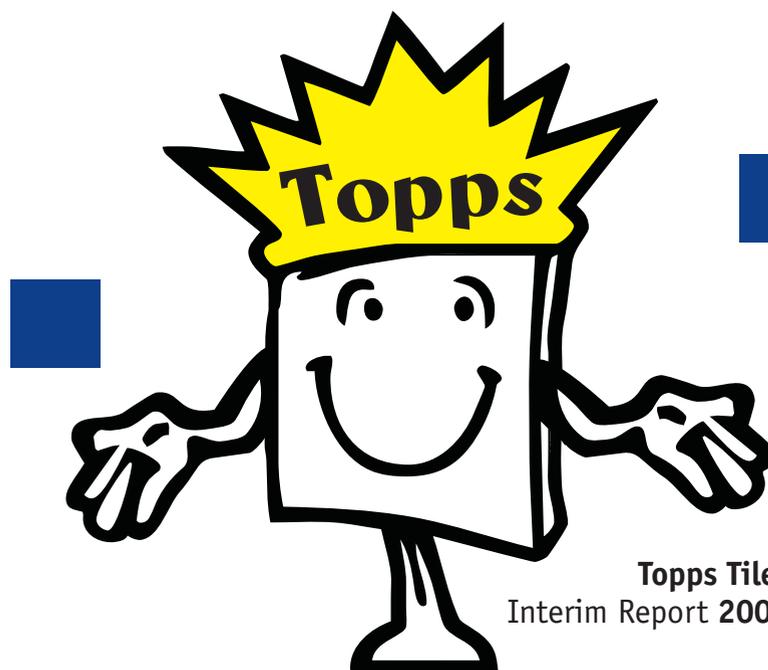
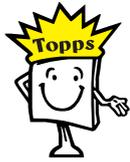


**The bigger picture is even brighter...**



**Topps Tiles Plc**  
Interim Report 2002/03

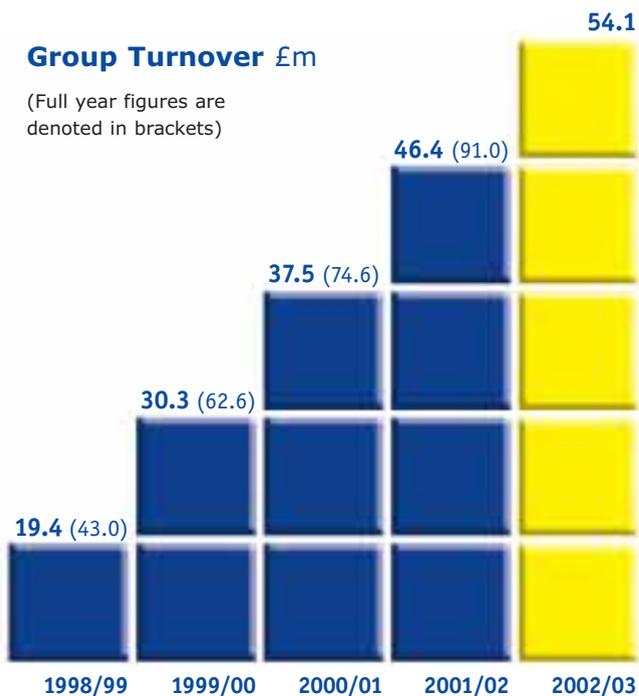


# ...consistently delivering growth and great results

TOPPS TILES ARE THE UK'S LARGEST SPECIALIST CERAMIC TILE RETAILER. Since 1984 we have achieved continual growth in turnover and been consistently profitable. We pride ourselves on the levels of service and range and quality of products we offer our customers. Going forward, we aim to maintain growth by meeting all our objectives without compromising our commitment to excellent customer service.

