18 May 2021

Topps Tiles Plc

Unaudited Interim Report

Topps Tiles Plc ("Topps", "Topps Tiles", "the Group" or “the Company”), the UK's largest tile specialist, announces its interim consolidated results for the 26 weeks ended 27 March 2021.

Strategic and Operational Highlights

- The Group’s first half performance reflects two distinct and contrasting periods of trading;
- Q1 saw record sales, with Retail like-for-like sales up 19.9% and margins in line with our guidance;
- Q2 was significantly impacted by trading restrictions, with homeowners (representing nearly half the Group’s usual customer base) unable to enter our stores for three months. While a strong digital performance and operational flexibility supported sales, Retail like-for-like sales were down 17.3% in the quarter;
- Commercial sales down 10% in H1 but with c 35% growth in sectors outside hospitality and leisure;
- The Group’s stores re-opened to all customers on 12 April and sales and margins are now recovering strongly – Retail like-for-like sales up 16.8% on a two-year basis in the five weeks since re-opening;
- Omni channel Retail proposition and expanding Commercial offer position the Group strongly to take advantage of an expected increase in consumer spending moving forward as we focus on our goal of ‘1 in 5 by 2025’.

Financial Highlights

	26 weeks ended 27 March 2021	26 weeks ended 28 March 2020 (restated)[5]	Year on year
Statutory Measures			
Group revenue	£103.2 million	£106.2 million	(2.8)%
Gross margin	57.6%	59.2%	(1.6) ppts
Profit / (loss) before tax	£4.0 million	£(3.2) million	+£7.2 million
Basic earnings per share	1.55p	(1.52)p	+3.07p
Interim dividend per share	nil	nil	n/a
Adjusted Measures			
Retail like-for-like revenue year-on-year[1]	2.0%	(6.1)%	n/a
Adjusted profit before tax[2]	£5.1 million	£1.2 million	325%
Adjusted earnings per share[3]	2.11p	0.60p	252%
Adjusted net cash / (debt)[4]	£15.4 million	£(17.3) million	+£32.7 million

Adjusting items are detailed in the notes below – these include items which are one-off in nature or can fluctuate significantly from year to year (such as some property-related items).

Financial Summary

- Group revenue down 2.8%, including Retail like-for-like sales up 2.0% and total Retail sales down 2.4%, including the impact of store closures;
- Gross margins at 59.1% in Q1 and 55.4% in Q2 – recovering quickly following easing of lockdown;
- Adjusted profit before tax of £5.1 million, up significantly year on year as a result of strong sales in Q1, with trading losses in Q2 partially offset by business rates relief;
- £32.7 million increase in adjusted net cash against H1 2020;
- No interim dividend declared, however it is the Board’s intention to reinstate dividends by the end of year.

Current Trading and Outlook

- Rapid increase in sales and gross margins following easing of lockdown – two-year like-for-like sales +16.8%;
- Outlook for domestic home improvement remains strong;
- Commercial forward indicators improving – confident of improved performance over the second half.

Commenting on the results, Rob Parker, Chief Executive said:

"In another reporting period dominated by the impacts of Covid-19, Topps has once again shown its flexibility and resilience and I would like to thank all colleagues across the Group for the continued hard work and commitment underpinning these results.

“Inevitably, our first half results reflect two sharply contrasting periods of trading. An exceptionally strong performance in Q1 demonstrated the ability of the business to bounce back following the initial lockdown. Our performance in Q2, while materially stronger than in the first lockdown, was heavily impacted by the re-imposition of Covid-related trading restrictions at the start of the period.

“The re-opening of our stores to all customers on 12 April has once again been received very positively and we have seen a strong recovery in sales and gross margins, with Retail like-for-like sales 16.8% ahead of the same period in 2019 in the five weeks since re-opening. We are confident of a much-improved performance in the second half and believe the Group remains well positioned to take advantage of an expected increase in consumer spending as we focus on our market share goal of ‘1 in 5 by 2025’.”

Notes

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

[2] Adjusted profit before tax excludes several items which are either one-off in nature or fluctuate significantly from year to year (such as some property related items). In FY 2020, adjusted profit excluded the impact of IFRS 16. In FY 2021, the Group has included the business as usual impact of IFRS 16 in adjusted profit but continues to adjust for any impairment charges or impairment reversals of right of use assets, derecognition of lease liabilities where we have exited a store, significant transactions such as sale and lease backs, one-off gains and losses through sub-lets and onerous lease provision reversals. The adjusting items in both periods are set out below:

	H1 2021 £m	***H1 2020 £m (restated)[5]***
Adjusted profit before tax	***5.1***	***1.2***
Property		
- Impairment of property, plant, equipment and movement in onerous lease provision	*(0.6)*	*(0.9)*
- Vacant property costs for stores closed as part of store reduction programme	*(1.2)*	*(0.7)*
	(1.8)	***(1.6)***
Other		
- Coronavirus Job Retention Scheme support – to be repaid	*1.0*	*nil*
IFRS 16		
IFRS 16 – business as usual adjustments	*N/A*	*0.1*
IFRS 16 – one-off adjustments including impairment of closure programme stores	*(0.3)*	*(2.9)*
	(0.3)	***(2.8)***
Statutory profit / (loss) before tax	***4.0***	***(3.2)***

[3] Adjusted earnings per share is adjusted for the items highlighted above, plus the impact of corporation tax

[4] Adjusted net cash / (debt) is defined as cash and cash equivalents less bank loans, before unamortised issue costs. It excludes lease liabilities under IFRS 16.

[5] Prior period restated as a result of the adoption of IFRS 16 and following the audit of the accounts for the 52 weeks ended 26 September 2020. For further information see the Condensed Consolidated Statement of Financial Performance.

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A copy of this announcement is available on our website www.toppstilesplc.com

This announcement contains inside information within the meaning of the Market Abuse Regulation. The person responsible for arranging release of this announcement on behalf of Topps Tiles is Rob Parker, Chief Executive Officer.

INTERIM MANAGEMENT REPORT

Topps Tiles is the largest tile specialist in the UK. The majority of our revenues are generated from the retail market for the renovation, maintenance and improvement of UK homes. Over recent years the business has diversified and expanded into the commercial tile market, which approximately doubled the size of our addressable market while staying within our core specialism of tiles. The commercial market includes tiles supplied for both new build and refurbishment of commercial premises across sectors such as leisure, transport, retail and office buildings, and new build residential housing. Both the Retail and Commercial operations within the Group derive benefit from the scale of the business, the specialist focus of our business model and our passion for tiles. We enjoy a competitive advantage in sourcing differentiated products from around the world that we can access on an exclusive basis and deliver world class customer service through our store network, digital platforms and Commercial sales teams.

