28 November 2017

Topps Tiles Plc

Annual Financial Report

Topps Tiles Plc ("Topps", "Topps Tiles" or "the Company"), the UK's largest tile specialist, announces its annual financial results for the 52 weeks ended 30 September 2017.

Highlights

	52 weeks ended 30 September 2017	52 weeks ended 1 October 2016	YoY
Group revenue	£211.8 million	£215.0 million	-1.5%
Like-for-like revenue growth year on year[1]	-2.9%	+4.2%	n/a
Gross margin	61.1%	61.9%	-80bps
Adjusted profit before tax[2]	£18.6 million	£22.0 million	-15.5%
Profit before tax	£17.0 million	£20.0 million	-15.0%
Adjusted earnings per share[3]	7.63p	8.86p	-13.9%
Basic earnings per share	6.98p	8.05p	-13.3%
Final dividend	2.30p	2.50p	-8.0%
Total dividend	3.40p	3.50p	-2.9%
Cash generated from operations	£22.2 million	£29.9 million	-£7.7 million
Net debt[4]	£27.5 million	£24.8 million	increased by £2.7 million

Financial Performance

- Sales of £211.8 million (2016: £215.0 million). Like-for-like sales decline of 2.9% (2016: +4.2%)
- Gross margin decreased to 61.1% (2016: 61.9%) reflecting pressure of weaker sterling which was partly offset by underlying sourcing gains and our focus on a differentiated product offer
- Adjusted profit before tax[2] of £18.6 million, a decrease of 15.5%
- Final dividend of 2.30 pence per share (2016: 2.50 pence per share), making a total for the year of 3.40 pence per share (2016: 3.50 pence per share)
- Net debt[4] at period end increased to £27.5 million (2016: £24.8 million)

Strategy Update

- Core business strategy of "Out-specialising the Specialists" remains key focus in the domestic tile market, where Topps is market leader
- Growth strategy expanded into the commercial segment of the UK tile market (c. 45% of total UK tile market)
- Parkside Ceramics, a small business which specialises in the supply of tiles into the commercial segment acquired during the period for £1.1 million
- Parkside to form the basis of a new Commercial division – plans in place to invest c.£1 million in the year ahead into capabilities to drive longer term growth

Operational Performance

- Trade participation increased to 55% of total sales (2016: 52%) driven by growth of the trade loyalty programme and trend for "do it for me"
- Digitisation of "Rewards +" trade loyalty programme enhancing offer to trade customer base – 55,000 traders now registered and spending, a 35% increase
- Sales continuing to benefit from new product development – 9.2% of tile revenues generated from ranges launched in the last 12 months (2016: 12.6%)
- Active management of store portfolio – 26 new openings and five closures in the period, resulting in a net 21 new stores. Between five and 10 net new openings expected in current financial year

Current Trading and Outlook

- The Group is now trading from 372 stores (2016: 352 stores)
- In the first eight weeks of the new financial period, Group revenues, stated on a like-for-like basis, increased by 3.2% (2016: decrease of 0.3%)

Commenting on the results, Matthew Williams, Chief Executive said: "The business responded well to the more challenging trading conditions we experienced in 2017, maintaining tight control of costs to help offset the reduction in gross margin and continuing to make good progress with its strategic initiatives.

“Trading in the first eight weeks of the new financial year has improved, with like-for-like sales increasing by 3.2%. While we are retaining our prudent view of market conditions for the year ahead, we are encouraged by this return to like-for-like sales growth. We are confident that the combination of the significant further potential in our strategy of "Out-specialising the Specialists" with our accelerated plan to grow in the commercial tile market will underpin our future success.”

Notes

[1] *Like-for-like 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 that we have incurred during the period in order to give users of the accounts improved information around underlying performance trends. These are items which are either one off in nature or can fluctuate significantly from year to year (such as some property related items). These are set out as follows:*

	2017 £m	***2016 £m***
Adjusted Pre Tax Profit	***18.6***	***22.0***
- *Vacant property costs*	*(0.4)*	*(0.3)*
- *Costs related to acquisition during the period*	*(0.2)*	*nil*
- *Impairment of plant, property and equipment*	*(1.2)*	*(0.8)*
- *Gains or losses on disposal of freehold of long leasehold properties*	*0.2*	*Nil*
- *Stock write off relating to wood category exit*	*Nil*	*(0.5)*
- *Restructuring costs including transitional costs relating to prior year business simplification initiatives*	*Nil*	*(0.4)*
Statutory Pre Tax Profit	***17.0***	***20.0***

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

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

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STRATEGIC REPORT

The content of this Strategic Report meets the content requirements of the Strategic Report as set out in s414a of the Companies Act 2006. This Strategic Report 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.

MARKETPLACE

The UK Tile Market and Performance of the Business

Topps Tiles is the largest tile specialist in the UK. Our primary focus is the domestic market for the renovation, maintenance and improvement of UK homes.

Due to the highly discretionary nature of our market, consumer confidence remains a key driver of our performance. During 2017 the average level of consumer confidence was -7.3, which compares to -1.3 in 2016. Whilst the index has been negative across the whole year, the second half saw a modest deterioration where the average level of consumer confidence was -8.8, compared to -5.8 over the first half (source: GFK). The consumer confidence index has remained negative since the EU referendum result in June 2016 and we will continue to monitor this measure closely.

A further key driver of the customer decision to take on a home improvement project is buying a new home. Housing transactions are therefore a very useful indicator of likely future demand. During this financial year housing transactions declined by around 5% to 1.2m. In part, this decline is a reversal of the growth spike in March 2016 ahead of the changes in stamp duty that occurred in April 2016. On a two year basis housing transactions are broadly flat. (Source: HMRC).

We also consider UK house price data to be a useful indicator of the relative health of our market. House prices are both a good reflection of the housing market itself and also tend to reflect consumer confidence, as home owners tend to feel more affluent in a rising market. During the year we saw an increase in house prices, with the average price of a house in the UK rising to £210,116, an increase of 2.0% on the previous year (Source: Nationwide).

The annual tile industry report published by MBD covers the whole of the UK tile market (domestic & commercial) and is based on manufacturer and supplier data. Growth of the entire market in 2016 was 7.8% on a value basis and 4.4% on a volume basis. MBD have estimated that volume growth in 2017 will be 4% and our view is that this growth will have been driven by the commercial side of the UK tile market (note - MBD do not provide a value forecast growth estimate).

Strategy

The business has an overarching goal to achieve profitable sales growth. During the period we conducted our annual refresh of strategy and have now included a more explicit focus on the commercial tile market in our future growth plans.

Commercial

The commercial tile market represents approximately 45% of the overall UK tile market and we have a small representation currently through our core business. We have identified that there are areas of the commercial market that are economically attractive and where we consider that some of our core strengths can be further leveraged, providing a potential source of profitable growth for the business.

<u>Progress and Outlook</u>

We have identified several routes of entry into the commercial market and during the period we completed the acquisition of Parkside Ceramics Ltd for £1.1 million in cash. Parkside Ceramics is a small business which specialises in the supply of tiles into the commercial segment and also distributes to independent kitchen and bathroom retailers. We believe that Parkside gives us a solid platform from which to invest in and develop our presence in the commercial tile market.

2018 will be a year of learning and building this business. Parkside shows significant potential and we are keen to expand with investment in people, physical representation and capability, to establish a new commercial division. In the year ahead we plan to invest in the region of £1 million into costs which will drive longer term growth. We will also focus further on the opportunities that emerge through our core brand and believe this offers further significant potential as we learn more about the commercial market. We remain open to further growth through acquisition and will continue to review such opportunities as they arise.

Topps Core Business

Within the core Topps business our strategy of "Out-specialising the Specialists" continues to be very effective. This strategy is focussed on the following four key areas:

1. **Leading Range**
2. **Inspirational Experience**
3. **Traders' Champion**
4. **Great People, Great Company**

Leading Range

Offering the UK's leading tile range is a key aspect of our competitive advantage as our customers value highly the breadth of choice and unique product offering we bring to the market. Our passion for product and specialist knowledge means we are able to work collaboratively with leading manufacturers from all over the world to design and create new tile ranges and finishing solutions based on emerging trends that our buyers are often the first to identify. These ranges are sourced on an exclusive basis wherever possible and we trademark them to protect our competitive advantage and intellectual property.

Progress and Outlook

Our iterative cycle of new product introductions saw us launch 45 new ranges in the period, with 9.2% of our tiles sales coming from products launched in the last 12 months. 87% of our tile range is exclusive to Topps in the UK.

We will continue to invest in relationships around the world with the key influencers of tile design and manufacturing technology in order to foster the development of exciting new industry-leading exclusive ranges of tiles and associated products. Our increased focus on the commercial tile market will also create new opportunities – such as selling our existing ranges to commercial customers and establishing new manufacturer relationships.

Inspirational Experience

Inspiring our customers has always been key to our competitive advantage. This starts when customers come into contact with the Topps Tiles brand, often through our website, and moves through to the in-store experience and ultimately to our after sales service. Our website is a vital aspect of the customer journey, offering us the opportunity to showcase our industry-leading range, and helping customers to appreciate our multichannel convenience and the location of their nearest store. Once in store we are able to inspire customers further with our world class service. The majority of our customers shop infrequently for tiles which means that when they do they need lots of advice and expertise, which our store colleagues provide, often supported by our digital tools.

Progress and Outlook

We strive to ensure that the digital experience is seamless when a customer transitions from online to in-store. Our tile visualiser is industry leading and a key source of inspiration for our customers, and is available in all stores via tablets and "Design Advice Areas". Our customer service rating for the year was 80.2% (2016: 79.7%). We have continued to invest in our store estate and during the year we opened 26 new stores and closed five, resulting in a net increase of 21 and bringing the year end total to 372 (2016: 351). In the year ahead we will continue to grow our store estate in a highly targeted manner and expect to open between five and 10 net new stores. We also plan to deliver an all store improvement programme over the next two years which will see us implement some key aspects of the latest store fit out into all existing stores.