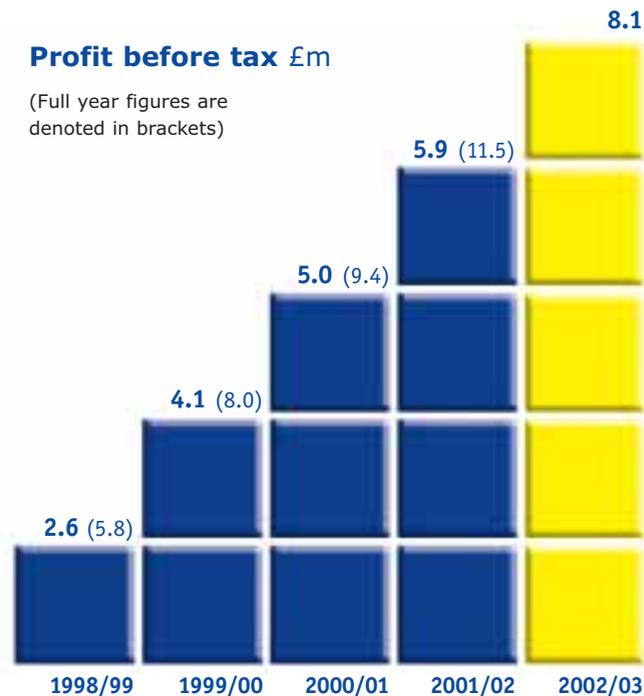
### Group Turnover £m

(Full year figures are denoted in brackets)



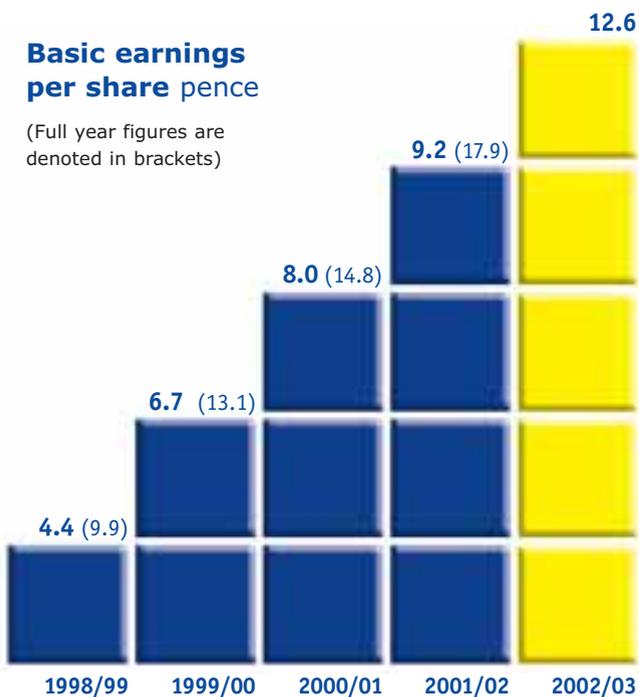
### Profit before tax £m

(Full year figures are denoted in brackets)



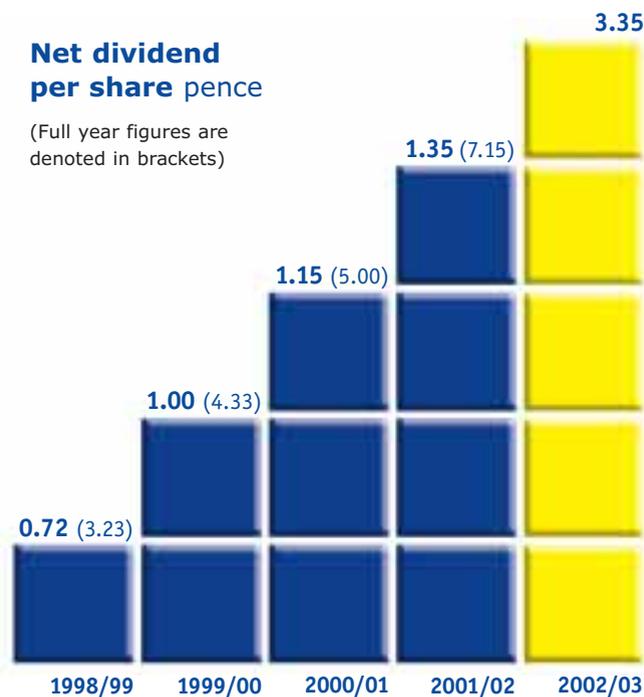
### Basic earnings per share pence

(Full year figures are denoted in brackets)



