29 November 2022

Topps Tiles Plc

Annual Financial Results

Second consecutive record year of revenue and significant market share gain

Topps Tiles Plc ("Topps Group", the "Company" or the "Group"), the UK's leading tile specialist, announces its unaudited annual financial results for the 52 weeks ended 1 October 2022.

Strategic and Operational Highlights

- Second consecutive record year of revenue for the Group
- Group market share increased to 19.0% from 17.6% last year – well on track to achieve '1 in 5 by 2025' goal
- 62% of Group sales to professional trade customers, up 12ppts since 2015
- Record sales in the Topps Tiles brand, with right-sized estate and ongoing growth through format development, category expansion and world class customer service
- Average sales per Topps Tiles store up 25.3% compared to 2019 levels
- A record year of sales for Parkside – now trading at breakeven and forecast to move into profit in 2023
- Pro Tiler Tools delivering strong sales and profits since acquisition in March and Tile Warehouse becoming established after starting trading in May 2022
- Strong Group recovery from Covid period – trading ahead of 2019 levels with all businesses contributing to sales growth in a developed and diversified Group

Financial Highlights

2022 was a 52 week trading period, 2021 was a 53 week period. Year on year variances throughout this report are not adjusted for the different time periods covered in each financial year.

	52 weeks ended 1 October 2022	**53 weeks ended 2 October 2021 (restated[5])**	**YoY**
Statutory Measures			
Group revenue	£247.2 million	£228.0 million	+8.4%
Gross profit	£135.4 million	£130.7 million	+3.6%
Gross margin	54.8%	57.3%	(2.5)ppts
Profit before tax	£10.9 million	£14.0 million	(22.1)%
Basic earnings per share	4.60p	5.47p	(15.9)%
Final dividend per share	2.6p	3.1p	(16.1)%
Total dividend per share	3.6p	3.1p	+16.1%
Adjusted Measures			
Topps Tiles like-for-like revenue year-on-year[1]	9.4%	19.6%	n/a
Adjusted profit before tax[2]	£15.6 million	£15.0 million	+4.0%
Adjusted earnings per share[3]	6.14p	6.02p	+2.0%
Adjusted net cash[4]	£16.2 million	£27.8 million	£(11.6) million

Financial Summary

- Group revenue up 8.4% to £247.2 million
- Group gross profit up 3.6% to £135.4 million with gross margin down due to business mix and inflation
- Costs well controlled, with increases due to inflation and normalisation of business rates expense offset by cost savings and reduction in store numbers
- Adjusted profit before tax up 4.0% to £15.6 million and adjusted EPS up 2.0% to 6.14 pence
- Strong operational cash flows – closing net cash lower than last year largely due to one-off items
- Strong balance sheet with £16.2 million net cash and new £30.0 million revolving credit facility, committed to at least October 2025
- Proposed final dividend of 2.6 pence per share (2021: 3.1 pence per share), giving a full year dividend of 3.6 pence per share (2021: 3.1 pence per share), up 16.1% year on year

Current Trading and Outlook

- Robust trading in the first eight weeks of the new financial year, with like-for-like sales in Topps Tiles up 3.4% year on year and other parts of the Group performing in line with our expectations
- Macroeconomic pressures remain from high inflation, low consumer confidence and weakening levels of disposable income
- Our clear growth strategy, operational flexibility and strong balance sheet leave us well-positioned to respond to a more challenging macroeconomic environment and continued delivery of our '1 in 5 by 2025' goal

Commenting on the results, Rob Parker, Chief Executive said:

"We are pleased to have delivered a year of strong strategic progress, with record sales for a second year running and excellent delivery against our '1 in 5 by 2025' market share goal. We are continuing to develop and diversify the Group and further strengthening our position as the UK's leading tile specialist.

"Within our Topps Tiles brand, where the majority of sales are being made to professional tradespeople, our focus on fewer more profitable stores and category extensions has driven sales per store up 25% since 2019. Parkside, our commercial brand, has delivered a record year of sales and now moved into profit. Pro Tiler Tools and Tile Warehouse have added a new, high growth, online-only sales channel to the Group, leveraging our core strengths in product, service and scale.

"Looking forwards, we are mindful of the macroeconomic headwinds which will impact both UK consumers and businesses in the year ahead. Against this backdrop, our trading performance in the early weeks of the new financial year has been robust, with like-for-like sales growth in Topps Tiles over the first eight weeks of 3.4%.

"Our market share growth during 2022, combined with our clear strategy and strong balance sheet, give us confidence that we will continue to deliver growth and create value over the medium term."

Notes

[1]Topps Tiles like-for-like revenue is defined as sales from online and Topps Tiles stores that have been trading for more than 52 weeks. In 2022 like-for-like revenue was £225.6 million (2021: £216.6 million), with an average of 310 stores included in the weekly calculation.

[2] Adjusted profit before tax excludes the impact of items which are either one-off in nature or fluctuate significantly from year to year.

[3] Adjusted earnings per share is adjusted for the items highlighted above, plus the impact of corporation tax, and a £1.2 million deferred tax credit in respect of previous periods which is not expected to repeat. See note 7 of the financial statements.

[4] Adjusted net cash is defined as cash and cash equivalents, less bank loans, before unamortised issue costs as at the balance sheet date. It excludes lease liabilities under IFRS 16.

[5] Prior year values are restated following the adoption of the IFRIC agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements. See note 2(A) in the notes to the financial statements.

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Summary of performance

2022 was a second consecutive record year of sales for Topps Group. Following a record-breaking 2021, with revenues rising to £228.0 million, 2022 saw the Group deliver a further increase of 8.4%[1] to £247.2 million. Adjusted profits before tax rose 4.0% year on year[1] despite significant inflationary headwinds across gross margins and operating costs, adjusted EPS was up 2.0%[1] and the full year dividend has increased 16.1% to 3.6 pence. The strength of the UK RMI market continued to support our financial performance, but we believe our Group growth strategy is delivering. We estimate our market share in the year has increased from 17.6% in 2021 to 19.0% this year, leaving us well on track to achieve our 20% market share goal of '1 in 5 by 2025'.

Sales performance was strong over the course of the year. Like-for-like sales in the Topps Tiles brand were up 22.7% on a two-year basis in the first half. In the prior year, like-for-like sales over the second half had been up 17.4% on a two-year basis, and we had expected that some of this performance would soften this year as consumer spending on other areas, particularly holidays, travel and leisure, began to recover. In fact, like-for-like sales in Topps Tiles continued to grow slightly in the second half of 2022, up 0.8% on a one-year basis. Overall, like-for-like sales in Topps Tiles were up 9.4% in the year on a one-year basis, and, when compared to the last pre-pandemic period of 2019, average sales per store were up 25.3%.

Sales in the Group's other trading businesses were also strong. Over the year, Parkside, our commercial brand, saw sales growth of 26.7%[1]. Pro Tiler Tools delivered year-on-year sales growth of 32.4% across the twelve-month period and Tile Warehouse generated a small amount of sales in its first few months of trading.

We have maintained good stock availability over the course of the year, despite a variety of external factors impacting the Group, including significant supply chain disruption which included a dramatic rise in global shipping costs, a national shortage of HGV drivers and major issues at the UK's ports. The year also saw significant gas price inflation, which directly increases tile pricing because gas, which powers kilns, accounts for a very significant proportion of the cost of manufacturing a tile. Our response across the year has been to increase the prices of tiles to pass on this inflation to our customers on a pound-for-pound basis, which has protected gross profits but impacted the gross margin percentage. The war in Ukraine also impacted the tile industry, as Ukraine has traditionally been an important source of clay for tile manufacturers based in European markets, however we successfully managed this through our strong supplier relationships. Wider cost pressures impacted our overheads including our own gas bill rising substantially, although these cost pressures were well controlled.

Overall, our sales performance was strong across all our businesses, our action on pricing, sourcing and cost control was effective, and adjusted profits before tax were £15.6 million, up 4.0% year on year[1]. An important benchmark is to compare our performance in 2022 to our performance in 2019, the last financial year before the Covid pandemic. Relative to that trading period, Group sales in 2022 were £28.0 million higher (a 12.8% increase), adjusted profit before tax was up £1.9 million (a 14.1% increase)[2] and market share has increased 2 percentage points.

Our balance sheet remains strong. Net cash at year end fell to £16.2 million (2021: £27.8 million) due to the acquisition of Pro Tiler Limited, the timing of dividend payments and a number of specific outflows, however we have renegotiated our credit facilities and begin the new financial year with substantial financial strength. Given our profit performance and the strength of our balance sheet, we are proposing a final dividend of 2.6 pence per share, taking the full year dividend to 3.6 pence per share, 16.1% higher than last year.

Note 1: 2021 was a 53 week trading period. Year on year variances are therefore comparing 52 weeks in 2022 to 53 weeks in 2021.

Note 2: Adjusted profit before tax in 2019 has been restated in line with the IFRIC agenda decision on cloud computing (see the Financial Review) and includes the trading loss from the Parkside brand which was excluded from adjusted profit at the time.

