CELEBRATING
50 YEARS
OF SUCCESS AND
STILL GROWING
FOR THE LAST 50 YEARS
WE HAVE HAD A SIMPLE PHILOSOPHY FOR BUSINESS – PROVIDING AN INSPIRATIONAL SHOPPING EXPERIENCE AND UNRIVALED PRODUCT RANGE AUTHORITY, COUPLED WITH EXCEPTIONAL CONVENIENCE.

THIS YEAR WE HAVE SUCCESSFULLY ACHIEVED OUR PRIMARY GOAL OF GROWING PROFITABLE MARKET SHARE AND AS WE LOOK FORWARDS, WE HAVE SET OURSELVES A GOAL OF GROWING MARKET SHARE TO ONE IN EVERY THREE POUNDS SPENT IN THE UK DOMESTIC TILE MARKET.

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For more inspiration why not pop into one of our stores or visit toppstiles.co.uk
Market share increased to 28.5% (2012: 27%) reflecting our successful strategy of providing an inspirational shopping experience, unrivalled product range authority and multi-channel convenience.

Self-help initiatives and careful cost control have helped the business perform well in a tough market – delivering modest growth in sales and adjusted profit before tax.

Further development of online capability and sustained marketing expenditure to drive store footfall and build greater brand consideration.

Gross margin increased to 60.2% (2012: 60.0%) reflecting further supply chain efficiencies and proactive management of cost base.

Increased final dividend of 1.00p per share (2012: 0.75p per share), making a total for the year of 1.50p per share (20% increase).

Net debt (defined as loan facilities drawn down less cash and cash equivalents) at period end of £36.6 million (2012: £45.6 million), with £10 million of undrawn banking facilities (2012: £15 million).
2013
We celebrate our 50th anniversary.

2010
We launch our How-To DVD and online tile visualiser.
We sponsor ITV Weather.

2011
We open an additional 50,000 sq. ft. warehouse to fulfill online orders and expand our product range.

2008
The Topps Tiles transactional website launches. Help For Heroes becomes our chosen charity.

2003
We win PLC of the Year award.

1999
The Topps Tiles estate reaches 100 stores.

2002
We launch our own radio station – Topps FM – and our first national TV campaign.

1983
Stuart Williams and Barry Bester rapidly expand the Tile Kingdom empire in the south.

1963
The first Topps Tiles is opened in Manchester, owned by Ted Derbyshire.
2013
Successful “lab” store innovations are rolled out across the estate. We sponsor ITV Daybreak Weather.

2013
18 new stores are opened; the estate reaches 328 stores.

2012
Topps Tiles unveil a new concept “lab” store in Milton Keynes.

2006
The Topps Tiles estate reaches 250 stores.

2004
We open new Head Office in Grove Park Leicester.

2007
Matt Williams is appointed our new CEO. Topps Tiles sponsors Leicester City Football Club. We launch our Youth Sponsorship programme.

1998
The Topps Tiles estate reaches 70 stores. We launch our first How-To video instructing our customers how to tile in their home.

1995
Tile Kingdom buys and becomes Topps Tiles, meaning 40 stores across the UK.
OUR BUSINESS MODEL

TOPPS IS THE UK’S LEADING SPECIALIST RETAILER OF TILES. WE SUPPLY TILES AND ASSOCIATED ACCESSORIES FOR THE REFURBISHMENT OF UK DOMESTIC HOUSING TO BOTH A TRADE AND RETAIL CUSTOMER BASE.

WE OPERATE A VERTICALLY INTEGRATED SUPPLY CHAIN SOURCING MANY OF OUR BESTSELLING TILES DIRECT FROM FACTORIES AROUND THE WORLD AND RELY ON STRONG RELATIONSHIPS WITH KEY SUPPLIERS WHO WE OFTEN WORK TOGETHER WITH TO DEVELOP NEW PRODUCT INNOVATIONS.

OUR BUSINESS OPERATES FROM OVER 300 UK BASED RETAIL OUTLETS OF C.5,000 SQ FT WHICH ARE TYPICALLY LOCATED ON TRADE PARKS OR ON MAIN ARTERIAL ROADS IN LOCATIONS NEAR EXISTING DIY OUTLETS. WE OPERATE OUR STORES ON A LEASE BASIS WITH AN AVERAGE UNEXPIRED LEASE OF C.EIGHT YEARS.

TOPPS STORES CARRY A MARKET LEADING RANGE OF TILES AND ASSOCIATED PRODUCTS, THE MAJORITY OF WHICH IS AVAILABLE IN STOCK TO TAKE AWAY.

OUR STORE COLLEAGUES ARE A KEY INGREDIENT OF OUR BUSINESS MODEL – OUR CUSTOMERS RELY ON OUR EXPERT PRODUCT KNOWLEDGE AND SERVICE BASED APPROACH.

COMBINING THE KEY ASPECTS OF OUR BUSINESS HAS CREATED A MODEL WHICH HAS ENDURED FOR THE LAST 50 YEARS AND WHEN COMBINED WITH OUR STRATEGY WE BELIEVE WILL CONTINUE TO SERVE US WELL INTO THE FUTURE.
THE PRIMARY GOAL FOR THE BUSINESS IS TO TAKE PROFITABLE MARKET SHARE. WE HAVE CONSISTENTLY GROWN MARKET SHARE OVER RECENT YEARS AND TOPPS NOW ACCOUNTS FOR 28.5% OF THE UK DOMESTIC TILE MARKET. WE HAVE SET OURSELVES A GOAL OF GROWING MARKET SHARE TO ONE THIRD OF THE UK DOMESTIC TILE MARKET, OR IN SIMPLE TERMS £1 OUT OF EVERY £3 THAT IS SPENT IN OUR MARKET.

HOW WILL WE ACHIEVE THIS?

Our strategy is focused on being the UK’s leading tile specialist, delivering an unbeatable combination of service and outstanding value to our customers. We achieve this by focussing on three key areas of specialism – providing an inspirational shopping experience, range authority and multi-channel convenience.
Strategic Report

Our Strategy in Action

What We’ve Achieved in 2013

Trade loyalty
We have continued to grow our share of trade business by ensuring that we offer the best combination of range, price and in stock availability to our trade customers. This, combined with expert technical product knowledge and great service has resulted in trade growing to 45% of our sales.

Lab store initiatives
Last year we launched a “labstore” in Milton Keynes which was a showcase for several new merchandising concepts designed to inspire our customers. This year we have rolled out two of the concepts to all of our stores – the “Mosaic walls” and our “Inspiration Station”.

Online
Online, content and usability have been a real focus during the year. We have invested in improved photography to better showcase our products and improved navigation.

Customer service
Customer service will always be a major focus for our business. This year’s Net Promoter Score of 93% is a record achievement for the business and something we are incredibly proud of.

Opening more stores
This year we have opened a net 3 new stores taking us to 328 at year end. Within that our property team sourced, fitted out and opened 18 stores. These were offset by 15 closures as we relocate some of our older stores – helping us to ensure we are trading from the most appropriate locations in towns with up-to-date stores to inspire our customers.

Refurbishing stores
We have continued to invest in the existing store estate and this year we have fully refitted 12 stores.

Online
Our ability to combine domination of the online channel with the skilled advice and convenience available through a physical store presence gives us a significant competitive advantage over pure play online retailers of tiles.

What We’ve Achieved in 2013

Range authority
We have the UK’s leading tile range with over c.4,500 items. In addition we also have the best stock availability with c. 1,500 available to take away.

New product development
Our specialist team of buyers work with core suppliers on exclusive designs and own brand products - delivering genuine product innovation.

Speed to market
Our integrated supply chain and dedicated buying team means we can bring product to market faster than our competitors. This year we have launched more than one new range every week to ensure we continue to have the very best range in the UK.
We offer a fast and efficient home delivery service or simply carry goods for our customers to their car.

Our in-store experts help our customers bring their vision to life.

Our sample service enables our customers to trial before they buy.

Our staff are on hand every step of the way to help our customers with their home improvement project.

Our store managers offer free in-store consultations to give our customers all the advice, tips and guidance they need.

The opening of our 50,000 sq. ft. warehouse has enabled us to fulfil online orders and expand our product range.
Topps 50 years on

This year Topps Tiles celebrated 50 years of successful trading. Our position as Britain’s number one tile retailer is a tribute to the business philosophy and approach developed by its founders.

From the outset the founders recognised that the key to success was an outstanding range of tiles and associated products at prices to suit all pockets coupled with excellent and knowledgeable customer service. The soundness of this approach was vindicated again this year as we further increased our share of the UK tile market from 27% to 28.5%

We marked our 50th anniversary year by holding a series of events, including a lunch for 50 of our longest serving employees, some of whom had been with Topps for over 40 years. They were addressed by Stuart Williams, one of Topps’ founding fathers, who reminded everyone just how far the business had come from its origins in Sale near Manchester to the market leading publicly quoted multi-channel tile retailer of today. On behalf of the Board I would like to record our deep appreciation to everyone who, over the last 50 years, has contributed towards building Topps into the successful business it is today.

Our business year

The period since the start of the financial crisis in 2007 has been a challenging one during which we have faced a contracting market. So in our 50th year it gives me great pleasure to be able to report that both sales and adjusted profit before tax have grown when compared to the previous year. Whilst modest, sales increased to £177.8 million and adjusted profit before tax grew to £13 million. This year marks our first increase in adjusted pretax profits since 2007.

Strategy

The Board conducted a detailed review of the Company’s strategy this year and has identified a series of key initiatives to move Topps’ business forward over the next three years. In doing so we confirmed a clear overriding goal for the organisation to work to – the pursuit of profitable market share. Specifically, we have set ourselves the target of capturing one in every three pounds spent in the UK domestic tile market. The Board is fully aligned behind this goal and the strategy to deliver it and has ensured that the resources are in place to fulfill this ambition.

Further evidence to support this approach is confirmed by our current success in growing our market share which I have highlighted above. I am very confident that our overall direction of travel – inspiring our customers, providing exceptional levels of service and a market beating product range, all delivered through unrivalled levels of shopping convenience, is the most appropriate strategy to deliver our goal.

“We continue to invest in our business to ensure we can further grow our market share and as the market leader are in the strongest position to benefit from any improvements in the housing market. Trading was tough during parts of this year but the resilience of our business model, developed and proven over the last 50 years, enabled us to increase sales and underlying profitability.”

Michael Jack, Chairman
Corporate governance

With the advent of new statutory reporting and disclosure arrangements we have taken the opportunity to review our governance procedures. Although the new reporting regime officially applies to Topps for its next reporting year we have adopted its principal requirements early, including the addition of a Strategic and Operational Review. This significantly improves the information available on the Company’s strategy, business model, remuneration, outlook, risk and uncertainties, carbon reporting, and diversity. The Board has also taken careful note of the Corporate Governance Code 2012 and has ensured that these accounts have been prepared on a fair, balanced and reasonable basis.

In addition, we have objectively assessed the Board’s performance and I will ensure that the business remains compliant with best corporate governance practice for a company of our size.

Dividend

The business has further built on the secure financial footing which we reported on last year. In addition to a small increase in underlying earnings we have also reduced net debt and settled a significant outstanding liability in the form of an interest rate derivative.

