07
Exercisable at end of period	896,073	1.07	896,073	1.07
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	–		–	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	1.07		1.07	
– to	1.07		1.07	

e) Executive Share Options
ii) 50% vesting if EPS growth is 60% and 100% vesting if EPS is 120%

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	1,328,009	1.27	1,328,009	1.27
Granted in period	–	–	–	–
Lapsed in period	–	–	–	–
Exercised in period	–	–	–	–
In issue at end of period	1,328,009	1.27	1,328,009	1.27
Exercisable at end of period	1,328,009	1.27	1,328,009	1.27
Number of options in the closing balance that were granted before 7 November 2002	1,328,009		1,328,009	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	–		–	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	1.03		1.03	
– to	1.32		1.32	

e) Executive Share Options
iii) No other performance conditions except continued employment

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	49,900	0.42	49,900	0.42
Granted in period	–	–	–	–
Lapsed in period	–	–	–	–
Exercised in period	(49,900)	0.42	–	–
In issue at end of period	–	–	49,900	0.42
Exercisable at end of period	–	–	49,900	0.42
Number of options in the closing balance that were granted before 7 November 2002	–		49,900	
Weighted average share price for options exercised during the period		0.60		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	–		–	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	–		0.42	
– to	–		0.42	

e) Executive Share Options
iv) Full vesting if EPS increases by RPI + 9%

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	2,645,367	1.02	3,255,476	1.03
Granted in period	–	–	–	–
Lapsed in period	(356,360)	0.98	(562,490)	1.07
Exercised in period	–	–	(47,619)	0.91
In issue at end of period	2,289,007	1.00	2,645,367	1.02
Exercisable at end of period	2,289,007	1.00	2,645,367	1.02
Number of options in the closing balance that were granted before 7 November 2002	2,289,007		2,645,367	
Weighted average share price for options exercised during the period		–		0.63
Weighted average contractual life remaining for share options outstanding at the period end (years)	–		–	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	0.63		0.63	
– to	1.39		1.39	

e) Executive Share Options
v) 20% annual growth over the performance period, and then 20% vesting if share price is over 185p for 30 consecutive days, up to 100% vesting if share price reaches 265p over 30 consecutive days

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	5,241,640	1.59	5,570,978	1.59
Granted in period	–	–	–	–
Lapsed in period	–	–	(329,338)	1.59
Exercised in period	–	–	–	–
In issue at end of period	5,241,640	1.59	5,241,640	1.59
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	0.42		1.42	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	1.59		1.59	
– to	1.59		1.59	

e) Executive Share Options
vi) cumulative PBT of £90m over three financial years ending 2009, 2010 and 2011

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	–	–	–	–
Granted in period	9,557,430	0.38	–	–
Lapsed in period	–	–	–	–
Exercised in period	–	–	–	–
In issue at end of period	9,557,430	0.38	–	–
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	2.33		–	
Weighted average fair value of options granted during the period (£)	0.08		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	0.25		–	
– to	0.50		–	

Notes to the consolidated financial statements continued

f) Galiform Long term Incentive Plan

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	–	–	–	–
Granted in period	12,507,032	0.37	–	–
Lapsed in period	–	–	–	–
Exercised in period	–	–	–	–
In issue at end of period	12,507,032	0.37	–	–
Exercisable at end of period	–	–	–	–
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	2.33		–	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	0.25		–	
– to	0.50		–	

g) Share incentive scheme (Freeshares)

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	436,273	nil	574,406	nil
Granted in period	–	–	–	–
Lapsed in period	(14,634)	nil	(29,513)	nil
Exercised in period	(18,428)	nil	(108,620)	nil
In issue at end of period	403,211	nil	436,273	nil
Exercisable at end of period	403,211	nil	–	–
Number of options in the closing balance that were granted before 7 November 2002	403,211		436,273	
Weighted average share price for options exercised during the period		0.45		0.53
Weighted average contractual life remaining for share options outstanding at the period end (years)	–		–	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	nil		nil	
– to	nil		nil	

h) SAYE (Sharesave)