Purpose, goal and strategy

The core purpose of Topps Group is to inspire customers through our love of tiles. This gives us a very clear focus on our specialism in tiles and associated products, and encourages all our colleagues to be passionate about the products we sell. It also puts our customers at the heart of what we do and reminds us that all roles in the Group are either serving customers directly or supporting those colleagues that are.

The value of the UK market for tiles, adhesives, grouts and tools is slightly over £1 billion, and the market for all the products we sell is around £1.3 billion, across the residential and commercial sectors. In 2020, we announced a new goal for the business based on our market share, which was to account for £1 in every £5 spent on tiles and associated products in the UK by 2025: '1 in 5 by 2025'. A 20% market share would represent a significant increase from our estimated 2019 market share of 17% and would require an out-performance of the market by around 3.5% per year between 2020 and 2025.

In 2021, we estimated that our market share in periods where we were allowed to trade without restrictions was approximately 17.6%, representing a good initial step towards our goal. This year, including the addition of Pro Tiler Tools into the Group, we have estimated our market share at 19.0%, leaving us well on track to deliver our goal by 2025. Given the growth in the market since 2020, our strategic moves into new areas and the recent success of the core business, our revenues are already almost at the level we set out for 2025 when the goal was launched, £250 million, with three years to go.

In 2020, our strategy consisted of four elements – Retail, Commercial, Leading Product and Leading People. However, over the past two years, the Group has continued to develop and diversify. Our growth strategy to deliver our goal now consists of three business areas – Omnichannel (Topps Tiles), Commercial (Parkside) and Online Pure Play (Pro Tiler Tools and Tile Warehouse) – all of which are underpinned by our three Group strategies of Leading Product, Leading People and Environmental Leadership.

Leading Product

As the UK's leading tile specialist, our expertise in the ranging, sourcing and procurement of tiles on a global basis is a core part of our competitive advantage. Over the last 18 months, the numerous pressures on the end-to-end supply chain for tiles has made this advantage more important than ever. Manufacturers have faced dramatic increases in the cost of production relating to gas prices and raw material inflation. Supply chains have been disrupted by HGV driver shortages, strikes in our ports and significant increases in global shipping costs.

Our ability to rely on long term strategic relationships with our strategic supplier base, freight forwarding and logistics partners in this environment has been key. In the year, we sourced 73% of our supply from our strategic supplier base (2021: 70%). We have also responded by resourcing products towards suppliers or regions of the world which are less impacted by the factors above, as well as maintaining a strong inventory position.

As well as responding to the factors described above, we continued our iterative programme to develop and produce differentiated products that are innovative, of high quality and exclusive to Topps Group. During the year, we launched 34 new products into Topps Tiles (2021: 52 product introductions) and 76% of ranges within Topps Tiles are either exclusive or own brand (2021: 74%). We also curated a new product range for Tile Warehouse, significantly extended our range of Everscape™ outdoor tiles, rolled out Luxury Vinyl Tiles to the majority of Topps Tiles stores, and are now trialling more category expansion in XXL tiles and shower panels.

The role of product brands within the business has been an area of focus. First, we have created own brands which are portable across the Group, such as:

- Dex™, our tiling tools brand aimed at the general builder and DIY enthusiast;
- Regenr8™, our sustainable adhesive containing up to 53% recycled content;
- Excel Bond™, our core own brand of adhesive; and
- Rise™, our new underfloor heating brand.

Secondly, we are increasing our understanding of the role of proprietary brands within non-tile products aimed at our trade customer base. Our acquisition of Pro Tiler Tools has increased our access to a very wide variety of trade-focused brands and we are currently working to understand the opportunity that these products may provide for trade customers within our Topps Tiles stores, where trade sales accounted for 59% of total sales in 2022, increasing to 60% in the final quarter.

Leading People

The Group's success is underpinned by industry-leading levels of customer service. Our core product is both a building material, requiring technical knowledge, and a decorative item, requiring inspirational selling, and we need our colleagues to be able to work and communicate effectively across both areas, requiring high levels of capability and engagement.

Our Leading People strategy is based around four key areas: recruitment and retention, colleague experience, capability and well-being.

Recruitment and retention has been a challenge for many companies over the last year. Given the tightness of the UK labour market, we have focused on improving our recruitment processes and better communicating our employer brand. Our compensation strategy for service specialists within Topps Tiles includes an average of £2,500 per year in commission on top of basic salary, as well as pension contributions, an employee discount scheme and no evening, late night or Christmas working (which are common in equivalent jobs in retail and hospitality). Our culture, based around small teams with big ambitions, who have high levels of trust and who celebrate success, is also a big part of the attraction of working for Topps Group.

Other highlights in the year include the launch of our new charity relationship with Alzheimer's Society and an ongoing focus on colleague engagement through our Team-Talk employee forums. We also launched our new learning experience platform and extended our coaching programme across middle and senior managers. We aim to promote internally wherever possible, and we were pleased that last year, 65% of candidates appointed to management positions were internal promotions.

Our ongoing focus on well-being continues. A highlight last year was the launch of our new partnership with Bupa, which provides colleagues with occupational health support, an improved employee assistance programme and access to Bupa's wealth of resources on wellbeing. Much more information can be found on colleague experience, capability and wellbeing in the Sustainability section of the Annual Report.

The success of our Leading People strategy is evidenced by our customer satisfaction scores, and seen directly in our Employee Engagement scores which we measure through our annual MyVoice staff survey. Overall colleague engagement was at 80% in the last annual survey (FY 2021: 80%) compared to the UK average of 68%.

Environmental Leadership

Topps Group has a long history of considering its environmental impact. In 2004, we established our first environmentally focused working group; in 2010, we partnered with the Carbon Trust, implementing lighting energy efficiency upgrades which we have subsequently improved upon, year by year; and, in 2013, we began reporting carbon emissions in our Annual Report, providing a key metric for investors to evaluate the Group's environmental performance.

However, the severity of the global climate crisis is growing and the requirements for all businesses to do much more to limit their environmental impact is clear.

As such, in recent years, Topps Group has been accelerating its environmental agenda. In 2019, we established our Sustainability Council, a cross-functional committee now chaired by our Chief Executive, Rob Parker, which was tasked with aligning the business to a low carbon model. In 2021, we placed Environmental Leadership front and centre as part of the core strategy of Topps Group and we challenged ourselves with an ambitious goal of becoming carbon neutral across Scopes 1 and 2 by 2030, five years ahead of the BRC's equivalent target for the wider retail industry. This year we are delighted that our Commercial business has become carbon balanced – the first part of the Group to reach this milestone. Other improvements have included the addition of EV chargers at our Head Office and the renewal of our commercial fleet with more efficient, lower polluting vehicles, which, alongside improved driver training and the latest route planning software, led to our fleet using 6% less fuel than the previous year (despite covering 23% more miles). Carbon emissions per store are down 35.4% year-on-year as a result of the Group moving to a renewable source of electricity in 2022. We believe the Scope 3 emissions are far more significant than Scope 1 and 2 whilst being harder to monitor and influence. As such we will start to report the Group's Scope 3 emissions from 2024.

In 2022, we have added a second pillar to our Environmental Leadership strategy: supporting circularity. As part of this, we have signed up to WRAP's Plastic Pact UK, obligating us to eliminate non-recyclable plastic packaging, and we have begun promoting recycled content in products at the point of sale, both online and in-store, to help customers make environmentally conscious choices.

We have reformatted the five elements of our Environmental Leadership strategy from 2021 into two main pillars, governed by our executive-led Sustainability Council. These are:

1. Achieving carbon balance (Scopes 1 & 2)

- Reduce as much as possible our current carbon emissions
- Use high quality, auditable carbon offsets to balance the remainder by 2030

2. Supporting circularity

- Work with partners to minimise waste and manage the remainder responsibly, with a focus on recycling
- Drive innovation to increase the use of recycled and recyclable materials in tiles, related products, and packaging (e.g. through the Plastic Pact UK).

Omni-channel: Topps Tiles

Topps Tiles is our well-established, market-leading, omni-channel specialist, serving the domestic RMI market, with significant opportunities for further profitable growth.

This year saw record sales in Topps Tiles of £227.0 million (2021: £219.4 million over 53 weeks), with like-for-like sales growth of 9.4%. Sales per store were 25.3% higher than in the pre-pandemic period of 2019 and total profit in Topps Tiles has increased despite having 15% fewer stores compared to that year. Our strategy for future growth focuses on three main areas: increasing customer numbers, online and in store, delivering world class customer service, and management of our physical store portfolio.

Our customer base continues to be a mix of professional trade customers and homeowners. Trade customers are key as they provide repeat custom and also form an important link to homeowners, both in terms of recommendation and also direct sales on behalf of homeowners who prefer to transact through their fitter rather than with us directly. We have been actively growing our sales to trade customers over recent years, as follows:

	FY15	FY19	FY22	Q4 FY22
Trade customers: % of sales in Topps Tiles	50%	56%	59%	60%

As such, the business is now more of a merchant than a retailer, with the majority of sales being made to professional tradespeople.

