28 May 2008

Topps Tiles Plc

INTERIM MANAGEMENT REPORT FOR THE 26 WEEKS ENDED 29 MARCH 2008

HIGHLIGHTS

- Group revenue £106.3 million, up 4.0% (2007: £102.3 million) *
- Group like-for-like revenue decline of 0.9% (-0.5% adjusting for the Easter calendar effect)
- Gross margin of 62.7% (2007: 62.3%) *
- Operating profit £20.8 million (2007: £21.3 million)
- Profit before tax £15.8millions (2007: £18.7millions) **
- Adjusted earnings per share 7.03p (2007: 7.38p) ***
- Basic earnings per share of 6.26p (2007: 7.50p)
- Interim net dividend declared of 3.00p (2007: 3.75p) payable 7 July 2008
- Net debt position of £94.7 million (2007: £106.0 million)
- Net 10 new UK stores opened in the period
- Now trading from 311 stores in the UK (2007: 301) and 20 stores in Holland (2007: 20)

* 2007 Holland revenues have been restated by +£0.5m to reflect consistent accounting treatment with the UK business. There is no impact on overall profit, however, prior year gross margin % is reduced from 62.6% to 62.3% for the Group as a result of this adjustment. There is no impact to the 2007 full year reported numbers.

** 2008 PBT includes a £1.85 million (non-cash) charge relating to the interest rate hedging the Company has in place (per IAS 39).

*** 2007: Property disposal gains of £0.3 million have been deducted.
2008: £1.32 million (non-cash) post tax charge relating to interest rate hedging (per IAS 39) has been added back.

Commenting on the results, Matthew Williams, Chief Executive said:

“Despite the challenging retail market, our key strengths underpin a robust business model which has proven to be resilient through previous economic cycles. We are confident that we can deliver healthy returns both in the current year and into the future.”

For further information please contact:

Topps Tiles Plc	
Matthew Williams, CEO	020 7861 3232
Rob Parker, Finance Director	020 7861 3232
Bell Pottinger Corporate & Financial	
Emma Kent / Antonia Coad	020 7861 3232

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	**Rob Parker**
Chief Executive Officer	*Finance Director*

28 May 2008

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 and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

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.

EXECUTIVE BOARD INTERIM MANAGEMENT STATEMENT

Income statement

We are pleased to report our financial results for the first 26 weeks of 2007/2008.

The economic climate continues to be challenging, however, the business has shown resilience in the face of weakening consumer spend, and trading has remained robust. Overall revenue growth remains positive, up 4.0% at £106.3 million compared with the 26 week period last year (2007: £102.3 million). Like-for-like revenue has, however, shown a decline of 0.9% (-0.5% adjusting for Easter calendar effects). Overall gross margin for the Group was 62.7% compared to 62.3% last year. Within this the UK business gross margin was 63.2% compared with 62.8% last year.

Operating costs were 43.1% of revenue compared with 41.5% in the same period last year. Principal drivers are: (1) underlying cost inflation of 1% combined with a decline in like-for-like sales of 0.9%, (2) c.£1 million additional marketing spend to fund a national TV advertising campaign.

Operating profit is £20.8 million (2007: £21.3 million), a decline of 2.3% year-on-year.

There were no property disposals in the period (2007: gain of £282,000).

The interest charge for the Group is £3.1 million (2007: £2.8 million).

In addition to the above results there is a mark to market fair value (non-cash) loss on interest rate derivatives of £1.85 million (2007 : £nil). Due to the nature of the underlying financial instrument 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. This loss will be excluded from the Board’s calculation of the dividend.

Including these charges the profit before tax for the Group is £15.8 million (2007: £18.7 million)

The rate of corporation tax for the period was 32.1% (2007: 31.7%). The higher rate reflects a combination of amendments to the capital allowances regime and prior year adjustments.

Basic earnings per share decreased by 16.5% to 6.26p from 7.50p last year. Adjusting for profits on property disposals and non-cash items (loss on interest rate derivatives) the revised basic earnings per share decreased by 4.7% to 7.03p from 7.38p.

Net assets

The Group currently owns nine freehold sites, one development site, and both warehouse and distribution facilities (Topps and Tile Clearing House) with a total net book value of £19.5 million.

Capital expenditure in the period amounted to £2.9 million. This reflects the opening of 18 (gross) new stores in the period, a net movement of 10. The net opening target for the year remains at 20 stores. Other minor expenditure has been incurred on some store refit activity and other infrastructure replacements. There has been no acquisition of freeholds in the first half.

At the period end cash balances for the Group were £16.0 million (2007: £9.5 million) and borrowings were £110.7 million (2007: £115.5 million). The Group therefore has a net debt position of £94.7 million (2007: £106.0 million). The Group’s net debt position has remained in line with the level as at last financial year end.