### Net dividend per share pence

(Full year figures are denoted in brackets)



We are delighted to report an excellent six months performance for the Group. The Group continues to grow strongly and is a well established brand in the home improvements market.

**Financial Results**

|                                    | 2002<br>Six months<br>ended<br>30 November<br>£'000 | 2001<br>Six months<br>ended<br>1 December<br>£'000 | Change<br>% |
|------------------------------------|---|--|-------------|
| Group Turnover                     | <b>54,066</b>                                       | 46,403   | 17%         |
| Gross Margin %                     | <b>57.0%</b>  | 55.6%  |             |
| Profit before tax                  | <b>8,117</b>  | 5,909  | 37%         |
| Net margin %                       | <b>15.0%</b>  | 12.7%  |             |
| Earnings per share (p)             | <b>12.63p</b>                                       | 9.23p  | 37%         |
| Interim net dividend per share (p) | <b>3.35p</b>  | 1.35p  | 148%        |



**Barry Bester**  
Executive Chairman & Co-Founder

**Results**

Pre-tax profit for the six months to 30 November 2002 amounted to £8.1 million an increase of 37% over the same period last year. Group turnover increased to £54.1 million up 17% and earnings per share rose by 37% from 9.23p to 12.63p.

Trading has continued to be buoyant. Growth in like-for-like sales for the period was 9.3%, with overall sales growth in the same period at 16.5%. Gross margins have improved to 57.0% compared to 55.6% in the same period last year. Operating costs in the period were equivalent to 42.1% of sales compared to 42.6% in the same period last year.

Net margin, excluding joint venture, has increased to 15.0% from 12.7% in the same period last year.

Capital expenditure, excluding freehold property, amounted to £1.8 million. This reflects a total of 11 new stores opened in the period with four being closed and one sold into the joint venture in Holland. There were 12 major store refits along with further development and upgrading of the IT infrastructure.

The Group currently owns 10 freehold sites and one development site with a total net book value of £3.6 million. Within the period two freehold sites were acquired at a cost of £1.4 million and there was further expenditure of £158,000 on the development site in Erdington.

At the period end cash balances for the Group were £10.6 million (2001: £3.7 million) and there were no long-term bank loans (2001: £1.6 million) leaving the Group with no balance sheet gearing.

As announced at the last full year results we have changed our accounting period end date from the nearest Saturday to 31 May, to the nearest Saturday to 30 September. Therefore this period will report 16 months trading resulting in this interim announcement to 30 November 2002



**Nicholas Ounstead**  
Chief Executive Officer



**Stuart Williams**  
Deputy Chairman & Co-Founder

(6 months), a second interim announcement to 29 March 2003 (10 months) and the period end of 27 September 2003 (16 months).

#### **Dividend**

We are continuing with our progressive dividend policy and increasing our interim dividend 148% to 3.35 pence per share with the full period dividend being based on the 2.5x cover policy. This will be paid on 28th February 2003 to shareholders on the register as at 24th January 2003.

#### **The Board**

At our AGM in October, we announced a number of role changes within the Board of Directors with Nick Ounstead being appointed to Chief Executive Officer. Barry Bester, has assumed the role of Executive Chairman in order to concentrate more on the strategic direction of the business and the new opportunities available to it. Stuart Williams has taken the role of Deputy Chairman and will continue to focus on the property aspects of the business and overseas development.

