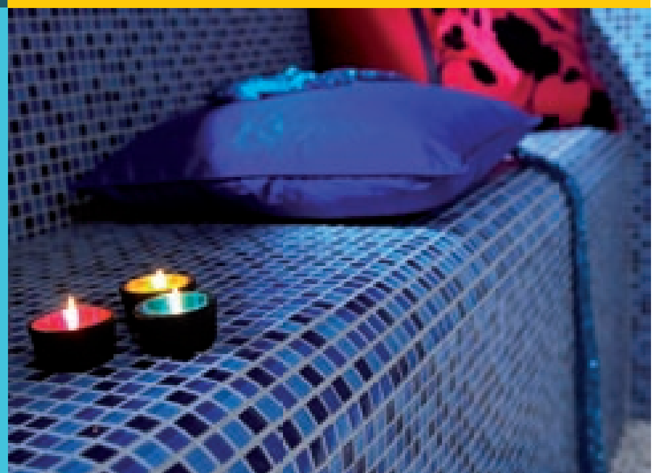
GREAT CHOICE.

GREAT PRICES.



GREAT SERVICE.

Topps Tiles

Topps Tiles Plc Half Year Report 2010

"The economic environment remains challenging for retailers, with consumer confidence and discretionary spending continuing to show signs of weakness. In light of this backdrop, our business has performed robustly; growing sales and continuing to keep a tight control on costs. As the market-leading brand with a distinct focus on outstanding customer service and value, we believe the business is well placed to benefit when consumer confidence returns".

Matthew Williams
Chief Executive Officer

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Matthew Williams
Chief Executive Officer
2 June 2010

Rob Parker
Finance Director

Our highlights

£91.4m
Group revenue
(2009: £87.6m*)

+2.0%
Group like-for-like revenue
(2009: decline of 18.5%)

No interim dividend declared in order to focus on reducing the level of net debt and to improve financial flexibility (2009: nil).

58.8%
Gross margin
(2009: 60.4%*)

£43.5m
Operating costs
(2009: £42.0m*)

£10.3m
Operating profit
(2009: £10.9m*)

£7.8m
Adjusted Profit before tax and discontinued operations**
(2009: £8.7m*)

£7.4m
Profit before tax and discontinued operations
(2009: £1.3m*)

3.01p
Adjusted earnings per share***
(2009: 3.30p)

3.39p
Basic earnings per share
(2009: 0.11p)

£57.7m
Net debt****
(2009: £85.0m)

* Comparative numbers are presented after restating the income statement to reflect the Dutch business as a discontinued operation, further information is provided in note 4.

** Adjusted profit before tax excludes exceptional charges for the impairment of plant, property and equipment of £0.2 million (2009: £0.6 million) and a £0.2 million charge relating to the interest rate derivatives the Group has in place (per IAS 39) (2009: £6.9 million).

*** Adjusted for the post tax effect of the interest rate derivatives charge detailed above, exceptional items, and the impact of discontinued operations.

**** Net debt is defined as bank loans, before amortised issue costs (note 7) and less cash and cash equivalents.

Please note this interim management report has been prepared for the 27 weeks ended 3 April 2010 and the comparative period has been prepared for the 26 weeks ended 28 March 2009. With the exception of the Group like-for-like revenue measure which is comparable, the highlights are presented on this basis and are not entirely comparable. The impact of the additional week is to increase revenue by £3.6 million and operating profit by £0.4 million.

Interim management report

Please note this interim management report has been prepared for the 27 weeks ended 3 April 2010 and the comparative period has been prepared for the 26 weeks ended 28 March 2009. Unless otherwise stated, numbers are presented on this basis and are not entirely comparable. The impact of the additional week is to increase revenue by £3.6 million and operating profit by £0.4 million. Comparative numbers are stated after representing the income statement to reflect the Dutch business as a discontinued operation, further information is provided in note 4.

Income statement
We are pleased to report our financial results for the first 27 weeks of the 2009/10 financial year.

The UK economy continues to be a challenging environment for retailers and in particular those dependent on discretionary spend and consumer confidence. During the first half of our financial year we have seen the uncertain economic outlook affect consumer confidence and in turn impact business trading patterns.

Overall revenue increased by 4.3% to £91.4 million (2009: £87.6 million), and when restated on an equivalent reporting period to last year total revenue increased by 0.2%. Like-for-like revenues have increased by 2.0%. Overall gross margin for the Group was 58.8% compared to 60.4% last year. Whilst overall gross margin has fallen compared to the prior period we have generated an increase when compared to the second half of the last financial year when UK margin was 58.1%. This has been driven by some improvement in the value of sterling and our ongoing work to ensure we continue to buy at the very best cost prices, both favourably impacting our cost of imported goods.

Operating costs were £43.5 million, compared to £42.0 million in the prior year. The additional week we have accounted for in the current financial period equates to approximately £1.6 million of additional costs and when adjusting for this costs are broadly flat year on year. Within the total operating costs we have increased payments under the employee profit share category by approximately £0.9 million compared to the prior year. These payments reflect the amounts paid to store staff for sales commissions and bonuses. The additional costs have been offset by savings across a number of other areas. During this period the business traded from an average of 309 UK stores compared to 319 in the prior interim period.

Operating profit for the period was £10.3 million (2009: £10.9 million), a decrease of 6.1% year-on-year.

There were no property disposals in the period (2009: none).

£91.4m
Group revenue
(2009: £87.6m*)

£10.3m
Operating profit
(2009: £10.9m*)

* As explained on page 1

£7.8m
Adjusted profit before tax and discontinued operations*
(2009: £8.7m*)

* As explained on page 1

Income statement (continued)

The net interest charge for the Group was £2.7 million (2009: £2.8 million).

The adjusted profit before tax and discontinued operations was £7.8 million (2009: £8.7 million).

In addition to the interest charge above there is a fair value (non-cash) loss on the movement in the interest rate derivatives of £0.2 million (2009: £6.9 million). This charge has reduced significantly compared to the prior year reflecting the relative stability we have seen in the outlook for interest rates. Due to the nature of the underlying financial instruments IAS 39 does not allow hedge accounting to be applied to these losses and hence this charge is being applied direct to the income statement rather than offset against balance sheet reserves.

