1 December 2015

Topps Tiles Plc

Annual Financial Report

Strong growth, market share goal achieved, extending appeal of the Topps brand

Topps Tiles Plc ("Topps", "Topps Tiles" or "the Group"), the UK's largest tile specialist, announces its annual financial results for the 53 weeks ended 3 October 2015.

Highlights

	53 weeks ended 3 October 2015	52 weeks ended 27 September 2014	YoY
Group revenue	£212.2 million	£195.2 million	+8.7%
Like-for-like revenue[1]	+5.4%	+8.1%	n/a
Gross margin	61.2%	60.9%	+30bps
Adjusted profit before tax[2]	£20.4 million	£17.1 million	+19.3%
Adjusted earnings per share[3]	8.17p	6.63p	+23.2%
Final dividend	2.25p	1.60p	+40.6%
Total dividend	3.00p	2.25p	+33.3%
Net debt[4]	£28.4 million	£30.5 million	reduced by £2.1 million
Statutory Measures			
Profit before tax	£17.0 million	£16.7 million	+1.8%
Basic earnings per share	6.75p	6.49p	+4.0%

Financial Highlights

- Record sales of £212.2m. Like-for-like sales growth of 5.4%
- Gross margin increased to 61.2% (2014: 60.9%) reflecting further sourcing gains and our focus on a differentiated product offer
- Adjusted profit before tax[2] of £20.4 million, up by 19.3%
- Increased final dividend of 2.25 pence per share (2014: 1.6 pence per share), making a total for the year of 3.00 pence per share (2014: 2.25 pence per share), an increase of 33%
- Net debt[4] at period end reduced to £28.4 million (2014: £30.5 million)

Operational Highlights

- Strategy of "Out Specialising the Specialists" continues to deliver successful results
- Strategic goal of taking £1 in every £3 spent in the UK domestic tile market achieved one year early - seventh consecutive year of market share gains
- Trade sales increased to 50% of total (2014: 46%) driven by growth of our trade loyalty programme and trend for "do it for me"
- Sales benefiting from increased investment in new product development – 9.3% of tile revenues generated from ranges launched in the last 12 months
- Multiple initiatives to extend the appeal of the Topps brand underway, including:
    - A programme of 'all store improvements', inspired by the Boutique format, to introduce new branding, display and merchandising treatments across the entire Topps estate
    - Active management of store portfolio – 19 new openings, 9 closures, 2 relocations and 13 refits completed in the year
    - Encouraging overall progress made with Boutique format, with further work planned in the year ahead to optimise performance

Current Trading and Outlook

- The Group is now trading from 346 stores (2014: 336 stores)
- In the first eight weeks of the new financial period, Group revenues, stated on a like-for-like basis, increased by 3.3% (2014: 5.8%)

Commenting on the results, Matthew Williams, Chief Executive said: "I am pleased to report that Topps delivered a strong performance for the year, with our focus on convenience, inspiration and range driving sales to a new record and enabling us to hit our strategic goal of a one third share of the domestic tile market a year ahead of schedule. Our strategy of 'Out-Specialising the Specialists' continues to be very effective and will remain at the heart of what we do as we seek to build on these foundations and target further profitable sales growth.

"We have made an encouraging start to the new financial year, with like for likes sales in the first eight weeks ahead by 3.3%, in line with our expectations. The Group has entered the period in good shape and with a clear purpose, and we remain energised by the multiple growth opportunities open to the business in the years ahead."

Notes

[1] *Like-for-like revenues are defined as sales from stores that have been trading for more than 52 weeks.*

[2] *Adjusted profit before tax excludes several items we have incurred during the period which are not representative of underlying performance, these are set out as follows:*

	2015 £m	2014 £m
Adjusted Pre Tax profit	**20.4**	**17.1**
Presented on the face of the income statement as non-recurring items:		
- *- business simplification exceptional costs (as detailed in the financial review)*	(2.6)	nil
Presented as part of operating costs within the relevant income statement captions:		
- *restructuring costs*	(0.2)	(0.2)
- *the impairment of plant, property and equipment*	(0.3)	(0.3)
- *freehold property disposal*	Nil	0.4
- *premium receivable on the early exit of a store*	0.5	nil
- *gains relating to the forward currency contracts the Group (defined as Topps Tiles Plc and all its subsidiaries) has in place (per IAS39)*	0.1	0.1
- *charges for interest against a historic tax liability*	(0.9)	(0.1)
- *write down of the unamortised issue costs relating to the 2011 Revolving Credit Facility*	Nil	(0.3)
Statutory Pre Tax Profit	**17.0**	**16.7**

[3] *Adjusted for the post tax effect of the items highlighted above.*

[4] *Net debt is defined as loan facilities drawn down less cash and cash equivalents.*

For further information please contact:

Topps Tiles Plc (01/12/15) 020 7638 9571
Matthew Williams, CEO (Thereafter) 0116 282 8000
Rob Parker, CFO

Citigate Dewe Rogerson 020 7638 9571
Kevin Smith/Nick Hayns

STRATEGIC REPORT

The content of this Strategic report meets the content requirements of the Strategic Report as set out in s414a of the Companies Act 2006. This Strategic report 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 and 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.

MARKETPLACE

The UK Tile Market and Performance of the Business

Topps predominantly serves the domestic tile market with all of our products going into the refurbishment of existing UK housing stock. Our market is therefore discretionary in nature – the vast majority of expenditure is driven by a customer choosing to improve their home, with very little related to essential maintenance. This puts a particular emphasis on consumer confidence as a key driver of our market and performance.

In addition, one of the key influences in a customer taking on a home improvement project is their purchase of a new home – housing transactions are therefore a very useful indicator of likely future demand. Following strong growth in 2014, housing transactions have flattened out at approximately 1.2 million per annum. This remains well below the all-time peak of 1.7 million recorded in 2007 but also significantly above the very low levels we saw during 2009 of approximately 0.7 million.

We also consider UK house price data to be a useful indicator of the relative health of our market. House prices are a good reflection of both the housing market and consumer confidence as home owners tend to feel more affluent in a rising market. During the year we have seen an increase in house prices, with the average price of a house in the UK rising to £195,585, an increase of 3.8% on the previous year (source: Nationwide).

The annual tile industry report published by MBD covers the whole of the UK tile market (domestic & commercial) and is based on manufacturer and supplier data. Growth of the entire market in 2014 was 5.5% on a value basis. For 2015, based on MBD volume estimates, industry and supplier data we estimate c.3.6% growth on a value basis.

Strategy

In 2013 the Group set itself the strategic goal of taking profitable market share with a specific target of a one third share of the UK domestic tile market. Progress towards this target has been driven by our successful strategy of "Out Specialising the Specialists" which provides our customers with a combination of inspirational service, unrivalled range and convenience through our seamless multi-channel offering. We are pleased to report that Topps has now successfully achieved this goal, a full year ahead of the original plan.

Looking ahead, we plan to maintain our momentum by focussing the organisation on further profitable sales growth. "Out-specialising the Specialists" has been very effective, enabling Topps to grow its share of the UK domestic tile market in each of the last seven years, and will remain at the heart of our growth plans. In addition, we have begun to evaluate potential opportunities to use our existing sales channels to access more of the total tile market, including the commercial sector. We already service a small element of the commercial sector through our existing network and believe this could represent an important source of future profitable growth for the business.

Our strategy is centred on delivering outstanding value to our customers by specifically focusing on three key areas:

1. **Range**
2. **Inspiration**
3. **Convenience**

Range

As the UK's leading specialist tile retailer, we understand the importance of offering great quality products in the latest designs at a range of prices, to help our customers get the most from their home improvement project. We are constantly refreshing our range and launch at least one new product every week both in store and online. This unrivalled authority in product range is critical to our competitive advantage.

As customer tastes continue to evolve and improved technology in tile manufacture allows greater diversity in style and design, we are finding that customers are also increasingly adventurous in their choices. Topps works collaboratively with leading manufacturers from around the world to ensure its range remains at the forefront of innovation. Areas such as digital inkjet print technology, for example, have revolutionised what can be done with patterned and natural effect tiles. Where we partner with manufacturers to drive this kind of innovation by utilising our expert skills and knowledge this will often result in exclusive products and ranges, with many of these becoming top sellers, further reinforcing Topps market leading authority with our customers.

Through Topps, customers can access a sector leading range of over 5,000 items, which we manage carefully, providing the right choices by product sector and updating to stay ahead of the competition.

2015 has seen the development of the Topps own brand range with several new tile and stone lines launched in own brand packaging, as well as the launch of a complete Topps tile care range and other tiling essentials such as tools.

Through improved new product development processes our buyers are bringing new products to the market faster and much more frequently than our competitors. Sales of new tile ranges launched over the last twelve months have been over £12 million, accounting for 9.3% of our tile sales, demonstrating the positive customer reaction to new product innovation.

Inspiration

Providing customers with an inspirational shopping experience has been critical to Topps market share growth over recent years. Due to the relatively infrequent purchase cycle of our retail customers we believe that high levels of service and expertise in store are key elements of our success. We have an absolute commitment to delivering best in class customer service and this is essential in helping our customers to make informed choices. We focus on offering friendly, honest and helpful advice without ever being pushy. All of our stores are mystery shopped once every month and we also monitor each store's Net Promoter Score[1] (NPS) on a monthly basis

Our customers' home improvement projects are becoming ever more adventurous and the support required even more involved. As a specialist business with a total focus on tiles we are ideally placed to respond to this trend and meet our customers' needs. Our specialist team of advisors can truly inspire our customers and support them with all the expert advice they need to make their project a success.

The widely reported trend towards "do it for me" over "do it yourself" continues and we are seeing the impact of this in our business. Our retail customers are increasingly choosing to employ the services of a professional fitter and will often transact through them. Even in these scenarios we play an important facilitator role, often introducing home owners to loyal trade fitters.

This year we have significantly extended the trade loyalty programme we launched in 2014 and this is helping us to extend both our trade customer base and also increase the "share of wallet" from our existing trade customers. Our trade loyalty programme has gone from strength to strength this year as the trend to "do it for me" has accelerated. Work continues to drive participation levels further and to boost the rewards available to our most loyal trade customers. The relationship between our store teams and their trade customers remains a key element of our success in this sector of the market.

As a result trade sales have continued to increase their share of the sales mix and now account for 50% (2014: 46%) of our total sales.