The underlying cash generation from the business remains strong, supporting the continuation of our progressive dividend policy. A final payment of 1.00p per share (2012: 0.75p per share) is being recommended to shareholders. This will bring the total dividend for the year to 1.50p per share (2012: 1.25p per share), an increase of 20%.

The future for Topps Tiles

I remain very confident that Topps is well positioned to continue to grow profitable market share and further strengthen its position as the UK market leader. Our market leading position also means we are well placed to capitalise on any improvements in UK consumer confidence and the housing market. We have started the new year with a very encouraging trading performance and whilst it is too soon to confirm this as a sustained trend it serves as an important reminder of the levels of sales growth that are possible following several years of subdued consumer spending.

One of the key attributes Topps brings to the market is an innovative approach to its business and I believe this has been true for each of the last 50 years. As we look forward I am confident that this will continue well into the next half century of tile retailing.

Michael Jack,
Chairman
26 November 2013
MEASURING OUR PERFORMANCE – FINANCIAL KPI’s

<table>
<thead>
<tr>
<th>Metric</th>
<th>2013</th>
<th>2012</th>
</tr>
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<tbody>
<tr>
<td><strong>Like-for-like sales growth year-on-year</strong></td>
<td><strong>-0.5%</strong></td>
<td><strong>-0.7%</strong></td>
</tr>
<tr>
<td>(52 weeks ended 29 September 2012)</td>
<td></td>
<td></td>
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<tr>
<td><strong>Total sales growth year-on-year</strong></td>
<td><strong>+0.1%</strong></td>
<td><strong>+1.3%</strong></td>
</tr>
<tr>
<td>(52 weeks ended 29 September 2012)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td><strong>60.2%</strong></td>
<td><strong>60.0%</strong></td>
</tr>
<tr>
<td>(52 weeks ended 29 September 2012)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted PBT</strong></td>
<td><strong>£13m</strong></td>
<td><strong>£12.8m</strong></td>
</tr>
<tr>
<td>(52 weeks ended 29 September 2012)</td>
<td></td>
<td></td>
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<tr>
<td>*Adjusted PBT as defined on page 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td><strong>£36.6m</strong></td>
<td><strong>£45.6m</strong></td>
</tr>
<tr>
<td>(52 weeks ended 29 September 2012)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inventory days</strong></td>
<td><strong>135</strong></td>
<td><strong>133</strong></td>
</tr>
<tr>
<td>(52 weeks ended 29 September 2012)</td>
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The Directors monitor a number of financial and non-financial metrics and KPIs both for the Group and by individual store, including:

**Strategy**

The primary goal for the business remains to take profitable market share and I am pleased to report that this year we have again been successful in this regard. Our focus on self-help measures and a tight control of all costs proved to be well founded in a market which remained challenging. These measures have enabled us to grow our share of the domestic non-contract market for tiles from 27% to 28.5% and achieve a small but important step forward in adjusted pre-tax profits compared to last year.
“THE PRIMARY GOAL FOR THE BUSINESS REMAINS TO TAKE PROFITABLE MARKET SHARE AND I AM PLEASED TO REPORT THAT THIS YEAR WE HAVE AGAIN BEEN SUCCESSFUL IN THIS REGARD. OUR FOCUS ON SELF-HELP MEASURES AND A TIGHT CONTROL OF ALL COSTS PROVED TO BE WELL FOUNDED IN A MARKET WHICH REMAINED CHALLENGING. THESE MEASURES HAVE ENABLED US TO GROW OUR SHARE OF THE DOMESTIC NON-CONTRACT MARKET FOR TILES FROM 27% TO 28.5% AND ACHIEVE A SMALL BUT IMPORTANT STEP FORWARD IN ADJUSTED PRE-TAX PROFITS COMPARED TO LAST YEAR.”

MEASURING OUR PERFORMANCE – NON-FINANCIAL KPI's

<table>
<thead>
<tr>
<th>KPI</th>
<th>Value</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td>28.5%</td>
<td>(52 weeks ended 29 September 2012: 27%)</td>
</tr>
<tr>
<td>Carbon Emissions per Store</td>
<td>46.9</td>
<td>(52 weeks ended 29 September 2012: n/a)</td>
</tr>
<tr>
<td>Employee Turnover</td>
<td>27.5%</td>
<td>(52 weeks ended 29 September 2012: 23.8%)</td>
</tr>
<tr>
<td>Net Promoter Score</td>
<td>93.0%</td>
<td>(52 weeks ended 29 September 2012: 90.6%)</td>
</tr>
<tr>
<td>Total Employees at period end date</td>
<td>1,718</td>
<td>(52 weeks ended 29 September 2012: 1,740)</td>
</tr>
<tr>
<td>Number of stores at year end</td>
<td>328</td>
<td>(52 weeks ended 29 September 2012: 325)</td>
</tr>
</tbody>
</table>

Note – 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 customers 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.

Our strategy remains resolutely focused on being the UK’s leading tile specialist, delivering an unbeatable combination of service and outstanding value to our customers. This year, we have been able to maintain sales by countering market driven declines in footfall with increases in customer conversion rates and average transaction value (“ATV”), by inspiring our customers to make their home improvement projects the very best they can be.

This progress was coupled with a good performance on margin and costs where we sought to drive more efficiency into the business. The response from the organisation as a whole to this challenge has been very encouraging.

Increasing profitable market share remains our goal for the years ahead and we are also adding some clearly defined longer term ambition by targeting a one-third share of the UK tile market. The strategy for achieving this focuses on pushing into three key areas within our specialism:

1. Providing an inspirational shopping experience
2. Range authority
3. Multi-channel convenience
New innovations in tile design & manufacture allow for closer replicas of real stone tiles. These special effects transform simple porcelain and ceramic into something more luxurious allowing customers to achieve the look of slate, stone, granite & marble.

£15.6m
ADJUSTED OPERATING PROFIT
(52 weeks ended 29 September 2012: £16.6m)

Providing an inspirational shopping experience
Tiles are a relatively permanent decorative floor and wall covering that our retail customers shop for infrequently and a product category in which there are no widely recognisable brands. This means that our customers need lots of help, guidance and assistance when buying tiles and this is why we are fanatical about providing market leading levels of service. We focus on offering friendly, honest, and helpful advice without ever being pushy. We mystery shop every one of our stores once every month, we also monitor every store’s Net Promoter Score* (“NPS”) each quarter. Annually we conduct an independent survey of our customers’ satisfaction levels. We are very proud of the results we have already achieved during the year (see KPI chart) and are determined to drive service levels yet higher in the year ahead.

One of the fascinating developments within our market is that as our customers have moved home less often over the last five years their tiling projects have become more adventurous and ambitious as they have become less concerned about the tastes of the next potential buyer of their home. At Topps we have been delighted to help them achieve these results. Inspiring our customers in this way remains a key focus for the business.

The increased complexity of these tiling projects has meant that many more of our customers are employing a professional fitter to install the product. Our strong relationships with fitters, nationwide, has meant that we have become less concerned about the tastes of the next potential buyer of their home. At Topps we have been delighted to help them achieve these results. Inspiring our customers in this way remains a key focus for the business.

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our competitive advantage. We have a specialist team of buyers who shop all over the world so we are able to bring new products to the market faster and more frequently than our competitors, launching a new product range almost every week of the year. We strengthened our commercial teams significantly during the year and plan to continue to invest in this area.

Multi-channel convenience
Being convenient is a vital element of our customers’ decision to shop with us. Our scale, expertise and ability to seamlessly integrate all of our channels to market is an important source of competitive advantage.

Stores
Our stores remain by far our most dominant channel with over 99% of our customers visiting a store at some stage in their shopping journey with us. Customers tell us that this is because of the tactile nature of the product, the market leading service levels on offer and stock availability.

While there remain many parts of the country with the potential for Topps to expand its store network, availability of suitable sites can be a constraint on growth. To address this, we have developed a new smaller store format which will offer a subset of the Topps range with very high levels of in-store service. The new format, which is to be branded Topps Tiles Boutique, could present the opportunity to significantly increase the rate of new store openings. We will commence a trial of this new format during the second quarter.

We have continued to invest in the existing store estate. In addition to the improvements made to all stores mentioned above, we have carried out a programme during the year which saw us refit 12 stores. We intend to further progress our programme by fully refitting a record 15 stores in the year ahead and 20 in 2014/15.

Finally, we have now concluded the successful conversion of the Tile Clearing House units, with the remaining 12 stores being rebranded as Topps Tiles Clearance Centres during the period, bringing all stores under the main Topps brand.
Online

Online has been growing strongly in importance as a channel over the last few years to the extent that now more than 70% of our customers use our website at some stage of their shopping journey. However, while the website is an increasingly vital source of pre-purchase research and inspiration, less than 1% of our customers use online as their only channel and, consequently, we believe the “pure play” online market for tiles remains very small. Our ability to combine domination of the online channel with the skilled advice and convenience available through a physical store presence gives us a significant competitive advantage over pure play online retailers of tiles.

We boosted our expertise in online significantly in the period and this is already delivering excellent results with strong growth in visitors and closer tie-in with our stores. In addition, toppstiles.co.uk now has a mobile site enabling customers to access our online site from their tablets and smartphones.

Telephone ordering

Despite the prominence of online as a complimentary channel to our stores, customers still place great value on the ability to talk to stores and the support office to arrange orders, get advice and pay. The seamless integration of all of these channels is crucial to maximising customer convenience.

Trade customers

Whilst tradesmen are a separate and very particular customer group they are becoming increasingly important as an alternative channel to market for us with some of our customers being introduced to Topps through their chosen tile fitter. Of these new customers, a portion will transact directly with us, with the remainder finding it more convenient to transact through their fitter, such that we may never deal with those end consumers directly. Our strategy is focused on offering maximum convenience to all of our customers, regardless of how they choose to shop with us.

£177.8m

GROUP REVENUE

(52 weeks ended 29 September 2012: £177.7m)
Batik: traditional patchwork styles have been given a modern twist to create a riot of pattern combinations.
Colleague engagement

It is imperative that all of our people have a clear understanding of the organisation’s goals and the strategic plan to attain them. We invest significant time and effort in communicating and engaging all of our colleagues in our plans for the business. During the year we held two manager roadshow events at our HQ; the main event attended by almost two-thirds of our people and the interim update attended by all of our store managers. These events are also fully supported by our Board. As always, our product lab attracted the most attention with all colleagues keen to see the strong new product development we have coming in the year ahead. On top of this we regularly update our people on the Company’s progress via email, our radio station – Tiles FM – and inhouse magazine, Quartile.

Marketing

As market leader, Topps Tiles has strong overall levels of brand awareness. As we seek to again grow our market share, our marketing strategy is focused on further broadening our customer base by persuading new customers to consider Topps first – either online or through a store visit. Our customer communications are increasingly focused on the breadth of our range and styles available as this is the principal driver of both consideration and ultimately the purchase decision. The successful “Be Surprised” campaign emphasised our new product development initiatives which have delivered an impressive collection of cutting-edge designer tiles at amazing value.

Most recently, Topps Tiles completed a national TV advertising campaign in support of the “Up to a 1/3 off” promotion which complimented the successful ITV Daybreak weather sponsorship which ran throughout 2013. Increased investment in consumer PR resource will ensure we build on our existing coverage in home interest magazines, online and in rational and local press.

The use of internal and market data is increasingly important in driving marketing effectiveness in the digital multi-channel world. Topps is working in partnership with Experian to leverage these rich internal data and external information sources.

