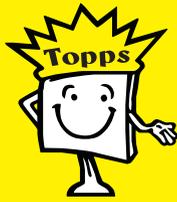


Excellent results in all areas...



Topps Tiles Plc
Interim Report 2003



...consistently
delivering growth
and great results

**TOPPS TILES ARE THE UK'S LARGEST
SPECIALIST CERAMIC TILE RETAILER.**

Since 1984 we have achieved continual growth in turnover and been consistently profitable. We pride ourselves on the levels of service and range and quality of products we offer our customers. Going forward, we aim to maintain growth by meeting all our objectives without compromising our commitment to excellent customer service.





The Group has continued to deliver strong results across all areas

- Group turnover increased by 18.7% to £88.95m
- Gross margin increased to 57.2%
- Profit before tax increased by over 41% to £12.51m
- Net margin 14.1% (2002: 11.8%)
- Basic earnings per share increased by over 39% to 19.26p
- A further Interim net dividend of 3.00 pence per share to be paid on 30th June 2003
- Net Cash position of £9m
- 21 new stores opened in the UK
- 7 stores now trading in Holland



EXECUTIVE BOARD STATEMENT



Barry Bester
Executive Chairman & Co-Founder



Nicholas Ounstead
Chief Executive Officer

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

As previously announced we have changed our accounting period end date from the nearest Saturday to 31 May to the nearest Saturday to 30 September. We are therefore reporting a second interim announcement to 29 March 2003 (10 months) and will announce again at the period end of 27 September 2003 (16 months).

Financial Results

	2002/03 Ten months to 29/03/03 £'000	2001/02 Ten months to 30/03/02 £'000	Change %
Group Turnover	88,950	74,939	+18%
Gross Margin %	57.2%	56.2%	
Profit before tax	12,507	8,865	+41%
Net Margin %	14.1%	11.8%	
Basic earnings per share (pence)	19.26p	13.83p	+39%
Interim net dividend per share (pence)	6.35p	1.35p	+370%
Net Cash position	9,023	2,275	

Results

Profit and Loss Account

During the period, overall turnover increased by 18.7% to £88.95 million from £74.94 million in the same period last year, with like for like sales increasing by 10.5% for the ten month period.

Gross margins have improved further to 57.2% for the period to date compared with 56.2% in the same period last year and 57.0% in the six month period to 30 November 2002.

Operating costs as a percentage of sales were 43.4% compared to 44.2% in the same period last year.

Profit before tax increased by over 41% to £12.51 million compared to £8.86 million in the same period last year.

Net margin, excluding the Holland joint venture, has increased to 14.1% compared to 11.8% in the same period last year.

Basic earnings per share has increased by over 39% to 19.26 pence compared to 13.83 pence in the same period last year.

Balance Sheet

Capital expenditure, excluding freehold property, amounted to £3.2 million. This includes expenditure on a total of 23 new stores in the period, of which 21 stores are currently open and trading and two are near completion. There were also 16 major store refits in the period along with further development and upgrading of the I.T. infrastructure.

The Group currently owns 10 freehold sites and has one further site still under development. These sites have a total net book value of £4.0 million. Within the period three additional freehold sites were acquired at a total cost of £1.7 million and there was further expenditure on the development sites in Erdington and Mansfield of £191,000.

At the period end, cash balances for the Group were £9.0 million compared to £3.1 million for the same period end last year. The Group has no bank loans (2001/02 £781,000) and consequently no balance sheet gearing.



Stuart Williams
Deputy Chairman & Co-Founder



Andrew Liggett
Finance Director

Dividend

We are continuing with our progressive dividend policy and announcing a further interim dividend of 3.00 pence per share which brings the total interim dividend for the ten month period to 6.35 pence per share. This interim dividend will be paid on 30 June 2003 to shareholders on the register as at 30 May 2003.

