Topps Tiles

22 May 2018

Topps Tiles Plc
(“Topps Tiles”, “the Group” or “the Company”)

UNAUDITED INTERIM REPORT FOR THE 26 WEEKS ENDED 31 MARCH 2018

Resilient performance in a more challenging retail market; continued strong cash generation; good progress being made with commercial market plans

HIGHLIGHTS

Topps Tiles Plc, the UK’s largest tile specialist, announces its interim results for the 26 weeks ended 31 March 2018.

	26 weeks ended 31 March 2018	26 weeks ended 1 April 2017	YoY
Statutory Measures			
Group revenue	£110.5 million	£106.6 million	+3.7%
Gross margin	60.3%	61.2%	(90)bps
Profit before tax	£6.4 million	£9.5 million	(32.6)%
Basic earnings per share	2.67p	3.86p	(30.8)%
Interim dividend per share	1.1p	1.1p	nil
Net debt[1]	£25.1 million	£26.6 million	£1.5 million
Adjusted Measures			
Adjusted Group revenue[2]	£109.6 million	£106.6 million	+2.8%
Like-for-like revenue growth year-on-year[3]	+0.6%	(1.9)%	
Adjusted gross margin[4]	60.5%	61.2%	(70)bps
Adjusted profit before tax[5]	£7.2 million	£10.1 million	(28.7)%
Adjusted earnings per share[6]	3.01p	4.11p	(26.8)%
Free cash flow[7]	£6.8 million	£3.0 million	+127%

Adjusting items are detailed in the notes below. These include trading losses from the Parkside business while we go through an initial two year phase of investing in growth plus other items the Board do not consider are representative of underlying business performance. These include items which are either one off in nature or can fluctuate significantly from year to year (such as some property related items)

Financial Summary

- First half like-for-like sales grew by 0.6%, reflecting strong trading in Q1 (+3.4%) followed by a more challenging market in Q2 (-2.2%) when sales were also impacted by adverse weather conditions and an earlier Easter
- Industry leading gross margin of 60.3% (2017: 61.2%) as a result of our buying scale and advantage; despite continued investment into stronger promotional positioning and trade loyalty
- Adjusted profit before tax of £7.2 million (2017: £10.1 million), the reduction being due to a decline in gross profit, combined with an increased investment in marketing and inflationary cost pressures
- Parkside commercial business generated £1.0m of sales and a £0.4m trading loss - which have been excluded from adjusted numbers while we invest in growth (FY18 and FY19)
- Free cash flow of £6.8 million (2017: £3.0 million) due to improved operational cash flow and reduced investments

- Net debt reduced by £1.5 million year-on-year to £25.1 million
- Interim dividend maintained at 1.1p (2017: 1.1p) with full year dividend planned to be paid at a level of 2x cover

Strategic & Operational Summary

Retail Business

- Core business strategy of "Out-specialising the Specialists" remains our key focus in the retail tile market, where Topps Tiles is the market leader;
- Trade Rewards+ loyalty programme now has 70,000 active members (2017: 40,000);
- Specialist service provided by colleagues in our 375 retail stores remains a crucial part of our customer offer, with almost all customers visiting a store at some point in their transaction for advice and support;
- Updated store catchment analysis has identified a further 20-25 priority new store opportunities in locations where we are not currently represented;
- Seamless integration of digital and stores continues, with growing confidence in the direct linkage between online traffic and store footfall;
- Continued new product development – proportion of sales from our new tile ranges grew to 15% of overall sales (2017: 10.2%) in the first half with 95% of our range being own brand or exclusive.

Commercial Business

- Entry into commercial market through the Parkside acquisition has approximately doubled the size of the Group's addressable UK market whilst maintaining our specialism in tiles;
- Good progress being made with recruitment of talented sales teams and establishing central capability;
- One new commercial showroom opened in Chelsea, with a plan to open two more in Clerkenwell and the Midlands during the second half;
- Plan to disrupt the commercial tile market and construct a new market leader over the medium term.

Current Trading and Outlook

- Like for like sales over the 7 weeks to 19 May 2018 decreased by 0.2% (2017: decreased by 5.8%).
- We continue to take a prudent view of the second half outlook and expect that pre-tax profits for the full year will be within the current range of market expectations[8].

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

"After a strong start to the year, market conditions became more challenging over the second quarter, when our like-for-like sales performance was also impacted by the adverse weather and the earlier timing of Easter. Against this background, our clear strategic focus, coupled with strong promotional positioning, enabled us to outperform the overall UK tile market.