	52 weeks to 26 December 2009 Number	52 weeks to 26 December 2009 WAEP (£)	52 weeks to 27 December 2008 Number	52 weeks to 27 December 2008 WAEP (£)
In issue at beginning of period	720,150	1.84	927,180	1.84
Granted in period	–	–	–	–
Lapsed in period	(720,150)	1.84	(207,030)	1.84
Exercised in period	–	–	–	–
In issue at end of period	–	–	720,150	1.84
Exercisable at end of period	–	–	720,150	1.84
Number of options in the closing balance that were granted before 7 November 2002	–		–	
Weighted average share price for options exercised during the period		–		–
Weighted average contractual life remaining for share options outstanding at the period end (years)	–		–	
Weighted average fair value of options granted during the period (£)	–		–	
Range of exercise prices for options outstanding at the period end (£):				
– from	–		1.84	
– to	–		1.84	

3) Fair value of options granted
The fair value of all options granted except Sharesave is estimated on the date of grant using a binomial option valuation model. Sharesave schemes are valued using a Black Scholes model as they are not considered to be of such complexity that they require a binomial model.

The key assumptions used in the models were:

	52 weeks to 26 December 2009	52 weeks to 27 December 2008
Dividend yield (%)	–	0.71
Expected share price volatility (%)	50 to 52	46
Historical volatility (%)	50 to 52	46
Risk-free interest rate (%)	2.79 to 3.18	4.5
Expected life of options (years)	6.4 to 6.5	2.6

Historical volatility is measured for each scheme over the period equal to the vesting period of the scheme. The figure arrived at is then used as the best estimate of expected future volatility.

31 Related party transactions

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

Trading transactions

During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Howden Joinery Supply Division (Asia) Limited	
	2009 £m	2008 £m
Sale of goods and services during the period	–	–
Purchases of goods and services during the period	–	5.2
Amounts owed to related party at period end	–	–
Amounts owed by related party at period end	–	–

Howden Joinery Supply Division (Asia) Limited ("HJ Asia") was a related party during the prior period because it was a joint venture.

HJ Asia has ceased to be a related party by the end of the prior period, as the remaining 50% shareholding has been acquired by the Group during that period, and HJ Asia is now a subsidiary. The information above only relates to the company during the time it was a joint venture.

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

No provisions were been made for doubtful debts in respect of amounts owed by the related party.

The Group has no related party entities during the current period.

Remuneration of key management personnel

Key management personnel comprise the Board of Directors (including non-executive directors). Details of the aggregate remuneration to these personnel is set out below:

	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Short term employment benefits	2.6	3.0
Termination benefits	0.3	–
	2.9	3.0

Other transactions with key management personnel

There were no other transactions with key management personnel.

32 Financial risk management

(a) Capital risk management

The Group manages its capital structure to maximise the return to shareholders through the optimisation of its debt and equity balance, trading-off the benefits of financial leverage with the expected future costs of financial distress.

The capital structure of the Group consists of debt (including the borrowings disclosed in note 23 offset by cash and cash equivalents) and equity attributable to equity holders of the parent (including issued share capital and reserves as disclosed in notes 26 and 27).

The Board of Directors reviews the capital structure regularly, including, but not limited to, the time of preparing annual budgets, preparing three year corporate plans, and considering corporate transactions. As part of this review, the Board reviews the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

At the period end, the Group had a £175m committed bank facility secured against the assets of the Group and based on four sub-facilities (stock, trade receivables, property and a cash flow facility). The facility limit was the lower of £175m and the sum of the four sub-facilities. The property component (initially £17.4m) amortises at the rate of 1/96th each month, whereas the other components act as a revolving credit facility with no amortisation. Under the terms of the facility, none of the Group's principal subsidiary companies can sign up to additional secured borrowings, other than those expressly permitted within the terms of the facility. The facility (i) permits normal trade credit granted to it in the ordinary course of business; (ii) allows up to £10m of additional secured borrowings, and (iii) allows up to £10m of finance lease borrowing. The facilities were due to expire in May 2011. Since the year end the maturity of the facility has been extended until May 2014. As part of the extension, the facility has been reduced to £160m alongside a revised interest rate structure and a slight amendment to the fixed charge covenant. Further information is shown in the Financial Review.