Including these charges and the exceptional items detailed on page 1 the profit before tax and discontinued operations for the Group is £7.4 million (2009: £1.3 million).

The effective rate of corporation tax on continuing operations for the period was 29.6% (2009: 34.5%). The effective tax rate has been favourably impacted as a result of an increase in the proportion of assets qualifying for capital allowances and lower levels of non deductible losses generated from the disposal of fixed assets.

Following the decision to withdraw funding from the loss making Dutch subsidiary in December 2009 and subsequent administration there has been a £1.0 million non cash gain in the period. This gain reflects the final accounting entries relating to the Dutch subsidiary and includes the write down of the remaining balance sheet items, principally creditors, onerous lease provisions, stock and overdraft balances. This has been presented in the consolidated income statement under "discontinued operations" and we have also adjusted the losses from the prior period into the same category.

Basic earnings per share were 3.39p (2009: 0.11p). Adjusting for the post tax impact of the interest rate derivatives charge detailed above, exceptional items, and the impact of discontinued operations the revised basic earnings per share were 3.01p (2009: 3.30p).

Interim management report continued

Results for the 27 weeks ended 3 April 2010

Highlights

Financial KPIs	27 weeks to 3 April 2010	26 weeks to 28 March 2009
Group revenue	**£91.4m**	£87.6m
Like-for-like revenue year-on-year	**2.0%**	–18.5%
Total sales growth year-on-year	**4.3%**	–13.4%
Gross margin	**58.8%**	60.4%
Operating profit	**£10.3m**	£10.9m
Operating profit – % of revenue	**11.2%**	12.5%
Finance costs less investment revenue	**£2.7m**	£2.8m
Fair value loss on interest rate derivatives	**£0.2m**	£6.9m
Profit before tax and discontinued operations	**£7.4m**	£1.3m
Profit before tax and discontinued operations margin	**8.1%**	1.5%
Profit for the period	**£6.2m**	£0.2m
Adjusted basic earnings per share	**3.01p**	3.30p
Basic earnings per share	**3.39p**	0.11p
Interim dividend per share	**nil**	nil
Net debt position	**£57.7m**	£85.0m
Stock days	**125**	149

Non-financial KPIs	27 weeks to 3 April 2010	26 weeks to 28 March 2009
Customer satisfaction – %	**97.6%**	99.0%
Number of stores at period end	**309**	339

309

Number of stores at period end
(2009: 339)

Financial Position

The Group currently owns 6 freehold or long leasehold sites including two warehouse and distribution facilities with a total net book value of £13.4 million (2009: £16.0 million).

Capital expenditure in the period amounted to £1.5 million (2009: £1.5 million). We have opened 3 new stores in the period which continues to be lower than the levels of openings we have seen historically – this is the principal driver of the continued low level of expenditure. We also continue to focus on maximising efficiencies and rationalising discretionary expenditure.

There has been no acquisition of freehold property in the first half (2009: none).

At the period end cash and cash equivalents for the Group were £37.0 million (2009: £17.3 million) and borrowings were £94.8 million (2009: £102.2 million). The Group therefore has a net debt position of £57.7 million (2009: £85.0 million).

At the period end the Group had £26.1 million of inventories (2009: £31.6 million) which represents 125 inventory days cover (2009: 149 days).

Fund Raising

During the period the Company completed a successful accelerated bookbuild placing on 24 November 2009, raising gross proceeds of approximately £15.4 million. The placing was undertaken to help provide the Company with both additional financial flexibility in the event of a further downturn in consumer confidence and spending and also additional resources to support the Company's growth strategy as opportunities arise in the market.

Key Performance Indicators

As set out in our most recent annual report, we monitor our performance implementing our strategy with reference to clear targets set for key performance indicators ("KPIs"). These KPIs are applied on a Group wide basis. Performance in the 27 weeks ended 3 April 2010 is set out in the table opposite. The source of data and calculation methods are consistent with those used in the 2009 annual report.

Dividend

In line with the Board's view at the end of the last financial year we have decided not to pay an interim dividend for the year (2009: no interim dividend). The Board remains focussed on reducing the level of net debt and re-weighting the Group's capital structure. The dividend policy will continue to be closely reviewed on a bi-annual basis and the Board will look to reinstate a dividend when it has a sufficient level of confidence in the economic outlook.

Interim management report continued

+2.0%

Group like-for-like revenue
(2009: decline of 18.5%)

Strategic Intent

The Group strategy is focussed around delivering outstanding service and value to our customers. The key elements to the success of this strategy are customer service, store locations, store layout, product choice and availability. This strategy has underpinned our resilient business model and we believe it will continue to serve the Company and its many stakeholders well. It will continue to enable the business to withstand periods of weakness in consumer confidence, as well as to benefit when economic conditions improve.

Key operational objectives:

- Deliver customers outstanding value for money and service to ensure they always "return and recommend".
- Maintain our market leading position.
- Manage the store estate prudently, and only open new stores where excellent opportunities arise that complement the existing portfolio.
- Continued development of our in store customer offer to maintain our competitive advantage.
- Continued development of our transactional website to further improve our service offer to customers.
- Ongoing review of the store portfolio to ensure our estate is keeping track with consumer shopping patterns and our cost base is as efficient as possible.

Financial objectives:

- Primary focus on increasing revenues and cash generation, maintaining tight cost control and maximising net debt reduction.
- Maximising earnings per share and shareholder returns, including review of our dividend policy on a bi-annual basis.
- Ongoing supplier tendering and benchmarking of non-stock suppliers.
- Manage the Group's exposure to fluctuations in foreign exchange rates.
- Maintaining a capital structure which enables an appropriate balance of financial flexibility and capital efficiency.

