

**controlled
consistent
continued...**



Topps Tiles Plc Interim Report 2005

The Topps Tiles Group is Britain's biggest ceramic tile and wood flooring specialist with 232 stores throughout the UK, and with a **controlled** opening programme of 24 new stores per annum, the UK store target of 350 stores is well within reach.

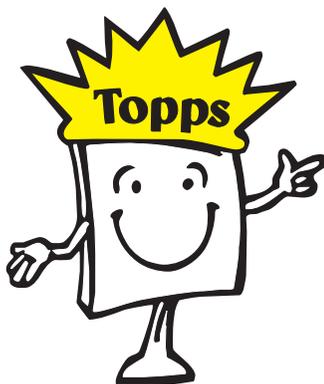
Topps' record since flotation in 1997 is **consistently** excellent with earnings per share showing over 44% average annual compound **growth** over the past seven years and with our dominant market position, more new stores and a growing market, the Board expects a **continued** build in shareholder value.

...growth!

PLC awards
2003

PLC awards
2004

COMPANY OF THE YEAR



Financial and Operational Highlights

The Group continues to deliver strong financial results

for the 26 weeks ended 2 April 2005

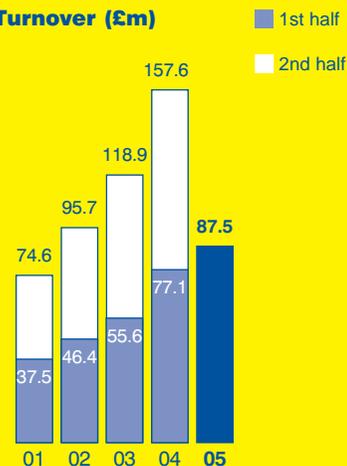
- Group turnover increased by 13.4% to £87.48m (2004: £77.12m for 27 weeks)
- Group like-for-like turnover increased by 8.5%
- Gross margin increased to 61.9% (2004: 59.4%)
- Operating costs excluding exceptional items (see page 4) reduced to 39.4% (2004: 40.0%)
- Profit before tax and exceptional items (see page 4) increased by 30.7% to £20.03m (2004: £15.32m)
- Profit before tax increased 40.1% to £21.75m (2004: £15.52m for 27 weeks)
- Net margin, excluding joint venture and exceptional items (see page 4) increased to 22.9% (2004: 19.9%)
- Basic earnings per share increased 47.2% to 7.36p (2004: 5.00p)
- Interim net dividend declared of 3.50p (2004: 2.00p) payable 30 June 2005
- Net cash position of £16.73m
- Sales growth continues with overall sales increasing by 10.2% and like-for-like sales up 1.8% for the first six weeks of the second half
- Net 12 new stores opened in the period
- Five major store refits
- On target to open net 24 new stores this financial period



01

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Turnover (£m)



Executive Board Statement

Executive Directors

We are delighted to report another set of strong financial results for the first 26 weeks of 2004/2005 continuing our track record of delivering increased shareholder value.



Barry Bester
Executive Chairman

Nicholas Ounstead
Chief Executive Officer

Andrew Liggett
Finance Director

Results

Profit and loss account

Set against very strong comparatives last year of 22.7% over 2003, growth in like-for-like sales for the period was 8.5%, with overall sales growth in the same period at 13.4% compared to the 27 week period last year. Gross margins have improved to 61.9% compared to 59.4% last year, with operating costs, excluding exceptional items (see page 4), in the period equivalent to 39.4% of sales compared to 40.0% in the 27 week period last year.

Profit before tax and exceptional items (see page 4) amounted to £20.03m an increase of 30.7% over the 27 week period last year. Basic earnings per share rose by 47.2% from 5.00p to 7.36p, which also reflects the share buy-back programme and reduced tax rate in the period.

The net exceptional items (see page 4) relate to the profit on disposal of fixed assets less exceptional operating expenses of £1.72m (2004: £198,000).

Profit before tax amounted to £21.75m, an increase of 40.1% over the 27 week period last year.