We continue to invest across our store estate to ensure that our stores are inspirational places to shop. The major focus this year has been on improving the external appearance of our stores. The biggest element of this has been a new branding treatment, with all stores having now received new exterior signage. Customer feedback regarding the new branding has been consistently strong and we believe this is an important element in extending our customer reach while also ensuring that the Topps brand continues to appeal to existing customers.

Convenience

Convenience across all our shopping channels is a vital element of our customers' decision to shop with us. Our scale, expertise and ability to seamlessly integrate all of our channels to market is an important source of competitive advantage.

---

[1] *A full explanation of the NPS methodology and associated scores can be found within the KPIs section of this report.*

In 2014, the Group developed the "Boutique" format, an experimental new small store concept, which incorporated a fresh new store design and a number of innovative in-store features. Designed principally as a method for bringing the Topps offer to smaller High Street locations, the development of the Boutique format has also inspired a variety of new initiatives across the core store estate, which are bringing significant benefits to the Topps business as a whole.

Stores

Our stores remain by far our most dominant channel with over 99% of our customers visiting a store at some stage in their shopping journey with Topps. Customers tell us that this is because of the tactile nature of the product, the market leading service levels on offer and good stock availability. We have continued to focus on optimising returns from the existing store estate, adding new locations selectively where we believe strong opportunities exist. We also target tactical relocations of individual stores where this is supported by a local market opportunity. In the last 12 months we opened 11 new core stores and closed six, resulting in a net increase of five core stores to bring the total, at year end, to 323 (2014: 318). These new stores have performed well and we remain very satisfied with the return on investment. In addition to the improvements made to all stores detailed above, we fully refitted 13 stores and made minor improvements in seven other stores during the period.

In the year ahead we have plans in place to continue with a similar range of activities. We expect to increase the core store estate by 10 new units and fully refit around 15 stores plus other minor works as appropriate. We will also continue our programme of all store improvements which will be focussed on the new merchandising treatments inspired by our Boutique concept that we have trialled at our new Lab Stores at Worcester and Shoreditch.

During the year we conducted a strategic review of our Clearance stores. Over recent years we have converted many of the Clearance stores to the more profitable core Topps format and most of the remaining units are located very close to existing core stores. As a result of the review we have decided to consolidate the business behind the core format. At the period end we had 11 (2014: 12) Topps Clearance stores and in the year ahead four of these will be converted to the core format and the remaining seven will be closed.

The Boutique format was extended during the year with the addition of a further eight stores, including the first two outside of London, in Cheshire. This brings the total number of Boutique stores trading to 13 (2014: five). In addition to extending our reach, Boutique continues to generate lots of rich learning - that we are utilising in the core estate wherever appropriate. We continue to believe there is an opportunity for a roll-out of this format and are focusing our efforts on further refinement and evolution in the year ahead to optimise its performance. As a result, while there may be some movement in the Boutique store portfolio in the current year, the number of stores trading is likely to remain at around the current level.

Given the closure of the remaining Clearance format stores, we expect modest net growth in store numbers for the year ahead and will continue to grow our core Topps format both next year and beyond.

Online

Online research is a vital part of any customer journey never more so than when customers are looking for inspiration. The ability to research projects online is one of the ways in which we offer customers convenience and we strive to provide a consistent experience across all touch points including store visits, online and mobile. We also utilise the on-line payment facility to help deliver convenience to customers who have ordered in store or over the phone but wish to pay for remotely.

Over 70% of our customers use our website at some point in their journey, as well as making numerous trips to a store. We therefore believe the 'pure play' online market for tiles remains very small and our ability to combine our website offering with the skilled advice and convenience available through a physical store presence gives us a significant competitive advantage over any pure play online retailer of tiles.

This year has seen the launch of a market-leading internet-based tile visualiser which is accessed through our web site. We have also enabled colleagues to use this as part of the in store sales process by providing an iPad to demonstrate to customers exactly how various tile combinations look in a variety of room sets.

Trade

While tradesmen are a distinct customer group they are also a very important as an alternative channel to market for Topps, with some of our customers being introduced to us through their chosen tile fitter. Of these new customers, a portion will transact directly, with the remainder finding it more convenient to transact through their fitter, such that we may never deal with those end consumers in store. We continue to see good growth potential in our trade business as home owners rely increasingly on specialist tradesmen to complete their tiling projects and expect the proportion of Group sales coming through this channel to increase further.

Strategic Enablers

In addition to the three key areas of strategic focus highlighted above there are a number of “strategic enablers” which the business considers key to successfully delivering its strategy.

Brand Awareness & Consideration

Topps has further extended its market leadership over the past year, and is investing to further grow both its brand awareness and its ‘consideration’ amongst consumers who are already aware of the brand. As we continue to evolve as a business we believe that the Topps brand can appeal to an ever wider proportion of potential customers.

The high profile nature of our store locations provide us with good levels of local awareness. During the year we have focussed on consideration by significantly improving the “kerb appeal” of our stores. The main activity has been new signage which adopts the brand representation developed for our Boutique small store concept.

We have continued to invest in a broad range of traditional and digital media which have been designed to bolster overall awareness and consideration levels. We have also evolved our mix of media to target consumers who are actively engaged in a tile related purchasing decision.

Colleague Engagement & Communications

It is imperative that all of our people have a clear understanding of the organisation’s goals and the strategic plan to attain them. We invest significant time and effort in communicating and engaging all of our colleagues in our plans for the business. During the year we held two major conference events - attended by all of our store and support office managers. In addition to these major communication events we regularly update all colleagues on the Company’s progress via email, our in-house magazine, Quartile, and a recently introduced system of text messaging from our CEO sent directly to colleagues’ mobile phones. We also operate a very successful employee forum, TeamTalk, which allows colleagues to have their say in how we operate our business and we conduct a regular colleague engagement survey.

People Development

We have a strong culture and history of growing and developing our people from within the organisation and it is important to us that our employees fulfil their potential during their time at Topps. We have been providing Adult Apprenticeship qualifications for the last six years in Topps and around 800 colleagues have benefitted from this programme. Technical training is also very important to us in order to maintain our credentials as the leading specialist tile retailer – store colleague learning and development is supported by an e-learning platform which regularly includes new courses on the latest products, services and processes. We are in the process of developing more opportunities for colleagues to benefit from a wider development offering provided by our in-house team of Trainers and Advisors. Over the course of the coming year we will focus on developing new content to support an even bigger push on colleague development.

Key Performance Indicators ("KPIs")

The Board monitor a number of financial and non-financial metrics and KPIs both for the Group and by individual store, including:

	53 weeks to 3 October 2015	52 weeks to 27 September 2014	YoY
Financial KPIs			
Like-for-like sales growth year-on-year	+5.4 %	+8.1%	n/a
Total sales growth year-on-year	+8.7 %	+9.8%	n/a
Gross margin	61.2%	60.9%	+30bps
Adjusted PBT*	£20.4m	£17.1m	+19.3%
Net debt	£28.4m	£30.5m	£2.1m
Inventory days	124	133	6.8%
Non-financial KPIs			
Market Share	33.3%	32.6%	+0.7%
Net Promoter Score %	73.0%	73.5%	-0.5%
Carbon emissions per store (Tonnes per annum)	36.9	44.2	-16.5%
Number of stores at year end	347	335	12

*Adjusted PBT as defined on page 1

Notes

- 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.
- Energy carbon emissions has been compiled in conjunction with our supplier (SSE) and is based on the actual energy consumed multiplied by Environment Agency approved emissions factors. Vehicle emissions has been calculated by our in-house transport team based on mileage covered multiplied by manufacturer quoted emission statistics.
- Market share data is derived from the annual MBD report on the UK tile market. Data for 2014 was originally stated at 30.3% but was restated by MBD in the 2015 market report.

The Board receive regular information on these and other metrics for the Group as a whole. This information is reviewed and updated as the Directors feel appropriate.

FINANCIAL REVIEW

Financial Objectives

In addition to the key strategic objectives highlighted in the Strategy section above the business maintains a strict financial discipline, including:

- Primary focus on increasing revenues and cash generation, maintaining cost disciplines and optimising gross margins;
- Capital structure and net debt - the level of net debt has now been reduced to a point that the Board feels is an appropriate balance of an efficient capital structure and financial flexibility. The business remains cash generative and as we move forwards the Board will continue to adopt a progressive dividend policy; and
- Maximising earnings per share and shareholder returns, including bi-annual review of our dividend policy.

PROFIT AND LOSS ACCOUNT

Revenue

Revenue for the period ended 3 October 2015 increased by 8.7% to £212.2 million (2014: £195.2 million). The trading period was 53 weeks, as opposed to 52 weeks in the prior year, removing the effect of this additional week of sales would result in sales growth of 6.7%. Like-for-like store sales increased by 5.4% in the period, which consisted of a 5.3% increase in the first half of the financial period and a 5.5% increase in the second half.

Gross Margin

Overall gross margin was 61.2% compared with 60.9% in the previous financial period. Over the first half of the period the gross margin was 60.7%, and we delivered a gross margin of 61.7% in the second half of the period. Gross margin in the second half includes some gains which crystallised in the period but apply to the year as a whole and as a consequence we consider the full year margin as a good guide to future margin expectations, with some modest growth targeted as we move forwards.

Operating Expenses

Total operating costs have risen from £100.7 million to £111.0 million, an increase of 10.2%. Costs as a percentage of sales were 52.3% compared to 51.6% in the previous period. When one-off adjusting items (detailed below) are excluded, operating costs were £108.4 million (2014: £100.2 million), equivalent to 51.1% of sales (2014: 51.3% of sales).