Operational Review

The proven appeal of Topps Tiles has continued to shine through despite the well documented, challenging conditions faced by some retailers. We are confident of achieving our store opening target for the 16 month period of a net 24 new stores. We have opened 21 new stores, closed 5 (in line with our ongoing policy of reviewing site location and suitability) and sold one store into the joint venture in Holland, giving a net increase of 15. Of the new stores opened 14 were Topps Tiles and 7 Tile Clearing House, giving a total of 186 stores of which 151 are Topps Tiles and 35 are Tile Clearing House outlets. Within existing Topps Tiles stores, we have increased the number of floorstores, which offer an enhanced range of wood flooring products to 10 and Tile Studios which offer a premium range of tiles on a special order basis, to 19. We plan to roll out both of these concepts into existing and new stores where space permits.

Margin continues to move forward, now 57.2% compared with 56.2% for the same period last year, achieved through the benefits of bigger volumes and buying outside the EU feeding through our own warehouse.

Operating costs in the period represented 43.4% compared with 44.2% for the same period last year and we continue to look at ways to improve this further. Stock cover is now 158 days compared to 172 for the same period last year as the core range initiative and enhanced I.T. systems start to show benefits.

We are pleased with the progress of our joint venture in Holland and now have seven stores trading. Tiles have now been introduced complementing the established offer of laminate and wood flooring products and early signs are encouraging. We continue to benefit throughout the Group from the improved margin, gained through the knowledge of our co-investor on laminate and wood flooring products.

In April the Group completed a deal to acquire a purpose built warehouse facility in close proximity to the current facilities in Leicestershire. This will be operationally available from early 2004 and will give the business the additional warehousing and distribution capacity it requires to achieve its stated store target of 250 Topps Tiles Stores and 100 Tile Clearing House Stores.

The Market

The desire of the British householder to improve their homes continues to fuel the growth in the tile market with the "improve not move" mentality continuing. Topps are strengthening their position in the market by sponsoring "Home" on the ITV network and the UK Living Channel on Sky, which features Changing Rooms and Ground Force amongst its shows. We are also extending our sponsorship of the weather on Carlton Television which is proving successful, along with our regular radio and press advertising.

The U.K non-contract ceramic tile market is valued at £430 million, at retail selling prices, and is forecast to grow 16% by 2006, along with the laminate and wood flooring market which is also forecast to grow, by 35% in value terms, between 2003-2007 (source MSI).

Current Trading and Prospects

In the first five weeks of the final 6 month period, like for like sales have shown a 15.1% increase with overall sales showing an increase of 25.3%, although this does reflect the sales benefit from a later Easter period this year. We have also opened a further 3 new stores and we continue on course to meet the target of a net 24 new stores, in the U.K, this financial period.

Demand for ceramic tiles and wood flooring products continues to grow strongly and represents an increasing share of the floor and wall coverings market.

The Board therefore remains confident that our growth is sustainable. We shall continue to build and develop our successful consumer franchise thus enabling us to gain market share and deliver superior shareholder returns.



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 10 months ended 29 March 2003

	Ten months ended 29 March 2003 Unaudited £'000	Ten months ended 30 March 2002 Unaudited £'000	Period ended 1 June 2002 Audited £'000
Turnover, including joint venture	90,214	74,939	91,026
Share of turnover of joint venture	(1,264)	-	-
Group turnover	88,950	74,939	91,026
Cost of Sales	(38,054)	(32,835)	(40,029)
Gross Profit	50,896	42,104	50,997
Operating Expenses			
- employee profit sharing	(3,296)	(2,559)	(2,859)
- other operating expenses	(35,274)	(30,527)	(36,478)
Operating Profit	12,326	9,018	11,660
Share of joint venture's operating loss	(1)	-	-
Profit on ordinary activities before interest	12,325	9,018	11,660
Interest receivable and similar income	209	42	57
Interest payable and similar charges	(27)	(195)	(201)
Profit on ordinary activities before taxation	12,507	8,865	11,516
Tax on profit on ordinary activities	(3,839)	(2,659)	(3,477)
Profit on ordinary activities after taxation	8,668	6,206	8,039
Dividends	(2,860)	(607)	(3,208)
Transfer to reserves	5,808	5,599	4,831
Earnings per share - Basic	19.26p	13.83p	17.92p
- Diluted	19.16p	13.76p	17.83p