Trade direct communications were up-weighted this year. The greater use of our trader database has meant we are targeting these messages more effectively and we have seen a strong reaction to this marketing activity, supported by the many new trade products and improved deals on offer.

The UK tile market and future performance of the business

The UK tile market is fundamental to the success of our business and is, to a degree, dependent on several macro-economic drivers. Topps serves the domestic tile market with the result that all of our products go into the refurbishment of existing UK housing stock. As such our market is discretionary in nature – the vast majority of expenditure is driven by a customer choosing to improve their home, with very little related to essential maintenance. As a result this puts a particular emphasis on consumer confidence as a key driver to our market and Topps’ performance.
In addition, one of the key influencers in customers taking on a home improvement project is their purchase of a home. Housing transactions are therefore also a very useful indicator of likely future demand. Currently housing transactions are improving slowly but remain at low levels by historic standards. From 1.7 million transactions in 2007, the market declined to around 750,000 in 2009. Over the last year the market has been growing at around 5% p.a. and is now at just below 1 million transactions. Long-run averages suggest that between 1.2 million and 1.3 million transactions per annum is a sustainable level of activity and as such this represents a positive opportunity for Topps.

We also consider UK house price data as a useful indicator of the relative health of our market as we believe it reflects elements of both consumer and housing market confidence. Historically housing transactions and house prices have moved in the same direction (albeit at different rates). Increasing house prices are also an important influence on consumer confidence as home owners tend to feel more affluent in a rising market.

Financial objectives
In addition to the key operational objectives highlighted in the Strategy summary above the business maintains a strict financial discipline, including:

- Primary focus on increasing revenues and cash generation, maintaining tight cost control and optimising gross margins.
- Maximising earnings per share and shareholder returns, including biannual review of our dividend policy.
- Maintaining a capital structure which enables an appropriate balance of financial flexibility and capital efficiency.

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

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

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

Matt Williams unveils the commemorative mosaic created and installed by artist Concetta Perrot—a previous winner of Topps Tiles’ mosaic artwork competition—and depicts a tree with over 300 leaves, each one representing one of the Topps Tiles stores currently trading across the UK. It took 92 days and thousands of pieces of hand-cut, recycled Topps Tiles.

A commemorative mosaic commissioned to celebrate the 50th anniversary, recently installed in reception at our head office on Grove Park.
Diversity
The Board reviews the balance of skills, knowledge and experience on the Board regularly. Its policy with regard to gender is such that it will continue to make changes to its composition irrespective of gender or any form of discrimination and to appoint the best candidate to the post.

Our workforce at period end date comprises:

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<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Directors</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Other Employees</td>
<td>1,407</td>
<td>291</td>
</tr>
<tr>
<td>Total Employees</td>
<td>1,425</td>
<td>293</td>
</tr>
</tbody>
</table>

Equal opportunities
At Topps Tiles we are committed to equal opportunities and ensure that we hire on potential, promote on talent and reward on success.

We aim to promote equality of opportunity in employment regardless of age, gender, colour, ethnic or national origin, culture, religion or other philosophical belief, disability, marital or civil partnership status, political affiliation, sexual identity or sexual orientation.

Going concern
Based on a detailed review of the above risks and uncertainties and management’s current expectations, 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 also considers it appropriate to prepare the financial statements on the going concern basis.

Current trading and market conditions for year ahead
Sales over the final three months of our financial year gave us encouragement for the year ahead. In addition, consumer confidence and housing market data including mortgage approvals have started to move in a positive direction. We are just beginning to see these dynamics impact on our market and we have had a positive start to the new financial year with like-for-like sales over the last eight weeks increasing by 7.4%. While it is too early to ascertain whether this will be a sustained trend, shareholders can be confident that our business remains well positioned to continue to grow profitable market share and further capitalise on any improvements in consumer confidence and increased levels of discretionary expenditure.
Botella: is an exciting new range of glass mosaics available in eight exclusive designs, not just a beautiful product, it is also sustainable and responsibly sourced.
Wood effect tiles are one of the key emerging trends in interior design, capturing the look of natural timber and combining it with the durability and ease of use associated with tiled walls and floors.

Profit and loss account

Revenue

Revenue for the period ended 28 September 2013 increased by 0.1% to £177.8 million (2012: £177.7 million). Like-for-like store sales decreased by 0.5% in the period, which consisted of a 0.2% decrease in the first half of the financial period and a 0.7% decrease in the second half.

Gross margin

Overall gross margin was 60.2% compared with 60.0% in the previous financial period. At the interim stage of this period gross margin was 59.8%, and we recorded a gross margin of 60.5% in the second half of the period. The environment in which we operate continues to be highly competitive and we have been active this year in working with our key suppliers to ensure we are able to offer our customers the very best value for money. By utilising our scale as the largest specialist retailer of tiles in the UK we have been able to enhance customer value at the same time as also generating improved returns.

Operating expenses

Total operating costs have risen from £91.1 million to £93.2 million, an increase of 2.3%. Costs as a percentage of sales were 52.4% compared to 51.3% in the previous period. When adjusting items (detailed below) are excluded, operating costs were £91.5 million (2012: £90 million), equivalent to 51.4% of sales (2012: 50.6% of sales).

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

- Inflation at an average of approximately 1.5% has increased our cost base by around £1.2 million.
- The average number of UK stores trading during the financial period was 321 (2012: 320), which would imply a 0.3% increase in store costs, generating approximately £0.2 million of additional costs.
- Employee profit share costs have increased by £0.2 million.
- Store costs are broadly flat on an underlying basis once the above factors are taken into account.
- The remaining elements of the cost base are flat when compared to the prior year.

During the period we incurred several charges which we have excluded from our adjusted operating costs as they are not representative of the underlying cost base of the business. These charges relate to impairments of plant, property and equipment of £0.6 million (2012: £0.5 million), business restructuring costs of £0.2 million (2012: £0.4 million), and an increase in property related provisions of £0.9 million (2012: £0.2 million). Property related provisions are driven by providing forward for four years the expected costs of loss-making or closed stores. Any change to the property provisions would be driven by either a change in the number of stores impacted or a change in the forward period provided for.

£36.6m

NET DEBT
(52 weeks ended 29 September 2012: £45.6m)
Operating profit
Operating profit for the period was £13.8 million (2012: £15.5 million).
Operating profit as a percentage of sales was 7.8% (2012: 8.7%).
Excluding the adjusting items detailed above, operating profit was £15.6 million (2012: £16.6 million).

Other gains and losses
During the period we disposed of one freehold property at the carrying value of the investment and also recognised a further gain of £0.1 million relating to a previous disposal of the Fenton warehouse. In the prior year we disposed of three freehold properties generating a gain of £1.6 million.

Financing
The net cash interest charge for the year was £2.5 million (2012: £3.8 million), excluding the impact of revaluations, cancellation of derivative instruments and a one-off charge against historical tax charges. The underlying interest charge has fallen compared to the prior financial period due to a decision to cancel the remaining element of the interest rate derivatives the Company had in place. The impact of this cancellation is a saving of c.£1.25 million per annum until February 2017 and the cash cost of the cancellation was £5.9 million (2012: £6.7 million). As this cost had been previously charged to the Company’s income statement in the form of a “marked to market” transaction it is effectively offset by a reversal of the historical charge, detailed in the following section.

The cancellation of the interest rate derivatives and current forward currency contracts gave rise to a “marked to market” revaluation as required by IAS39 “Financial Instruments: Recognition and Measurement”. This revaluation has generated a fair value (non cash) gain of £6.1 million (2012: £5.9 million gain). The combined net gain for the year is therefore £0.2 million (2012: £0.8 million charge).

Due to the nature of the underlying financial instruments, IAS39 does not allow hedge accounting to be applied to these losses and hence any gains or losses against these derivatives is applied directly to the income statement rather than being offset against balance sheet reserves.

One-off charges also include £1 million against a possible interest charge on outstanding tax payments. £0.9 million of this cost had previously been charged against tax and as a consequence there is an offsetting impact included within the Group’s tax computation for the year.

Net interest cover was 7.4 times (2012: 5.3 times) based on earnings before interest, tax, depreciation and the impairment of plant, property and equipment, excluding the impact of IAS39 in finance charges.

NUMBER OF STORES
(S2 weeks ended 29 September 2012: 325)
Profit before tax
Reported profit before tax is £10.6 million (2012: £12.5 million).
The Group profit before tax margin was 6.0% (2012: 7.0%).
Excluding the adjusting items detailed on page 1, profit before tax is £13.0 million (2012: £12.8 million).

Tax
The effective rate of corporation tax for the period was 13.8% (2012: 21.8% – continuing operations).
This includes the effect of a release of £0.9 million relating to historical corporation tax provisions no longer required.
The underlying rate, excluding prior year adjustments, is 25.3%.
This is slightly higher than the UK expected rate due to non-deductible expenditure and depreciation on assets not qualifying for capital allowances.

Earnings per share
Basic earnings per share were 4.76p (2012: 5.14p – continued and discontinued operations).
Diluted earnings per share were 4.73p (2012: 5.09p – continued and discontinued operations).

Dividend and dividend policy
Whilst we have continued to experience some fluctuations in consumer confidence which impacts performance in our market, the Board are keen to recognise the progress the business has made this year. Both sales and adjusted profit before tax have improved year-on-year, albeit modestly, which the Board consider a strong result in the context of the trading patterns we experienced during the second and third quarters of the year. We have also seen a solid improvement in the net debt position which once again highlights the strong cash generation of our business. We strongly believe that it is appropriate to continue to reward our shareholders through a progressive dividend policy.
To this end we are recommending to shareholders a final dividend of 1.00p per share (2012: 0.75p per share). This will cost £1.9 million (2012: £1.4 million). The shares will become ex dividend on 23 December 2013 and, subject to approval at the Annual General Meeting, the dividend will be payable on 31 January 2014.
This brings the total dividend for the year to 1.50p per share (2012: 1.25p per share), an increase of 20%.
MULTI-CHANNEL CONVENIENCE...

Diamante: our new oversized brick-shaped tile is also proving a hit in fashionable teal.
Balance sheet

Capital expenditure
Capital expenditure in the period amounted to £5.5 million (2012: £6.1 million), a decrease of 9.8%. Capital expenditure includes the cost of 15 new openings, two conversions, one relocation and 12 partial store refits at a cost of £4.2 million (2012: £5.2 million). The remaining expenditure primarily consists of investment in a new IT system of £1.1 million (2012: £0.4 million). There have been no freehold purchases in the period (2012: £0.5 million).

At the period end the Group held six freehold or long leasehold sites including two warehouses and distribution facilities with a total carrying value of £13.6 million (2012: seven freehold or long leasehold valued at £14.2 million).

Property disposals
During the period we disposed of one freehold property and generated proceeds of £0.4 million (2012: three properties generated £5.4 million).

Inventory
Inventory at the period end was £26.2 million (2012: £25.9 million) representing 135 days’ turnover (2012: 133 days’ turnover). This small increase in stockholding is driven by an increase in the number of stores trading at year end of 328 (2012: 325).

Capital structure and treasury
Cash and cash equivalents at the period end were £18.4 million (2012: £14.4 million) with repayable borrowings at £55 million (2012: £60 million).

