25 November 2014

Topps Tiles Plc

Annual Financial Report

Strong growth, Capturing market share, Extending appeal of the Topps brand

Topps Tiles Plc ("Topps", "Topps Tiles" or "the Group"), the UK's largest tile specialist with 336 stores, announces its annual financial results for the 52 weeks ended 27 September 2014.

Highlights

	52 weeks ended 27 September 2014	52 weeks ended 28 September 2013	YoY
Group revenue	£195.2 million	£177.8 million	+9.8%
Like-for-like revenue[1]	+8.1%	-0.5%	+8.6%
Gross margin	60.9%	60.2%	+70bps
Adjusted profit before tax[2]	£17.1 million	£13.0 million	+31.5%
Adjusted earnings per share[3]	6.63p	5.44p	+21.9%
Profit before tax	£16.7 million	£10.6 million	+57.5%
Basic earnings per share	6.49p	4.76p	+36.3%
Final dividend	1.60p	1.00p	+60.0%
Total dividend	2.25p	1.50p	+50.0%
Net debt[5]	£30.5 million	£36.6 million	£6.1 million

Financial Highlights

- Total sales growth of 9.8% and 8.1% on a like-for-like basis
- Gross margin increased to 60.9% (2013: 60.2%) reflecting further sourcing gains and our focus on a differentiated product offer
- Adjusted profit before tax[2] of £17.1million, up by 31.5%
- Increased final dividend of 1.60 pence per share (2013: 1.0 pence per share), making a total for the year of 2.25 pence per share (50% increase)
- Net debt[5] at period end reduced to £30.5 million (2013: £36.6 million), a level the Board believes represents an appropriate balance of an efficient capital structure and financial flexibility

Operational Highlights

- Market share increased to 30.3%[4] (2013: 28.5%) reflecting successful strategy of providing an inspirational shopping experience, unrivalled product range authority and multi-channel convenience
- Sixth consecutive year of market share gains – strong progress made towards target of taking £1 in every £3 spent on tiles in the UK domestic refurbishment market
- Trade sales increased to 46% of total (2013: 43%) as trend for "do it for me" gathers further momentum
- Sales benefiting from increased investment in new product development - 20% of tile revenues generated from ranges launched in the last 18 months
- Multiple initiatives to extend the appeal of the Topps brand being implemented, including
    - a programme of 'all store improvements' which has seen our latest display and merchandising treatments installed across the entire Topps estate
    - an extension of the Topps Tiles Boutique trial to a total of five sites, with a further 10-12 sites planned in 2015
    - a new marketing campaign featuring Phil Spencer of "Location, Location, Location" as Topps Brand Ambassador
    - a roll out of updated branding and external improvements across core stores planned for 2015

Current Trading and Outlook

- The Group is now trading from 336 stores (2013: 327 stores)
- In the first eight weeks of the new financial period, Group revenues, stated on a like-for-like basis, increased by 6.7% (2013: 7.4%)

Commenting on the results, Matthew Williams, Chief Executive said: “Topps had an excellent year in 2013/14 as our consistent focus on taking profitable market share helped the Group to significantly outperform the overall tile market and deliver robust increases in like for like sales, pre-tax profits and earnings per share. We are also delighted to be recommending to shareholders a 50% increase in full year dividend to 2.25 pence per share.

“Furthermore, we have made an encouraging start to the new financial year with like-for-like sales ahead by 6.7%. With a programme of initiatives to extend the appeal of the Topps brand well underway, we are confident that we will deliver further progress this financial year towards our goal of taking one third of the market.”

Notes

[1] Like-for-like revenues are defined as sales from stores that have been trading for more than 52 weeks.

[2] Adjusted profit before tax excludes several items we have incurred during the period which are not representative of underlying performance, these are: the impairment of plant, property and equipment of £0.3 million (2013: £0.6 million) and business restructuring costs of £0.2 million (2013: £0.2 million). Other items excluded are the charge against property related provisions in the period was £nil (2013: £0.9 million). There was one property disposal gain of £0.4 million (2013: £0.1 million) and a £0.1 million gain relating to the forward currency contracts the Group (defined as Topps Tiles Plc and all its subsidiaries) has in place (per IAS39) (2013: £0.2 million gain against forward currency contracts and interest rate derivatives). There was a £0.1 million charge for interest against a possible historic tax charge (2013: £1.0 million charge) and a write down of the unamortised issue costs relating to the 2011 Revolving Credit Facility of £0.3 million (2013: £nil).

[3] Adjusted for the post tax effect of items highlighted above.

[4] Market share is based on forecast volume growth of 5% provided by Market and Business Development (part of the Mintel Group) plus an allowance for inflation and is compared to Topps’ growth in tile sales over the same period.

[5] Net debt is defined as loan facilities drawn down less cash and cash equivalents.

For further information please contact:

Topps Tiles Plc	(25/11/14)	020 7638 9571
Matthew Williams, CEO	(Thereafter)	0116 282 8000
Rob Parker, CFO		
Citigate Dewe Rogerson		020 7638 9571
Kevin Smith		07710 815 924

CHAIRMAN'S STATEMENT

Introduction
I am delighted to be able to report an excellent trading performance for last year with a growth in sales of 9.8% and an increase in adjusted profit before tax of 31.5% to £17.1 million. This performance represents a clear validation of the strategy we outlined last year of focussing the business on profitably growing its share of the market. With our market share now increased to 30.3%, we are making good progress towards our goal of taking one in every three pounds spent on tiles in the UK and have extended our lead as the country's number one tile retailer.

Strategy
Topps remains fully committed to its successful strategy of providing an inspirational shopping experience, with outstanding service, sector leading multi-channel convenience and the most authoritative range in our market. The executive team has made extensive efforts to ensure that everyone in the business is fully conversant with our strategic aims and objectives and will also be ensuring that we invest a significant amount of time and resources to ensure that colleagues across the business are well briefed on our progress.

Governance
Last year we adopted a number of new corporate governance standards ahead of their mandatory introduction. This year our focus has been on continuing to embrace best practice by refining, developing and professionalising our approach to governance. We have now fully implemented the new statutory reporting requirements in respect of executive remuneration and comply fully with the new binding policy and the updated Directors' Remuneration Report.

We have also reviewed the operation of the Board's Committees and updated their Terms of Reference. These are now published on the company's website alongside an up to date statement of the roles and responsibilities of the Chairman and the CEO.

In addition to these developments we have taken a further step forwards in our corporate governance with the appointment of Stuart Davey, Topps Group Lawyer, as our Company Secretary, a role previously held by our CFO, Rob Parker.

Our Nominations Committee's principal task this year has been to manage the process of identifying a successor to our Senior Independent Director Alan White, who is due to retire from the Board at the end of November 2014. We are well advanced with this search and I expect to be able to report further news by the time of the Company's Annual General Meeting.

Alan joined the Board in 2008 and his wise counsel and advice has been of great benefit to the Board, especially during the difficult trading conditions we experienced during the recession. On behalf of the Board I would like to thank Alan sincerely for his contribution to Topps over the last six years and wish him every success in the future.

Capital Structure and Dividend
Topps has delivered a very strong set of financial results this year and this has resulted in a reduction in the Company's net debt position from £36.6 million to £30.5 million - a level we consider represents an appropriate balance of an efficient capital structure and financial flexibility for a business of our size and growth ambitions. The business remains cash generative and as we move forward the Board envisages a greater share of earnings being returned to shareholders in order to maintain net debt at broadly the current level.

As a result, this year, the Board is recommending to shareholders an increased final dividend of 1.60 pence per share (2013: 1.00 pence per share). This will bring the total dividend for the year to 2.25 pence per share (2013: 1.5 pence per share), an increase of 50%. The Board remains committed to a progressive dividend policy.

The Future for Topps
Topps is fully focussed on achieving its ambition of securing £1 in every £3 spent on tiles in the UK.
In order to further extend our industry lead we must continue to innovate and truly inspire our customers with their home improvement projects. This approach is already being seen via the introduction of our new small store "Boutique" format which is giving Topps a presence in parts of the country where historically we have

found it difficult to find a suitable site for our core offering. In product development we are harnessing the latest tile manufacturing techniques to provide Topps with products that lead the market both in terms of design and value. Our truly multi-channel approach will continue to strengthen as we constantly improve our in-store offer and develop industry leading levels of online capability.

I remain very confident in the outlook for Topps. We have delivered very strong strategic and financial progress this year and I fully expect to be able to report that our new financial year will also see us take further profitable market share in the UK and move us closer towards our goal of having one third of the UK tile market.

Michael Jack
Chairman

STRATEGIC AND OPERATIONAL REVIEW

The content of this Strategic and Operational Review meets the content requirements of the Strategic Report as set out in s414a of the Companies Act 2006. This Strategic and Operational Review and Chairman's Statement 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 announcement 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.

Overview

Topps' strategy, to take profitable market share, was effective in helping the Group to outperform the UK tile market significantly during the period and deliver a strong overall financial performance, with total sales growth of 9.8% and a 31.5% increase in adjusted pre-tax profits.

Key to the Group's success in growing its market share for the sixth consecutive year has been our clear strategy of providing customers with an inspirational shopping environment, unrivalled range authority, unmatched multi-channel convenience and great value. We also believe that the Topps brand can appeal to a greater proportion of potential customers and during the year we commenced a number of initiatives designed to address this opportunity.

Specific elements include a programme of all store improvements which implement our latest display and merchandising treatments across the entire estate, a new marketing campaign featuring Phil Spencer as our Brand Ambassador and a new small store "Boutique" format which we have piloted in five locations. In the year ahead we have exciting plans in place to encourage more consumers to re-appraise the Topps offer by rebranding and improving the external appearance of all of our stores. This will ensure we more accurately reflect the changes implemented in-store in recent years. The new branding has been piloted in five established Topps stores and customers have responded very positively to the initiative, which gives the stores a more contemporary appeal.

The UK Tile Market and Performance of the Business

Topps serves the domestic tile market with the result that all of our products go into the refurbishment of existing UK housing stock. As such our market is discretionary in nature – the vast majority of expenditure is driven by a customer choosing to improve their home, with very little related to essential maintenance. As a result this puts a particular emphasis on consumer confidence as a key driver to our market and Topps' performance.

In addition one of the key influencers in customers taking on a home improvement project is their purchase of a home – housing transactions are therefore a very useful indicator of likely future demand. Transaction volumes improved considerably during the year growing by 21% to 1.2 million transactions. This compares to a historical peak of 1.7 million transactions in 2007 and, whilst a return to peak levels of transactions is in no way certain, further upside would be very likely to drive expansion in the tile market and as such represents a possible source of future growth.

We also consider UK house price data to be a useful indicator of the relative health of our market. House prices are a good reflection of both the housing market and consumer confidence as home owners tend to feel more affluent in a rising market. During the year we have seen a strong increase in house prices with around 10% growth and the average price of a house in the UK now slightly ahead of where it last peaked in 2007. Whilst this is not consistent across the whole of the UK, every geographic area has experienced some growth in house prices and this is very helpful for home related expenditure.