Net margin, excluding joint venture and exceptional items (see page 4), has increased to 22.9% from 19.9% in the 27 week period last year.

The effective rate of Corporation Tax for the period was 23.3% (2004: 26.7%) which reflects the full provision for deferred tax and the favourable effects of the statutory deductions for share options exercised and tax savings as a result of intra-Group restructuring changes.

Balance sheet

The Group currently owns five freehold sites, one development site, the new Topps warehouse facility and the recently acquired Tile Clearing House (TCH) warehouse facility with a total net

book value of £11.36m. Within the period the TCH warehouse site was acquired at a cost of £2.45m and expenditure on the development sites totalled £0.68m.

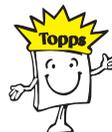
Also in the period the Group completed a transaction for the sale and leaseback of four freehold properties generating proceeds of £4.16m.

Capital expenditure, excluding freehold property and the TCH warehouse, amounted to £2.65m. This reflects a total of 12 new stores opened in the period with a further two being closed and relocated and five major store refits along with preparatory work for a further three stores and other minor refits as well as further development and upgrading of the Group's systems infrastructure.

At the period end cash balances for the Group were £22.73m (2004: £22.65m) and there were long term bank loans of £6.00m (2004: £6.51m). The Group therefore has a net cash position of £16.73m (2004: £16.14m).

We continue to buy-back shares when employees dispose of shares acquired following the exercise of their share options under the Group approved and unapproved executive share option schemes and when the Board considers there is an opportunity to do so in the open market. In the period the Group purchased 1,550,045 shares at a cost of £3.45m and now holds 1,957,845 shares as treasury shares.

At the period end the Group had £27.61m of stock which represents 158 days stock cover (2004: 135 days). The increase in days stock cover is as expected and is due to the transitional switch from UK third party distributors to our Topps warehouse facility. This will allow us to do more direct product sourcing from countries of origin.



02

	26 Weeks to 2 April 2005 £'000	27 Weeks to 3 April 2004 £'000	Change %
Group turnover*	87,482	77,115	+13.4%
Gross margin %	61.9%	59.4%	
Profit before tax and exceptional items*	20,029	15,324	+30.7%
Profit before tax*	21,748	15,522	+40.1%
Net margin % excluding joint venture and exceptional items	22.9%	19.9%	
Earnings per share (pence)*	7.36p	5.00p	+47.2%
Interim dividend (pence)	3.50p	2.00p	+75.0%
Net cash position	16,734	16,140	

*see page 4

Board change

As announced at our Annual General Meeting on 11 January 2005, Stuart Williams has stepped down as a Board Director and Co-Chairman with effect from 31 March 2005 and assumed the newly created position of President.

Barry Bester will continue his role as Executive Chairman.

Dividend

We are continuing with our progressive dividend policy and announcing an interim dividend of 3.50p per share (2004: 2.00p), an increase of 75%. This will be paid on 30 June 2005 to shareholders on the register as at 3 June 2005. The current dividend policy of 1.41 times cover is being maintained and will be applied to the full period dividend.

International Financial Reporting Standards (IFRS)

The Group will be working closely with its auditors to implement these proposed changes. The Group is required to adopt IFRS for the financial period commencing 2 October 2005.

Operational review

We continue to make good progress with our national store expansion programme opening 12 Topps Tiles stores and Tile Clearing House in the period. We have also relocated two stores and completely refurbished five stores in the period. We are the market leader and remain on track to achieve our UK store target of a minimum of 350 outlets nationwide.

Our joint venture in Holland is trading profitably and beginning to build a solid foundation for expansion. We have opened one new store in the period and are currently trading from 12 stores which sell a combination of ceramic tiles and wood and laminate flooring. We plan to open a further store before year end.

We continue to invest in national advertising and are currently running campaigns with GMTV, Sky's UK Living channel and Carlton TV weather. We also build local brand awareness through our involvement not only in advertising but also in working with the local community where we provide new kits and equipment to junior football teams in the towns and cities where we have stores.