The Group's overall strategy remains unchanged from 2008.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

(c) Categories of financial instruments

	26 December 2009 £m	27 December 2008 £m
Financial assets (current and non-current)		
Trade receivables	65.4	77.6
Cash and cash equivalents	14.0	21.2
Other assets	0.7	1.3
Financial liabilities (current and non-current)		
Trade payables	50.1	55.6
Borrowings	12.3	83.7

(d) Financial risk management

General

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board has approved and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, controlling and reporting structures. The types of risk exposure, the way in which such exposure is managed, and the quantification of the level of exposure in the balance sheet is shown below (subcategorised into credit risk, liquidity risk and market risk). The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Board and are overseen by the Executive Committee. In turn, the Executive Committee delegates authority to a central treasury function ("Group treasury") for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group treasury regularly reassesses and reports on the financial risk environment, identifying and evaluating financial risks. The Group does not take positions on derivative contracts and only enters into contractual bank deposit or lending arrangements with counterparties that have investment grade credit ratings.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short term highly liquid investments which have a maturity of six months or less from the date of acquisition. Arrangements are in place to ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and to ensure that the Group earns the most advantageous rates of interest available. The prime consideration in the investment of cash balances is the security of the asset, followed by liquidity and then yield.

Management of trade receivables is discussed in note 21.

(e) Credit risk

The Group's principal financial assets are cash and cash equivalents, other assets, and trade and other receivables. The Group's credit risk is mainly confined to the risk of customers defaulting on sales invoices raised. The Group has adopted a policy of only dealing with creditworthy counterparties as a way of mitigating the risk of financial loss from defaults.

The Group's policy on dealing with trade customers is described in the accounting policies and in note 21. Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The Group does not have any significant credit risk exposure to any single counterparty.

The Group limits exposure to credit risk on liquid funds and derivative financial instruments through adherence to a policy of minimum long term counterparty credit ratings assigned by international credit-rating agencies (Standard and Poor's AA- and Moody's Aa3).

Full disclosure of the Group's maximum exposure to credit risk is presented in the following table:

	26 December 2009 £m	27 December 2008 £m
Trade receivables (net of allowance)	65.4	77.6
Cash and cash equivalents	14.0	21.2
Other assets	0.7	1.3
Total credit risk exposure	80.1	100.1

(f) Liquidity risk

Liquidity risk is the risk that the Group could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient reserves, committed borrowing facilities and other credit lines as appropriate. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has agreed an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities as far as is possible. Included in note 23 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. In addition, the Financial Review contains a section describing the interaction of liquidity risk and the going concern review.

Maturity profile of outstanding financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The Group has no derivative financial liabilities. The tables have been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

At 26 December 2009	Within 1 year Capital £m	Within 1 year Floating interest £m	Within 1 year Fixed interest £m	2 – 3 years Capital £m	2 – 3 years Floating interest £m	2 – 3 years Fixed interest £m	Total £m
Trade payables	50.1	–	–	–	–	–	50.1
Finance leases	1.4	–	0.1	0.4	–	–	1.9
Bank loan	0.9	0.2	–	9.6	0.1	–	10.8
	52.4	0.2	0.1	10.0	0.1	–	62.8

At 27 December 2008	Within 1 year Capital £m	Within 1 year Floating interest £m	Within 1 year Fixed interest £m	2 – 3 years Capital £m	2 – 3 years Floating interest £m	2 – 3 years Fixed interest £m	Total £m
Trade payables	55.6	–	–	–	–	–	55.6
Finance leases	1.7	–	0.2	1.8	–	0.1	3.8
Bank loan	1.7	3.0	–	78.5	4.2	–	87.4
	59.0	3.0	0.2	80.3	4.2	0.1	146.8

Note: it has been assumed that, where applicable, interest and foreign currency exchange rates prevailing at the reporting balance sheet date will not vary over the time periods remaining for future cash flows.