Marketing

As the UK's leading specialist retailer of tiles, Topps has strong overall levels of brand awareness. As we seek to further enhance our market share, our marketing strategy is focussed on broadening our customer base by persuading new customers to consider Topps first - either online or through a store visit. Our customer communications are increasingly focussed on the quality and breadth of our range to support our new product development advantage. Research shows us that product range and quality are the most important aspects when selecting a tile shop and hence the principal drivers of the purchase decision.

Our national TV advertising is focussed on supporting our promotional activity, with the new "fall in love with your home again - up to a third off" campaign running in Autumn 2014. To drive a step change in perceptions Topps has signed up Phil Spencer of TV programme "Location, Location, Location" as Brand Ambassador, to help increase the impact of our consumer PR campaigns and build on our existing coverage in home interest magazines, online and in national press.

The use of internal and market data is increasingly important in driving marketing effectiveness in the digital multichannel world. Topps is working in partnership with Experian to leverage several rich internal and external data sources and will launch a full Microsoft customer relationship management (CRM) platform in 2015. During the year our Marketing Team has been strengthened to take full advantage of the opportunities afforded by these developments.

Strategy

The primary goal for the business remains to take profitable market share. In 2013 we clarified this market share goal by announcing that we were targeting a one third share of the UK domestic tile market. The strategy for achieving this seeks to deliver an unbeatable combination of service and outstanding value to our customers by specifically focusing on three key areas:

1 Range authority
2 Providing an inspirational shopping experience
3 Multi-channel convenience

This strategy has been very effective and we have seen our share of the UK domestic tile market grow from 28.5% to 30.3%. This is the sixth year in a row we have taken market share. We believe the primary driver of our success is our very clear strategy for delivering our goal and we benefit greatly from this consistent approach – our colleagues across our business are clear on what we are striving to achieve and how each and every one of them can contribute to the organisation's success.

Range Authority

As the UK's leading specialist tile retailer, we understand the importance of having great quality products in the latest designs at a range of prices to help our customers get the most from their home improvement project. We are constantly refreshing our offering and launch at least one new tile range every week both in-store and online. This unrivalled authority in product range is critical to our competitive advantage.

As customers' tastes continue to evolve and improved technology in tile manufacture allows greater diversity in style and design, we are finding that customers are also increasingly adventurous in their choices. Topps works closely with leading manufacturers and their suppliers to ensure we are first to market with these innovations. Through Topps, customers can access a sector leading range of over 5,000 items, which we regularly extend and update to stay ahead of the competition. Wherever possible, we register new designs, trademark names, and work with independent experts to establish claims and help guarantee exclusivity to our customers.

Research tells us that product quality and choice are two of the main reasons customers choose a tile shop and hence why Range Authority sits at the heart of our strategy. By working closely with a core group of suppliers across the world our buyers can bring new products to the market faster and more frequently than our competitors. Sales of tile ranges launched over the last 18 months account for 20% of tile revenues in the period. This metric clearly demonstrates the positive customer reaction to new product innovation. Areas such as digital ink jet print technology have revolutionised what can be done with patterned and natural effect tiles. Wood effect tiles are a good example of this innovation, with the new technology making them look so good many customers are choosing them in preference to laminate or engineered real wood flooring.

Providing an Inspirational Shopping Experience

Tiles are a semi-permanent decorative floor and wall covering which our retail customers shop for relatively infrequently and a product category in which there are no widely recognisable brands. This means that a fanatical commitment to delivering best in class customer service is essential to help our customers make informed choices. We focus on offering friendly, honest and helpful advice without ever being pushy. All of our stores are mystery shopped once every month and we also monitor each store's Net Promoter Score[1] (NPS) on a quarterly and annual basis. Annually we conduct an independent survey of our customers' satisfaction levels.

The recent trend in our market of customers becoming more adventurous and ambitious with their home improvement projects continued during the year. As a business we are ideally placed to respond to this trend. Our specialist team of advisors can truly inspire our customers with the market leading range that we offer.

Furthermore, we are seeing a migration of sales to the trade segment as customers increasingly opt for "do it for me" over "do it yourself", a trend widely reported across the home improvement industry. We believe customers are increasingly turning to professional fitters to help with these projects, as evidenced by the growth in our trade sales base to 46% (2013: 43%) of our total sales. Engaging with these professional fitters and encouraging their loyalty to our business is increasingly important to our overall progress. Our long experience of catering to the trade means we are well placed to serve this growing market.

We have also worked hard on making sure that the environment within all of our stores is an inspirational place to shop. This year we have delivered an ambitious programme of 'all store improvements' which has seen our latest display and merchandising treatments installed across our entire estate. These treatments include new natural stone wall displays, extended use of image boards, new counters and navigational signage, accessory displays and clearer pricing and point of sale materials.

Multi-channel Convenience

Convenience is a vital element of our customers' decision to shop with us. Our scale, expertise and ability to seamlessly integrate all of our channels to market is an important source of competitive advantage.

Stores

Our stores remain by far our most dominant channel with over 99% of our customers visiting a store at some stage in their shopping journey with Topps. Customers tell us that this is because of the tactile nature of the product, the market leading service levels on offer and stock availability. We have continued to focus on optimising returns from the existing store estate, adding new locations selectively where we believe strong opportunities exist. We also target tactical relocations of individual stores where this is supported by a local market opportunity. In the last 12 months we opened 16 new stores and closed nine (of which four were relocations or rebrands), resulting in a net increase of seven stores to bring the total, at year end, to 335. These new stores have performed well and we remain very satisfied with the return on investment. In the year ahead we have plans in place to increase the core store estate by a net five new units plus the plans for our Boutique format detailed below.

A year ago we announced that we would trial a new smaller format, Topps Tiles Boutique. The primary goal of this initiative was to address the difficulty of finding suitable properties in locations which would be unsuitable for our traditional larger format stores. This constraint on growth has been addressed by targeting

[1] A full explanation of the NPS methodology and associated scores can be found within the KPIs section of this report.

primarily high street locations where we commenced an initial trial of five Boutique stores in and around London. Early trading indications from these stores have been very encouraging. We are continuing to refine the format and are working to better understand how customers interact between the Boutique stores and the core estate.

As expected, this trial has also generated important learnings and ideas relevant to the core estate which we have started implementing to all stores. In addition, core stores located near a Boutique store are experiencing a “halo effect” of above trend sales improvements which we believe demonstrates that these new stores are having a positive impact on perceptions of the Topps brand. Following a review of the Boutique format and the five stores we currently have trading, we plan to extend the programme to a further 10-12 stores in the current financial year, including establishing a second geographic cluster in the North West of England.

We have continued to invest in the existing store estate. In addition to the improvements made to all stores mentioned above, we have carried out a programme during the year which saw us fully refit 14 stores and conduct a programme of minor improvements in seven of our top 10 performing stores. We intend to continue this programme by fully refitting 15 stores in the year ahead.

Our Topps Tiles Clearance stores have also had a successful year. In the prior year we rebranded all of these clearance outlets under the Topps branding and we have found that customers have responded very favourably to this initiative. These stores continue to occupy an important place in our customer offer and can successfully cater for our most price conscious customers.

Online

The web is a vital part of our customers’ pre-purchase research and inspiration process and is a key element in the multi-channel convenience we offer. As a result 70% of our customers use our website at some stage of their shopping journey, however a purchase online is often the result of several trips to store. We therefore believe the ‘pure play’ online market for tiles remains very small and our ability to combine our website offering with the skilled advice and convenience available through a physical store presence gives us a significant competitive advantage over any pure play online retailer of tiles.

Our e-commerce sales have now passed £6 million (2013: £3 million) and we have the number one UK site for visitors within our sector with over 150,000 unique visitors a week. In addition, customers also use the website to pay for a further £9 million (2013: £7 million) of sales which they initiated in store or over the phone but have chosen to pay for remotely.

Telephone Ordering and Web Chat Function

Despite the emergence of online as a complementary channel to our stores, customers still place great value on the ability to talk to our store teams and our support office to arrange orders, seek advice and make payment. This year we have also launched a live web chat service where customers who are online can instantly message one of our Customer Service Operatives and get answers to their queries before they order. The seamless integration of all of these channels is crucial to maximising customer convenience.

Trade Customers

Sales to tile fitters accounted for 46% of revenues in the period (2013: 43%) continuing the strong growth trend of recent years and reflecting the continued momentum of the “do it for me” trend identified across the home improvement sector. Whilst tradesmen are a distinct customer group they are becoming increasingly important as an alternative channel to market for Topps, with some of our customers being introduced through their chosen tile fitter. Of these new customers, a portion will transact directly with us, with the remainder finding it more convenient to transact through their fitter, such that we may never deal with those end consumers directly. Our strategy is focussed on offering maximum convenience to all of our customers, regardless of how they choose to shop with us.

Trade loyalty rewards and communications were increased this year. During the year we have launched a “rewards card” with excellent results – with over 2,500 traders now actively collecting towards vouchers to spend at Topps. The greater use of our trader database has meant we are targeting rewards and promotional messages more effectively. We have seen a strong reaction to this marketing activity, supported by the many new trade products and improved deals on offer. The relationship between our store teams and their trade customers remains a key element of our success in this sector of the market. Research consistently demonstrates that our trade customers value the high levels of technical knowledge we provide and the exceptional levels of service we offer.

We continue to see good growth potential in our trade business as home owners increasingly rely on specialist tradesmen to complete their tiling projects and expect the proportion of Group sales coming through this channel to increase further in the coming years.

Colleague Engagement

It is imperative that all of our people have a clear understanding of the organisation's goals and the strategic plan to attain them. We invest significant time and effort in communicating and engaging all of our colleagues in our plans for the business. During the year we held two manager roadshow events at our HQ; the main event attended by almost two thirds of our people and the interim update attended by all of our store and support office managers. In addition to these primary communication events we regularly update our colleagues on the Company's progress via email, our radio station, Tiles FM, and in-house magazine, Quartile. We also operate a very successful employee forum, TeamTalk, which allows colleagues to have their say in how we operate our business and we conduct an annual colleague engagement survey.

Financial Objectives

In addition to the key operational objectives highlighted in the Strategic Review above the business maintains a strict financial discipline, including:

- Primary focus on increasing revenues and cash generation, maintaining cost disciplines and optimising gross margins.
- Capital structure and net debt - the level of net debt has now been reduced to a point that the Board feels is an appropriate balance of an efficient capital structure and financial flexibility. The business remains highly cash generative and as we move forwards the Board envisage a greater share of earnings being returned to shareholders in order to maintain a target level of net debt.
- Maximising earnings per share and shareholder returns, including bi-annual review of our dividend policy.

Progress against both our operational and financial objectives is discussed throughout this report and, where appropriate measures are utilised, these are included in the Key Performance Indicators section.