The Board has developed an integrated Corporate and Social Responsibility Policy that targets and measures the performance of the Group. The policy is published on our website at www.toppstiles.co.uk.

We now employ over 1,500 staff across the business and we endeavour to train and support all staff as well as maintaining a strong culture of rewarding performance.

In March 2005 Topps was voted Company of the Year at Price Waterhouse Coopers PLC Awards for the second consecutive year and we were delighted to walk away with the top prize again this year.

Current trading and future prospects

In the first six weeks of the current period sales growth has continued with overall sales increasing by 10.2% and like-for-like sales up 1.8%.

Our store roll-out continues apace and whilst the trading environment has become more demanding in recent months we believe that our strong competitive position coupled with the strong underlying drivers of the UK DIY market will enable the business to continue to deliver benefits to customers and value to shareholders.

Barry Bester
Executive Chairman

Nicholas Ounstead
Chief Executive Officer

Andrew Liggett
Finance Director



03

Consolidated Profit and Loss Account

For the 26 weeks ended 2 April 2005

	Notes	26 weeks ended 2 April 2005 Unaudited £'000	27 weeks ended 3 April 2004 Unaudited £'000	53 weeks ended 2 October 2004 Audited £'000
Turnover, Group and share of joint venture		88,584	78,015	159,430
Less: share of joint venture turnover		(1,102)	(900)	(1,818)
Group turnover		87,482	77,115	157,612
Cost of sales		(33,359)	(31,325)	(62,282)
Gross profit		54,123	45,790	95,330
Operating expenses				
– employee profit sharing		(4,307)	(4,074)	(7,853)
– other operating expenses		(30,187)	(27,152)	(54,968)
		(34,494)	(31,226)	(62,821)
Group operating profit				
Group operating profit before exceptional operating expenses		19,629	14,908	32,853
Exceptional operating expenses		—	(344)	(344)
		19,629	14,564	32,509
Share of operating profit in joint venture		26	19	39
Group and share of joint venture of operating profit		19,655	14,583	32,548
Exceptional profit on disposal of fixed assets		1,719	542	542
Profit on ordinary activities before finance income		21,374	15,125	33,090
Net finance income		374	397	704
Profit on ordinary activities before taxation				
Before exceptional items		20,029	15,324	33,596
Net exceptional items	2	1,719	198	198
		21,748	15,522	33,794
Tax on profit on ordinary activities	1	(5,071)	(4,139)	(8,146)
Profit on ordinary activities after taxation		16,677	11,383	25,648
Dividends		(7,870)	(4,557)	(18,155)
Retained profit transferred to reserves		8,807	6,826	7,493
Earnings per Ordinary Share				
– basic		7.36p	5.00p	11.30p
– diluted		7.29p	4.95p	11.12p

Note 1: Topps Tiles has no recognised gains or losses in the period other than those reflected in the profit and loss account and accordingly a Statement of Total Recognised Gains and Losses has not been prepared. All activity arose from continuing operations.

Note 2: Comprises exceptional profit on disposal of fixed assets less exceptional operating expenses.



04

Consolidated Group Balance Sheet

As at 2 April 2005

	2 April 2005 Unaudited £'000	3 April 2004 Unaudited £'000	2 October 2004 Audited £'000
Fixed assets			
Goodwill	534	568	551
Tangible assets	30,914	27,024	29,236
Joint venture undertaking			
– share of assets	1,148	990	1,059
– share of liabilities	(940)	(809)	(866)
	208	181	193
	31,656	27,773	29,980
Current assets			
Stocks	27,606	21,447	24,373
Debtors	4,113	5,371	3,919
Cash at bank and in hand	22,734	22,650	29,624
	54,453	49,468	57,916
Creditors: amounts falling due within one year	(36,460)	(33,281)	(45,452)
Net current assets	17,993	16,187	12,464
Total assets less current liabilities	49,649	43,960	42,444
Creditors: amounts falling due after more than one year	(8,582)	(6,000)	(7,571)
Provisions for liabilities and charges	(2,181)	(1,504)	(1,864)
Net assets	38,886	36,456	33,009
Capital and reserves			
Called-up share capital	5,698	5,732	5,673
Share premium	5,384	3,231	4,889
Merger reserve	(399)	(399)	(399)
Treasury shares	(4,183)	(2,781)	(733)
Capital redemption reserve	137	—	137
Profit and loss account	32,249	30,673	23,442
Equity shareholders' funds	38,886	36,456	33,009