Summary of Performance

The first half of the financial year consisted of two periods of trading with very different financial outcomes. The first quarter of the financial year (October – December 2020) saw exceptional trading with Retail like-for-like sales up 19.9%, building further on the strength of the final quarter of the previous financial year, with Commercial sales in line with our expectations and gross margins of 59.1%, in line with our targets. Apart from some additional flexible labour in the central warehouse to meet demand for increased picking and some variable remuneration such as staff commission, there was no need for extra resource to deliver this result, illustrating the operational gearing within Topps Tiles. During this time, the vast majority of our stores were open and trading in a Covid-compliant manner. As a result, excluding Government support, adjusted profit before tax for the first quarter of the financial year was £6.1 million.

On 19 December, the new ‘Tier 4’ restrictions came into effect for large parts of England, followed by the third national lockdown early in the new year. As a result of further changes to regulations, including a new legal restriction on ‘tile showrooms’, from 5 January to 11 April 2021 all of our stores in England were closed to homeowners, with registered traders allowed into store to visit the counter only. Broadly the same restrictions were in place in Wales, Scotland and Northern Ireland. Generalist DIY stores which sell tiles to homeowners were allowed to remain fully open throughout this period.

Our Retail like-for-like sales dropped from approximately +20% in the first quarter to (25%) initially – a swing of around 45% - before recovering slightly, with the second quarter (January – March 2021) down 17.3% overall. Gross margins in the second quarter fell to 55.4% as a result of the higher mix of trade customers, higher sales of ‘essentials’ products and higher direct delivery costs. Our Commercial business was impacted by the significant slowdown in the hospitality and leisure sectors together with delays to project start dates.

As in previous lockdowns, the business responded with great flexibility. Online sales were up 135% in the second quarter compared to last year, and our Retail website delivered record weekly performances for revenue, orders, website traffic and conversion. Our supply chain once again shifted from a focus on bulk picks for store replenishment to a focus on single picks for direct customer deliveries. Our Commercial business shifted its focus into sectors that were less impacted by the lockdown, which offset the majority of the decline in hospitality and leisure. As a result of the restrictions, and given the largely fixed cost structure of the business, the Group made an adjusted loss before tax in for the second quarter of £5.4 million, excluding Government support. By looking at our average weekly sales during this period compared to quarter one, we estimate that the impact of the lockdown on gross profit in the second quarter was £10.9 million.

During the half year, we benefitted from £4.4m of business rates relief, resulting in an adjusted profit before tax of £5.1 million over the period.

	Q1 2021	Q2 2021	H1 2021
Retail like-for-like sales	+19.9%	(17.3)%	+2.0%
Gross margin	59.1%	55.4%	57.6%
Adjusted profit before tax before Government support	£6.1 million	£(5.4) million	£0.7 million
Business rates relief			£4.4 million
Adjusted profit before tax			£5.1 million

During the period, we accessed a small amount of support through the Coronavirus Job Retention Scheme (CJRS). As a result of the Group’s overall performance in the first half, the outlook for trading and the strength of the Group’s financial position, we will be repaying this in the second half. As a result, we have excluded the CJRS income from adjusted profit in the period.

In December we repaid a £5.0 million term loan drawn as part of the Coronavirus Large Business Interruption Loan Scheme, and cancelled an unused £5.0 million revolving credit facility under the same scheme. As such, the Group is now debt free, and at the half year, had adjusted net cash of £15.4 million, compared to adjusted net debt of £17.3 million a year ago, an increase of £32.7 million.

The latest lockdown has once again demonstrated the importance of our omnichannel Retail business model. Although our stores were closed to homeowners, 85% of our sales were still collected from store in the second quarter, and almost all transactions still involved an interaction with our people in some way – either through customers speaking to our service specialists on the phone, or ordering online and choosing to collect from a store at a time of their choice. At the same time, web traffic increased to record levels and www.toppstiles.co.uk continues to lead the market in online visitor numbers amongst our competitor set.

We are confident in our ability to cope with future disruption, financially and operationally, and we believe our market leading position will strengthen as we continue to make decisions and investments in the best long-term interests of the business. The recovery of the business in the weeks following the lockdown is early evidence of this, with two-year like-for-like sales growth increasing to 16.8% in the five weeks since re-opening and rapidly strengthening gross margins.

Once again, the Board is grateful for the hard work, tenacity and commitment of all colleagues across the business in another very challenging trading period and is looking forward to further lifting of restrictions as the country opens up over the next few weeks.

Strategic & Operational Update

The core purpose of the Group is *to inspire customers through our love of tiles*. This gives us a very clear focus on our chosen specialism of tiles and encourages all of our colleagues to be passionate about the products we sell.

At the full year results, we announced a new goal for the business. Based on market share (including both the domestic and commercial markets), and encompassing tiles, adhesives and grouts, the goal is to account for £1 in every £5 spend on tiles and associated products in the UK by 2025: '1 in 5 by 2025'. A 20% market share would represent a significant increase from the estimated 2019 market share of 17% and would require an out-performance of the market by around 3.5% per year. Whilst we recognise that some competitors that have not faced physical restrictions on trading are likely to have gained some share over the last three months, particularly generalist DIY stores and online only operators, we are confident in the longer-term ambition of achieving this growth target.

Our Retail and Commercial businesses are both supported by our Group strategies of "Leading Product" and "Leading People".

Leading Product

As the UK's leading tile specialist, our expertise in the ranging, sourcing and procurement of tiles on a global basis is a core part of our competitive advantage. We work with carefully selected manufacturing partners around the world to develop and produce differentiated products that are innovative, high quality and exclusive to Topps Tiles. We protect the intellectual property and design assets we create through partner exclusivity and design registration. With the integration of the Parkside and Strata commercial brands, we are able to leverage these core strengths across both sides of the business.

At the start of the latest lockdown, we took the decision not to slow down product development and to press ahead with our plans for the year. As a result, we have launched 20 new ranges over the first half, over 40% of which were design-led by Topps Tiles in collaboration with our supply partners. Highlights include the doubling of our 2cm porcelain outdoor range Everscape™, new anti-bacterial tiles and an even stronger value offer across our Coverings and Essentials categories. Our Commercial product portfolio is stronger too – Parkside and Strata now have access to over 8,000 lines from over 160 suppliers globally.

Supply chain resilience and flexibility have been core enablers of the business's success in the first half. Despite the challenges of Covid-19 and Brexit, we maintained continuity of supply to our stores and customers. As part of Brexit planning, we increased our inventory levels by £2.6 million (around 9%) as at 31 December 2020, including the use of third-party warehousing. We were able to utilise this stock, together with our strategic supplier partnerships, during periods of disruption at ports to maintain a good service to our customers and stores throughout the period. We finished the first half with £2.6 million more stock than at the year end, which will be sold through over the second half.