"We continue to strengthen our position as the UK's leading tile specialist. Our entry into the commercial tile segment approximately doubles the size of our addressable market while staying within our core specialism of tiles.

"Trading in the first seven weeks of the second half has improved on Q2, with like-for-like sales down by 0.2%. While we are retaining a cautious view of market conditions for the remainder of the year, we remain confident in our ability to continue to extend our market leading position."

Notes

[1] *Net debt is defined as bank loans, before amortised issue costs (note 6) and less cash and cash equivalents.*
[2] *Adjusted revenues are defined as total Group revenues excluding Parkside*
[3] *Like-for-like sales revenues are defined as sales from online and stores that have been trading for more than 52 weeks.*
[4] *Adjusted gross margin is defined as Group gross margin excluding Parkside*
[5] *Adjusted profit before tax excludes several items that we have incurred during the period in order to give users of the accounts additional information around 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:*

	2018 £m	***2017 £m***
Adjusted Pre Tax Profit	***7.2***	*10.1*
- *Vacant property costs*	*(0.2)*	*(0.2)*
- *Impairment of plant, property and equipment*	*(0.4)*	*(0.4)*
- *Gains or losses on disposal of freehold of long leasehold properties*	*0.2*	*Nil*
- *Parkside trading loss*	*(0.4)*	*Nil*
Statutory Pre Tax Profit	***6.4***	***9.5***

[6] *Adjusted for the post tax effect of the above items*
[7] *Free cash flow is defined as net cash generated from operating activities less investing activities*
[8] *The current range of analyst expectations is £15.5 million to £16.5 million, with consensus at £15.9 million*

For further information please contact:

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A copy of this announcement can be found on our website www.toppstiles.co.uk

UNAUDITED INTERIM REPORT

Topps Tiles is the largest tile specialist in the UK. Our primary focus is the retail market for the renovation, maintenance and improvement of UK homes, where the Group remains the clear market leader. During 2017 the Group announced a more explicit focus on the commercial tile market – which represents approximately 45% of the overall UK market for tiles. In August 2017 Topps acquired Parkside, a small business which specialises in the supply of tiles into the commercial segment and also distributes to independent kitchen and bathroom retailers, to form the nucleus of a new commercial division.

Our entry into the commercial tile market via Parkside has approximately doubled the size of the Group's addressable market in the UK whilst staying within our core specialism of tiles.

Our well established and successful strategy of "Out Specialising the Specialists" remains at the heart of what we do within Topps Tiles and the retail segment of the market. This is focussed on offering customers outstanding value for money through an industry-leading product range, world class customer service and multichannel convenience. The UK market continues to provide a challenging trading backdrop but we remain a strong business that is well positioned to exploit our market leadership position.

The Board wishes to extend its gratitude to all of our teams across the business for their continued hard work and dedication.

Income Statement

Overall Group revenues for the first half increased by 3.7% to £110.5 million (2017: £106.6 million), with this increase including £1.0 million of revenues from the acquisition of the Parkside business.

On an adjusted basis, Group revenues increased by 2.8% to £109.6 million with like-for-like revenues increasing by 0.6%. We estimate the earlier Easter in 2018, combined with the specific period of disruption from adverse weather across the UK during the second quarter, had an impact on the first half trading results, decreasing like-for-like sales growth by c.0.8%, or £0.9 million. The key macro indicators for the retail segment of our market are consumer confidence, house prices and housing transactions. These measures have been broadly stable in the first half when compared to the prior year and we believe the UK tile market has been in modest decline across this period.

Gross margin for the period was 60.3% (2017: 61.2%) which includes 20bps of dilution impact from the acquisition of the Parkside business.
On an adjusted basis, gross margin was 60.5% which is a 70bps reduction over the first half. This reflects an increased focus on promotional activity which helped to drive a market beating sales performance. We expect gross margin in the second half to benefit from our plans to continue to deliver underlying gains through sourcing benefits while also continuing to be promotionally strong and we expect the full year gross margin to be broadly flat year on year.