This year, our sales of products other than tiles (such as adhesives and grouts) have been encouraging and we have maintained good levels of stock and offered particularly keen value to our trade customers across these product areas, including trade pricing, bulk deals and a trade loyalty scheme. We also provide a direct sales team, which offers contractors and larger trade customers an enhanced service.

Growing customer numbers is a key function of our digital operations, as we know that many purchasing journeys start with research online. This year we have made various technical improvements to our multiple award-winning website, for example halving page load speeds and adding new payment methods. We have launched a new app for trade customers and extended our social media presence, including a launch on TikTok. At the end of the year, we launched a Topps Tiles range on Very.co.uk – this is Topps Tiles' first move into marketplaces and is a good fit given Very's core customer group is complementary to Topps Tiles' customer base.

The output of this work is that we enjoy high levels of brand awareness online. Our website, toppstiles.co.uk, has higher brand searches than any other flooring retailer in the UK, we have the second highest brand awareness (behind SCS) and the third highest visibility (behind SCS and Carpetright) (Source: "Flooring - Salience Index 2022"). We also maintained our position as the leading tile specialist in Internet Retailing's annual "RetailX Top 500" report and were ranked in the top 100 websites across the whole of the UK retail sector in that report.

Our stores remain central to our omni-channel offer, particularly for our trade customers. Given the nationwide coverage of our store estate, almost every customer will visit a store at some point in their purchasing journey, and almost all customers will visit the website too. This year we have established three store formats within Topps Tiles. 33 of our largest stores are branded as 'Topps Tiles Superstores'. These larger stores contain the widest breadth of Topps' range of products as well as further amenities and are now, following modest investment, outperforming the rest of the estate. Our 14 'Topps Tiles Clearance' stores provide even greater value to customers, whilst allowing us to clear mixed batch and discontinued lines. The balance of 257 stores are core stores, which will continue to deliver excellent service and range for trade and homeowner customers.

This year we completed our multi-year programme of store closures, and we believe our estate is now right-sized. During the year we closed ten stores and opened one. The Topps Tiles store estate has reduced from 372 stores at the end of 2017, to 304 stores at the end of 2022, a reduction of 18%, and this reduction in stores has helped drive incremental profits as we transitioned sales from closed stores to other local stores whilst reducing our cost base. Our estate management has been strong throughout the process, and we finished the year with 11 closed Topps Tiles sites (down from 21 at the start of the year, despite ten additional Topps Tiles store closures in the year), of which four more are expected to exit the business in the first half of 2023. We retain a flexible property portfolio, with an average unexpired lease term to the next break opportunity of 2.8 years (2021: 3.3 years), or 2.6 years excluding strategically important stores (2021: 3.0 years).

Through the quality of our digital operations, our store estate and our colleagues, we aim to deliver world class service. Homeowners shop with us infrequently and require advice and expertise, whether in store or online, and trade customers value strong local relationships and technical knowledge. We were delighted that our customer satisfaction levels improved again in 2022, from 88% last year to 90% this year. That means that 90% of the c.17,000 customer surveys which we collect each year rated us as five out of five – we believe this is a genuinely world-class result.

Overall, Topps Tiles has had a very strong year both financially and strategically, with good growth in sales and profits, a right-sized estate with new formats in place, further developments in digital, a move into marketplaces in place with Very, growth in trade sales and even higher satisfaction scores from our customers.

Commercial: Parkside

Parkside is a specialist tile distributor, aimed at architects, designers and contractors in the commercial market. Becoming part of Topps Group in 2017, Parkside is now a top-five competitor within the sector and is established as one of the fastest growing brands in this market.

This year, Parkside delivered a fifth consecutive year of record sales, up 26.7% to £10.9 million (2021: £8.6 million over 53 weeks). This represents a significant out-performance of the new build commercial market, which was up 2.5% in the year (across all product types) but remains 21.7% lower than its level before the Covid pandemic (source: ONS). We estimate that the element of the commercial market for tiles and associated products which is attractive for us to address is worth approximately £200 million. On that basis, Parkside represents at least a £25 million sales opportunity for the Group.

In the year, Parkside acquired more than 120 new clients, ranging from one-off purchases to repeat business across multi-site locations, and continued to push forward in its specialist sectors of retail and leisure, hotels, infrastructure and transport, and residential. The business is building a strong sales culture and has further opportunity to leverage the Group's scale and infrastructure, in areas such as brands, supply chain and inventory.

Environmental credentials are particularly important to architects and designers focused on the commercial market, and we work with them to build sustainability into their projects. This year, Parkside became the first part of the Group to become carbon neutral across Scope 1 and 2 emissions, building on our ISO14001 accreditation, recycled and recyclable samples packaging, commitment to sustainable products, our various CPD sessions at our Clerkenwell Sustainability and Design Studio and many other initiatives.

Parkside's financial performance is improving at pace. Trading losses in the year halved to £0.8 million (2021: £1.6 million loss), however £0.7 million of that was from the first half year, and the business was trading at breakeven by the final quarter. We expect Parkside to deliver a positive contribution to the Group's profitability in 2023.

Online Pure Play: Pro Tiler Tools and Tile Warehouse

In 2021 we identified a significant opportunity to add complementary trading businesses which operate solely online, serving different customer groups with different needs, but always focused on our specialism of tiles and associated products, to Topps Group. These businesses can benefit from the Group's scale, flexible supply chain, financial resources and operational expertise, and in turn the rest of the business can benefit from the specialist knowledge and experience of new colleagues from these successful online businesses as they join the Group. In 2022, we added two new Online Pure Play trading businesses to the Group – Pro Tiler Tools and Tile Warehouse – and we see the potential for more in time.

Pro Tiler Tools

The Group acquired 60% of the issued share capital of Pro Tiler Limited in March 2022, with a contract to acquire the remaining 40% in 2024. Pro Tiler Tools is an online specialist supplier of tiling-related consumables and equipment to trade customers. Pro Tiler is highly complementary to the existing Group's operations, enabling us to serve trade customers both physically (through Topps Tiles) and online (through Pro Tiler Tools).

Trading post acquisition has been strong. On acquisition, we reported that Pro Tiler's sales in the 12 months to January 2022 were £11.9 million. Sales in the 12 months to September 2022 were £14.7 million and sales in the second half of the Group's financial year annualise at £16.5 million. Year on year sales growth across the full year was 32.4%. The business runs at a gross margin of approximately 30% meaning that continued growth will have a dilutive impact to the Group's percentage gross margins, but will provide incremental gross profits. We are targeting sales in excess of £25 million over time from Pro Tiler Tools.

The Pro Tiler Tools platform, management and team also allow us the opportunity to grow in other areas of the online market and the Group is encouraging the team to deliver additional value where appropriate. Additionally, Pro Tiler Tools has access to a significant number of proprietary brands which we believe will present opportunities for further long term value creation for the wider Group.

Tile Warehouse

Tile Warehouse was launched in May 2022 as a new online-only brand built from the ground up to offer homeowners everyday low pricing on a focused range of tiles and associated products. Tile Warehouse focuses on quality tiles at very competitive price points and is complementary to Topps Tiles as it will target a different customer group, whilst leveraging the Group's scale, supplier relationships, digital expertise and financial resources. The market for online-only tiles in the UK is estimated to be worth more than £100 million and we are targeting sales of approximately £15 million from Tile Warehouse within the first five years. We expect to make small losses in the first few years as the brand is established but believe it will play a significant role in the Group as we move forward.

The first few months of trading have been focused on establishing the technical aspects of the offer including product range, samples, online functionality, search strategies, SEO content and supply chain solutions. The brand has been developed at a low cost however the investment in growth will start in 2023 as we start to invest in pay per click to drive traffic in a more meaningful way.

Key Performance Indicators ("KPIs")

The Board monitors a number of financial and non-financial metrics and KPIs both for the Group and by individual store. This information is reviewed and updated as the Directors feel appropriate. Specific measures include:

	52 weeks to 1 October 2022	53 weeks to 2 October 2021 (restated)	YoY
Financial KPIs			
Group revenue growth year-on-year	8.4%	18.3%	n/a
Topps Tiles like-for-like sales growth year-on-year*	9.4%	19.6%	n/a
Group gross margin	54.8%	57.3%	(2.5)ppts
Adjusted profit before tax*	£15.6m	£15.0m	+4.0%
Adjusted earnings per share*	6.14 pence	6.02 pence	+2.0%
Adjusted net cash*	£16.2m	£27.8m	£(11.6)m
Inventory days	126	123	+3 days
Non-financial KPIs			
Topps Tiles customer overall satisfaction score	89.9%	88.4%	+1.5 ppts
Colleague turnover	36.5%	31.2%	+5.3 ppts
Carbon emissions per store (tonnes per annum)	15.5	24.0	(35.4)%
Number of Topps Tiles stores at year end	304	313	(9)

* as defined in the Financial Review

Notes: Customer overall satisfaction scores are calculated from the responses we receive through our TileTalk customer feedback programme. Overall satisfaction (OSAT) is the percentage of customers that score us 5 in the scale of 1 – 5, where 1 is highly dissatisfied, and 5 is highly satisfied. Energy carbon emissions have been compiled in conjunction with our electricity and gas suppliers. This is based on the actual energy consumed multiplied by Environment Agency approved emissions factors. Vehicle emissions have been calculated by our in-house transport team based on mileage covered multiplied by manufacturer quoted emission statistics. Carbon emissions per store for FY21 have been restated to remove emissions connected with sub-contractors, which classify as scope 3 emissions and do not form part of this metric.