Key Performance Indicators ("KPIs")
The Board monitor a number of financial and non-financial metrics and KPIs both for the Group and by individual store, including:

	52 weeks to 27 September 2014	52 weeks to 28 September 2013	YoY
Financial KPIs			
Like-for-like sales growth year-on-year	+8.1 %	-0.5%	+8.6%
Total sales growth year-on-year	+9.8 %	+0.1%	+9.7%
Gross margin	60.9%	60.2%	+70bps
Adjusted PBT*	£17.1m	£13.0m	+31.5%
Net debt	£30.5m	£36.6m	£(6.1)m
Inventory days	133	135	-1.5%
Non-financial KPIs			
Market Share	30.3%	28.5%	+1.8%
Net Promoter Score %	91.9%	93.0%	-1.1%
Carbon emissions per store (Tonnes per annum)	44.2	46.9	-5.8%
Employee turnover	25.2%	27.5%	-2.3%
Number of stores at year end	335	328	7

*Adjusted PBT as defined on page 1

Notes
- Net Promoter Score is calculated based on customer feedback to the question of how likely they are to recommend Topps Tiles to friends or colleagues. The scores are based on a numerical scale from 0-10 which allows customer to be split into promoters (9 -10), passives (7-8) and detractors (0-6). The final score is based on the percentage of promoters minus the percentage of detractors.
- Energy carbon emissions has been compiled in conjunction with our suppliers (SSE and Gazprom) and is based on the actual energy consumed multiplied by Environment Agency approved emissions factors. Vehicle emissions has been calculated by our in-house transport team based on mileage covered multiplied by manufacturer quoted emission statistics.

The Board receive regular information on these and other metrics for the Group as a whole. This information is reviewed and updated as the Directors feel appropriate.

Corporate Social Responsibility
Topps has a long standing Corporate Social Responsibility (CSR) agenda covering Community & Charity, Environment and Our People. The full detail of our current CSR activities is detailed in our Annual Report and Accounts. We take the impact of our business on our environment extremely seriously and have included a range of environmental metrics within the Directors' Report Section of our Annual Report and Accounts.

Human Rights
We are also very mindful of human rights issues within our organisation. The key area in which this would impact our business is in our supply chain. All of our directly employed colleagues are based in the UK and covered by UK employment law, with which we are fully compliant. Within our supply chain we source from factories in many countries around the world. Our specialist team of buyers and their agents personally inspect factory facilities to satisfy themselves with regard to working conditions before new suppliers are engaged. We also have commercial agreements in place that require our suppliers to be fully compliant with local laws and we pay particular attention to labour standards and factory conditions. No issues were raised during the year.

Diversity
The Nominations Committee reviews the balance of skills, knowledge and experience on the Board regularly. Its policy with regard to gender is that we recognise the need for a greater level of diversity across all levels in our organisation, however, we do not endorse positive discrimination and encourage colleagues to appoint the very best possible candidate to the post. During the year we have seen an improvement in overall diversity but also recognise that within our senior manager population we are lacking diversity.

Our workforce at period end date comprises:

	2014			2013		
	Male	Female	Total	Male	Female	Total
Directors	5	1	6	5	1	6
Senior Managers	14	0	14	13	1	14
Other Employees	1,459	338	1,797	1,407	291	1,698
Total Employees	**1,478**	**339**	**1,817**	**1,425**	**293**	**1,718**
% of total	**81.3%**	**18.7%**		**82.9%**	**17.1%**	

Equal Opportunities
At Topps Tiles we are committed to equal opportunities and ensure that we hire on potential, promote on talent and reward on success. We aim to promote equality of opportunity in employment regardless of age, gender, colour, ethnic or national origin, culture, religion or other philosophical belief, disability, marital or civil partnership status, political affiliation, sexual identity or sexual orientation.

Risks and Uncertainties
The Board conducts a continuing review of key risks and uncertainties. During the year the Audit Committee have discussed the key strategic risks, the likelihood and impact of these occurring and mitigants we have in place.

UK economy & consumer confidence		
Risk The economy may deteriorate and impact on consumer confidence.	**Impact** Consumers need to feel confident to invest money into their homes. In the event of a significant reduction in house prices, housing transactions or consumer confidence we would expect this to adversely impact on business performance.	**Mitigation** Our strategy is focussed on taking an ever greater share of our market and we believe the business is sufficiently robust to withstand short term trading pressures. Longer term we consider that the UK housing market remains attractive and we believe there remains significant upside from a sustained economic recovery. In addition the business model has proved its ability to withstand short term trading pressures on several occasions in recent years.

Appropriate business strategy		
Risk Our business strategy will not be successfully delivered.	**Impact** Without a clear company goal and a well understood strategy to deliver, the risk is that the business loses focus and fails to deliver its objectives.	**Mitigation** The strategy is reviewed annually, updated as required and approved by the Board. Bi-annual communication events ensure around two thirds of all colleagues are directly briefed by the Executive and regular updates are provided to all colleagues on our progress towards our goals. The Board review progress on key strategic initiatives at each meeting.
Threat of new entrants		
Risk New entrants may seek to erode our market share.	**Impact** Lower market share leading to reduced sales and profitability.	**Mitigation** We constantly review our competitor set but at the same time we are clear on what differentiates Topps from its competitors. Exceptional customer service, market leading product offer and unrivalled multi-channel convenience are the key elements of our business which, whilst imitated, have never effectively been replicated.
Loss of key personnel		
Risk The loss of key individuals could impact on the ability of the business to deliver its objectives.	**Impact** Increased competition also introduces the risk of increased colleague turnover and the resulting loss of knowledge, disruption and associated costs.	**Mitigation** Colleague turnover is monitored closely (and is included in the KPIs section of this report). We also conduct an annual colleague survey to gauge the views of our people across the business. Pay and benefits are benchmarked to ensure we are rewarding our people in line with their contribution to the business. In addition we have a detailed succession plan for each key executive.
Loss of key performing stores		
Risk The loss of key performing stores which contribute a material amount of Group earnings.	**Impact** Loss of a multiple number of top performing stores could cause a material impact on the company's profitability.	**Mitigation** We conduct regular reviews of all stores' profitability and for our most profitable units security of tenure is key. We review lease terms where appropriate and will pro-actively re-gear leases to ensure we always have at least several years of security. Given our geographic coverage it is also likely that if a key performing store did close we would migrate some sales into neighbouring stores. We also recognise that freehold is the ultimate mitigant and as part of our continuing review of key

		stores we consider this where appropriate.
Loss of a key supplier		
Risk The loss of a key supplier could impact on our ability to trade.	**Impact** The loss of a key supplier would potentially lead to disruption in supply of key selling products leading to loss of sales and profits.	**Mitigation** Our supply chain is diverse and due to our scale we can source products directly from manufacturers anywhere in the world. For most products we sell there is an alternative available. If there was not, this would affect the entire market place and accordingly should not lead to a loss of competitiveness.
Financing		
Risk The Group has a £50 million revolving credit facility in place which was refinanced in June 2014 and expires in June 2019. The loan facility contains financial covenants which are tested on a bi-annual basis. The key risks would be either not negotiating new facilities in advance of expiry or breaching a loan covenant which would have an adverse impact on the Group's financing position.	**Impact** The most likely impact of not being able to renew the loan facility would be the requirement to raise additional funding from shareholders. The impact of breaching a loan covenant would likely be financial in terms of additional charges and fees. At its worst it would also mean the loan would be repayable which would be likely to result in a fundraising.	**Mitigation** Loan renewal discussions are conducted well in advance in order to allow sufficient time to cater for different negotiation scenarios and would include both existing and new banks to gauge interest. Loan covenants are measured monthly and reported to the Board. The company planning model is updated several times a year and gives good forward visibility. Any potential issues would be dealt with well in advance by pro-active discussions with lenders.

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.

Going Concern

When considering the going concern test the Board review several factors including a detailed review of the above risks and uncertainties, the Group's forecast covenant and cash headroom against lending facilities (which were refinanced in June 2014) and management's current expectations. As a result of this review the Board believes that 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. Therefore, the Board considers it appropriate to prepare the financial statements on the going concern basis.

Current Trading and Market Conditions for the Year Ahead

2014 was a successful year for Topps and we are now trading against much stronger prior year comparatives, which will logically make maintaining the same level of growth that we delivered in 2014 more challenging. Against this backdrop, the new financial period has started well with like for like sales over the first eight weeks of our new year increasing by 6.7%. Macro-economic indicators remain positive and the Group's successful strategy of taking profitable market share is underpinning further progress.

FINANCIAL REVIEW

PROFIT AND LOSS ACCOUNT

Revenue

Revenue for the period ended 27 September 2014 increased by 9.8% to £195.2 million (2013: £177.8 million). Like-for-like store sales increased by 8.1% in the period, which consisted of a 10.2% increase in the first half of the financial period and a 6.1% increase in the second half.

Gross Margin

Overall gross margin was 60.9% compared with 60.2% in the previous financial period. At the interim stage of the period gross margin was 60.8%, and we recorded a gross margin of 60.9% in the second half of the period. The environment in which we operate continues to be highly competitive and we remain focussed on delivering our customers the very best value at the same time as also generating improved returns.

Operating Expenses

Total operating costs have risen from £93.2 million to £100.7 million, an increase of 8.0%. Costs as a percentage of sales were 51.6% compared to 52.4% in the previous period. When adjusting items (detailed below) are excluded, operating costs were £100.2 million (2013: £91.5 million), equivalent to 51.3% of sales (2013: 51.5% of sales).

The movement in adjusted operating costs is explained by the following key items:

- Inflation at an average of approximately 1.8% has increased our cost base by around £1.7 million
- The average number of UK stores trading during the financial period was 329 (2013: 321), which generated an increase in costs of approximately £1.8 million
- Employee profit share costs have increased by £3.5 million due to targets across the business being exceeded as a result of the strong business performance
- Marketing costs for the year were £4.7 million, an increase of £1 million from the previous year
- The strong sales growth we have delivered this year drives an increase in supply chain activity of approximately £0.3 million
- The remaining elements of the cost base are flat when compared to the prior year

During the period we incurred several charges which we have excluded from our adjusted operating costs as they are not representative of the underlying cost base of the business. These charges relate to impairments of plant, property and equipment of £0.3 million (2013: £0.6 million) and business restructuring costs of £0.2 million (2013: £0.2 million). The charge against property related provisions was £nil (2013: £0.9 million charge). Property related provisions are driven by providing forward for four years the expected costs of loss making or closed stores. Any change to the property provisions would be driven by either a change in the number of stores impacted or a change in the forward period provided for.

Operating Profit

Operating profit for the period was £18.2 million (2013: £13.8 million).

Operating profit as a percentage of sales was 9.3% (2013: 7.8%).

Excluding the adjusting items detailed above operating profit was £18.7 million (2013: £15.6 million).

Other Gains and Losses

During the period we disposed of one freehold property generating a gain of £0.4 million. In the prior year we disposed of one freehold property at the carrying value of the investment and also recognised a further gain of £0.1 million relating to a previous disposal of the Fenton warehouse.

Financing

The net cash interest charge for the year was £1.6 million (2013: £2.5 million), excluding the impact of currency revaluations. The underlying interest charge has fallen compared to the prior financial period due to a decision to cancel the remaining element of the interest rate derivatives in the previous financial year. The prior year included a charge for the cancellation of outstanding interest rate derivatives of £5.9 million, which was substantially offset by the reversal of a “marked to market” accrual the company had previously provided for.