Operating costs were £59.8 million, compared to £55.2 million over the same period in the prior year. On an adjusted basis (excluding items as defined in the highlights section) operating costs were £58.7 million, compared to £54.6 million in the prior year. The principal drivers of the increased costs are as follows:

- There was an increase in the number of stores trading (an average of 372 stores vs 355 in the prior year) which generated an additional £2.1 million of costs;
- An increase in marketing costs of £0.5 million related to the Quarter 1 TV advertising campaign;
- Employee profit share increased by £0.4 million as a result of strong Quarter 1 sales performance which resulted in higher bonus payments to stores and also reflecting the relatively low level of payments in the prior year;
- Inflation accounted for an increase of £1.1 million,
- Other cost increases relating to national living wage and apprenticeship levy of £0.3 million and higher depreciation of £0.1 million, and;
- These were partially offset by various savings across the business of approximately £0.4 million.

We anticipate adjusted operating costs for the full year will be in the range of £115.5 million to £116.0 million.

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

The net interest charge for the Group was £0.5 million (2017: £0.5 million).

Adjusted profit before tax was £7.2 million (2017: £10.1 million), representing a decrease of 28.7% year-on-year.

When adjusting items are included, the statutory measure of profit before tax for the Group was £6.4 million (2017: £9.5 million), representing a decrease of 32.6% year-on-year.

The effective tax rate for the 26 weeks to 31 March 2018 was 19.1% (2017: 21.9%). The full year effective tax rate is expected to be similar to the interim tax rate (2017: full year 21.0%).

Basic earnings per share were 2.67p (2017: 3.86p). Adjusting for the post tax impact of the items detailed in note 5 in the highlights section the adjusted basic earnings per share were 3.01p (2017: 4.11p), a decrease of 26.8%.

Financial Position

Capital expenditure in the period amounted to £2.0 million (2017: £4.1 million). The majority of this expenditure in the period relates to six new store openings and all store improvements in 44 stores. Our plans for the second half of our financial year will include a greater level of expenditure as we continue our programme of all store improvements and commence a programme of investment at our central office and warehouse site in Leicester to update certain facilities and accommodate the new commercial operation. We anticipate full year capital expenditure of c.£6.0 million.

During the period we disposed of one freehold property for proceeds of £1.0 million (2017: nil).

The Group currently owns eight freehold or long leasehold sites (2017: nine), including one warehouse and distribution facility, with a total net book value of £15.5 million (2017: £15.9 million).

Net cash generated from operating activities over the period was £7.8 million, compared to £7.1 million in the prior year period, an increase of £0.7 million. The increase was partly driven by a lower level of tax and interest payments due to a settlement of historic tax and interest payments in the prior year.
The business has invested £2.0 million (2017: £4.1 million) in capital expenditure and received income of £1.0 million (2017: nil) from the disposal of one freehold.
Free cash flow was £6.8 million (2017: £3.0 million), an increase of 127% year on year.

At the period end cash and cash equivalents for the Group were £9.9 million (2017: £13.4 million) and borrowings were £35.0 million (2017: £40.0 million), giving a net debt position of £25.1 million (2017: £26.6 million).

The Group has £50.0 million (2017: £50.0 million) of loan facilities in place which are non-amortising and committed to May 2019. The intention is to refinance the existing loan facility over the course of the second half of the year.

At the period end the Group had £31.2 million of inventories (2017: £26.9 million) which represented 135 days cover (2017: 121 days). The increase in inventory over the first half relates to additional stores, the acquisition of Parkside in August 2017, and additional densities of key promotional lines. The business expects to deliver a reduction in inventory in the second half.

Key Performance Indicators

As set out in our most recent annual report, we monitor our performance in implementing our strategy with reference to a clearly defined set of key performance indicators ("KPIs"). These KPIs are applied on a Group-wide basis. Our performance in the 26 weeks ended 31 March 2018 is set out in the table below. The source of data and calculation methods are consistent with those used in the 2017 annual report.

Results for the 26 weeks ended 31 March 2018
Highlights

Financial KPIs	**26 weeks to 31 March 2018**	**26 weeks to 1 April 2017**
Like-for-like revenue year-on-year	**+0.6%**	**-1.9%**
Adjusted sales growth year-on-year *	**+2.8%**	**-1.3%**
Adjusted gross margin *	**60.5%**	**61.2%**
Adjusted profit before tax *	**£7.2m**	**£10.1m**
Net debt	**£25.1m**	**£26.6m**
Adjusted earnings per share *	**3.01p**	**4.11p**
Inventory days	**135**	**121**

Non-Financial KPIs	**26 weeks to 31 March 2018**	**26 weeks to 1 April 2017**
Net Promoter Score **	68%	69%
Customer service score	81%	81%
Colleague turnover	36.2%	32.2%
Group stores at period end	376	359

Note – market share is calculated on an annual basis so there is no update at the interim stage. As at year end 30 September 2017 the share of the overall UK tile market (retail & commercial sectors) was estimated at 18%.
* As explained on page 2 in notes 1-6
** 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.