Traders' Champion

Our trade customer base is an important part of our business, providing a vital link to those homeowners who prefer to transact through their fitter rather than with us direct. The trend in the UK away from "Do It Yourself" towards "Do It For Me" is making our trade customer base increasingly important. Sales through our trade channel account for 55% of total sales (2016: 52%). By embracing our trade customers and championing their needs we believe we are building a further source of competitive advantage.

Progress and Outlook

We relaunched our trader loyalty programme at the start of the year and this has been very well received by scheme members. We have improved the system in several ways including digitisation, ease of use, the range of rewards available and interaction with store teams. We now have 55,000 traders registered, an increase of 35% year on year. We continue to focus on the needs of our traders from a customer offer perspective and have introduced several new products and services this year which have broadened our overall appeal and made us more convenient for our traders.

Great People, Great Company

Topps offers high levels of customer service and this means we are very focussed on our colleagues that deliver this service, with their capability and engagement levels being absolutely key. We believe our people represent a major source of competitive advantage and through our great people we strive to continue to build a great company.

Progress and Outlook

In January 2017 we launched a refreshed employer brand which was based on colleague interviews across the business and which aimed to identify the reasons why they loved working for Topps. This has been very successful in improving consideration amongst potential employees and we have seen a significant improvement in the quality of applications, resulting in a substantial reduction in both time to hire and the overall number of vacancies year on year.

This year we also implemented a new Learning Management System, "theHub", which has resulted in a significant improvement in the learning and development opportunities that we offer to all colleagues. This system allows a modern approach to personal development, allowing the individual to take control of their own development in a way that is convenient for them. We have continued with our programmes of face to face learning and development and delivered around 1,500 days of training with a specific focus on trade and customer service. This year, we have launched a programme of simplification of business processes to either improve the customer experience or the colleague experience, but ideally both. This has delivered some significant results which we believe will improve colleague engagement and customer satisfaction, with the ultimate aims of reducing colleague turnover and helping us to increase sales.

Key Performance Indicators ("KPIs")

The Board monitors a number of financial and non-financial metrics and KPIs both for the Group and by individual store, including:

	52 weeks to 30 September 2017	**52 weeks to 1 October 2016**	**YoY**
Financial KPIs			
Like-for-like sales growth year-on-year*	-2.9%	+4.2%	n/a
Total sales growth year-on-year	-1.5%	+1.3%	n/a
Gross margin	61.1%	61.9%	-80bps
Adjusted PBT*	£18.6m	£22.0m	-15.5%
Net debt	£27.5m	£24.8m	£2.7m
Inventory days	132	115	14.8%
Non-financial KPIs			
Net Promoter Score %	68.6%	69.4%	-0.8%
Customer service score	80.2%	79.7%	+0.5%
Colleague turnover	35.0%	29.5%	+5.5%
Carbon emissions per store (Tonnes per annum)	34.3	38.3	-10.4%
Number of stores at year end	372	351	+21

* 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.
- Customer service score is calculated based on the results of our mystery shopper programme. This programme sees a panel of independent shoppers visit each of our stores every month and scores them across 6 service lead categories, each category holds a varying weighting towards the overall score percentage.
- Energy carbon emissions have been compiled in conjunction with our electricity supplier (Opus) and our gas supplier (Gazprom). This is based on the actual energy consumed multiplied by Environment Agency approved emissions factors. Vehicle emissions have 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.

FINANCIAL REVIEW

PROFIT AND LOSS ACCOUNT

Revenue

Revenue for the period ended 30 September 2017 decreased by 1.5% to £211.8 million (2016: £215.0 million). Like-for-like store sales decreased by 2.9% in the period, which consisted of a 1.9% decrease in the first half of the financial period and a 3.9% decrease in the second half. The decrease in sales performance correlates with the reduction in consumer confidence highlighted above in the Market section of this report.

Gross Margin

Overall gross margin decreased to 61.1% compared with 61.9% in the previous financial period. Over the first half of the period the gross margin was 61.2%, and we delivered a gross margin of 61.0% in the second half of the period. Gross margin has been adversely affected during the year due to the continued weakness of sterling post the EU referendum, which has generated an impact of around 200bps. In addition to this we have seen further pressure on margin of c.55bps from the continued shift in customer mix towards trade and the launch of our new Trade Reward+ loyalty programme. We have focussed on negating these effects and were successful in offsetting around two thirds of this pressure in the period. This has been achieved through a combination of improved product mix (including the benefit from exiting low margin real wood in the prior period), sourcing gains and our continued focus on a differentiated product offer. For the year ahead we anticipate delivering a gross margin gain of c.50bps, assuming stable sterling exchange rates.

Operating Expenses

Total operating costs reduced from £112.1 million to £111.5 million, a decrease of 0.5%. Costs as a percentage of sales were 52.6% compared to 52.1% in the previous period. When adjusting items (detailed below) are excluded, operating costs were £109.9 million (2016: £110.1 million), equivalent to 51.9% of sales (2016: 51.2% of sales).

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

- The average number of UK stores trading during the financial period was 361 (2016: 344), which generated an increase in costs of approximately £3.4 million
- Inflation at an average of approximately 1.5% increased our cost base by around £1.6 million
- Regulatory costs impacts, including National Living Wage, accounted for £0.5 million of additional costs
- Depreciation increased by £0.3 million due to continued higher levels of investment in the store estate
- Employee profit share costs decreased by £5.1 million due to a lower level of financial performance compared to budget
- Other savings across the business accounted for £0.9 million; these were primarily generated across the store estate from reduced hours
- The remaining elements of the cost base were flat when compared to the prior year

For the year ahead we expect the adjusted operating costs for the business to be between £116 million and £117 million.

During the period we incurred several charges and gains which we have excluded from our adjusted operating costs as they are not representative of the underlying cost base of the business. These are:

- The impairment of plant, property and equipment relating to closed or loss-making stores of £1.2 million (2016: £0.8 million)
- Vacant property costs of £0.4 million (2016: £0.3 million)
- Costs relating to the acquisition of the share capital of Parkside Ceramics of £0.2 million
- A gain on the disposal of a long leasehold property of £0.2 million
- In addition, in the prior year we also excluded £0.5 million for a stock write-off relating to the exit of the wood category, and business restructuring costs of £0.4 million. There were no such costs in the current year.

Operating Profit

Operating profit for the period was £17.9 million (2016: £21.1 million), representing 8.4% of sales (2015: 9.8%).

Excluding the adjusting items detailed above operating profit was £19.5 million (2016: £23.1 million), representing 9.2% of sales (2016: 10.7%).

Other Gains and Losses

During the period we disposed of one long leasehold property and recognised a gain of £0.2 million. In the prior period we did not dispose of any property.

Financing

The net underlying interest charge for the year was £0.9 million (2016: £1.1 million). There has been a small reduction in the interest charge due to a reduced interest margin as a result of lower levels of gearing.

Net interest cover was 29.0 times (2016: 27.4 times) based on earnings before interest, tax, depreciation and the impairment of plant, property and equipment, excluding the impact of IAS39 in finance charges.

Profit Before Tax

Profit before tax was £17.0 million (2016: £20.0 million). The Group profit before tax margin was 8.0% (2016: 9.3%).

Excluding the adjusting items detailed on page 1 profit before tax was £18.6 million (2016: £22.0 million). The Group adjusted profit before tax margin was 8.8% (2016: 10.2%).

Tax
The effective rate of Corporation Tax for the period was 21.0% (2016: 22.3%).

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 6.98 pence (2016: 8.05 pence).

Diluted earnings per share were 6.86 pence (2016: 7.82 pence).

Excluding the adjusting items detailed on page 1 adjusted earnings per share were 7.63 pence (2016: 8.86 pence).

Dividend and Dividend Policy
The Board has previously indicated that it intended to pursue a dividend cover policy and that it would target 2x as a sustainable level, with a period of reducing cover until that target was achieved. In line with this policy, the total dividend for the period has been based on cover of approximately 2.25x.

The Board is recommending to shareholders a final dividend of 2.30 pence per share (2016: 2.50 pence per share). This will cost £4.4 million (2016: £4.8 million). The shares will trade ex-dividend on 21 December 2017 and, subject to approval at the Annual General Meeting, the dividend will be payable on 2 February 2018.

This brings the total dividend for the year to 3.40 pence per share (2016: 3.50 pence per share), a decrease of 2.9%.

BALANCE SHEET

Capital Expenditure
Capital expenditure on tangible fixed assets in the period amounted to £10.1 million (2016: £10.5 million), a decrease of 3.8%.

Key investments are as follows:

- New stores £4.9 million - 26 new openings (2016: £4.2 million)
- Store refits £2.5 million (2016: £3.3 million)
- All stores related strategic initiatives £0.3 million (2016: £1.7 million)
- Freehold and leasehold investments £0.8 million (2016: £0.2 million)
- Other expenditure of £1.6 million (2016: £1.1 million)

The Board expects capital expenditure in the year ahead to reduce to approximately £8.0 million. The key driver of this will be a smaller number of store openings and a reduced number of store refits, which will in part be offset by the commencement of a two year programme of all store improvements (which is referred to above in the Strategic Review section of this report), and investments in our Leicester warehouse and office facilities to enable growth of the new commercial tile business.

At the period end the Group held nine freehold or long leasehold sites, including two warehouse and distribution facilities, with a total carrying value of £16.5 million (2016: nine freehold or long leasehold sites valued at £16.2 million). The carrying value is based on the historic purchase cost and capital expenditure less accumulated depreciation.