The movement in adjusted operating costs is explained by the following key items:

- Operating a 53 week year, verses a 52 week year in the prior period has added £1.9m to costs
- Inflation at an average of approximately 1.5% has increased our cost base by around £1.5 million
- The average number of UK stores trading during the financial period was 341 (2013: 329), which generated an increase in costs of approximately £2.8 million
- Investment in additional store labour hours, supporting like for like store sales growth, accounted for £0.6 million of additional costs
- Employee profit share costs have increased by £0.6 million due to targets across the business being exceeded as a result of the strong business performance
- Increase in support costs of £0.8 million, with increased marketing costs of £0.4 million being the largest single item.
- The remaining elements of the cost base are flat when compared to the prior year

During the period we incurred several charges which we have excluded from our adjusted operating costs as they are not representative of the underlying cost base of the business. These are:

- exceptional business restructuring costs (as detailed below) of £2.6 million (2014: £nil)
- other business restructuring costs of £0.2 million (2014: £0.2 million)
- the impairment of plant, property and equipment of £0.3 million (2014: £0.3 million)
- 2015 also saw a one-off gain relating to the receipt of a premium for the early exit of a store of £0.5 million (2014: £nil)

Restructuring Costs

The Group is progressing two key initiatives to simplify and streamline its operations, these are:

i. The centralisation of its support functions into one site at Leicester, incurring a one-off restructuring charge of £1.5 million (2014: £nil)
ii. The closure of seven clearance stores, with the remaining four being converted to the core Topps format, incurring a one-off restructuring charge of £1.1 million (2014: £nil)

These costs have been treated as exceptional items and have been reported separately on the face of the income statement. There was no cash impact in the period resulting from these changes but it is expected that there will ultimately be an equivalent cash cost to the business. The timing of the cash outflow will primarily be driven by successful negotiation to exit leases.
Annual cost savings of at least £0.5 million will be realised from the second half of 2016 onwards and the business will also benefit from operational efficiencies as a result of this simplification.

Operating Profit
Operating profit for the period was £18.9 million (2013: £18.2 million), representing 8.9% of sales (2013: 9.3%).

Excluding the adjusting items detailed above operating profit was £21.5 million (2013: £18.7 million), representing 10.1% of sales (2013: 9.6%).

Other Gains and Losses
During the period we disposed of one freehold property with no gain (2014: gain £0.4 million).

Financing
The net underlying interest charge for the year was £1.1 million (2014: £1.6 million), excluding the impact of currency revaluations. The underlying interest charge has fallen compared to the prior financial period due the full year impact of the 2014 renegotiation of the Rolling Credit Facility with associated lower borrowing and improved rate.

The company has in place a number of forward currency contracts giving rise to a “marked to market” revaluation as required by IAS39 “Financial Instruments: Recognition and Measurement”. This revaluation has generated a fair value (non-cash) gain of £0.1 million (2014: £0.1 million gain). The Group does not apply IAS39 to these instruments and hence any gains or losses against these derivatives are applied directly to the income statement rather than being offset against balance sheet reserves.

In addition to the above charges and gains we have also provided for £0.9 million of interest against historic outstanding tax liabilities (2014: £0.1 million charge).

Net interest cover was 23.8 times (2014: 14.2 times) based on earnings before interest, tax, depreciation and the impairment of plant, property and equipment, excluding the impact of IAS39 in finance charges. The 2014 year included a write down of the unamortised issue costs relating to the 2011 Revolving Credit Facility of £0.3 million (2015: £nil).

Profit Before Tax
Reported profit before tax was £17.0 million (2014: £16.7 million).
The Group profit before tax margin was 8.0% (2014: 8.6%).

Excluding the adjusting items detailed on page 1 profit before tax was £20.4 million (2014: £17.1 million).
The Group adjusted profit before tax margin was 9.6% (2014: 8.8%).

Tax
The effective rate of Corporation Tax for the period was 23.2% (2014: 25.0%).
The Group tax rate is higher than the prevailing UK corporation tax rate due to non-deductible expenditure and depreciation on assets not qualifying for capital allowances.

Earnings Per Share
Basic earnings per share were 6.75 pence (2014: 6.49 pence).

Diluted earnings per share were 6.73 pence (2014: 6.43 pence).

Excluding the adjusting items detailed on page 1 adjusted earnings per share were 8.17 pence (2014: 6.63 pence).

Dividend and Dividend policy
The Board has reviewed its dividend policy during the year and has recognised that the current level of dividend cover is relatively modest. The Board considers that a dividend cover of approximately 2x is achievable over the medium term and should be sustainable at this level. As a result of the proposed future policy, the dividend for this year has been based on an approximately 2.72x level of cover.

The Board is recommending to shareholders a final dividend of 2.25 pence per share (2014: 1.60 pence per share). This will cost £4.3 million (2014: £3.1 million). The shares will trade ex-dividend on 7 January 2016 and, subject to approval at the Annual General Meeting, the dividend will be payable on 4 February 2016.

This brings the total dividend for the year to 3.00 pence per share (2014: 2.25 pence per share), an increase of 33%.

BALANCE SHEET

Capital expenditure

Capital expenditure in the period amounted to £12.0 million (2014: £11.2 million), an increase of 7.1%.
Key investments are as follows:

- New stores (core format and Boutique) £3.3 million – 19 new openings, two relocations and nine closures (2014: £3.1 million)
- Store refits £3.0 million (2014: £2.7 million)
- Store rebranding £2.5 million (2014: £0.4 million)
- Other store related strategic initiatives £0.7 million (2014: £1.1 million)
- Other expenditure of £1.2 million, including £0.8 million of IT investment (2014: £1.0 million)
- Freehold and leasehold investments £1.3 million - two freehold purchases in the period (2014: £2.9 million), and one freehold disposal.

The Board expects capital expenditure to continue at broadly the same level in the current financial year.

At the period end the Group held nine freehold or long leasehold sites including two warehouses and distribution facilities with a total carrying value of £16.5 million (2014: eight freehold or long leasehold sites valued at £16.0 million). The carrying value is based on the historic purchase cost, capital expenditure less accumulated depreciation.

Property Disposals

During the period we disposed of one freehold property with no gain or loss (2014: one property generated £0.4 million gain).

Inventory

Inventory at the period end was £27.4 million (2014: £27.8 million) representing 124 days turnover (2014: 133 days turnover). The absolute level of inventory is broadly stable, with days cover reducing as we grow sales on the same stock base.

Capital Structure and Treasury

Cash and cash equivalents at the period end were £16.6 million (2014: £19.5 million) with borrowings of £45.0 million (2014: £50.0 million).

This gives the Group a net debt position of £28.4 million (2014: £30.5 million). This was better than previously expected due to the non-payment of historic tax and interest charges of c.£4 million (which will now fall in 2016) and an improved working capital position compared to the interim position, principally driven by inventory.

Cash flow

Cash generated by operations was £24.2 million, compared to £24.9 million last period. The year end in 2015 fell on the 3 October and was therefore after key month-end payments had been made (suppliers, landlords and colleagues), whereas in the prior period ended 27 September the equivalent payments had not been paid. This timing difference is the principal driver of the small reduction in cash generation year on year.

Going Concern

When considering the going concern test the Board review several factors including a detailed review of the above risks and uncertainties, the Group's forecast covenant and cash headroom against lending facilities (which were refinanced in June 2014) and management's current expectations. As a result of this review the Board believes that 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. Therefore, the Board considers it appropriate to prepare the financial statements on the going concern basis

Long Term Viability

The Board have also considered the Longer Term Viability ("LTM") of the business in light of updated Corporate Governance requirements. The fuller LTM statement can be found in our Annual Report.

Current Trading and Market Conditions for the Year Ahead

2015 was a successful year for Topps and we have now delivered two consecutive years of strong sales growth and correspondingly robust progress on profits and earnings per share.

Trading in the first eight weeks of the new financial year has been in line with our expectations, with like for like sales increasing by 3.3% (2014: 5.8%). We are confident that the Group's successful strategy of "Out Specialising the Specialists" has significant further potential and will underpin our progress in the year ahead.

Cautionary Statement

This Strategic & Operational Review has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. These reports should not be relied on by any other party or for any other purpose.

The Strategic and Operational Review and Chairman's statement 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 and 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.

The Directors, in preparing this Strategic and Operational Review, have complied with s414a of the Companies Act 2006. This Business Review 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 to its subsidiary undertakings when viewed as a whole.

Matt Williams
Chief Executive Officer

Rob Parker
Chief Financial Officer

1 December 2015

Consolidated Statement of Financial Performance
For the 53 weeks ended 3 October 2015

	Notes	**53 weeks ended 3 October 2015 £'000**	52 weeks ended 27 September 2014 £'000
Group revenue – continuing operations	3	**212,221**	195,237
Cost of sales		**(82,319)**	(76,367)
Gross profit		**129,902**	118,870
Employee profit sharing		**(10,405)**	(9,827)
Distribution and selling costs		**(76,204)**	(69,161)
Other operating expenses		**(5,846)**	(5,359)
Administrative costs		**(13,485)**	(11,665)
Sales and marketing costs		**(5,079)**	(4,672)
Group operating profit before exceptional items		**21,502**	18,186
Business simplification costs	4	**(2,619)**	-
Group operating profit		**18,883**	18,186
Other (losses)/ gains	5	**(23)**	401
Investment revenue	7	**242**	251
Finance costs	7	**(2,083)**	(2,147)
Profit before taxation	5	**17,019**	16,691
Taxation	8	**(3,954)**	(4,179)
Profit for the period attributable to equity holders of the company	26	**13,065**	12,512
Earnings per ordinary share From continuing operations	10		
- basic		**6.75p**	6.49p
- diluted		**6.73p**	6.43p

Consolidated statement of comprehensive income
For the 53 weeks ended 3 October 2015

	53 weeks ended 3 October 2015 £'000	52 weeks ended 27 September 2014 £'000
Profit for the period	**13,065**	12,512
Total comprehensive income for the period attributable to equity holders of the parent Company	**13,065**	12,512

Consolidated Statement of Financial Position
As at 3 October 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Goodwill	11	**245**	245
Deferred tax asset	19	**319**	-
Property, plant and equipment	12	**47,094**	41,294
		47,658	41,539
Current assets			
Inventories		**27,408**	27,846
Trade and other receivables	14	**8,041**	5,800
Cash and cash equivalents	15	**16,564**	19,547
		52,013	53,193
Total assets		**99,671**	94,732
Current liabilities			
Trade and other payables	16	**(33,987)**	(36,240)
Current tax liabilities		**(5,048)**	(4,888)
Provisions	19	**(1,736)**	(876)
		(40,771)	(42,004)
Net current assets		**11,242**	11,189
Non-current liabilities			
Bank loans	17	**(44,692)**	(49,581)
Deferred tax liabilities	19	**-**	(261)
Provisions	19	**(3,410)**	(2,043)
Total liabilities		**(88,873)**	(93,889)
Net assets		**10,798**	843
Equity			
Share capital	20	**6,457**	6,455
Share premium	21	**1,906**	1,879
Own shares	22	**(630)**	(656)
Merger reserve	23	**(399)**	(399)
Share based payment reserve	24	**2,820**	1,941
Capital redemption reserve	25	**20,359**	20,359
Retained losses	26	**(19,715)**	(28,736)
Total funds attributable to equity holders of the parent		**10,798**	843

The accompanying notes are an integral part of these financial statements.