At the period end the Group had £32.0 million of inventories (2007: £30.3 million) which represents 147 inventory days cover (2007: 144 days).

Board change

In March 2008, we announced the appointment of Alan White, CEO of N Brown Group Plc, to the Board as a non-executive director with effect from 1 April 2008. Additionally, we announced that Alan McIntosh resigned from the Board with effect from the end of March. We would like to thank Alan for his invaluable contribution to the Company during his 10 years on the Board.

Results for the 26 weeks ended 29 March 2008

Highlights	**26 weeks to 29 March 2008**	Restated* 26 weeks to 31 March 2007
Group revenue - £ million	**£106.3m**	£102.3m*
Like-for-like revenue - % change	**-0.9%**	4.4%
Gross margin - %	**62.7%**	62.3%*
Operating profit - £ million	**£20.8m**	£21.3m
Operating profit - %	**19.5%**	20.8%*
Finance income less finance costs - £ million	**£3.1m**	£2.8m
Fair value loss in interest rate derivatives - £ million	**£1.9m**	£0.0m
Profit before tax - £ million	**£15.8m**	£18.7m
Profit before tax margin - %	**14.8%**	18.3%*
Adjusted basic earnings per share - pence	**7.03p**	7.38p
Basic earnings per share - pence	**6.26p**	7.50p
Interim dividend - pence	**3.00p**	3.75p
Net debt position - £ million	**£94.7m**	£106.0m

Key performance indicators

Financial KPIs	**26 weeks to 29 March 2008**	Restated* 26 weeks to 31 March 2007
Like-for-like sales growth year-on-year %	**-0.9%**	+4.4%
Total sales growth year-on-year - %	**+4.0%**	+12.8%
Sales value per transaction - £	**£67**	£63
Gross margin - %	**62.7%**	62.3%
Non-financial KPIs		
Customer satisfaction %	**98.3%**	97.2%
Utilisation of own fleet %	**79.0%**	80.8%

* 2007 Holland revenues have been restated by +£0.5 million to reflect consistent accounting treatment with the UK business. There is no impact on overall profit, however, prior year gross margin % is reduced from 62.6% to 62.3% for the Group as a result of this adjustment. There is no impact to the 2007 full year reported numbers.

Dividend

The Board has decided to adjust the dividend policy with the intention of reducing net debt and improving the Group's financial flexibility. The Board is announcing an interim dividend of 3.00p per share (2007:

3.75p). Moving forward the intention would be to remit approximately 50% of post tax earnings to shareholders. It is envisaged that a dividend cover in the region of 2x earnings will allow the Board to maintain sufficient flexibility to support its ongoing plans for growth. This is considered a more prudent approach to the financial management of the business in the current economic climate. The Board will continue to review the dividend on an annual basis based on the current and future needs of the business.

The dividend will be paid on 7 July 2008 to shareholders on the register as at 6 June 2008.

Operational review

The business has always been managed tightly, with a cautious approach to our operational activities, to ensure that the Group can continue to deliver on its business strategy and development in both the short and longer term.

Our store rollout programme is on track and we are on target to reach our net 20 new UK store openings for the full financial period and also plan to open two new Dutch stores in the remaining part of the year. During the period we opened a net 10 new UK stores. At the period end the Group was trading from a total of 331 stores, 311 in the UK, 255 Topps and 56 Tile Clearing House, and 20 stores in Holland.

In addition to our well established retail channel we are also now turning our attention to a new on-line business offering products that are complementary to our existing ranges. Our online business is in its very early stages of development but we believe it will provide an additional new source of growth.

Our marketing efforts for the year are focused on a national advertising campaign, intended to help us consolidate our brand awareness. We have launched a new TV advertising campaign with ITV, which promotes the business under the "tiling the nation" strapline – helping us to establish further the brand as the nation's largest specialist tile retailer.

We continue our involvement 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 now employ over 1,750 staff across the Group and we continue to invest in training programmes at all levels and across the full range of sales and customer service skills.

Holland

The business in Holland has delivered overall revenue growth of 12.8%; removing the impact of currency fluctuations underlying overall growth is 5.8%. Like-for-like revenue has declined by 3.7% over the same period (2007: +18.9%).

Gross margins in Holland are 49.2% compared to 49.2% last year.

We now trade from 20 stores, selling a combination of tiles, stone and wood flooring. We have a store opening target of two new stores for the second half of the year.

Risks and uncertainties

The Board considers the key risk and uncertainty over the remaining six months of the year to be the general economic climate. Management are responding to this risk by applying a cautious approach to the day-to-day running of the business. Costs are being tightly managed across all areas and buying terms with major suppliers are being reviewed and where possible improved. Currency movements are a further pressure on the cost base and the appreciation in the Euro has placed pressure on margins in the first half. We continue to review margin opportunities and will look to re-source product where there is a material benefit.