Leading People

The Group's success is underpinned by industry-leading levels of capability and engagement from our colleagues. This ensures we deliver world-class customer service, and excellent support from our Leicester support office and field teams. The Leading People initiative encourages colleagues to lead the thinking, lead the pace and, for our managers, to lead the team.

Our focus on colleague wellbeing and engagement has been more important than ever through the disruption of the last year. Our annual My Voice staff survey gives colleagues the chance to have their say about the company, its leadership, their work and wellbeing. We had an excellent response in what was a difficult period operationally and for the country, with 81% of colleagues responding (up 11 ppts from last year), and 80% of colleagues positively engaged with the business (up 5 ppts from last year).

As we continue to focus on an environment that is open, supportive, transparent and dedicated to the wellbeing of all of our colleagues, we are concentrating on five aspects of wellbeing: physical, mental, social, career and financial. There was a particular emphasis in the first half year on mental and physical wellbeing, including further training for our 48 mental health first aiders, 'Tea and Talk' sessions and a company-wide scheme to 'March forward' which encouraged our colleagues to get physically active during the month of March, whilst raising money for our corporate charity, Macmillan Cancer Support.

Colleague turnover was substantially down in the first half to 21.4% (2020: 28.8%), no doubt influenced by the pandemic. However, there were year on year improvements in turnover in every category of store colleague role (store managers, assistant managers and service specialists), which, combined with a big increase in internal progression and engagement, give us a great opportunity to develop our teams further as we maintain and improve our colleague engagement and capability.

Environment, Social and Governance

Building on some key steps forward in the last financial year, we have continued to make meaningful progress in reducing our impact on the environment. These steps cover the products we sell, the way we deliver them to customers and the physical environment in which we sell them. Highlights from the first half include development of a new range of tiles manufactured from 98% waste material (such as old TV screens, sanitary ware and waste materials from other production by-products), through an industrialised production process, which will launch in the second half. Trials of gas hybrid delivery vehicles were completed in the first half, giving the Group increasing options at the time of fleet renewal. The roll out of in-store LED lighting continued and will conclude by the end of the year, saving 1,400 tonnes of CO2 as well as reducing running costs by £1 million per annum. We are also forming partnerships with external organisations including the World Land Trust, to assist us with our efforts towards carbon balancing.

We have found that colleagues are truly engaged in this area and our Sustainability Council is in its second year of operation. This body includes representatives from all areas of the business, to provide cross functional input, guide our thinking and establish and monitor KPIs.

Two new independent Non-executive Directors have joined the Board during the first half, Diana Breeze and Kari Daniels. Having served for nine years, the Board would like to thank both Andy King and Claire Tiney for their valued contribution and to welcome Diana and Kari into the business.

Retail

Last year, we launched a new strategy in our Retail business – "Great Experience, Great Product and Great Value" and despite the external challenges in the period, we have made substantial progress in the first half.

In the first half, customers responded well to the great value that we offer. Our 'Get the Look for Less' ranges, keenly priced bulk deals for our trade customers, promotions at great discounts and investment into reduced prices across our essentials ranges are all reinforcing our value credentials and delivering a broad appeal across all customer groups.

A great customer experience has always been central to the Topps offer. Many of our customers shop with us infrequently and often require support and advice. Despite our stores being closed to homeowners for most of the second quarter, our customer satisfaction scores remained at exceptionally high levels during the first half, with overall satisfaction at 87.5% (2020: 88.3%). In a period when our stores were closed for three months to homeowners, it was naturally more difficult to demonstrate our world class service, so this is an exceptional performance.

We provide a genuinely omni-channel offer to our retail customers. Across an average week, we welcome approximately 450,000 visitors - split broadly evenly across our website and our 331 stores.

The www.toppstiles.co.uk website accounts for approximately 25% of tile-related search traffic in the UK and our visitor traffic grew by 40% year on year. We also achieve the highest ranking in Search Engine Optimisation (SEO) for 16 out of the top 20 tile-related search terms. Our website remains key for brand introduction, research, samples and ordering but what we also know is that the majority of our customers will visit a store at some stage in their shopping journey with us – with less than 2% of sales not involving a store at all. Facebook impressions and Instagram engagement were up 100% year on year and we have an engaged audience of 600k on Pinterest and 65k Instagram followers.

The quality of our website was recognised in February 2021 in Internet Retailing's annual "RetailX Top 500" report, ranking retail websites across all sectors in the UK. We were delighted to be placed in the top 50 online retailers in the country, based on criteria such as strategy & innovation, footprint, the customer, operations & logistics, merchandising, brand engagement and mobile & cross channel. Topps Tiles was ranked as a top 25 retailer in the customer dimension alongside brands like M&S and Boots. We were the only tile specialist in the top 350, and the top 50 includes brands such as Currys PC World, Toolstation and Very.

Our stores remain absolutely central to our omni-channel offer and customer convenience. In normal times, 98% of sales involve a store in some way, whether for research, ordering, payment or collection, and, even during lockdown, our customers chose to pick up their goods from a store rather than take delivery at home 85% of the time. We also continue to actively manage the physical store estate, and over recent years have identified the opportunity to reduce the core estate to around 300 stores. At the period end, we had 331 stores (FY 2020 year end: 342 stores), having closed 13 and opened 2 in the period. Three of the closed Retail stores have since reopened as design studios within our Commercial business. When we close a store, we measure the transference of sales into neighbouring stores, which gives us confidence that this programme continues to drive profitability of the overall business. Our relatively short unexpired lease term of 3.2 years provides us with flexibility to continue to develop our estate.

Commercial

Our Commercial business, delivered through our Parkside and Strata brands, has continued to build its capability and proposition. There are now 55 colleagues in the business, including a sales force of 30. As at the period end, we operated four design studios (2020: four), which are creative spaces to engage with architects and designers. We are establishing a strong reputation for quality and reliability with high levels of loyalty across different customer groups such as architects, designers and contractors.

Sales in the first half were £4.1m, down 10% year on year. Against this, the ONS reported new build construction output in the private commercial sector down 17.5% year on year in the same period. Importantly, the business has been flexible in its response to the pandemic, whilst setting itself up for future growth. In the first half of last year, approximately 40% of Commerical sales were generated through sales into hospitality and leisure. This year, just over 10% of sales have come from these sectors as the business refocused into areas that offered greater short-term potential. As the consumer economy recovers, we expect to be well placed to recover sales levels in the hospitality and leisure sectors, as well as benefitting from the greater penetration of new sectors.

	H1 2020	Approx year on year sales growth	H1 2021
Hospitality & leisure	c. 40% of sales	c. (80)%	c. 10% of sales
Other sectors	c. 60% of sales	c. +35%	c. 90% of sales
Total	£4.5 million	c. (10)%	£4.1 million

The trading loss in the first half of £0.9 million is a slight improvement on last year (2020: loss of £1.0 million) however we expect that to improve in the second half as sales build.