This gives the Group a net debt position of £36.6 million (2012: £45.6 million).

Cash flow
Cash generated by operations was £28.2 million, compared to £19.7 million last period.
Cautionary statement

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

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

The Directors, in preparing this Strategic and Operational Review, have complied with s414a of the Companies Act 2006. This Business Review has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Topps Tiles Plc and to its subsidiary undertakings when viewed as a whole.

Directors’ Responsibility Statement

We confirm to the best of our knowledge:

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

Annual General Meeting

The Annual General Meeting for the period to 28 September 2013 will be held on 24 January 2014 at 10.00am at Topps Tiles Plc, Thorpe Way, Grove Park, Enderby, Leicestershire LE19 1SU.

Matt Williams,  
Chief Executive Officer  
26 November 2013

Rob Parker,  
Chief Financial Officer
UK ECONOMY AND CONSUMER CONFIDENCE

**Risk**  
The economy may deteriorate and impact on consumer confidence.

**Impact**  
Consumers need to feel confident to invest money into their homes. In the event of a significant reduction in house prices, housing transactions or consumer confidence, we would expect this to adversely impact on business performance.

**Mitigation**  
Our strategy is focused on taking an ever greater share of our market and we believe the business is sufficiently robust to withstand short-term trading pressures. Longer term we consider that the UK housing market remains attractive and we believe there remains significant upside from a sustained economic recovery. In addition the business model has proved its ability to withstand short-term trading pressures on several occasions in recent years.

APPROPRIATE BUSINESS STRATEGY

**Risk**  
Our business strategy will not be successfully delivered.

**Impact**  
Without a clear Company goal and a well understood strategy to deliver, the risk is that the business loses focus and fails to deliver its objectives.

**Mitigation**  
Strategy is reviewed annually, updated as required and approved by the Board. Biannual communication events ensure around two-thirds of all colleagues are directly briefed by the Executive and regular updates are provided to all colleagues on our progress towards our goals. The Board review progress on key strategic initiatives at each meeting.

THREAT OF NEW ENTRANTS

**Risk**  
New entrants may seek to erode our market share.

**Impact**  
Lower sales and profitability.

**Mitigation**  
We constantly review our competitor set but at the same time we are clear on what differentiates Topps from its competitors. Exceptional customer service, market leading product offer and unrivalled multichannel convenience are the key elements of our business which, whilst imitated, have never effectively been replicated.

THE BOARD CONDUCTS A CONTINUING REVIEW OF KEY RISKS AND UNCERTAINTIES. DURING THE YEAR THE AUDIT COMMITTEE HAVE MET WITH SENIOR MANAGEMENT AND DISCUSSED THE KEY STRATEGIC RISKS, THE LIKELIHOOD AND IMPACT OF THESE OCCURRING AND MITIGATION WE HAVE IN PLACE.
LOSS OF KEY PERSONNEL

**Risk**
The loss of key individuals could impact on the ability of the business to deliver its objectives.

**Impact**
Increased competition also introduces the risk of increased colleague turnover and the resulting loss of knowledge, disruption and associated costs.

**Mitigation**
Colleague turnover is monitored closely (and is included in the KPIs section of this report). We also conduct an annual colleague survey to gauge the views of our people across the business. Pay and benefits are benchmarked to ensure we are rewarding our people in line with their contribution to the business.

In addition we have a detailed succession plan for each key executive.

LOSS OF KEY PERFORMING STORES

**Risk**
The loss of key performing stores which contribute a material amount of Group earnings.

**Impact**
Loss of a multiple number of top performing stores could cause a material impact on the Company's profitability.

**Mitigation**
We conduct regular reviews of all stores’ profitability and for our most profitable units security of tenure is key. We review lease terms where appropriate and will proactively re-gear leases to ensure we always have at least several years of security.

Given our geographic coverage it is also likely that if a key performing store did close we would migrate some sales into neighbouring stores.

LOSS OF A KEY SUPPLIER

**Risk**
The loss of a key supplier could impact on our ability to trade.

**Impact**
The loss of a key supplier would potentially lead to disruption in supply of key selling products leading to loss of sales and profits.

**Mitigation**
Our supply chain is diverse and due to our scale we can source products directly from manufacturers anywhere in the world. For most products we sell there is an alternative available. If there was not, this would affect the entire market place and accordingly should not lead to a loss of competitiveness.

FINANCING

**Risk**
The Group has a £65 million revolving credit facility in place which expires in May 2015. The loan facility contains financial covenants which are tested on a biannual basis. The key risks would be either not negotiating new facilities in advance of expiry or breaching a loan covenant which would have an adverse impact on the Group’s financing position.

**Impact**
The most likely impact of not being able to renew the loan facility would be the requirement to raise additional funding from shareholders.

The impact of breaching a loan covenant would likely be financial in terms of additional charges and fees. At worst it would also mean the loan would be repayable which would be likely to result in a fundraising.

**Mitigation**
The loan is provided by three banks – HSBC, RBS and Barclays – which is in itself a mitigant.

Loan renewal discussions are conducted well in advance in order to allow sufficient time to cater for different negotiation scenarios and would include both existing and new banks to gauge interest.

Loan covenants are measured monthly and reported to the Board. The Company planning model is updated several times a year and gives good forward visibility. Any potential issues would be dealt with well in advance by proactive discussions with lenders.

The Directors will continue to monitor all of the key risks and uncertainties and the Board will take appropriate actions to mitigate these risks and their potential outcomes.
Taking responsibility for our impact on society is important to us as a business. During each of the last ten years our Corporate Social Responsibility (“CSR”) agenda has been subject to a process of continual development to ensure we are active within the communities in which we work, our procedures are undertaken in an environmentally conscious manner, and that our employees feel supported, developed and engaged. This year we have appointed one of our Non-Executive Directors, Andy King, as having overall responsibility for our CSR policies.

We are proud of our achievements in this area and focus our attention across three primary areas:

- Community and Charity
- Environment
- Our People

Community and charity

At Topps we have a strong CSR ethic. Our policy on community and charity is to play an active role in the communities local to our stores and places where we work, acting as a “good neighbour”. Now in its tenth year, our CSR programme has been both enhanced and evolved, providing the framework and impetus for stores to support local activities that are a “perfect fit” for the values and culture of our Group.

Community

Mosaic art continues to be a growing craft across the UK. Topps is proud to lead the way in promoting and supporting mosaic, both as a public art and as an educational craft skill for children and adults. Our mosaic programme is broken down into two key areas where we have sponsored major competitions designed to showcase the work of novice mosaic artists:

- Mega Mosaic Makers is a primary school competition organised by The British Association for Modern Mosaic (“BAMM”), and
- our own landmark competition for adults learning mosaic in community workshops and further education centres, the Topps Tiles Award for Achievements in Mosaics.

Youth football

Sponsorship of youth football is an important part of our community relations programme. It is an exciting way for Topps to be involved in helping children in our local communities get outdoors and become active.

We are one of the biggest supporters of youth football in the UK and all of our stores are encouraged to sponsor a team. Our stores are encouraged to build close relationships with teams – providing support and equipment such as a Topps Tiles team kit, footballs and kitbags. We currently support over 300 youth teams nationwide and are very proud of this association.
Charity

In 2008, Topps became the first corporate sponsor of the fledgling charity, Help for Heroes. This decision was voted for by our employees who help us to choose the charity of their choice. Since then, we have taken this cause to our hearts in a big way. Founded in 2007, the charity funds specialist rehabilitation projects for members of the armed forces wounded in frontline conflicts, including Afghanistan. Undoubtedly it is one of Britain’s most high-profile charities and as such enjoys phenomenal support from the British public as well as from colleagues across our business. The last year saw another amazing fundraising drive by our employees, with individuals arranging events in their local communities such as golf tournaments, fishing competitions and auctions. Colleagues also participate in company-wide fundraising events which this year included a Christmas event across all stores and a charity BBQ event at our central office and warehouse in Leicester.

All the hard work and commitment that our employees put into our partnership has been recognised by Help for Heroes. The Group received an award for “Outstanding Support”. To date, we have raised close to £250,000 for the charity, and we will continue to support them throughout the duration of our partnership.

Bryn Parry, founder of Help for Heroes, commented, “Since we launched our partnership with Topps Tiles, we have seen people climb mountains, run marathons, sell thousands of wristbands, in fact, do just about anything honest and decent to raise money for Help for Heroes. The fundraising has been nothing short of extraordinary and the money raised has allowed us to provide direct, practical support to those wounded in the service of our country.”

Environment

Energy

Energy is a major driver of cost for the business and it also forms a significant part of our environmental impact. The biggest source of our energy consumption is electricity through its use for store lighting and heating systems. Energy efficient technology including low energy lighting has helped to reduce our environmental impact and we continually review opportunities to adopt new technology on a cost efficient basis wherever possible.

During the year we have sourced 14% of our electricity from renewable sources but from October 2013 this has been 100% as a result of a revised supply agreement.

Since 2010 we have been working across our store network with the Carbon Trust and our own contractors to replace old inefficient lighting installations with new efficient systems. We have completed the upgrades in 64 sites and now consider that the majority of our estate has modern and efficient lighting solutions.

Carbon emissions for the business are included within the Strategic Review section of the Directors’ Report.

Waste

We have made great progress with our waste management programme in recent years and this will continue to be a key part of our environmental agenda. All stores use dry mixed recycling which includes cardboard, paper, newspapers, plastic films, bottles, steel and aluminium cans all being collected in one bin by our chosen refuse partner.

Continuing initiatives at our warehouses have seen overall waste going to landfill reduce to less than 25% in total. Processes are in place for cardboard, plastic and banding that result in our transport fleet delivering these materials to dedicated recycling centres on a weekly basis.
Our partnership with a recycling management company continues to bring new innovation to our operations. This, together with the addition of an extra state-of-the-art bailer, has decreased the time it takes to process our waste and reduces the risk of contaminating the dry recyclables. Overall revenues for waste materials are up 47% year on year and continue to rise.

Transport

The HGV fleet has seen three new Euro 5 low emission vehicles added in place of older models. Trials continue with two major manufacturers as we look towards the next generation of Euro 6 compliant engines which become law for new vehicles from next year onwards. Fuel consumption remains a high priority when choosing our fleet. To this end the overall strategy has been to prove efficiency before committing to buy during the past 12 months. The telematics systems on all of our vehicles allow continued monitoring of driving efficiency standards with the subsequent detail being utilised for tailored driver training and analysis when choosing replacement vehicles. All our new fleet now comes with a tailored driver fuel training day which is used as part of our Driver’s Certificate of Professional Competence compliance. Drivers’ incentive schemes remain in place to encourage fuel efficiency levels. The total CO₂ emissions on the HGV fleet for the period was 2,646 tonnes (2012: 2,590 tonnes), having increased by 2.2%, but this reflects a continued reduction in third-party haulage and the inclusion of new stores to the estate. As we have increased the utilisation of our fleet our CO₂ per tonne shipped has fallen from 21.9kg to 19.6kg, a decrease of 6.7%. The first of our bespoke teardrop and urban double-decker trailers continue to show good results specifically on the journeys to Scotland and London. Further trailer technology is being considered for fleet replacement in 2014 and this will integrate with load security legislation.