Dividend

The Board is pleased to declare an interim dividend of 1.1 pence per share (2017: 1.1 pence per share). The shares will trade ex-dividend on 7 June 2018 and the dividend will be paid on 13 July 2018 to shareholders on the register at 8 June 2018. The company previously indicated a target of two times dividend cover and expects to achieve this for the current financial year.

Strategic & Operational Review

The primary goal for the business is to generate profitable sales growth for shareholders and our strategy to achieve this within the retail segment of our market is to “Out Specialise the Specialists”. This recognises that the other specialist tile retailers in our market are often our strongest competitors and by ensuring we are more competitive than them we will continue to take market share from all competitors.

In the prior financial year we expanded our reach into the commercial segment of the UK tile market through our acquisition of Parkside – a business which specialises in supply to the commercial tile market. This diversification has allowed us to approximately double the size of our addressable market whilst staying within our specialism of tiles. As the UK’s leading tile specialist, our aim is to deliver outstanding value to all of our customers, across the following areas:

Range – our core specialism in sourcing and developing differentiated collections of tiles from around the world is our key element of competitive advantage. Topps is the leading tile specialist in the UK and we have the most comprehensive, on-trend range of quality tiles and complimentary finishing touches available. Highlights from the first half include:

- Our iterative cycle of new product development has been maintained - we have launched over 14 new tile ranges and relaunched a further four
- We have increased the proportion of products developed in-house, with more than three quarters of new products launched in the period being developed by Topps Tiles
- Range differential remains a key measure of Topps customer appeal, with own brand or exclusive ranges now accounting for 95% of our tile offer
- We have grown our uniquely branded product collections to 17 including 'Lido™', a collection of multi surface finish porcelain tiles – which are exclusive to our Parkside commercial business
- Our unique global sourcing reach is a fundamental element of range development. Our new "Torrano™" range of marble effect porcelain tiles is a great example of this and allows us to deliver on-trend product at fantastic value for our customers
- The proportion of sales from our new tile ranges grew to 15% of overall sales (2017: 10.2%) in the first half

People – our colleagues remain critical to our success because of the specialist service and advice they provide to our customers. Key areas of focus in the first half included:

- **Capability** – we have improved colleague capability through the provision of improved product and service training, e.g. more engaging and quality content, more innovative use of video technology, all enabled by really leveraging our new learning management system. We have enhanced our development support to senior leaders and we have also further strengthened our focus on colleague development and progression, the success of which is evident in our ability to fill 65% of Store Management roles internally. We will continue to progress all these areas in the second half.
- **Engagement** – we have achieved our highest ever colleague engagement survey score through a continued focus on integrating engagement activities into the way we operate every day, several specific initiatives to improve colleague wellbeing, and better educating our store colleagues about their strong overall reward package - particularly our market leading variable pay opportunity. Looking forward, we have now commenced the implementation of a new HR and payroll system which will further improve colleague engagement, productivity and risk management.
- **Colleague turnover** - over the period we have seen a small increase in colleague turnover, mainly due to a more competitive employment market.

Trade – our trade customer base is an important source of growth but often also a channel to the homeowning end consumer.

- Our store teams' relationships with local traders are the foundation of building a strong trade business.
- We continued to invest in price leadership for our trade customers during the first half and are focussed on offering a complete range for all of our traders' needs.
- Our Rewards+ loyalty scheme has been a key aspect of our growth in trade and we now have over 70,000 active traders (2017: 40,000 active traders).
- We continue to see trade sales as an exciting source of future growth. We are supporting this opportunity with a newly launched trade credit facility, new merchandising treatments, extended trade brands, and a continued focus on an efficient and friendly instore experience.

Digital experience – providing our customers with an inspirational digital experience is a crucial aspect of their overall journey with us and a key element of our strategy**.** We know that almost all of our customers will go online at some stage of their journey with us – from when they start their initial research through to when they order their goods and pay, or at any stage in between.

- Toppstiles.co.uk has been voted a top 25 UK retail website by InternetRetailing. The classification was for customer experience and was based on ease of navigation, usability, speed and customer service response times.