Key Performance Indicators

As set out in our most recent Annual Report, we monitor our performance implementing our strategy with reference to a clearly defined set of financial and non-financial key performance indicators ("KPIs"). Our performance in the 26 weeks to 27 March 2021 is set out in the table below, together with the prior year performance data. The source of data and calculation methods are consistent with those used in the 2020 Annual report. Further information on adjusted performance measures can be found on page 2.

	26 weeks to 27 March 2021	**26 weeks to 28 March 2020**	**Year on year**
Financial KPIs			
Group revenue growth year-on-year	(2.8)%	(3.8)%	+1.0 ppt
Retail like-for-like sales growth year-on-year	+2.0%	(6.1)%	n/a
Group gross margin	57.6%	59.2%	(1.6) ppts
Adjusted profit before tax	£5.1m	£1.2m	+325%
Adjusted earnings per share	2.11 pence	0.60 pence	+252%
Adjusted net cash / (net debt)	£15.4m	£(17.3)m	+£32.7m
Inventory days	138	132	+6

Non-financial KPIs			
Customer overall satisfaction score	87.5%	88.3%	(0.8)%
Colleague turnover	21.4%	28.8%	(7.4) ppts
Number of retail stores at period end	331	359	(28)

Note: Customer overall satisfaction scores are calculated from the responses we receive through our TileTalk customer feedback programme. Overall satisfaction (OSAT) is the percentage of customers that score us 5 in the scale of 1 – 5, where 1 is highly dissatisfied, and 5 is highly satisfied.

FINANCIAL REVIEW

The Group's management uses adjusted performance measures to plan for, assess and control the performance of the Group.

Adjusted profit before tax differs from statutory profit before tax as it excludes the effect of one-off or fluctuating items, allowing stakeholders to understand results in a more meaningful way. Following the adoption of IFRS 16 in the previous financial year, adjusted measures from FY 2021 onwards include the business as usual element of IFRS 16. However, the Group will continue to adjust for any impairment charges or impairment reversals of right of use assets, derecognition of lease liabilities where we have exited a store, significant transactions such as sale and lease backs, one-off gains and losses through sub-lets and onerous lease provision reversals.

For the first half of the year, the following items have been excluded from adjusted profit:

- Losses related to movement in property related provisions (including onerous lease movements and provision against fixed assets in loss making stores) of £0.6 million (2020: losses of £0.9 million);
- Vacant property costs of £1.2 million (2020: £0.7 million) for stores closed as part of store reduction programme;
- A credit of £1.0 million, resulting from claims made against the Coronavirus Job Retention Scheme (CJRS) during the most recent lockdown. Due to the strength of the financial position of the business upon exit from lockdown, this will be repaid in the second half (2020: £nil);
- One-off IFRS 16 related expenses of £0.3 million, including impairment of right of use assets and derecognition of lease liabilities where the Group has successfully exited a lease before its end date (2020: expenses of £2.8 million, including business as usual income of £0.1 million).

Results for the prior period have been restated as a result of the adoption of IFRS 16 and following the audit of the accounts for the period ended 26 September 2020. The net impact on the loss before tax is an improvement of £0.8 million to £3.2 million. There are no changes to any adjusted performance metrics as a result of this restatement.

Statement of Financial Performance

Total revenue for the period decreased by 2.8% against last year to £103.2 million (2020: £106.2 million). As stated above, this was a highly volatile period of trade, with revenues in the first quarter significantly up year on year and second quarter revenues impacted substantially by the closure of the Retail stores to homeowners, who in FY 2020 represented 45% of our Retail sales.

The average number of Retail stores fell by 21 from 360 in the prior year period to 339 in this period. Retail like-for-like sales increased 2.0% over the period, with growth of 19.9% in the first quarter, followed by a decrease of 17.3% in the second quarter.

Total Retail sales were £99.1 million (2020: £101.7 million) and Commercial sales were £4.1 million (2020: £4.5 million).

Gross margin for the period was 57.6% (2020: 59.2%), with gross margin in quarter one of 59.1%, in line with guidance, before falling to 55.4% in the second quarter, due to the impact of customer, product and delivery mix during the period of lockdown. Retail gross margins were 58.5% in the first half, down from 60.1% in the prior year. We expect gross margins to improve sharply as trade normalises in the second half, and in the most recent weeks, gross margins have been trending back to our guidance for the year of 59% - 60%.

Adjusted operating costs were £52.3 million, compared to £61.2 million in the prior period. The principle drivers of changes in adjusted operating costs were as follows:

	£ million
HY20 adjusted operating expenses	**61.2**
Regulatory and inflationary cost increases	0.5
Employee profit share following strong Q1 performance	1.0
Head office and warehouse rental costs following sale and lease back last year	0.6
Annualisation of cost reduction programme from FY20	(1.9)
Decrease in number of stores trading (average of 339 vs 360 in prior year)	(2.3)
Other variances	(0.4)
HY20 adjusted operating expenses, excluding Government support and IFRS 16	**58.7**
Business rates relief	(4.4)
HY21 adjusted operating expenses, before IFRS 16	**54.3**
Impact of BAU IFRS 16 on operating expenses	(2.0)
HY21 adjusted operating expenses	**52.3**

After including the adjusting items described above, total operating costs were £53.4 million (2020: £64.3 million).

The net interest expense for the Group before IFRS 16 was £0.2 million (2020: £0.4 million). IFRS 16 has the impact of increasing interest costs by £1.9 million, resulting in an overall net interest expense for the half of £2.1 million (2020: £1.8 million).

Adjusted profit before tax was £5.1 million (2020: £1.2 million), representing an increase of 325% on the prior year.

Statutory profit before tax was £4.0 million compared to a loss before tax of £3.2 million last year.

The effective tax rate for the 26 weeks to 27 March 2021 was 24.1% (2020: 8.5%). Tax rates are based on expectations for the full year and are impacted by non-chargeable items.

Basic earnings per share were 1.55p (2020: loss of 1.52p). Adjusting for the post tax impact of the adjusting items detailed above, the adjusted basic earnings per share were 2.11p (2020: 0.60p), an increase of 252%.

Dividend and Dividend Policy

Given the ongoing level of uncertainty caused by the Covid-19 pandemic and the very recent emergence of the business from a sustained period of trading restrictions, the Board has decided that it is not appropriate to restart the payment of dividends at the interim stage.

However, the Board is mindful of the role that dividends play in overall shareholder returns. By the end of the year we expect to reinstate dividend payments, and we will make a payment relating to the whole financial year, rather than just the second half. Moving forward, our intention is to reinstate our previous dividend policy of remitting approximately half of the annual adjusted earnings per share back to shareholders.