The financial statements of Topps Tiles Plc, registered number 3213782, were approved by the board of directors and authorised for issue on 1 December 2015. They were signed on its behalf by:

M.T.M Williams
R. Parker
Directors

Consolidated Statement of Changes in Equity
For the 53 weeks ended 3 October 2015

	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
Balance at 28 September 2013	6,404	1,492	(10)	(399)	649	20,359	(38,679)	(10,184)
Profit and total comprehensive income for the period	-	-	-	-	-	-	12,512	12,512
Issue of share capital	51	387	-	-	-	-	-	438
Dividends	-	-	-	-	-	-	(3,175)	(3,175)
Own shares purchased in the period	-	-	(650)	-	-	-	-	(650)
Own shares issued in the period	-	-	4	-	-	-	-	4
Credit to equity for equity-settled share based payments	-	-	-	-	1,292	-	-	1,292
Deferred tax on share-based payment transactions	-	-	-	-	-	-	606	606
Balance at 27 September 2014	6,455	1,879	(656)	(399)	1,941	20,359	(28,736)	843
Profit and total comprehensive income for the period	-	-	-	-	-	-	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
Balance at 3 October 2015	**6,457**	**1,906**	**(630)**	**(399)**	**2,820**	**20,359**	**(19,715)**	**10,798**

Consolidated Cash Flow Statement

For the 53 weeks ended 3 October 2015

	53 weeks ended 3 October 2015 £'000	52 weeks ended 27 September 2014 £'000
Cash flow from operating activities		
Profit for the period	**13,065**	12,512
Taxation	**3,954**	4,179
Finance costs	**2,083**	2,147
Investment revenue	**(242)**	(251)
Other gains/(losses). on sale of freehold properties	**23**	(401)
Group operating profit	**18,883**	18,186
Adjustments for:		
Depreciation of property, plant and equipment	**5,243**	4,553
Impairment of property, plant and equipment	**432**	348
Share option charge	**1,409**	1,292
Business simplification costs	**2,619**	-
(Increase)/ decrease in trade and other receivables	**(2,125)**	1,834
Decrease/ (increase) in inventories	**438**	(1,650)
(Decrease)/ increase in payables	**(2,680)**	348
Cash generated by operations	**24,219**	24,911
Interest paid	**(1,882)**	(1,695)
Taxation paid	**(3,882)**	(2,582)
Net cash from operating activities	**18,455**	20,634
Investing activities		
Interest received	**127**	140
Purchase of property, plant and equipment	**(12,058)**	(11,450)
Proceeds on disposal of property, plant and equipment	**512**	733
Purchase of own shares	**(504)**	(646)
Net cash used in investment activities	**(11,923)**	(11,223)
Financing activities		
Dividends paid	**(4,534)**	(3,175)
Proceeds from issue of share capital	**29**	438
Loan issue costs	**(10)**	(570)
Repayment of bank loans	**(5,000)**	(5,000)
Net cash used in financing activities	**(9,515)**	(8,307)
Net (decrease)/ increase in cash and cash equivalents	**(2,983)**	1,104
Cash and cash equivalents at beginning of period	**19,547**	18,443
Cash and cash equivalents at end of period	**16,564**	19,547

Notes to the Financial Statements

For the 53 weeks ended 3 October 2015

1 General information

Topps Tiles Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in the Annual Report. The nature of the Group's operations and its principal activity are set out in the Directors' Report in the Annual Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

Adoption of new and revised standards

In the current period, the following new and revised standards and interpretations have been adopted and may affect the future amounts reported in the financial statements:
IFRS 13 – Fair Value Measurement, this standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

Standards not affecting the reported results nor the financial position
The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements that may impact the accounting for future transactions and arrangements.

IAS 1 (amended) – Presentation of Items of Other Comprehensive Income, the amendments improve the consistency and clarity of the presentation of items of other comprehensive income.
IAS 19 (revised) – Employee Benefits, this revised standard prescribes the accounting and disclosure by employers for employee benefits.
Improvements to IFRSs 2011-13. Aside from those items already identified above, the amendments made to standards under the 2010 improvements to IFRSs have had no impact and will not have any impact on the group.

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 (and in some cases had not yet been adopted by the EU):

IFRS 9 – Financial Instruments
IFRS 11 – Joint Arrangements
IFRS 15 – Revenue from Contracts with Customers
IAS 16 and IAS 38 (amended): Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (amended): Equity Method in Separate Financial Statements
IAS 1 – Disclosure initiative

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

2 Accounting policies

The principal accounting policies adopted are set out below.

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards 'IFRSs'. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements 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 derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

b) Going concern

When considering the going concern test the Board review several factors including a detailed review of the above risks and uncertainties, the Group's forecast covenant and cash headroom against lending facilities and management's current expectations (see Strategic Report for further details). As a result of this review the Board believes that 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. Therefore, the Board considers it appropriate to prepare the financial statements on the going concern basis.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of financial performance from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

d) Financial period

The accounting period ends on the Saturday which falls closest to 30 September, resulting in financial periods of either 52 or 53 weeks.

Throughout the financial statements, Directors' Report and Business Review, references to 2015 mean at 3 October 2015 or the 53 weeks then ended; references to 2014 mean at 27 September 2014 or the 52 weeks then ended.

e) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

e) Goodwill (continued)

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units 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.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill of £15,080,000 written off to reserves under UK GAAP prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The level of sales returns is closely monitored by management and provided for when management considers them to be significant and deducted from income.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably).

g) Exceptional items

Items are classed as exceptional where they relate to one-off costs incurred in the period that the directors do not expect to be repeated in the same magnitude on an annual basis, or where the directors consider the separate disclosure to be necessary to understand the Group's performance. The principles applied in identifying exceptional costs are consistent between periods. See note 4 for details of exceptional items in the current period.

2 Accounting Policies (continued)

h) Property, plant & equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, less estimated residual value, over their estimated useful lives, on the following bases:

Freehold buildings	2% per annum on cost on a straight-line basis
Short leasehold land and buildings	over the period of the lease, up to 25 years on a straight line basis
Fixtures and fittings	over 10 years, except for the following; 4 years for computer equipment or 5 years for display stands, per annum as appropriate
Motor vehicles	25% per annum on a reducing balance basis

Freehold land is not depreciated.

Residual value is calculated on prices prevailing at the date of acquisition.

Assets held in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of financial performance.

i) Impairment of tangible and intangible assets excluding goodwill

At each period end, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

j) Inventories

Inventories are stated at the lower of cost and net realisable value and relate solely to finished goods for resale, and net of supplier rebates. Cost comprises the purchase price of materials and an attributable proportion of distribution overheads based on normal levels of activity and is valued at standard cost. Net realisable value represents the estimated selling price, less costs to be incurred in marketing, selling and distribution. Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. The net replacement value of inventories is not considered materially different from that stated in the consolidated statement of financial position.

k) Taxation

The tax expense represents the sum of the tax charge for the period and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of financial performance because it excludes items of income or expense that are taxable or deductible in other periods 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.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

l) Foreign currency

The individual financial statements of each Group company are presented in pounds sterling (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentational currency for the consolidated financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each period end, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of financial performance for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in statement of financial performance for the period.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/ hedge accounting); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

2 Accounting Policies (continued)

m) Leases

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease even where payments are not made on such a basis, except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed or a provision has been made for an onerous lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group provides for the unavoidable costs prior to lease termination or sub-lease relating to onerous leases. Dilapidation costs are provided for against all leasehold properties across the entire estate.

n) Investments

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

o) Retirement benefit costs

For defined contribution schemes, the amount charged to the statement of financial performance in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

p) Finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

All other finance costs of debt are recognised in the statement of financial performance over the term of the debt at a constant rate on the carrying amount.

q) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. The Group has no designated FVTPL financial assets.

A Financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied, such as discounted cash flows and assumptions regarding market volatility.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 43 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 within three months and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2 Accounting Policies (continued)

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. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. The Group does not have any designated FVTPL liabilities.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group uses foreign exchange forward contracts to manage its foreign currency risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, on the use of financial derivatives.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each period end date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

r) 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 1 October 2005.

The Group issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the share based payment 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 the Black Scholes model.

r) Share-based payments (continued)

The Group provides employees with the ability to purchase the Group's ordinary shares at 80% of the current market value through the operation of its share save scheme. The Group records an expense, based on its estimate of the 20% discount related to shares expected to vest on a straight line basis over the vesting period.

s) Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

t) Operating profit

Operating profit is stated after charging restructuring costs but before property disposals, investment income, finance costs and fair value movement in derivative contracts.

u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of 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.

v) Supplier income

Amounts receivable from suppliers are initially held on the balance sheet within the cost of inventory and recognised within the income statement once the contractual terms of the supplier agreements are met and the corresponding inventory has been sold.

Volume rebates and price discounts are recognised in the income statement, as a reduction in cost of sales, in line with the recognition of the sale of a product.

w) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgement, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in financial statements is the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 *Revenue*. In particular the largest judgement is where there are open orders and these goods have not been delivered to the customer, and in these cases the Directors believe the significant risks and rewards of ownership of the goods have not been transferred to the buyer and therefore do not recognise revenue on these orders.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the period end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below:

Inventory

At the period end there were £1.9 million (2014: £2.2 million) of overheads and £2.0 million (2014: £2.1 million) of supplier income (rebates) absorbed into the inventory balance. Additionally there were £0.7 million (2014: 0.6 million) of provisions against the net realisable value of inventories.

2 Accounting Policies (continued)

Property provisions

Onerous lease provision - During the period the Group has continued to review the performance of its store portfolio, which has resulted in no further stores being exited before their lease terms had expired (2014: two stores). In respect of the leases in relation to stores exited before lease end dates in prior periods that are still vacant, the Group has provided for what it considers to be the unavoidable costs prior to lease termination or sublease. The Group has further reviewed any trading loss making stores and provided for those leases considered to be onerous. These estimates are based upon available information and knowledge of the property market. The ultimate costs to be incurred in this regard may vary from the estimates.

Dilapidations provision - The Group has estimated its likely dilapidation charges for its store portfolio and provided accordingly. This estimate involves an assessment of average costs per store and the expected exit period for the current portfolio, and is based on management's best estimate, taking into account knowledge of the property market and historical trends. The ultimate costs to be incurred may vary from the estimates.