The company has in place a number of forward currency contracts giving rise to a "marked to market" revaluation as required by IAS39 "Financial Instruments: Recognition and Measurement". This revaluation has generated a fair value (non-cash) gain of £0.1 million (2013: £nil). The combined net gain for the year is therefore £0.1 million (2013: £0.2 million gain). Due to the nature of the underlying financial instruments, IAS39 does not allow hedge accounting to be applied to these losses and hence any gains or losses against these derivatives is applied directly to the income statement rather than being offset against balance sheet reserves.

In addition to the above charges and gains we have also provided for £0.1 million of interest against historic outstanding potential tax payments. In the prior year period we included a charge of £1.0 million against these potential liabilities, £0.9 million of this cost had previously been charged against tax and as a consequence there was an offsetting impact included within the Group's tax charge for the year.

Net interest cover was 14.2 times (2013: 7.4 times) based on earnings before interest, tax, depreciation and the impairment of plant, property and equipment, excluding the impact of IAS39 in finance charges and the write-down of the unamortised issue costs relating to the 2011 Revolving Credit Facility.

Profit Before Tax

Reported profit before tax was £16.7 million (2013: £10.6 million).

The Group profit before tax margin was 8.6% (2013: 6.0%)

Excluding the adjusting items detailed on page 1 profit before tax was £17.1 million (2013: £13.0 million).

Tax

The effective rate of Corporation Tax for the period was 25.0% (2013: 13.7%).
The prior period rate includes the effect of a release of £0.9 million relating to historical corporation tax provisions no longer required. When this adjustment is taken into account the underlying prior period tax rate was 21.8%.
The Group tax rate is higher than the prevailing UK corporation tax rate due to non-deductible expenditure and depreciation on assets not qualifying for capital allowances.

Earnings Per Share

Basic earnings per share were 6.49 pence (2013: 4.76 pence).

Diluted earnings per share were 6.43 pence (2013: 4.73 pence).

Excluding the adjusting items detailed on page 1 adjusted earnings per share were 6.63 pence (2013: 5.44 pence).

Dividend and Dividend policy

The Company has delivered a strong financial result this year and the Board feels it is appropriate that this is also reflected in the dividend for the year. The Group's net debt position has also now reduced to a level the Board considers to be an appropriate balance of an efficient capital structure and financial flexibility.

To this end we are recommending to shareholders a final dividend of 1.60 pence per share (2013: 1.0 pence per share). This will cost £3.1 million (2013: £1.9 million). The shares will trade ex-dividend on 29 December 2014 and, subject to approval at the Annual General Meeting, the dividend will be payable on 30 January 2015.

This brings the total dividend for the year to 2.25 pence per share (2013: 1.50 pence per share), an increase of 50%.

BALANCE SHEET

Capital expenditure
Capital expenditure in the period amounted to £11.2 million (2013: £5.5 million), an increase of 103.6%. Investment in our stores accounts for £7.6 million (2013: £4.2 million) and includes 12 new openings, two conversions, two relocations and 21 full or part store refits. There have been three freehold purchases in the period at a cost of £2.9 million (2013: no freehold purchases). The remaining expenditure primarily consists of investment in IT infrastructure of £0.7 million (2013: £1.1 million).

At the period end the Group held eight freehold or long leasehold sites including two warehouses and distribution facilities with a total carrying value of £16.0 million (2013: six freehold or long leasehold valued at £13.6 million).

Property Disposals
During the period we disposed of one freehold property and generated proceeds of £0.6 million (2013: one property generated £0.4 million).

Inventory
Inventory at the period end was £27.8 million (2013: £26.2 million) representing 133 days turnover (2013: 135 days turnover). This small increase in stockholding is driven by an increase in the number of stores trading at year end of 335 (2013: 328).

Capital Structure and Treasury
Cash and cash equivalents at the period end were £19.5 million (2013: £18.4 million) with repayable borrowings at £50.0 million (2013: £55.0 million).

This gives the Group a net debt position of £30.5 million (2013: £36.6 million).

Cash flow
Cash generated by operations was £24.9 million, compared to £28.2 million last period. The reduction in cash generation year on year is as a result of the prior year period including a working capital gain which was generated from the timing of year end and has not repeated in the current financial period.

Cautionary Statement

This Strategic & Operational Review, and Chairman's statement have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. These reports should not be relied on by any other party or for any other purpose.

The Strategic and Operational Review and Chairman's statement 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.

The Directors, in preparing this Strategic and Operational Review, have complied with s414a of the Companies Act 2006. This Business Review 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 to its subsidiary undertakings when viewed as a whole.

Directors' Responsibility Statement

We confirm to the best of our knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report, which is incorporated into the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face and a fair, balanced and reasonable view of the business.

ANNUAL GENERAL MEETING

The Annual General Meeting for the period to 27 September 2014 will be held on 22 January 2015 at 10.00am at Topps Tiles Plc, Thorpe Way, Grove Park, Enderby, Leicestershire LE19 1SU.

Matt Williams
Chief Executive Officer

Rob Parker
Chief Financial Officer

25 November 2014

Consolidated Statement of Financial Performance
For the 52 weeks ended 27 September 2014

	Notes	**52 weeks ended 27 September 2014 £'000**	52 weeks ended 28 September 2013 £'000
Group revenue – continuing operations	3	**195,237**	177,849
Cost of sales		**(76,367)**	(70,826)
Gross profit		**118,870**	107,023
Employee profit sharing		**(9,827)**	(6,251)
Distribution and selling costs		**(69,161)**	(68,483)
Other operating expenses		**(5,359)**	(4,656)
Administrative costs		**(11,665)**	(10,025)
Sales and marketing costs		**(4,672)**	(3,763)
Group operating profit		**18,186**	13,845
Other gains	4	**401**	109
Investment revenue	6	**251**	170
Finance costs	6	**(2,147)**	(3,733)
Fair value gain on interest rate derivatives	6	**-**	210
Profit before taxation	4	**16,691**	10,601
Taxation	7	**(4,179)**	(1,457)
Profit for the period attributable to equity holders of the company	25	**12,512**	9,144
Earnings per ordinary share	9		
From continuing operations			
- basic		**6.49p**	4.76p
- diluted		**6.43p**	4.73p

Consolidated statement of comprehensive income
For the 52 weeks ended 27 September 2014

	52 weeks ended 27 September 2014 £'000	52 weeks ended 28 September 2013 £'000
Profit for the period	**12,512**	9,144
Total comprehensive income for the period attributable to equity holders of the parent Company	**12,512**	9,144

Consolidated Statement of Financial Position
As at 27 September 2014

	Notes	**2014 £'000**	2013 £'000
Non-current assets			
Goodwill	10	**245**	245
Property, plant and equipment	11	**41,294**	35,348
		41,539	35,593
Current assets			
Inventories		**27,846**	26,196
Trade and other receivables	13	**5,800**	7,711
Cash and cash equivalents	14	**19,547**	18,443
		53,193	52,350
Total assets		**94,732**	87,943
Current liabilities			
Trade and other payables	15	**(36,240)**	(35,929)
Current tax liabilities		**(4,888)**	(3,734)
Provisions	18	**(876)**	(1,014)
		(42,004)	(40,677)
Net current assets		**11,189**	11,673
Non-current liabilities			
Bank loans	16	**(49,581)**	(54,820)
Deferred tax liabilities	18	**(261)**	(426)
Provisions	18	**(2,043)**	(2,204)
Total liabilities		**(93,889)**	(98,127)
Net assets/ (liabilities)		**843**	(10,184)
Equity			
Share capital	19	**6,455**	6,404
Share premium	20	**1,879**	1,492
Own shares	21	**(656)**	(10)
Merger reserve	22	**(399)**	(399)
Share based payment reserve	23	**1,941**	649
Capital redemption reserve	24	**20,359**	20,359
Retained earnings	25	**(28,736)**	(38,679)
Total funds/ (deficit) attributable to equity holders of the parent		**843**	(10,184)

The accompanying notes are an integral part of these financial statements.

The financial statements of Topps Tiles Plc, registered number 3213782, were approved by the board of directors and authorised for issue on 25 November 2014. They were signed on its behalf by:

M.T.M Williams
R. Parker
Directors

Consolidated Statement of Changes in Equity

For the 52 weeks ended 27 September 2014

	Share Capital £'000	Share Premium £'000	Own Shares £000	Merger Reserve £'000	Share-Based Payment Reserve £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 29 September 2012	6,395	1,481	(4)	(399)	566	20,359	(45,746)	(17,348)
Profit and total comprehensive income for the period	-	-	-	-	-	-	9,144	9,144
Issue of share capital	9	11	-	-	-	-	-	20
Dividends	-	-	-	-	-	-	(2,396)	(2,396)
Own shares purchased in the period	-	-	(6)	-	-	-	-	(6)
Credit to equity for equity-settled share based payments	-	-	-	-	83	-	-	83
Deferred tax on share-based payment transactions	-	-	-	-	-	-	319	319
Balance at 28 September 2013	6,404	1,492	(10)	(399)	649	20,359	(38,679)	(10,184)
Profit and total comprehensive income for the period	-	-	-	-	-	-	12,512	12,512
Issue of share capital	51	387	-	-	-	-	-	438
Dividends	-	-	-	-	-	-	(3,175)	(3,175)
Own shares purchased in the period	-	-	(650)	-	-	-	-	(650)
Own shares issued in the period	-	-	4	-	-	-	-	4
Credit to equity for equity-settled share based payments	-	-	-	-	1,292	-	-	1,292
Deferred tax on share-based payment transactions	-	-	-	-	-	-	606	606
Balance at 27 September 2014	**6,455**	**1,879**	**(656)**	**(399)**	**1,941**	**20,359**	**(28,736)**	**843**

Consolidated Cash Flow Statement
For the 52 weeks ended 27 September 2014

	52 weeks ended 27 September 2014 £'000	52 weeks ended 28 September 2013 £'000
Cash flow from operating activities		
Profit for the period	**12,512**	9,144
Taxation	**4,179**	1,457
Fair value gain on interest rate derivatives	**-**	(210)
Finance costs	**2,147**	3,733
Investment revenue	**(251)**	(170)
Other gains on sale of freehold properties	**(401)**	(109)
Group operating profit	**18,186**	13,845
Adjustments for:		
Depreciation of property, plant and equipment	**4,553**	4,258
Impairment of property, plant and equipment	**348**	553
Share option charge	**1,292**	83
Decrease/(increase) in trade and other receivables	**1,834**	(486)
Increase in inventories	**(1,650)**	(279)
Increase in payables	**348**	10,209
Cash generated by operations	**24,911**	28,183
Interest paid	**(1,695)**	(3,265)
Taxation paid	**(2,582)**	(2,649)
Net cash from operating activities	**20,634**	22,269
Investing activities		
Interest received	**140**	199
Purchase of property, plant and equipment	**(11,450)**	(5,586)
Proceeds on disposal of property, plant and equipment	**733**	398
Purchase of own shares	**(646)**	-
Net cash used in investment activities	**(11,223)**	(4,989)
Financing activities		
Dividends paid	**(3,175)**	(2,396)
Proceeds from issue of share capital	**438**	14
Settlement of interest rate hedge	**-**	(5,897)
Loan issue costs	**(570)**	-
Repayment of bank loans	**(5,000)**	(5,000)
Net cash used in financing activities	**(8,307)**	(13,279)
Net increase in cash and cash equivalents	**1,104**	4,001
Cash and cash equivalents at beginning of period	**18,443**	14,442
Cash and cash equivalents at end of period	**19,547**	18,443

1 General information

Topps Tiles Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in the Annual Report. The nature of the Group's operations and its principal activity are set out in the Directors' Report in the Annual Report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 18.