£57.7m

Net debt*
(2009: £85.0m)

* As explained on page 1

Operational review

We are focused on trading as effectively as possible through the ongoing challenging economic cycle. Our primary objectives continue to be centred on optimising returns from the existing estate, managing our cost base very carefully and improving our financial flexibility. The Board is satisfied with performance during the period which has again demonstrated the resilience of the business model. Net debt continues to reduce and the business remains cash generative (when adjusting for different period lengths) despite the difficult retail trading environment.

As discussed in the financial review, we continue to maintain a close focus on costs and have reported that underlying costs are in line with the previous year, in which we generated savings of around £9.0 million. We will continue to monitor the economy very closely and in particular signs of a sustained recovery in levels of consumer confidence. When the Board considers it appropriate we would expect to re-invest some of the savings we have generated over the last two years into two key areas of the business – staffing and marketing. Staffing will need to increase as and when we see a sustained improvement in customer footfall to ensure that our service levels are maintained. Marketing remains at a low historical level and we plan to return to a higher level of spend once sufficient certainty in the outlook exists.

As previously indicated we have adopted a prudent approach to expansion of our store estate and will only consider those opportunities that are an excellent fit with the existing portfolio. In the UK, since September 2009 we have opened 3 new stores and closed 3 stores, 2 of the 3 openings being related to relocation of existing stores. At the period end the Group was trading from a total of 309 stores in the UK (March 2009: 317 UK stores and 22 Dutch stores), 267 Topps and 42 Tile Clearing House. As discussed further on page 8, the Group no longer trades from any stores in Holland.

The Group's e-commerce business, which launched in 2008, continues to make good progress. Our website enables customers to research their project and browse our range in advance of a potential purchase and then either locate their nearest store, or, where customers prefer, complete their purchase on-line. This extension to the existing store estate continues to grow in popularity and has seen a steady increase in sales such that it is now equivalent to one of our best performing stores. In addition we are continuing to embrace new technologies wherever possible and have recently launched a mobile phone version of our product catalogue and store locator.

We continue our commitment to community relations through sponsorship and charitable initiatives. We work closely with local communities and sponsor over 300 local football teams through our youth football initiative, where each store sponsors a junior football team providing them with new kits and equipment. We work with the British Association of Modern Mosaic and sponsor two national Mosaic competitions which focus on primary schools and community workshops. We are also proud to support our nominated charity Help for Heroes, which we have been doing since 2008, and which we hope to make Topps' biggest ever fundraising campaign.

Interim management report continued

£37.0m

Cash and cash equivalents
(2009: £17.3m)

Holland

During the period the Board took the decision to withdraw support and funding for its loss-making Dutch subsidiary, as announced on 18 December 2009.

The Dutch subsidiary comprised 12 stores and accounted for 4% of the Group's revenue in 2009, but made a loss of £5.0 million during the last financial period. The Board undertook an extensive review of the Dutch business during 2008 and 2009 during which time the management team of the Dutch business was reorganised and it became apparent that significant structural issues needed to be addressed. The restructuring of the business on a financially sustainable basis was not successful and the business faced increasing challenges as financial performance declined, in part driven by the difficult economic climate. The business had been loss making since 2008 and trading continued to be significantly behind revised financial targets set by the local management team.

As a consequence of the notification of the withdrawal of support the local management team took the decision to cease trading and appoint an administrator. We anticipate that the administration process will be completed over the coming months.

This series of actions and subsequent removal of the Dutch business from the Group's consolidated financial statements has resulted in a £1.0 million one off non-cash gain. This gain reflects the final accounting entries relating to the Dutch subsidiary and includes the write down of the remaining balance sheet items, principally creditors, onerous lease provisions, stock and overdraft balances. This has been presented in the consolidated income statement under "discontinued operations" and we have also adjusted the losses from the comparative periods into the same category.

The UK business was not impacted by this decision.

Risks and uncertainties

The 2009 Annual Report and Accounts highlighted that the Board's primary focus when reviewing key risks and uncertainties are:

- the ongoing weakness of the UK economy and the anticipated impact of this on business performance.
- Impact on sourcing costs due to the weakness of sterling in comparison to the Euro and US dollar currencies.
- Ensuring an appropriate capital structure and availability of future funding requirements.

Risks and uncertainties (continued)

This continues to be the case and the Board's response to these risks is articulated throughout this report. This includes:

- Ongoing improvement in our existing retail operations, including regular review of our product offer and customer service to ensure that we are maximising the opportunity to deliver sales.
- Review, and reduction, of costs across all areas of the business to offset as far as possible a softening in revenues.
- A prudent approach to further expansion, and consequent reduction in capital expenditure.
- Tight management of cash and reduction in net debt to improve financial flexibility.
- Ongoing review of the Group's sourcing strategy to enable us to deliver greater value for money whilst maintaining returns.

Approximately 20% of our cost of goods sold are sourced in either US dollar or Euro. Sterling has continued to trade against these currencies at historically weak levels which has resulted in an increase in our cost of goods. To counteract as much of this impact as possible we will continue to review our sourcing policies to look for opportunities to reduce cost prices.

The Group's loan facility contains financial covenants which are tested on a bi-annual basis. Based on current trading and the Board's current expectations for the next 12 months the Board expect that the Group will be able to continue to operate within its current financial covenants. The current loan facility expires in January 2012 and the Board has a policy of having at least 12 months of committed facilities available. As a consequence the Board anticipates renewing the current loan facility over the course of the next 12 months.

During the period the Company completed a successful accelerated bookbuild placing on 24 November 2009, raising gross proceeds of approximately £15.4 million. The placing was undertaken to help provide Topps Tiles with both additional financial flexibility in the event of a further downturn in consumer confidence and spending and also additional resources to support the Company's growth strategy as opportunities arise in the market.

The Board remains confident that the business will continue to be both profitable and cash generative and as such will not require any additional funding.

In addition to the above risks the Board considers other key risks include its relationship with key suppliers, the potential threat of new competitors, the risk of failure of key information technology systems, loss of key personnel and development of substitute products.

The Directors will continue to monitor all of the key risks and uncertainties and the Board will take appropriate actions to mitigate these risks and their potential outcomes.