Acquisitions & Disposals
During the period we acquired one freehold property for a consideration of £0.8 million and disposed of one long leasehold property for a consideration of £0.3 million. In the prior year there were no acquisitions or disposals of any freehold property.

Intangible Assets
During the period we acquired 100% of the equity of Parkside Ceramics Ltd for a net cash consideration of £1.1 million (including £0.2 million of cash retained in the business). This resulted in the recognition of goodwill of £0.9 million and separately identifiable intangible assets of £0.4 million. In addition to the cash consideration paid, there is a further earn out opportunity for management which has a maximum ceiling of £0.3 million, to be paid in 2018 subject to performance targets being met.

Inventory
Inventory at the period end was £29.5 million (2016: £25.7 million) representing 132 days turnover (2016: 115 days turnover). The increase in the absolute level of inventory is driven by the increase in the store base, increased cost of goods due to sterling weakness and also by increased stocks of key selling ranges. This balance also includes the inventory for Parkside Ceramics of £0.5 million (2016: nil) which was acquired on 1 September 2017. Days cover has increased as a result of this and the lower level of absolute sales.

Capital Structure and Treasury
Cash and cash equivalents at the period end were £7.5 million (2016: £10.2 million) with borrowings of £35.0 million (2016: £35.0 million).

This gives the Group a net debt position of £27.5 million (2016: £24.8 million). During the year the Group settled £2.9 million of tax and interest charges with HMRC which related to legacy tax enquiries, and purchased Parkside Ceramics Ltd for a consideration of £1.1 million. Both of these should be considered as one off cash outflows.

Cash flow
Cash generated by operations was £22.2 million, compared to £29.9 million in the prior year period, a decrease of £7.7 million.

This decrease was generated by a £4.1 million reduction in EBITDA and a £3.6 million reduction in working capital cash flow. The reduction in working capital cash flow was driven by a £2.5 million working capital cash outflow in the period compared to a £1.1 million working capital cash inflow in the prior period. In the year ahead we have plans in place to reduce working capital by upto £4 million through a combination of actions across inventory, creditors and debtors.

Current Trading and Market Conditions for the Year Ahead
2017 was a more challenging year for Topps with economic headwinds resulting in lower sales and gross margin. The Group maintained good control of costs which helped to offset the reduction in gross margin, but ultimately we have recorded a reduction in profits and earnings per share.

Trading in the first eight weeks of the new financial year has improved, with like-for-like sales increasing by 3.2%. While we are retaining our prudent view of market conditions for the year ahead, we are encouraged by this return to like-for-like sales growth. We are confident that the combination of the significant further potential in our strategy of "Out-specialising the Specialists" with our accelerated plan to grow in the commercial tile market will underpin our future success.

Going Concern
When considering the going concern test the Board review several factors including a detailed review of risks and uncertainties, the Group's forecast covenant and cash headroom against lending facilities 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.

Long Term Viability
The Board have also considered the Longer Term Viability ("LTV") of the business in light of updated Corporate Governance requirements. The fuller LTV statement can be found in our Annual Report.

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.

Consolidated Statement of Financial Performance

For the 52 weeks ended 30 September 2017

	Notes	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
GROUP REVENUE - CONTINUING OPERATIONS	3	211,848	214,994
COST OF SALES		(82,473)	(81,825)
GROSS PROFIT		129,375	133,169
EMPLOYEE PROFIT SHARING		(4,972)	(10,046)
DISTRIBUTION AND SELLING COSTS		(80,006)	(77,113)
OTHER OPERATING EXPENSES		(7,724)	(6,489)
ADMINISTRATIVE COSTS		(14,254)	(13,887)
SALES AND MARKETING COSTS		(4,530)	(4,561)
GROUP OPERATING PROFIT		17,889	21,073
INVESTMENT REVENUE	7	24	85
FINANCE COSTS	7	(914)	(1,176)
PROFIT BEFORE TAXATION	5	16,999	19,982
TAXATION	8	(3,568)	(4,451)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	27	13,431	15,531
EARNINGS PER ORDINARY SHARE FROM CONTINUING OPERATIONS	10		
— BASIC		6.98p	8.05p
— DILUTED		6.86p	7.82p

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 30 September 2017

	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME	13,431	15,531
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	13,431	15,531

Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	**2017 £'000**	2016 £'000
NON-CURRENT ASSETS			
GOODWILL	11	**1,096**	245
INTANGIBLE ASSETS	12	**429**	-
PROPERTY, PLANT AND EQUIPMENT	13	**54,342**	51,619
		55,867	51,864
CURRENT ASSETS			
INVENTORIES		**29,502**	25,667
TRADE AND OTHER RECEIVABLES	15	**6,502**	6,708
CASH AND CASH EQUIVALENTS	16	**7,501**	10,228
		43,505	42,603
TOTAL ASSETS		**99,372**	94,467
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	17	**(32,500)**	(33,108)
CURRENT TAX LIABILITIES		**(2,375)**	(4,004)
PROVISIONS	20	**(1,170)**	(1,448)
		(36,045)	(38,560)
NET CURRENT ASSETS		**7,460**	4,043
NON-CURRENT LIABILITIES			
BANK LOANS	18	**(34,923)**	(34,807)
DEFERRED TAX LIABILITIES	20	**(1,071)**	(709)
PROVISIONS	20	**(3,780)**	(2,846)
TOTAL LIABILITIES		**(75,819)**	(76,922)
NET ASSETS		**23,553**	17,545
EQUITY			
SHARE CAPITAL	21	**6,548**	6,539
SHARE PREMIUM	22	**2,487**	2,473
OWN SHARES	23	**(4,411)**	(4,411)
MERGER RESERVE	24	**(399)**	(399)
SHARE-BASED PAYMENT RESERVE	25	**3,921**	4,280
CAPITAL REDEMPTION RESERVE	26	**20,359**	20,359
RETAINED LOSSES	27	**(4,952)**	(11,296)
TOTAL EQUITY		**23,553**	17,545

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

The financial statements of Topps Tiles Plc, registered number 3213782, on pages 77 to 113 were approved by the board of directors and authorised for issue on 28 November 2017. They were signed on its behalf by:

MATTHEW WILLIAMS
ROB PARKER
Directors

Consolidated Statement of Changes in Equity

For the 52 weeks ended 30 September 2017

	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Retained losses £'000	Total equity £'000
BALANCE AT 3 OCTOBER 2015	6,457	1,906	(630)	(399)	2,820	20,359	(19,715)	10,798
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-	-	-	15,531	15,531
ISSUE OF SHARE CAPITAL	82	567	-	-	(7)	-	-	642
DIVIDENDS	-	-	-	-	-	-	(6,296)	(6,296)
OWN SHARES PURCHASED IN THE PERIOD	-	-	(4,415)	-	-	-	-	(4,415)
OWN SHARES ISSUED IN THE PERIOD	-	-	634	-	-	-	(634)	-
CREDIT TO EQUITY FOR EQUITY-SETTLED SHARE BASED PAYMENTS	-	-	-	-	1,467	-	448	1,915
DEFERRED TAX ON SHARE-BASED PAYMENT TRANSACTIONS	-	-	-	-	-	-	(630)	(630)
BALANCE AT 1 OCTOBER 2016	**6,539**	**2,473**	**(4,411)**	**(399)**	**4,280**	**20,359**	**(11,296)**	**17,545**
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	-	-	-	13,431	13,431
ISSUE OF SHARE CAPITAL	9	14	-	-	-	-	-	23
DIVIDENDS	-	-	-	-	-	-	(6,924)	(6,924)
OWN SHARES PURCHASED IN THE PERIOD	-	-	(8)	-	-	-	-	(8)
OWN SHARES ISSUED IN THE PERIOD	-	-	8	-	-	-	(8)	-
DEBIT TO EQUITY FOR EQUITY-SETTLED SHARE BASED PAYMENTS	-	-	-	-	(359)	-	3	(356)
DEFERRED TAX ON SHARE-BASED PAYMENT TRANSACTIONS	-	-	-	-	-	-	(158)	(158)
BALANCE AT 30 September 2017	**6,548**	**2,487**	**(4,411)**	**(399)**	**3,921**	**20,359**	**(4,952)**	**23,553**

Consolidated Cash Flow Statement

For the 52 weeks ended 30 September 2017

	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
CASH FLOW FROM OPERATING ACTIVITIES		
PROFIT FOR THE PERIOD	**13,431**	15,531
TAXATION	**3,568**	4,451
FINANCE COSTS	**914**	1,176
INVESTMENT REVENUE	**(24)**	(85)
GROUP OPERATING PROFIT	**17,889**	21,073
ADJUSTMENTS FOR:		
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**6,544**	5,832
LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	**589**	152
SHARE OPTION (CREDIT)/CHARGE	**(359)**	1,701
DECREASE IN TRADE AND OTHER RECEIVABLES	**324**	1,334
(INCREASE)/DECREASE IN INVENTORIES	**(3,587)**	1,740
INCREASE/(DECREASE) IN PAYABLES	**752**	(1,916)
CASH GENERATED BY OPERATIONS	**22,152**	29,916
INTEREST PAID	**(1,985)**	(1,045)
TAXATION PAID	**(5,015)**	(4,648)
NET CASH FROM OPERATING ACTIVITIES	**15,152**	24,223
INVESTING ACTIVITIES		
INTEREST RECEIVED	**24**	84
PURCHASE OF PROPERTY, PLANT AND EQUIPMENT	**(10,160)**	(10,577)
PROCEEDS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	**303**	-
ACQUISITION OF SUBSIDIARY NET OF CASH ACQUIRED	**(1,137)**	-
PURCHASE OF OWN SHARES	**-**	(4,383)
NET CASH USED IN INVESTMENT ACTIVITIES	**(10,970)**	**(14,876)**
FINANCING ACTIVITIES		
DIVIDENDS PAID	**(6,924)**	**(6,296)**
PROCEEDS FROM ISSUE OF SHARE CAPITAL	**15**	**613**
DRAWDOWN OF BANK LOANS	**5,000**	**-**
REPAYMENT OF BANK LOANS	**(5,000)**	**(10,000)**
NET CASH USED IN FINANCING ACTIVITIES	**(6,909)**	**(15,683)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(2,727)**	**(6,336)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**10,228**	**16,564**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7,501**	**10,228**

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

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 on page 41. The nature of the Group's operations and its principal activity are set out in the Directors' Report on page 46.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

ADOPTION OF NEW AND REVISED STANDARDS
In the current period, there were no new or revised standards and interpretations adopted that have a material impact on the financial statements.