Supply chain

We source the products we sell from around the world to bring the latest styles and designs to the UK market. As such we take seriously issues affecting labour standards, factory conditions and human rights. To address any possible concerns our buyers and buying agents conduct regular supplier visits and factory tours to ensure that all contracts for supply of goods include our requirements in relation to each of the above issues. We have a policy on timber products and have adopted the principles and criteria of the Forest Stewardship Council as our benchmark.

Our full policy can be found on our website at www.toppstiles.co.uk in the investor section under Corporate Responsibility.

Our people

Our employees are a central focus for us and we want them to feel engaged and proud of their Company. In doing this we strive to create a store environment which is inspiring to both our employees and our customers. A range of employment performance indicators are contained within the Strategic Report section of this report.

Employee wellbeing

We provide an employee helpline service for all employees to give them a channel for expressing concerns and seeking advice. Our in-house Health & Safety team maintains regular dialogue with staff. They carry out periodic inspections and assessments to ensure risks are minimised or removed in our stores, warehouse and offices. To promote effective communication and employee involvement, we also operate a Health & Safety Committee, which meets on a biannual basis and is chaired by a main Board Director, Rob Parker.
Communication and engagement

Communication with our employees is vital and we have initiatives in place to ensure regular and effective dialogue with colleagues. We have introduced a three year communication and engagement plan to support the business plan for the future.

- We have a number of existing communication channels, including an internal magazine and a weekly stores bulletin. In addition we have an intranet which will be relaunched early in the new financial year. This will effectively act as a “one-stop shop” for all information that colleagues across the business require.

- As part of our communication commitment, we have conducted a series of management roadshows, taking around two-thirds of our entire colleague population through our strategic plans for the next three years, and ensuring all employees understand, and are part of, our vision.

- This year saw our employee representative forum (TEAM Talk) firmly embedded across the entire business, following its successful launch last year. We have also recently completed our annual Employee Opinion Survey, with a significant increase in response rates, proving that our communications programme is working effectively. These initiatives deliver a framework for employees to participate in two-way dialogue, giving them a platform from which to help shape and influence decision making within the Group.

- We are developing our internal employee brand in a drive to attract and retain the talent needed to support our growth plans. We actively encourage colleagues to apply for internal vacancies and promotions.

- Rewarding our employees for all their hard work is part of the Topps ethos and everyone has the opportunity to enhance their basic pay through additional performance-related incentives.

- In addition to the above measures, we have an annual “back to the floor” programme where every member of the management team spends time working in our stores – we believe this provides us with a much greater level of understanding of our business and of our colleagues’ needs.

Employee development

As a Group, we actively encourage employee development. We have a strong culture and history of growing and developing our people from within the organisation and it is important to us that our employees fulfil their potential during their working time at Topps.

- 208 store colleagues are currently enrolled on a Retail Apprenticeship programme delivered by our in-house team of trained assessors. Of these a total of 136 are working towards Advanced Apprenticeships (Level 3) and 72 towards Intermediate Apprenticeships (Level 2).

- In addition to our current programme, over 700 existing store colleagues have already achieved the above qualifications.

- We are also delighted to announce that in September 2013 Topps Tiles was recognised and awarded the Regional Highly Commended BAE Large Apprenticeship Employer of the Year 2013 award by the National Apprenticeship Service. Topps Tiles was one of over 1,600 entrants for this year’s National Apprenticeship Awards, which celebrates the achievements of the country’s most outstanding apprenticeship employers and their apprentices. This award demonstrates the quality and impact of our apprenticeship programmes.

- In April 2011 the Group retained its Investors in People award for a further three years.

As craft continues to grow across the UK we support an increasing number of mosaic art initiatives, including public art and educational craft skills for children and adults.
GOVERNANCE

DIRECTORS AND ADVISORS

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### Directors

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<tr>
<th>Name</th>
<th>Position</th>
<th>Age</th>
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<tr>
<td>Rt. Hon. Michael Jack</td>
<td>Non-Executive Chairman</td>
<td>67</td>
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<tr>
<td>Matthew Williams</td>
<td>Chief Executive Officer</td>
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<td>Alan White</td>
<td>Non-Executive Director</td>
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<td>Claire Tiney</td>
<td>Non-Executive Director</td>
<td>53</td>
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<tr>
<td>Andy King</td>
<td>Non-Executive Director</td>
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### Advisors

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<th>Role</th>
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<tr>
<td>Secretary</td>
<td>R. Parker ACMA</td>
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<td>Registered number</td>
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<td>Registered office</td>
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<td>Auditor</td>
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<td>HSBC Bank Plc</td>
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<td>Registrars</td>
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<td>Financial PR Advisors</td>
<td>Citigate Dewe Rogerson</td>
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### Additional Information

1. **Rt. Hon. Michael Jack**
   - **Privy Councillor MP**
   - **Non-Executive Chairman (aged 67)**
   - In business, Michael’s management experience came from P&G, Marks and Spencer and part of Northern Foods. His career as an MP concluded in 2010 after 23 years during which he served as a Minister in four Departments including the Treasury, as Financial Secretary. Additionally, he chaired the EFRA Select Committee. Now he chairs the recently formed Office of Tax Simplification. He joined the Board of Topps Tiles in 1999.

2. **Matthew Williams**
   - **Chief Executive Officer (aged 39)**
   - Matt joined the Company in 1998 after completing his Chartered Surveyors exams and took up a role of Property Director. In 2004 he was promoted to Chief Operating Officer and on 1 April 2006 joined the Plc Board. In 2007 he was promoted to Chief Executive Officer.

3. **Robert Parker**
   - **Chief Financial Officer (aged 41)**
   - **Company Secretary**
   - Rob joined Topps Tiles in 2007 as Finance Director. Rob’s previous role before joining the Group was Director of Finance & IT for Savers Health & Beauty Ltd. Prior to that Rob was with the Boots Group Plc for 10 years, ultimately as Director of Finance for Boots Retail International. He is responsible for all aspects of finance, human resources, property, IT, Company legal and Group secretarial matters.

4. **Alan White**
   - **Non-Executive Director (aged 58)**
   - Senior Independent Director,
   - Chairman of Audit Committee,
   - Member of Nomination Committee,
   - Alan has recently retired as the Chief Executive of N Brown Group plc, a role he had held since 2002, and he is also a Non-Executive Director of Direct Wines. He qualified as a chartered accountant with Arthur Andersen and has been Group Finance Director for Sharp Electronics (UK), N Brown Group plc and Littlewoods plc. He joined the Board of Topps Tiles in April 2008.

5. **Claire Tiney**
   - **Non-Executive Director (aged 53)**
   - Chairman of Remuneration Committee,
   - Member of Nomination Committee,
   - Member of Audit Committee,
   - Claire runs her own business as an HR Consultant, Executive coach and facilitator, having spent 15 years as an Executive Director in a number of retail businesses including Mothercare and WH Smith. Most recently she was HR Director at McArthurGlen, the developer and owner of designer outlet villages throughout Europe. She was previously a Non-Executive Director of Family Mosaic and is also a Non-Executive Director of Grey 4 Gold. Claire joined the Board of Topps Tiles in November 2011.

6. **Andy King**
   - **Non-Executive Director (aged 52)**
   - Chairman of Nomination Committee,
   - Member of Audit Committee,
   - Member of Remuneration Committee,
   - Andy is the Managing Director of Dobbies Garden Centres. Previously he was Chief Executive of Nutcuts Garden Centres for 5 years and prior to that he held Global Marketing Director roles at The Body Shop, Mothercare and WH Smith, having previously spent nine years at Boots the chemists. Until December 2011 Andy was a Non-Executive Director at The Chartered Institute of Environmental Health. Andy joined the Board of Topps Tiles in January 2012.
The Directors present their Annual Report on the affairs of the Group, together with the financial statements and Auditor’s Report, for the 52 week period ended 28 September 2013. The Corporate Governance Statement set out on pages 38 to 40 forms part of this report.

Principal activity
The principal activity of the Group comprises the retail distribution of ceramic and porcelain tiles, natural stone, wood flooring and related products.

Strategic Report
The Company, being the listed entity Topps Tiles Plc, is required by the Companies Act to set out in this report a fair review of the business of the Group during the financial period ended 28 September 2013 and of the position of the Group at the end of that financial period. We are also required to set out a description of the principal risks and uncertainties facing the Group. The Company is aware of new reporting requirements for companies with year ending dates from 1st October and with this mind we have adopted a number of the new requirements this year, including the addition of a Strategic Report.

The information that fulfils the requirements of the Strategic Report can be found within the Chairman’s Statement on page 8, the Strategic and Operational Review on page 10, and the Corporate Social Responsibility Statement on pages 28 to 31, which are incorporated in this report by reference.

The future prospects of the Group are highlighted in both the Chairman’s Statement and the Strategic and Operational Review.

The Directors monitor a number of financial and non-financial key performance indicators (KPIs) for the Group and its stores. A selection of these are detailed on pages 10 and 11.

The Company conducts an annual strategic risk discussion with the Audit Committee Chairman and senior managers from the business which includes a wide range of risks including commercial, continuity and environmental, social and governance risks.

Results and dividends
The audited financial statements for the 52 week period ended 28 September 2013 are set out on pages 50 to 83. The Group’s profit for the period from continuing operations, after taxation, was £9,144,000 (2012: £9,769,000).

During the interim period a dividend of 0.5p per share was declared and paid (2012: interim dividend of 0.5p per share was paid).

Following careful consideration, and for the reasons given in the Chairman’s Statement of this report, the Board is recommending the payment of a final dividend of 1.00p per share, totalling £1,921,000 (2012: 0.75p per share, totalling £1,439,000).

Directors
The Directors of the Company, who served throughout the year and thereafter, were as follows:

- J.M. Jack Non-Executive Chairman
- M.T.M. Williams Chief Executive Officer
- R. Parker Chief Financial Officer
- A. White Senior Independent Non-Executive Director
- C. Tiney Non-Executive Director
- A. King Non-Executive Director

In line with the updated Code on Corporate Governance all Directors are subject to annual re-election at the next Annual General Meeting.

All resolutions at the Annual General Meeting are passed on a show of hands, in line with our Articles of Association. The results of the votes polled in advance are also disclosed to members present and in the event that the polled votes did not support the resolution the Chairman would formally call for a poll, thereby ensuring that all members interests are represented.

The Company provides insurance against Directors’ and Officers’ liabilities to a maximum value of £7,500,000.

The Directors’ interests in the shares of the Company are set out on page 45.

Details of Directors’ share options are provided in the Directors’ Remuneration Report on page 44.
Share capital

Details of the Company’s authorised and issued share capital, together with details of the movements in the Company’s issued share capital during the period, are shown in note 20 to the financial statements.

The Company has one class of ordinary shares in issue, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company’s shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company’s share capital and all issued shares are fully paid.

Change of control – significant agreements

The Group is party to significant agreements, including commercial contracts, financial and property agreements and employees’ share plans, which contain certain termination and other rights for the counterparties upon a change of control of the Company. Should the counterparties choose to exercise their rights under the agreements on a change of control such arrangements would need to be renegotiated. None of these are considered to be significant in terms of the likely impact on the business of the Group as a whole. There are no agreements between any Group company and any of its employees or a Director of the Company which provides for compensation to be paid to the employee or Director for termination of employment or for loss of office as a consequence of a takeover of the Company, other than provisions that would apply on any termination of employment.

