

# Topps Tiles

24 May 2016

Topps Tiles Plc  
 (“Topps Tiles”, “the Group” or “the Company”)

## UNAUDITED INTERIM REPORT FOR THE 26 WEEKS ENDED 2 APRIL 2016

***Strategy delivering robust growth in sales, profits and dividend  
 Strong current trade and confident outlook underpinned by further extension of Topps brand appeal***

### HIGHLIGHTS

Topps Tiles Plc, the UK’s largest tile specialist with 345 stores, announces its interim results for the 26 weeks ended 2 April 2016.

	26 weeks ended 2 April 2016	26 weeks ended 28 March 2015	YoY
Group revenue	£108.0 million	£104.0 million	+3.8%
Like-for-like revenue growth year on year	+4.7%	+5.3%	
Gross margin	61.5%	60.7%	+80bps
Adjusted operating profit <sup>1</sup>	£10.9 million	£9.6 million	+13.5%
Adjusted profit before tax <sup>2</sup>	£10.3 million	£9.1 million	+13.2%
Adjusted earnings per share <sup>3</sup>	4.24p	3.67p	+15.5%
Interim dividend	1.0p	0.75p	+33.3%
Net debt <sup>4</sup>	£28.4 million	£31.0 million	£2.6 million
<b><u>Statutory Measures</u></b>			
Operating profit	£10.4 million	£10.1 million	+3.0%
Profit before tax	£10.1 million	£9.1 million	+11.0%
Basic earnings per share	4.12p	3.67p	+12.2%

### Financial Highlights

- Total sales growth of 3.8%, with like-for-likes sales ahead by 4.7%
- Gross margin increased to 61.5% (2015: 60.7%) driven by increased direct sourcing, product exclusivity and new product introductions
- Adjusted EPS growth of 15.5% year on year (2015: 14%)
- Net debt reduced by £2.6 million year on year to £28.4 million
- Interim dividend increased by 33% to 1.0p (2015: 0.75p)

### Operational Highlights

- Successful strategy of “Out Specialising the Specialists” delivers profitable sales growth
- Multiple initiatives to strengthen Topps’ position as the UK’s leading tile specialist including development of exclusive ranges/brands, product innovation and exit from non-tile lines
- Two key simplification initiatives announced at year end - exit from the Topps Clearance format and consolidation of central teams into our main office in Leicester - now complete
- Seven new core stores opened (four new sites and three conversions from the Topps Clearance format), offset by nine closures (eight from the exit of the Topps Clearance format)

- Trade sales increased to 51.0% of total (2015: 48.3%) driven by accelerating “do it for me” trend and extension of successful trade loyalty scheme

### **Current Trading and Outlook**

- The Group has made a strong start to the second half
- Like for like sales over the 7 weeks to 21 May 2016 increased by 8.4%<sup>5</sup> (2015: increased by 6.3%)

Commenting on the results, Matthew Williams, Chief Executive said:

“Topps has delivered a robust first half performance as our successful strategy of “out-specialising the specialists” continues to generate profitable sales growth. Like-for-like sales grew by 4.7% in the period as initiatives to upgrade and rebrand our stores led more customers to reappraise the Topps brand and shop with us for the first time. Further improvements are in development and will be rolled-out in the remainder of the year and beyond.

“The Group has made a strong start to the second half, with like-for-like sales growth of 8.4%<sup>5</sup> in the first seven weeks of the period. We are confident our plans to extend the appeal of the Topps brand have significant further potential and are excited about the opportunities ahead.”

### **Notes**

<sup>1</sup> Adjusted operating profit is adjusted for business restructuring costs of £0.4 million and loss on disposal of plant, property and equipment of £0.1 million. The prior interim operating profit was adjusted for the gain on a lease surrender of £0.6 million, losses on disposal of plant, property and equipment, movements in onerous provisions and business restructuring costs of £0.1 million (charge).

<sup>2</sup> Adjusted profit before tax is adjusted for the effect of the items above plus £0.2 million non-cash gain relating to forward currency contracts the Group (defined as Topps Tiles Plc and all its subsidiaries) has in place (per IAS 39) (2015: £0.1 million non-cash gain). The prior interim adjusted profit before tax is adjusted for an increase to the provision for interest charges relating to historical HMRC corporation tax enquiries of £0.5 million.

<sup>3</sup> Adjusted for the post tax effect of the above items.