Supplier income

The Group has arrangements with a number of its suppliers which award rebates on satisfaction of purchase thresholds or discounts against certain inventory lines. At the period end, the Group has invoiced £1.2 million of rebates (2014: £1.2 million) which are still outstanding in receivables and holds £2.0 million (2014: £2.1 million) of rebates within the inventory balance (as above) and accrued rebates of £1.4 million (2014: £1.1 million). The Group does not recognise the amounts received from suppliers within the income statement until the associated inventories are sold to the customers of the Group.

Business simplification costs

During the period the Group announced its intentions to relocate the finance function to its head office in Leicester, resulting in the closure of a support office. Additionally a decision has been made to exit the Topps Clearance format in order to focus on the core Topps Tiles brand. These decisions have led to a review of the onerous lease and related property provisions and a number of redundancy announcements.

3 Revenue

An analysis of Group revenue is as follows:

	53 weeks ended 3 October 2015 £'000	52 weeks ended 27 September 2014 £'000
Revenue from the sale of goods	**212,221**	195,237
Fair value gain on forward currency contracts	**135**	110
Investment revenue	**107**	141
Total revenue	**212,463**	195,488

Investment revenue represents bank interest receivable. There are no other gains recognised in respect of loans and receivables.

4 Exceptional items – Business Simplification Costs

During the period the Group announced the decision to relocate the finance function to Leicester and exit the Topps Clearance format in the first half of 2015-16 financial period. This will result in the exit of one central support office and nine store locations. Accordingly the Group has provided for the expected exposure to future lease commitments on these properties, resulting in a charge of £1.7million. Additionally, an impairment review has been conducted of the property, plant and equipment held by these locations, resulting in a charge of £0.2million. The Group has also provided for other restructuring costs related to this decision, resulting in a charge of £0.7million.

Included in administrative expenses:	**53 weeks ended 3 October 2015 £'000**	52 weeks ended 27 September 2014 £'000
Impairment of property, plant and equipment	**172**	-
Restructuring costs	**736**	-
Property related provisions	**1,711**	-
	2,619	-

5 Profit before taxation

Profit before taxation for the period has been arrived at after charging/(crediting):

	53 weeks ended 3 October 2015 £'000	52 weeks ended 27 September 2014 £'000
Depreciation of property, plant and equipment	**5,243**	4,553
Impairment of property, plant and equipment*	**266**	399
Disposal of property, plant and equipment loss/ (gain)	**23**	(401)
Property related provisions charged/ (utilised)*	**1,729**	(7)
Restructuring costs	**736**	-
Staff costs (see note 6)	**51,530**	45,865
Operating lease rentals	**23,388**	21,168
Write down of inventories recognised as an expense	**3,431**	2,584
Cost of inventories recognised as expense	**78,152**	73,783
Net foreign exchange gain	**(135)**	(268)

The disposal of property, plant and equipment loss relates to the sale of one freehold property (2014: one freehold property).

* Included in the amounts above for property related provisions and impairment of property, plant and equipment, are the business simplification costs in note 4.

Analysis of auditor's remuneration is provided below:

	53 weeks ended 3 October 2015 £'000	52 weeks ended 27 September 2014 £'000
Fees payable to the Company's auditor with respect to the Company's annual accounts	30	30
Fees payable to the Company's auditor and their associates for other audit services to the Group:		
Audit of the Company's subsidiaries pursuant to legislation	85	85
Total audit fees	115	105
Other assurance	10	10
Taxation compliance services	70	70
Remuneration Committee advice	2	13
Share plan advice	11	-
Total non audit fees	93	93
	208	208

A description of the work of the Audit Committee is set out on page x and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

6 Staff costs

The average monthly number of persons and their full time equivalents employed by the Group and Company in the UK during the accounting period (including executive directors) was:

	53 weeks ended 3 October 2015 Number employed	52 weeks ended 27 September 2014 Number employed
Selling	**1,731**	1,619
Administration	**184**	175
	1,915	1,794

	2015 £'000	2014 £'000
Their aggregate remuneration comprised:		
Wages and salaries (including LTIP, see note 27)	**46,844**	41,577
Social security costs	**3,838**	3,636
Other pension costs (see note 26b)	**848**	652
	51,530	45,865

Details of directors' emoluments are disclosed in the Annual Report. The Group considers key management to be the directors only. Employee profit sharing of £10.4 million (2014: £9.8 million) is included in the above and comprises sales commission and bonuses.

7 Investment revenue, finance costs and fair value loss on interest rate derivatives

	53 weeks ended 3 October 2015 £'000	52 weeks ended 27 September 2014 £'000
Investment revenue		
Bank interest receivable and similar income	**107**	141
Fair value gain on forward currency contracts	**135**	110
	243	251
Finance costs		
Interest on bank loans and overdrafts	**(1,231)**	(2,042)
Interest on underpaid tax*	**(852)**	(105)
	(2,083)	(2,147)

*The Group has historically provided for tax on open HMRC enquiries, some of which have now been resolved. As a result, some historic tax payments have been reallocated between periods which, whilst leading to a net reduction in the overall level of provision required, has required a reallocation of provision from corporation tax payable to cover interest which may become due on underpaid tax in earlier periods. In the event that additional tax is ultimately due in those earlier periods, it is estimated that £2.0 million of late payment interest would fall due, of which £1.1 million was provided for in the prior period. In addition the Group made a payment on account of £0.8 million in the period, in partial settlement of these open enquires.

7 Investment revenue, finance costs and fair value loss on interest rate derivatives (continued)

Held for trading assets and liabilities		
Forward currency contracts gains	**135**	110
	135	110

No finance costs are appropriate to be capitalised in the period, or the prior period.

Interest on bank loans and overdrafts represents gains and losses on financial liabilities measured at amortised cost. There are no other gains or losses recognised in respect of financial liabilities measured at amortised cost.

8 Taxation

	53 weeks ended 3 October 2015	52 weeks ended 27 September 2014
Continuing operations:	**£'000**	£'000
Current tax - charge for the period	**3,946**	4,087
Current tax - adjustment in respect of previous periods	**103**	(57)
Deferred tax - effect of reduction in UK corporation tax rate	**-**	(81)
Deferred tax – charge for period (note 18)	**(158)**	133
Deferred tax - adjustment in respect of previous periods (note 18)	**63**	97
	3,954	4,179

Corporation tax in the UK is calculated at 20.5% (2014: 22%) of the estimated assessable profit for the period. The government has announced that it intends to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. As this legislation was not substantively enacted by 3 October 2015, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts.

The charge for the period can be reconciled to the profit per the statement of financial performance as follows:

Continuing operations	**53 weeks ended 3 October 2015 £'000**	52 weeks ended 27 September 2014 £'000
Profit before taxation	**17,019**	16,691
Tax at the UK corporation tax rate of 20.5% (2014: 22%)	**3,489**	3,672
Tax effect of expenses that are not deductible in determining taxable profit	**119**	367
Tax effect of reduction in UK corporation tax rate	**-**	(81)
Tax effect of chargeable gain lower than profit on sale of freehold property	**(2)**	(21)
Tax effect of tangible fixed assets which do not qualify for capital allowances	**182**	201
Tax effect of adjustment in respect of prior periods	**166**	41
Tax expense for the period	**3,954**	4,179

9 Dividends

	53 weeks ended 3 October 2015 £'000	52 weeks ended 27 September 2014 £'000
Interim dividend for the period ended 3 October 2015 of £0.0075 (2014: £0.0065) per share	**1,447**	1,257
Proposed final dividend for the period ended 3 October 2015 of £0.0225 (2014: £0.0160) per share	**4,358**	3,098

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

10 Earnings per share

The calculation of earnings per share is based on the earnings for the financial period attributable to equity shareholders and the weighted average number of ordinary shares.

	2015 Number of Shares	2014 Number of Shares
Weighted average number of shares		
For basic earnings per share	**193,683,323**	192,850,860
Impact of treasury shares	**(799,088)**	-
Weighted average number of shares under option	**1,234,227**	1,690,097
For diluted earnings per share	**194,118,462**	194,540,957

The calculation of the basic and diluted earnings per share used the denominators as shown above for both basic and diluted earnings per share.

11 Goodwill

	£'000
Cost and carrying amount at 28 September 2013, 27 September 2014 and 3 October 2015	**245**

The balance of goodwill remaining is the carrying value that arose on the acquisition of Surface Coatings Ltd in 1998.

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

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to, selling prices and direct costs during the period. Management estimates discount rates based on the Group's weighted average cost of capital. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Discounted cash flows are calculated using a post-tax rate of 12.0% (2014: 12.0%).

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years. The growth rate applied does not exceed the average long-term growth rate for the relevant markets. There are no reasonable changes that would result in the carrying value of goodwill being reduced to its recoverable amount.

As a result of the annual test of impairment of goodwill, no impairment has been identified for the current period.

12 Property, plant and equipment

	Land and buildings Freehold £'000	Short leasehold £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 28 September 2013	15,360	1,842	56,350	166	73,718
Additions	2,872	-	8,345	15	11,232
Disposals	(281)	(10)	(1,236)	(61)	(1,588)
At 27 September 2014	17,951	1,832	63,459	120	83,362
Additions	1,129	231	10,643	5	12,007
Disposals	(520)	(109)	(1,793)	(67)	(2,488)
At 3 October 2015	**18,560**	**1,954**	**72,309**	**58**	**92,881**
Accumulated depreciation and impairment					
At 28 September 2013	1,619	1,678	35,009	64	38,370
Charge for the period	242	51	4,228	32	4,553
Provision for impairment	-	-	389	10	399
Eliminated on disposals	(94)	(10)	(1,115)	(35)	(1,254)
At 27 September 2014	1,767	1,719	38,511	71	42,068
Charge for the period	290	38	4,896	19	5,243
Provision for impairment	-	-	266	-	266
Eliminated on disposals	(11)	(109)	(1,627)	(43)	(1,790)
At 3 October 2014	**2,046**	**1,648**	**42,046**	**47**	**45,787**
Carrying amount					
At 3 October 2015	**16,514**	**306**	**30,263**	**11**	**47,094**
At 27 September 2014	16,184	113	24,948	49	41,294

Freehold land and buildings include £4,104,000 of freehold land (2014: £4,104,000) on which no depreciation has been charged in the current period. There is no material difference between the carrying and market values.