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.

Amendments to IFRS 10, IFRS 12 and IAS 28 (Dec 2014) -Investment Entities: Applying the Consolidation Exception

Amendments to IFRS 11 (May 2014) - Accounting for Acquisitions of Interests in Joint Operations

Amendments to IAS 1 (Dec 2014) - Disclosure Initiative

Amendments to IAS 16 and IAS 38 (May 2014) - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to IAS 16 and IAS 41 (Jun 2014) - Agriculture: Bearer Plants

Amendments to IAS 27 (Aug 2014) - Equity Method in Separate Financial Statements

Annual Improvements to IFRSs: 2012-2014 Cycle (Sept 2014) -Annual Improvements to IFRSs: 2012-2014 Cycle

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):
Amendments to IAS 7 (Jan 2016) - Disclosure Initiative

Amendments to IAS 12 (Jan 2016) - Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to IFRSs: 2014-16 Cycles (Dec 2016) - Annual Improvements to IFRSs: 2014-16 Cycle - IFRS 12 Amendments

IFRS 9 - Financial Instruments

IFRS 15 -Revenue from Contracts with Customers

Clarifications to IFRS 15 (Apr 2016) - Clarifications to IFRS 15 Revenue from Contracts with Customers

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

Amendments to IFRS 2 (Jun 2016) - Classification and Measurement of Share-based Payment Transactions

Amendments to IFRS 4 (Sept 2016) - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Amendments to IAS 40 (Dec 2016) - Transfers of Investment Property

Annual Improvements to IFRSs: 2014-16 Cycle (Dec 2016) - Annual Improvements to IFRSs: 2014-16 Cycle - IFRS 1 and IAS 28 Amendments

Amendments to IFRS 10 and IAS 28 (Sept 2014) -Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRIC 23 -Uncertainty over Income Tax Treatments

Amendments to IFRS 9 (Oct 2017) -Prepayment Features with Negative Compensation

Amendments to IAS 28 (Oct 2017) -Long-term Interests in Associates and Joint Ventures

IFRS 17 - Insurance Contracts

IFRS 9 - Management due not expect this to have a material impact but an exercise is ongoing to quantify the impact

IFRS 15 – The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Group does not expect the introduction of IFRS 15 to significantly affect the Group's approach to recognition of revenue. The Group's revenue streams are not considered particularly complex in nature and revenue will continue to be recognised once the risk and reward of ownership of goods sold by the Group is transferred to the customer.

1 GENERAL INFORMATION (CONTINUED)

IFRS 16 - Operating Leases, will have a material impact on the Group, with all of its operating leases (note 28) being recognised on balance sheet with a corresponding right to use asset being recognised. Rental costs in the income statement will be replaced by interest and depreciation charges and will therefore impact the Group's profit. It has been noted that the profile of the overall expense in the income statement will change as the interest expense will be more front-loaded compared to a straight line operating lease rental. Following an initial impact assessment, management has concluded that the most significant items that are currently classified as operating leases that will be recognised in the financial statements in accordance with the new standard are the Group's property leases. It is not currently practical to provide a reasonable financial estimate of the effect of the new standard until the full implementation of the project has been concluded. The Group will continue to monitor the practical interpretation of the new leasing standard within the retail sector prior to full implementation.

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

2 ACCOUNTING POLICIES

The principal accounting policies adopted are set out below.

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 goods and services.

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 and management's current expectations (see Strategic Report for further details). 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.

C) BUSINESS COMBINATIONS

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-on date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interest issued by the Group in exchange for control of the acquire. Acquisition- related costs are recognised in the profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Contingent consideration is recognised at fair value at the date of acquisition. Subsequent changes in contingent consideration which has been classified as an asset o liability which does not result from a measurement period adjustment is accounted for in accordance with IAS 39 where the asset or liability is a financial instrument and in accordance with IAS 37 in all other cases.

D) 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.

E) 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 2017 mean at 30 September 2017 or the 52 weeks then ended; references to 2016 mean at 1 October 2016 or the 52 weeks then ended.

2 ACCOUNTING POLICIES CONTINUED

F) 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.

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.

G) 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 on the collection or delivery of goods, when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, being the date goods are collected from store or received by the customers;
- 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 .

Sales of goods that result in award credits for customers, under the Company's Trader Loyalty Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value being the amount for which the award credits should be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

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.

H) INTANGIBLE ASSETS ACQUIRED IN BUSINESS COMBINATION

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at the fair value at the acquisition date (which is regarded as their cost).

Subsequently to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated impairment losses.

Separately identifiable intangible assets are amortised over their useful economic lives.

2 ACCOUNTING POLICIES CONTINUED

I) 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 50 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, 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.

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.

J) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At each period end, the Group reviews the carrying amounts of its tangible and intangible 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.

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.

2 ACCOUNTING POLICIES CONTINUED

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 revalued 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.

K) INVENTORIES

Inventories are stated at the lower of cost and net realisable value and relate solely to finished goods for resale, net of supplier rebates. 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.

L) TAXATION

The tax expense represents the sum of the tax currently payable 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.

M) 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.

2 ACCOUNTING POLICIES CONTINUED

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).

N) 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.

O) INVESTMENTS

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

P) 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 Statement of Financial Position.

Q) FINANCE COSTS

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.

R) 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. 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.

2 ACCOUNTING POLICIES CONTINUED

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 50 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.

2 ACCOUNTING POLICIES CONTINUED

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 remeasured 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.

S) 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.

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.

T) TRADE PAYABLES

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

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

2 ACCOUNTING POLICIES CONTINUED

U) OPERATING PROFIT

Operating profit is stated after charging/(crediting) restructuring costs but before property disposals, investment income and finance costs.

V) 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.

W) UPPLIER 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.

Volume rebates and price discounts are recognised in the income statement, as a reduction in cost of sales, in line with the recognition of the sale of a product.

X) 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 Directors have concluded that there are no critical areas of accounting judgement in the application of the Group's accounting policies in the current period.

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:

PROPERTY PROVISIONS

Onerous lease provision - During the period the Group has continued to review the performance of its store portfolio, which has resulted in one further store being exited before its lease terms had expired (2016: seven 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.

Property provisions are discounted to a present value by applying a discount rate consistent with market conditions at the reporting date. Discount rates used and sensitivity of the discount rate is disclosed in note 20.

3 REVENUE

An analysis of Group revenue is as follows:

	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
REVENUE FROM THE SALE OF GOODS	**211,848**	214,994
TOTAL REVENUE	**211,848**	214,994

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

The Group has one reportable segment in accordance with IFRS 8 - Operating Segments, which is the Topps Tiles stores and online business segment. The Group's Board is considered the chief operating decision maker. The Board receives monthly financial information at this level and uses this information to monitor the performance of the Topps Tiles stores and online business segment, allocate resources and make operational decisions. Internal reporting focuses on the Group as a whole and does not identify any further individual segments. All revenue is derived from sales in the UK and from one class of business.

4 ACQUISITION OF SUBSIDIARIES

The Group acquired 100% of the issued share capital of Parkside Ceramics Limited on 31 August 2017. The acquisition of Parkside Ceramics Limited gives the Group greater coverage in the commercial tile market and allows the Group to utilise economies of scale to create additional value and create further synergies.
The Group performed a purchase price allocation exercise on Parkside Ceramics Limited to restate assets and liabilities at their fair value. Intangible assets were recognised in relation to the Parkside Ceramics brand and customer relationships.
The contingent consideration is estimated based on performance conditions in place for Parkside Ceramics Limited over the next 12 months.
The Group incurred £169,000 of cost in relation to acquisition activity during the year.

The fair value of the net assets acquired and liabilities assumed at the acquisition date were:

	Fair value of net assets acquired £'000
PROPERTY, PLANT AND EQUIPMENT	45
INVENTORIES	248
TRADE AND OTHER RECEIVABLES	117
TRADE AND OTHER PAYABLES	(347)
OTHER FINANCIAL LIABILITIES	(12)
CORPORATION TAX	11
DEFERRED TAX	(35)
CASH AND CASH EQUIVALENTS	128
BRAND VALUATION	229
CUSTOMER RELATIONSHIPS VALUATION	200
FAIR VALUE OF ASSETS ACQUIRED	584
CASH CONSIDERATION	1,265
CONTINGENT CONSIDERATION *	170
TOTAL CONSIDERATION	1,435
GOODWILL	851

* Contingent consideration is valued at fair value based on forecast attainment of performance conditions associated with the payment of the contingent consideration.

The net cash outflow in the cash flow statement is as follows:

	£'000
CASH CONSIDERATION	1,265
CASH ACQUIRED	(128)
NET CASH OUTFLOW IN THE CASH FLOW STATEMENT	**1,137**

Since the date of control, the following amounts have been included within the Group's financial statements for the period.