Notes to the consolidated financial statements continued

(g) Market risk
This is the risk that financial instrument fair values will fluctuate owing to changes in market prices. The significant market risks to which the Group is exposed are foreign exchange risk, and interest rate risk. These are discussed further below:

Foreign exchange risk
The Group is exposed to several currencies, principally as a result of operating costs incurred in foreign currencies, and to a lesser extent, from non-Sterling revenues. The Group's policy is generally not to hedge such exposures. The exposure of the Group's financial assets and liabilities to currency risk is as follows:

	26 December 2009 £m	27 December 2008 £m
Euro		
Trade receivables	1.4	2.6
Cash and cash equivalents	2.4	3.2
Trade payables	(12.1)	(12.5)
	(8.3)	(6.7)
US dollar		
Trade receivables	–	–
Cash and cash equivalents	1.9	0.1
Trade payables	(6.8)	(0.9)
	(4.9)	(0.8)
Hong Kong dollar		
Trade receivables	–	–
Cash and cash equivalents	0.1	4.6
Trade payables	–	(1.1)
	0.1	3.5
Total	(13.1)	(4.0)

Interest rate risk
The Group is exposed to interest rate risk as the parent company has borrowed funds at floating interest rates. The Board has reviewed this risk of interest rate increases causing financial distress and concluded that hedging protection should only be considered if net borrowings or cash surpluses were to exceed £150m. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Payments on the Group's finance leases are fixed on inception of the lease contract, and as such are regarded as fixed rate borrowings.

(h) Financial instrument sensitivities
Financial instruments affected by market risk include borrowings, deposits, trade receivables and trade payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's financial instruments as at its year end to changes in market variables, being exchange rates and interest rates. The sensitivity analysis has been prepared on the basis that the components of net debt and the proportion of financial instruments in foreign currencies are all constant. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the year end date was outstanding for the whole year. As a consequence, this sensitivity analysis relates to the position as at the balance sheet date. The following assumptions were made in calculating the sensitivity analysis:

- All income statement sensitivities also impact equity.
- Debt and other deposits are carried at amortised cost and therefore carrying value does not change as interest rates move.
- No sensitivity is provided for accrued interest as accruals are based on pre-agreed interest rates and therefore are not susceptible to further rate movements.
- Finance lease interest payments are fixed at the inception of the contract and are not subject to repricing. They have therefore been excluded from this analysis.
- Translation of foreign subsidiaries and operations into the Group's presentation currency have been excluded from the sensitivity.

Using the above assumptions, the following analyses show the illustrative effect on the income statement and equity that would result from reasonably possible changes in the relevant foreign currency or interest rates:

Interest rate sensitivity
The sensitivity analysis below has been determined based on the exposure to interest rates for floating rate non-derivative instruments at the balance sheet date. The Group holds no derivative financial instruments. Fixed rate liabilities are not susceptible to changes in interest rates, and are omitted from the analysis below. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points decrease is used as this represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 50 basis points lower and all other variables were held constant, the Group's net profit and profit and loss reserve would increase by £0.1m (2008: £0.4m).

For an increase of 50 bps, the numbers shown above would have the opposite sign.

Foreign exchange sensitivity
As noted above, the Group is mainly exposed to movements in Euros and US dollars rates, the Hong Kong dollar being effectively pegged to the US dollar. The following table details the Group's sensitivity to a 10% weakening or strengthening in pounds Sterling against the Euro, the US dollar and the Hong Kong dollar. These percentages are the rates used by management when assessing sensitivities internally and represent management's assessment of the possible change in foreign currency rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the beginning of the financial year and held constant throughout the reporting period.

	26 December 2009 £m	27 December 2008 £m
10% weakening of Sterling to euro	(0.9)	(0.7)
10% strengthening of Sterling to euro	0.8	0.6
10% weakening of Sterling to US dollar	(0.6)	(0.1)
10% strengthening of Sterling to US dollar	0.5	0.1
10% weakening of Sterling to Hong Kong dollar	–	0.4
10% strengthening of Sterling to Hong Kong dollar	–	(0.3)

Independent auditors’ report on the consolidated Group accounts

We have audited the Group financial statements of Galiform Plc for the 52 weeks ended 26 December 2009 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors’ Responsibilities Statement, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group’s affairs as at 26 December 2009 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors’ statement contained within the Corporate Governance Report in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company’s compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matters

We have reported separately on the parent company financial statements of Galiform Plc for the 52 weeks ended 26 December 2009 and on the information in the Directors’ Remuneration Report that is described as having been audited.