05

Consolidated Group Cash Flow Statement

As at 2 April 2005

	26 weeks to 2 April 2005 Unaudited £'000	27 weeks to 3 April 2004 Unaudited £'000	53 weeks to 2 October 2004 Audited £'000
Net cash inflow from Group operating activities	15,470	15,150	37,770
Returns on investment and servicing of finance	357	397	530
Taxation	(4,362)	(1,974)	(5,236)
Capital expenditure and financial investment	(1,624)	(4,410)	(8,266)
Equity dividends	(13,285)	(6,989)	(11,534)
Cash (outflow)/inflow before financing	(3,444)	2,174	13,264
Financing	(3,446)	1,896	(2,220)
(Decrease)/increase in cash	(6,890)	4,070	11,044
Reconciliation of Group operating profit to net cash inflow from Group operating activities			
Group operating profit	19,629	14,564	32,509
Depreciation charges	1,682	1,329	2,729
(Profit)/loss on disposal of fixed assets	—	72	269
Goodwill amortisation	17	18	35
Increase in stocks	(3,233)	(1,734)	(4,660)
(Increase)/decrease in debtors	(189)	(659)	793
Increase/decrease in creditors	(2,436)	1,560	6,095
	15,470	15,150	37,770
Return on investments and servicing of finance			
Interest received	522	456	930
Interest paid	(165)	(59)	(400)
	357	397	530
Capital expenditure			
Payments to acquire tangible fixed assets	(5,781)	(7,441)	(11,491)
Receipts from sales of tangible fixed assets	4,157	3,031	3,225
	(1,624)	(4,410)	(8,266)
Financing			
Proceeds from issue of ordinary share capital	521	1,589	3,325
New loans	16	3,088	3,095
Treasury shares	(3,450)	(2,781)	(8,640)
Repayment of loans	(533)	—	—
	(3,446)	1,896	(2,220)
Summary			
Opening cash position	29,624	18,580	18,580
(Decrease)/increase in cash	(6,890)	4,070	11,044
Closing cash position	22,734	22,650	29,624



06

Notes to the Interim Financial Information

For the 26 weeks ended 2 April 2005

1 Basis of preparation

- (a) The interim report was approved by the Board on 23 May 2005. The financial information for the 26 weeks ended 2 April 2005 and similarly the financial information for the 27 weeks ended 3 April 2004 have neither been audited or reviewed. The financial information for the 53 week period ended 2 October 2004 has been extracted from the audited financial statements for that period.
- (b) The financial information contained in the interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the 53 week period ended 2 October 2004 incorporating an unqualified audit report, which did not contain statements under section 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.
- (c) The financial information contained in this interim report has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the 53 week period ended 2 October 2004.

2 Taxation

Although the Corporate tax rate for the 26 weeks ended 2 April 2005 is 30% and deferred tax has been provided for in full, provision has been made at the estimated underlying rate of 23.3% (2004: 26.7%) reflecting savings from share symmetry on options exercised and intra-Group restructuring benefits.

3 Interim dividend

An interim net dividend of 3.50p per ordinary share has been declared payable on 30 June 2005 to shareholders on the register on 3 June 2005.

4 Earnings per share

Basic earnings per share for the 26 weeks ended 2 April 2005 have been calculated on earnings (after the deduction of taxation) of £16,677,000 (2004: £11,383,000) and on ordinary shares of 226,615,590 (2004: 227,741,821), being the weighted average of ordinary shares in issue during the period.

Diluted earnings per share for the 26 weeks ended 2 April 2005 have been calculated on earnings (after the deduction of taxation) of £16,677,000 (2004: £11,383,000) and on ordinary shares of 228,732,706 (2004: 229,785,930) being the weighted average of ordinary shares and share options in issue during the period.