Interim management report continued

Going concern

Based on a detailed review of the above risks and uncertainties, the financial facilities available to the Group, management's latest revised forecasts and a range of sensitised scenarios the Board believe the Group will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. The Board, therefore, consider it appropriate to prepare the financial statements on a going concern basis.

Related party transactions

There have been no material changes in the related party transactions described in the last annual report.

Current trading

In the first seven weeks of the current period overall Group revenues decreased by 5.1%. Like-for-like revenues across the Group decreased by 4.3%.

Outlook

There remains uncertainty over the economic environment and whilst this continues we expect consumer confidence to be weak and trading in the retail sector to remain challenging.

Our current trading figures demonstrate the challenges facing retailers, with ongoing pressure on consumer spending levels and confidence. We will continue to focus on our financial and operational objectives, maximising cash generation and maintaining a tight control on costs, as well as delivering outstanding customer service and value. We believe this strategy will enable us to benefit as the economy recovers and consumer confidence returns.

Matthew Williams
Chief Executive Officer

Rob Parker
Finance Director

2 June 2010

Cautionary statement

This Interim Management Report ("IMR") has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report but statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This interim management report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Topps Tiles Plc and its subsidiary undertakings when viewed as a whole.

Condensed consolidated income statement

For the 27 weeks ended 3 April 2010

	Note	27 weeks ended 3 April 2010 £'000 (Unaudited)	Restated* 26 weeks ended 28 March 2009 £'000 (Unaudited)	Restated* 52 weeks ended 26 September 2009 £'000 (Audited)
Group revenue – continuing operations	2	**91,432**	87,634	178,796
Cost of sales		**(37,652)**	(34,713)	(72,121)
Gross profit		**53,780**	52,921	106,675
Employee profit sharing		**(3,293)**	(2,416)	(5,258)
Distribution costs		**(32,971)**	(32,336)	(65,405)
Other operating expenses		**(2,360)**	(2,860)	(5,635)
Administrative costs		**(3,655)**	(3,265)	(6,688)
Sales and marketing costs		**(1,229)**	(1,100)	(2,348)
Group operating profit before exceptional items		**10,475**	11,516	22,837
Impairment of plant, property and equipment		**(203)**	(572)	(1,027)
Restructuring and other one-off costs		**–**	–	(469)
Group operating profit	2	**10,272**	10,944	21,341
Other gains and losses		**–**	–	(349)
Investment revenue		**202**	222	429
Finance costs		**(2,923)**	(3,027)	(5,707)
Fair value loss on interest rate derivatives		**(178)**	(6,857)	(5,833)
Profit before taxation	2	**7,373**	1,282	9,881
Taxation	3	**(2,182)**	(442)	(3,182)
Profit for the period from continuing operations		**5,191**	840	6,699
Discontinued operations				
Profit/(loss) for the period from discontinued operations	4	**1,022**	(656)	(4,977)
Profit for the period attributable to equity holders of the parent Company		**6,213**	184	1,722
Earnings per ordinary share (restated)	6			
From continuing operations				
– basic		**2.83p**	0.49p	3.90p
– diluted		**2.77p**	0.49p	3.86p
From continuing and discontinued operations				
– basic		**3.39p**	0.11p	1.00p
– diluted		**3.31p**	0.11p	0.99p

*Comparative numbers are presented after restating the income statement to reflect the Dutch business as a discontinued operation. Further information is provided in note 4.

Condensed consolidated statement of comprehensive income

For the 27 weeks ended 3 April 2010

	27 weeks ended 3 April 2010 £'000 (Unaudited)	26 weeks ended 28 March 2009 £'000 (Unaudited)	52 weeks ended 26 September 2009 £'000 (Audited)
Exchange differences on translation of foreign operation	**–**	348	88
Profit for the period	**6,213**	184	1,722
Total comprehensive income for the period attributable to equity holders of the parent Company	**6,213**	532	1,810

Condensed consolidated balance sheet

As at 3 April 2010

	Note	3 April 2010 £'000 (Unaudited)	28 March 2009 £'000 (Unaudited)	26 September 2009 £'000 (Audited)
Non-current assets				
Goodwill		**245**	245	245
Property, plant and equipment		**31,787**	39,320	32,584
		32,032	39,565	32,829
Current assets				
Inventories		**26,112**	31,621	27,426
Trade and other receivables		**6,964**	3,215	4,105
Cash and cash equivalents		**37,042**	17,271	27,270
		70,118	52,107	58,801
Total assets		**102,150**	91,672	91,630
Current liabilities				
Trade and other payables		**(23,543)**	(29,642)	(30,669)
Derivative financial instruments		**(7,960)**	(8,782)	(7,826)
Bank loans	7	**(7,250)**	(7,250)	(7,250)
Current tax liabilities		**(6,158)**	(5,379)	(5,527)
Total current liabilities		**(44,911)**	(51,053)	(51,272)
Net current assets		**25,207**	1,054	7,529
Non-current liabilities				
Bank loans	7	**(87,091)**	(94,338)	(90,712)
Deferred tax liabilities		**(1,544)**	(979)	(1,877)
Provisions for liabilities and charges		**(1,112)**	–	(1,051)
Total liabilities		**(134,658)**	(146,370)	(144,912)
Net liabilities		**(32,508)**	(54,698)	(53,282)
Equity				
Share capital	10	**6,273**	5,703	5,703
Share premium		**1,001**	1,001	1,001
Merger reserve		**(399)**	240	240
Share-based payment reserve		**256**	248	240
Capital redemption reserve		**20,359**	20,359	20,359
Foreign exchange reserve		**–**	596	336
Retained earnings		**(59,998)**	(82,845)	(81,161)
Total equity		**(32,508)**	(54,698)	(53,282)

