

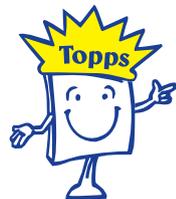
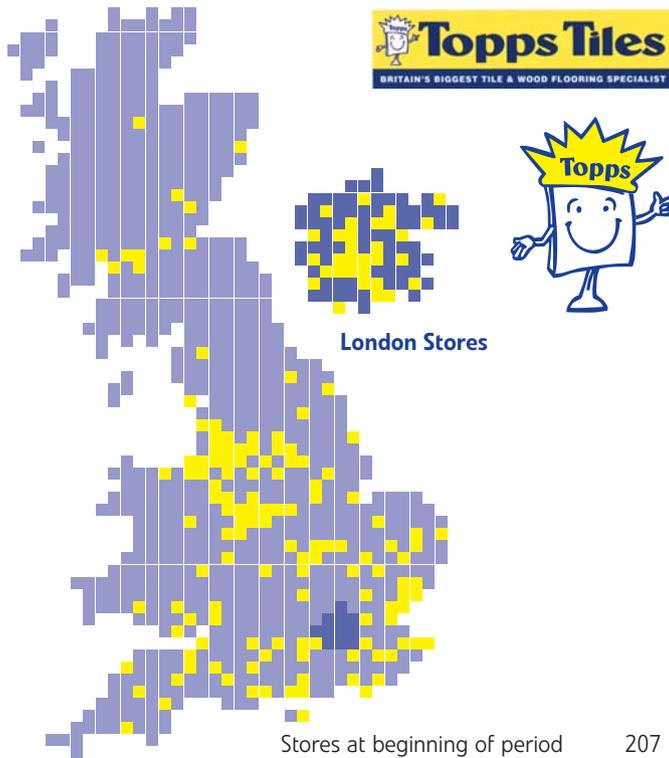


Focused thinking

Topps Tiles Plc

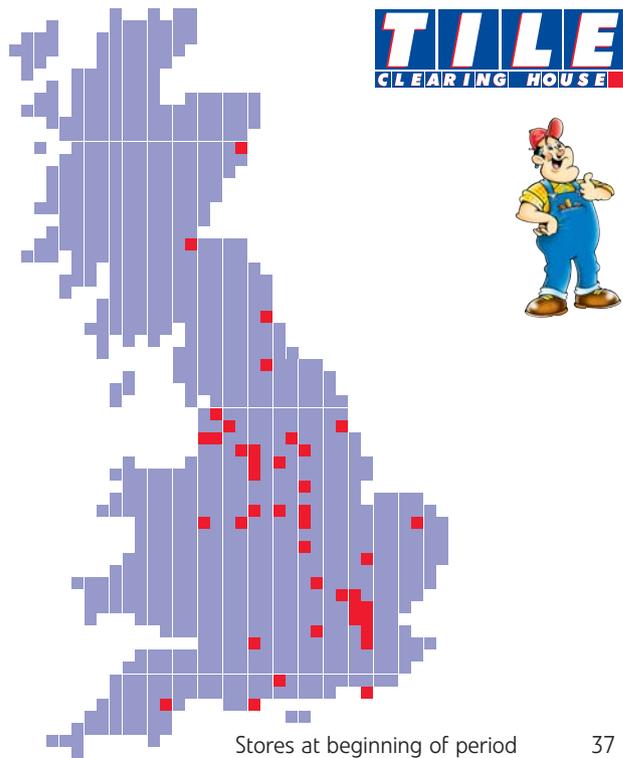
Interim Report 2006

8 April 2006 was a landmark in the Topps Group diary – the official opening of Topps' 250th store on Orbital Business Park, Ashford, Kent. Topps is the market leader and we remain on track to achieve our UK store target of a minimum of 350 stores nationwide.