Adoption of new and revised standards

In the current period, the following new and revised standards and interpretations have been adopted and may affect the future amounts reported in the financial statements:
IFRS 13 – Fair Value Measurement, this standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

Standards not affecting the reported results nor the financial position
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.

IAS 1 (amended) – Presentation of Items of Other Comprehensive Income, the amendments improve the consistency and clarity of the presentation of items of other comprehensive income.
IAS 19 (revised) – Employee Benefits, this revised standard prescribes the accounting and disclosure by employers for employee benefits.
Improvements to IFRSs 2011-13. Aside from those items already identified above, the amendments made to standards under the 2010 improvements to IFRSs have had no impact and will not have any impact on the group.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 15 – Revenue from Contracts with Customers
IAS 16 and IAS 38 (amended): Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (amended): Equity Method in Separate Financial Statements

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

2 Accounting policies

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards 'IFRSs'. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS regulation. The 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 the assets.

b) Going concern

When considering the going concern test the Board review several factors including a detailed review of the above risks and uncertainties, the Group's forecast covenant and cash headroom against lending facilities (which were refinanced in June 2014) and management's current expectations. As a result of this review the Board believes that 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. Therefore, the Board considers it appropriate to prepare the financial statements on the going concern basis.

The principal accounting policies adopted are set out below.

c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of financial performance from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

d) Financial period

The accounting period ends on the Saturday which falls closest to 30 September, resulting in financial periods of either 52 or 53 weeks.

Throughout the financial statements, Directors' Report and Business Review, references to 2014 mean at 27 September 2014 or the 52 weeks then ended; references to 2013 mean at 28 September 2013 or the 52 weeks then ended.

e) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

e) Goodwill (continued)

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill of £15,080,000 written off to reserves under UK GAAP prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

f) Revenue recognition

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

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The level of sales returns is closely monitored by management and provided for when management considers them to be significant and deducted from income.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably).

g) Exceptional items

Items are classed as exceptional where they relate to one-off costs incurred in the period that the directors do not expect to be repeated in the same magnitude on an annual basis, or where the directors consider the separate disclosure to be necessary to understand the Group's performance. The principles applied in identifying exceptional costs are consistent between periods. There were no exceptional items in the current or prior period.

h) Property, plant & equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, less estimated residual value, over their estimated useful lives, on the following bases:

Freehold buildings	2% per annum on cost on a straight-line basis
Short leasehold land and buildings	over the period of the lease, up to 25 years on a straight line basis
Fixtures and fittings	over 10 years, except for the following; 4 years for computer equipment or 5 years for display stands, per annum as appropriate
Motor vehicles	25% per annum on a reducing balance basis

Freehold land is not depreciated.

Residual value is calculated on prices prevailing at the date of acquisition.

Assets held in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of financial performance.

i) Impairment of tangible and intangible assets excluding goodwill

At each period end, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

j) Inventories

Inventories are stated at the lower of cost and net realisable value and relate solely to finished goods for resale. Cost comprises the purchase price of materials and an attributable proportion of distribution overheads based on normal levels of activity and is valued at standard cost. Net realisable value represents the estimated selling price, less costs to be incurred in marketing, selling and distribution. Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. The net replacement value of inventories is not considered materially different from that stated in the consolidated statement of financial position.

k) Taxation

The tax expense represents the sum of the tax charge for the period 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, and interests in jointly controlled entities, 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.

l) Foreign currency

The individual financial statements of each Group company are presented in pounds sterling (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentational currency for the consolidated financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each period end, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of financial performance for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in statement of financial performance for the period.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/ hedge accounting); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

m) Leases

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease even where payments are not made on such a basis, except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed or a provision has been made for an onerous lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group provides for the unavoidable costs prior to lease termination or sub-lease relating to onerous leases. Dilapidation costs are provided for against all leasehold properties across the entire estate.

n) Investments

Fixed asset investments are shown at cost less provision for impairment.

o) Retirement benefit costs

For defined contribution schemes, the amount charged to the statement of financial performance in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

p) Finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

All other finance costs of debt are recognised in the statement of financial performance over the term of the debt at a constant rate on the carrying amount.

q) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. The Group has no designated FVTPL financial assets.

A Financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied, such as discounted cash flows and assumptions regarding market volatility.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 43 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash within three months and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. The Group does not have any designated FVTPL liabilities.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group’s activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group uses foreign exchange forward contracts to manage its foreign currency risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group’s policies approved by the board of directors, on the use of financial derivatives.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each period end date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

r) Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 October 2005.

The Group issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the share based payment is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of the Black Scholes model.

r) Share-based payments (continued)

The Group provides employees with the ability to purchase the Group's ordinary shares at 80% of the current market value through the operation of its share save scheme. The Group records an expense, based on its estimate of the 20% discount related to shares expected to vest on a straight line basis over the vesting period.

s) Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

t) Operating profit

Operating profit is stated after charging restructuring costs but before property disposals, investment income, finance costs and fair value movement in derivative contracts.

u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

v) Supplier income

Amounts receivable from suppliers are initially held on the balance sheet within the cost of inventory and recognised within the income statement once the contractual terms of the supplier agreements are met and the corresponding inventory has been sold.

w) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgement, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in financial statements is the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 *Revenue*. In particular the largest judgement is where there are open orders and these goods have not been delivered to the customer, and in these cases the Directors believe the significant risks and rewards of ownership of the goods have not been transferred to the buyer and therefore do not recognise revenue on these orders.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the period end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below:

Inventory

At the period end there were £2.2 million (2013: £2.3 million) of overheads and £2.1 million (2013: £1.8 million) of supplier income (rebates) absorbed into the inventory balance. Additionally there were £0.6 million (2013: 0.8 million) of provisions against the net realisable value of inventories.

Property provisions

Onerous lease provision - During the period the Group has continued to review the performance of its store portfolio, which has resulted in two further stores being exited before their lease terms had expired (2012: nil stores). In respect of the leases in relation to stores exited before lease end dates in prior periods that are still vacant, the Group has provided for what it considers to be the unavoidable costs prior to lease termination or sublease. The Group has further reviewed any trading loss making stores and provided for those leases considered to be onerous. These estimates are based upon available information and knowledge of the property market. The ultimate costs to be incurred in this regard may vary from the estimates.

Dilapidations provision - The Group has estimated its likely dilapidation charges for its store portfolio and provided accordingly. This estimate involves an assessment of average costs per store and the expected exit period for the current portfolio, and is based on management's best estimate, taking into account knowledge of the property market and historical trends. The ultimate costs to be incurred may vary from the estimates.

Supplier income

The Group has arrangements with a number of its suppliers which award rebates on satisfaction of purchase thresholds or discounts against certain inventory lines. At the period end, the Group has invoiced £1.2 million of rebates (2013: £0.5 million) which are still outstanding in receivables and holds £2.1 million (2013: £1.8 million) of rebates within the inventory balance (as above). The Group does not recognise the amounts received from suppliers within the income statement until the associated inventories are sold to the customers of the Group.

3 Revenue

An analysis of Group revenue is as follows:

	52 weeks ended 27 September 2014 £'000	52 weeks ended 28 September 2013 £'000
Revenue from the sale of goods	**195,237**	177,849
Fair value gain on forward currency contracts	**110**	-
Investment revenue	**141**	170
Total revenue	**195,488**	178,019

Investment revenue represents bank interest receivable. There are no other gains recognised in respect of loans and receivables.

4 Profit before taxation

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

	52 weeks ended 27 September 2014 £'000	52 weeks ended 28 September 2013 £'000
Depreciation of property, plant and equipment	**4,553**	4,258
Impairment of property, plant and equipment	**399**	553
Disposal of property, plant and equipment gain	**(401)**	(109)
Property related provisions (released)/ charged	**(7)**	927
Staff costs (see note 5)	**45,865**	43,123
Operating lease rentals	**21,168**	20,629
Write down of inventories recognised as an expense	**2,584**	2,807
Cost of inventories recognised as expense	**73,783**	68,019
Net foreign exchange gain	**(268)**	(11)

Disposal of property plant and equipment gain, relates to the sale of one freehold property (2013: one freehold property).

Analysis of auditor's remuneration is provided below:

	52 weeks ended 27 September 2014 £'000	52 weeks ended 28 September 2013 £'000
Fees payable to the Company's auditor with respect to the Company's annual accounts	40	50
Fees payable to the Company's auditor and their associates for other audit services to the Group:		
Audit of the Company's subsidiaries pursuant to legislation	85	110
Total audit fees	125	160
Audit related assurance services	-	5
Taxation compliance services	70	73
Remuneration Committee advice	13	8
Total non audit fees	83	86
	208	246

A description of the work of the Audit Committee is set out in the Annual Report and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

5 Staff costs

The average monthly number of persons and their full time equivalents employed by the Group and Company in the UK during the accounting period (including executive directors) was:

	52 weeks ended 27 September 2014 Number employed	52 weeks ended 28 September 2013 Number employed
Selling	**1,619**	1,556
Administration	**175**	164
	1,794	1,720

	2014 £'000	2013 £'000
Their aggregate remuneration comprised:		
Wages and salaries (including LTIP, see note 27)	**41,577**	39,447
Social security costs	**3,636**	3,466
Other pension costs (see note 26b)	**652**	210
	45,865	43,123

Details of directors' emoluments are disclosed in the Annual Report. Employee profit sharing of £9.8 million (2013: £6.4 million) is included in the above and comprises sales commission and bonuses.

6 Investment revenue, finance costs and fair value loss on interest rate derivatives

	52 weeks ended 27 September 2014 £'000	52 weeks ended 28 September 2013 £'000
Investment revenue		
Bank interest receivable and similar income	**141**	170
Fair value gain on forward currency contracts	**110**	-
	251	170
Finance costs		
Interest on bank loans and overdrafts	**(2,042)**	(2,200)
Interest on interest rate derivatives	**-**	(506)
Interest on underpaid tax*	**(105)**	(1,000)
Fair value loss on forward currency contracts	**-**	(27)
	(2,147)	(3,733)

*The Group has historically provided for tax on open HMRC enquiries, some of which have now been resolved. As a result, some historic tax payments have been reallocated between periods which, whilst leading to a net reduction in the overall level of provision required, has required a reallocation of provision from corporation tax payable to cover interest which may become due on underpaid tax in earlier periods. In the event that additional tax is ultimately due in those earlier periods, it is estimated that £1,105,000 of late payment interest would fall due, of which £1,000,000 was provided for in the prior period.