Statement of Financial Position and Statement of Cash Flows

Capital Expenditure and Disposals

Capital expenditure in the period amounted to £2.5 million (2020: £3.1 million). The majority of this related to two new store openings, the continuation of the LED lighting roll-out to a further 100 stores and the store improvement programme. We estimate full year total capital expenditure in the region of £5.5 million (2020 full year: £6.7 million).

In the period, we disposed of the freehold or long leasehold interest in two properties for £1.7 million (2020: £nil) which were purchased in the prior period. We retain a short leasehold interest in these sites moving forward.

Cash Flow

On a statutory basis, net cash from operating activities was £1.3 million, compared to £12.3 million in the prior year period. To support comparability with prior years, an analysis of free cash flow and changes in adjusted net cash is presented below, which excludes the impact of IFRS 16.

Free cash flow was (£10.6) million (2020: (£1.6) million), analysed in the table below:

	H1 21	**H1 20**
	£ million	**£ million**
Cash generated by operations before WC movements	8.9	5.0
Changes in working capital	(18.4)	(2.0)
Interest	(0.3)	(0.5)
Tax	-	(1.0)
	(9.8)	**1.5**
Capital expenditure excluding investments	(2.5)	(2.8)
Freehold and leasehold investments	-	(0.3)
Disposals and other investments	1.7	-
Free cash flow	**(10.6)**	**(1.6)**
Dividends	-	(4.5)
Change in adjusted net cash / (debt)	**(10.6)**	**(6.1)**
Adjusted net cash / (debt) at the start of period	26.0	(11.3)
Adjusted net cash / (debt) at end of period	**15.4**	**(17.3)**

The working capital outflow was driven by £13.7 million of reductions in payables representing a swing from the very strong trading position at the full year to the subdued trading before half year due to the lockdown, £2.6 million of higher inventory which we will sell through in the second half and £2.1 million changes in accrual and other items. Working capital is expected to improve substantially in the second half as sales improve and creditor balances normalise. However, FY21 is a 53 week year and the additional week will include a number of additional payment runs, for suppliers and payroll. As a result, the full year cash flow will include c £7 million of working capital outflows which will unwind over future years. We will also be repaying £6 million of deferred VAT relating to April-June 2020 in the period April 2021 to March 2022 which will further reduce payables by year end.

Adjusted net cash at the period end was £15.4 million, compared to adjusted net debt of £17.3 million at the end of first half of FY 2020, an increase of £32.7 million compared to a year ago.

Banking Facilities

The Group has a £39.0 million revolving credit facility in place which is committed to July 2022 (2020: £39.0 million). At the year end, none of this was drawn (2020: £39.0 million was drawn).

Inventory

Inventory at the period end was £32.0 million (2020: £30.6 million) representing 138 days turnover (2020: 132 days turnover). The increase in the 2021 value is driven by additional stock brought in before the 31 December Brexit deadline to ensure continuity of supply to our stores. This stock has sold through more slowly than planned due to the lockdown but it will sell through before the end of the year.

Current Trading and Outlook

During the first two weeks post period end, the trading restrictions in force for most of the second quarter remained in place, with Retail like-for-like sales on a two-year basis down 17.1%.

However, trading since the full re-opening of our Retail business on 12 April 2021 has been very encouraging with two-year like-for-like sales up 16.8% in the five-week period and gross margins recovering rapidly as trading conditions return to normal. Once again, the business is demonstrating that it can recover strongly when restrictions are no longer in place, just as it did following the end of the first lockdown in summer 2020.

The outlook for the domestic home improvement market is strong. With our market leading offer, we are well placed to benefit from these market dynamics and we are confident that we will continue to trade strongly throughout this period.

Risks and Uncertainties

The Board continues to monitor the key risks and uncertainties of the Group. The risk around the long-term impact of the current global pandemic, including any potential future trading restrictions remains the most significant in our minds, with other risks documented in the 2020 Annual Report and Accounts as relevant now as they were at the time the Report was published. These key risks and uncertainties include: general economic and consumer confidence; corporate reputation, particularly in relation to sustainability; delivery optimisation; store portfolio; loss of key personnel; cyber security; maintaining an appropriate customer offer; value erosion through M&A; major reputational damage through, for example, a failure of a core process around our products, stores, supply chain or people; and delivery of our commercial strategy.

Going Concern

When considering the going concern assertion, the Board reviews several factors including a review of risks and uncertainties, the ability of the Group to meet its banking covenants and operate within its banking facilities based on current financial plans, along with a detailed review of a more pessimistic trading scenarios that was deemed severe but plausible. The more pessimistic trading scenario was based on a further national lockdown related to the Covid-19 pandemic during our busiest trading period that would see our Retail stores closed to homeowners for a further three months.

The Group has already taken a number of actions to strengthen its liquidity during the Covid-19 pandemic, including the sale and leaseback of the Group's head office and central warehouse buildings in Enderby in June 2020. The going concern review also outlined a range of other mitigating actions that could be taken in a severe but plausible trading scenario. These included, but were not limited to, savings on store employee costs, savings on central support costs, reduced marketing activity, a reduction of capital expenditure, management of working capital and suspension of the dividend.

The Group’s cash headroom and covenant compliance was reviewed against current lending facilities in both the base case and the severe but plausible downside scenario. The current lending facility was refinanced in July 2018 and expires in July 2022, with an opportunity to extend in June 2021 for a further year, so a potential full term of five years ending July 2023. In all scenarios, the Board have concluded that there is sufficient available liquidity and covenant headroom for the Group to continue to meet all of its financial commitments as they fall due for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Board continue to adopt the going concern basis in preparing the condensed financial statements.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:
(a) the condensed set of financial statements has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as contained in UK-adopted IFRS;
(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

Rob Parker
Chief Executive Officer
18 May 2021

Stephen Hopson
Chief Financial Officer

Cautionary statement

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

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

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

Condensed Consolidated Statement of Financial Performance
for the 26 weeks ended 27 March 2021

	Note	**26 weeks ended 27 March 2021 £'000 (Unaudited)**	Restated* 26 weeks ended 28 March 2020 £'000 (Unaudited)	52 weeks ended 26 September 2020 £'000 (Audited)
Group revenue		**103,247**	106,188	192,813
Cost of sales		**(43,738)**	(43,372)	(80,001)
Gross profit		**59,509**	62,816	112,812
Distribution and selling costs		**(39,248)**	(47,541)	(80,971)
Other operating expenses		**(3,682)**	(4,829)	(10,105)
Administrative costs		**(8,151)**	(8,781)	(23,178)
Sales and marketing costs		**(2,350)**	(3,115)	(4,587)
Group operating profit/(loss)		**6,078**	(1,450)	(6,029)
Net finance costs		**(2,099)**	(1,787)	(3,800)
Profit/(loss) before taxation		**3,979**	(3,237)	(9,829)
Taxation	3	**(960)**	275	1,811
Profit/(loss) for the period		**3,019**	(2,962)	(8,018)
Profit/(loss) is attributable to:				
Owners of Topps Tiles Plc		**3,041**	(2,921)	(7,966)
Non-controlling interests		**(22)**	(41)	(52)
		3,019	(2,962)	(8,018)

All results relate to continuing operations of the Group.