FINANCIAL REVIEW

The 2022 financial year covers the 52 weeks to 1 October 2022. The previous financial year covers the 53 weeks to 2 October 2021.

Adjusted Measures

The Group's management uses adjusted performance measures, to plan for, control and assess the performance of the Group.

Adjusted profit before tax differs from the statutory profit before tax as it excludes the effect of one-off or fluctuating items, allowing stakeholders to understand results across years in a more consistent manner. In line with the prior year, we have included the business-as-usual impact of IFRS 16 in adjusted profit but continue to adjust for any impairment charges or impairment reversals of right of use assets, derecognition of lease liabilities where we have exited a store, and one-off gains and losses through sub-lets. In the period 2022 – 2024 we will also exclude the cost relating to the 40% purchase of shares of Pro Tiler Limited which we expect to make from March 2024, which under IFRS 3 is treated as a remuneration expense rather than an acquisition cost, and this period we have excluded deal costs related to the Pro Tiler Limited acquisition and set up costs relating to Tile Warehouse.

Analysis of movements from adjusted profit before tax to statutory profit before tax are detailed below:

	2022 £m	***2021 £m (restated)***
Adjusted profit before tax	***15.6***	***15.0***
Property		
- *Accelerated depreciation and impairment of property, plant and equipment*	*(0.5)*	*(1.0)*
- *Vacant property and closure costs*	*(1.7)*	*(2.1)*
- *Store impairments and lease gains and losses*	*(0.2)*	*(0.2)*
	(2.4)	***(3.3)***
Business Development		
- *Pro Tiler Tools deal costs*	*(0.2)*	*nil*
- *Pro Tiler Tools share purchase expense*	*(1.6)*	*nil*
- *Tile Warehouse set up costs*	*(0.5)*	*nil*
	(2.3)	***nil***
Other		
- *Business rates relief from April to September 2021**	*nil*	*2.3*
	nil	***2.3***
Statutory profit before tax	***10.9***	***14.0***

** In the second half of the prior year we included a normal level of business rates within adjusted profit, despite business rates relief of £2.3 million over this period, to allow improved comparison with the future and prior years. The business traded without material restrictions in the second half of the prior year, and not including a business rates expense within adjusted profit for this period would be unrepresentative of our underlying performance. This contrasts with the first half of the prior year where we suffered material trading restrictions and so no adjustment for business rates relief was made.*

Adjusted earnings per share is adjusted for the items listed above, as well as the impact of corporation tax. In addition, adjusted earnings per share excludes a non-repeating credit of £1.2 million relating to deferred tax adjustments in respect of previous periods.

Acquisition of Pro Tiler Limited

The Group acquired a controlling 60% shareholding of Pro Tiler Limited on 9 March 2022, for consideration of £5.3 million in cash, plus a closing adjustment of £0.2 million. The Group will acquire the remaining 40% of the issued share capital from March 2024, based on an agreed multiple of profits for the 12-month period to March 2024.

Following the completion of a purchase price allocation exercise over the second half year, the Group recognised the following amounts on acquisition: tangible assets of £1.6 million, including £0.9 million of net cash, £0.2 million of net working capital and £0.5 million of fixed assets, and intangible assets consisting of the brand value of £4.1 million net of deferred tax and goodwill of £2.1 million, together with a non-controlling interest of £2.3 million.

The brand asset will be amortised over 10 years in line with it's useful economic life.

The purchase of the remaining 40% of shares in Pro Tiler Limited will be accounted for as a remuneration expense over the earn out period, rather than contingent consideration, as required by IFRS 3, due to certain conditions placed on the selling shareholders to remain employed by the Group during this time. This expense will be treated as an adjusting item over the next two years and will therefore reduce the Group's statutory profit in forthcoming trading periods. This expense is not treated as a deductible expense for corporation tax purposes and therefore has increased the Group's effective rate of corporation tax in FY22 and over the next two financial years as a result of this accounting treatment.

The Group has consolidated the financial performance of Pro Tiler Limited from the date of acquisition, including revenue of £9.2 million and profit before tax of £0.6 million. Acquisition costs of £0.2 million and remuneration costs of £1.6 million in relation to the 40% share purchase were treated as adjusting items.

Configuration Costs in a Cloud Computing Arrangement

Following the IFRS Interpretations Committee (IFRIC) agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements, including Software as a Service (SaaS), the Group has reviewed and revised its accounting policy relating to IAS 38 Intangible Assets. This has resulted in reclassifying expenditure that was previously capitalised as an intangible asset in previous years and expensing this to the Consolidated Statement of Profit or Loss as administrative costs. The impact on profit before tax for the 53-week period ended 2 October 2021 is a reduction in statutory profit before tax and adjusted profit before tax of £0.3 million. All comparatives in the Financial Review and the financial statements have been restated and further details are given in the notes to the accounts.

STATEMENT OF FINANCIAL PERFORMANCE

Revenue

Total revenue for the 52-week period increased by 8.4% to £247.2 million (2021: £228.0 million). Revenue consolidated into the Group accounts by brand was as follows:

Revenue by brand (£m)	2022 (52 weeks)	2021 (53 weeks)	Variance
Topps Tiles	227.0	219.4	+3.5%
Parkside	10.9	8.6	+26.7%
Pro Tiler Tools	9.2	0.0	n/a
Tile Warehouse	0.1	0.0	n/a
Topps Group	**247.2**	**228.0**	**+8.4%**

Topps Tiles like-for-like sales were 9.4% higher than the prior year, which consisted of a 19.7% increase in the first half of the financial year and a 0.8% increase in the second half.

Total revenue in Topps Tiles was up 3.5% year on year to £227.0 million. There was a net closure of 9 Topps Tiles stores in the year and the brand finished the trading period with 304 trading stores. Prior year revenue was impacted by trading restrictions related to the Covid-19 pandemic in the second quarter, when homeowners were unable to go inside our stores and registered traders were allowed to enter to visit the trade counter only.

In the commercial market, sales to our clients through Parkside were up 26.7% year on year to £10.9 million. The Group consolidated sales of £9.2 million from the seven months of ownership of Pro Tiler Tools and recorded a further £0.1 million of sales in the start-up period of Tile Warehouse.

Overall, we estimate that 62% of sales in the Group are made to trade or professional customers, with 38% of sales direct to homeowners.

Gross Margin and Gross Profit

Group gross margin was 54.8%, a decrease from 57.3% in the prior year. Group gross profits increased £4.7 million to £135.4 million, including £3.2 million relating to Parkside, Pro Tiler Tools and Tile Warehouse.

The change in gross margin was due to three main factors. Within Topps Tiles, the impact of higher cost of goods following increases in gas prices, other raw materials and shipping costs in the year have been passed through to customers on a pound-for-pound basis. Our pricing response has protected gross profits but impacted the gross margin percentage by (0.9) percentage points. Secondly, there have been changes in customer and product mix, specifically improved sales to trade customers, more sales of products other than tiles, and new product areas including outdoor tiles and luxury vinyl tiles, which impacted gross margins by (0.5) percentage points. Finally, the growth in our other trading businesses, specifically the acquisition of Pro Tiler Tools and the growth in sales from Parkside, reduced Group gross margin by (1.3) percentage points. Other minor changes increased gross margins by the balance of 0.2 percentage points.

Gross profits increased across each of the three business areas due to the positive sales impact of the factors above.

Operating Expenses

Operating expenses were £120.6 million compared to £112.7 million in FY21 (restated), which included c. £6.7 million of Business Rates Relief. On an adjusted basis, operating expenses increased from £111.7 million in FY21 to £116.0 million in FY22.

The £4.3 million increase in adjusted operating costs is explained by the following key items:

	£ million
FY 2021 adjusted operating expenses (restated)	**111.7**
Reversal of H1 2021 business rates relief	4.4
Reverting to a 52-week accounting period	(2.0)
Holiday pay accrual normalisation	1.4
Increased utilities expense	1.0
Other regulatory and inflationary cost increases	3.5
Reduced store space (310 stores on average vs 331 in 2021)	(4.3)
Other savings	(2.0)
Commercial and Online Pure Play	2.3
FY 2022 adjusted operating expenses	**116.0**

Finance income and costs

Interest on bank loans and overdrafts, net of bank interest receivable, was £0.3 million (2021: £0.4 million), relating to commitment fees payable on the revolving credit facility.