Condensed consolidated statement of changes in equity

For the 27 weeks ended 3 April 2010

	Equity attributable to equity holders of the parent							
	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 27 September 2009 (Audited)	5,703	1,001	240	240	20,359	336	(81,161)	(53,282)
Total comprehensive income for the period	–	–	–	–	–	–	6,213	6,213
Shares issued in respect of placing and open offer	570	14,296	–	–	–	–	–	14,866
Transfer to retained earnings	–	(14,296)	–	–	–	–	14,296	–
Credit to equity for equity-settled share-based payments	–	–	–	16	–	–	–	16
Deferred tax on share-based payment transactions	–	–	–	–	–	–	15	15
Release of reserve on disposal of subsidiary	–	–	(639)	–	–	(336)	639	(336)
Balance at 3 April 2010 (Unaudited)	**6,273**	**1,001**	**(399)**	**256**	**20,359**	**–**	**(59,998)**	**(32,508)**

For the 26 weeks ended 28 March 2009

	Equity attributable to equity holders of the parent							
	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 28 September 2008 (Audited)	5,703	1,001	240	322	20,359	248	(82,986)	(55,113)
Profit for the period	–	–	–	–	–	–	184	184
Exchange differences on translation of foreign operations	–	–	–	–	–	348	–	348
Total comprehensive income for the period	–	–	–	–	–	348	184	532
Credit to equity for equity-settled share-based payments	–	–	–	(74)	–	–	–	(74)
Deferred tax on share-based payment transactions	–	–	–	–	–	–	(43)	(43)
Balance at 28 March 2009 (Unaudited)	**5,703**	**1,001**	**240**	**248**	**20,359**	**596**	**(82,845)**	**(54,698)**

For the 52 weeks ended 26 September 2009

	Equity attributable to equity holders of the parent							
	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 28 September 2008 (Audited)	5,703	1,001	240	322	20,359	248	(82,986)	(55,113)
Profit for the period	–	–	–	–	–	–	1,722	1,722
Exchange differences on translation of foreign operations	–	–	–	–	–	88	–	88
Total comprehensive income for the period	–	–	–	–	–	88	1,722	1,810
Credit to equity for equity-settled share-based payments	–	–	–	(82)	–	–	–	(82)
Deferred tax on share-based payment transactions	–	–	–	–	–	–	103	103
Balance at 26 September 2009 (Audited)	**5,703**	**1,001**	**240**	**240**	**20,359**	**336**	**(81,161)**	**(53,282)**

Condensed consolidated cash flow statement

For the 27 weeks ended 3 April 2010

	27 weeks ended 3 April 2010 £'000 (Unaudited)	Restated* 26 weeks ended 28 March 2009 £'000 (Unaudited)	Restated* 52 weeks ended 26 September 2009 £'000 (Audited)
Continuing operations			
Cash flow from operating activities			
Profit from operations	**10,272**	10,944	21,341
Adjustments for:			
Depreciation of property, plant and equipment	**2,028**	2,199	4,313
Impairment of property, plant and equipment	**203**	572	1,027
Restructuring and other one-off costs	**–**	–	437
Share option charge/(credit)	**16**	(73)	(82)
(Increase)/decrease in trade and other receivables	**(2,952)**	4,568	3,455
Decrease/(increase) in inventories	**615**	(1,050)	1,727
(Decrease)/increase in payables	**(5,805)**	210	4,237
Cash generated by operations	**4,377**	17,370	36,455
Interest paid	**(2,820)**	(3,770)	(5,901)
Taxation paid	**(1,896)**	(4,969)	(6,514)
Net cash (used in)/from operating activities	**(339)**	8,631	24,040
Cash flows from investing activities			
Interest received	**62**	416	303
Purchase of property, plant and equipment	**(1,479)**	(1,520)	(2,096)
Proceeds on sale of property, plant and equipment	**–**	–	1,972
Net cash (used in)/from investment activities	**(1,417)**	(1,104)	179
Cash flows from financing activities			
Proceeds from issue of share capital	**14,874**	–	–
Repayment of loans	**(3,750)**	(3,750)	(7,500)
Net cash from/(used in) financing activities	**11,124**	(3,750)	(7,500)
Net cash generated from continuing operations	**9,368**	3,777	16,719
Discontinued operations			
Net cash from/(used in) operating activities	**7**	(616)	(3,271)
Net cash from investing activities	**57**	66	175
Net cash from/(used by) discontinued operations	**64**	(550)	(3,096)
Net increase in cash equivalents	**9,432**	3,227	13,623
Cash and cash equivalents at beginning of period	**27,270**	13,977	13,977
Effect of foreign exchange rate changes	**340**	67	(330)
Cash and cash equivalents at end of period	**37,042**	17,271	27,270

*Comparative numbers are presented after restating the income statement to reflect the Dutch business as a discontinued operation. Further information is provided in note 4.

Notes to the condensed set of financial statements

For the 27 weeks ended 3 April 2010

1 General information

The interim report was approved by the Board on 2 June 2010. The financial information for the 27 weeks ended 3 April 2010 and similarly the 26 weeks ended 28 March 2009 has neither been audited nor reviewed. The financial information for the 52 week period ended 26 September 2009 has been based on information in the audited financial statements for that period.

The information for the 52 week period ended 26 September 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that 52 week period has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matter by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

This condensed set of consolidated financial statements has been prepared for the 27 weeks ended 3 April 2010 and the comparative period has been prepared for the 26 weeks ended 28 March 2009. The impact of the additional week's trading is to increase revenue by £3.6 million and operating profit by £0.4 million and the comparative amounts in the consolidated financial statements are not entirely comparable as a result.

Basis of preparation

The annual financial statements of Topps Tiles Plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Going concern

Based on a detailed review of the risks and uncertainties (see pages 8 and 9 of this interim report), the financial facilities available to the Group, management's latest revised forecasts and a range of sensitised scenarios the Board believe the Group will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. The Board, therefore, consider it appropriate to prepare the financial statements on a going concern basis.

Accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, except as described below.

In the current financial year, the Group has adopted International Financial Reporting Standard 8 "Operating Segments" and International Accounting Standard 1 "Presentation of Financial Statements" (revised 2007).

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, the segmental information required by IAS 34 which is included in note 2 below is presented in accordance with IFRS 8. There has been no change in the basis of segmentation as a result of adopting IFRS 8.