<sup>4</sup> Net debt is defined as bank loans, before amortised issue costs (note 6) and less cash and cash equivalents.

<sup>5</sup> Current trading LFL sales growth was impacted by the earlier Easter in 2016. We estimate this increased LFL sales growth in the seven week current trading period by c.1.1%

For further information please contact:

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A copy of this announcement can be found on our website [www.toppstiles.co.uk](http://www.toppstiles.co.uk)

## UNAUDITED INTERIM REPORT

The Group's strategy of "Out Specialising the Specialists" is continuing to deliver profitable sales growth, enabling the Group to report a strong first half performance. We have been successful in growing sales, generating improved gross margins and controlling costs, and, as a result, growing net margins. The main pillars of our strategy remain unchanged - offering customers outstanding value for money through an industry-leading product range, world class customer service and multichannel convenience. The Board wishes to extend its gratitude to all colleagues across the business for their continued hard work and dedication without which these results would not have been possible.

### Income Statement

Overall, first half revenue increased by 3.8% to £108.0 million (2015: £104.0 million), with sales on a like-for-like basis increasing by 4.7%. Analysing like-for-like sales growth by quarter shows a 4.4% improvement in quarter one and 4.9% growth in quarter two. We estimate the earlier Easter in 2016 had a small adverse impact on the second quarter trading results, reducing like-for-like sales growth by c.0.6%.

Gross margin for the period was 61.5% (2015: 60.7%). The gross margin for the whole of the prior year was 61.2% and the 30bps improvement over the interim period is in line with management's expectations. Gross margin is a key performance metric for the business and we continue to work closely with our suppliers to deliver a unique combination of market leading products and exceptional value to our customers. A key area of focus is to continue to offset the impact of higher trade customer mix (which is at a lower gross margin) by increasing direct sourcing, exclusivity and new product development.

Operating costs were £56.0 million, compared to £53.1 million over the same period in the prior year. On an adjusted basis, (excluding one-off charges as defined in the highlights section) operating costs were £55.6 million, compared to £53.5 million in the prior year. The principal drivers of the increased costs are as follows:

- An increase in the number of stores trading (an average of 342 stores vs 336 in the prior year), inflation and the impact of increased volumes account for approximately £1.7 million of additional costs;
- An increase in depreciation costs of £0.4 million resulting from greater levels of investment in the business;
- A reduction in net marketing costs of £0.3 million; and
- Employee profit share increased by £0.3 million as a result of the strong financial performance and covers a range of incentives from store commissions through to long term incentive plans

Operating profit for the period was £10.4 million (2015: £10.1 million). On an adjusted basis operating profit was £10.9 million (2015: £9.6 million), a 13.5% increase year-on-year. The key driver of this improvement was the increased sales revenue which generated an additional £3.3 million of gross profit, partly offset by an additional £2.1 million of adjusted operating costs, as explained above.

There were no property disposals in the period. In the prior year there was one property disposal which generated a gain of £0.1 million.

The net interest charge for the Group was £0.4 million (2015: £1.0 million). On an adjusted basis (excluding the gains and charges as defined in note 2), the net interest charge was £0.6 million (2015: £0.6 million). Adjusting items are fair value (non-cash) movements in the mark to market valuation ("MTM") of forward currency contracts the Group has in place, which generated a gain in the period of £0.2 million (2015: £0.1 million gain). The Group does not apply hedge accounting (as defined by IAS39) to gains or losses on the forward currency contracts it has in place and hence this gain is being applied directly to the income statement rather than being offset against balance sheet reserves. In the prior year period there was also a movement in the provision for interest charges relating to historic HMRC corporation tax enquiries of £0.5 million.

Adjusted profit before tax was £10.3 million (2015: £9.1 million), representing an increase of 13.2% year on year.

When adjusting items are included, the statutory measure of profit before tax for the Group was £10.1 million (2015: £9.1 million). Adjusting items are detailed through the interim report and in the notes to the highlights section and include charges against the impairment or loss on disposal of plant,

property and equipment, business restructuring charges, onerous lease charges, and fair value (non-cash) movements in the MTM valuation of forward currency contracts (as explained in net interest above).

The effective tax rate for the 26 weeks to 2 April 2016 was 20.3% (2015: 21.8%). The expected full year effective tax rate is 20.3% (2015: full year 23.2%).