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £nil (2014: £nil).

Contractual commitments for the acquisition of property, plant and equipment are detailed in note 28.

During the period, the Group has closed nine stores in the UK. As the fixtures and fittings within these stores cannot be re-used in other locations within the Group, the carrying value of these assets has been fully provided for in the period, with the associated impairment charge of £266,000 (2014: £389,000) included within other operating expenses.

13 Subsidiaries

A list of all subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 3 to the Company's separate financial statements.

14 Trade and other receivables

	2015	2014
	£'000	£'000
Amounts falling due within one year:		
Amounts receivable for the sale of goods	**712**	740
Allowance for doubtful debts	**(27)**	(45)
Other debtors and prepayments		
-Rent and rates	**4,808**	3,324
-Other	**2,548**	1,781
	8,041	5,800

The Directors consider that the carrying amount of trade and other receivables at 3 October 2015 and 27 September 2014 approximates to their fair value on the basis of discounted cash flow analysis.

Credit risk

The Group's principal financial assets are bank balances and cash and trade receivables.

The Group considers that it has no significant concentration of credit risk. The majority of sales in the business are cash based sales in the stores.

Total trade receivables (net of allowances) held by the Group at 03 October 2015 amounted to £0.7 million (2014: £0.7 million). These amounts mainly relate to sundry trade accounts and Tesco Clubcard Scheme generated sales. In relation to these sales, the average credit period taken is 51 days (2014: 61 days) and no interest is charged on the receivables. Trade receivables between aged over 60 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. Of the trade receivables balance at the end of the year, £146,000 (2014: £120,000) is due from Tesco Plc, the Group's largest customer.

Included in the Group's trade receivable balance are debtors with a carrying amount of £96,000 (2014: £42,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired receivables

	2015	2014
	£'000	£'000
Greater than 60 days	96	42

The allowance for doubtful debts was £27,000 by the end of the period (2014: £45,000). Given the minimal receivable balance, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The allowance for doubtful debts includes £27,000 relating to individually impaired trade receivables (2014: £45,000) which are due from companies that have been placed into liquidation.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

15 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short term bank deposits (with associated right of set off) net of bank overdrafts, with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. A breakdown of significant bank and cash balances by currency is as follows:

	2015 £'000	2014 £'000
Sterling	**16,519**	19,367
US Dollar	**14**	31
Euro	**31**	149
Total cash and cash equivalents	**16,564**	19,547

16 Other financial liabilities

Trade and other payables

	2015 £'000	2014 £'000
Amounts falling due within one year		
Trade payables	**15,505**	18,193
Other payables	**4,940**	5,841
Accruals and deferred income	**14,041**	12,206
	34,486	36,240

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 46 days (2014: 58 days). No interest is charged on these payables.

The Directors consider that the carrying amount of trade payables at 3 October 2015 and 27 September 2014 approximates to their fair value on the basis of discounted cash flow analysis.

17 Bank loans

	2015 £'000	2014 £'000
Bank loans (all sterling)	**44,576**	49,467

The borrowings are repayable as follows:

	2015	2014
On demand or within one year	**-**	-
In the second year	**-**	-
In the third to fifth year	**45,000**	50,000
	45,000	50,000
Less: total unamortised issue costs	**(424)**	(533)
	44,576	49,467
Issue costs to be amortised within 12 months	**116**	114
Amount due for settlement after 12 months	**44,692**	49,581

The Directors consider that the carrying amount of the bank loan at 3 October 2015 and 27 September 2014 approximates to its fair value since the amounts relate to floating rate debt.

17 Bank loans (continued)

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

	2015	2014
	%	%
Loans	**2.36**	3.05

The Group borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

During the previous period the Group agreed a new five year revolving credit facility of £50.0 million, expiring 1 June 2019. As at the financial period end £45.0 million of this facility was drawn (2014: £50.0 million). The loan facility contains financial covenants which are tested on a bi-annual basis.

At 03 October 2015, the Group had available £5.0 million (2014: £nil) of undrawn committed banking facilities.

18 Financial instruments

Financial liabilities held for trading were reclassified in the prior period in order to more appropriately reflect the requirements of IAS1. Classification as non-current liabilities ensures the instrument mirrors the cash flows of the loan facility, which it is in place to hedge against.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2014. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents disclosed in note 14 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 19 to 25.

The Group is not subject to any externally imposed capital requirements.

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 2q to the financial statements.

Categories of financial instruments

	Carrying Value and Fair Value	
	2015	2014
	£'000	£'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**17,249**	20,242
Fair value through profit and loss	**117**	-
Financial liabilities		
Fair value through profit and loss	**-**	18
Amortised cost	**60,197**	66,579

The Group considers itself to be exposed to risks on financial instruments, including market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to mitigate the effects of these risks by using derivative financial instruments to hedge these risk exposures economically. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

18 Financial instruments (continued)

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the import of goods.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Euro	**31**	149	**2,201**	1,502
US dollar	**14**	31	**500**	792

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of China and Brazil (US dollar currency) and to various European countries (Euro) as a result of inventory purchases. The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where Sterling strengthens 10% against the relevant currency.

	2015	2014
	£000	£000
Profit or Loss movement on a 10% strengthening in Sterling against the Euro	**197**	123
Profit or Loss movement on a 10% strengthening in Sterling against the US Dollar	**44**	69
Profit or Loss movement on a 10% weakening in Sterling against the Euro	**(241)**	(150)
Profit or Loss movement on a 10% weakening in Sterling against the US Dollar	**(54)**	(85)

18 Financial instruments (continued)

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group uses foreign currency forward contracts in the management of its exchange rate exposures. The contracts are denominated in US dollars and Euros.

At the balance sheet date, the total notional amounts of outstanding forward foreign exchange contracts that the Group has committed to are as below:

	2015	2014
	£'000	£'000
Forward foreign exchange contracts	**6,597**	5,766

These arrangements are designed to address significant exchange exposures for the first half of 2015 and are renewed on a revolving basis as required.

At 3 October 2015 the fair value of the Group's currency derivatives is a £117,000 gain within prepayments (note 15) (2014: a liability of £18,000 held in accruals and deferred income). These amounts are based on the market value of equivalent instruments at the balance sheet date.

Gains of £135,000 are included in finance costs (note 7) (2014: £110,000 gain).

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Due to the reduced level of floating rate borrowings and the current low level of interest rates, management have not deemed it necessary to implement measures that would mitigate this risk. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit would be impacted as follows:

	50 basis points increase in interest rates		**50 basis points decrease in interest rates**	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
(Loss) or profit	**(184)**	(195)	**184**	195

The Group's sensitivity to interest rates mainly relates to the revolving credit facility.

18 Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. Management has considered the counterparty risk associated with the cash and derivative balances and do not consider there to be a material risk. The Group has a policy of only dealing with creditworthy counterparties. The Group's exposure to its counterparties is reviewed periodically. Trade receivables are minimal consisting of a number of insurance companies and sundry trade accounts, further information is provided in note 14.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows (and on the assumption that the variable interest rate remains constant at the latest fixing level of 2.28688% (2014: 2.45694%)) 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.

2015	**Less than 1 month £'000**	**1-3 months £'000**	**3 months to 1 year £'000**	**1-5 Years £'000**	**Total £'000**
Non-interest bearing	**20,444**	**-**	**-**	**-**	**20,444**
Variable interest rate instruments	**78**	**186**	**792**	**47,823**	**48,879**

2014	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 Years £'000	Total £'000
Non-interest bearing	24,034	-	-	-	24,034
Variable interest rate instruments	95	5,199	882	49,210	55,386

The Group is financed through a £50 million (2014 £50 million), revolving credit facility of which £45 million (2014 £50 million) was utilised. At the balance sheet date the total unused amount of financing facilities was £5 million (2014 £nil). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

18 Financial instruments (continued)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

2015	**Less than 1 month £'000**	**1-3 Months £'000**	**3 months to 1 year £'000**	**1-5 Years £'000**	**5+ Years £'000**	**Total £'000**
Foreign exchange forward contracts payments	**-**	**(3,331)**	**(3,267)**	**-**	**-**	**(6,597)**
Foreign exchange forward contracts receipts	**-**	**3,358**	**3,362**	**-**	**-**	**6,721**

2014	Less than 1 month £'000	1-3 Months £'000	3 months to 1 year £'000	1-5 Years £'000	5+ Years £'000	Total £'000
Foreign exchange forward contracts payments	-	(2,903)	(2,864)	-	-	(5,767)
Foreign exchange forward contracts receipts	-	2,884	2,888	-	-	5,772

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- The fair values are therefore categorised as Level 2 (2014: Level 2), based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

19 Provisions

	2015	2014
	£'000	£'000
Onerous lease provision	**1,368**	1,493
Business simplification provision	**2,208**	-
Dilapidations provision	**1,569**	1,426
	5,145	2,919
Current	**1,736**	876
Non-current	**3,409**	2,043
	5,145	2,919

	Business Simplification provision £'000	Onerous Lease provision £'000	Dilapidations provision £,000	Total £,000
At 27 September 2014	-	1,493	1,426	2,919
Created in the year	2,208	754	322	3,284
Utilisation of provision	-	(880)	(178)	(1,058)
Release of provision in the period	-	-	-	-
At 3 October 2015	**2,208**	**1,367**	**1,570**	**5,145**

The onerous lease provision relates to estimated future unavoidable lease costs in respect of closed, non-trading and loss making stores. The provision is expected to be utilised over the following four financial periods. The dilapidations provision represents management's best estimate of the Group's liability under its property lease arrangements based on past experience and is expected to be utilised over the following six financial periods. The business simplification provision relates to the decision to exit the Topps Clearance format and relocation of the finance function to Leicester, resulting in redundancies and the subsequent closure of nine store locations and one support office (see note 4). The business simplification provision is expected to be utilised over the next 12 months. In addition to the provision £0.3 million of related costs have been incurred and expensed in the period and £0.1 million is reflected in the value of inventories in the Consolidated Statement of Financial Performance.