London Stores

Stores at beginning of period	207
New stores opened	10
Sub-Total	217
Closures	–
Total	217



Stores at beginning of period	37
New stores opened	4
Sub-Total	41
Closures	–
Total	41

TOTAL 258 STORES

FINANCIAL AND OPERATIONAL HIGHLIGHTS FOR THE 26 WEEKS ENDED 1 APRIL 2006



The Group continues to deliver robust financial results

- ▶▶ Group revenue increased by 1.2% to £88.57m (2005: £87.48m)
- ▶▶ Group like-for-like revenue decreased by 4.0%
- ▶▶ Gross margin increased to 62.4% (2005: 61.9%)
- ▶▶ Operating costs increased to 40.3% (2005: 39.4%)
- ▶▶ Profit before tax and property disposals (see page 4) increased to £20.01m (2005: £20.0m)
- ▶▶ Profit before tax decreased 6.7% to £20.27m (2005: £21.72m)
- ▶▶ Net margin excluding property disposals (see page 4) was 22.6% (2005: 22.9%)
- ▶▶ Basic earnings per share decreased to 6.44p (2005: 7.36p)
- ▶▶ Interim net dividend declared of 3.50p (2005: 3.50p) payable 30 June 2006
- ▶▶ Net cash position of £24.89m (2005: £16.73m)
- ▶▶ Sales growth continues with overall revenue increasing by 4.8% with like-for-like sales down 0.8% for the first six weeks of the second half
- ▶▶ Net 14 new stores opened in the period
- ▶▶ On target to open a net 24 new stores this financial period

EXECUTIVE BOARD STATEMENT



Barry Bester
Executive Chairman



Nicholas Ounstead
Chief Executive Officer



Andrew Liggett
Finance Director

We are delighted to report our financial results for the first 26 weeks of 2005/2006

Income statement

Trading has continued to be robust, despite the consistently tough trading environment. Overall sales growth was up 1.2% compared with the 26 week period last year. Like-for-like revenue were 4.0% below the same period last year, reflecting a particularly weak UK customer environment. However, the final five weeks of the period were encouraging with like-for-like revenue up 0.9%.

Gross margins continue to improve and are up to 62.4% compared with 61.9% last year and 60.7% in the second half of the last financial period. Operating costs, were equivalent to 40.3% of revenue compared with 39.4% in the same period last year. Profit before tax, excluding property disposals was marginally up against last year at £20,011k (2005: £20,001k).

Basic earnings per share are down 12.5% to 6.44p from 7.36p last year, this reflects the lower level of profit this year on disposal of fixed assets of £258k (2005: £1.72m) and the higher tax rate of 28.1% compared to 23.3% last year.

Profit before tax amounted to £20.27m (2005: £21.72m) a decrease of 6.7%. Net margin, excluding property disposals was 22.6% from 22.9% in the same period last year.

The rate of Corporation Tax for the period was 28.1% (2005: 23.3%) which reflects the full provision of deferred tax and the favourable effects of the statutory deductions for share options exercised and tax savings as a result of intra-Group restructuring changes, particularly in the previous period.

Net assets

The Group currently owns 6 freehold sites, 2 development sites, and both warehouse and distribution facilities (Topps and Tile Clearing House) with a total net book value of £12.4m.

Capital expenditure, in the period amounted to £2.4m. This reflects 14 new stores opened in the period from a new store opening target of a net 24 new stores for the full financial period, plus one major store refit and other minor refits as well as further development of our Group's systems infrastructure. We have also acquired a further freehold site in Kidderminster.

At the period end cash balances for the Group were £30.89m (2005: £22.73m) and borrowings were £6.00m (2005: £6.00m). The Group therefore has a net cash position of £24.89m (2005: £16.73m). The Group remains highly cash generative and continues to fund its controlled new store expansion programme from its own resources and to purchase freehold sites as suitable opportunities arise.

At the period end the Group had £27.4m of inventories which represents 149 inventory days cover (2005: 158 days).