IAS 1(revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a condensed consolidated statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

For the 27 weeks ended 3 April 2010

2 Business segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. These segments comprise (a) Topps Tiles retail operations in the UK; (b) TCH retail operations in the UK; and (c) the Topps Floorstore operation in Holland, which was disposed of on 22 December 2009.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period. Segment result represents the profit/(loss) earned by each segment without allocation of the central administration costs including Directors' salaries, other gains and losses, investment income, finance costs, fair value loss on interest rate derivatives and income tax expense.

Amounts reported for the comparative periods have been re-presented to conform to the requirements of IFRS 8. No inter-segment sales were made during the periods presented.

The following is an analysis of the Group's revenue and results by reportable segment in the 27 weeks ended 3 April 2010:

27 weeks ended 3 April 2010	Topps £'000	TCH £'000	Topps Floorstore £'000	Discontinued operations £'000	Consolidated £'000
Revenue	82,402	9,030	1,014	(1,014)	91,432
Result					
Segment result	10,343	420	1,032	(1,032)	10,763
Central administration costs					(491)
Operating profit					10,272
Investment revenues					202
Finance costs					(2,923)
Fair value loss on interest rate derivatives					(178)
Profit before tax					7,373
Tax					(2,182)
					5,191
Profit for the period from discontinued operations					1,022
Profit after tax and discontinued operations					6,213

2 Business segments (continued)

The following is an analysis of the Group's revenue and results by reportable segment in the 26 weeks ended 28 March 2009:

26 weeks ended 28 March 2009	Topps £'000	TCH £'000	Topps Floorstore £'000	Discontinued operations £'000	Consolidated £'000
Revenue	77,429	10,205	4,442	(4,442)	87,634
Result					
Segment result	10,513	519	(634)	634	11,032
Central administration costs					(88)
Operating profit					10,944
Investment revenues					222
Finance costs					(3,027)
Fair value loss on interest rate derivatives					(6,857)
Profit before tax					1,282
Tax					(442)
					840
Loss for the period from discontinued operations					(656)
Profit after tax and discontinued operations					184

The following is an analysis of the Group's revenue and results by reportable segment in the 52 weeks ended 26 September 2009:

52 weeks ended 26 September 2009	Topps £'000	TCH £'000	Topps Floorstore £'000	Discontinued operations £'000	Consolidated £'000
Revenue	158,643	20,153	7,265	(7,265)	178,796
Result					
Segment result	20,207	1,625	(4,916)	4,916	21,832
Central administration costs					(491)
Operating profit					21,341
Other gains and losses					(349)
Investment revenues					429
Finance costs					(5,707)
Fair value loss on interest rate derivatives					(5,833)
Profit before tax					9,881
Tax					(3,182)
					6,699
Profit for the period from discontinued operations					(4,977)
Profit after tax and discontinued operations					1,722

With the exception of the presentational changes required on adoption of IFRS 8 and IAS 1 (revised 2007), the accounting policies of the reportable segments are the same as the Group's accounting policies which are described in the Group's latest annual financial statements.

The measure of assets and liabilities between the Group's reportable segments is not regularly provided to the chief operating decision maker and accordingly is not presented in this half year report.

Notes to the condensed set of financial statements continued

For the 27 weeks ended 3 April 2010

3 Taxation

	27 weeks ended 3 April 2010 £'000 (Unaudited)	26 weeks ended 28 March 2009 £'000 (Unaudited)	52 weeks ended 26 September 2009 £'000 (Audited)
Current tax – charge for the period	**2,500**	1,470	3,441
Current tax – adjustment in respect of previous years	**–**	–	(275)
Deferred tax – (credit)/charge for the period	**(318)**	(1,028)	102
Deferred tax – adjustment in respect of previous years	**–**	–	(86)
	2,182	442	3,182

4 Discontinued operations

On 18 December 2009, the Group announced that it was withdrawing funding to the Dutch operation, which resulted in Topps Retail BV being placed into administration on 22 December 2009. The transaction was completed on 22 December 2009, on which date control of Topps Retail BV passed to the administrator and is therefore accounted as a disposal in the condensed consolidated financial statements.

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	27 weeks ended 3 April 2010 £'000 (Unaudited)	26 weeks ended 28 March 2009 £'000 (Unaudited)	52 weeks ended 26 September 2009 £'000 (Audited)
Revenue	**1,014**	4,442	7,265
Expenses	**(1,329)**	(5,098)	(12,242)
Loss before tax	**(315)**	(656)	(4,977)
Attributable tax expense	**–**	–	–
	(315)	(656)	(4,977)
Profit on disposal of discontinued operations	**1,337**	–	–
	1,022	(656)	(4,977)
Attributable tax expense on profit on disposal	**–**	–	–
Net profit/(loss) attributable to discontinued operations	**1,022**	(656)	(4,977)

During the period, Topps Retail BV contributed £7,000 (2009: paid £616,000) to the Group's net operating cash flows, contributed £57,000 (2009: £66,000) in respect of investing activities and paid £nil (2009: £nil) in respect of financing activities.

A profit of £1,337,000 arose on the disposal of Topps Retail BV, being the proceeds of disposal (£nil) less the carrying amount of the subsidiary's liabilities.

The effect of discontinued operations on segment results is disclosed in note 2.

4 Discontinued operations (continued)

The net liabilities of Topps Retail BV at the date of disposal and for the comparative periods are detailed below:

	22 December 2009 £'000	28 March 2009 £'000	26 September 2009 £'000
Property, plant and equipment	44	2,405	92
Inventories	596	2,117	699
Trade receivables	26	387	136
Sundry payables	(197)	(3,010)	(953)
Current tax receivables	7	23	27
Deferred tax receivables	–	215	–
Trade payables	(1,209)	(1,230)	(1,104)
Foreign exchange reserve	(288)	(596)	(336)
Bank overdraft	(316)	(934)	(112)
	(1,337)	(623)	(1,551)
Gain on disposal	(1,337)		
Total consideration	–		

5 Interim dividend

The Board are continuing with the dividend policy adopted in the period ended 26 September 2009 and therefore no interim dividend has been declared (2009: £nil). No dividends have been paid in the period (2009: £nil).