	£'000
REVENUE	124
LOSS BEFORE TAX	38

Had the acquisition been included from the start of the period, £2,238,000 of revenue and £172,000 of loss before tax would have been included in the Group's financial statements.
There were no contingent liabilities acquired as a result of the above transaction.

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

5 PROFIT BEFORE TAXATION

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

	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT	**6,544**	5,832
IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT	**438**	152
DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT LOSS	**151**	-
PROPERTY RELATED PROVISIONS CHARGED	**349**	719
STAFF COSTS (SEE NOTE 6)	**50,548**	53,816
OPERATING LEASE RENTALS	**24,762**	23,830
WRITE-DOWN OF INVENTORIES RECOGNISED AS AN EXPENSE	**3,177**	3,971
COST OF INVENTORIES RECOGNISED AS EXPENSE	**79,296**	78,612

During the year the business disposed of one freehold property (2016: no freehold property disposal).

Analysis of auditor's remuneration is provided below:

	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
FEES PAYABLE TO THE COMPANY'S AUDITOR WITH RESPECT TO THE COMPANY'S ANNUAL ACCOUNTS	**46**	41
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	**97**	87
TOTAL AUDIT FEES	**143**	128
TAXATION COMPLIANCE SERVICES	**-**	70
TOTAL NON AUDIT FEES	**-**	70
TOTAL FEES PAYABLE TO THE COMPANY'S AUDITOR	**143**	198

A description of the work of the Audit Committee is set out on page 44 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

6 STAFF COSTS

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

	52 weeks ended 30 September 2017 Number employed	52 weeks ended 1 October 2016 Number employed
SELLING	**1,837**	1,778
ADMINISTRATION	**193**	199
	2,030	1,977

	2017 £'000	2016 £'000
THEIR AGGREGATE REMUNERATION COMPRISED:		
WAGES AND SALARIES (INCLUDING LTIP, SEE NOTE 29)	**45,967**	48,667
SOCIAL SECURITY COSTS	**3,719**	4,286
OTHER PENSION COSTS (SEE NOTE 28B)	**862**	863
	50,548	53,816

Details of directors' emoluments are disclosed on pages 50 to 69. The Group considers key management to be the directors only. Employee profit sharing of £5.0 million (2016: £10.0 million) is included in the above and comprises sales commission and bonuses.

7 INVESTMENT REVENUE AND FINANCE COSTS

	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
INVESTMENT REVENUE		
BANK INTEREST RECEIVABLE AND SIMILAR INCOME	**24**	85
	24	85
FINANCE COSTS		
INTEREST ON BANK LOANS AND OVERDRAFTS	**(868)**	(1,092)
OTHER INTEREST	**(46)**	-
INTEREST ON UNDERPAID TAX†	**-**	(84)
	(914)	(1,176)

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.

8 TAXATION

	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
CURRENT TAX - CHARGE FOR THE PERIOD	**3,504**	3,906
CURRENT TAX - ADJUSTMENT IN RESPECT OF PREVIOUS PERIODS	**(104)**	148
DEFERRED TAX - CHARGE FOR PERIOD (NOTE 20)	**125**	302
DEFERRED TAX - ADJUSTMENT IN RESPECT OF PREVIOUS PERIODS (NOTE 20)	**43**	95
	3,568	4,451

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

	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
CONTINUING OPERATIONS:		
PROFIT BEFORE TAXATION	**16,999**	19,982
TAX AT THE UK CORPORATION TAX RATE OF 19.5% (2016: 20.0%)	**3,315**	3,997
EXPENSES THAT ARE NOT DEDUCTIBLE IN DETERMINING TAXABLE PROFIT	**57**	58
DIFFERENCE BETWEEN IFRS 2 AND CORPORATION TAX RELIEF	**67**	137
REDUCTION IN UK CORPORATION TAX RATE	**8**	(246)
TANGIBLE FIXED ASSETS WHICH DO NOT QUALIFY FOR CAPITAL ALLOWANCES	**182**	261
ADJUSTMENT IN RESPECT OF PRIOR PERIODS	**(61)**	244
TAX EXPENSE FOR THE PERIOD	**3,568**	4,451

In the period, the Group has recognised a corporation tax credit directly to equity of £3,254 (2016: £448,000) and a deferred tax debit to equity of £157,921 (2016: £630,000) in relation to the Group's share option schemes.

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

9 DIVIDENDS

	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
INTERIM DIVIDEND FOR THE PERIOD ENDED 30 SEPTEMBER 2017 OF £0.011 (2016: £0.010) PER SHARE	**2,116**	1,930
PROPOSED FINAL DIVIDEND FOR THE PERIOD ENDED 30 SEPTEMBER 2017 OF £0.023 (2016: £0.025) PER SHARE	**4,425**	4,803

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.

10 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.

	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
WEIGHTED AVERAGE NUMBER OF ISSUED SHARES FOR BASIC EARNINGS PER SHARE	**196,367,310**	195,063,550
WEIGHTED AVERAGE IMPACT OF TREASURY SHARES FOR BASIC EARNINGS PER SHARE	**(4,038,495)**	(2,131,436)
TOTAL WEIGHTED AVERAGE NUMBER OF SHARES FOR BASIC EARNINGS PER SHARES	**192,328,815**	192,932,114
WEIGHTED AVERAGE NUMBER OF SHARES UNDER OPTION	**3,487,211**	5,769,647
FOR DILUTED EARNINGS PER SHARE	**195,816,026**	198,701,761

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

11 GOODWILL

	£'000
COST AND CARRYING AMOUNT AT 3 OCTOBER 2015 AND 1 OCTOBER 2016	245
ACQUISITION OF PARKSIDE CERAMICS LIMITED (NOTE 4)	851
COST AND CARRYING AMOUNT AT 30 SEPTEMBER 2017	1,096

The balance of goodwill remaining is the carrying value that arose on the acquisition of Surface Coatings Ltd in 1998 and Parkside Ceramics Limited in 2017.

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 pre-tax rate of 13.2% (2016: 14.2%).

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 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.

No impairment has been identified in the current period as a result of the annual test for impairment.

12 INTANGIBLE ASSETS

	BRAND £'000	CUSTOMER RELATIONSHIPS £'000	TOTAL £'000
COST AND CARRYING AMOUNT AT 1 OCTOBER 2016	-	-	-
ADDITIONS	229	200	429
COST AND CARRYING AMOUNT AT 30 SEPTEMBER 2017	229	200	**429**

The intangible assets additons occurred on the acquisition of Parkside Ceramics Limited on 31 August 2017.

The brand is amortised over its estimated useful life of 10 years. Customer relationships are amortised over their estimated useful lives of 3 years.

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Freehold £'000	Short leasehold £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
COST					
AT 3 OCTOBER 2015	18,560	1,954	72,309	58	92,881
ADDITIONS	-	93	10,411	5	10,509
DISPOSALS	-	-	(691)	-	(691)
AT 1 OCTOBER 2016	18,560	2,047	82,029	63	102,699
ADDITIONS	801	88	9,225	-	10,114
DISPOSALS	(231)	-	(413)	-	(644)
RECLASSIFICATION OF ASSETS*	(142)	(686)	779	49	-
ACQUISITION OF SUBSIDIARY UNDERTAKINGS	-	-	31	14	45
AT 30 SEPTEMBER 2017	**18,988**	**1,449**	**91,651**	**126**	**112,214**
ACCUMULATED DEPRECIATION					
AT 3 OCTOBER 2015	2,046	1,648	42,046	47	45,787
CHARGE FOR THE PERIOD	289	49	5,482	12	5,832
PROVISION FOR IMPAIRMENT	-	-	152	-	152
ELIMINATED ON DISPOSALS	-	-	(691)	-	(691)
AT 1 OCTOBER 2016	2,335	1,697	46,989	59	51,080
CHARGE FOR THE PERIOD	293	53	6,188	10	6,544
PROVISION FOR IMPAIRMENT	-	-	438	-	438
ELIMINATED ON DISPOSALS	(86)	-	(104)	-	(190)
RECLASSIFICATION OF ASSETS*	(6)	(680)	671	15	-
AT 30 SEPTEMBER 2017	**2,536**	**1,070**	**54,182**	**84**	**57,872**
CARRYING AMOUNT					
AT 30 SEPTEMBER 2017	**16,452**	**379**	**37,469**	**42**	**54,342**
AT 1 OCTOBER 2016	16,225	350	35,040	4	51,619

*During the period the Group undertook an asset reclassification exercise to reclassify some assets between asset categories.

Freehold land and buildings include £4,104,000 of freehold land (2016: £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 (2016: £nil). Contractual commitments for the acquisition of property, plant and equipment are detailed in note 28.

During the period, the Group has closed five 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 £268,000 (2016: £152,000) included within other operating expenses.

14 SUBSIDIARIES

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

15 TRADE AND OTHER RECEIVABLES

	2017 £'000	2016 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR:		
AMOUNTS RECEIVABLE FOR THE SALE OF GOODS	493	681
ALLOWANCE FOR DOUBTFUL DEBTS	(37)	(33)
OTHER DEBTORS AND PREPAYMENTS		
— RENT AND RATES	4,192	4,001
— OTHER	1,854	2,059
	6,502	6,708

The Directors consider that the carrying amount of trade and other receivables at 30 September 2017 and 1 October 2016 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 30 September 2017 amounted to £0.5 million (2016: £0.6 million). These amounts mainly relate to sundry trade account generated sales. In relation to these sales, the average credit period taken is 49 days (2016: 54 days) and no interest is charged on the receivables.

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.

Included in the Group's trade receivable balance are debtors with a carrying amount of £70,000 (2016: £94,000) 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

	2017 £'000	2016 £'000
GREATER THAN 60 DAYS	70	94

The allowance for doubtful debts was £37,000 by the end of the period (2016: £33,000). 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 £24,000 relating to individually impaired trade receivables (2016: £20,000) 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.