- Our industry leading web-based visualiser continues to go from strength to strength with c.40,000 customers per week utilising this free service.
- Our personalised e-brochure service allows us to email over 5,000 personalised brochures to customers every month and provides an important source of follow up contact for our store teams.
- Driving traffic to our website remains a key area of focus and pay-per-click is becoming an increasingly important part of this process. We have increased our investment in this area significantly and have seen a c.50% increase in YoY traffic.
- As we gain greater experience of digital we are increasingly confident in the strength of the link between driving online traffic and store footfall and we continue to review opportunities for additional investment into this area.

Shopping experience – once our customers enter our stores we aim to deliver them a truly world class shopping experience. This includes the integration of all of our channels (including trade) in order to ensure the customer's journey is as seamless as possible. We continue to invest in customer service through programmes such as "Natural Service" and our latest initiatives are described above in the People section of this report.

- Excellence in customer service is critical to our success and our customers continue to value it highly. At Topps service has always meant being honest, knowledgeable and helpful, but never ever pushy. Over the first half our Net Promoter Score ("NPS") was 68% (2017: 69%). This metric is measured by an independent third party.
- We continued to invest in our existing store estate over the period through our programme of all store improvements. Through this programme we are implementing the latest customer merchandising treatments, such as our design advice area, across our entire estate over the next two years. As at the half year we have 124 stores trading with these new treatments.
- Almost all of our customers come to one of our stores at some stage of their shopping journey with us and as such our store estate remains extremely important and relevant to the business. At the end of the period we had a total of 375 retail stores (March 2017: 359 stores).
- During the first half we opened five new retail stores and completed an updated piece of detailed store catchment analysis. This work identified a further 20-25 priority new store opportunities in locations where we are not currently represented.
- We closed four stores over the first half and will continue to do so whenever we establish that there is an opportunity to maximise the efficiency of the portfolio.

Commercial – we purchased the Parkside business in August 2017. Our plan is to be a market disrupter over the short to medium term as we grow from a small base, with an ambition to construct a new market leader in this fragmented market.

- Our strategy of market disruption and accelerated growth will be driven by leveraging our existing sourcing and product specialism, supported by the recruitment of established and talented sales people, combined with a competitive price positioning.
- Our entry into the market has generated significant interest and we have exciting plans in place to build a strong and highly respected sales team.
- Whilst building a property presence is not a major part of our growth plans in commercial we opened a showroom in Chelsea in the first half and have plans to open a further two more over the second half. One of these will be a showroom and creative meeting space located in Clerkenwell, London, in the heart of the architectural community with a second Midlands location based at our main site in Leicester.
- Building on our product expertise will be a key aspect of our growth plans. Working closely with our core suppliers to review the opportunities in the commercial sector and to build exclusive ranges, we have already identified a significant opportunity for range advantage.
- We have now integrated our tile sampling operation into our main warehouse and established buying processes that leverage Group resources.
- We launched a new website, parkside.co.uk, during the period which has been well received by customers.

Risks and Uncertainties

The Board continues to monitor the key risks and uncertainties of the Group and does not consider that there has been any material change to those documented in the 2017 Annual Report and Accounts. The key risks include: general economic and consumer confidence, foreign exchange rate fluctuation, regulatory cost pressures, threat from competitors, attracting and retaining talent, loss of a key supplier, financing, cyber security, major reputational damage, and the new General Data Protection Regulations (GDPR).

Board Composition

The Board comprises an Independent Non-Executive Chairman, three Independent Non-Executive Directors and two Executive Directors. As such the composition is fully compliant with the Combined Code.

Going Concern

Based on a detailed review the Board believes the Group will continue to operate within its loan facility covenants, and meet all of its financial commitments as they fall due. On this basis the Board considers that the Group will be able to continue as a going concern for a period of at least 12 months and has prepared the financial statements on this basis.

Current Trading & Outlook

We continue to strengthen our position as the UK's leading tile specialist. In our core retail business, our proven strategy of "Out-specialising the Specialists" remains effective and is supporting further gains in market share. In addition, our entry into the commercial tile segment approximately doubles our addressable market and we plan to build a leading position in commercial over the medium term. While we are only in the initial stages of this journey we are excited about the potential in commercial and encouraged by the customer and colleague response to date.

Trading in the first seven weeks of the second half has improved on Q2, with like-for-like sales down by 0.2% (2017: decrease of 5.8%).