Earnings per ordinary share				
- Basic	5	**1.55p**	(1.52)p	(4.11)p
- Diluted	5	**1.55p**	(1.52)p	(4.11)p

There are no other recognised gains and losses for the current and preceding financial periods other than the results shown above. Accordingly, a separate Condensed Consolidated Statement of Comprehensive Income has not been prepared.

* The amounts for the 26 weeks ended 28 March 2020 have been restated to correct an error in the prior year as a result of the adoption of IFRS 16 and following the audit of the accounts for the 52 weeks ended 26 September 2020. This restatement brings the reported results for the 26 weeks ended 28 March 2020 in to line with the final treatment of IFRS 16 as reflected in the audited results for the 52 weeks ended 26 September 2020.

The previously reported loss for the period of £3,622,000 has been restated to £2,962,000 which is a reduction of £660,000. The restatement is primarily driven by a lower depreciation charge as a result of changes in applying the IFRS 16 methodology following the audit of the accounts for the 52 weeks ended 26 September 2020. As part of the restatement, both depreciation of £10,759,000 and impairment charges of £3,306,000 have been reclassified to Distribution and selling costs. In the previously reported amounts, depreciation was recognised in Other operating expenses and the impairment charges were recognised in Impairment of right-of-use assets and property, plant and equipment. This cost reallocation is in line with the cost classification reflected in the accounts for the 52 weeks ended 26 September 2020.

Condensed Consolidated Statement of Financial Position
as at 27 March 2021

	Note	27 March 2021 £'000 (Unaudited)	Restated* 28 March 2020 £'000 (Unaudited)	26 September 2020 £'000 (Audited)
Non-current assets				
Goodwill		**-**	3,104	-
Intangible assets		**1,006**	2,651	916
Property, plant and equipment		**25,296**	44,763	27,170
Investment properties		**-**	750	-
Other financial assets		**2,463**	2,496	2,749
Deferred tax assets		**1,333**	706	1,406
Right-of-use assets		**97,200**	106,235	106,258
		127,298	160,705	138,499
Current assets				
Assets classified as held for sale		**-**	-	1,786
Inventories		**31,966**	30,602	29,337
Other financial assets		**667**	806	873
Trade and other receivables		**4,051**	5,711	3,567
Cash and cash equivalents		**15,351**	21,673	31,018
		52,035	58,792	66,581
Total assets		**179,333**	219,497	205,080
Current liabilities				
Bank loans	6	**-**	-	(4,981)
Trade and other payables		**(42,832)**	(38,473)	(58,446)
Lease liabilities		**(24,483)**	(23,200)	(25,520)
Current tax liabilities		**(2,000)**	(801)	(1,114)
Provisions		**(498)**	(320)	(462)
Total current liabilities		**(69,813)**	(62,794)	(90,523)
Net current liabilities		**(17,778)**	(4,002)	(23,942)
Non-current liabilities				
Bank loans	6	**-**	(38,944)	-
Lease liabilities		**(90,386)**	(95,507)	(98,636)
Deferred tax liabilities		**-**	(1,149)	-
Provisions		**(1,835)**	(1,922)	(1,867)
Total liabilities		**(162,034)**	(200,316)	(191,026)
Net assets		**17,299**	19,181	14,054
Equity				
Share capital	8	**6,548**	6,548	6,548
Share premium		**2,492**	2,492	2,492
Own shares		**(1,351)**	(1,482)	(1,483)
Merger reserve		**(399)**	(399)	(399)
Share-based payment reserve		**4,191**	3,960	3,965
Capital redemption reserve		**20,359**	20,359	20,359
Accumulated losses		**(14,491)**	(12,254)	(17,400)
Capital and reserves attributable to owners of Topps Tiles Plc		**17,349**	19,224	14,082
Non-controlling interests		**(50)**	(43)	(28)
Total equity		**17,299**	19,181	14,054

* Prior period restated to correct an error in the prior year as a result of the adoption of IFRS 16 and following the audit of the accounts for the 52 weeks ended 26 September 2020. For further information see the Condensed Consolidated Statement of Financial Performance.

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 27 March 2021

	Equity attributable to equity holders of the parent								
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Accum-ulated losses £'000**	**Non-controlling interest £'000**	**Total equity £'000**
Balance at 26 September 2020 (Audited)	6,548	2,492	(1,483)	(399)	3,965	20,359	(17,400)	(28)	14,054
Profit and total comprehensive income for the period	-	-	-	-	-	-	3,041	(22)	3,019
Own shares issued in the period	-	-	132	-	-	-	(132)	-	-
Credit to equity for equity-settled share based payments	-	-	-	-	226	-	-	-	226
Balance at 27 March 2021 (Unaudited)	**6,548**	**2,492**	**(1,351)**	**(399)**	**4,191**	**20,359**	**(14,491)**	**(50)**	**17,299**

For the 26 weeks ended 28 March 2020 (Restated*)

	Equity attributable to equity holders of the parent								
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Accum-ulated losses £'000**	**Non-controlling interest £'000**	**Total equity £'000**
Balance at 28 September 2019 (Audited)	6,548	2,490	(1,548)	(399)	3,962	20,359	(1,178)	(2)	30,232
Impact of change in accounting policy (IFRS 16)*	-	-	-	-	-	-	(3,605)	-	(3,605)
Adjusted balance at 29 September 2019 (Audited)*	6,548	2,490	(1,548)	(399)	3,962	20,359	(4,783)	(2)	26,627
Loss and total comprehensive expense for the period*	-	-	-	-	-	-	(2,921)	(41)	(2,962)
Issue of share capital	-	2	-	-	-	-	-	-	2
Dividends	-	-	-	-	-	-	(4,484)	-	(4,484)
Own shares issued in the period	-	-	66	-	-	-	(66)	-	-
Credit to equity for equity-settled share based payments	-	-	-	-	(2)	-	-	-	(2)
Balance at 28 March 2020 (Unaudited)	**6,548**	**2,492**	**(1,482)**	**(399)**	**3,960**	**20,359**	**(12,254)**	**(43)**	**19,181**

* Prior period restated to correct an error in the prior year as a result of the adoption of IFRS 16 and following the audit of the accounts for the 52 weeks ended 26 September 2020. For further information see the Condensed Consolidated Statement of Financial Performance.