Held for trading assets and liabilities

Interest rate swaps gain	**-**	210
Forward currency contracts gains/ (losses)	**110**	(27)
	110	183

No finance costs are appropriate to be 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 27 September 2014	52 weeks ended 28 September 2013
Continuing operations:	**£'000**	£'000
Current tax - charge for the period	**4,087**	1,799
Current tax - adjustment in respect of previous periods	**(57)**	(1,226)
Deferred tax - effect of reduction in UK corporation tax rate	**(81)**	-
Deferred tax – charge for period (note 18)	**133**	875
Deferred tax - adjustment in respect of previous periods (note 18)	**97**	9
	4,179	1,457

Corporation tax in the UK is calculated at 22% (2013: 23.5%) of the estimated assessable profit for the period.

Finance Act 2013 included provision to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015.

7 Taxation

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

Continuing operations	**52 weeks ended 27 September 2014 £'000**	52 weeks ended 28 September 2013 £'000
Profit before taxation	**16,691**	10,601
Tax at the UK corporation tax rate of 22% (2013: 23.5%)	**3,672**	2,491
Tax effect of expenses that are not deductible in determining taxable profit	**367**	16
Tax effect of reduction in UK corporation tax rate	**(81)**	-
Tax effect of chargeable gain lower than profit on sale of freehold property	**(21)**	(56)
Tax effect of tangible fixed assets which do not qualify for capital allowances	**201**	222
Tax effect of adjustment in respect of prior periods	**41**	(1,216)
Tax expense for the period	**4,179**	1,457

8 Dividends

	52 weeks ended 27 September 2014 £'000	52 weeks ended 28 September 2013 £'000
Interim dividend for the period ended 27 September 2014 of £0.0065 (2013: £0.005) per share	**1,257**	958
Proposed final dividend for the period ended 27 September 2014 of £0.016 (2013: £0.01) per share	**3,098**	1,921

The proposed final dividend 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.

	2014 Number of Shares	2013 Number of Shares
Weighted average number of shares		
For basic earnings per share	**192,850,860**	192,012,412
Weighted average number of shares under option	**1,690,097**	1,351,853
For diluted earnings per share	**194,540,957**	193,364,265

The calculation of the basic and diluted earnings per share used the denominators as shown above for both basic and diluted earnings per share.

10 Goodwill

	£'000
Cost and carrying amount at 29 September 2012, 28 September 2013 and 27 September 2014	**245**

The balance of goodwill remaining is the carrying value that arose on the acquisition of Surface Coatings Ltd in 1998.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to, selling prices and direct costs during the period. Management estimates discount rates based on the Group's weighted average cost of capital. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Discounted cash flows are calculated using a post-tax rate of 12.0% (2013: 13.0%).

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years. The growth rate applied does not exceed the average long-term growth rate for the relevant markets. There are no reasonable changes that would result in the carrying value of goodwill being reduced to its recoverable amount.

The accounting judgements and sources of estimation uncertainty involved in assessing any impairment loss are referred to in note 2 to the financial statements.

As a result of the annual test of impairment of goodwill, no impairment has been identified for the current period.

11 Property, plant and equipment

	Land and buildings		Fixtures		
		Short	and	Motor	
	Freehold	leasehold	fittings	vehicles	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 29 September 2012	15,801	1,842	53,034	90	70,767
Additions	70	-	5,358	121	5,549
Disposals	(511)	-	(2,042)	(45)	(2,598)
At 28 September 2013	15,360	1,842	56,350	166	73,718
Additions	2,872	-	8,345	15	11,232
Disposals	(281)	(10)	(1,236)	(61)	(1,588)
At 27 September 2014	**17,951**	**1,832**	**63,459**	**120**	**83,362**
Accumulated depreciation and impairment					
At 29 September 2012	1,632	1,611	32,459	49	35,751
Charge for the period	227	67	3,925	39	4,258
Provision for impairment	-	-	550	3	553
Eliminated on disposals	(240)	-	(1,925)	(27)	(2,192)
At 28 September 2013	1,619	1,678	35,009	64	38,370
Charge for the period	242	51	4,228	32	4,553
Provision for impairment	-	-	389	10	399
Eliminated on disposals	(94)	(10)	(1,115)	(35)	(1,254)
At 27 September 2014	**1,767**	**1,719**	**38,511**	**71**	**42,068**
Carrying amount					
At 27 September 2014	**16,184**	**113**	**24,948**	**49**	**41,294**
At 28 September 2013	13,741	164	21,341	102	35,348

Freehold land and buildings include £4,104,000 of freehold land (2013: £4,104,000) on which no depreciation has been charged in the current period. There is no material difference between the carrying and market values.
Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £nil (2013: £nil).

Contractual commitments for the acquisition of property, plant and equipment are detailed in note 28.

During the period, the Group has closed nine stores in the UK. As the fixtures and fittings within these stores cannot be re-used in other locations within the Group, the carrying value of these assets has been fully provided for in the period, with the associated impairment charge of £389,000 (2013: £550,000) included within other operating expenses.

12 Subsidiaries

A list of the significant subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 3 to the Company's separate financial statements.

13 Trade and other receivables

	2014	2013
	£'000	£'000
Amounts falling due within one year:		
Amounts receivable for the sale of goods	**740**	714
Allowance for doubtful debts	**(45)**	(59)
Other debtors and prepayments		
-Rent and rates	**3,324**	5,072
-Other	**1,781**	1,984
	5,800	7,711

The Directors consider that the carrying amount of trade and other receivables at 27 September 2014 and 28 September 2013 approximates to their fair value on the basis of discounted cash flow analysis.

Credit risk

The Group's principal financial assets are bank balances and cash and trade receivables.

The Group considers that it has no significant concentration of credit risk. The majority of sales in the business are cash based sales in the stores.

Total trade receivables (net of allowances) held by the Group at 27 September 2014 amounted to £0.7 million (2013: £0.7 million). These amounts mainly relate to sundry trade accounts and Tesco Clubcard Scheme generated sales. In relation to these sales, the average credit period taken is 61 days (2013: 62 days) and no interest is charged on the receivables. Trade receivables between aged over 60 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. Of the trade receivables balance at the end of the year, £120,000 (2013: £161,000) is due from Tesco Plc, the Group's largest customer.

Included in the Group's trade receivable balance are debtors with a carrying amount of £42,000 (2013: £36,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired receivables

	2014	2013
	£'000	£'000
Greater than 60 days	42	36

The allowance for doubtful debts was £45,000 by the end of the period (2013: £59,000). Given the minimal receivable balance, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The allowance for doubtful debts includes £45,000 relating to individually impaired trade receivables (2013: £59,000) which are due from companies that have been placed into liquidation.

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

14 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short term bank deposits (with associated right of set off) net of bank overdrafts, 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:

	2014	2013
	£'000	£'000
Sterling	**19,367**	18,369
US Dollar	**31**	27
Euro	**149**	47
Total cash and cash equivalents	**19,547**	18,443

15 Other financial liabilities

Trade and other payables

	2014	2013
	£'000	£'000
Amounts falling due within one year		
Trade payables	**18,193**	18,244
Other payables	**5,841**	5,506
Accruals and deferred income	**12,206**	12,179
	36,240	35,929

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 58 days (2013: 59 days). No interest is charged on these payables.

The Directors consider that the carrying amount of trade payables at 27 September 2014 and 28 September 2013 approximates to their fair value on the basis of discounted cash flow analysis.

16 Bank loans

	2014	2013
	£'000	£'000
Bank loans (all sterling)	**49,467**	54,555

The borrowings are repayable as follows:

On demand or within one year	**-**	-
In the second year	**-**	-
In the third to fifth year	**50,000**	55,000
	50,000	55,000
Less: total unamortised issue costs	**(533)**	(445)
	49,467	54,555
Issue costs to be amortised within 12 months	**114**	265
Amount due for settlement after 12 months	**49,581**	54,820

The Directors consider that the carrying amount of the bank loan at 27 September 2014 and 28 September 2013 approximates to its fair value since the amounts relate to floating rate debt.

16 Bank loans (continued)

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

	2014	2013
	%	%
Loans	**3.05**	3.30

The Group borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

During the period the Group agreed a new five year revolving credit facility of £50.0 million, expiring 1 June 2019. As at the financial period end £50.0 million of this facility was drawn. The loan facility contains financial covenants which are tested on a bi-annual basis.

At 27 September 2014, the Group had available £nil million (2013: £10 million) of undrawn committed banking facilities.

17 Financial instruments

Financial liabilities held for trading were reclassified in the prior period in order to more appropriately reflect the requirements of IAS1. Classification as non-current liabilities ensures the instrument mirrors the cash flows of the loan facility, which it is in place to hedge against.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2013. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents disclosed in note 14 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 19 to 25.

The Group is not subject to any externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2q to the financial statements.

Categories of financial instruments

	Carrying Value and Fair Value	
	2014	2013
	£'000	£'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**20,242**	19,098
Financial liabilities		
Held for trading	**-**	-
Fair value through profit and loss	**18**	129
Amortised cost	**66,579**	72,935

The Group considers itself to be exposed to risks on financial instruments, including market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to mitigate the effects of these risks by using derivative financial instruments to hedge these risk exposures economically. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

17 Financial instruments (continued)

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the import of goods.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Euro	**149**	47	**1,502**	801
US dollar	**31**	135	**792**	-

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of China and Brazil (US dollar currency) and to various European countries (Euro) as a result of inventory purchases. The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where Sterling strengthens 10% against the relevant currency.

	2014	2013
	£000	£000
Profit or Loss movement on a 10% strengthening in Sterling against the Euro	**123**	68
Profit or Loss movement on a 10% strengthening in Sterling against the US Dollar	**69**	(12)
Profit or Loss movement on a 10% weakening in Sterling against the Euro	**(150)**	(84)
Profit or Loss movement on a 10% weakening in Sterling against the US Dollar	**(85)**	15

Currency derivatives

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group uses foreign currency forward contracts in the management of its exchange rate exposures. The contracts are denominated in US dollars and Euros.

At the balance sheet date, the total notional amounts of outstanding forward foreign exchange contracts that the Group has committed to are as below:

	2014	2013
	£'000	£'000
Forward foreign exchange contracts	**5,766**	4,828

These arrangements are designed to address significant exchange exposures for the first half of 2014 and are renewed on a revolving basis as required.

At 27 September 2014 the fair value of the Group's currency derivatives is a £18,000 liability within accruals and deferred income (note 15) (2013: a liability of £128,000). These amounts are based on the market value of equivalent instruments at the balance sheet date.

Gains of £110,000 are included in finance costs (note 7) (2013: £27,000 loss).