Basic earnings per share were 4.12p (2015: 3.67p). Adjusting for the post tax impact of the items detailed in notes 1-3 in the highlights section the adjusted basic earnings per share were 4.24p (2015: 3.67p), an increase of 15.5%.

## **Financial Position**

Capital expenditure (excluding freehold acquisitions) in the period amounted to £4.5 million (2015: £3.9 million). The increase year on year has been driven by continued investment into our store estate – including new openings, refits (including Clearance store conversions) and our programme of all store improvements.

We continue to improve and expand the store estate on a selective basis, seeking to deliver a prudent balance between quality sites and our growth ambitions. An analysis of new store openings is included in the Strategic and Operational Review section of this document.

The Group currently owns eight freehold or long leasehold sites (2015: eight), including one warehouse and distribution facility, with a total net book value of £16.3 million (2015: £16.6 million).

There were no freehold site purchases in the period. In the prior year we completed the purchase of two sites at a cost of £1.2 million.

There were no property disposals in the period. In the prior year the Group disposed of one property with proceeds of £0.6 million.

At the period end cash and cash equivalents for the Group were £11.6 million (2015: £14.0 million) and borrowings were £40.0 million (2015: £45.0 million), giving a net debt position of £28.4 million (2015: £31.0 million).

The Group has £50.0 million (2015: £50.0 million) of loan facilities in place which are non-amortising and committed to June 2019.

At the period end the Group had £27.2 million of inventories (2015: £30.4 million) which represented 121 days cover (2015: 141 days). This reduction reflects a continued focus on working capital in the business.

## **Key Performance Indicators**

As set out in our most recent annual report, we monitor our performance in implementing our strategy with reference to a clearly defined set of key performance indicators (“KPIs”). These KPIs are applied on a Group wide basis. Our performance in the 26 weeks ended 2 April 2016 is set out in the table below. The source of data and calculation methods are consistent with those used in the 2015 annual report.

## Results for the 26 weeks ended 2 April 2016

### Highlights

<b>Financial KPIs</b>	<b>26 weeks</b>	<b>26 weeks</b>
	<b>to</b>	<b>to</b>
	<b>2 April</b>	<b>28 March</b>
	<b>2016</b>	<b>2015</b>
Like-for-like revenue year-on-year	4.7%	5.3%
Total sales growth year-on-year	3.8%	6.4%
Gross margin	61.5%	60.7%
Adjusted operating profit *	£10.9m	£9.6m
Adjusted profit before tax *	£10.3m	£9.1m
Net debt	£28.4m	£31.0m
Adjusted earnings per share *	4.24p	3.68p
Stock days	121	141

<b>Non Financial KPIs</b>	<b>26 weeks</b>	<b>26 weeks</b>
	<b>to</b>	<b>to</b>
	<b>2 April</b>	<b>28 March</b>
	<b>2016</b>	<b>2015</b>
Net Promoter Score **	69%	62%
Number of stores at period end	342	340

Note – market share is calculated on an annual basis so there is no update at the interim stage. As at year end September 2015 the share of the overall UK tile market (domestic & commercial sectors) was estimated at 18%.

\* As explained on page 1 in notes 1-3

\*\* Net Promoter Score is calculated based on customer feedback to the question of how likely they are to recommend Topps Tiles to friends or colleagues. The scores are based on a numerical scale from 0-10 which allows customer to be split into promoters (9 -10), passives (7-8) and detractors (0-6). The final score is based on the percentage of promoters minus the percentage of detractors. Prior year comparative data has been restated to include on-line responses.

### Dividend

The Board is pleased to declare an increased interim dividend of 1.0 pence per share (2015: 0.75 pence per share). The shares will trade ex-dividend on 9 June 2016 and the dividend will be paid on 15 July 2016 to shareholders on the register at 10 June 2016.