6 Earnings per share

The number of shares in issue for prior periods has been adjusted retrospectively for the bonus element of the placing and open offer completed in November 2009. Basic and diluted earnings per share have accordingly been restated for the 26 week period ended 28 March 2009 and the 52 week period ended 26 September 2009. Basic earnings per share for the 27 weeks ended 3 April 2010 have been calculated on earnings (after deducting taxation) of £6,213,000 (2009: £184,000) and on ordinary shares of 183,179,922 (2009: 171,836,222), being the weighted average of ordinary shares in issue during the period.

Diluted earnings per share for the 27 weeks ended 3 April 2010 have been calculated on earnings (after deducting taxation) of £6,213,000 (2009: £184,000) and on ordinary shares of 187,697,731 (2009: 171,836,222), being the weighted average of ordinary shares in issue during the period.

Adjusted earnings per share have been calculated on earnings before the IAS 39 interest rate derivative fair value movement charge, restructuring costs, impairment of property, plant and equipment and discontinued operations (after deducting taxation) of £5,521,651 (2009: £5,662,555).

Notes to the condensed set of financial statements continued

For the 27 weeks ended 3 April 2010

7 Bank Loans

	27 weeks ended 3 April 2010 £'000 (Unaudited)	26 weeks ended 28 March 2009 £'000 (Unaudited)	52 weeks ended 26 September 2009 £'000 (Audited)
Bank loans (all Sterling)	**94,341**	101,588	97,962
The borrowings are repayable as follows:			
On demand or within one year	**7,500**	7,500	7,500
In the second year	**87,250**	7,500	7,500
In the third to fifth year	**–**	87,250	83,500
	94,750	102,250	98,500
Less: total unamortised issue costs	**(409)**	(662)	(538)
	94,341	101,588	97,962
Less: amount due for settlement within 12 months (shown under current liabilities)	**(7,500)**	(7,500)	(7,500)
Issue costs to be amortised within 12 months	**250**	250	250
Amount due for settlement after 12 months	**87,091**	94,338	90,712

8 Contingent liabilities

The Directors are not aware of any contingent liabilities faced by the Group as at 3 April 2010.

9 Events after the balance sheet date

There have been no material events subsequent to the end of the interim reporting period ended 3 April 2010.

10 Share capital

The issued share capital of the Group as at 3 April 2010 amounted to £6,273,000 (26 September 2009: £5,703,000). The Group issued 17,109,302 shares as part of the placing and open offer discussed in note 11. The issue increased the number of shares from 171,093,021 to 188,202,323.

11 Reserves

Under the arrangements for the placing and open offer in November 2009, the Company issued shares in exchange for shares in Tail Finance Jersey Limited. No share premium is ultimately recorded in the Company financial statements through the operation of the merger relief provisions of the Companies Act 2006. The subsequent redemption of these shares gave rise to distributable profits of £14.3 million which have been transferred to retained earnings.

12 Seasonality of sales

Historically there has not been any material seasonal difference in sales between the first and second half of the reporting period, with approximately 50% of annual sales arising in the period from October to March.

13 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, Thorpe Way, Grove Park, Enderby, Leicestershire LE19 1SU.

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

Store locations

Topps Tiles

Midlands
Birmingham – Erdington
Birmingham – Solihull
Birmingham – Sheldon
Boston
Burton upon Trent
Cannock
Chesterfield
Coventry
Coventry – Binley
Derby
Derby Omaston
Evesham
Grantham
Hereford
Kidderminster
Kings Heath
Leicester
Leicester – Grove Park
Lincoln
Long Eaton
Mansfield
Newark
Newcastle under Lyme
Nottingham
Redditch
Rugby
Shrewsbury
Spalding
Stamford
Stoke on Trent
Stratford upon Avon
Tamworth
Telford
West Bromwich
Wolverhampton
Worcester
Worksop

London
Battersea
Beckton
Borehamwood
Brentford
Brixton
Camden
Catford
Charlton
Cheam
Chingford
Colindale
Croydon
Dagenham
Edmonton
Enfield
Feltham
Forest Hill
Fulham
Gunnersbury
Harrow
Highgate
Ilford
Mile End
Mitcham
New Cross Gate
New Southgate
Old Kent Road
Penge
Raynes Park
Richmond
Romford
Ruislip
Southall
Stamford Hill
Stevenage
Twickenham
Uxbridge
Vauxhall
Waltham Cross
Wandsworth
Watford
Wembley
West Wickham

South
Abingdon
Ashford
Aylesbury
Banbury
Barnstaple
Basildon
Basingstoke
Bedford
Bexhill
Bishops Stortford
Bognor Regis
Bodmin
Braintree
Brentwood
Bridgwater
Brighton
Bristol – Clevedon
Bristol – Bedminster
Bristol – Cribbs Causeway
Broadstairs
Buckingham
Bury St Edmunds
Byfleet
Camberley
Cambridge
Canterbury
Chichester
Chippenham
Chelmsford
Cheltenham
Chesham
Christchurch
Clacton
Colchester
Crayford
Cromer
Eastbourne
Erith
Exeter
Exmouth
Fareham
Farnborough
Farnham
Folkestone
Frome
Gatwick
Gloucester
Grays
Great Yarmouth
Guildford
Harlow
Hemel Hempstead
Hengrove
Horsham
Huntingdon
Ipswich
Ipswich – Martlesham
Isle Of Wight
Kettering
Kings Lynn
Launceston
Letchworth
Lewes
Lowestoft
Luton
Maidstone
Milton Keynes
Newbury
Newhaven
Northampton
Norwich
Orpington
Oxford
Oxford – Watlington
Peterborough
Plymouth
Poole
Portsmouth
Rayleigh
Reading
Salisbury
Sittingbourne
Slough
Southend On Sea
Southampton Hedgend
Southampton Millbrook
St Albans
St Neots
Sudbury
Swindon
Taunton
Thetford
Tiverton
Tonbridge
Torquay
Tunbridge Wells
Uckfield
Wellingborough
Welwyn Garden City
Weston Super Mare
Winchester
Wisbech
Truro●
Yeovil