John Adam (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors

London, United Kingdom
3 March 2010

Company balance sheet

	Notes	26 December 2009 £m	27 December 2008 £m
Fixed assets			
Investments	3	710.6	706.0
Current assets			
Debtors	4	16.7	6.8
Current liabilities			
Creditors: amounts falling due within one year	5	(359.8)	(181.0)
Net current assets		(343.1)	(174.2)
Total assets less current liabilities		367.5	531.8
Non current liabilities			
Creditors: amounts falling due after more than one year	6	(9.6)	(78.5)
Provisions	7	(59.4)	(87.3)
Net assets		298.5	366.0
Equity			
Called up share capital	8	63.4	63.4
Share premium account	9	85.1	85.1
Retained earnings reserve	9	150.0	217.5
Total equity		298.5	366.0

These financial statements were approved by the Board on 3 March 2010 and were signed on its behalf by Mark Robson, Chief Financial Officer.

Company registration number: 02128710

Notes to the Company balance sheet

1 Significant company accounting policies

Basis of presentation

The Company's accounting period covers the 52 weeks to 26 December 2009. The comparative period covered the 52 weeks to 27 December 2008.

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Standards. The principal accounting policies are presented below and have been applied consistently throughout the current and prior periods. They have also been prepared on the going concern basis as described in the going concern statement in the Corporate Governance Report on pages 42 to 49 of the Group's Annual Report.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Cash flow statement

The Company is exempt from the requirement of FRS 1 (revised) to include a cash flow statement as part of its Company financial statements because it prepares a consolidated cash flow statement which is shown as part of the consolidated Group accounts.

Related parties

The Company has taken advantage of paragraph 3(c) of Financial Reporting Standard 8 ("Related Party Disclosures") not to disclose transactions with Group entities or investees of the Group qualifying as related parties.

2 Profit and loss account

As permitted by section 408 of the Companies Act 2006, no separate profit and loss account is presented for the Company. The Company result after tax for the 52 weeks to 26 December 2009 was a loss of £67.5m (52 weeks to 27 December 2008: loss after tax for the period of £113.9m).

The Company has no employees (2008: none), did not pay directors' emoluments (2008: £nil), and the Company's audit fees (£10,000 in both current and prior periods) were borne by a fellow Group undertaking.

3 Investments

Cost and carrying value:	Shares in subsidiary undertakings £m	Long term loans to subsidiary undertakings £m	Total £m
At 27 December 2008	7.1	698.9	706.0
Additions	4.6	–	4.6
Waiver of long term loan to subsidiary	262.0	(262.0)	–
At 26 December 2009	273.7	436.9	710.6

Details of principal subsidiary undertakings are given on page 110.

The addition in the year relates to the capitalisation of an intercompany balance in the current period. The long term loan to subsidiary was waived and added to the Company's investment in that subsidiary in the period.

4 Debtors

	26 December 2009 £m	27 December 2008 £m
Other debtors	8.0	0.8
Corporation tax	8.7	6.0
	16.7	6.8

5 Creditors: amounts falling due within one year

	26 December 2009 £m	27 December 2008 £m
Other tax and social security	2.3	4.4
Current portion of long term bank loan	0.9	1.7
Owed to subsidiaries	355.0	174.3
Accruals and deferred income	1.6	0.6
	359.8	181.0

6 Creditors: amounts falling due after more than one year

	26 December 2009 £m	27 December 2008 £m
Long term portion of bank loan	9.6	78.5

	26 December 2009 £m	27 December 2008 £m
The borrowings are repayable as follows:		
Current liabilities		
On demand or within one year	1.7	2.5
Less: prepaid issue fees set against cost of loan	(0.8)	(0.8)
On demand or within one year	0.9	1.7
Non-current liabilities		
In the second year	9.9	1.8
In the third to fifth years inclusive	–	77.9
Less: prepaid issue fees set against cost of loan	(0.3)	(1.2)
	9.6	78.5
Total borrowings	10.5	80.2

All borrowings are in sterling.