#### **Operational Review**

In what has been a challenging period in the retail market this is a very pleasing performance driven by a proven format and high standards of customer service. The period saw another six months of progress with the Group expanding both its Topps Tiles and Tile Clearing House outlets. A total of 177 outlets were trading as at 30 November 2002 comprising: 144 Topps stores and 33 Tile Clearing House stores. We also have 6 stores operating in Holland under the joint venture agreement.

We have invested heavily in our staff over the years, in training, incentives and culture. This is paying off for the business today and with our continued investment this remains a key element of our ongoing strategy.

We are pleased with the development of our joint venture in Holland and the integration of ceramic tiles into the established wood and laminate flooring stores. This first period of trading has resulted in a modest operating profit for the joint venture. We have taken advantage of the experience of our Dutch co-investor in the laminate and wood floor market which has improved buying margins on wooden flooring throughout the Group.

We now have nine floor stores in the UK, within existing stores, selling an enhanced range of wood flooring and laminate products. We plan to roll out further branded floor stores utilising existing store space within the Group.

We also plan to roll out our Tile Studio concept which sells mid-upper range tiles, in both price and quality, on a special "to order" basis.

Through an enhanced IT infrastructure and a more focused core product mix Group stock levels have reduced from 177 days cover to 159 days cover compared to the same period last year.

#### **Current Trading and Prospects**

We continue to deliver strong financial results despite an uncertain economic environment, proving the strength of our market position.

Five weeks into the second period like for like sales have continued strongly at a 9.5% increase and 17.0% increase overall, in what is traditionally a quiet period. We have also opened a further three new stores and we are on course to meet the target of 24 new stores, in the UK, this financial period.

The home improvement market continues apace with a culture of "improve not move" against a backdrop of a steadily growing ceramic tile market. We therefore remain confident of achieving another period of continued growth.



**Andrew Liggett**  
Finance Director

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 November 2002

|  | Six months ended<br>30 November 2002<br>Unaudited<br>£'000 | Six months ended<br>1 December 2001<br>Unaudited<br>£'000 | Period ended<br>1 June 2002<br>Audited<br>£'000 |
|--|--|---|---|
| <b>Turnover, including joint venture</b>             | 54,980   | 46,403  | 91,026  |
| Share of turnover of joint venture                   | (914)  | -   | -   |
| <b>Group turnover</b>                                | 54,066   | 46,403  | 91,026  |
| Cost of Sales  | (23,256)   | (20,603)  | (40,029)  |
| <b>Gross profit</b>                                  | 30,810   | 25,800  | 50,997  |
| Operating Expenses                                   |  |   |   |
| - employee profit sharing                            | (2,078)  | (1,612)   | (2,859)   |
| - other operating expenses                           | (20,700)   | (18,153)  | (36,478)  |
| <b>Operating Profit</b>                              | 8,032  | 6,035   | 11,660  |
| Share of joint venture's operating profit            | 3  | -   | -   |
| <b>Profit on ordinary activities before interest</b> | 8,035  | 6,035   | 11,660  |
| Interest receivable and similar income               | 106  | 24  | 57  |
| Interest payable and similar charges                 | (24)   | (150)   | (201)   |
| <b>Profit on ordinary activities before taxation</b> | 8,117  | 5,909   | 11,516  |
| Tax on profit on ordinary activities                 | (2,435)  | (1,773)   | (3,477)   |
| <b>Profit on ordinary activities after taxation</b>  | 5,682  | 4,136   | 8,039   |
| Dividends  | (1,509)  | (607)   | (3,208)   |
| <b>Transfer to reserves</b>                          | 4,173  | 3,529   | 4,831   |
| <b>Earnings per share</b> - Basic                    | 12.63p   | 9.23p   | 17.92p  |
| - Diluted  | 12.57p   | 9.17p   | 17.83p  |

Note 1

Topps Tiles has no recognised gains or losses in the period other than those reflected in the profit and loss account. All activity arose from continuing operations.