The following are the deferred tax liabilities/(assets) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation	Other short term timing differences	Share-based payments	Exchange rate differences	Interest rate hedging	Rent free	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
As at 28 September 2013	1,573	(23)	(478)	(28)	(2)	(616)	426
Charge to income	26	-	80	22	2	4	134
Charge in respect of previous periods	74	23	-	-	-	-	97
Impact of rate change	(215)	-	50	4	-	80	(81)
Credit to equity	-	-	(315)	-	-	-	(315)
As at 27 September 2014	1,458	-	(663)	(2)	-	(532)	261
Charge/ (credit) to income	2	-	(205)	24	-	21	(158)
Charge in respect of previous periods	63	-	-	-	-	-	63
Impact of rate change	-	-	-	-	-	-	-
Credit to equity	-	-	(485)	-	-	-	(485)
As at 3 October 2015	**1,523**	**-**	**(1,353)**	**22**	**-**	**(511)**	**(319)**

19 Provisions (continued)

The government has announced that it intends to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. As this legislation was not substantively enacted by 3 October 2015, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. The effect of the future changes from 20% is expected to be to increase the net deferred tax asset by £0.1million. To the extent that the deferred tax reverses more quickly/slowly than this the impact on the net deferred tax asset/liability will be reduced/increased.

20 Called-up share capital

	2015	2014
	£'000	£'000
Authorised 240,000,000 (2014: 240,000,000) ordinary shares of 3.33p each (2014: 3.33p)	**8,000**	8,000
Authorised 37,000,000 (2014: 37,000,000) redeemable B shares of £0.54 each	**19,980**	19,980
Authorised 124,890,948 (2014: 124,890,948) irredeemable C shares of £0.001 each	**125**	125
	28,105	28,105
Issued and fully-paid 193,700,459* (2014: 193,636,240*) ordinary shares of 3.33p each (2014: 3.33p)	**6,457**	6,455
Total	**6,457**	6,455

During the period the Group issued 64,219 (2014: 1,508,571) ordinary shares with a nominal value of £2,141 (2014: £50,286) under share option schemes for an aggregate cash consideration of £28,733 (2014: £438,111).

* During the period £504,000 (2014: £650,000) shares were purchased by Topps Tiles Employee Benefit Trust on behalf of the Group.

21 Share premium

	2015	2014
	£'000	£'000
At start of period	**1,879**	1,492
Premium on issue of new shares	**27**	387
At end of period	**1,906**	1,879

22 Own shares

	2015	2014
	£'000	£'000
At start of period	**(656)**	(10)
Acquired in the period	**(504)**	(650)
Disposed of on issue in the period	**(530)**	4
At end of period	**(630)**	(656)

A subsidiary of the Group holds 799,000 (2014: 923,000) shares with a nominal value of £27,000 acquired for an average price of £0.79 per share (2014: £31,000 acquired for an average price of £0.71 per share) and therefore these have been classed as own shares.

23 Merger reserve

	2015	2014
	£'000	£'000
At start and end of period	**(399)**	(399)

The merger reserve arose on pre 2006 acquisitions, the Directors do not consider this to be distributable as at 3 October 2015 (2014: same).

24 Share-based payment reserve

	2015	2014
	£'000	£'000
At start of period	**1,941**	649
Credit to equity for equity-settled share based payments	**879**	1,292
At end of period	**2,820**	1,941

The share-based payment reserve has arisen on the fair valuation of save as you earn schemes and Long-term incentive plans. The Directors do not consider this to be distributable as at 3 October 2015 (2014: same).

25 Capital redemption reserve

	2015	2014
	£'000	£'000
At start and end of period	**20,359**	20,359

The capital redemption reserve arose on the cancellation of treasury shares and as a result of a share reorganisation in 2006. The Directors do not consider this to be distributable as at 3 October 2015 (2014: same).

26 Retained losses

	£'000
At 28 September 2013	(38,679)
Dividends (note 8)	(3,175)
Deferred tax on sharesave scheme taken directly to equity	606
Net profit for the period	12,512
At 27 September 2014	(28,736)
Dividends (note 8)	(4,534)
Deferred and current tax on sharesave scheme taken directly to equity	490
Net profit for the period	13,065
At 3 October 2015	**(19,715)**

27 Financial commitments

a) Capital commitments

At the end of the period there were capital commitments contracted of £114,000 (2014: £164,000).

b) Pension arrangements

The Group operates a defined contribution pension scheme for employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £848,000 (2014: £652,000). At the period end there were no outstanding contributions (2014: same).

c) Lease commitments

Minimum future sublease payments expected to be received under non-cancellable subleases amount to £3,093,000 (2014: 2,652,000).

The Group has entered into non-cancellable operating leases in respect of motor vehicles, equipment and land and buildings.

Minimum lease payments under operating leases recognised as an expense for the period were £23,388,000 (2014: £21,168,000) which includes property service charges of £783,000 (2014: £767,000).

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015		2014	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
- within 1 year	**21,868**	**847**	19,936	868
- within 2 - 5 years	**69,785**	**797**	66,554	949
- after 5 years	**54,619**	**-**	58,285	-
	146,272	**1,644**	144,775	1,817

Operating lease payments primarily represent rentals payable by the Group for certain of its office and store properties. Leases are negotiated for an average term of 15 years and rentals are fixed for an average of 5 years (2014: 5).

28 Share-based payments

The Group operates six share option schemes in relation to Group employees.

Share based payment plans

Employee share purchase plans are open to almost all employees and provide for a purchase price equal to the daily average market price on the date of grant, less 20%. The shares can be purchased during a two-week period each financial period. The shares so purchased are generally placed in the employee share savings plan for a 3 or 5 year period.

28 Share-based payments (continued)

Movements in share based payment plan options are summarised as follows:

	2015 Number of share options	**2015 Weighted average exercise price £**	2014 Number of share options	2014 Weighted average exercise price £
Outstanding at beginning of period	**2,485,176**	**0.37**	3,352,424	0.37
Issued during the period	**887,775**	**0.98**	910,851	0.98
Expired during the period	**(339,627)**	**0.31**	(269,528)	0.31
Exercised during the period	**(64,219)**	**0.29**	(1,508,571)	0.29
Outstanding at end of period	**2,969,105**	**0.63**	2,485,176	0.63
Exercisable at end of period	**-**	**-**	-	-

The inputs to the Black-Scholes Model for the above 3 (2014: 3 and 5) year plans are as follows:

		2015	2014
Weighted average share price	- pence	**90.5**	79.0
Weighted average exercise price	- pence	**71.1**	63.2
Expected volatility	- %	**42.2, 36.4 and 35.1**	42.2 and 43.7
Expected life	- years	**3**	3 or 5
Risk – free rate of interest	- %	**0.42**	0.60
Dividend yield	- %	**2.03**	2.79

Expected volatility was determined by calculating the historical volatility of the Group’s share price over the previous 3 years (2014: 3 or 5 years). The expected risk used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

Deferred bonus long-term incentive plan

During the financial period ended 28 September 2013 an award was made under the deferred bonus long term incentive plan (LTIP) for the Senior Management Team. Under this bonus scheme 25% of the award (net of tax) is deferred in the form of shares for a two year period, with a matching share award (on a gross basis) that vests at the end of two years subject to the achievement of performance conditions relating to continuing employment within the business and EBITDA earnings growth measured over the two year period.

This scheme was replaced in January 2013 when a new Long Term Incentive Plan was approved by shareholders and as such there will be no further awards under this scheme.

The total number of shares awarded was nil (2014:191,084), and the fair value of these deferred shares as at 3 October 2015 was £nil (2014: £88,000).

The total number of matching shares that are expected to be awarded, subject to fulfilment of the performance conditions is nil (2014: 363,614) and the fair value of these matching shares as at 3 October 2015 was £nil (2014: £167,000). No options were granted or exercised during the period (2014: None). There were no options outstanding at 3 October 2015 (2014: same)...

28 Share-based payments (continued)

The inputs to the Black-Scholes Model are as follows:

		2015	2014
Weighted average share price	- pence	**-**	46.0
Weighted average exercise price	- pence		£nil
Expected volatility	- %	**-**	36.9
Expected life	- years	**-**	2
Risk – free rate of interest	- %	**-**	0.3

The scheme closed at the end of the prior period. In the prior period expected volatility was determined by calculating the historical volatility of the Group's share price over the financial periods 2012/13 and 2013/14. The expected risk used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

Long Term Incentive Plan

During the financial period, a new three year Long Term Incentive plan was approved by shareholders. Under this plan a number of share options were granted to senior management. These options will vest in November 2017 subject to the achievement of certain performance criteria.

The total number of share options granted was 1,422,348 (2014: 2,073,474) and the fair value of these options as at 3 October 2015 was £1,439,000 (2014: £929,000).

The inputs to the Black-Scholes Model are as follows:

		2015	2014
Weighted average share price	- pence	**106.0**	-
Weighted average exercise price	- pence	**£nil**	-
Expected volatility	- %	**35.1**	-
Expected life	- years	**3**	-
Risk – free rate of interest	- %	**0.5**	-

Expected volatility was determined by calculating the historical volatility of the Group's share price over the 2012/13, 2013/14 and 2014/15 financial periods. The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

During the 2012/13 financial period, a three year Long Term Incentive plan was approved by shareholders. Under this plan a number of share options were granted to senior management. These options will vest in December 2015 subject to the achievement of certain performance criteria.

The total number of share options granted was 2,073,474 (2014: 2,073,474) and the fair value of these options as at 3 October 2015 was £929,000 (2014: £929,000).

28 Share-based payments (continued)

The inputs to the Black-Scholes Model are as follows:

		2015	2014
Weighted average share price	- pence	**46.3**	46.3
Weighted average exercise price	- pence	**£nil**	£nil
Expected volatility	- %	**42.2**	42.2
Expected life	- years	**3**	3
Risk – free rate of interest	- %	**0.6**	0.6

Expected volatility was determined by calculating the historical volatility of the Group's share price over the 2011/12, 2012/13 and 2013/14 financial periods (2014: 2011/12, 2012/13 and 2013/14 financial period). The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

During the previous financial period, a three year Long Term Incentive plan was approved by shareholders. Under this plan a number of share options were granted to senior management. These options will vest in December 2016 subject to the achievement of certain performance criteria.

The total number of share options granted was 1,441,695 (2014: 1,532,730) and the fair value of these options as at 03 October 2015 was £1,296,000 (2014: £1,351,000).