Supplier payment policy

The Group’s policy is to negotiate terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and that both parties abide by those terms.

The effect of the Group’s negotiated payment policy is that trade payables at the period end represented 59 days’ purchases (2012: 43 days). Trade payables days is calculated by dividing the trade and other payables by the aggregate of cost of sales and relevant non inventory expenditure, multiplied by 365.

Carbon reporting

As detailed in the CSR section of this report on page 29 our primary energy consumption is electricity used across our store estate. In-store lighting is a major driver of overall consumption and we have been working on installing modern, energy efficient lighting for the last few years. We continue to experiment with new technology to ascertain its suitability for our business.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Co2 (Tonnes)</td>
<td>Co2 (Tonnes) /Store</td>
</tr>
<tr>
<td>Electricity</td>
<td>8,526</td>
<td>26.6</td>
</tr>
<tr>
<td>Gas and oil</td>
<td>3,440</td>
<td>10.7</td>
</tr>
<tr>
<td>Commercial fleet</td>
<td>2,646</td>
<td>8.2</td>
</tr>
<tr>
<td>Company cars</td>
<td>430</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>15,042</td>
<td>46.9</td>
</tr>
</tbody>
</table>

Energy carbon emissions has been compiled in conjunction with our suppliers (SSE and Gazprom) and is based on the actual energy consumed multiplied by Environment Agency approved emissions factors.

Vehicle emissions has been calculated by our in-house transport team based on mileage covered multiplied by manufacturer quoted emission statistics.

No data is available, with the exception of commercial fleet, for the prior period because it was not a requirement to report on it and our suppliers have been unable to supply historical data.
Charitable and political contributions


Substantial shareholdings

In addition to the Directors’ shareholdings noted on page 45, on 15 November 2013 the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following interests in 3% or more of its issued share capital.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number</th>
<th>% held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cazenove Capital Management</td>
<td>24,016,625</td>
<td>12.5%</td>
</tr>
<tr>
<td>Williams S K M Esq</td>
<td>20,593,950</td>
<td>10.7%</td>
</tr>
<tr>
<td>Invesco</td>
<td>20,143,919</td>
<td>10.5%</td>
</tr>
<tr>
<td>AXA Investment Managers SA</td>
<td>15,101,888</td>
<td>7.9%</td>
</tr>
<tr>
<td>Aviva plc</td>
<td>11,326,585</td>
<td>5.9%</td>
</tr>
<tr>
<td>Blackrock Inc</td>
<td>9,781,179</td>
<td>5.1%</td>
</tr>
<tr>
<td>River &amp; Mercantile Asset Mgmt</td>
<td>9,169,994</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

Equal opportunities

At Topps Tiles we are committed to equal opportunities and our policy is included in the Strategic and Operational Review section of this report.

Employee consultation

The Group places considerable value on communication with and involvement of employees and has continued to keep all employees informed on matters affecting them and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, electronic announcements and the Company magazine. Regular forums have been established to ensure that employee representatives are consulted on a wide range of matters affecting their current and future interests. All employees are also asked to complete a confidential annual opinion survey to ascertain their views on working for the Group and to identify any actions that can be taken to improve employee satisfaction and engagement.

Financial risk management, objectives and policies

The Group is exposed to certain financial risks, namely interest rate risk, currency risk and credit risk. Information regarding such financial risks is detailed in notes 14, 15, 16, 17 and 18. The Group’s risk management policies and procedures are also discussed in the Strategic Report on pages 20 to 27.

Share option schemes

The Directors recognise the importance of motivating employees and believe that one of the most effective incentives is increased employee participation in the Company through share ownership.

This has been achieved through the introduction of a number of employee Sharesave, share bonus, approved and unapproved share option schemes, since the flotation in 1997.

The total number of options held by employees, including Directors, is 6,079,512 (2012: 1,972,894).

As described in note 28, employee share purchase plans are open to almost all employees and provide for a purchase price equal to the daily average market price over the three days preceding the start of the offer period, less 20%. The shares can be purchased during a two week offer period, which during the period ended 28 September 2013 fell between 7 January 2013 and 24 January 2013, the offer price to employees was 43p.

Details of Directors’ share options are provided in the Directors’ Remuneration Report on page 44.

Information given to the auditor

Each of the Directors at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company’s auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.
Additional Information
01 – 31
Strategic Report
32 – 45
Governance
46 – 83
Financial Statements

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

A resolution to reappoint Deloitte LLP as the Company’s auditor will be proposed at the forthcoming Annual General Meeting.

Directors’ Responsibilities Statement

The Directors are responsible for preparing the Annual Report, Directors’ Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation. They have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent Company financial statements, the Directors are required to:

• select suitable accounting policies and then apply them consistently;
• make judgments and accounting estimates that are reasonable and prudent;
• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

• properly select and apply accounting policies;
• present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
• provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance; and
• make an assessment of the Company’s ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions. They must also disclose with reasonable accuracy, at any time, the financial position of the Company and enable themselves to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board

R. Parker,
Director and Company Secretary
26 November 2013
COrPOrate gOVernance stateMent

Rt. Hon. Michael Jack (Chairman of the Board)

Dear shareholder,

The Company is committed to the principles of corporate governance contained in the 2012 UK Corporate Governance Code issued by the Financial Reporting Council ("the Code") for which the Board is accountable to shareholders.

The Board have reviewed the contents of this report and consider the document to be fair, balanced, understandable and an accurate representation of the current position of the business. The basis for this view is that all of the Directors are furnished with the requisite information to perform their duties and are provided access to key members of management as they require. The Board meet regularly and are given adequate time to probe, debate and challenge business performance as and when they consider it necessary to do so. The Board have also discussed the detail of the financial results with the Audit Committee and are satisfied they have been prepared appropriately. Having gained a thorough understanding of the business each member has also had the opportunity to review and influence this report and as such have concluded in line with the statement above.

Statement of compliance with the Code

The Company has complied throughout the period with the Provisions of the Code. We were not, however, previously compliant with provision B6 (Evaluation) of the code, instead opting for an informal rolling programme of review. This year, the Board has conducted a review of the performance of the Board, the Board sub-committees, individual Board Directors and specifically the performance of the Chairman.

This process has been conducted by the Remuneration Chair and has taken the form of questionnaire followed by a round table discussion.

The Board of Directors comprises six members, of which four are considered independent including the Company’s Non-Executive Chairman, Rt. Hon. Michael Jack. The Senior Independent Non-Executive Director is Alan White, who also chairs the Audit Committee. Brief biographical details of all Directors are given on pages 32 and 33. The Board meets at least ten times a year. Certain defined issues are reserved for the Board including approval of financial statements and circulars, annual budgets, strategy, Directors’ appointments, internal control and risk management, corporate governance, key external and internal appointments and pensions and employee incentives. Board members are responsible for their own development but are provided access to the Company’s advisors and regularly attend external presentations and workshops on areas considered relevant and appropriate, including environmental, social and governance issues. In particular all members of the Board have access to the Deloitte Academy in London which offers seminars and professional updates on a range of relevant topics useful to enhancing the Board’s knowledge and understanding of corporate governance.

In advance of Board meetings Directors are supplied with up-to-date information about trading performance, the Group’s overall financial position and its achievement against prior year, budgets and forecasts.

Where required, a Director may seek independent professional advice at the expense of the Company. All Directors have access to the Company Secretary and they may also address specific issues to the Senior Independent Non-Executive Director.

The Company Secretary is a combined role with that of the Chief Financial Officer. The Board do not consider that this impairs the independence of the Company Secretary and the access to professional advice highlighted above is viewed as the primary mitigant to any possible impairment.

In line with the updated UK Corporate Governance Code all Directors are subject to annual re-election. Directors are elected at the first AGM after appointment. All Non-Executive Directors have written letters of appointment.

The Board considers Alan White, Claire Tiney and Andy King are independent for the purposes of the Code. The terms and conditions for the appointment of Non-Executive Directors are available for inspection on request.

The Board acknowledges the Code’s position with respect to the potential loss of independence for any Non-Executive Director who has served for nine years or more. Although the Rt. Hon. Michael Jack has exceeded this term the Board considers his broad based commercial experience and extensive business specific knowledge to be extremely beneficial. Michael was appointed to the role of Chairman in May 2011 and since then two new independent Non-Executive Directors have joined. The composition of the Board now reflects corporate governance best practice with three independent Non-Executive Directors out of a total Board of six members.

The Board will review the independence of Non-Executive Directors on an ongoing basis.

The Board operates three committees. These are the Nomination Committee, the Remuneration Committee and the Audit Committee. All of these committees meet regularly and have formal written terms of reference which are available for inspection on request.
Attendance at Board/Committee meetings

The following table shows the number of Board and Committee meetings held during the 52 week period ended 28 September 2013 and the attendance record of the individual Directors.

<table>
<thead>
<tr>
<th></th>
<th>Board of Directors</th>
<th>Audit Committee</th>
<th>Remuneration Committee</th>
<th>Nomination Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of meetings</td>
<td>12</td>
<td>2</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>J.M. Jack</td>
<td>12</td>
<td>2</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>M.T.M. Williams</td>
<td>12</td>
<td>2</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>R. Parker</td>
<td>12</td>
<td>2</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>A. White</td>
<td>12</td>
<td>2</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>C. Tiney</td>
<td>12</td>
<td>2</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>A. King</td>
<td>12</td>
<td>2</td>
<td>3</td>
<td>0</td>
</tr>
</tbody>
</table>

Statement about applying the principles of the Code

The Company has applied the principles of the UK Corporate Governance Code as reported above. Further explanation of how the Code has been applied in connection with Directors’ remuneration is set out in the Remuneration Report.

Audit Committee

The Audit Committee consists of the Non-Executive Directors. The Chairman is Alan White and the other members are Claire Tiney and Andy King. The qualifications of the Audit Committee members are detailed on page 33. Its Chairman has particularly relevant experience, being a qualified chartered accountant who has previously served as the Finance Director and Chief Executive of a listed company.

The Audit Committee considers the nature and scope of the audit process (both internal and external) and its effectiveness. It also reviews and approves the internal audit programme, meets with the external auditor and considers the Annual and Interim Financial Statements before submission to the Board. In addition reviews are made of the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. No reports have been received during the period. The Committee is responsible for the review of the Company’s key strategic risks and this process is performed by the Committee Chairman in conjunction with a number of senior operational managers. It also reviews the Group’s system of internal control and reports its findings twice a year to the Board. The Committee meets with the external auditor and other members of the Board attend at the invitation of the Audit Committee Chairman.