Net interest payable under IFRS 16 was £3.6 million, resulting in total net finance costs of £3.9 million (2021: £4.1 million).

Profit Before Tax

Excluding the items detailed in the Adjusted Measures section above, adjusted profit before tax was £15.6 million (2021 restated: £15.0 million). The Group adjusted profit before tax margin was 6.3% (2021: 6.6%).

Statutory profit before tax was £10.9 million (2021 restated: £14.0 million).

Tax

On an adjusted basis, the effective rate of corporation tax for the period was 21.8% (2021: 21.6%).

The effective rate of corporation tax for the period on a statutory basis was 16.0% (2021: 23.5%). The tax expense includes a one-off deferred tax credit in relation to previous periods of £1.2 million which is excluded from adjusted earnings per share metrics.

Earnings Per Share

Adjusted earnings per share were 6.14 pence (2021 restated: 6.02 pence). Basic earnings per share were 4.60 pence (2021 restated: 5.47 pence). Diluted earnings per share were 4.55 pence (2021 restated: 5.41 pence).

Dividend and Dividend Policy

In the 2022 Interim Results, the Group outlined a new Capital Allocation and Dividend Policy. We indicated that we would prioritise the following:

1) Business resilience – we are an operationally geared business and our balance sheet and banking facilities must be strong enough to withstand cyclical economic downturns and unexpected shocks like Covid-19;

2) Investment in the core business – we operate a physical store estate which requires investment to remain attractive to customers, and we will support our strategy through merchandising, store refits and relocations;

3) Value creative opportunities – we believe it is beneficial to retain some cash to take advantage of value creation opportunities, such as bolt on M&A deals or other investments in growth;

4) Dividends – we recognise that equity has a cost, and we understand the importance of regular dividend payments to our shareholders.

The Board indicated that over the period from 2021 to 2023, it intended to increase the dividend payout ratio from around 50% of adjusted earnings per share to around 67%. As such, this year, the Board is proposing a final dividend of 2.6 pence per share, bringing the full year dividend to 3.6 pence per share, a year on year increase of 16.1%. This represents 59% of the adjusted earnings per share of 6.14 pence.

The shares will trade ex-dividend on 22 December 2022 and, subject to approval at the Annual General Meeting, the dividend will be payable on 3 February 2023.

STATEMENT OF FINANCIAL POSITION

Acquisitions & Disposals

The most significant acquisition in the period was the purchase of 60% of the shares of Pro Tiler Limited, as described in the section above.

In the prior year we disposed of three freehold or long leasehold stores for £2.1 million. There were no freehold or long leasehold store disposal or acquisitions in the current year.

At the period end the Group held two freehold or long leasehold sites, with a total carrying value of £1.0 million (2021: two freehold or long leasehold sites valued at £1.0 million). The carrying value is based on the historic purchase cost and capital expenditure less accumulated depreciation.

Capital Expenditure

Capital expenditure in the period amounted to £3.2 million (2021: £4.4 million), a reduction of 27% year on year.

Key investments were as follows:

- Topps Tiles stores – including one new opening, store improvements, merchandising and maintenance - £2.5 million
- LED store improvement programme £0.3 million
- Group IT developments £0.4 million

The Board expects capital expenditure in the year ahead to be between £6 million and £7 million. This compares to an average of £8.1 million in the four years before the pandemic (FY16 to FY19) and is broadly in line with depreciation on property, plant and equipment and intangible assets. This amount will cover our core investment plans – any acquisitions that the Group may consider as part of its growth plans would be additional to this guidance.

Inventory

Inventory at the period end was £38.6 million (2021: £32.8 million) representing 126 inventory days (2021: 123 inventory days). The £5.8 million year-on-year increase in stock includes £2.6 million of additional stock relating to Pro Tiler Tools and Tile Warehouse, an increase of £4.2 million due to higher cost prices and a slight reduction of £1.0 million relating to the volume of stock in Topps Tiles.

Cash flow

On a statutory basis, net cash from operating activities was £22.9 million, compared to £26.4 million in the prior year.

The table below analyses changes in adjusted net cash flow:

	2022	2021 (restated)
	£m	£m
Cash generated by operations, including interest and capital elements of leases, before WC movements	18.5	20.7
Payment of deferred VAT	(2.1)	(3.7)
Other changes in working capital	(8.9)	(10.9)
Capital expenditure	(3.2)	(4.4)
Disposals	0.2	2.1
Interest	(0.3)	(0.5)
Tax	(3.5)	(1.5)
Other	0.1	0.0
Free cash flow	0.8	1.8
Acquisition of Pro Tiler Limited, net of cash and debt acquired	(4.4)	0.0
Dividends	(8.0)	0.0
Change in adjusted net cash	(11.6)	1.8
Adjusted net cash at end of period	16.2	27.8

Adjusted net cash reduced by £11.6 million (2021: £1.8 million increase). This reduction was driven the following main factors: a £11.0 million outflow in working capital including a £4.4 million increase in inventory, the repayment of £2.1 million of deferred VAT, decrease of £3.5 million in other payables and an increase of £1.0 million in receivables; the purchase of 60% shares of Pro Tiler Limited at a cash cost of £4.4 million net of cash acquired and including the repayment of a loan immediately following acquisition; and the payment of £8.0 million of dividends, which included the full year payment relating to FY21 as well as the interim dividend from FY22.

Cash and cash equivalents at the period end were £16.2 million (2021: £27.8 million) with nil borrowings (2021: nil).

Return on capital employed

The Group's return on capital employed, including the impact of leases, improved from 17.2% in 2021 to 17.3% in 2022 following a slight increase in adjusted profit. Lease adjusted capital employed increased £7.2 million over the financial year as a result of a £4.0 million increase in total equity and a £11.6 million reduction in adjusted net cash, partially offset by a £8.4 million reduction in lease liabilities year-on-year. The Group defines return on capital employed as the annual adjusted operating profit divided by the average capital employed (net assets plus net debt, including lease liabilities).

Banking Facilities

On 21 October 2022, the Group entered a new syndicated £30.0 million revolving credit facility with two banks, which is committed to October 2025 with extension options for a further two years available. The new facility contains a slightly favourable interest rate structure compared to our previous £39.0 million banking facility, which was due to expire in June 2023, and provides continued balance sheet strength and financial resilience for the Group into the medium term. At the year end, no banking facilities were drawn (2021: nil). Based on our year end net cash of £16.2 million we have £46.2 million of headroom to our new banking facility at year end (2021: headroom of £66.8 million against the £39.0 million facility in place at that time).

Forward guidance

Increased cost pressures will impact the profitability of the business in 2023. Overall, we expect around £5.0 million of inflationary pressures year on year across our overhead base, in utilities, employment costs, property costs and other expenses. We will be able to offset some but not all of this through efficiency savings and as a result believe our profitability may modestly fall next year, in line with current market expectations.

Whilst the Group has not historically demonstrated much seasonality in sales or profits across the two halves of the financial year, in 2023 we expect Group profitability to be more weighted towards the second half. The key drivers of this are: a gas expense which we expect to be approximately £1.7 million in the first half and £0.8 million in the second half; a normalised holiday pay accrual, with a debit in the first half of £0.7 million and a credit in the second half of £0.7m; continued growth in the newer parts of the Group across the course of the year; and some easing in elements of supply chain costs as the year progresses.

Current Trading and Market Conditions for the Year Ahead

There are substantial macroeconomic headwinds impacting both UK consumers and businesses. Consumer confidence is currently near to record lows and Government forecasts suggest the country is entering a recession which will continue throughout 2023 and possibly into 2024, impacting real incomes for UK consumers. Against this backdrop, our trading performance has been robust, with like-for-like sales growth in Topps Tiles over the first eight weeks of the new financial year of 3.4% and other parts of the Group performing in line with our expectations. Our market share growth during 2022 and our progress towards our goal of '1 in 5 by 2025', combined with our clear strategy and strong balance sheet, give us confidence that we will continue to deliver growth and create value over the medium term.

Rob Parker

Chief Executive Officer

29 November 2022

Stephen Hopson

Chief Financial Officer

Unaudited Consolidated Statement of Profit or Loss

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

	Notes	**52 weeks ended 1 October 2022 £'000**	53 weeks ended 2 October 2021 (restated)[1] £'000
Group revenue	3	**247,241**	227,997
Cost of sales		**(111,818)**	(97,297)
Gross profit		**135,423**	130,700
Distribution and selling costs		**(89,316)**	(83,591)
Other operating expenses		**(5,953)**	(6,100)
Administrative costs		**(19,827)**	(18,419)
Sales and marketing costs		**(5,495)**	(4,564)
Group operating profit		**14,832**	18,026
Finance income	6	**123**	87
Finance costs	6	**(4,010)**	(4,158)
Profit before taxation	4	**10,945**	13,955
Taxation	7	**(1,754)**	(3,279)
Profit for the period		**9,191**	10,676
Profit is attributable to:			
Owners of Topps Tiles Plc		**9,005**	10,648
Non-controlling interests		**186**	28
		9,191	10,676

All results relate to continuing operations of the Group.