Note 1

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

CONSOLIDATED GROUP BALANCE SHEET

as at 29 March 2003

	29 March 2003 Unaudited £'000	30 March 2002 Unaudited £'000	1 June 2002 Audited £'000
Fixed assets			
Goodwill	603	288	285
Tangible assets	18,123	15,266	15,044
Joint venture undertaking			
- Share of assets	759	-	-
- Share of liabilities	(635)	-	-
	124	-	
	18,850	15,554	15,329
Current assets			
Stocks	19,591	18,842	19,019
Debtors	4,294	4,669	3,802
Cash in bank and in hand	9,023	3,056	5,142
	32,908	26,567	27,963
Creditors: Amounts falling due within one year	(21,001)	(16,266)	(17,935)
Net current assets	11,907	10,301	10,028
Total assets less current liabilities	30,757	25,855	25,357
Creditors: Amounts falling due after more than one year	-	(577)	(526)
Provisions for liabilities and charges	(1,033)	(893)	(1,007)
Net assets	29,724	24,385	23,824
Capital and reserves			
Called - up share capital	5,630	5,610	5,623
Share premium	1,392	1,113	1,307
Merger reserve	(399)	(399)	(399)
Profit and Loss - brought forward	17,293	12,462	12,462
- current year	5,808	5,599	4,831
Equity shareholders' funds	29,724	24,385	23,824

CONSOLIDATED GROUP CASHFLOW STATEMENT

as at 29 March 2003

	29 March 2003 Unaudited £'000	30 March 2002 Unaudited £'000	1 June 2002 Audited £'000
Net cash inflow from operating activities	17,391	8,526	10,426
Returns on investment and servicing of finance	182	(153)	(163)
Taxation	(4,164)	(3,005)	(3,005)
Capital expenditure	(4,275)	(363)	(163)
Acquisitions and disposals	(480)	-	-
Equity dividends paid	(4,119)	(2,332)	(2,323)
	4,535	2,673	4,772
Financing	(654)	(1,823)	(1,836)
Increase in cash	3,881	850	2,936
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	12,326	9,018	11,660
Depreciation charges	1,851	1,579	1,912
Loss on disposal of fixed assets	162	28	-
Goodwill amortisation	37	-	17
(Increase) in stocks	(572)	(1,461)	(1,726)
(Increase) / decrease in debtors	(1,310)	32	338
Increase / (decrease) in creditors	4,897	(671)	(1,775)
	17,391	8,526	10,426
Return on investments and servicing of finance			
Interest received	209	42	57
Interest paid	(27)	(195)	(213)
Interest element of hire purchase rentals	-	-	(7)
Interest capitalised	-	-	-
	182	(153)	(163)
Capital expenditure			
Payments to acquire tangible fixed assets	(5,093)	(2,746)	(3,954)
Receipts from sales of tangible fixed assets	818	2,383	3,791
	(4,275)	(363)	(163)
Financing			
Proceeds from issue of ordinary share capital	92	117	324
Expenses in connection with issue of share capital	-	-	-
New loans	-	-	-
Repayment of loans	(746)	(1,940)	(1,976)
Capital element of hire purchase rentals	-	-	(184)
	(654)	(1,823)	(1,836)
Summary			
Opening cash position	5,142	2,206	2,206
Movement	3,881	850	2,936
Closing cash position	9,023	3,056	5,142

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the ten months ended 29 March 2003

1 Basis of preparation

- (a) The interim report was approved by the board on 12 May 2003. The financial information for the ten months ended 29 March 2003 and similarly the financial information for the ten months ended 30 March 2002 have not been audited. The financial information for the period ended 1 June 2002 has been extracted from the audited financial statements for that period.
- (b) The financial information contained in the interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the year ended 1 June 2002 incorporating an unqualified audit report, which did not contain statements under section 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.
- (c) The financial information contained in this interim report has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the period ended 1 June 2002.