For the 52 weeks ended 26 September 2020

	Equity attributable to equity holders of the parent								
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Accum-ulated losses £'000**	**Non-controlling interest £'000**	**Total equity £'000**
Balance at 28 September 2019 (Audited)	6,548	2,490	(1,548)	(399)	3,962	20,359	(1,178)	(2)	30,232
Impact of change in accounting policy (IFRS 16)	-	-	-	-	-	-	(3,605)	-	(3,605)
Adjusted balance at 29 September 2019 (Audited)	6,548	2,490	(1,548)	(399)	3,962	20,359	(4,783)	(2)	26,627
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(7,966)	(52)	(8,018)
Dividends	-	-	-	-	-	-	(4,484)	-	(4,484)
Issue of share capital	-	2	-	-	-	-	-	-	2
Own shares issued in the period	-	-	65	-	-	-	(65)	-	-
Credit to equity for equity-settled share based payments	-	-	-	-	3	-	-	-	3
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(2)	-	(2)
Acquisition of non-controlling interest on business combination	-	-	-	-	-	-	(100)	26	(74)
Balance at 26 September 2020 (Audited)	**6,548**	**2,492**	**(1,483)**	**(399)**	**3,965**	**20,359**	**(17,400)**	**(28)**	**14,054**

Condensed Statement of Cash Flows
for the 26 weeks ended 27 March 2021

	26 weeks ended 27 March 2021 £'000 (Unaudited)	Restated* 26 weeks ended 28 March 2020 £'000 (Unaudited)	52 weeks ended 26 September 2020 £'000 (Audited)
Cash flow from operating activities			
Profit/(loss) for the period	**3,019**	(2,962)	(8,018)
Taxation	**960**	(275)	(1,811)
Finance costs	**2,146**	1,834	3,901
Finance income	**(47)**	(47)	(101)
Group operating profit/(loss)	**6,078**	(1,450)	(6,029)
Adjustments for:			
Depreciation of property, plant and equipment	**3,240**	3,571	7,145
Depreciation of right-of-use assets	**10,659**	10,759	21,080
Amortisation of intangible assets	**91**	137	477
Loss on disposal of property, plant and equipment	**237**	318	338
Loss/(gain) on sublease	**145**	-	(150)
Impairment charge of property, plant and equipment	**730**	372	1,155
Fair value adjustment for asset held for sale	**-**	-	558
Impairment of right-of-use assets	**687**	3,306	5,411
Impairment of goodwill	**-**	-	3,104
Impairment of intangible assets	**-**	-	1,687
Gain on lease disposal	**(937)**	(201)	(388)
Receipt of lease incentives	**-**	-	173
Decrease in fair value of investment properties	**-**	483	-
Loss on disposal of investment properties	**-**	-	483
Share option charge/(credit)	**226**	(2)	3
(Increase)/decrease in receivables	**(819)**	(1,114)	252
(Increase)/decrease in inventories	**(2,629)**	324	1,589
(Decrease)/increase in payables	**(14,255)**	(1,271)	18,990
Cash generated by operations	**3,453**	15,232	55,878
Interest paid	**(258)**	(488)	(856)
Interest element of lease liabilities paid	**(1,901)**	(1,402)	(3,033)
Taxation paid	**-**	(999)	(999)
Net cash from operating activities	**1,294**	12,343	50,990
Investing activities			
Interest received	**7**	6	20
Interest received on sublease assets	**40**	41	81
Receipt of capital element of sublease assets	**372**	187	343
Purchase of property, plant, equipment	**(2,298)**	(3,072)	(6,290)
Purchase of intangibles	**(178)**	-	(417)
Proceeds on disposal of property, plant and equipment	**1,749**	-	18,552
Acquisition of subsidiary, net of cash acquired	**-**	-	(74)
Net cash (used in)/from investment activities	**(308)**	(2,838)	12,215
Financing activities			
Payment of capital element of lease liabilities	**(11,653)**	(11,097)	(21,452)
Dividends paid	**-**	(4,484)	(4,484)
Proceeds from issue of share capital	**-**	2	2
Drawdown of bank loans	**-**	9,000	20,000
Repayment of bank loans	**(5,000)**	-	(45,000)
Net cash used in financing activities	**(16,653)**	(6,579)	(50,934)
Net (decrease)/increase in cash and cash equivalents	**(15,667)**	2,926	12,271
Cash and cash equivalents at beginning of period	**31,018**	18,747	18,747
Cash and cash equivalents at end of period	**15,351**	21,673	31,018

* Prior period restated to correct an error in the prior year as a result of the adoption of IFRS 16 and following the audit of the accounts for the 52 weeks ended 26 September 2020. For further information see the Condensed Consolidated Statement of Financial Performance.

1. General Information

The interim report was approved by the Board on 18 May 2021. The financial information for the 52 week period ended 26 September 2020 has been based on information in the audited financial statements for that period.

The comparative figures for the 52 week period ended 26 September 2020 are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that 52 week period has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

This condensed set of consolidated financial statements has been prepared for the 26 weeks ended 27 March 2021 and the comparative period has been prepared for the 26 weeks ended 28 March 2020.

The interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on "Review of interim financial information" and do not include all of the information required for full annual financial statements.

Basis of Preparation and Accounting Policies

The annual financial statements of Topps Tiles Plc are prepared in accordance with IFRSs as adopted by the European Union. The unaudited condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and in conformity with the requirements of the Companies Act 2006. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

New and Amended Standards Adopted by the Group

The Group continues to monitor the potential impact of other new standards and interpretations which have been or may be endorsed and require adoption by the Group in future reporting periods.

Going Concern

When considering the going concern assertion, the Board reviews several factors including a review of risks and uncertainties, the ability of the Group to meet its banking covenants and operate within its banking facilities based on current financial plans, along with a detailed review of a more pessimistic trading scenario that was deemed severe but plausible. The more pessimistic trading scenario was based on a further national lockdown related to the Covid-19 pandemic during our busiest trading period that would see our Retail stores closed to homeowners for a further three months.

The Group has already taken a number of actions to strengthen its liquidity during the Covid-19 pandemic, including the sale and leaseback of the Group's head office and central warehouse buildings in Enderby in June 2020. The going concern review also outlined a range of other mitigating actions that could be taken in a severe but plausible trading scenario. These included, but were not limited to, savings on store employee costs, savings on central support costs, reduced marketing activity, a reduction of capital expenditure, management of working capital and suspension of the dividend.