1 See note 2(A) for an explanation of the prior year restatement

	Notes	**52 weeks ended 1 October 2022 £'000**	53 weeks ended 2 October 2021 (restated)[1] £'000
Earnings per ordinary share:			
- Basic	9	**4.60p**	5.47p
- Diluted	9	**4.55p**	5.41p

Unaudited Consolidated Statement of Comprehensive Income

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 (restated)[1] £'000
Profit for the period	**9,191**	10,676
Total comprehensive income for the period is attributable to:		
Owners of Topps Tiles Plc	**9,005**	10,648
Non-controlling interests	**186**	28
	9,191	10,676

1 See note 2(A) for an explanation of the prior year restatement

Unaudited Consolidated Statement of Financial Position

AS AT 1 OCTOBER 2022

	Notes	**2022 £'000**	2021 (restated)[1] £'000
Non-current assets			
Goodwill		**2,101**	-
Intangible assets		**5,423**	468
Property, plant and equipment		**20,888**	23,680
Other financial assets		**1,947**	2,335
Deferred tax assets		**114**	564
Right-of-use assets		**88,545**	95,418
		119,018	122,465
Current assets			
Inventories		**38,605**	32,758
Other financial assets		**542**	518
Trade and other receivables		**6,419**	4,538
Cash and cash equivalents	10	**16,241**	27,789
		61,807	65,603
Total assets		**180,825**	188,068
Current liabilities			
Bank loans	11	**-**	-
Trade and other payables		**(43,650)**	(47,425)
Lease liabilities		**(18,187)**	(19,521)
Current tax liabilities		**(1,152)**	(2,027)
Provisions		**(352)**	(353)
		(63,341)	(69,326)
Net current liabilities		**(1,534)**	(3,723)
Non-current liabilities			
Lease liabilities		**(84,741)**	(91,817)
Provisions		**(3,694)**	(1,969)
Total liabilities		**(151,776)**	(163,112)
Net assets		**29,049**	24,956
Equity			
Share capital		**6,556**	6,555
Share premium		**2,636**	2,625
Own shares		**(415)**	(1,216)
Merger reserve		**(399)**	(399)
Share-based payment reserve		**5,162**	4,642
Capital redemption reserve		**20,359**	20,359
Accumulated losses		**(7,319)**	(7,610)
Capital and reserves attributable to owners of Topps Tiles Plc		**26,580**	24,956
Non-controlling interests		**2,469**	-
Total equity		**29,049**	24,956

1 See note 2(A) for an explanation of the prior year restatement

Unaudited Consolidated Statement of Changes in Equity

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Accumulated losses £'000	Non-controlling interest £'000	Total equity £'000
Balance at 26 September 2020 as originally presented	6,548	2,492	(1,483)	(399)	3,965	20,359	(17,400)	(28)	14,054
Correction of error (net of tax)	-	-	-	-	-	-	(390)	-	(390)
Restated balance at 26 September 2020[1]	**6,548**	**2,492**	**(1,483)**	**(399)**	**3,965**	**20,359**	**(17,790)**	**(28)**	**13,664**
Profit and total comprehensive income for the period (restated)[1]	-	-	-	-	-	-	10,648	28	10,676
Issue of share capital	7	133	-	-	-	-	-	-	140
Own shares issued in the period	-	-	267	-	-	-	(267)	-	-
Credit to equity for equity-settled share-based payments	-	-	-	-	677	-	-	-	677
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(47)	-	(47)
Acquisition of non-controlling interest on business combination	-	-	-	-	-	-	(154)	-	(154)
Balance at 2 October 2021 as originally presented	**6,555**	**2,625**	**(1,216)**	**(399)**	**4,642**	**20,359**	**(6,992)**	**-**	**25,574**
Correction of error (net of tax)	-	-	-	-	-	-	(618)	-	(618)
Restated balance at 2 October 2021[1]	**6,555**	**2,625**	**(1,216)**	**(399)**	**4,642**	**20,359**	**(7,610)**	**-**	**24,956**
Profit and total comprehensive income for the period	-	-	-	-	-	-	9,005	186	9,191
Dividends	-	-	-	-	-	-	(8,015)	-	(8,015)
Issue of share capital	1	11	-	-	-	-	-	-	12
Own shares purchased in the period	-	-	(207)	-	-	-	-	-	(207)
Own shares issued in the period	-	-	1,008	-	-	-	(699)	-	309
Credit to equity for equity-settled share-based payments	-	-	-	-	520	-	-	-	520
Acquisition of non-controlling interest on business combination	-	-	-	-	-	-	-	2,283	2,283
Balance at 1 October 2022	**6,556**	**2,636**	**(415)**	**(399)**	**5,162**	**20,359**	**(7,319)**	**2,469**	**29,049**

1 See note 2(A) for an explanation of the prior year restatement

Unaudited Consolidated Cash Flow Statement

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 (restated)[1] £'000
Cash flow from operating activities		
Profit for the period	**9,191**	10,676
Taxation	**1,754**	3,279
Finance costs	**4,010**	4,158
Finance income	**(123)**	(87)
Group operating profit	**14,832**	18,026
Adjustments for:		
Depreciation of property, plant and equipment	**5,609**	6,268
Depreciation of right-of-use assets	**18,212**	20,508
Amortisation of intangible assets	**500**	186
Loss on disposal of property, plant and equipment and intangibles	**394**	1,736
(Gain)/loss on sublease	**(88)**	134
Impairment charge/(reversal) of property, plant and equipment	**240**	(604)
Impairment of right-of-use assets	**1,473**	2,402
Gain on lease disposal	**(1,544)**	(2,563)
Share option charge	**520**	677
Increase in earn out liability provision	**1,581**	-
Non-cash gain on derivative contracts	**(455)**	-
(Increase)/decrease in trade and other receivables	**(1,080)**	7
Increase in inventories	**(4,362)**	(3,421)
Decrease in payables	**(5,603)**	(11,209)
Cash generated from operations	**30,229**	32,147
Interest paid	**(354)**	(468)
Interest received on operational cash balances	**58**	-
Interest element of lease liabilities paid	**(3,626)**	(3,728)
Taxation paid	**(3,453)**	(1,535)
Net cash generated from operating activities	**22,854**	26,416
Investing activities		
Interest received	**-**	11
Interest received on sublease assets	**65**	76
Receipt of capital element of sublease assets	**493**	629
Purchase of property, plant and equipment	**(3,090)**	(4,221)
Purchase of intangibles	**(115)**	(194)
Proceeds on disposal of property, plant and equipment	**183**	2,096
Acquisition of subsidiary, net of cash acquired	**(3,968)**	(154)
Net cash used in investment activities	**(6,432)**	(1,757)
Financing activities		
Payment of capital element of lease liabilities	**(19,601)**	(23,026)
Dividends paid	**(8,015)**	-
Proceeds from issue of share capital	**12**	133
Purchase of own shares	**(207)**	-
Receipt on disposal of own shares	**309**	-
Repayment of bank loans	**(468)**	(4,995)
Net cash used in financing activities	**(27,970)**	(27,888)
Net decrease in cash and cash equivalents	**(11,548)**	(3,229)
Cash and cash equivalents at beginning of period	**27,789**	31,018
Cash and cash equivalents at end of period	**16,241**	27,789

1 See note 2(A) for an explanation of the prior year restatement

Notes to the Unaudited Financial Statements

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

1 GENERAL INFORMATION

Topps Tiles Plc is a public limited company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England under the Companies Act 2006.

The consolidated financial statements are unaudited and do not constitute statutory accounts of the Company within the meaning of Section 434(3) of the companies Act 2006. Statutory accounts for the year ended 2 October 2021 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

Statutory accounts for the 52-week period ended 1 October 2022 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

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, other than the IFRIC regarding cloud computing (see note 2A), there were no new or revised standards and interpretations adopted that have a material impact on the financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

STANDARDS ADOPTED IN CURRENT PERIOD

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.

IFRS 17, 'Insurance contracts' (effective 1 January 2023 or when IFRS 9 is applied) subject to endorsement

Amendments to IFRS 16 Leases: Covid-19-Related rent concessions beyond 30 June 2021 - (effective 1 April 2021)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)

Annual Improvements 2018-2020 (effective 1 January 2022)

Narrow scope amendments to IFRS 3, IAS 16 and IAS 37 (effective 1 January 2022)

2 ACCOUNTING POLICIES

The principal accounting policies adopted are set out below.

A) BASIS OF ACCOUNTING

The condensed financial statements of Topps Tiles Plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board.