The weighted average interest rates paid on the borrowings were as follows:

52 weeks to 26 December 2009 %	52 weeks to 27 December 2008 %
3.2	7.0

The directors estimate the fair value of the Group's borrowings are as follows:

26 December 2009 £m	27 December 2008 £m
10.5	80.2

Notes to the company balance sheet continued

7 Provisions

	Property provision £m	Other provision £m	Total £m
At 27 December 2008	86.2	1.1	87.3
Additional provision in the period	5.1	–	5.1
Provision released in the period	–	(0.3)	(0.3)
Utilisation of provision in the period	(32.7)	–	(32.7)
At 26 December 2009	58.6	0.8	59.4

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 on the estimated period until the Group can cover the shortfall by subletting, assigning or surrendering the lease. The property provision also includes amounts for any related shortfalls in business rates on these properties, and for dilapidations, agents' fees and other professional fees. During the current period, the property provision has been increased by £0.2m arising from an unwinding of the discount rate over time. None of this amount relates to a change in the discount rate.

There is a discussion of the main sources of estimation and uncertainty which apply to this provision at note 3 to the consolidated Group accounts. The amount of the expected future 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 or years, the provision has been discounted to its present value.

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

8 Share capital

Ordinary shares of 10p each	52 weeks to 26 December 2009 Number	52 weeks to 27 December 2008 Number	52 weeks to 26 December 2009 £m	52 weeks to 27 December 2008 £m
Authorised				
At 27 December 2008	775,152,000	775,152,000	77.5	77.5
Authorised in the period	302,504,060	–	30.3	–
At 26 December 2009	1,077,656,060	775,152,000	107.8	77.5
Allotted, called up and fully paid				
At 27 December 2008	633,915,329	633,783,210	63.4	63.4
Issued during the period	–	132,119	–	–
At 26 December 2009	633,915,329	633,915,329	63.4	63.4

9 Reconciliation of movements in equity shareholders' funds

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total £m
At 27 December 2008	63.4	85.1	217.5	366.0
Retained loss for the period	–	–	(67.5)	(67.5)
At 26 December 2009	63.4	85.1	150.0	298.5

Independent auditors' report on the Company

We have audited the parent company financial statements of Galiform Plc for the 52 weeks ended 26 December 2009 which comprise the Parent Company Balance Sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 26 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of Galiform Plc for the 52 weeks ended 26 December 2009.

John Adam (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors

London, United Kingdom
3 March 2010

Parent company and principal subsidiary undertakings at 26 December 2009

	Country of registration or incorporation
Parent company	
Galiform Plc	England and Wales
Principal subsidiary undertakings	
Intermediate holding company:	
*Galiform Holdings Limited	England and Wales
Trading:	
Howden Joinery Limited	England and Wales
Houdan Menuiseries SA	France
Supply:	
*Howden Joinery Supply Division (Asia) Limited	Hong Kong
Property management:	
Howden Joinery Properties Limited	England and Wales
Howden Kitchens Properties Limited	England and Wales
Finance:	
*Southon Insurance Company Limited	Guernsey
Administration and employee services:	
Galiform Corporate Services Limited	England and Wales
Group People Services Limited	England and Wales

* The Company ultimately owns 100% of the ordinary share capital of all of the above mentioned companies. The investment in the companies marked with an asterisk are owned directly by the Company.

We have taken advantage of the exemption provided in section 410 of the Companies Act 2006 for those undertakings whose financial position do not principally affect figures in the Company's individual accounts or the Group accounts.