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Due to the reduced level of floating rate borrowings and the current low level of interest rates, management have not deemed it necessary to implement measures that would mitigate this risk. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit would be impacted as follows:

	50 basis points increase in interest rates		**50 basis points decrease in interest rates**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
(Loss) or profit	**(195)**	(187)	**195**	187

The Group's sensitivity to interest rates mainly relates to the revolving credit facility.

Interest rate derivatives

In the prior period the Group used interest rate derivatives to manage its exposure to interest rate movements on its bank borrowings.

The Group's interest rate derivative, which was closed during the prior period, comprised of a 10 year cancellable collar with a notional value of £nil (2013: £nil) with a cap of 5.6% and a floor of 4.49%. The interest rate within this range was LIBOR less 0.4%. Where LIBOR fell below the floor the interest rate was reset to a fixed level of 5.55%.

The fair value liability of the swaps entered into at 27 September 2014 is estimated at £nil (2013: £nil). An amount of £nil has been credited to the statement of financial performance in the period (2013: £210,000 charge).

On 30 April 2013 the Group settled the 10 year cancellable collar, for a consideration of £5,897,000.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. Management has considered the counterparty risk associated with the cash and derivative balances and do not consider there to be a material risk. The Group has a policy of only dealing with creditworthy counterparties. The Group's exposure to its counterparties is reviewed periodically. Trade receivables are minimal consisting of a number of insurance companies and sundry trade accounts, further information is provided in note 14.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows (and on the assumption that the variable interest rate remains constant at the latest fixing level of 2.45694% (2013: 3.01688%)) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2014	**Less than 1 month £'000**	**1-3 months £'000**	**3 months to 1 year £'000**	**1-5 Years £'000**	**Total £'000**
Non-interest bearing	**24,034**	**-**	**-**	**-**	**24,0340**
Variable interest rate instruments	**95**	**5,199**	**882**	**49,210**	**55,386**

2013	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 Years £'000	Total £'000
Non-interest bearing	23-750	-	-	-	23,750
Variable interest rate instruments	5,131	289	1,254	51,130	57,804

The Group is financed through a £50 million (2013 £65 million), revolving credit facility of which £50 million (2013 £55 million) was utilised. At the balance sheet date the total unused amount of financing facilities was £nil (2013 £10 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

2014	**Less than 1 month £'000**	**1-3 Months £'000**	**3 months to 1 year £'000**	**1-5 Years £'000**	**5+ Years £'000**	**Total £'000**
Foreign exchange forward contracts payments	**-**	**(2,903)**	**(2,864)**	**-**	**-**	**(5,767)**
Foreign exchange forward contracts receipts	**-**	**2,884**	**2,888**	**-**	**-**	**5,772**

2013	Less than 1 month £'000	1-3 Months £'000	3 months to 1 year £'000	1-5 Years £'000	5+ Years £'000	Total £'000

Foreign exchange forward contracts payments	-	(1,956)	(2,872)	-	-	(4,828)
Foreign exchange forward contracts receipts	-	1,878	2,819	-	-	4,697

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

  The fair values are therefore categorised as Level 2 (2013: Level 2), based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

18 Provisions

	2014	2013
	£'000	£'000
Onerous lease provision	**1,493**	1,973
Dilapidations provision	**1,426**	1,245
	2,919	3,218
Current	**876**	1,014
Non-current	**2,043**	2,204
	2,919	3,218

	Onerous lease provision	**Dilapidations provision**	**Total**
	£'000	**£'000**	**£'000**
At 28 September 2013	1,973	1,245	3,218
Additional provision in the period	409	642	1,051
Utilisation of provision	(796)	(308)	(1,104)
Release of provision in the period	(93)	(153)	(246)
At 27 September 2014	**1,493**	**1,426**	**2,919**

The onerous lease provision relates to estimated future unavoidable lease costs in respect of closed, non-trading and loss making stores. The provision is expected to be utilised over the following four financial periods. The dilapidations provision represents management's best estimate of the Group's liability under its property lease arrangements based on past experience and is expected to be utilised over the following six financial periods.

The following are the deferred tax liabilities/(assets) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation	Other short term timing differences	Share-based payments	Exchange rate differences	Interest rate hedging	Rent free	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
As at 29 September 2012	1,719	(54)	(140)	(23)	(1,063)	(578)	(139)
(Credit)/charge to income	(155)	31	(19)	(5)	1,061	(38)	875
Charge in respect of previous periods	9	-	-	-	-	-	9
Credit to equity	-	-	(319)	-	-	-	(319)
As at 28 September 2013	1,573	(23)	(478)	(28)	(2)	(616)	426
Charge to income	26	-	80	22	2	4	134
Charge in respect of previous periods	74	23	-	-	-	-	97
Impact of rate change	(215)	-	50	4	-	80	(81)
Credit to equity	-	-	(315)	-	-	-	(315)
As at 27 September 2014	**1,458**	**-**	**(663)**	**(2)**	**-**	**(532)**	**261**

Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015. Deferred tax balances have been revalued to the lower rate of 20% in these accounts. To the extent that the deferred tax reverses before 1 April 2015 then the impact on the net deferred tax liability will be reduced.

19 Called-up share capital

	2014 £'000	2013 £'000
Authorised 240,000,000 (2013: 240,000,000) ordinary shares of 3.33p each (2013: 3.33p)	**8,000**	8,000
Authorised 37,000,000 (2013: 37,000,000) redeemable B shares of £0.54 each	**19,980**	19,980
Authorised 124,890,948 (2013: 124,890,948) irredeemable C shares of £0.001 each	**125**	125
	28,105	28,105
Issued and fully-paid 193,636,240* (2013: 192,127,669*) ordinary shares of 3.33p each (2013: 3.33p)	**6,455**	6,404
Total	**6,455**	6,404

During the period the Group issued 1,508,571 (2013: 274,959) ordinary shares with a nominal value of £50,286 (2013: £9,156) under share option schemes for an aggregate cash consideration of £438,111 (2013: £20,307).

* During the period £500,000 (2013: £191,000) shares were purchased by Topps Tiles Employee Benefit Trust on behalf of the Group.

20 Share premium

	2014 £'000	2013 £'000
At start of period	**1,492**	1,481
Premium on issue of new shares	**387**	11
At end of period	**1,879**	1,492

21 Own shares

	2014 £'000	2013 £'000
At start of period	**(10)**	(4)
Acquired in the period	**(650)**	-
Issued in the period	**-**	(6)
Disposed of on issue in the period	**4**	-
At end of period	**(656)**	(10)

A subsidiary of the Group holds 923,000 (2013: 313,000) shares with a nominal value of £31,000 (2013: £10,000) and therefore these have been classed as own shares.

22 Merger reserve

	2014 £'000	2013 £'000
At start and end of period	**(399)**	(399)

The merger reserve arose on pre 2006 acquisitions, the Directors do not consider this to be distributable as at 27 September 2014.

23 Share-based payment reserve

	2014 £'000	2013 £'000
At start of period	**649**	566
Credit to equity for equity-settled share based payments	**1,292**	83
At end of period	**1,941**	649

The share-based payment reserve has arisen on the fair valuation of save as you earn schemes and Long-term incentive plans. The Directors do not consider this to be distributable as at 27 September 2014.

24 Capital redemption reserve

	2014 £'000	2013 £'000
At start and end of period	**20,359**	20,359

The capital redemption reserve arose on the cancellation of treasury shares and as a result of a share reorganisation in 2006. The Directors do not consider this to be distributable as at 27 September 2014.

25 Retained earnings

	£'000
At 29 September 2012	(45,746)
Dividends (note 8)	(2,396)
Deferred tax on sharesave scheme taken directly to equity	319
Net profit for the period	9,144
At 28 September 2013	(38,679)
Dividends (note 8)	(3,175)
Deferred tax on sharesave scheme taken directly to equity	606
Net profit for the period	12,512
At 27 September 2014	**(28,736)**

26 Financial commitments

a) Capital commitments

At the end of the period there were capital commitments contracted of £164,000 (2013: £200,000).

b) Pension arrangements

The Group operates a defined contribution pension scheme for employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £652,000 (2013: £210,000). At the period end there were no outstanding contributions (2013: same).

c) Lease commitments

Minimum future sublease payments expected to be received under non-cancellable subleases amount to £2,652,000 (2013: 2,238,000).

The Group has entered into non-cancellable operating leases in respect of motor vehicles, equipment and land and buildings.

Minimum lease payments under operating leases recognised as an expense for the period were £21,168,000 (2013: £20,629,000) which includes property service charges of £767,000 (2013: £707,000).

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014		2013	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
- within 1 year	**19,936**	**868**	20,270	1,321
- within 2 - 5 years	**66,554**	**949**	67,540	953
- after 5 years	**58,285**	**-**	65,884	-
	144,775	**1,817**	153,694	2,274

Operating lease payments primarily represent rentals payable by the Group for certain of its office and store properties. Leases are negotiated for an average term of 15 years and rentals are fixed for an average of 5 years (2013: 5).

27 Share-based payments

The Group operates seven share option schemes in relation to Group employees.

Share based payment plans

Employee share purchase plans are open to almost all employees and provide for a purchase price equal to the daily average market price on the date of grant, less 20%. The shares can be purchased during a two-week period each financial period. The shares so purchased are generally placed in the employee share savings plan for a 3 or 5 year period.

Movements in share based payment plan options are summarised as follows:

	2014 Number of share options	**2014 Weighted average exercise price £**	2013 Number of share options	2013 Weighted average exercise price £
Outstanding at beginning of period	**3,352,424**	**0.37**	1,972,894	0.32
Issued during the period	**910,851**	**0.98**	2,029,575	0.43
Expired during the period	**(269,528)**	**0.31**	(553,079)	0.46
Exercised during the period	**(1,508,571)**	**0.29**	(96,966)	0.17
Outstanding at end of period	**2,485,176**	**0.63**	3,352,424	0.37
Exercisable at end of period	**2,485,176**	**0.63**	3,352,424	0.37

The inputs to the Black-Scholes Model for the above 3 and 5 year plans are as follows:

		2014	2013
Weighted average share price	- pence	**79.0**	45.9
Weighted average exercise price	- pence	**63.2**	36.7
Expected volatility (3 & 5 years)	- %	**42.2 and 43.7**	48.1 and 63.6
Expected life	- years	**3 or 5**	3 or 5
Risk – free rate of interest	- %	**0.60**	0.34
Dividend yield	- %	**2.79**	3.18

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 or 5 years (2013: 3 or 5 years). The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

Deferred bonus long-term incentive plan

During the financial period ended 28 September 2013 an award was made under the deferred bonus long term incentive plan (LTIP) for the Senior Management Team. Under this bonus scheme 25% of the award (net of tax) is deferred in the form of shares for a two year period, with a matching share award (on a gross basis) that vests at the end of two years subject to the achievement of performance conditions relating to continuing employment within the business and EBITDA earnings growth measured over the two year period. This scheme was replaced in January 2013 when a new Long Term Incentive Plan was approved by shareholders and as such there will be no further awards under this scheme.

The total number of shares awarded was 191,084, and the fair value of these deferred shares as at 27 September 2014 was £88,000 (2013: £81,000).