While we are retaining a cautious view of market conditions for the second half, we expect that pre-tax profits for the full year will be within the current range of market expectations. .

Matthew Williams	**Rob Parker**
Chief Executive Officer	*Chief Financial Officer*
22 May 2018	

RESPONSIBILITY STATEMENT

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

By order of the Board,

Matthew Williams	**Rob Parker**
Chief Executive Officer	*Chief Financial Officer*

22 May 2018

Cautionary statement

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

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

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

Condensed Consolidated Statement of Financial Performance
for the 26 weeks ended 31 March 2018

	Note	**26 weeks ended 31 March 2018 £'000 (Unaudited)**	26 weeks ended 1 April 2017 £'000 (Unaudited)	52 weeks ended 30 September 2017 £'000 (Audited)
Group revenue - continuing operations		**110,544**	106,612	211,848
Cost of sales		**(43,861)**	(41,416)	(82,473)
Gross profit		**66,683**	65,196	129,375
Employee profit sharing		**(3,537)**	(3,103)	(4,972)
Distribution costs		**(41,853)**	(39,719)	(80,006)
Other operating expenses		**(3,656)**	(3,563)	(7,724)
Administrative costs		**(8,219)**	(6,787)	(14,254)
Sales and marketing costs		**(2,584)**	(2,054)	(4,530)
Group operating profit		**6,834**	9,970	17,889
Investment revenue		**9**	16	24
Finance costs		**(471)**	(475)	(914)
Profit before taxation		**6,372**	9,511	16,999
Taxation	3	**(1,220)**	(2,081)	(3,568)
Profit for the period attributable to equity holders of the parent company		**5,152**	7,430	13,431
Earnings per ordinary share				
-basic	5	**2.67p**	3.86p	6.98p
-diluted	5	**2.63p**	3.80p	6.86p

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

Condensed Consolidated Statement of Financial Position

as at 31 March 2018

	Note	31 March 2018 £'000 (Unaudited)	1 April 2017 £'000 (Unaudited)	30 September 2017 £'000 (Audited)
Non-current assets				
Goodwill		**1,096**	245	1,096
Intangible assets		**429**	-	429
Property, plant and equipment		**52,046**	52,258	54,342
		53,571	52,503	55,867
Current assets				
Inventories		**31,226**	26,926	29,502
Trade and other receivables		**6,653**	6,157	6,502
Cash and cash equivalents		**9,901**	13,443	7,501
		47,780	46,526	43,505
Total assets		**101,351**	99,029	99,372
Current liabilities				
Trade and other payables		**(33,392)**	(30,443)	(32,500)
Current tax liabilities		**(2,406)**	(3,168)	(2,375)
Provisions for liabilities and charges		**(1,215)**	(1,156)	(1,170)
Total current liabilities		**(37,013)**	(34,767)	(36,045)
Net current assets		**10,767**	11,759	7,460
Non-current liabilities				
Bank loans	6	**(34,980)**	(39,865)	(34,923)
Deferred tax liabilities		**(990)**	(829)	(1,071)
Provisions for liabilities and charges		**(4,049)**	(3,275)	(3,780)
Total liabilities		**(77,032)**	(78,736)	(75,819)
Net assets		**24,319**	20,293	23,553
Equity				
Share capital	9	**6,548**	6,547	6,548
Share premium		**2,490**	2,482	2,487
Own shares		**(4,411)**	(4,411)	(4,411)
Merger reserve		**(399)**	(399)	(399)
Share-based payment reserve		**3,999**	4,531	3,921
Capital redemption reserve		**20,359**	20,359	20,359
Retained earnings		**(4,267)**	(8,816)	(4,952)
Total funds attributable to equity holders of the parent		**24,319**	20,293	23,553

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 31 March 2018

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 30 September 2017 (Audited)	6,548	2,487	(4,411)	(399)	3,921	20,359	(4,952)	23,553
Total comprehensive income for the period	-	-	-	-	-	-	5,152	5,152
Issue of share capital	-	3	-	-	-	-	-	3
Dividends	-	-	-	-	-	-	(4,439)	(4,439)
Credit to equity for equity-settled share based payments	-	-	-	-	78	-	-	78
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(28)	(28)
Balance at 31 March 2018 (Unaudited)	**6,548**	**2,490**	**(4,411)**	**(399)**	**3,999**	**20,359**	**(4,267)**	**24,319**