16 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:

	2017 £'000	2016 £'000
STERLING	5,232	8,738
US DOLLAR	919	715
EURO	1,350	775
TOTAL CASH AND CASH EQUIVALENTS	7,501	10,228

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

17 OTHER FINANCIAL LIABILITIES

TRADE AND OTHER PAYABLES

	2017 £'000	2016 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
TRADE PAYABLES	18,330	16,598
OTHER PAYABLES	3,641	3,740
ACCRUALS AND DEFERRED INCOME	10,529	12,770
	32,500	33,108

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 53 days (2016: 49 days). No interest is charged on these payables.

The Directors consider that the carrying amount of trade payables at 30 September 2017 and 1 October 2016 approximates to their fair value on the basis of discounted cash flow analysis.

18 BANK LOANS

	2017 £'000	2016 £'000
BANK LOANS (ALL STERLING)	34,807	34,691

	2017 £'000	2016 £'000
THE BORROWINGS ARE REPAYABLE AS FOLLOWS:		
ON DEMAND OR WITHIN ONE YEAR	-	-
IN THE SECOND YEAR	35,000	-
IN THE THIRD TO FIFTH YEAR	-	35,000
	35,000	35,000
LESS: TOTAL UNAMORTISED ISSUE COSTS	(193)	(309)
	34,807	34,691
ISSUE COSTS TO BE AMORTISED WITHIN 12 MONTHS	116	116
AMOUNT DUE FOR SETTLEMENT AFTER 12 MONTHS	34,923	34,807

The Directors consider that the carrying amount of the bank loan at 30 September 2017 and 1 October 2016 approximates to its fair value since the amounts relate to floating rate debt.

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

	2017 %	2016 %
LOANS	1.78	2.19

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

The Group is part way through a five year revolving credit facility of £50.0 million, expiring 31 May 2019. As at the financial period end £35.0 million of this facility was drawn (2016: £35.0 million). The loan facility contains financial covenants which are tested on a bi-annual basis. The Group did not breach any covenants in the period.

At 30 September 2017, the Group had available £15.0 million (2016: £15.0 million) of undrawn committed banking facilities.

19 FINANCIAL INSTRUMENTS

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 2016. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents disclosed in note 16 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in notes 21 to 27.

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 2r to the financial statements.

Categories of financial instruments

	Carrying Value and Fair Value	
	2017 £'000	2016 £'000
FINANCIAL ASSETS		
LOANS AND RECEIVABLES (INCLUDING CASH AND CASH EQUIVALENTS)	**7,957**	10,876
FAIR VALUE THROUGH PROFIT AND LOSS	**-**	342
FINANCIAL LIABILITIES		
FAIR VALUE THROUGH PROFIT AND LOSS	**124**	-
AMORTISED COST	**53,377**	51,404

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.

MARKET RISK

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	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
EURO	**1,357**	781	**3,139**	3,032
US DOLLAR	**927**	725	**866**	1,215

19 FINANCIAL INSTRUMENTS CONTINUED

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. Ten per cent 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.

	2017 £'000	2016 £'000	2015 £'000
PROFIT OR LOSS MOVEMENT ON A 10% STRENGTHENING IN STERLING AGAINST THE EURO	**162**	205	197
PROFIT OR LOSS MOVEMENT ON A 10% STRENGTHENING IN STERLING AGAINST THE US DOLLAR	**6**	45	44
PROFIT OR LOSS MOVEMENT ON A 10% WEAKENING IN STERLING AGAINST THE EURO	**(198)**	(250)	(241)
PROFIT OR LOSS MOVEMENT ON A 10% WEAKENING IN STERLING AGAINST THE US DOLLAR	**(7)**	(55)	(54)

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:

	2017 £'000	2016 £'000
FORWARD FOREIGN EXCHANGE CONTRACTS	**10,142**	6,125

These arrangements are designed to address significant exchange exposures for the first half of 2018 and are renewed on a revolving basis as required.

At 30 September 2017 the fair value of the Group's currency derivatives is a loss of £124,417 within accruals (note 17) (2016: Gain £341,917 in prepayments note 15). These amounts are based on the market value of equivalent instruments at the balance sheet date.

Losses of £466,064 are included in cost of sales (2016: £225,260 gain).

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.

19 FINANCIAL INSTRUMENTS CONTINUED

INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analysis below has 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	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
(LOSS) OR PROFIT	**(181)**	(198)	**181**	198

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

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty 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 15.

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 1.73681% (2016: 1.77413%) 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.

2017	**Less than 1 month £'000**	**1-3 months £'000**	**3 months to 1 year £'000**	**1-5 years £'000**	**Total £'000**
NON-INTEREST BEARING	**21,971**	**-**	**-**	**-**	**21,971**
VARIABLE INTEREST RATE INSTRUMENTS	**58**	**114**	**512**	**35,454**	**36,138**

2016	Less than 1 month	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Total £'000
NON-INTEREST BEARING	20,337	-	-	-	20,337
VARIABLE INTEREST RATE INSTRUMENTS	59	117	521	36,157	36,854

The Group is financed through a £50 million (2016: £50 million) revolving credit facility, of which £35 million (2016: £35 million) was utilised. At the balance sheet date the total unused amount of financing facilities was £15 million (2016: £15 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

19 FINANCIAL INSTRUMENTS CONTINUED

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.

2017	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	(2,128)	(3,884)	(4,130)	-	-	(10,142)
FOREIGN EXCHANGE FORWARD CONTRACTS RECEIPTS	2,141	3,837	4,040	-	-	10,018

2016	Less than 1 month	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
FOREIGN EXCHANGE FORWARD CONTRACTS PAYMENTS	(1,179)	(2,435)	(2,511)	-	-	(6,125)
FOREIGN EXCHANGE FORWARD CONTRACTS RECEIPTS	1,305	2,611	2,567	-	-	6,483

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 (2016: 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).

20 PROVISIONS

	2017 £'000	2016 £'000
ONEROUS LEASE PROVISION	1,697	1,309
BUSINESS SIMPLIFICATION PROVISION	1,078	1,181
DILAPIDATIONS PROVISION	2,175	1,804
	4,950	4,294
CURRENT	1,170	1,448
NON-CURRENT	3,780	2,846
	4,950	4,294

	Business Simplification provision £'000	Onerous lease provision £'000	Dilapidations provision £'000	Total £'000
AT 1 OCTOBER 2016	1,181	1,309	1,804	4,294
CREATED IN THE YEAR	387	786	604	1,777
UTILISATION OF PROVISION	(490)	(398)	(192)	(1,080)
RELEASE OF PROVISION IN THE PERIOD	-	-	(41)	(41)
AT 30 September 2017	1,078	1,697	2,175	4,950

20 PROVISIONS CONTINUED

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 business simplification provision relates to the decision to exit the Topps Clearance format and relocation of the finance function to Leicester, resulting in redundancies and the subsequent closure of nine store locations and one support office. The discount rate used to calculate the present value of property provisions is 7%. A 10% reduction in discount rate would lead to an increase in property provisions of £75,000.

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 £'000	Share-based payments £'000	Exchange rate differences £'000	Rent free £'000	Stock provisions £'000	Intangible assets £'000	Total £'000
AS AT 3 October 2015	1,523	(1,353)	22	(511)	-	-	(319)
CHARGE TO INCOME	138	(166)	(22)	511	-	-	461
CHARGE IN RESPECT OF PREVIOUS PERIODS	95	-	-	-	-	-	95
IMPACT OF RATE CHANGE	(263)	105	-	-	-	-	(158)
CREDIT TO EQUITY	-	630	-	-	-	-	630
AS AT 1 OCTOBER 2016	1,493	(784)	-	-	-	-	709
CHARGE/(CREDIT) TO INCOME	(55)	181	-	-	-	-	126
CHARGE IN RESPECT OF PREVIOUS PERIODS	43	-	-	-	-	-	43
CHARGE TO EQUITY	-	158	-	-	-	-	158
RECOGNISED ON ACQUISITION OF SUBSIDIARY	-	-	-	-	(38)	73	35
AS AT 30 SEPTEMBER 2017	1,481	(445)	-	-	(38)	73	1,071

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 1 October 2016 has been calculated based on these rates.

21 CALLED-UP SHARE CAPITAL

	2017 £'000	2016 £'000
ISSUED AND FULLY-PAID 196,437,298*(2016: 196,153,770*) ORDINARY SHARES OF 3.33P EACH (2016: 3.33P)	6,548	6,539
TOTAL	6,548	6,539

During the period the Group issued 254,998 (2016: 2,453,311) ordinary shares with a nominal value of £9,441 (2016: £81,712) under share option schemes for an aggregate cash consideration of £15,631 (2016: £612,500).

* During the period £8,468 (2016: £4,415,000) shares were purchased by Topps Tiles Employee Benefit Trust on behalf of the Group.

22 SHARE PREMIUM

	2017 £'000	2016 £'000
AT START OF PERIOD	2,473	1,906
PREMIUM ON ISSUE OF NEW SHARES	14	567
AT END OF PERIOD	2,487	2,473

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

23 OWN SHARES

	2017 £'000	2016 £'000
AT START OF PERIOD	(4,411)	(630)
ACQUIRED IN THE PERIOD	(8)	(4,415)
DISPOSED OF ON ISSUE IN THE PERIOD	8	634
AT END OF PERIOD	(4,411)	(4,411)

A subsidiary of the Group holds 4,038,495 (2016: 4,038,495) shares with a nominal value of £4,410,840 acquired for an average price of £1.09 per share (2016: £4,410,863 acquired for an average price of £1.09 per share) and therefore these have been classed as own shares.