The Audit Committee provide advice to the Board on whether the annual report is fair, balanced and provides the necessary information shareholders require to assess the Company’s performance, business model and strategy. In doing so the following issues have been addressed specifically:

- Review of key strategic risks – the Committee Chairman conducts an annual review of key strategic risks and invites a cross section of Company management in order to ensure that the review includes a detailed understanding of the business. The review highlights the key risks based on a combination of likelihood and impact and then also considers what appropriate mitigants should be implemented (highlights from this work are included in the Strategic Report).
- Review of poor performing stores – as part of both the interim and full year end review process, poor performing stores are considered and any related impairments and/or property provisions are provided for. Management will then follow up with detailed action plans to either improve store performance or seek an exit solution. The Audit Committee also review progress towards these plans at the following review.
- Review of inventory – the product we sell is only slowly influenced by changing consumer trends and also has a high gross margin. The result of these factors is that we only rarely dispose of product for below the cost we paid. As a result, inventory provisions for slow moving or obsolete stock are modest but the Audit Committee review these as part of their review at the interim and full year stage.
- Systems implementation – during the period the business has implemented a new enterprise-wide IT system. During the year the Board received a monthly update on the system project and ensured that it was managed in a way that would maximise the benefits to the business and minimise any potential impacts and risks associated with this type of implementation. The central part of the system (warehouse, finance and merchandising) went live at the end of June and stores will follow in the first half of the new financial period.
- Going concern – the Chief Financial Officer provides an assessment of the Company’s ability to continue to trade on a going concern basis for at least the next 12 months. Forecasts are based on financial plans agreed with the Board (budgets or forecasts), the Company’s most recent trading results, and also include a range of possible downside scenarios. The assumptions that underpin these assessments are considered and discussed in detail when the Audit Committee meet. The conclusion of that review is included in the Strategic and Operational Review section of this report.
Audit Committee continued

Part of the role of the Audit Committee is to review the independence of the Company's auditor. The Company's external auditor, Deloitte LLP ("Deloitte"), also provides non-audit services to the Company in the form of tax compliance. The Audit Committee is satisfied that Deloitte LLP has adequate policies and safeguards in place to ensure that auditor objectivity and independence is maintained. The Audit Committee is aware that providing audit and non-audit advice could lead to a potential conflict of interest. The level of fees paid to Deloitte LLP for non-audit services has been considered by the Audit Committee and is not perceived to be in conflict with auditor independence. In order to ensure the continued independence and objectivity of the external auditor, there is an established policy regarding the provision of non-audit services which is that all other non-audit and tax services are put out to tender and the contract awarded based on quality and cost. The Audit Committee has concluded that the auditor, Deloitte, is independent.

Deloitte has been auditor for the Group since September 2003. The current audit partner's first period of signing partner was the financial period ending 1 October 2011. Consideration is also given, by the Committee, to the work of Deloitte and their independence in deciding whether an audit tender is required. Currently it is satisfied by the work of Deloitte and their independence, and has consequently proposed their re-appointment.

Nomination Committee

The Nomination Committee is chaired by Andy King. The other members are Alan White and Claire Tinney. The formal terms of reference for this Committee require it to make recommendations to the Board for appointments of Directors and other senior executive staff.

The Nomination Committee is also responsible for Diversity and our policy is included in the Strategic Report section of this report.

No appointments were made during the year under review and therefore the Committee was not required to meet and no external consultancy was retained.

Dialogue with institutional shareholders

The Directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders by making annual presentations and communicating regularly throughout the year. The Company also posts financial information on its website www.toppstiles.co.uk.

Maintenance of a sound system of internal control

The Board has applied principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces. The Board regularly reviews the process, which has been put in place from the start of the period to the date of the approval of this report and which is in accordance with the revised guidance on internal control published in October 2005 (The Turnbull Guidance). The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

A summary of the key risks and uncertainties are detailed in the Strategic Report section of this report.

In compliance with Provision C.2.1 of the Code, the Board continuously reviews the effectiveness of the Group's system of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled. It also examines if any significant weaknesses have been promptly remedied and whether this indicates a need for more extensive monitoring. The Board has also performed a specific assessment for the purposes of this annual report. This considered all significant aspects of internal control arising during the period covered by the report including the work of Internal Audit. The Audit Committee assists the Board in discharging its review responsibilities.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered necessary.

Rt. Hon. Michael Jack,
Chairman of the Board
26 November 2013
Introduction

This report has been prepared in accordance with Schedule 8 of the Accounting Regulations under the Companies Act 2006. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to the Directors’ remuneration in the Code. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

Part 1 – Policy Report

Whilst there have been no major reviews of remuneration policy during the year and as such no advisors have been formally engaged, the Committee have continued to take informal advice from Deloitte where it was required.

The main areas reviewed by the Committee have been the annual pay award and extension of the Company’s long-term incentive plan to a level below the Executive Management Team.

Remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the high calibre needed to maintain the Group’s position as a market leader and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the Non-Executive Directors is determined by the Board within limits set out in the Articles of Association.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board on the individual remuneration packages of each Executive Director. No Director plays a part in any discussion about his/her own remuneration.
Executive Directors

Consistent with this policy, emoluments awarded to Executive Directors are intended to be competitive. This is designed to incentivise Executive Directors and to align their interests with those of shareholders.

<table>
<thead>
<tr>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Opportunity</th>
<th>Changes in Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary To attract and retain the best employees. Reflects the role and previous experience</td>
<td>Reviewed annually in June Increases based on average salary increases of all staff External benchmarking used Any increases outside of this at the Committee’s discretion based on changes to role and responsibilities and/or external benchmarks</td>
<td>Annual increase in line with the market or as the Committee deem appropriate based on role and responsibilities and/or external benchmarks</td>
<td>None – no pay rise was awarded to staff and no discretionary increase was awarded</td>
</tr>
<tr>
<td>Benefits To attract and retain the best employees</td>
<td>Annual review of benefits by Remuneration Committee</td>
<td>Car/allowance, private medical insurance, life insurance, income protection, private fuel</td>
<td>None</td>
</tr>
<tr>
<td>Short term incentive plan (STIP) Incentivise performance on an annual basis against key financial targets and personal objectives</td>
<td>Objectives set against strategic measures (financial and non-financial) Reward for exceeding Company profit target</td>
<td>Maximum of 20% of salary can be paid in cash for delivery against strategic targets Maximum of 55% of salary can be paid in cash for exceeding Company profit target</td>
<td>Introduced in 2013</td>
</tr>
<tr>
<td>Long term incentive plan (LTIP) Incentivise performance over a rolling three year period that aligns with shareholders’ interests</td>
<td>Company (adjusted) Earnings Per Share need to grow by a minimum of c.7% p.a. on a three year cumulative basis, post any costs associated with the award</td>
<td>Up to 100% of salary awarded in shares. 25% of the award is granted at c.7% adjusted EPS growth p.a. 100% of the award is granted at c.11% adjusted EPS growth p.a.</td>
<td>Introduced in 2013</td>
</tr>
<tr>
<td>Pensions Part of overall retention strategy</td>
<td>Money purchase scheme (defined contribution)</td>
<td>5% employee contribution 10% Company contribution</td>
<td>Reviewed and amended in 2012</td>
</tr>
</tbody>
</table>
Directors’ contracts

Executive Directors

It is the Company’s policy that Executive Directors are offered permanent contracts of employment with a twelve month notice period. Under an event of contract termination any severance payment would be subject to negotiation but would be with regard to length of service and the prevailing notice period.

Non-Executive Directors

Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to Non-Executive Directors of similar companies. The basic fee paid to each Non-Executive Director in the period was £35,800 (2012: £35,000). In addition to the basic fee there is an additional allowance paid to the Senior Independent Non-Executive Director of £6,000 (2012: £6,000). With respect to the subcommittees of the Board there is a fee paid for the additional role of subcommittee Chair of £5,000 (2012: £5,000). No additional fees are payable for members of each subcommittee (2012: £nil) and each Non-Executive Director may only be paid one additional fee. It is the Company’s policy that Non-Executive Directors should have contracts with an indefinite term providing for a maximum of six months’ notice. Independent Non-Executive Directors cannot participate in any of the Company’s share option schemes and are not eligible to join the Company’s pension scheme.

The role of Chairman is also Non-Executive, with an indefinite term contract and a maximum six months’ notice. The Rt. Hon. Michael Jack served as Chairman throughout the period and has received total remuneration of £102,000 (2012: £100,000).

The changes to Non-Executive Director remuneration relates to the all-Company pay award which was granted in June 2012. Consistent with all other employees, there has been no increase during 2013.

The details of the Non-Executive Directors’ contracts are summarised in the table below:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Date of contract or letter of appointment</th>
<th>Unexpired term</th>
<th>Notice period</th>
</tr>
</thead>
<tbody>
<tr>
<td>J.M. Jack</td>
<td>26 January 1999</td>
<td>N/A</td>
<td>6 months</td>
</tr>
<tr>
<td>A. White</td>
<td>1 April 2008</td>
<td>N/A</td>
<td>6 months</td>
</tr>
<tr>
<td>C. Tiney</td>
<td>12 December 2011</td>
<td>N/A</td>
<td>6 months</td>
</tr>
<tr>
<td>A. King</td>
<td>23 January 2012</td>
<td>N/A</td>
<td>6 months</td>
</tr>
</tbody>
</table>

Part 2 – Annual Remuneration Report

For the period ended 28 September 2013, the Group’s policy on remuneration was implemented as set out below.

Aggregate Directors’ remuneration

The total amounts for Directors’ remuneration were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013 £'000</th>
<th>2012 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, bonuses and benefits in kind</td>
<td>1,077</td>
<td>1,391</td>
</tr>
<tr>
<td>Money purchase pension contributions</td>
<td>59</td>
<td>46</td>
</tr>
<tr>
<td>Share-based payments</td>
<td>–</td>
<td>65</td>
</tr>
<tr>
<td>Amounts receivable under long-term incentive schemes</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,136</strong></td>
<td><strong>1,502</strong></td>
</tr>
</tbody>
</table>
Directors’ emoluments

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Basic salary £’000</th>
<th>Vehicle allowance £’000</th>
<th>Benefits in kind £’000</th>
<th>Money purchase pension contributions £’000</th>
<th>LTIP £’000</th>
<th>STIP £’000</th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.T.M. Williams</td>
<td>372</td>
<td>24</td>
<td>2</td>
<td>37</td>
<td>–</td>
<td>129</td>
<td>564</td>
<td>579</td>
</tr>
<tr>
<td>R. Parker</td>
<td>223</td>
<td>21</td>
<td>2</td>
<td>22</td>
<td>–</td>
<td>78</td>
<td>346</td>
<td>344</td>
</tr>
<tr>
<td>N.D. Ounstead (resigned 25th April 2012)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>380</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J.M. Jack</td>
<td>102</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>102</td>
<td>100</td>
</tr>
<tr>
<td>A. White</td>
<td>42</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>42</td>
<td>41</td>
</tr>
<tr>
<td>C. Tiney</td>
<td>41</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>41</td>
<td>31</td>
</tr>
<tr>
<td>A. King</td>
<td>41</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>41</td>
<td>27</td>
</tr>
</tbody>
</table>

**Total** 821 45 4 59 – 207 1,136 1,502

Bonus payments

As detailed in the Policy Report, Executive Directors participate in an annual bonus scheme which is split across two measures. For the period ending 28 September 2013 the performance against these measures was as follows:

- Strategic Targets – four targets were set and three of these were delivered in full – 1.5% of salary was awarded
- Company Profit – the Company profit target was £12.8 million and the final declared adjusted pre-tax profit of £13 million was sufficient to trigger an award of 19.7% of salary

Directors’ share options

Share options held by the Directors relate to long-term incentive plans (LTIP) and the Company Save As You Earn scheme, which is eligible to all employees. Both Mr Williams and Mr Parker participated in the 2013 Save As You Earn Scheme and Mr Parker cancelled the 2011 Save As You Earn Scheme.