2 Taxation

Corporation Tax for the ten months ended 29 March 2003 has been provided for at the estimated effective rate of 30%.

3 Interim dividend

An interim net dividend of 3.00 pence per Ordinary Share has been declared payable on 30 June 2003 to shareholders on the register on 30 May 2003. This interim dividend brings the period to date dividend level to 6.35 pence per share for the ten month period.

4 Earnings per share

Basic earnings per share for the ten months ended 29 March 2003 have been calculated on earnings (after the deduction of taxation) of £8,668,000 (2002: £6,206,000) and on Ordinary Shares of 45,012,230 (2002: 44,862,743), being the weighted average of Ordinary Shares in issue during the period.

Diluted earnings per share for the ten months ended 29 March 2003 have been calculated on earnings (after the deduction of taxation) of £8,668,000 (2002: £6,206,000) and on Ordinary Shares of 45,234,025 (2002: 45,096,340) being the weighted average of Ordinary Shares and Share Options in issue during the period.

5 Copies of the interim results

Copies of the interim results have been sent to shareholders, 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



CENTRAL REGION

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

Chingford
Colindale
Crayford
Croydon
Dagenham
Eastbourne ●
Edmonton
Eltham ●
Fulham
Gatwick
Gunnersbury
Harlow
Ilford
Maidstone
Mitcham
New Southgate
Newbury
Old Kent Road
Orpington
Penge
Raynes Park
Reading
Romford
Sittingbourne ●
Slough ●
Southall
Southampton
Southend
Stamford Hill
Swindon
Tonbridge
Tunbridge Wells
Twickenham
Uxbridge
Vauxhall
Waltham Cross*
Watford
Wembley

NORTH WEST

Aintree
Blackpool
Bolton
Cheadle
Chester
Chester 2
Chorley ●
Cleveleys
Crewe
Failsworth
Flint ●

LONDON AND THAMES SOUTH

Basildon
Beckton
Bexhill ●
Brighton
Broadstairs
Canterbury
Catford
Charlton
Chelmsford ●

Liverpool
Macclesfield
Morecambe
Oldham
Ormskirk ●
Preston
Sale
Salford
Snipe (Audenshaw)
St Helens
Stockport
Warrington
Widnes
Wigan

NORTH

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

SCOTLAND

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

SOUTH WEST

Barnstaple
Basingstoke
Bristol
Cardiff
Cheltenham
Christchurch
Cribbs Causeway ●

Exeter
Gloucester
Newport
Plymouth
Poole
Swansea
Taunton
Torquay ●
Weston Super Mare
Winchester
Yeovil

● New store 2002/03

TOTAL 151 STORES

LONDON STORES



Stores at beginning of period	139
New stores opened	14
Transfer from TCH*	1
Sub-Total	154
Closures	(2)
Holland Store sold to J. V.	(1)
Total	151



TOTAL 35 STORES

CENTRAL REGION

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

NORTH

- Bradford ●
- Darlington
- Doncaster
- Hull
- Sheffield

SOUTH WEST

- Bournemouth
- Bridgend
- Exeter

SCOTLAND

- Aberdeen

LONDON AND THAMES SOUTH

- Barking ●
- Beckenham ●
- Charlton
- Farnborough
- New Southgate
- Orpington
- Swindon
- Wembley

NORTH WEST

- Bolton
- Cheadle ●
- Crosby
- Maghull ●
- Oldham ●
- Preston
- Stockport
- Wigan

● New store 2002/03

Stores at beginning of period	32
New stores opened	7
Transfer to Topps	(1)
Sub-Total	38
Closures	(3)
Total	35



Topps Tiles Plc

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