24 MERGER RESERVE

	2017 £'000	2016 £'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 30 September 2017 (2016: same).

25 SHARE-BASED PAYMENT RESERVE

	2017 £'000	2016 £'000
AT START OF PERIOD	4,280	2,820
(DEBIT)/CREDIT TO EQUITY FOR EQUITY-SETTLED SHARE BASED PAYMENTS	(359)	1,460
AT END OF PERIOD	3,921	4,280

The share-based payment reserve has arisen on the fair valuation of save as you earn schemes and Long-term incentive plans. The Directors consider this to be distributable as at 30 September 2017 (2016: same).

26 CAPITAL REDEMPTION RESERVE

	2017 £'000	2016 £'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 30 September 2017 (2016: same).

27 RETAINED LOSSES

	£'000
AT 3 OCTOBER 2015	(19,715)
DIVIDENDS (NOTE 9)	(6,296)
DEFERRED AND CURRENT TAX ON SHARESAVE SCHEME TAKEN DIRECTLY TO EQUITY	(182)
OWN SHARES ISSUED IN THE PERIOD	(634)
NET PROFIT FOR THE PERIOD	15,531
AT 1 OCTOBER 2016	(11,296)
DIVIDENDS (NOTE 9)	(6,924)
DEFERRED AND CURRENT TAX ON SHARESAVE SCHEME TAKEN DIRECTLY TO EQUITY	(155)
OWN SHARES ISSUED IN THE PERIOD	(8)
NET PROFIT FOR THE PERIOD	13,431
AT 30 SEPTEMBER 2017	(4,952)

28 FINANCIAL COMMITMENTS

A) CAPITAL COMMITMENTS

At the end of the period there were capital commitments contracted of £nil (2016: £45,000).

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 £862,000 (2016: £863,000). At the period end, the Group holds outstanding contributions of £142,669 (2016: £136,619).

C) LEASE COMMITMENTS

Minimum future sublease payments expected to be received under non-cancellable subleases amount to £2,509,000 (2016: £3,715,000). 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 £24,762,316 (2016: £23,830,000) which includes property service charges of £852,000 (2016: £732,000).

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:

	2017		2016	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
— WITHIN 1 YEAR	**22,793**	**1,319**	22,601	1,037
— WITHIN 2-5 YEARS	**76,434**	**2,093**	71,957	1,363
— AFTER 5 YEARS	**49,189**	**194**	51,083	168
	148,416	**3,606**	145,641	2,568

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 10 years and rentals are fixed for an average of 5 years (2016: 5).

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

29 SHARE-BASED PAYMENTS

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

EMPLOYEE SHARE PURCHASE PLANS

Employee share purchase plans are open to almost all employees and provide for a purchase price equal to the average market price over the three days prior to 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:

	2017		2016	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
OUTSTANDING AT BEGINNING OF PERIOD	3,080,615	1.14	2,969,105	0.63
ISSUED DURING THE PERIOD	2,105,117	0.70	2,098,318	1.27
EXPIRED DURING THE PERIOD	(1,623,808)	1.07	(617,982)	1.05
EXERCISED DURING THE PERIOD	(28,530)	0.54	(1,368,826)	0.45
OUTSTANDING AT END OF PERIOD	3,533,394	0.91	3,080,615	1.14
EXERCISABLE AT END OF PERIOD	378,847	0.98	8,372	0.43

The inputs to the Black-Scholes Model for the employee 3 year Employee Share Purchase Plans issued in the year are as follows:

3 YEAR PLAN		
WEIGHTED AVERAGE SHARE PRICE	— PENCE	**83.25**
WEIGHTED AVERAGE EXERCISE PRICE	— PENCE	**70.00**
EXPECTED VOLATILITY	— %	**29.22**
EXPECTED LIFE	— YEARS	**3.00**
RISK - FREE RATE OF INTEREST	— %	**0.41**
DIVIDEND YIELD	— %	**4.20**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years (2016: 3 and 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.

29 SHARE-BASED PAYMENTS CONTINUED

LONG TERM INCENTIVE PLAN

Long Term Incentive Plans have been granted to senior management and have a vesting period of three years. Vesting is subject to achievement of certain performance conditions.

Movements in Long Term Incentive Plan options are summarised as follows:

	2017		2016	
	Number of share options	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
OUTSTANDING AT BEGINNING OF PERIOD	**5,064,089**	**-**	5,032,515	-
ISSUED DURING THE PERIOD	**1,752,568**	**-**	1,229,100	-
EXPIRED DURING THE PERIOD	**(128,402)**	**-**	(113,041)	-
EXERCISED DURING THE PERIOD	**(254,998)**	**-**	(1,084,485)	-
OUTSTANDING AT END OF PERIOD	**6,433,257**	**-**	5,064,089	-
EXERCISABLE AT END OF PERIOD	**988,989**	**-**	988,989	-

Under the plan a number of share options were granted to senior management. These options will vest in December 2018 subject to the achievement of certain performance criteria.

The total number of share options granted was 13,196 (2016: 1,138,647) and the fair value of these options was £10,786 (2016: £1,674,835).

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

WEIGHTED AVERAGE SHARE PRICE	— PENCE	**88.00**
WEIGHTED AVERAGE EXERCISE PRICE	— PENCE	**nil**
EXPECTED VOLATILITY	— %	**28.03**
EXPECTED LIFE	— YEARS	**2.00**
RISK-FREE RATE OF INTEREST	— %	**0.13**
DIVIDEND YIELD	— %	**3.69**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 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.

During the financial period, the Group granted 17,931 share options under the existing share option scheme due to vest in December 2017. The fair value of these options was £15,027.

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

WEIGHTED AVERAGE SHARE PRICE	— PENCE	**87.00**
WEIGHTED AVERAGE EXERCISE PRICE	— PENCE	**nil**
EXPECTED VOLATILITY	— %	**30.54**
EXPECTED LIFE	— YEARS	**1.00**
RISK-FREE RATE OF INTEREST	— %	**0.00**
DIVIDEND YIELD	— %	**3.74**

During the financial period, the Group granted 1,721,441 share options under the existing share option scheme due to vest in December 2019. The fair value of these options was £1,355,996.

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

29 SHARE-BASED PAYMENTS CONTINUED

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

WEIGHTED AVERAGE SHARE PRICE	— PENCE	**88.00**
WEIGHTED AVERAGE EXERCISE PRICE	— PENCE	**nil**
EXPECTED VOLATILITY	— %	**29.73**
EXPECTED LIFE	— YEARS	**3.00**
RISK-FREE RATE OF INTEREST	— %	**0.28**
DIVIDEND YIELD	— %	**3.69**

2020 LONG TERM INCENTIVE PLAN

Under the plan a number of share options were granted to management level employees across the Group. These options will vest in December 2020 subject to the achievement of certain performance criteria.

Movements in 2020 Long Term Incentive Plan options are summarised as follows:

	2017		2016	
	Number of share options	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
OUTSTANDING AT BEGINNING OF PERIOD	**2,603,747**	**-**	-	-
ISSUED DURING THE PERIOD	**955,217**	**-**	2,698,244	-
EXPIRED DURING THE PERIOD	**(497,702)**	**-**	(94,497)	-
EXERCISED DURING THE PERIOD	**-**	**-**	-	-
OUTSTANDING AT END OF PERIOD	**3,061,262**	**-**	2,603,747	-
EXERCISABLE AT END OF PERIOD	**-**	**-**	-	-

During the financial period, the Group granted an additional 955,217 share options under the 2020 Long Term Incentive Plan share option scheme due to vest in December 2020.

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

29 SHARE-BASED PAYMENTS CONTINUED

During the financial period, the Group granted an additional 134,000 share options under the 2020 Long Term Incentive Plan share option scheme due to vest in December 2020. The fair value of these options was £101,726.

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

WEIGHTED AVERAGE SHARE PRICE	— PENCE	88.00
WEIGHTED AVERAGE EXERCISE PRICE	— PENCE	**nil**
EXPECTED VOLATILITY	— %	**34.18**
EXPECTED LIFE	— YEARS	4.00
RISK-FREE RATE OF INTEREST	— %	**0.45**
DIVIDEND YIELD	— %	**3.69**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 and 5 years (2016: 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.

During the financial period, the Group granted an additional 120,500 share options under the 2020 Long Term Incentive Plan share option scheme due to vest in December 2020. The fair value of these options was £85,715.

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

WEIGHTED AVERAGE SHARE PRICE	— PENCE	82.50
WEIGHTED AVERAGE EXERCISE PRICE	— PENCE	**nil**
EXPECTED VOLATILITY	— %	**28.68**
EXPECTED LIFE	— YEARS	**3.5**
RISK-FREE RATE OF INTEREST	— %	**0.26**
DIVIDEND YIELD	— %	**4.36**

During the financial period, the Group granted an additional 695,717 share options under the 2020 Long Term Incentive Plan share option scheme due to vest in December 2020. The fair value of these options was £588,695.

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

WEIGHTED AVERAGE SHARE PRICE	— PENCE	96.75
WEIGHTED AVERAGE EXERCISE PRICE	— PENCE	**nil**
EXPECTED VOLATILITY	— %	**34.26**
EXPECTED LIFE	— YEARS	**4.0**
RISK-FREE RATE OF INTEREST	— %	**0.26**
DIVIDEND YIELD	— %	**3.62**

In total, the Group recognised a total revenue of £358,502 (2016: £1,827,021) relating to share based payments.

Notes to the Financial Statements

For the 52 weeks ended 30 September 2017

30 RELATED PARTY TRANSACTIONS

S.K.M. Williams is a related party by virtue of his 10.6% shareholding (20,593,950 ordinary shares) in the Group's issued share capital (2016: 10.6% shareholding of 20,593,950 ordinary shares).