For the 26 weeks ended 1 April 2017

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 October 2016 (Audited)	6,539	2,473	(4,411)	(399)	4,280	20,359	(11,296)	17,545
Total comprehensive income for the period	-	-	-	-	-	-	7,430	7,430
Issue of share capital	8	9	-	-	-	-	-	17
Dividends	-	-	-	-	-	-	(4,808)	(4,808)
Own shares purchased in the period	-	-	(8)	-	-	-	-	(8)
Own shares issued in the period	-	-	8	-	-	-	(8)	-
Credit to equity for equity-settled share based payments	-	-	-	-	251	-	38	289
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(172)	(172)
Balance at 1 April 2017 (Unaudited)	**6,547**	**2,482**	**(4,411)**	**(399)**	**4,531**	**20,359**	**(8,816)**	**20,293**

Condensed Consolidated Statement of Changes in Equity (continued)

For the 52 weeks ended 30 September 2017

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 October 2016 (Audited)	6,539	2,473	(4,411)	(399)	4,280	20,359	(11,296)	17,545
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 (Audited)	**6,548**	**2,487**	**(4,411)**	**(399)**	**3,921**	**20,359**	**(4,952)**	**23,553**

Condensed Statement of Cash Flows
for the 26 weeks ended 31 March 2018

	26 weeks ended 31 March 2018 £'000 (Unaudited)	26 weeks ended 1 April 2017 £'000 (Unaudited)	52 weeks ended 30 September 2017 £'000 (Audited)
Cash flow from operating activities			
Profit for the period	**5,152**	7,430	13,431
Taxation	**1,220**	2,081	3,568
Finance costs	**471**	475	914
Investment revenue	**(9)**	(16)	(24)
Group operating profit	**6,834**	9,970	17,889
Adjustments for:			
Depreciation of property, plant and equipment	**3,473**	3,174	6,544
(Gain)/loss on disposal of property, plant and equipment	**(245)**	263	589
Share option charge/(credit)	**78**	251	(359)
(Increase)/decrease in trade and other receivables	**(151)**	552	324
Increase in inventories	**(1,724)**	(1,259)	(3,587)
Increase/(decrease) in payables	**1,175**	(1,315)	752
Cash generated by operations	**9,440**	11,636	22,152
Interest paid	**(383)**	(1,585)	(1,985)
Taxation paid	**(1,298)**	(2,933)	(5,015)
Net cash from operating activities	**7,759**	7,118	15,152
Investing activities			
Interest received	**9**	16	24
Purchase of property, plant and equipment	**(1,977)**	(4,121)	(10,160)
Proceeds on disposal of property, plant and equipment	**1,045**	-	303
Acquisition of subsidiary, net of cash acquired	**-**	-	(1,137)
Net cash used in investment activities	**(923)**	(4,105)	(10,970)
Financing activities			
Dividends paid	**(4,439)**	(4,808)	(6,924)
Proceeds from issue of share capital	**3**	10	15
Drawdown of bank loans	**-**	5,000	5,000
Repayment of bank loans	**-**	-	(5,000)
Net cash generated (used in) / from financing activities	**(4,436)**	202	(6,909)
Net increase/(decrease) in cash and cash equivalents	**2,400**	3,215	(2,727)
Cash and cash equivalents at beginning of period	**7,501**	10,228	10,228
Cash and cash equivalents at end of period	**9,901**	13,443	7,501

1. General information

The interim report was approved by the Board on 22 May 2018. The financial information for the 26 weeks ended 31 March 2018 has been reviewed by the company's auditor. Their report is included within this announcement. The financial information for the 52 week period ended 30 September 2017 has been based on information in the audited financial statements for that period.

The comparative figures for the 52 week period ended 30 September 2017 are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that 52 week period has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

This condensed set of consolidated financial statements has been prepared for the 26 weeks ended 31 March 2018 and the comparative period has been prepared for the 26 weeks ended 1 April 2017.

Basis of preparation and accounting policies

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

Going concern

Based on a detailed review of the risks and uncertainties contained within the risks and uncertainties section above, the financial facilities available to the Group, management's latest revised forecasts and a range of sensitised scenarios the Board believe 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. The Board, therefore, consider it appropriate to prepare the financial statements on a going concern basis.

2. Business segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. As there is one segment, being the operation of retail stores and contract tile sales in the UK and online business segment, and the Chief Executive bases decisions on the performance of the Group as a whole, separate operating segments have not been identified.