Wales
Barry
Bridgend
Cardiff
Cardiff - South Glamorgan
Cross Hands
Flint
Haverfordwest
Holyhead
Merthyr Tydfil
Neath
Rhyl
Swansea
Wrexham

North
Aintree
Anfield
Barnsley
Barrow In Furness
Birkenhead
Birstall
Blackburn
Blackpool
Bolton
Bradford
Carlisle
Cheadle
Chelmsford
Chester
Chorley
Cleveleys
Congleton
Crewe
Darlington
Doncaster
Durham
Grimsby
Harrogate
Huddersfield
Hull
Leeds
Leek
Macclesfield
Manchester - Audenshaw
Manchester – Green Quarter
Manchester – Failsworth
Manchester – Hyde
Manchester – Salford
Manchester – Sale
Manchester – Stockport
Manchester – Openshaw●
Morecambe
Nantwich
Northwich
Oldham●
Ormskirk
Penrith
Pontefract
Preston
Rotherham
Scarborough
Stockton
St Helens
Sunderland
Tyneside
Wakefield
Warrington
Widnes
Wigan
York

Scotland
Aberdeen
Dumfries
Dundee
Edinburgh – Sighthill
Edinburgh – Leith
Falkirk
Glasgow
Glasgow – Govan
Glasgow – Greenock
Glasgow – Hillington
Glasgow – Shawfield
Inverness
Perth
Wishaw

The Clearing House

Midlands
Cheltenham
Birmingham – Great Barr
Kettering
Kidderminster
Northampton
Norwich
Nottingham
Nuneaton
Peterborough
Shrewsbury
Stoke-on-Trent
Stoke-on-Trent – Fenton
Wolverhampton

London
Barking
Beckenham
Charlton
Dartford
Hayes
Orpington
Park Royal
Southgate
Staples Corner

South
Bournemouth
Eastbourne
Exeter
Harlow
Ilford
Plymouth
Swindon

Wales
Swansea

North
Blackpool
Bradford
Cheadle
Crosby
Doncaster
Liverpool – Maghull
Hull
Lincoln
Stockport
Wigan

Scotland
Aberdeen
Edinburgh

Store locations

Topps Tiles – Store numbers

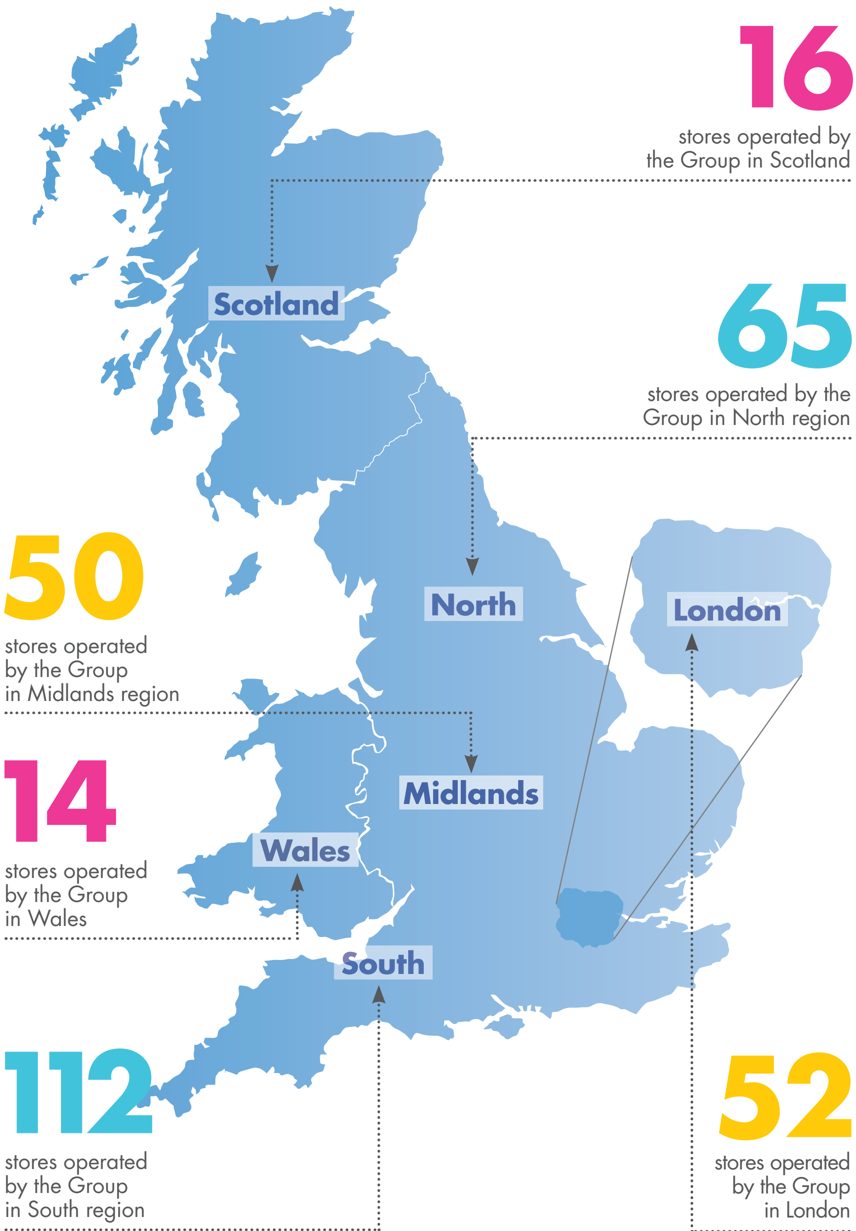
Stores at the beginning of the period	265
New stores opened	3
Sub-total	268
Closures (including brand swaps)	–1
Total	**267**

Tile Clearing House – Store numbers

Stores at the beginning of the period	44
New stores opened	–
Sub-total	44
Closures (including brand swaps)	–2
Total	**42**

Total 309 stores

● New store 2009/10



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