The Group's cash headroom and covenant compliance was reviewed against current lending facilities in both the base case and the severe but plausible downside scenario. The current lending facility was refinanced in July 2018 and expires in July 2022, with an opportunity to extend in June 2021 for a further year, so a potential full term of five years ending July 2023. In all scenarios, the Board have concluded that there is sufficient available liquidity and covenant headroom for the Group to continue to meet all of its financial commitments as they fall due for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Board continue to adopt the going concern basis in preparing the condensed financial statements.

2. Business Segments

The Group has one reportable segment in accordance with IFRS 8 – Operating Segments, which encompasses the Topps Tiles Group revenue generated instore and online from retail and commercial customers. The Board receives monthly financial information at this level and uses this information to monitor performance, allocate resources and make operational decisions. All revenue is derived from the UK and is from one class of business.

3. Taxation

	26 weeks ended 27 March 2021 £'000 (Unaudited)	26 weeks ended 28 March 2020 £'000 (Unaudited)	52 weeks ended 26 September 2020 £'000 (Audited)
Current tax – charge/(credit) for the period	**887**	(256)	(48)
Current tax - adjustment in respect of previous periods	**-**	-	134
Deferred tax – charge/(credit) for the period	**73**	(19)	(2,028)
Deferred tax - adjustment in respect of previous periods	**-**	-	42
Effect of tax rate change on opening balance	**-**	-	89
	960	(275)	(1,811)

4. Interim Dividend

An interim dividend of £nil (2020: £nil) per ordinary share has been declared. No final dividend was paid in the period, in relation to the 52 week period ended 26 September 2020.

5. 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.

	26 weeks ended 27 March 2021 (Unaudited)	Restated* 26 weeks ended 28 March 2020 (Unaudited)	52 weeks ended 26 September 2020 (Audited)
Weighted average number of issued shares for basic earnings per share	**196,443,323**	196,443,323	196,443,323
Weighted average impact of treasury shares for basic earnings per share	**(1,454,958)**	(1,474,021)	(1,472,264)
Total weighted average number of shares for basic earnings per share	**194,988,365**	194,969,302	194,971,059
Weighted average number of shares under option	**321,247**	-	-
For diluted earnings per share	**195,309,612**	194,969,302	194,971,059
	£'000	£'000	£'000
Profit/(loss) for the period	**3,019**	(2,962)	(8,018)
Adjusting items	**1,093**	4,128	11,076
Adjusted profit for the period	**4,112**	1,166	3,058
Earnings per ordinary share - basic	**1.55p**	(1.52)p	(4.11)p
Earnings per ordinary share - diluted	**1.55p**	(1.52)p	(4.11)p
Earnings per ordinary share - adjusted	**2.11p**	0.60p	1.57p

The calculation of the basic and diluted earnings per share used the denominators as shown above for both basic and diluted earnings per share. The number of potentially exercisable shares were 1,462,043 for the 26 weeks ended 28 March 2020 and were 1,758,101 for the 52 weeks ended 26 September 2020 but were not included as they were anti-dilutive.

Adjusted earnings per share for the 26 weeks ended 27 March 2021 were calculated after adjusting for the post-tax impact of the following items: impairment of property, plant, equipment and movement in onerous lease provision of £643,000 (2020: £919,000), vacant property costs for stores closed as part of store reduction programme of £1,026,000 (2020: £597,000), furlough claim to be repaid in the second half of £812,000 (2020: £nil), and IFRS 16 one off changes including the impairment of closure programme stores of £236,000 (2020: £2,612,000).

* Prior period restated to correct an error in the prior year as a result of the adoption of IFRS 16 and following the audit of the accounts for the 52 weeks ended 26 September 2020. For further information see the Condensed Consolidated Statement of Financial Performance.

6. Bank Loans

	26 weeks ended 27 March 2021 £'000 (Unaudited)	26 weeks ended 28 March 2020 £'000 (Unaudited)	52 weeks ended 26 September 2020 £'000 (Audited)
Bank loans (all sterling)	**-**	38,822	4,866
The borrowings are repayable as follows:			
On demand or within one year	**-**	-	5,000
In the second year	**-**	-	-
In the third to fifth year	**-**	39,000	-
	-	39,000	5,000
Less: total unamortised issue costs	**(56)**	(178)	(134)
	(56)	38,822	4,866
Issue costs to be amortised within 12 months	**50**	122	115
Amount due for settlement after 12 months	**-**	38,944	-
Amount due for settlement within 12 months	**-**	-	4,981

The Group has a revolving credit facility to 29 June 2022 of £39.0 million. As at 27 March 2021, £nil of this facility was drawn (2020: £39.0 million). The loan facility contains financial covenants which are tested on a bi-annual basis. In light of Covid-19 the March 2021 covenants have been relaxed. The Group did not breach any covenants in the period.

7. Financial Instruments

The Group has the following financials instruments which are categorised as fair value through profit and loss:

	Carrying value and fair value		
	26 weeks ended 27 March 2021 £'000 (Unaudited)	26 weeks ended 28 March 2020 £'000 (Unaudited)	52 weeks ended 26 September 2020 £'000 (Audited)
Financial assets			
Fair value through profit and loss	**-**	442	23
Financial liabilities			
Fair value through profit and loss	**324**	-	-

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 (2020: 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).

At 27 March 2021 the fair value of the Group's currency derivatives is a loss of £324,000 within trade and other payables (2020: £442,000 gain). These amounts are based on the market value of equivalent instruments at the Statement of Financial Position date.

Losses of £348,000 are included in cost of sales (2020: £353,000 gain).

8. Share Capital

The issued share capital of the Group as at 27 March 2021 amounted to £6,548,000 (2020: £6,548,000). During the period the Group issued nil shares (2020: nil shares), and therefore the number of shares at 27 March 2021 were 196,443,323 (2020: 196,443,323).

9. Seasonality of Sales

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

10. Related Party Transactions

MS Galleon AG is a related party by virtue of their 20.0% shareholding (38,992,750 ordinary shares) in the Group's issued share capital (2020: less than 3.0% shareholding).

At 27 March 2021 MS Galleon AG is the owner of Cersanit, a supplier of ceramic tiles with whom the Group made purchases of £163,000 during the first half of the year which is 0.4% of cost of goods sold (2020: purchases of £4,000 during the first half of the year which is 0.0% of cost of goods sold).

An amount of £7,000 was outstanding with Cersanit at 27 March 2021 (2020: £nil). All transactions were conducted on commercial arm's length terms.

S.K.M Williams is a related party by virtue of his 9.2% shareholding (18,160,278 ordinary shares) in the Group's issued share capital (2020: 10.3% shareholding of 20,160,278 ordinary shares).

At 27 March 2021 S.K.M Williams was the landlord of one property leased to Multi Tile Limited, a trading subsidiary of Topps Tiles Plc, for £59,000 (2020: one property for £65,000) per annum.

No amounts were outstanding with S.K.M. Williams at 27 March 2021 (2020: £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 IAS 24.