# CONSOLIDATED GROUP BALANCE SHEET

as at 30 November 2002

|   | 30 November 2002<br>Unaudited<br>£'000 | 1 December 2001<br>Unaudited<br>£'000 | 1 June 2002<br>Audited<br>£'000 |
|---|--|---------------------------------------|---------------------------------|
| <b>Fixed assets</b>   |  |                                       |                                 |
| Goodwill  | 615                                    | 293                                   | 285                             |
| Tangible assets   | 17,225                                 | 16,167                                | 15,044                          |
| Joint venture undertaking                                       |  |                                       |                                 |
| - Share of assets   | 877                                    | -                                     | -                               |
| - Share of liabilities  | (732)                                  | -                                     | -                               |
|   | 145                                    | -                                     | -                               |
|   | 17,985                                 | 16,460                                | 15,329                          |
| <b>Current assets</b>   |  |                                       |                                 |
| Stocks  | 18,555                                 | 18,000                                | 19,019                          |
| Debtors   | 3,861                                  | 3,893                                 | 3,802                           |
| Cash at bank and in hand  | 10,596                                 | 3,682                                 | 5,142                           |
|   | 33,012                                 | 25,575                                | 27,963                          |
| <b>Creditors : Amounts falling due within one year</b>          | (21,893)                               | (17,659)                              | (17,935)                        |
| <b>Net current assets</b>                                       | 11,119                                 | 7,916                                 | 10,028                          |
| <b>Total assets less current liabilities</b>                    | 29,104                                 | 24,376                                | 25,357                          |
| <b>Creditors : Amounts falling due after more than one year</b> | -                                      | (1,215)                               | (526)                           |
| <b>Provisions for liabilities and charges</b>                   | (1,033)                                | (893)                                 | (1,007)                         |
| <b>Net assets</b>   | 28,071                                 | 22,268                                | 23,824                          |
| <b>Capital and reserves</b>                                     |  |                                       |                                 |
| Called-up share capital   | 5,629                                  | 5,607                                 | 5,623                           |
| Share premium   | 1,375                                  | 1,069                                 | 1,307                           |
| Merger reserve  | (399)                                  | (399)                                 | (399)                           |
| Profit and loss - brought forward                               | 17,293                                 | 12,462                                | 12,462                          |
| - current year  | 4,173                                  | 3,529                                 | 4,831                           |
| <b>Equity shareholders' funds</b>                               | 28,071                                 | 22,268                                | 23,824                          |