The total number of matching shares that are expected to be awarded, subject to fulfilment of the performance conditions is 363,614 and the fair value of these matching shares as at 27 September 2014 was £167,000

(2013: £163,000). No options were granted or exercised during the period (2012: None). There were no options outstanding at 27 September 2014.

The inputs to the Black-Scholes Model are as follows:

		2014	2013
Weighted average share price	- pence	**46.0**	50.5
Weighted average exercise price	- pence	**-**	-
Expected volatility	- %	**36.9**	43.8
Expected life	- years	**2**	2
Risk – free rate of interest	- %	**0.3**	0.3

Expected volatility was determined by calculating the historical volatility of the Group's share price over the 2012/13 and 2013/14 financial periods (2013: 2011/12 and 2012/13 financial period). The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

Long Term Incentive Plan

During the prior financial period, a new three year Long Term Incentive plan was approved by shareholders. Under this plan a number of share options were granted to senior management. These options will vest in December 2015 subject to the achievement of certain performance criteria.

The total number of share options granted was 2,073,474 and the fair value of these options as at 27 September 2014 was £929,000 (2013: £nil).

The inputs to the Black-Scholes Model are as follows:

		2014	2013
Weighted average share price	- pence	**46.3**	-
Weighted average exercise price	- pence	**-**	-
Expected volatility	- %	**42.2**	-
Expected life	- years	**3**	-
Risk – free rate of interest	- %	**0.6**	-

Expected volatility was determined by calculating the historical volatility of the Group's share price over the 2011/12, 2012/13 and 2013/14 financial periods (2013: 2010/11, 2011/12 and 2012/13 financial period). The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

During the financial period, a further three year Long Term Incentive plan was approved by shareholders. Under this plan a number of share options were granted to senior management. These options will vest in December 2016 subject to the achievement of certain performance criteria.

The total number of share options granted was 1,532,730 and the fair value of these options as at 27 September 2014 was £1,351,000.

The inputs to the Black-Scholes Model are as follows:

		2014
Weighted average share price	- pence	**93.2**
Weighted average exercise price	- pence	**-**
Expected volatility	- %	**42.2**
Expected life	- years	**3**
Risk – free rate of interest	- %	**1.2**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the 2011/12, 2012/13 and 2013/14 financial periods. The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

Management Options

During the prior period members of the Management team were granted share options that are due to vest in October 2015, subject to the fulfilment of criteria. The number of shares that are expected to be awarded is 260,000 (2013: 290,000) and the fair value of these shares as at 27 September 2014 was £127,000 (2013: £138,000).

The inputs to the Black-Scholes Model are as follows:

		2014	2013
Weighted average share price	- pence	**46.3**	55.0
Weighted average exercise price	- pence	**-**	-
Expected volatility	- %	**42.2**	48.1
Expected life	- years	**3**	3
Risk – free rate of interest	- %	**0.56**	0.54

Expected volatility was determined by calculating the historical volatility of the Group's share price over the 2011/12, 2012/13 and 2013/14 financial periods. The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

In total, the Group recognised a total expense of £1,292,000 (2013: £83,000) relating to share based payments.

28 Related party transactions

S.K.M. Williams is a related party by virtue of his 10.7% shareholding (20,593,950 ordinary shares) in the Group's issued share capital (2013: 10.7% shareholding of 20,593,950 ordinary shares).

At 27 September 2014 S.K.M. Williams was the landlord of three properties leased to Multi Tile Limited, a trading subsidiary of Topps Tiles Plc, for £162,000 (2013: four properties for £208,000) per annum.

No amounts were outstanding with S.K.M. Williams at 27 September 2014 (2013: £nil).The lease agreements on all properties are operated 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 IAS24.

The remuneration of the Board of Directors, who are considered key management personnel of the Group was £1.6 million (2013: £1.1 million) as well as share based payments of £nil (2013: £44,000). Further information about the remuneration of the individual Directors is provided in the Remuneration Report in the Annual Report.

Company balance sheet as at 27 September 2014

	Notes	**52 weeks ended 2014 £'000**	52 weeks ended 2013 £'000
Fixed assets			
Investments	3	**3,059**	2,959
Current assets			
Debtors due within one year	4	**5,306**	3,156
Debtors due after one year	4	**123,200**	123,200
Cash at bank and in hand		**18,689**	14,784
		147,195	141,140
Creditors: Amounts falling due within one year	5	**(5,197)**	(1,387)
Net current assets		**141,998**	139,753
Net assets		**145,057**	142,712
Capital and reserves			
Called-up share capital	6,7	**6,455**	6,404
Share premium	7	**1,879**	1,492
Share based payment reserve	7	**1,945**	649
Capital redemption reserve	7	**20,359**	20,359
Other reserve	7	**6,200**	6,200
Profit and loss account	7	**108,219**	107,608
Equity shareholders' funds		**145,057**	142,712

The financial statements of Topps Tiles Plc, Companies House number 3213782, were approved by the board of directors and signed on its behalf by:

M T M Williams
Director

R Parker
Director

1 Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards and law.

Based on a detailed review of the risks and uncertainties discussed within the Strategic and Operational Review, and management's current expectations the Board believes that the Company will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern.

The current economic climate creates a degree of uncertainty in the outlook which when combined with the financial covenants included in our loan facilities, has led the Board to conduct a detailed review of a number of different trading scenarios, including reasonably possible downsides, as well as possible mitigating actions, should they be required.
Based on this analysis the Board has concluded that the Company would be able to fully meet all of its financial commitments for the foreseeable future and therefore consider it appropriate to prepare the financial statements on the going concern basis.

There have been no changes to the principal accounting policies in the period, all of which have been applied consistently throughout the period and the preceding period.

The Company issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant.

Fixed asset investments are shown at cost less provision for impairment.

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with other members of the Group and the exemption in FRS 29 for making disclosures relating to financial instruments.

2 Profit for the period

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period. Topps Tiles Plc reported a retained profit for the financial period ended 27 September 2014 of £611,000 (2013: £100,711,000 loss). In the prior period, following a review of the projected cash flows relating to this company and its subsidiaries an impairment of £98,000,000 was recognised against the intercompany receivable.

The auditor's remuneration for services to the company was £40,000 for audit related work (2013: £50,000 for audit related work). Fees relating to non-audit work totalled £nil (2013: £nil), see note 4 to the Group financial statements for further details.

The Company had no other employees other than the Directors (2013: same), whose remuneration is detailed in the Annual Report.

3 Fixed asset investments

	Shares
	£'000
At 28 September 2013	2,959
Movement in share options granted to employees	100
At 27 September 2014	**3,059**

The Company has investments in the following subsidiaries which principally affected the profits or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Subsidiary undertaking	% of issued shares held	Principal activity
Topalpha Limited*	100%	Property management and investment
Multi Tile Limited	100%	Retail and wholesale of ceramic tiles, wood flooring and related products
Topps Tiles Holdings*	100%	Intermediate holding company.
Topps Tiles (UK) Limited	100%	Retail and wholesale of ceramic tiles, wood flooring and related products
Topps Tiles Distribution Ltd	100%	Wholesale and distribution of ceramic tiles, wood flooring and related products.

*held directly by Topps Tiles Plc

The investments are represented by ordinary shares.

All undertakings are incorporated in Great Britain and are registered and operate in England and Wales.

4 Debtors

	2014	2013
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**5,253**	2,977
Other debtors	**36**	166
Prepayments and accrued income	**17**	13
	5,306	3,156
Amounts falling due after one year:		
Amounts owed by subsidiary undertaking	**123,200**	123,200

In the prior period, following a review of the projected cash flows relating to this company and its subsidiaries an impairment of £98,000,000 was recognised against the intercompany receivable. No such charge has been recognised in the current period.

In respect of the deferred bonus share award, a deferred tax asset has not been recognised as it is probable that there will be insufficient suitable profits arising when the shares are awarded against which to relieve the deduction.

5 Creditors: Amounts falling due within one year

	2014	2013
	£'000	£'000
Trade and other creditors	**17**	17
Amounts owed to subsidiary undertakings	**2,796**	251
Accruals and deferred income	**2,384**	1,119
	5,197	1,387

6 Called-up share capital

	2014 £'000	2013 £'000
Authorised 240,000,000 (2013: 240,000,000) ordinary shares of 3.33p each (2013: 3.33p)	**8,000**	8,000
Authorised 37,000,000 (2013: 37,000,000) redeemable B shares of £0.54 each	**19,980**	19,980
Authorised 124,890,948 (2013: 124,890,948) irredeemable C shares of £0.001 each	**125**	125
	28,105	28,105
Issued and fully-paid 193,636,240 (2013: 192,127,669) ordinary shares of 3.33p each (2013: 3.33p)	6,455	6,404

* During the period 441,594 (£500,000) shares were purchased by Topps Tiles Employee Benefit Trust on behalf of the Group.

During the period the Group allotted 1,508,571 (2013: 274,959) ordinary shares with a nominal value of £50,286 (2013: £9,156) under share option schemes for an aggregate cash consideration of £438,111 (2013: £20,307).

7 Reserves

Company	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 28 September 2013	6,404	1,492	649	20,359	6,200	107,608	142,712
Loss for the period	-	-	-	-	-	(164)	(164)
Dividend paid to equity shareholders	-	-	-	-	-	(3,175)	(3,175)
Dividends received from Group Companies	-	-	-	-	-	3,950	3,950
Issue of new shares	51	387	-	-	-	-	438
Credit to equity for equity-settled share based payments	-	-	1,296	-	-	-	1,296
At 27 September 2014	**6,455**	**1,879**	**1,945**	**20,359**	**6,200**	**108,219**	**145,057**

At 27 September 2014, the Directors consider the other reserve of £6,200,000 to remain non distributable.

The Directors consider £105,106,000 (2013: £105,106,000) of profit and loss account reserves not to be distributable at 27 September 2014. This arose on an unrealised gain on the intragroup disposal of subsidiary companies, an impairment has been recognised against the related intercompany balance in the prior period.

Five year record
UNAUDITED

	53 weeks ended 2 October 2010 £'000	52 weeks ended 1 October 2011 £'000	52 weeks ended 29 September 2012 £'000	52 weeks ended 28 September 2013 £'000	**52 weeks ended 27 September 2014 £'000**
Group revenue	183,420	175,525	177,693	177,849	**195,237**
Group operating profit	20,899	13,980	15,462	13,845	**18,186**
Profit before taxation	13,397	7,908	12,493	10,601	**16,691**
Shareholders' funds (deficit)	(28,530)	(25,462)	(17,348)	(10,184)	**843**
Basic earnings per share	5.37p	3.04p	5.14p	4.76p	**6.49p**
Dividend per share	-	1.50p	1.10p	1.25p	**1.65p**
Dividend cover	-	1.92	4.68	3.17	**3.94**
Average number of employees	1,615	1,661	1,654	1,720	**1,794**
Share price (period end)	60.0p	34.0p	46.0p	93.0p	**105.0p**

All figures quoted are inclusive of continued and discontinued operations.