### Strategic & Operational Review

The primary goal for the business is to generate profitable sales growth and our strategy to achieve this is one of “Out Specialising the Specialists”. This is focused on being the UK’s leading tile specialist, delivering outstanding value to our customers, across the following areas:

**Range** – as the leading specialist in its market Topps has the most comprehensive and up-to-date range of quality tiles in the UK, with over 50 new tile ranges launched in the last year. Our focus on innovation also enables us to keep one step ahead of our customers’ increasingly adventurous tastes. During the first half, the Group continued to strengthen its specialist focus, building range authority through:

- Further development of our own brand exclusive ranges which lead the market on design trends and product innovation and which in many cases have been enabled through close supplier collaboration. Wood and stone effect porcelain, large format tiles, and patterned floor tiles have all been successful areas of growth.
- Performance of new tile ranges remains strong at 8.7% of overall sales.
- Extending the application of our range with the introduction of the “Spaces™” indoor/outdoor range. Spaces™ is a collection of tiles manufactured with the latest inkjet technology to

create marble, stone and wood effect tile options. The outdoor version of the tile uses unique Serafoam® technology to create a 40mm thick lightweight, easy to lay product which enables a seamless flow for the customer's indoor and outdoor floor space. This range is unique in the UK and exclusive to Topps.

- We have decided to exit the wood flooring category and will complete this process over the second half of the year. This will enable us to focus fully on our core tile specialism, free up space in-store and increase resources for tile product development.

**Convenience** – convenience for our customer means Topps delivering a seamlessly integrated shopping experience across all available channels - stores, online, mobile, telephone, and also the important integration with their tile fitter. More specifically:

- Our stores remain the dominant channel with 99% of customers coming to store at some stage of their shopping journey with us. At the start of the current financial year we had a total of 347 stores. During the first half we opened four new core stores and closed one core store. As planned, we completed the closure of the Clearance format during the period, with three stores being converted to the core format and the remaining eight units being closed. At the period end the Group was trading from a total of 342 stores (March 2015: 340 stores).
- We indicated at the start of the year that 2016 would be a year of refinement and evolution for our Boutique format. We have 13 stores trading (2015: five) and have plans for two new openings in the second half. Boutique has generated lots of rich learning which we are applying where relevant to the Core format and we also believe it has played a very important role in encouraging customers to re-appraise Topps as a brand. There is increasing evidence that customers who use Boutique stores to initially research their projects may ultimately go on to buy either through their local core format store or online if that is more convenient for them.
- The development of our “lab store” concept which showcases all of our latest thinking and developments in store layout and merchandising. As a result of this work we are introducing several of these treatments to all existing stores. We are also applying the most successful aspects from the lab store concept to all new store openings. During the period we completed the roll out of new inspirational wall displays which have replaced third party stands and will make the full range of products easier for customers to shop.
- Our trade channel remains a key focus and allows us to take advantage of the continued trend towards “do it for me”. Our store teams’ relationships with local traders are the key foundation in building a strong trade business. We have continued our focus on trade loyalty and our trade rewards programme has grown in popularity and sophistication. Over the period 15,000 active traders participated in the scheme and we have extended the range of rewards available.

**Inspiration** – we are fanatical about providing market leading levels of service in order that we can inspire our customers’ home improvement projects, specifically:

- The Group’s online strategy is focussed on making the online and in-store customer experience as inspirational and seamless as possible. Our online representation continues to evolve and improve with new developments driving search efficiency, conversion rate optimisation and higher average transaction value. We continue to see good growth in web traffic with visitor number growth of 9% year on year. Latest research tells us that 75% of our customers use [toppstiles.co.uk](http://toppstiles.co.uk) at some stage of their journey with us and 50% will visit our website before visiting our stores. Our online visualisation tool, which enables customers to view a range of tiles in a variety of room settings, was completely relaunched last year and we have developed a series of technological enhancements over the first half to help create a compelling and inspirational digital experience.
- Great customer service remains very much at the core of what we do because our customers continue to value it highly. This year we will complete our biggest training programme ever, which provides colleagues with the skills to deliver a very “natural” service to our customers and ensure that we extend our lead as the #1 specialist in our market. At Topps service has always meant being honest, knowledgeable, and helpful, but never ever pushy. Over the first half our Net Promoter Score (“NPS”) was 69% (2015: 62%). This metric is measured by an independent third party and based on the data available we believe we perform within the top five of UK retailers.

The combination of these strategic initiatives creates a clear competitive advantage which we believe will continue to drive further profitable sales growth.

## **Risks and Uncertainties**

The Board continues to monitor the key risks and uncertainties of the Group and does not consider that there has been any material change to those documented in the 2015 Annual Report and Accounts. The pending referendum on UK membership of the European Union is something the Board is cognisant of. Whilst the business is relatively well insulated from any direct impact of a decision to leave the European Union, consumer confidence is a key driver of business performance and the Board is cautious about the potential impact of EU related-uncertainty on consumer confidence.