# CONSOLIDATED GROUP CASHFLOW STATEMENT

as at 30 November 2002

|  | 30 November 2002<br>Unaudited<br>£'000 | 1 December 2001<br>Unaudited<br>£'000 | 1 June 2002<br>Audited<br>£'000 |
|--|--|---------------------------------------|---------------------------------|
| <b>Net cashflow from operating activities</b>  | <b>13,170</b>                          | <b>6,661</b>                          | <b>10,426</b>                   |
| <b>Returns on investment and servicing of finance</b>                                  | <b>82</b>                              | <b>(118)</b>                          | <b>(163)</b>                    |
| <b>Taxation</b>  | <b>(1,526)</b>                         | <b>(1,133)</b>                        | <b>(3,005)</b>                  |
| <b>Capital expenditure</b>   | <b>(2,507)</b>                         | <b>(1,035)</b>                        | <b>(163)</b>                    |
| <b>Equity dividends paid</b>   | <b>(2,610)</b>                         | <b>(1,726)</b>                        | <b>(2,323)</b>                  |
|  | <b>6,609</b>                           | <b>2,649</b>                          | <b>4,772</b>                    |
| <b>Investment in joint venture</b>   | <b>(483)</b>                           | <b>-</b>                              | <b>-</b>                        |
| <b>Financing</b>   | <b>(672)</b>                           | <b>(1,173)</b>                        | <b>(1,836)</b>                  |
| <b>Increase in cash</b>  | <b>5,454</b>                           | <b>1,476</b>                          | <b>2,936</b>                    |
| <b>Reconciliation of operating profit to net cash inflow from operating activities</b> |  |                                       |                                 |
| Operating profit   | 8,032                                  | 6,035                                 | 11,660                          |
| Depreciation charges   | 1,032                                  | 908                                   | 1,912                           |
| (Profit)/loss on disposal of fixed assets  | 117                                    | (7)                                   | -                               |
| Goodwill amortisation  | 8                                      | 9                                     | 17                              |
| (Increase)/decrease in stocks  | 464                                    | (552)                                 | (1,726)                         |
| (Increase)/decrease in debtors   | (876)                                  | 756                                   | 338                             |
| Increase/(decrease) in creditors   | 4,393                                  | (488)                                 | (1,775)                         |
|  | <b>13,170</b>                          | <b>6,661</b>                          | <b>10,426</b>                   |
| <b>Return on investments and servicing of finance</b>                                  |  |                                       |                                 |
| Interest received  | 106                                    | 24                                    | 57                              |
| Interest paid  | (24)                                   | (147)                                 | (213)                           |
| Interest element of hire purchase rentals  | -                                      | (4)                                   | (7)                             |
| Interest capitalised   | -                                      | 9                                     | -                               |
|  | <b>82</b>                              | <b>(118)</b>                          | <b>(163)</b>                    |
| <b>Capital expenditure</b>   |  |                                       |                                 |
| Payments to acquire tangible fixed assets  | (3,330)                                | (1,733)                               | (3,954)                         |
| Receipts from sales of tangible fixed assets   | 823                                    | 698                                   | 3,791                           |
|  | <b>(2,507)</b>                         | <b>(1,035)</b>                        | <b>(163)</b>                    |
| <b>Financing</b>   |  |                                       |                                 |
| Proceeds from issue of ordinary share capital  | 74                                     | 70                                    | 324                             |
| Repayment of loans   | (746)                                  | (1,131)                               | (1,976)                         |
| Capital element of hire purchase rentals   | -                                      | (112)                                 | (184)                           |
|  | <b>(672)</b>                           | <b>(1,173)</b>                        | <b>(1,836)</b>                  |
| <b>Summary</b>   |  |                                       |                                 |
| Opening cash position  | 5,142                                  | 2,206                                 | 2,206                           |
| Movement   | 5,454                                  | 1,476                                 | 2,936                           |
| <b>Closing cash position</b>   | <b>10,596</b>                          | <b>3,682</b>                          | <b>5,142</b>                    |

## 1 Basis of preparation

- (a) The interim report was approved by the board on 13 January 2003. The financial information for the six months ended 30 November 2002 and similarly the financial information for the six months ended 1 December 2001 have not been audited. The financial information for the period ended 1 June 2002 has been extracted from the audited financial statements for that period.
- (b) The financial information contained in the interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the period ended 1 June 2002 incorporating an unqualified audit report, which did not contain statements under section 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.
- (c) The financial information contained in this interim report has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the period ended 1 June 2002.

## 2 Taxation

Corporation Tax for the six months ended 30 November 2002 has been provided for at the estimated effective rate of 30%.

## 3 Interim dividend

An interim dividend of 3.35 pence per Ordinary Share (2001: 1.35 pence) has been declared payable on 28 February 2003 to shareholders on the register on 24 January 2003.

## 4 Earnings per share

Basic earnings per share for the six months ended 30 November 2002 have been calculated on earnings (after the deduction of taxation) of £5,682,000 (2001: £4,136,000) and on Ordinary Shares of 44,996,008 (2001: 44,823,367), being the weighted average of Ordinary Shares in issue during the period.

Fully diluted earnings per share for the six months ended 30 November 2002 have been calculated on earnings (after the deduction of taxation) of £5,682,000 (2001: £4,136,000) and on Ordinary Shares of 45,198,750 (2001: 45,115,540), being the weighted average of Ordinary Shares and Share Options in issue during the period.