Topps Tiles Plc transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 3 October 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The condensed 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 goods and services.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

IFRIC: Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS38 Intangible Assets)

During the current year management has re-evaluated the impact of the IFRIC guidance released during the prior year relating to accounting for cloud-based SaaS arrangements. This guidance was incorrectly applied in the prior year, resulting in costs associated with a cloud-based SaaS being capitalised and not expensed as incurred in the consolidated statement of financial performance. During 2020 £456k was capitalised with no amortisation being charged. During the prior period a further £319k was capitalised again with no amortisation being charged. As a result of this error, the intangible assets as at 26 September 2020 were overstated by £456k and operating costs for the period understated by the same amount. As at 2 October 2021, the intangible assets and net assets were overstated by £775k and operating costs were understated by £319k for the period then ended. In addition, during the period ended 26 September 2020 operating cashflows were overstated by £456k and investing cashflows overstated by the same amount. Likewise, for the period ended 2 October 2021 the operating cashflows were overstated by £319k and the investing cashflows overstated by the same amount. A summary of the impact, including taxation, is included in the following tables:

	2021 (previously reported) £'000	Restatement £'000	2021 Restated £'000
Consolidated Statement of Profit or Loss impact			
Administrative costs	(18,100)	(319)	(18,419)
Profit before taxation	14,274	(319)	13,955
Tax charge	(3,370)	91	(3,279)
Basic earnings per ordinary share (pence)	5.59	(0.12)	5.47
Diluted earnings per ordinary share (pence)	5.52	(0.11)	5.41
Consolidated Statement of Financial Position impact			
Intangible assets	1,243	(775)	468
Deferred tax asset	407	157	564
Total assets	188,686	(618)	188,068
Net assets	25,574	(618)	24,956
Accumulated losses	(6,992)	(618)	(7,610)
Total equity	25,574	(618)	24,956
Consolidated Cash Flow Statement			
Profit for the period	10,904	(228)	10,676
Taxation	3,370	(91)	3,279
Net cash from operating activities	26,735	(319)	26,416
Purchase of intangibles	(513)	319	(194)
Net cash used in investing activities	(2,076)	319	(1,757)

	2020 (previously reported) £'000	Restatement £'000	2020 Restated £'000
Consolidated Statement of Financial Position impact			
Intangible assets	916	(456)	460
Deferred tax asset	1,406	66	1,472
Total assets	205,080	(390)	204,690
Net assets	14,054	(390)	13,664
Accumulated losses	(17,400)	(390)	(17,790)
Total equity	14,054	(390)	13,664

B) GOING CONCERN

When considering the going concern assertion, the Board reviews several factors including a review of risks and uncertainties, the ability of the Group to meet its banking covenants and operate within its banking facilities based on current financial plans, along with a detailed review of more pessimistic trading scenarios that are deemed severe but plausible. The two downside scenarios modelled include a moderate decline in sales and a more severe decline in sales, which result in much lower sales and gross profit than the base scenario, resulting in worse profit and cash outcomes. The more severe downside scenario modelled this year was based on a prolonged period of macroeconomic stress in the UK, lasting for two years, with sales falling substantially in each year in our main brand, Topps Tiles, as well as year on year declines in gross margins.

The Group has already taken a number of actions to strengthen its liquidity over the recent years, and the scenarios start from a position of relative strength. The going concern review also outlined a range of other mitigating actions that could be taken in a severe but plausible trading scenario. These included, but were not limited to, savings on store employee costs, savings on central support costs, reduced marketing activity, a reduction of capital expenditure, management of working capital and suspension of the dividend.

The Group's cash headroom and covenant compliance was reviewed against current lending facilities in both the base case and the severe but plausible downside scenario. The current lending facility was refinanced in October 2022 and expires at the earliest in October 2025. In all scenarios, the Board have concluded that there is sufficient available liquidity and covenant headroom for the Group to continue to meet all of its financial commitments as they fall due for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Board continue to adopt the going concern basis in preparing the financial statements.

C) REVENUE RECOGNITION

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

Revenue from the sale of goods is recognised on the collection or delivery of goods, when all the following conditions are satisfied:

- the Group has satisfied its performance obligations to external customers, being the date goods are collected from store or received by the customers; and
- the customer has obtained control of the goods being transferred.

These conditions are met, predominantly, at the point of sale. The exceptions to this are for: goods ordered in advance of collection, where revenue is recognised at the point that the goods are collected; sales of goods that result in award credits for customers (see below); and web sales, where revenue is recognised at the point of delivery.

Sales of goods that result in award credits for customers, under the Company's Trader Loyalty Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value being the amount for which the award credits could be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Company's performance obligations have been satisfied.

The level of sales returns is closely monitored by management, and as such, the Group holds a sales return provision in the Consolidated Statement of Financial Position to provide for the expected level of returns. The sales value of the expected returns is recognised within Accruals, with the cost value of the goods expected to be returned recognised as a current asset within Inventories.

D) TAXATION

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

The tax currently payable is based on taxable profit for the 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, 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.

E) OPERATING COSTS

Restructuring costs relate to board approved decisions such as business closures or major organisational changes. Operating profit is stated after charging/(crediting) restructuring costs but before investment income and finance costs.

Employee profit sharing costs are classified as distribution and selling costs and administrative costs.

3 GROUP REVENUE

An analysis of Group revenue is as follows:

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 £'000
Revenue from the sale of goods	**247,241**	227,997
Total revenue	**247,241**	227,997

The Group has one reportable segment in accordance with IFRS 8 - Operating Segments, which encompasses the Topps Tiles Group revenue generated instore and online from retail and commercial customers. The Board receives monthly financial information at this level and uses this information to monitor performance, allocate resources and make operational decisions.

Revenue can be split by the following geographical regions:

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 £'000
UK	246,866	227,997
EU	240	-
Rest of World	135	-
Total	**247,241**	**227,997**

The Group's revenue is driven by the consolidation of individual small value transactions and as a result, Group revenue is not reliant on a major customer or group of customers.

4 PROFIT/(LOSS) BEFORE TAXATION

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

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 £'000
Depreciation of property, plant and equipment	**5,609**	6,268
Depreciation of right-of-use assets	**18,212**	20,508
Operating lease costs not within the scope of IFRS 16 – low value and short term rentals	**2,201**	953
Impairment charge/(reversal) of property, plant and equipment	**240**	(604)
Impairment of right-of-use assets	**1,473**	2,402
Loss on disposal of property, plant and equipment and intangibles	**394**	1,736
Amortisation of intangibles	**500**	186
Staff costs (see note 5)	**57,096**	57,955
Exchange (gains)/ losses recognised in profit or loss	**(1,060)**	145
Write-down of inventories recognised as an expense	**4,254**	4,598
Cost of inventories recognised as an expense	**108,622**	92,554

During the year the business disposed of nil freehold properties (2021: three freehold properties).

Analysis of the auditors' remuneration is provided below:

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 £'000
Fees payable to the Company's auditors with respect to the Company's annual accounts	**111**	74
Fees payable to the Company's auditors and their associates for other audit services to the Group:		
Audit of the Company's subsidiaries pursuant to legislation	**262**	229
Total audit fees	**373**	303
Total non-audit fees	**-**	-
Total fees payable to the Company's auditors	**373**	303

5 STAFF COSTS

The average monthly number of persons employed by the Group in the UK during the accounting period (including Executive Directors) was:

	52 weeks ended 1 October 2022 Number employed	53 weeks ended 2 October 2021 Number employed
Selling	**1,390**	1,533
Administration	**361**	314
	1,751	1,847

The average monthly number of persons (full-time equivalents) employed by the Group in the UK during the accounting period (including Executive Directors) was:

	52 weeks ended 1 October 2022 Number employed	53 weeks ended 2 October 2021 Number employed
Selling	**1,311**	1,455
Administration	**355**	283
	1,666	1,738

	2022 £'000	2021 £'000
Their aggregate remuneration comprised:		
Wages and salaries (including LTIP)	**51,585**	52,348
Social security costs	**4,472**	4,498
Other pension costs	**1,039**	1,109
	57,096	57,955

The total charge for Share Based Payments recognised during the year was £0.5m (2021: £0.7m)

6 FINANCE INCOME AND FINANCE COSTS

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 £'000
Finance income		
Bank interest receivable	**58**	11
Interest income from finance lease receivables	**65**	76
	123	87
Finance costs		
Interest on bank loans and overdrafts	**(384)**	(430)
Interest payable on lease liabilities	**(3,626)**	(3,728)
	(4,010)	(4,158)

No finance costs have been 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.

7 TAXATION

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 (restated)[1] £'000
Current tax – charge for the period	**2,577**	2,418
Deferred tax – charge for the period	**360**	1,143
Deferred tax - adjustment in respect of prior periods	**(1,183)**	145
Effect of tax rate change on opening balance	**-**	(427)
Total tax charge	**1,754**	3,279

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

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 (restated)[1] £'000
Continuing operations:		
Profit before taxation	**10,945**	13,955
Tax at the UK corporation tax rate of 19.0% (2021: 19.0%)	**2,080**	2,651
Expenses that are not deductible in determining taxable profit	**8**	11
Other movements	**391**	(36)
Fixed asset differences (non-deductible expenses)	**657**	709
Increase/(Reduction) in UK corporation tax rate	**-**	(29)
Non-taxable income	**(199)**	(172)
Adjustment in respect of prior periods	**(1,183)**	145
Tax expense for the period	**1,754**	3,279

In the period, the Group has recognised a corporation tax credit directly to equity of £nil (2021: £nil) and a deferred tax charge to equity of £nil (2021: £46,701) in relation to the Group's share option schemes.