At 1 October 2017 S.K.M. Williams was the landlord of 2 properties leased to Multi Tile Limited, a trading subsidiary of Topps Tiles Plc, for £114,000 (2016: 3 properties for £187,000) per annum.

No amounts were outstanding with S.K.M. Williams at 30 September 2017 (2016: £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 £1.1 million (2016: £2.2 million) including share-based payments of £0.4 million (2016: £0.7 million). Further information about the remuneration of the individual Directors is provided in the Remuneration Report on pages 50 to 69.

The Group's defined contribution pension scheme is administered by Legal and General. During the year the Group made contributions of £862,000 (2016: £863.000) and at year end the Group has outstanding contributions of £142,669 (2016: £136,619).

Company Balance Sheet

As at 30 September 2017

	Notes	52 weeks ended 30 September 2017 £'000	52 weeks ended 1 October 2016 £'000
FIXED ASSETS			
INVESTMENTS	3	3,396	2,320
CURRENT ASSETS			
DEBTORS DUE WITHIN ONE YEAR	4	51,106	47,615
CASH AT BANK AND IN HAND		1,083	-
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	5	(1,268)	(3,805)
NET CURRENT ASSETS		50,921	43,810
NET ASSETS		54,317	46,130
CAPITAL AND RESERVES			
CALLED-UP SHARE CAPITAL	6,7	6,548	6,539
SHARE PREMIUM	7	2,487	2,473
SHARE BASED PAYMENT RESERVE	7	4,455	4,814
CAPITAL REDEMPTION RESERVE	7	20,359	20,359
OTHER RESERVE	7	6,200	6,200
PROFIT AND LOSS ACCOUNT	7	14,268	5,745
EQUITY SHAREHOLDERS' FUNDS		54,317	46,130

The financial statements of Topps Tiles Plc, Companies House number 3213782, were approved by the board of directors on 28 November 2017 and signed on its behalf by:

MATTHEW WILLIAMS
ROB PARKER
Directors

Notes to the Company Financial Statements

For the 52 weeks ended 30 September 2017

1 BASIS OF ACCOUNTING

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the period ended 3 October 2015, the Company has changed its accounting framework from the previous UK GAAP to Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101) issued by the Financial Reporting Council (FRC) and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements have therefore been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions available under that standard:

i) The requirements of IFRS 7 Financial Instruments: Disclosures

ii) The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:

   a) Paragraph 79(a)(iv) of IAS 1

   b) Paragraph 73(e) of IAS 16 Property, Plant and Equipment

   c) Paragraph 118(e) of IAS 38 Intangible Assets

iii) The requirements of IAS 7 Statement of Cash Flows

iv) The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

v) The requirements of paragraphs 10(d), 10(f), and 134 to 136 of IAS 1 Presentation of Financial Statements

vi) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Where relevant, equivalent disclosures have been given in the group accounts of which the Company's results are included.

The financial statements have been prepared under the historical cost convention. Comparative data is for the period ended 1 October 2016

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 profit for the financial period ended 30 September 2017 of £15,447,000 (2016: £6,666,000).

The auditor's remuneration for services to the company was £46,000 for audit related work (2016: £41,000 for audit related work). Fees relating to non-audit work totalled £nil (2016: £nil); see note 5 to the Group financial statements for further details.

The Company had no employees other than the Directors (2016: same), whose remuneration is detailed on page 62.

Notes to the Company Financial Statements

For the 52 weeks ended 30 September 2017

3 FIXED ASSET INVESTMENTS

	£'000
AT 1 OCTOBER 2016	2,320
MOVEMENT IN SHARE OPTIONS GRANTED TO EMPLOYEES	(359)
ACQUISITION OF SUBSIDIARY	1,435
AT 30 SEPTEMBER 2017	3,396

The Company has investments in the following subsidiaries which affected the profits or net assets of the Group.

Subsidiary undertaking	% of issued shares held	Principal activity
TOPALPHA LIMITED*	100%	PROPERTY MANAGEMENT AND INVESTMENT
TOPALPHA (WAREHOUSE) LIMITED	100%	PROPERTY MANAGEMENT AND INVESTMENT AND PROVISION OF WAREHOUSING SERVICES
TOPALPHA (STOKE) LIMITED	100%	PROPERTY MANAGEMENT AND INVESTMENT
TILES4LESS LIMITED*	100%	INTERMEDIATE HOLDING COMPANY
TOPPS TILES (UK) LIMITED	100%	RETAIL AND WHOLESALE OF CERAMIC TILES, WOOD FLOORING AND RELATED PRODUCTS
TOPPS TILES HOLDINGS LIMITED*	100%	INTERMEDIATE HOLDING COMPANY
TOPPS TILE KINGDOM LIMITED	100%	INTERMEDIATE HOLDING COMPANY
MULTI TILE 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
MULTI-TILE DISTRIBUTION LIMITED	100%	INTERMEDIATE HOLDING COMPANY.
TOPPS TILES I.P COMPANY LIMITED	100%	OWNERSHIP AND MANAGEMENT OF GROUP INTELLECTUAL PROPERTY
TOPPS TILES EMPLOYEE BENEFIT TRUST*	100%	EMPLOYEE BENEFIT TRUST
PARKSIDE CERAMICS LIMITED*	100%	RETAIL AND WHOLESALE OF CERAMIC TILES, WOOD FLOORING AND RELATED

* 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.

The registered address of all of the above entities (excluding Parkside Ceramics Limited) is Thorpe Way, Grove Park, Enderby, Leicestershire, LE19 1SU, United Kingdom.

The registered address of Parkside Ceramics Limited is 51 Highmeres Road, Thurmaston, Leicester, LE4 9LZ.

4 DEBTORS

	2017 £'000	2016 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR:		
AMOUNTS OWED BY SUBSIDIARY UNDERTAKINGS	51,080	47,598
OTHER DEBTORS	-	3
PREPAYMENTS AND ACCRUED INCOME	26	14
	51,106	47,615

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
BANK LOANS AND OVERDRAFTS	-	857
TRADE AND OTHER CREDITORS	106	12
AMOUNTS OWED TO SUBSIDIARY UNDERTAKINGS	65	72
ACCRUALS AND DEFERRED INCOME	1,097	2,864
	1,268	3,805

6 CALLED-UP SHARE CAPITAL

	2017 £'000	2016 £'000
ISSUED AND FULLY-PAID 196,437,298 (2016: 196,153,770) ORDINARY SHARES OF 3.33P EACH (2016: 3.33P)	6,548	6,539

During the period 254,998 shares were purchased by Topps Tiles Employee Benefit Trust for £8,491 on behalf of the Group (2016: 4,139,000 shares - £4,415,000).

During the period the Group issued and allotted 283,528 (2016: 2,453,311) ordinary shares with a nominal value of £9,441 (2016: £81,712) under share option schemes for an aggregate cash consideration of £15,631 (2016: £612,500).

Notes to the Company Financial Statements

For the 52 weeks ended 30 September 2017

7 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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
BALANCE AT 3 OCTOBER 2015	6,457	1,906	3,354	20,359	6,200	5,375	43,651
PROFIT FOR THE PERIOD	-	-	-	-	-	6,666	6,666
DIVIDEND PAID TO EQUITY SHAREHODLERS	-	-	-	-	-	(6,296)	(6,296)
ISSUE OF NEW SHARES	82	567	(7)	-	-	-	642
CREDIT TO EQUITY FOR EQUITY-SETTLED SHARE BASED PAYMENTS	-	-	1,467	-	-	-	1,467
BALANCE AT 1 OCTOBER 2016	**6,539**	**2,473**	**4,814**	**20,359**	**6,200**	**5,745**	**46,130**
PROFIT FOR THE PERIOD	-	-	-	-	-	15,447	15,447
DIVIDENDS	-	-	-	-	-	(6,924)	(6,924)
ISSUE OF NEW SHARES	9	14	-	-	-	-	23
DEBIT TO EQUITY FOR EQUITY-SETTLED SHARE BASED PAYMENTS	-	-	(359)	-	-	-	(359)
BALANCE AT 30 September 2017	**6,548**	**2,487**	**4,455**	**20,359**	**6,200**	**14,268**	**54,317**

At 30 September 2017, the Directors consider the other reserve of £6,200,000 to remain non-distributable.

The Directors consider £nil (2016: £nil) of profit and loss account reserves not to be distributable at 30 September 2017.

Five Year Record

UNAUDITED

COMPANY	52 weeks ended 28 September 2013 £'000	52 weeks ended 27 September 2014 £'000	53 weeks ended 3 October 2015 £'000	52 weeks ended 1 October 2016 £'000	**52 weeks ended 30 September 2017 £'000**
GROUP REVENUE	177,849	195,237	212,221	214,994	**211,848**
GROUP OPERATING PROFIT	13,845	18,186	18,883	21,073	**17,889**
PROFIT BEFORE TAXATION	10,601	16,691	17,019	19,982	**16,999**
SHAREHOLDERS' FUNDS (DEFICIT)	(10,184)	843	10,798	17,545	**23,553**
BASIC EARNINGS PER SHARE	4.76p	6.49p	6.75p	8.05p	**6.98p**
DIVIDEND PER SHARE	1.25p	1.65p	2.34p	3.50p	**3.40p**
DIVIDEND COVER	3.17	3.94	2.88	2.48	**2.20p**
AVERAGE NUMBER OF EMPLOYEES	1,720	1,794	1,915	1,977	**2,030**
SHARE PRICE (PERIOD END)	93.0p	105.0p	148.75p	112.25p	**75.50**

All figures quoted are inclusive of continued and discontinued operations.