Board change

We have strengthened the Executive Board by appointing Matthew Williams our Chief Operating Officer, as a main Board director from 1 April 2006. Matthew has acted as Chief Operating Officer at Operational Director level since December 2004.

Highlights

	26 weeks to 1 April 2006 <i>Unaudited</i> £'000	26 weeks to 2 April 2005 <i>Unaudited</i> and restated £'000
Group revenue	88,568	87,482
Like-for-like revenue	-4.0%	+8.5%
Gross margin %	62.4%	61.9%
Profit before tax and property disposals	20,011	20,001
Profit before tax	20,269	21,720
Net margin % excluding property disposals	22.6%	22.9%
Basic earnings per share (pence)	6.44p	7.36p
Interim dividend (pence)	3.50p	3.50p
Net cash position	24,890	16,734

Dividend

We are maintaining our dividend policy and announcing an interim dividend of 3.50 pence per share (2005: 3.50p). This will be paid on 30 June 2006 to shareholders on the register as at 2 June 2006.

Operational review

Our national store opening programme remains on track and we are ahead of target to reach our net 24 new store openings for the full financial period having opened 14 new stores in the first half. We officially opened our landmark 250th store in April 2006. At the period end the Group was trading from a total of 258 stores, 217 Topps and 41 Tile Clearing House.

We continually develop and update our store layout and format and are currently introducing a new store layout to selected new stores and refurbished stores. This includes updated point of sale displays and merchandising modernisation.

We are pleased with the progress of our joint venture in Holland, which continues to trade profitably. We now trade from 13 stores which sell a combination of ceramic tiles and wood and laminate flooring. We plan to open a further 2 new stores before the year end, the first of which opened in May 2006.

We continue to invest in national advertising and also build local brand awareness through our involvement with local communities where each store sponsors a junior football team providing them with new kits and equipment.

The Board has developed an integrated Corporate and Social Responsibility policy that targets and measures the performance of the Group. The policy is published on our website at www.toppstiles.co.uk.

We now employ over 1,600 staff across the Group and we continue to invest in training programmes at all levels. We have a policy of internal promotion and maintain a strong culture of rewarding performance.

Current trading and future prospects

In the first 6 weeks of the current period revenue growth has continued with overall revenue increasing by 4.8% and like-for-like revenue down 0.8%.

Whilst trading conditions continue to be tough the strength of these results demonstrate the resilience of our business model. We believe that the combination of our competitive position and the experience of the management team will enable us to continue to grow market share and achieve further progress in the second half of the year.

Barry Bester
Executive Chairman

Nicholas Ounstead
Chief Executive Officer

Andrew Liggett
Finance Director

CONSOLIDATED GROUP INCOME STATEMENT

For the 26 weeks ended 1 April 2006

	26 weeks ended 1 April 2006 <i>Unaudited</i> £'000	26 weeks ended 2 April 2005 <i>Unaudited</i> and restated £'000	52 weeks ended 1 October 2005 <i>Restated</i> £'000
Group revenue - continuing operations	88,568	87,482	173,326
Cost of sales	(33,333)	(33,359)	(67,146)
Gross profit - continuing operations	55,235	54,123	106,180
Operating expenses			
- employee profit sharing	(3,018)	(4,307)	(7,502)
- distribution costs	(24,433)	(22,442)	(46,348)
- other operating expenses	(8,278)	(7,765)	(15,521)
Share of results of joint venture	25	5	13
Group and share of joint venture operating profit	19,531	19,614	36,822
Other gains and losses	258	1,719	1,700
Investment revenue	480	387	669
Profit before taxation			
Before profit on disposal of fixed assets	20,011	20,001	37,491
Profit on disposal of fixed assets	258	1,719	1,700
	20,269	21,720	39,191
Taxation	(5,686)	(5,051)	(9,009)
Profit for the period attributable to equity holders of the company	14,583	16,669	30,182
Earnings per ordinary share			
-basic	6.44p	7.36p	13.33p
-diluted	6.41p	7.29p	13.24p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the 26 weeks ended 1 April 2006