5 Copies of the interim results

Copies of the interim results have been sent to shareholders, and further copies can be obtained from the Company's Registered Office at Topps Tiles Plc, Rushworth House, Wilmslow Road, Handforth, Wilmslow, Cheshire SK9 3HJ.

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



Store Locations



Britain's biggest tile and wood flooring specialist

Central Region

Aston
Banbury
Bedford
Binley
Boston
Burton
Bury St Edmunds
Cambridge
Cannock
Clacton-on-Sea ■
Colchester
Coventry
Derby
Derby 2
Erdington
Great Yarmouth
Grove Park
Hereford
Ipswich
Kidderminster
Kings Heath
Kings Lynn
Leicester
Lincoln
Luton
Mansfield
Martlesham
Milton Keynes
Newcastle-U-Lyme
Newark
Northampton
Norwich
Nottingham
Oldbury
Peterborough
Sheldon
Shrewsbury
Solihull
Stafford
Stoke on Trent
Stratford-upon-Avon
Tarnworth
Telford
Wellingborough
West Bromwich
Wolverhampton
Worcester

London and Thames South

Basilidon
Beckton
Bexhill
Braintree
Brentwood
Brighton
Broadstairs
Camberley ■
Canterbury
Cattford
Charlton
Cheam
Chelmsford
Chichester ■
Chingford
Colindale
Crayford
Croydon
Dagenham
Eastbourne
Edmonton

Eltham
Erith ■
Farnborough
Farnham
Fulham
Gatwick
Grays ■
Gunnersbury
Guildford
Harlow
Hedgend
Horsham ■
Ilford
Isle of Wight
Maidstone
Mitcham
New Southgate
Newbury
Old Kent Road
Orpington
Penge
Portsmouth
Raynes Park
Rayleigh
Reading
Richmond
Romford
Sittingbourne
Slough
Southall
Southampton
Southend
Stamford Hill
Sudbury
Swindon
Tonbridge
Tunbridge Wells
Twickenham
Uxbridge
Vauxhall
Waltham Cross
Wandsworth ■
Watford
Wembley
West Wickham

North West

Aintree
Blackburn
Blackpool
Bolton
Cheadle
Chester
Chester 2
Chorley
Cleveleys
Crewe
Failsworth
Flint
Liverpool
Macclesfield
Morecambe
Nantwich ■
Northwich
Oldham
Ormskirk
Preston
Rhyl
Sale
Salford
Snipe (Audenshaw)
St Helens

Stockport
Warrington
Widnes
Wigan
Wrexham

North

Barnsley ■
Barrow-in-Furness
Carlisle
Chesterfield
Durham
Harrogate
Huddersfield
Dewsbury
Leeds
Hull
Sheffield
Stockton
Sunderland
Tyneside
Wakefield
York