The Group continue to fully provide within current tax liabilities for a historic tax claim relating to EU loss relief in relation to the closed Dutch business of £988,000 (2021: £988,000).

1 See note 2(A) for an explanation of the prior year restatement

8 DIVIDENDS

Amounts recognised as distributions to equity holders in the period:

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 £'000
Final dividend for the period ended 2 October 2021 of £0.031 (2020: £nil) per share	**6,057**	-
Interim dividend for the period ended 1 October 2022 of £0.01 (2021: £nil) per share	**1,958**	-
Total dividend paid in the period	**8,015**	-
Proposed final dividend for the period ended 2 October 2022 of £0.026 (2021: £0.031) per share	**5,093**	6,057

The proposed final dividend for the period ended 1 October 2022 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

9 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.

	52 weeks ended 1 October 2022	53 weeks ended 2 October 2021
Weighted average number of issued shares for basic earnings per share	**196,681,007**	196,508,867
Weighted average impact of treasury shares for basic earnings per share	**(1,099,370)**	(1,344,844)
Total weighted average number of shares for basic earnings per share	**195,581,637**	195,164,023
Weighted average number of shares under option	**2,165,790**	2,274,713
For diluted earnings per share	**197,747,427**	197,438,736

	52 weeks ended 1 October 2022 £'000	53 weeks ended 2 October 2021 (restated)[1] £'000
Profit for the period	**9,005**	10,676
Adjusting items	**3,005**	1,067
Adjusted profit for the period	**12,010**	11,743
Earnings per ordinary share - basic	**4.60p**	5.47p
Earnings per ordinary share – diluted	**4.55p**	5.41p
Earnings per ordinary share - adjusted	**6.14p**	6.02p

1 See note 2(A) for an explanation of the prior year restatement

The calculation of the basic and diluted earnings per share used the denominators as shown above for both basic and diluted earnings per share. The number of potentially exercisable shares is 2,165,790 (2021: 2,274,713).

Adjusted earnings per share were calculated after adjusting for the post-tax impact of the following items: rates relief £nil benefit (2021: £1,839,000), impairment of property, plant, equipment of £393,000 (2021: £1,202,000), vacant property costs for stores closed as part of store reduction programme of £1,402,000 (2021: £1,704,000), IFRS 16 one off changes including the impairment of closure programme stores of £104,000 (2021: £nil), restructuring costs of £42,000 (2021: £nil), project and acquisition costs of £2,246,000 (2021: £nil) and a deferred tax credit in respect of previous periods of £1,183,000 (2021: £nil).

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits net of bank overdrafts, where there is a right of offset, 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:

	2022 £'000	2021 £'000
Sterling	**15,543**	27,064
US dollar	**391**	495
Euro	**307**	230
Total cash and cash equivalents	**16,241**	27,789

Cash and cash equivalents are in the scope of the expected credit loss model under IFRS 9, however balances are held with recognised financial institutions and therefore the expected impairment loss is considered to be minimal.

11 BANK LOANS

	2022 £'000	2021 £'000
Bank loans (all sterling)	**-**	(106)

	2022 £'000	2021 £'000
The borrowings are repayable as follows:		
On demand or within one year	**-**	-
	-	-
Less: total unamortised issue costs	**-**	(106)
	-	(106)

The Directors consider that the carrying amount of the bank loan at 1 October 2022 and 2 October 2021 approximates to its fair value since the amounts relate to floating rate debt.

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

	2022 %	2021 %
Loans	**-**	-

The following is a reconciliation of changes in financial liabilities to movement in cash from financing activities:

	Lease liabilities £'000	Current borrowings £'000	Non-current borrowings £'000	Unamortised issue costs £'000
As at 26 September 2020	**124,156**	**5,000**	**-**	**(134)**
Repayment of bank loan	-	(5,000)	-	-
Repayment of lease liabilities	(26,754)	-	-	-
Additions/disposals of lease liabilities	10,208	-	-	-
Interest accrued on lease liabilities	3,728	-	-	-
Issue costs incurred in the year	-	-	-	(98)
Amortisation of issue costs	-	-	-	126
As at 2 October 2021	**111,338**	**-**	**-**	**(106)**
Repayment of lease liabilities	(23,253)	-	-	-
Non-cash movement - Lease additions and disposals	9,062	-	-	-
Non-cash movement - leases acquired with business combination	2,155			
Interest accrued on lease liabilities	3,626	-	-	-
Debt acquired through company acquisition	-	(468)	-	-
Repayment of debt	-	468	-	-
Amortisation of issue costs	-	-	-	106
As at 1 October 2022	**102,928**	**-**	**-**	**-**

At 2 October 2022, the Group had a revolving credit facility to June 2023 of £39.0 million. As at the financial period end, £nil of this was drawn (2021: £nil), leaving £39.0m of undrawn committed banking facilities. The loan facility contains financial covenants which are tested on a bi-annual basis. The Group did not breach any covenants in the period.

On 21 October 2022, the Group entered into a new three-year revolving credit facility arrangement for £30.0m, expiring in October 2025 with an option to extend for a further two years.

12 ACQUISITION OF SUBSIDIARY

The Group acquired a controlling 60% shareholding of Pro Tiler Limited on 9 March 2022, for consideration of £5.5 million, of which £5.3m was cash paid. The Group will acquire the remaining 40% of the issued share capital from March 2024, based on an agreed multiple of profits for the 12-month period to March 2024.

The Group performed a purchase price allocation exercise on Pro Tiler Limited to restate assets and liabilities at their fair value. Separately identifiable intangible assets were recognised in relation to the Pro Tiler brand.

On acquisition, the Group recognised tangible assets of £1.6 million, including £1.4 million of cash, £0.2 million of net working capital, £0.5m loan and £0.5 million of Property, Plant and Equipment, and intangible assets consisting of the brand value of £4.1 million net of deferred tax and goodwill of £2.1 million, together with a non-controlling interest of £2.3 million. The brand asset will be amortised over 10 years, in line with our accounting policies.

The future purchase of the remaining 40% of shares in Pro Tiler Limited will be accounted for as a remuneration expense rather than contingent consideration, as required by IFRS 3, due to certain conditions placed on the selling shareholders to remain employed by the Group during this time. This expense will be treated as an adjusting item over the next two years and will therefore reduce the Group's statutory profit in forthcoming trading periods. This expense is not treated as a deductible expense for corporation tax purposes and therefore the Group's effective rate of corporation tax will increase in FY22 and the next two financial years as a result of this accounting treatment.

Acquisition costs of £0.2 million and remuneration costs of £1.6 million in relation to the 40% share purchase were treated as adjusting items within adjusted profit.

The fair value of the net assets acquired and liabilities assumed at the acquisition date were:

	£'000
Property, Plant and Equipment	543
Inventories	1,485
Trade and other receivables	460
Trade and other payables	(1,749)
Loan	(468)
Cash and cash equivalents	1,368
Right-of-use lease asset	2,155
Lease liability	(2,155)
Brand valuation	5,341
Deferred tax	(1,273)
Non-controlling interest	(2,283)
Fair value of assets acquired	**3,424**
Total consideration	**5,525**
Goodwill	**2,101**

The residual goodwill recognised on the acquisition of Pro Tiler Limited represents the proportion of consideration attributable to value acquired in excess of the separately identified assets and liabilities presented above.

Consideration comprised:

	£'000
Cash	5,336
Directors' loan payable to Pro Tiler Limited	189
Total consideration	**5,525**

The net cash outflow in the cash flow statement in the period was as follows:

	£'000
Cash consideration	5,336
Cash acquired	(1,368)
Net cash outflow in the cash flow statement	**3,968**

Since the date of control, the following amounts have been included within the Group's financial statements for the period (excluding amortisation of the Pro Tiler brand):

	£'000
Revenue	9,196
Profit before tax	576

Had the acquisition been included from the start of the period, £14,673,000 of revenue and £705,000 of profit before tax would have been included in the Group's financial statements for the period.

13 RELATED PARTY TRANSACTIONS

MS Galleon AG is a related party by virtue of their 29.9% shareholding (58,569,649 ordinary shares) in the Group's issued share capital (2021: 20% shareholding of 38,992,750 ordinary shares).

At 1 October 2022 MS Galleon AG is the owner of Cersanit, a supplier of ceramic tiles with whom the Group made purchases of £1,253,296 during the year which is 1.1% of cost of goods sold (2021: purchases of £460,000 during year which is 0.5% of cost of goods sold).

An amount of £113,718 was outstanding with Cersanit at 1 October 2022 (2021: £60,000). All transactions were conducted 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 IAS 24.

The remuneration of the Board of Directors, who are considered key management personnel of the Group, was £1.4 million (2021: £1.2 million) including share-based payments of £0.1 million (2021: £nil).