	26 weeks ended 1 April 2006 <i>Unaudited</i> £'000
Exchange rate gain	4
Profit for the period attributable to equity holders of the company	14,583
Recognised income and expense for the period	14,587

CONSOLIDATED BALANCE SHEET

as at 1 April 2006

	1 April 2006 <i>Unaudited</i> £'000	2 April 2005 <i>Unaudited and restated</i> £'000	1 October 2005 <i>Restated</i> £'000
Non-current assets			
Goodwill	551	551	551
Property plant & equipment	32,167	30,914	32,072
Joint venture undertaking	254	208	225
	32,972	31,673	32,848
Current assets			
Inventories	27,365	27,606	25,338
Trade and other receivables within one year	5,207	4,113	4,071
Trade and other receivables after one year	–	–	115
Cash and cash equivalents	30,890	22,734	27,829
	63,462	54,453	57,353
Total assets	96,434	86,126	90,201
Current liabilities			
Trade and other payables	(17,874)	(17,515)	(18,503)
Current tax liabilities	(7,476)	(3,841)	(3,640)
Other current liabilities	(9,713)	(7,799)	(4,635)
	(35,063)	(29,155)	(26,778)
Net current assets	28,399	25,298	30,575
Non-current liabilities	(6,000)	(8,582)	(9,394)
Deferred tax liabilities	(1,919)	(1,484)	(1,799)
Total liabilities	(42,982)	(39,221)	(37,971)
Net assets	53,452	46,905	52,230
Equity			
Share capital	5,665	5,698	5,655
Share premium	5,746	5,384	5,575
Merger reserve	(399)	(399)	(399)
Share based payment reserve	137	67	100
Foreign currency translation reserve	(4)	–	–
Treasury shares	–	(4,183)	–
Capital redemption reserve	190	137	190
Retained earnings	42,117	40,201	41,109
Total equity	53,452	46,905	52,230

CONSOLIDATED CASHFLOW STATEMENT

For the 26 weeks ended 1 April 2006

	26 weeks ended 1 April 2006 <i>Unaudited</i> £'000	26 weeks ended 2 April 2005 <i>Unaudited</i> and restated £'000	52 weeks ended 1 October 2005 <i>Restated</i> £'000
Cashflow from operating activities			
Group and share of joint venture operating profit before taxation	19,531	19,614	36,822
Adjustments for:			
Depreciation	2,010	1,682	3,363
Share option charge	37	32	65
(Increase)/decrease in receivables	(1,021)	(189)	(267)
Increase in inventories	(2,027)	(3,233)	(965)
Increase/(decrease) in payables	1,055	(2,431)	(3,239)
Share of results of joint venture	(25)	(5)	(13)
Cash generated by operations	19,560	15,470	35,766
Interest paid	(103)	(165)	(308)
Taxation paid	(1,730)	(4,362)	(8,864)
Net cash from operating activities	17,727	10,943	26,594
Cashflows from investing activities			
Purchase of treasury shares	–	(3,450)	(3,774)
Interest received	583	522	942
Purchase of property/plant/equipment	(2,385)	(5,781)	(8,564)
Other gains and losses	538	4,157	4,292
Net cash used in investment activities	(1,264)	(4,552)	(7,104)
Cashflows from financing activities			
Proceeds from issue of share capital	181	521	721
Repayment of loans	–	(517)	(517)
Dividends paid	(13,583)	(13,285)	(21,489)
Net cash used in financing activities	(13,402)	(13,281)	(21,285)
Net Increase in cash equivalents	3,061	(6,890)	(1,795)
Cash and cash equivalents at beginning of period	27,829	29,624	29,624
Cash and cash equivalents at end of period	30,890	22,734	27,829

RECONCILIATION OF MOVEMENTS IN EQUITY

For the 26 weeks ended 1 April 2006

26 weeks ended
1 April 2006
Unaudited
£'000

At 2 October 2005	52,230
Recognised income and expense for the period	14,587
Increase in share capital & share premium	181
Increase in share based payment reserve	37
Dividend paid	(13,583)
At 1 April 2006	53,452

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation

The financial information in this document has been prepared in accordance with all International Financial Reporting Standards (IFRS) that are expected to be applicable for the Group's 2006 reporting. These are subject to an ongoing review and possible amendments. The interim financial statements have been prepared on the basis of IFRS that the Directors expect to be applied when the first audited IFRS statements are completed for the period ending 30 September 2006.