## **Board Composition**

The Board comprises an Independent Non-executive Chairman, three Independent Non-Executive Directors and two Executive Directors. As such the composition is fully compliant with the Combined Code.

## **Going Concern**

Based on a detailed review the Board believes the Group will continue to operate within its loan facility covenants, and meet all of its financial commitments as they fall due. On this basis the Board consider that the Group will be able to continue as a going concern and have prepared the financial statements on this basis.

## **Current Trading**

The Group has made a strong start to the second half. In the first seven weeks of the second half Group revenues, which are on a like-for-like basis, increased by 8.4% (2015: increased by 6.3%). We estimate that the earlier Easter in 2016 increased like-for-like sales growth in the seven week current trading period by 1.1%.

## **Outlook**

We have delivered a strong first half performance and are benefitting from a well-executed and consistent strategy supported by continued investments in our business to lay the foundations for future growth.

We have made an encouraging start to the second half with acceleration in like-for-like sales growth in the initial seven weeks. We are confident our plans to extend the appeal of the Topps brand have significant further potential and are excited about the opportunities ahead.

**Matthew Williams**  
*Chief Executive Officer*  
24 May 2016

**Rob Parker**  
*Chief Financial Officer*

## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

By order of the Board,

**Matthew Williams**  
*Chief Executive Officer*

**Rob Parker**  
*Chief Financial Officer*

24 May 2016

### ***Cautionary statement***

This Interim Management Report ("IMR") has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This interim management report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Topps Tiles Plc and its subsidiary undertakings when viewed as a whole.

**Condensed Consolidated Statement of Financial Performance**

for the 26 weeks ended 2 April 2016

	26 weeks ended 2 April 2016 £'000 (Unaudited)	26 weeks ended 28 March 2015 £'000 (Unaudited)	52 weeks ended 3 October 2015 £'000 (Audited)
	Note		
<b>Group revenue - continuing operations</b>	<b>108,041</b>	104,026	212,221
Cost of sales	<b>(41,576)</b>	(40,834)	(82,319)
Gross profit	<b>66,465</b>	63,192	129,902
Employee profit sharing	<b>(5,713)</b>	(5,429)	(10,405)
Distribution costs	<b>(37,944)</b>	(35,588)	(76,204)
Other operating expenses	<b>(3,024)</b>	(2,586)	(5,846)
Administrative costs	<b>(6,761)</b>	(6,644)	(13,485)
Sales and marketing costs	<b>(2,606)</b>	(2,885)	(5,079)
<b>Group operating profit</b>	<b>10,417</b>	10,060	18,883
Other gains and (losses)	-	81	(23)
Investment revenue	<b>233</b>	93	242
Finance costs	<b>(597)</b>	(1,132)	(2,083)
<b>Profit before taxation</b>	<b>10,053</b>	9,102	17,019
Taxation	3	(1,986)	(3,954)
<b>Profit for the period attributable to equity holders of the parent company</b>	<b>8,009</b>	7,116	13,065
<b>Earnings per ordinary share</b>			
-basic	5	<b>4.17p</b>	3.67p
-diluted	5	<b>4.15p</b>	3.65p

There are no other recognised gains and losses for the current and preceding financial periods other than the results shown above. Accordingly a separate Condensed Consolidated Statement of Comprehensive Income has not been prepared.