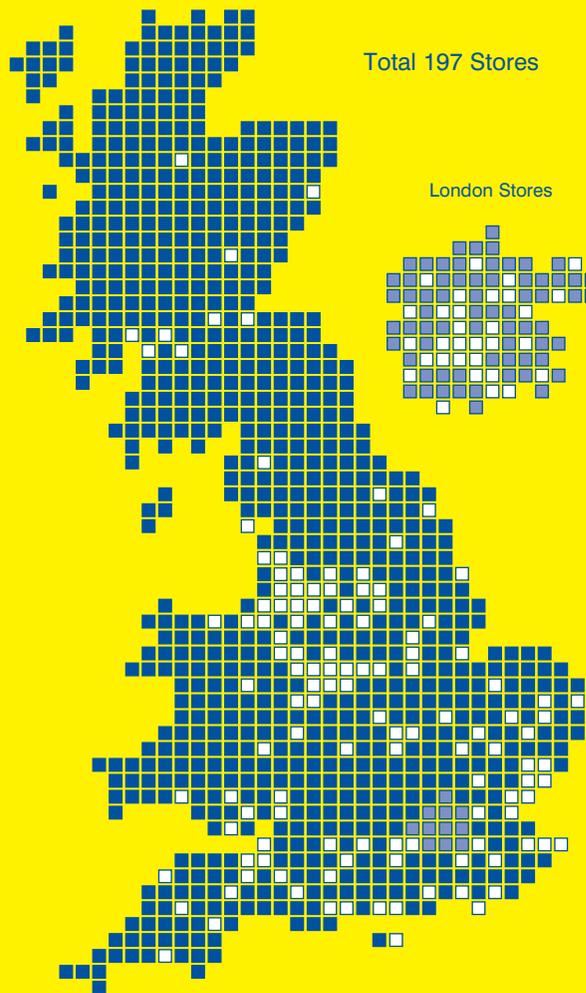
Scotland

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

South West

Barnstaple
Basingstoke
Bournemouth
Bridgend
Bridgewater
Bristol
Cardiff
Cheltenham
Christchurch
Cribbs Causeway
Exeter
Frome ■
Gloucester
Hengrove
Launceston
Merthyr Tydfil
Newport
Plymouth
Poole
Salisbury
Swansea
Taunton
Torquay
Weston-Super-Mare
Winchester
Yeovil

■ New store 2004/05



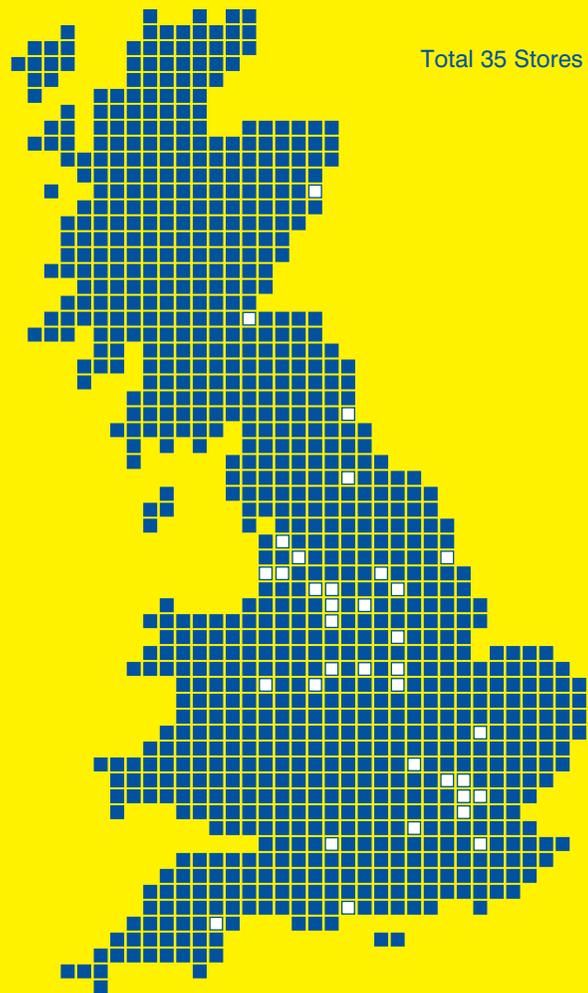
Total 197 Stores

London Stores

Stores at beginning of period	187
New stores opened	10
Sub-total	197
Closures	—
Total	197



08



Central Region

- Aylesbury
- Cambridge
- Fenton
- Great Barr
- Leicester
- Northampton
- Nottingham
- Peterborough
- Shrewsbury ■
- Stoke-on-Trent

London and Thames South

- Barking
- Beckenham
- Charlton
- Harlow
- New Southgate
- Orpington
- Swindon
- Wembley

North West

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

North

- Bradford
- Darlington
- Doncaster
- Hull
- Sheffield

Scotland

- Aberdeen
- Edinburgh ■

South West

- Bournemouth
- Exeter

■ New store 2004/05

Stores at beginning of period	33
New stores opened	2
Sub-total	35
Closures	—
Total	35



09



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www.toppstiles.co.uk