## 5 Copies of the interim results

Copies of the interim results have been sent to shareholders, further copies can be obtained from the Company's registered office at Rushworth House, Wilmslow Road, Handforth, Wilmslow, Cheshire, SK9 3HJ.

Details are also available on our Website:

[www.ToppsTiles.co.uk](http://www.ToppsTiles.co.uk)

# STORE LOCATIONS



## CENTRAL REGION

Aston  
Banbury  
Bedford  
Burton  
Bury St Edmunds  
Cannock  
Colchester  
Coventry  
Derby  
Derby 2  
Erdington ■  
Great Yarmouth  
Hereford  
Ipswich  
Kidderminster  
Kings Heath  
Kings Lynn  
Leicester  
Lincoln  
Luton  
Milton Keynes  
Narborough  
Newcastle-U-Lyne  
Newark ■  
Northampton  
Norwich  
Nottingham  
Oldbury  
Peterborough  
Sheldon  
Shrewsbury  
Solihull  
Stafford  
Stoke on Trent  
Tamworth  
West Bromwich  
Wolverhampton

## LONDON AND THAMES SOUTH

Basildon  
Beckton  
Bexhill ■  
Brighton  
Broadstairs  
Canterbury  
Catford  
Charlton  
Chingford  
Colindale

Crayford  
Croydon  
Dagenham  
Edmonton  
Fulham  
Gatwick  
Gunnersbury  
Harlow  
Ilford  
Maidstone  
Mitcham  
New Southgate  
Newbury  
Old Kent Road  
Orpington  
Penge  
Raynes Park  
Reading  
Romford  
Southall  
Southampton  
Southend  
Stamford Hill  
Swindon  
Tonbridge  
Tonbridge Wells  
Twickenham  
Uxbridge  
Vauxhall  
Watford  
Wembley

## NORTH WEST

Aintree  
Blackpool  
Bolton  
Cheadle  
Chester  
Chester 2  
Chorley ■  
Cleveleys  
Crewe  
Failsworth  
Liverpool  
Macclesfield  
Morecambe  
Oldham  
Ormskirk ■  
Preston  
Sale  
Salford

Snipe (Audenshaw)  
St Helens  
Stockport  
Warrington  
Widnes  
Wigan

## NORTH

Barrow in Furness  
Carlisle  
Chesterfield  
Durham  
Gateshead  
Harrogate  
Huddersfield  
Leeds  
Stockton  
Sunderland  
Tyneside  
Wakefield  
York

## SCOTLAND

Aberdeen  
Edinburgh  
Falkirk  
Glasgow ■  
Greenock  
Hillington  
Inverness  
Linwood  
Perth  
Rutherglen  
Wishaw