**Condensed Consolidated Statement of  
Financial Position**

as at 2 April 2016

	2 April 2016 £'000	28 March 2015 £'000	3 October 2015 £'000
Note	(Unaudited)	(Unaudited)	(Audited)
<b>Non-current assets</b>			
Goodwill	245	245	245
Deferred tax asset	-	-	319
Property, plant and equipment	48,821	43,334	47,094
	<b>49,066</b>	<b>43,579</b>	<b>47,658</b>
<b>Current assets</b>			
Inventories	27,231	30,441	27,408
Trade and other receivables	6,202	7,249	8,041
Cash and cash equivalents	11,558	14,024	16,564
	<b>44,991</b>	<b>51,714</b>	<b>52,013</b>
<b>Total assets</b>	<b>94,057</b>	<b>95,293</b>	<b>99,671</b>
<b>Current liabilities</b>			
Trade and other payables	(32,362)	(37,852)	(33,987)
Current tax liabilities	(4,845)	(5,032)	(5,048)
Provisions for liabilities and charges	(469)	(811)	(1,736)
<b>Total current liabilities</b>	<b>(37,676)</b>	<b>(43,695)</b>	<b>(40,771)</b>
<b>Net current assets</b>	<b>7,315</b>	<b>8,019</b>	<b>11,242</b>
<b>Non-current liabilities</b>			
Bank loans	6 (39,738)	(44,632)	(44,692)
Deferred tax liabilities	(75)	(228)	-
Provisions for liabilities and charges	(3,674)	(2,168)	(3,410)
<b>Total liabilities</b>	<b>(81,163)</b>	<b>(90,723)</b>	<b>(88,873)</b>
<b>Net assets</b>	<b>12,894</b>	<b>4,570</b>	<b>10,798</b>
<b>Equity</b>			
Share capital	9 6,487	6,456	6,457
Share premium	1,914	1,898	1,906
Own shares	(2,637)	(1,160)	(630)
Merger reserve	(399)	(399)	(399)
Share-based payment reserve	3,299	2,010	2,820
Capital redemption reserve	20,359	20,359	20,359
Retained earnings	(16,129)	(24,594)	(19,715)
<b>Total funds attributable to equity holders of the parent</b>	<b>12,894</b>	<b>4,570</b>	<b>10,798</b>

**Condensed Consolidated Statement of Changes in Equity**  
**For the 26 weeks ended 2 April 2016**

**Equity attributable to equity holders of the parent**

	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 03 October 2015 (Audited)</b>	6,457	1,906	(630)	(399)	2,820	20,359	(19,715)	10,798
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	8,009	8,009
Issue of share capital	30	8	-	-	(29)	-	-	9
Dividends	-	-	-	-	-	-	(4,366)	(4,366)
Own shares purchased in the period	-	-	(2,007)	-	-	-	-	(2,007)
Credit to equity for equity-settled share based payments	-	-	-	-	508	-	-	508
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(57)	(57)
<b>Balance at 2 April 2016 (Unaudited)</b>	<b>6,487</b>	<b>1,914</b>	<b>(2,637)</b>	<b>(399)</b>	<b>3,299</b>	<b>20,359</b>	<b>(16,129)</b>	<b>12,894</b>

**For the 26 weeks ended 28 March 2015**

**Equity attributable to equity holders of the parent**

	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 27 September 2014 (Audited)</b>	6,455	1,879	(656)	(399)	1,941	20,359	(28,736)	843
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	7,116	7,116
Issue of share capital	1	19	-	-	-	-	-	20
Dividends	-	-	-	-	-	-	(3,087)	(3,087)
Own shares purchased in the period	-	-	(504)	-	-	-	-	(504)
Credit to equity for equity-settled share based payments	-	-	-	-	69	-	-	69
Deferred tax on share-based payment transactions	-	-	-	-	-	-	113	113
<b>Balance at 28 March 2015 (Unaudited)</b>	<b>6,456</b>	<b>1,898</b>	<b>(1,160)</b>	<b>(399)</b>	<b>2,010</b>	<b>20,359</b>	<b>(24,594)</b>	<b>4,570</b>

Condensed Consolidated Statement of Changes in Equity (continued)

For the 53 weeks ended 3 October 2015

Equity attributable to equity holders of the parent

	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Share- based payment reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 27 September 2014 (Audited)</b>	6,455	1,879	(656)	(399)	1,941	20,359	(28,359)	843
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	13,065	13,065
Issue of share capital	2	27	-	-	-	-	-	29
Dividends	-	-	-	-	-	-	(4,534)	(4,534)
Own shares purchased in the period	-	-	(504)	-	-	-	-	(504)
Own shares issued in the period	-	-	530	-	-	-	-	530
Credit to equity for equity- settled share based payments	-	-	-	-	879	-	-	879
Deferred tax on share- based payment transactions	-	-	-	-	-	-	490	490
<b>Balance at 3 October 2015 (Unaudited)</b>	<b>6,457</b>	<b>1,906</b>	<b>(630)</b>	<b>(399)</b>	<b>2,820</b>	<b>20,359</b>	<b>(19,715)</b>	<b>10,798</b>