Five year record

	Reported under IFRS				
	December 2009 52 weeks £m	December 2008 52 weeks £m	December 2007 52 weeks £m	December 2006 53 weeks £m	December 2005 52 weeks £m
Summarised income statement					
Revenue – continuing operations	769.5	805.7	976.5	733.0	621.8
Revenue – discontinued operations	–	–	–	546.8	930.4
	769.5	805.7	976.5	1,279.8	1,552.2
Operating profit – continuing operations	79.4	80.6	51.8	32.5	40.8
Operating profit – discontinued operations	(4.4)	(108.8)	(11.1)	(179.6)	(144.4)
Share of joint venture operating profit	–	0.1	0.9	1.0	0.6
	75.0	(28.1)	41.6	(146.1)	(103.0)
Profit on continuing ordinary activities before tax	68.7	74.3	79.8	57.2	42.5
Dividend per share (pence)	–	–	0.5	–	2.0
Basic EPS (pence)	8.3	9.2	8.8	1.0	1.1
Summarised balance sheet					
Total non–current assets*	163.0	155.7	152.5	169.3	357.2
Inventories	86.3	121.3	101.0	126.1	173.5
Receivables	95.4	99.2	122.3	102.4	134.5
Payables and provisions	(224.5)	(250.6)	(251.9)	(282.0)	(271.4)
Pension liability	(196.3)	(122.2)	(83.5)	(189.2)	(297.1)
	(239.1)	(152.3)	(112.1)	(242.7)	(260.5)
Net cash/(borrowings)	2.4	(61.2)	(3.3)	(4.1)	(55.5)
Total net assets	(73.7)	(57.8)	37.1	(77.5)	41.2

* Includes assets held for resale, which were held in the Balance Sheet as part of current assets.

Number of outlets at end of year					
Howden Joinery	462	454	436	382	342
Houdan France	10	11	11	11	11
Capital expenditure	8	19	21	30	48

Shareholder information as at 26 December 2009

	Number of holders	Percentage of holders	Number of shares	Percentage of shares
Corporate holders				
0 to 1,000	66	0.6	28,758	–
1,001 to 5,000	109	1.1	318,091	–
5,001 to 10,000	56	0.6	431,460	–
10,001 to 50,000	102	1.0	2,803,595	–
50,001 to 100,000	38	0.4	2,846,129	–
100,001 to 250,000	64	0.6	10,555,944	2
250,001 to max	171	1.8	593,629,768	94
	606	6.1	610,613,745	96
Individual holders				
0 to 1,000	6,774	68.2	2,903,541	1
1,001 to 5,000	2,010	20.2	4,885,667	1
5,001 to 10,000	316	3.2	2,299,818	–
10,001 to 50,000	186	1.9	3,672,243	1
50,001 to 100,000	17	0.2	1,182,124	–
100,001 to 250,000	6	0.1	1,022,442	–
250,001 to max	12	0.1	7,335,749	1
	9,321	93.9	23,301,584	4
Total	9,927	100.0	633,915,329	100

Advisers and committees

Principal Banker
Lloyds TSB
10 Gresham Street
London
EC2V 7AE

Joint Financial Advisers and Stockbrokers
JP Morgan Cazenove
20 Moorgate
London
EC2R 6DA

UBS
1 Finsbury Avenue
London
EC2M 2PP

Solicitors
Freshfields Bruckhaus Deringer
65 Fleet Street
London
EC4Y 1HS

Auditor
Deloitte LLP
Chartered Accountants
2 New St Square
London
EC4A 3BZ

Registrar
Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol
BS13 8AG

Registered Office
International House
1st Floor,
66 Chiltern Street
London
W1U 4JT

Remuneration Committee
Michael Wemms (Chairman)
Angus Cockburn
Ian Smith
Peter Wallis

Nominations Committee
Will Samuel (Chairman)
Angus Cockburn
Ian Smith
Peter Wallis
Michael Wemms

Audit Committee
Angus Cockburn (Chairman)
Ian Smith
Peter Wallis
Michael Wemms

Executive Committee
Matthew Ingle
Mark Robson
Caroline Bishop
Rob Fenwick
Julie French
David Hallett
Andy Witts
Chris Youell

Corporate timetable

29 April 2010*	Interim Management Statement
19 May 2010*	Annual General Meeting
21 July 2010*	Half year Report for the 24 weeks ended 12 June 2010 announced
11 November 2010*	Interim Management Statement
25 December 2010*	End of 2010 financial year

*dates are based on current expectations

FSC
This report is printed on 300gsm Printspeed and 135gsm Printspeed

designed and produced by the annual report company www.theannualreportcompany.com

FULTON.