Current trading

In the first six weeks of the current period revenue growth has continued with overall Group revenues increasing by 2.0%. Like-for-like revenues across the Group have declined by 3.0%, (-4.5% when adjusting for Easter calendar effects). In Holland like-for-like revenues have increased by 8.9% year-on-year, with total sales growing by 12.0% (excluding any impact of currency movements).

Related party transactions

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

Future prospects

The economic climate is very challenging for retailers with consumers facing increasing demands on their income. Whilst the Board does not anticipate the environment changing dramatically in the short term, we have a proven and resilient business model that we are confident will continue to deliver healthy returns both in the current year and into the future.

Matthew Williams
Chief Executive Officer

Rob Parker
Finance Director

Consolidated group income statement
For the 26 weeks ended 29 March 2008

	26 weeks ended 29 March 2008 £'000	Restated* 26 weeks ended 31 March 2007 £'000	52 weeks ended 29 September 2007 £'000
Group Revenue – continuing operations	**106,338**	102,285	207,898
Cost of sales	**(39,703)**	(38,578)	(77,344)
Gross profit	**66,635**	63,707	130,554
Employee profit sharing	**(3,713)**	(3,734)	(7,943)
Distribution costs	**(31,884)**	(29,698)	(61,504)
Other operating expenses	**(10,280)**	(9,022)	(16,765)
Operating profit	**20,758**	21,253	44,342
Other gains and losses	**-**	282	270
Investment revenue	**598**	440	1,012
Finance costs	**(3,741)**	(3,270)	(7,311)
Fair value loss on interest rate derivatives	**(1,854)**	-	(480)
Profit before taxation	**15,761**	18,705	37,833
Taxation	**(5,058)**	(5,925)	(12,093)
Profit for the period attributable to equity holders of the Company	**10,703**	12,780	25,740
Earnings per ordinary share			
- Basic	**6.26p**	7.50p	15.09p
- Diluted	**6.25p**	7.46p	15.02p

Consolidated statement of recognised income and expense
For the 26 weeks ended 29 March 2008

Tax effect of share options exercised	**147**	-	195
Deferred tax on sharesave scheme taken directly to equity	**(307)**	145	(157)
Profit after tax for the period	**10,703**	12,780	25,740
Recognised income and expense for the period	**10,543**	12,925	25,778

*2007 Holland revenues have been restated by +£0.5 million to reflect consistent accounting treatment with the UK business. There is no impact on overall profit, however, prior year gross margin % is reduced from 62.6% to 62.3% for the Group as a result of this adjustment. There is no impact to the 2007 full year reported numbers.

Consolidated balance sheet
As at 29 March 2008

	29 March 2008 £'000	31 March 2007 £'000	29 September 2007 £'000
Non-current assets			
Goodwill	**1,430**	1,430	1,430
Property, plant and equipment	**42,237**	40,564	41,851
Total non-current assets	**43,667**	41,994	43,281
Current assets			
Inventories	**31,953**	30,265	31,067
Trade and other receivables within one year	**6,764**	6,803	7,002
Cash and cash equivalents	**15,982**	9,501	15,781
Total current assets	**54,699**	46,569	53,850
Total assets	**98,366**	88,563	97,131
Current liabilities			
Trade and other payables	**(34,589)**	(25,175)	(31,497)
Bank loans	**(4,907)**	(4,900)	(4,907)
Current tax liabilities	**(7,995)**	(7,848)	(8,752)
Total current liabilities	**(47,491)**	(37,923)	(45,156)
Net current assets	**7,208**	8,646	8,694
Non-current liabilities			
Bank loans	**(105,744)**	(110,600)	(105,737)
Deferred tax liabilities	**(963)**	(1,347)	(1,062)
Total liabilities	**(154,198)**	(149,870)	(151,955)
Net liabilities	**(55,832)**	(61,307)	(54,824)
Equity			
Share capital	**5,703**	5,791	5,686
Share premium	**1,001**	1,309	681
Merger reserve	**240**	(399)	240
Share-based payment reserve	**262**	202	222
Capital redemption reserve	**20,359**	20,254	20,359
Retained earnings	**(83,397)**	(88,464)	(82,012)
Total equity	**(55,832)**	(61,307)	(54,824)