**Condensed Statement of Cash Flows**  
for the 26 weeks ended 2 April 2016

	<b>26 weeks ended 2 April 2016 £'000 (Unaudited)</b>	26 weeks ended 28 March 2015 £'000 (Unaudited)	53 weeks ended 3 October 2015 £'000 (Audited)
<b>Cash flow from operating activities</b>			
Profit for the period	8,009	7,116	13,065
Taxation	2,044	1,986	3,954
Finance costs	597	1,132	2,083
Investment revenue	(233)	(93)	(242)
Other (gains)/losses	-	(81)	23
<b>Group operating profit</b>	<b>10,417</b>	10,060	18,883
Adjustments for:			
Depreciation of property, plant and equipment	2,812	2,461	5,243
Impairment of property, plant and equipment	77	47	432
Share option charge	508	69	1,409
Business simplification costs	-	-	2,619
(Increase)/decrease in trade and other receivables	1,841	(1,446)	(2,125)
Decrease/(increase) in inventories	177	(2,595)	438
(Decrease)/increase in payables	(2,437)	2,105	(2,680)
<b>Cash generated by operations</b>	<b>13,395</b>	10,701	24,219
Interest paid	(440)	(1,342)	(1,882)
Taxation paid	(1,910)	(1,762)	(3,882)
<i>Net cash from operating activities</i>	<b>11,045</b>	7,597	18,455
<b>Investing activities</b>			
Interest received	43	92	127
Purchase of property, plant and equipment	(4,730)	(5,223)	(12,058)
Proceeds on disposal of property, plant and equipment	-	592	512
Purchase of own shares	(2,007)	(504)	(504)
<i>Net cash used in investment activities</i>	<b>(6,694)</b>	(5,043)	(11,923)
<b>Financing activities</b>			
Dividends paid	(4,366)	(3,087)	(4,534)
Proceeds from issue of share capital	9	20	29
Repayment of bank loans	(5,000)	(5,000)	(5,000)
Loan issue costs	-	(10)	(10)
<i>Net cash used in financing activities</i>	<b>(9,357)</b>	(8,077)	(9,515)
Net decrease in cash and cash equivalents	<b>(5,006)</b>	(5,523)	(2,983)
Cash and cash equivalents at beginning of period	<b>16,564</b>	19,547	19,547
<b>Cash and cash equivalents at end of period</b>	<b>11,558</b>	14,024	16,564

## **1. General information**

The interim report was approved by the Board on 24<sup>th</sup> May 2016. The financial information for the 26 weeks ended 2 April 2016 has been reviewed by the company's auditor. Their report is included within this announcement. The financial information for the 53 week period ended 3 October 2015 has been based on information in the audited financial statements for that period.

The comparative figures for the 53 week period ended 3 October 2015 are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that 53 week period has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

This condensed set of consolidated financial statements has been prepared for the 26 weeks ended 2 April 2016 and the comparative period has been prepared for the 26 weeks ended 28 March 2015.

### **Basis of preparation and accounting policies**

The annual financial statements of Topps Tiles Plc are prepared in accordance with IFRSs as adopted by the European Union. The unaudited condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

### **Going concern**

Based on a detailed review of the risks and uncertainties contained within the risks and uncertainties section above, the financial facilities available to the Group, management's latest revised forecasts and a range of sensitised scenarios the Board believe the Group will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. The Board, therefore, consider it appropriate to prepare the financial statements on a going concern basis.

## 2. Business segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. As there is one segment, being the operation of retail stores in the UK, and the Chief Executive bases decisions on the performance of the Group as a whole, separate operating segments have not been identified.

## 3. Taxation

	<b>26 weeks ended 2 April 2016 £'000 (Unaudited)</b>	26 weeks ended 28 March 2015 £'000 (Unaudited)	53 weeks Ended 3 October 2015 £'000 (Audited)
Current tax - charge for the period	<b>1,706</b>	1,986	3,946
Current tax - adjustment in respect of previous periods	-	-	103
Deferred tax – effect of reduction in UK corporation tax rate	<b>(76)</b>	-	-
Deferred tax – charge / (credit) for the period	<b>414</b>	-	(158)
Deferred tax - adjustment in respect of previous periods	-	-	63
	<b>2,044</b>	1,986	3,954

## 4. Interim dividend

An interim dividend of 1.00p (2015: 0.75p) per ordinary share has been declared payable on 15 July 2016 to shareholders on the register at 10 June 2016; in accordance with IFRS the dividend will be recorded in the financial statements in the second half of the period. A final dividend of 2.25p per ordinary share was approved and paid in the period, in relation to the 53 week period ended 3 October 2015.