Details of the changes in accounting policies arising from the adoption of IFRS, together with restated information for the accounting period of 26 weeks to 2 April 2005 and for the 52 weeks to 1 October 2005, have been published on Topp's website www.toppstiles.co.uk.

- a) The interim report was approved by the Board on 22 May 2006. The financial information for the 26 weeks ended 1 April 2006 and similarly the 26 weeks ended 2 April 2005 has neither been audited nor reviewed. The financial information for the 52 week period ended 1 October 2005 has been based on information in the audited financial statements for that period, restated for IFRS.
- b) The financial information contained in the interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the 52 week period ended 1 October 2005 incorporating an unqualified audit report, which did not contain statements under section 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.
- c) The financial information contained in this interim report has been prepared in accordance with IFRS.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Business Segments

For management purposes, the group is currently organised into two retail operating divisions, Topps Tiles (Non-Trade) and Tile Clearing House (Trade). These divisions are the basis on which the group reports its primary segment information.

Segmental revenue and profit before taxation by business activity were as follows:

	1 April 2006 Unaudited £'000	2 April 2005 Unaudited and restated £'000	1 October 2005 Restated £'000
Revenue			
Non-Trade customers	78,670	77,545	153,489
Trade customers	9,898	9,937	19,837
Total revenue	88,568	87,482	173,326
Group and share of joint venture operating profit			
Non-Trade customers	17,681	18,398	34,119
Trade customers	1,986	2,237	4,575
Other central costs	(136)	(1,021)	(1,872)
Total Group and share of joint venture operating profit	19,531	19,614	36,822
Profit on disposal of fixed assets	258	1,719	1,700
Net investment revenue	480	387	669
Profit before taxation	20,269	21,720	39,191

3. Taxation

Although the Corporate tax rate for the 26 weeks ended 1 April 2006 is 30% and deferred tax has been provided for in full, provision has been made at the underlying rate of 28.1% (2005: 23.3%) reflecting intra-Group restructuring benefits and savings from share symmetry on options exercised.

4. Interim dividend

An interim dividend of 3.50p per ordinary share has been declared payable on 30 June 2006 to shareholders on the register at 2 June 2006, in accordance with IFRS this dividend will be recorded in the financial statements in the second half of the period.

5. Earnings per share

Basic earnings per share for the 26 weeks ended 1 April 2006 have been calculated on earnings (after deducting taxation) of £14,583,000 (2005: £16,669,000) and on ordinary shares of 226,559,534 (2005: 226,615,590), being the weighted average of ordinary shares in issue during the period.

Diluted earnings per share for the 26 weeks ended 1 April 2006 have been calculated on earnings (after deducting taxation) of £14,583,000 (2005: £16,669,000) and on ordinary shares of 227,539,013 (2005: 228,732,706), being the weighted average of ordinary shares in issue during the period.

6. Copies of the interim results

Copies of the interim results have been sent to shareholders, and further copies can be obtained from the Company's Registered Office at Topps Tiles Plc, Rushworth House, Wilmslow Road, Handforth, Wilmslow, Cheshire SK9 3HJ.

Details are also available on our Website: www.toppstiles.co.uk.