The inputs to the Black-Scholes Model are as follows:

		2015	2014
Weighted average share price	- pence	**93.2**	93.2
Weighted average exercise price	- pence	**£nil**	£nil
Expected volatility	- %	**42.2**	42.2
Expected life	- years	**3**	3
Risk – free rate of interest	- %	**1.1**	1.2

Expected volatility was determined by calculating the historical volatility of the Group's share price over the 2011/12, 2012/13 and 2013/14 financial periods (2014: 2011/12, 2012/13 and 2013/14 financial periods). The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

28 Share-based payments (continued)

Management Options

During the 2012/13 financial period members of the Management team were granted share options that are due to vest in October 2015, subject to the fulfilment of criteria. The number of shares that are expected to be awarded is 260,000 (2014: 260,000) and the fair value of these shares as at 3 October 2015 was £127,000 (2014: £127,000).

The inputs to the Black-Scholes Model are as follows:

		2015	2014
Weighted average share price	- pence	**46.3**	46.3
Weighted average exercise price	- pence	**£nil**	£nil
Expected volatility	- %	**42.2**	42.2
Expected life	- years	**3**	3
Risk – free rate of interest	- %	**0.56**	0.56

Expected volatility was determined by calculating the historical volatility of the Group's share price over the 2011/12, 2012/13 and 2013/14 financial periods. The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

In total, the Group recognised a total expense of £1,409,000 (2014: £1,292,000) relating to share based payments.

29 Related party transactions

S.K.M. Williams is a related party by virtue of his 9.99% shareholding (19,343,950 ordinary shares) in the Group's issued share capital (2014: 10.6% shareholding of 20,593,950 ordinary shares).

At 3 October 2015 S.K.M. Williams was the landlord of four properties leased to Multi Tile Limited, a trading subsidiary of Topps Tiles Plc, for £240,000 (2014: three properties for £162,000) per annum.

No amounts were outstanding with S.K.M. Williams at 3 October 2015 (2014: £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.

The remuneration of the Board of Directors, who are considered key management personnel of the Group was £1.6 million (2014: £1.6 million) including share based payments of £nil (2014: £193,000). Further information about the remuneration of the individual Directors is provided in the Remuneration Report in the Annual Report.

Company balance sheet as at 3 October 2015

	Notes	**53 weeks ended 3 October 2015 £'000**	52 weeks ended 27 September 2014 £'000
Fixed assets			
Investments	3	**493**	3,059
Current assets			
Debtors due within one year	4	**10,554**	5,306
Debtors due after one year	4	**20,840**	123,200
Cash at bank and in hand		**15,179**	18,689
		46,573	147,195
Creditors: Amounts falling due within one year	5	**(3,415)**	(5,197)
Net current assets		**43,158**	141,998
Net assets		**43,651**	145,057
Capital and reserves			
Called-up share capital	6,7	**6,457**	6,455
Share premium	7	**1,906**	1,879
Share based payment reserve	7	**3,354**	1,945
Capital redemption reserve	7	**20,359**	20,359
Other reserve	7	**6,200**	6,200
Profit and loss account	7	**5,375**	108,219
Equity shareholders' funds		**43,651**	145,057

The financial statements of Topps Tiles Plc, Companies House number 3213782, were approved by the board of directors on 1 December 2015 and signed on its behalf by:

M T M Williams
Director

R Parker
Director

1 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 United Kingdom Accounting Standards and law.

Based on a detailed review of the risks and uncertainties discussed within the Strategic and Operational Review, and management's current expectations the Board believes that the Company will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern.

The current economic climate creates a degree of uncertainty in the outlook which when combined with the financial covenants included in our loan facilities, has led the Board to conduct a detailed review of a number of different trading scenarios, including reasonably possible downsides, as well as possible mitigating actions, should they be required.
Based on this analysis the Board has concluded that the Company would be able to fully meet all of its financial commitments for the foreseeable future and therefore consider it appropriate to prepare the financial statements on the going concern basis.

There have been no changes to the principal accounting policies in the period, all of which have been applied consistently throughout the period and the preceding period.

The Company issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant.

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

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with other members of the Group and the exemption in FRS 29 for making disclosures relating to financial instruments.

2 Loss for the period

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period. Topps Tiles Plc reported a loss for the financial period ended 3 October 2015 of £102,844,000 (2014: £611,000 profit), as a result of the impairment of inter-company investments in Topps Tiles Holdings Limited of £105,100,000 (2014: £nil)

The auditor's remuneration for services to the company was £40,000 for audit related work (2014: £40,000 for audit related work). Fees relating to non-audit work totalled £nil (2014: £nil), see note 4 to the Group financial statements for further details.

The Company had no other employees other than the Directors (2014: same), whose remuneration is detailed in the Annual Report.

3 Fixed asset investments

	Shares £'000
At 27 September 2014	3,059
Movement in share options granted to employees	179
Impairment of investment in Topps Tiles Holdings*	(2,745)
At 3 October 2015	**493**

*During the period the Group undertook a corporate restructuring process, leading to the acquisition of Topps Tiles (UK) Limited by Tiles4Less Limited. Following an impairment review, the directors decided that the investment held by Topps Tiles Plc in the intermediary holding company of Topps Tiles (UK) Limited (Topps Tiles Holdings Limited) could not be supported. The subsequent impairment charge of £2,745,000 has been utilised against the non-distributable reserves held in the company.

The Company has investments in the following subsidiaries which affected the profits or net assets of the Group.

Subsidiary undertaking	% of issued shares held	Principal activity
Topalpha Limited*	100%	Property management and investment
Acraman (318) Limited	100%	Dormant
Acraman (319) Limited	100%	Dormant
Topalpha (Orpington) Limited	100%	Dormant
Topalpha (Rhyl) Limited	100%	Dormant
Topalpha (Warehouse) Limited	100%	Property management and investment and provision of warehousing services
Topalpha (Stoke) Limited	100%	Property management and investment.
Tiles4Less Limited*	100%	Intermediate holding company
Topps Tiles (UK) Limited	100%	Retail and wholesale of ceramic tiles, wood flooring and related products
Topps Tiles Holdings Limited*	100%	Intermediate holding company
Topps Tile Kingdom Limited	100%	Intermediate holding company
Multi Tile Limited	100%	Retail and wholesale of ceramic tiles, wood flooring and related products
Topps Tiles Distribution Ltd	100%	Wholesale and distribution of ceramic tiles, wood flooring and related products.
Multi-Tile Distribution Limited	100%	Intermediate holding company.
Topps Tiles I.P Company Limited	100%	Ownership and management of Group intellectual property.
Circuitcourt Limited	100%	Dormant
Best4Tiles Limited*	100%	Dormant
Topps Tiles Employee Benefit Trust*	100%	Employee benefit trust
Topps Tiles Quest Trustee Limited*	100%	Dormant

*held directly by Topps Tiles Plc

The investments are represented by ordinary shares.

All undertakings are incorporated in Great Britain and are registered and operate in England and Wales.

4 Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**10,035**	5,253
Other debtors	**3**	36
Prepayments and accrued income	**516**	17
	10,554	5,306
Amounts falling due after one year:		
Amounts owed by subsidiary undertaking	**20,840**	123,200

An impairment review was conducted, following the corporate restructuring process detailed in note 3. This resulted in a decision by the directors that the inter-co debtor held by the company with Topps Tiles Holdings Limited could not be fully supported. The subsequent impairment charge of £102,359,799 has been utilised against the non-distributable reserves held in the company

5 Creditors: Amounts falling due within one year

	2015 £'000	2014 £'000
Trade and other creditors	**560**	17
Amounts owed to subsidiary undertakings	**222**	2,796
Accruals and deferred income	**2,633**	2,384
	3,415	5,197

6 Called-up share capital

	2015 £'000	2014 £'000
Authorised 240,000,000 (2014: 240,000,000) ordinary shares of 3.33p each (2014: 3.33p)	**8,000**	8,000
Authorised 37,000,000 (2014: 37,000,000) redeemable B shares of £0.54 each	**19,980**	19,980
Authorised 124,890,948 (2014: 124,890,948) irredeemable C shares of £0.001 each	**125**	125
	28,105	28,105
Issued and fully-paid 193,700,459 (2014: 193,636,240) ordinary shares of 3.33p each (2014: 3.33p)	6,457	6,455

* During the period 431,108 (£504,000) shares were purchased by Topps Tiles Employee Benefit Trust on behalf of the Group (2014: 441,594 shares - £500,000).

During the period the Group allotted 64,219 (2014: 1,508,571) ordinary shares with a nominal value of £2,141 (2014: £50,286) under share option schemes for an aggregate cash consideration of £28,733 (2014: £438,111).

7 Reserves

Company	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 27 September 2014	6,455	1,879	1,945	20,359	6,200	108,219	145,057
Loss for the period	-	-	-	-	-	(203)	(203)
Dividend received from Group companies	-	-	-	-	-	6,999	6,999
Dividend paid to equity shareholders	-	-	-	-	-	(4,535)	(4,535)
Write down of investment	-	-	-	-	-	(105,105)	(105,105)
Issue of new shares	2	27	-	-	-	-	29
Credit to equity for equity-settled share based payments	-	-	1,409	-	-	-	1,409
At 3 October 2015	**6,457**	**1,906**	**3,354**	**20,359**	**6,200**	**5,375**	**43,651**

At 3 October 2015, the Directors consider the other reserve of £6,200,000 to remain non distributable.

The Directors consider £nil (2014: £105,106,000) of profit and loss account reserves not to be distributable at 3 October 2015. The prior period amount arose on an unrealised gain on the intragroup disposal of subsidiary companies. An impairment has been recognised against the related intercompany investment balance in the current period.

Five year record
UNAUDITED

	52 weeks ended 1 October 2011 £'000	52 weeks ended 29 September 2012 £'000	52 weeks ended 28 September 2013 £'000	52 weeks ended 27 September 2014 £'000	**53 weeks ended 3 October 2015 £'000**
Group revenue	175,525	177,693	177,849	195,237	**212,221**
Group operating profit	13,980	15,462	13,845	18,186	**18,883**
Profit before taxation	7,908	12,493	10,601	16,691	**17,019**
Shareholders' funds (deficit)	(25,462)	(17,348)	(10,184)	843	**10,798**
Basic earnings per share	3.04p	5.14p	4.76p	6.49p	**6.75p**
Dividend per share	1.50p	1.10p	1.25p	1.65p	**2.34p**
Dividend cover	1.92	4.68	3.17	3.94	**2.88**
Average number of employees	1,661	1,654	1,720	1,794	**1,915**
Share price (period end)	34.0p	46.0p	93.0p	105.0p	**148.75p**

All figures quoted are inclusive of continued and discontinued operations.