Consolidated cash flow statement
For the 26 weeks ended 29 March 2008

	26 weeks ended 29 March 2008 £'000	26 weeks ended 31 March 2007 £'000	52 weeks ended 29 September 2007 £'000
Cash flow from operating activities			
Operating profit	**20,758**	21,253	44,342
Adjustments for:			
Depreciation	**2,319**	2,003	4,424
Share option charge	**40**	36	56
Loss on sales of fixed assets	**285**	82	772
Decrease/(increase) in trade/other receivables	**287**	(109)	(1,144)
Increase in inventories	**(886)**	(1,826)	(2,624)
Increase/(decrease) in payables	**80**	(2,272)	4,000
Net cash from operating activities	**22,883**	19,167	49,826
Interest paid	**(2,693)**	(3,270)	(7,805)
Taxation paid	**(6,074)**	(5,325)	(10,980)
Net cash from operating activities	**14,116**	10,572	31,041
Cash flows from investing activities			
Acquisition of joint venture	**-**	(1,286)	(1,286)
Interest received	**556**	405	1,012
Purchase of property, plant and equipment	**(2,928)**	(5,200)	(9,674)
Proceeds of sale of property, plant and equipment	**-**	97	1,166
Net cash used in investment activities	**(2,372)**	(5,984)	(8,782)
Cash flows from financing activities			
Proceeds from issue of share capital	**337**	147	158
Repayment of loans	**-**	-	(5,000)
Dividends paid	**(11,880)**	(11,767)	(18,169)
Net cash used in financing activities	**(11,543)**	(11,620)	(23,011)
Net increase/(decrease) in cash equivalents	**201**	(7,032)	(752)
Cash and cash equivalents at beginning of period	**15,781**	16,533	16,533
Cash and cash equivalents at end of period	**15,982**	9,501	15,781

Notes to the financial statements
For the 26 weeks ended 29 March 2008

1. Basis of preparation

General information

The interim report was approved by the Board on 19 May 2008. The financial information for the 26 weeks ended 29 March 2008 and similarly the 26 weeks ended 31 March 2007 has neither been audited nor reviewed. The financial information for the 52 week period ended 29 September 2007 has been based on information in the audited financial statements for that period.

The information for the 52 week period ended 29 September 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. 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 not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

Accounting policies

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.

The same accounting policies and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. The same presentation has also been followed, with the exception of the disclosure of the fair value loss on interest rate derivatives, which is now shown separately on the face of the income statement due to the material nature of this charge in the 26 weeks ended 29 March 2008. This presentation will be applied consistently in future annual and interim reports.

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

	26 weeks ended 29 March 2008 £'000	Restated* 26 weeks ended 31 March 2007 £'000	52 weeks ended 29 September 2007 £'000
Revenue			
Topps	**89,952**	86,664	175,380
TCH	**12,327**	12,020	25,068
Holland	**4,059**	3,601	7,450
Total revenue	**106,338**	102,285	207,898
Operating profit			
Topps	**19,287**	20,002	40,448
TCH	**1,936**	1,966	5,273
Holland	**(135)**	163	314
Other central costs	**(330)**	(878)	(1,693)
Total operating profit	**20,758**	21,253	44,342
Other gains and losses	**-**	282	270
Finance income less finance costs	**(3,143)**	(2,830)	(6,299)
Fair value loss on interest rate derivatives	**(1,854)**	-	(480)
Profit before taxation	**15,761**	18,705	37,833

* 2007 Holland revenues have been restated by +£0.5 million to reflect consistent accounting treatment with the UK business. There is no impact on overall profit, however, prior year gross margin % is reduced from 62.6% to 62.3% for the Group as a result of this adjustment. There is no impact to the 2007 full year reported numbers.

3. Taxation

	26 weeks ended 29 March 2008 £'000	26 weeks ended 31 March 2007 £'000	52 weeks ended 29 September 2007 £'000
Current tax – charge for the period	**5,180**	5,647	11,975
Current tax – adjustment in respect of previous years	**282**	164	446
Deferred tax – (credit)/charge for the period	**(404)**	114	(334)
Deferred tax – adjustment in respect of previous years	**-**	-	6
	5,058	5,925	12,093

4. Interim dividend

An interim dividend of 3.00p per ordinary share has been declared payable on 7 July 2008 to shareholders on the register at 6 June 2008, in accordance with IFRS this dividend will be recorded in the financial statements in the second half of the period. Dividends of £11.9 million were paid in the period (2007: £11.8 million) which represented 6.95pence per share (2007: 6.90p).

5. Earnings per share

Basic earnings per share for the 26 weeks ended 29 March 2008 have been calculated on earnings (after deducting taxation) of £10,703,000 (2007: £12,780,000) and on ordinary shares of 170,927,366 (2007: 170,506,682), being the weighted average of ordinary shares in issue during the period.

Diluted earnings per share for the 26 weeks ended 29 March 2008 have been calculated on earnings (after deducting taxation) of £10,703,000 (2007: £12,780,000) and on ordinary shares of 171,297,777 (2007: 171,335,921), 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 hedging charge and property disposal gains (after deducting taxation) of £12,035,000 (2007: £12,582,600).

6. Copies of the interim results

Copies of the interim results have been sent to shareholders, and further copies can be obtained from the Company's Registered Office at Topps Tiles Plc, Thorpe Way, Grove Park, Enderby, Leicestershire LE19 1SU.

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