## SOUTH WEST

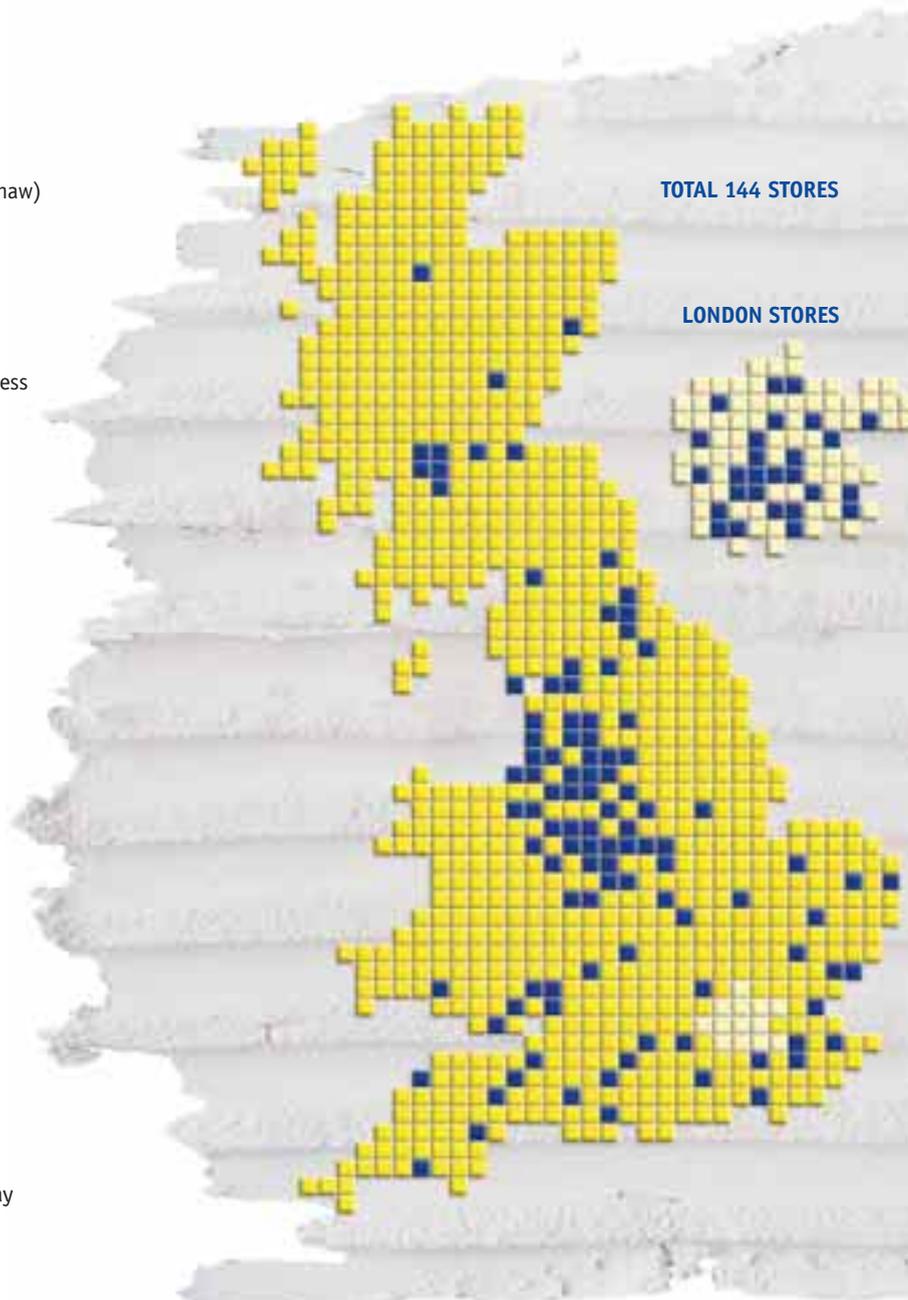
Barnstaple  
Basingstoke  
Bristol  
Cardiff  
Cheltenham  
Christchurch  
Cribbs Causeway  
Exeter  
Gloucester  
Newport  
Plymouth  
Poole  
Swansea  
Taunton  
Torquay ■

Weston Super Mare  
Winchester  
Yeovil

■ New store 2002/03

TOTAL 144 STORES

LONDON STORES





TOTAL 33 STORES

**CENTRAL REGION**

Cambridge ■  
Coventry  
Fenton  
Great Barr  
Leicester  
Milton Keynes  
Nottingham  
Peterborough  
Stoke on Trent  
Worcester

**LONDON AND  
THAMES SOUTH**

Charlton  
Farnborough  
New Southgate  
Orpington  
Swindon  
Waltham Cross  
Wembley

**NORTH WEST**

Bolton  
Crosby  
Maghull ■  
Oldham ■  
Preston  
Stockport  
Wigan

**NORTH**

Bradford ■  
Darlington  
Doncaster  
Hull  
Sheffield

**SOUTH WEST**

Bournemouth  
Bridgend  
Exeter

**SCOTLAND**

Aberdeen

■ New store 2002/03



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