3. Taxation

	26 weeks ended 31 March 2018 £'000 (Unaudited)	26 weeks ended 1 April 2017 £'000 (Unaudited)	52 weeks Ended 30 September 2017 £'000 (Audited)
Current tax - charge for the period	**1,330**	2,135	3,504
Current tax - adjustment in respect of previous periods	**-**	-	(104)
Deferred tax – (credit) /charge for the period	**(110)**	(54)	125
Deferred tax - adjustment in respect of previous periods	**-**	-	43
	1,220	2,081	3,568

4. Interim dividend

An interim dividend of 1.10p (2017: 1.10p) per ordinary share has been declared payable on 13 July 2018 to shareholders on the register at 7 June 2018; in accordance with IFRS the dividend will be recorded in the financial statements in the second half of the period. A final dividend of 2.30p per ordinary share was approved and paid in the period, in relation to the 52 week period ended 30 September 2017.

5. Earnings per share

Basic earnings per share for the 26 weeks ended 31 March 2018 were 2.67p (2017: 3.86p) having been calculated on earnings (after deducting taxation) of £5,152,000 (2017: £7,430,000) and on ordinary shares of 192,856,555 (2017: 192,264,018), being the weighted average of ordinary shares in issue during the period.

Diluted earnings per share for the 26 weeks ended 31 March 2018 were 2.63p (2017: 3.80p) having been calculated on earnings (after deducting taxation) of £5,152,000 (2017: £7,430,000) and on ordinary shares of 195,973,163 (2017: 195,742,070), being the weighted average of ordinary shares in issue during the period.

Adjusted earnings per share for the 26 weeks ended 31 March 2018 were 3.01p (2017: 4.11p) having been calculated on adjusted earnings after tax of £5,804,000 (2017: £7,898,000) being earnings (after deducting taxation) of £5,152,000 adjusted for the post-tax impact of the following items: gain on disposal of a freehold property of £198,000 (2017: £nil), impairment of property, plant and equipment of £nil (2017: £206,000), a net charge in relation to onerous lease provision and restructuring costs of £488,000 (2017: £262,000) and the trading loss for the period in relation to Parkside Ceramics Ltd of £362,000 (2017: £nil). The trading loss in relation to Parkside Ceramics Ltd has been classified as an adjusting item as we go through an initial two year phase of investing in growth, and as such the Board do not consider this to be representative of underlying business performance.

6. Bank loans

	26 weeks ended 31 March 2018 £'000 (Unaudited)	26 weeks ended 1 April 2017 £'000 (Unaudited)	52 weeks ended 30 September 2017 £'000 (Audited)
Bank loans (all sterling)	**34,864**	39,749	34,807
The borrowings are repayable as follows:			
On demand or within one year	**-**	-	-
In the second to fifth year	**35,000**	40,000	35,000
	35,000	40,000	35,000
Less: total unamortised issue costs	**(136)**	(251)	(193)
	34,864	39,749	34,807
Issue costs to be amortised within 12 months	**116**	116	116
Amount due for settlement after 12 months	**34,980**	39,865	34,923

The Group has in place a £50.0 million committed revolving credit facility, expiring 31 May 2019. As at 31 March 2018, £35.0 million of this facility was drawn (2017: £40.0 million), with a further £15.0 million of undrawn financing available (2017: £10.0 million). The loan facility contains financial covenants which are tested on a biannual basis.

7. Contingent liabilities

The directors are not aware of any contingent liabilities faced by the Group as at 31 March 2018.

8. Events after the balance sheet date

There were no events after the balance sheet date to report.

9. Share capital

The issued share capital of the Group as at 31 March 2018 amounted to £6,548,000 (1 April 2017: £6,547,000). The Group issued 3,673 shares during the period increasing the number of shares from 196,437,298 to 196,440,971.

10. Seasonality of sales

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

11. Related party transactions

S.K.M Williams is a related party by virtue of his 10.5% shareholding (20,343,950 ordinary shares) in the Group's issued share capital (2017: 10.5% shareholding of 20,593,950 ordinary shares).

At 31 March 2018 S.K.M Williams was the landlord of two properties leased to Multi Tile Limited, a trading subsidiary of Topps Tiles Plc, for £114,000 (2017: two properties for £114,000) per annum.

No amounts were outstanding with S.K.M. Williams at 31 March 2018 (2017: £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.

INDEPENDENT REVIEW REPORT TO TOPPS TILES PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 31 March 2018 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 31 March 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

Manchester, UK

22 May 2018