## 5. Earnings per share

Basic earnings per share for the 26 weeks ended 2 April 2016 were 4.17p (2015: 3.67p) having been calculated on earnings (after deducting taxation) of £8,009,000 (2015: £7,116,046) and on ordinary shares of 192,055,438 (2015: 193,675,300), being the weighted average of ordinary shares in issue during the period.

Diluted earnings per share for the 26 weeks ended 2 April 2016 were 4.15p (2015: 3.65p) having been calculated on earnings (after deducting taxation) of £8,009,000 (2015: £7,116,046) and on

ordinary shares of 193,057,423 (2015: 194,715,418), being the weighted average of ordinary shares in issue during the period.

Adjusted earnings per share for the 26 weeks ended 2 April 2016 were 4.29p (2015: 3.67p) having been calculated on adjusted earnings after tax of £8,235,477 (2015: £7,101,469) being earnings (after deducting taxation) of £8,009,000 adjusted for the post-tax impact of the following items; forward currency contracts fair value gain of £150,240 (2015: gain £16,296), impairment of property, plant and equipment of £61,310 (2015: £47,447), a net charge impact of onerous lease provision reductions and restructuring costs of £315,407 (2015: £33,263 net credit).

## 6. Bank loans

	<b>26 weeks ended 2 April 2016 £'000 (Unaudited)</b>	26 weeks ended 28 March 2015 £'000 (Unaudited)	53 weeks ended 3 October 2015 £'000 (Audited)
Bank loans (all sterling)	<b>39,622</b>	44,516	44,576
The borrowings are repayable as follows:			
On demand or within one year	-	-	-
In the second to fifth year	<b>40,000</b>	45,000	45,000
	<b>40,000</b>	45,000	45,000
Less: total unamortised issue costs	<b>(378)</b>	(484)	(424)
	<b>39,622</b>	44,516	44,576
Issue costs to be amortised within 12 months	<b>116</b>	116	116
Amount due for settlement after 12 months	<b>39,738</b>	44,632	44,692

The Group now has in place a £50.0 million committed revolving credit facility, expiring 1 June 2019. As at the financial period end £40.0 million of this facility was drawn, with a further £10.0 million of undrawn financing available. The loan facility contains financial covenants which are tested on a biannual basis.

At 2 April 2015, the Group had available £10 million (2015: £5 million) of undrawn committed banking facilities.

## **7. Contingent liabilities**

The directors are not aware of any contingent liabilities faced by the Group as at 2 April 2016.

## **8. Events after the balance sheet date**

There were no events after the balance sheet date to report.

## **9. Share capital**

The issued share capital of the Group as at 2 April 2016 amounted to £6,487,000 (28 March 2015: £6,456,000). The Group issued 897,492 shares during the period increasing the number of shares from 193,700,459 to 194,597,951.

## **10. Seasonality of sales**

Historically there has not been any material seasonal difference in sales between the first and second half of the reporting period, with approximately 50% of annual sales arising in the period from October to March.

## **11. Related party transactions**

S.K.M Williams is a related party by virtue of his 9.9% shareholding (19,343,950 ordinary shares) in the Group's issued share capital (2015: 10.45% shareholding of 20,243,950 ordinary shares).

At 2 April 2016 S.K.M Williams was the landlord of three properties leased to Multi Tile Limited, a trading subsidiary of Topps Tiles Plc, for £106,000 (2015: four properties for £230,000) per annum.

No amounts were outstanding with S.K.M. Williams at 2 April 2016 (2015: £nil). The lease agreements on all properties are operated on commercial arm's length terms.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note, in accordance with the exemption available under IAS24.

## **INDEPENDENT REVIEW REPORT TO TOPPS TILES PLC**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 2 April 2016 which comprises the Consolidated Statement of Financial Performance, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Statement of Cash Flows and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

### **Directors' responsibilities**

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

### **Our responsibility**

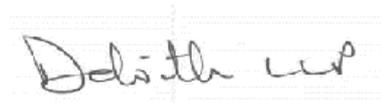
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

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

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 2 April 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

A handwritten signature in black ink, appearing to read "Deloitte LLP", is written over a faint, dotted grid background.

## **Deloitte LLP**

Chartered Accountants and Statutory Auditor

Manchester, United Kingdom

24 May 2016