STORE LOCATIONS

TOPPS TILES



Central Region

Aston
Banbury
Bedford
Binley
Boston
Burton
Bury St Edmunds
Cambridge
Cannock
Clacton-on-Sea
Colchester
Coventry
Derby
Derby 2
Erdington
Grantham
Great Yarmouth
Grove Park
Hereford
Huntingdon ■
Ipswich
Kidderminster
Kings Heath
Kings Lynn
Leicester
Lincoln
Luton
Mansfield
Martlesham
Milton Keynes
Newcastle-U-Lyme
Newark
Northampton
Norwich
Nottingham
Oldbury
Oxford ■
Peterborough
Redditch ■
Sheldon
Shrewsbury
Solihull
Stafford
Stamford
Stoke on Trent
Stratford-upon-Avon
Tamworth

Telford
Wellingborough
West Bromwich
Wolverhampton
Worcester
Worksop

London and Thames South

Ashford ■
Basildon
Beckton
Bexhill
Braintree
Brentwood
Brighton
Broadstairs
Camberley
Canterbury
Catford
Charlton
Cheam
Chelmsford
Chichester
Chingford
Colindale
Crayford
Croydon
Dagenham
Eastbourne
Edmonton
Eltham
Enfield ■
Erith
Farnborough
Farnham
Folkestone
Fulham
Gatwick ■
Grays
Gunnersbury
Guildford
Harlow
Hedgend
Highgate
Horsham
Ilford
Isle of Wight

Lewes ■
Maidstone
Mitcham
New Southgate
Newbury
Newhaven
Old Kent Road
Orpington
Penge
Pentonville Road ■
Portsmouth
Raynes Park
Rayleigh
Reading
Richmond
Romford
Sittingbourne
Slough
Southall
Southampton
Southend
Stamford Hill
Sudbury
Swindon
Tonbridge
Tunbridge Wells
Twickenham
Uckfield
Uxbridge
Vauxhall
Waltham Cross
Wandsworth
Watford
Wembley
West Wickham

North West

Aintree
Birkenhead ■
Blackburn
Blackpool
Bolton
Cheadle
Chester
Chester 2
Chorley
Cleveleys
Crewe

Failssworth
Flint
Liverpool
Macclesfield
Morecambe
Nantwich
Northwich
Oldham
Ormskirk
Preston
Rhyl
Sale
Salford
Snipe (Audenshaw)
St Helens
Stockport
Stockport 2
Warrington
Widnes
Wigan
Wrexham

North

Barnsley
Barrow-in-Furness
Birstall
Carlisle
Chesterfield
Doncaster ■
Durham
Harrogate
Huddersfield
Dewsbury
Leeds
Hull
Sheffield
Stockton
Sunderland
Tyneside
Wakefield
York

Scotland

Aberdeen
Dundee
Edinburgh
Falkirk
Glasgow

Greenock
Hillington
Inverness
Linwood
Perth
Rutherglen
Shawfield ■
Sighthill
Wishaw

South West

Barnstaple
Basingstoke
Bournemouth
Bridgend
Bridgewater
Bristol
Cardiff
Cheltenham
Christchurch
Cribbs Causeway
Exeter
Frome
Gloucester
Hengrove
Launceston
Merthyr Tydfil
Newport
Plymouth
Poole
Salisbury
Swansea
Taunton
Torquay
Weston-Super-Mare
Winchester
Yeovil

TOTAL 258 STORES

■ New store 2005/06

TILE CLEARING HOUSE



Central Region

Aylesbury
Fenton
Great Barr
Kettering ■
Leicester
Northampton
Norwich ■
Nottingham
Peterborough
Shrewsbury
Stoke-on-Trent

London and Thames South

Barking
Beckenham
Charlton
Croydon ■
Eastbourne
Harlow
Hayes ■
New Southgate
Orpington
Southampton
Swindon
Wembley

North West

Bolton
Cheadle
Crosby
Maghull
Oldham
Preston
Stockport
Wigan

North

Bradford
Darlington
Doncaster
Hull
Sheffield

Scotland

Aberdeen
Edinburgh

South West

Bournemouth
Exeter
Salisbury



INVESTOR IN PEOPLE



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