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Scheme</th>
<th>30 Sep 2012</th>
<th>Acquired</th>
<th>28 Sep 2013</th>
<th>Exercise price</th>
<th>Date from which exercisable</th>
<th>Expiry date</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Parker</td>
<td>Save As You Earn April 2009</td>
<td>44,727</td>
<td>–</td>
<td>44,727</td>
<td>£0.165</td>
<td>1 Apr ’14</td>
<td>1 Oct ’14</td>
</tr>
<tr>
<td></td>
<td>Save As You Earn April 2013</td>
<td>–</td>
<td>8,372</td>
<td>8,372</td>
<td>£0.43</td>
<td>1 Apr ’16</td>
<td>1 Oct ’16</td>
</tr>
<tr>
<td></td>
<td>2013 LTIP</td>
<td>–</td>
<td>483,371</td>
<td>483,371</td>
<td>–</td>
<td>1 Dec ’15</td>
<td>1 Dec ’25</td>
</tr>
<tr>
<td>M. Williams</td>
<td>Save As You Earn April 2011</td>
<td>5,625</td>
<td>–</td>
<td>5,625</td>
<td>£0.64</td>
<td>1 Apr ’14</td>
<td>1 Oct ’14</td>
</tr>
<tr>
<td></td>
<td>Save As You Earn April 2013</td>
<td>–</td>
<td>8,372</td>
<td>8,372</td>
<td>£0.43</td>
<td>1 Apr ’16</td>
<td>1 Oct ’16</td>
</tr>
<tr>
<td></td>
<td>2013 LTIP</td>
<td>–</td>
<td>805,618</td>
<td>805,618</td>
<td>–</td>
<td>1 Dec ’15</td>
<td>1 Dec ’25</td>
</tr>
</tbody>
</table>

The 2013 LTIP award was approved by shareholders at the Company’s AGM in January 2013. The awards are subject to a minimum cumulative adjusted EPS over the period 2012/13 to 2014/15 and will vest on a straight-line basis of between 17.1p per share (25% of the award) and 18.4p per share (100% of the award).

The numbers of shares awarded is based on 100% of salary divided by the share price averaged across the final three days of the financial year ended 28 September 2012. The 2013 LTIP was based on an average share price of 46.33p.

There were no outstanding share options held by Directors departing during the period.

The market price of the ordinary shares at 27 September 2013 was 93.0p and the range during the period was 46.5p to 94.0p.
Directors’ interests

The Directors had the following interest in the shares of the Company at the period end (all interests relate solely to ordinary shares).

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>2013 No. of ordinary shares of 3.33p each</th>
<th>2013 Holding as % of basic salary</th>
<th>2012 No. of ordinary shares of 3.33p each</th>
<th>2012 Holding as % of basic salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>M.T.M. Williams</td>
<td>592,506</td>
<td>141.3%</td>
<td>630,145</td>
<td>69.9%</td>
</tr>
<tr>
<td>R. Parker</td>
<td>100,457</td>
<td>48.7%</td>
<td>117,375</td>
<td>24.1%</td>
</tr>
<tr>
<td>J.M. Jack</td>
<td>74,250</td>
<td>–</td>
<td>74,250</td>
<td>–</td>
</tr>
<tr>
<td>A. White</td>
<td>41,499</td>
<td>–</td>
<td>41,499</td>
<td>–</td>
</tr>
<tr>
<td>C. Tiney</td>
<td>15,480</td>
<td>–</td>
<td>15,480</td>
<td>–</td>
</tr>
<tr>
<td>A. King</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Holding as % of basic salary is calculated using the closing share price of 93p (2012: 46p).

Performance graph

The following graph shows the Company’s performance, measured by total shareholder return ("TSR"), compared with the performance of the FTSE 250 Index also measured by TSR. The index chosen for the comparison demonstrates the Group’s TSR in comparison to the average for FTSE 250 companies.

The FTSE 250 index is considered a relevant comparator for the business.

Total shareholder return charting %

Approval

This report was approved by the Board of Directors on 26 November 2013 and signed on its behalf by:

Claire Tiney,
Chair of Remuneration Committee
Opinion on financial statements of Topps Tiles plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent Company’s affairs as at 28 September 2013 and of the Group’s profit and the parent Company’s loss for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated Statement of Financial Performance, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the parent Company balance sheet and the related notes 1 to 7, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity, and the related notes 1 to 29. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Going concern

As required by the Listing Rules we have reviewed the Directors’ statement on page 18 that the Group is a going concern. We confirm that:

- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern which we believe would need to be disclosed in accordance with IFRSs as adopted by the European Union; and
- we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group’s ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

- the completeness of inventory provisions, including an assessment of the appropriateness of the recorded slow-moving inventory provisions; reflecting their judgmental nature and the substantial inventory holding across the store portfolio and warehouse;
- the appropriateness and completeness of onerous lease and dilapidation provisions, including the potential impairment of property, plant and equipment in loss-making stores. This reflects their judgemental nature, which includes an assessment of the likely future periods over which leasehold properties may be vacant, estimates of future costs of making good dilapidations and an assessment of the expected future cash flows for loss-making stores; and
- the financial reporting implications of the upgrade to the Group’s financial accounting software; reflecting its fundamental importance to the Group’s operations and financial reporting, and its complex nature.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.
An overview of the scope of our audit

Given the nature of the Group’s corporate structure where all evidence relating to each component is compiled at the Group’s head office, we performed an audit covering 100% of the Group’s trading components and accordingly our samples were selected from 100% of the Group’s total assets, revenue and profit. With the exception of dormant components, no components were scoped out of the audit.

The Group audit team followed a programme of planned visits to a sample of stores as part of their consideration of the adequacy of the design and implementation of internal controls and conduct substantive tests of stock count procedures. This programme has been designed so that the Group audit team visits different store locations each year depending upon risks identified.

We scoped our response to the risks identified above as follows:

- we assessed the completeness of inventory provisions by challenging management’s principal assumptions in identifying and providing for slow-moving and other at-risk inventory. We identified at-risk inventory by reference to the quantities of inventory held at year end relative to historical sales, forecast sales levels of discontinued lines and sales made after the year end. We compared the stock losses estimated by management to historical stock losses within the business and we challenged management’s assumptions around the percentage provision made for each stock line by reference to our knowledge of the industry;

- we assessed the appropriateness and completeness of onerous lease, dilapidation and related asset impairment provisions by challenging management’s principal assumptions in identifying and providing for the Group’s at-risk properties. Deloitte property specialists assisted us in evaluating the Directors’ estimates, including the review and challenge of the advice received by the Group from its property team, for example, relating to the length of time anticipated to exit certain onerous lease agreements. We also challenged management’s assumptions in relation to the risk of asset impairment at loss-making stores by comparing projected future trading to current trading and management’s track record of returning such stores to profit; and

- we assessed the financial reporting implications of the upgrade to the Group’s financial accounting software by considering the risks of incomplete and/or inaccurate transfer of data from the old to the new system and of weaknesses in the subsequent operation of the new accounting system. Deloitte IT specialists assisted us in assessing the controls around the data transfer and subsequent operation of the new system, and we performed audit procedures to substantiate that the transfer of key financial data was accurate.

The Audit Committee’s consideration of these risks is set out on page 39.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £0.5 million, which is 5% of pre-tax profit after adjusting for the fair value gain on interest rate derivatives which was settled during the year.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £0.5 million, which is 5% of pretax profit after adjusting for the fair value gain on interest rate derivatives which was settled during the year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,000, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds.
Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

• the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
• the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

• we have not received all the information and explanations we require for our audit; or
• adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
• the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors’ remuneration have not been made or the part of the Directors’ Remuneration Report to be audited is not in agreement with the accounting records and returns. Under the Listing Rules we are required to review certain elements of the Directors’ Remuneration Report. We have nothing to report arising from these matters or our review.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company’s compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the annual report

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

• materially inconsistent with the information in the audited financial statements; or
• apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
• is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors’ statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.
Respective responsibilities of Directors and auditor

As explained more fully in the Directors’ Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s 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 and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group’s and the parent Company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Timothy Edge

(Senior statutory auditor) for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom
26 November 2013
## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the 52 weeks ended 28 September 2013

<table>
<thead>
<tr>
<th>Notes</th>
<th>52 weeks ended 28 September 2013 £’000</th>
<th>Restated* 52 weeks ended 29 September 2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group revenue – continuing operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(70,826)</td>
<td>(71,144)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>107,023</td>
<td>106,549</td>
</tr>
<tr>
<td>Employee profit sharing</td>
<td>(6,251)</td>
<td>(6,023)</td>
</tr>
<tr>
<td>Distribution and selling costs*</td>
<td>(68,483)</td>
<td>(66,734)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(4,656)</td>
<td>(4,755)</td>
</tr>
<tr>
<td>Administrative costs*</td>
<td>(10,025)</td>
<td>(9,482)</td>
</tr>
<tr>
<td>Sales and marketing costs*</td>
<td>(3,763)</td>
<td>(4,093)</td>
</tr>
<tr>
<td>Group operating profit</td>
<td>13,845</td>
<td>15,462</td>
</tr>
<tr>
<td>Other gains</td>
<td>109</td>
<td>1,624</td>
</tr>
<tr>
<td>Investment revenue</td>
<td>170</td>
<td>152</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(3,733)</td>
<td>(4,108)</td>
</tr>
<tr>
<td>Fair value gain/(loss) on interest rate derivatives</td>
<td>210</td>
<td>(637)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>10,601</td>
<td>12,493</td>
</tr>
<tr>
<td>Taxation</td>
<td>(1,457)</td>
<td>(2,724)</td>
</tr>
<tr>
<td>Profit for the period attributable to equity holders of the Company</td>
<td>9,144</td>
<td>9,769</td>
</tr>
</tbody>
</table>

**Earnings per ordinary share**

From continuing operations

- basic | 4.76p | 5.14p |
- diluted | 4.73p | 5.09p |

* During the period the Group reviewed its internal reporting structure and reclassified certain departments’ expenditure into a more appropriate operating cost caption. The comparative figures have been restated to reflect this.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 28 September 2013

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended 28 September 2013 £’000</th>
<th>52 weeks ended 29 September 2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the period</td>
<td>9,144</td>
<td>9,769</td>
</tr>
<tr>
<td>Total comprehensive income for the period attributable to equity holders of the parent Company</td>
<td>9,144</td>
<td>9,769</td>
</tr>
</tbody>
</table>
### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 September 2013

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>245</td>
<td>245</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>35,348</td>
<td>35,016</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>-</td>
<td>139</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td><strong>35,593</strong></td>
<td><strong>35,400</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current assets</th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>26,196</td>
<td>25,917</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>7,711</td>
<td>7,085</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>18,443</td>
<td>14,442</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td><strong>52,350</strong></td>
<td><strong>47,444</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total assets</th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>87,943</strong></td>
<td><strong>82,844</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current liabilities</th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans</td>
<td>(54,820)</td>
<td>(59,555)</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>(6,107)</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>(426)</td>
<td>-</td>
</tr>
<tr>
<td>Provisions</td>
<td>(2,204)</td>
<td>(1,802)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>(98,127)</strong></td>
<td><strong>(100,192)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Equity</th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>6,404</td>
<td>6,395</td>
</tr>
<tr>
<td>Share premium</td>
<td>1,492</td>
<td>1,481</td>
</tr>
<tr>
<td>Own shares</td>
<td>(10)</td>
<td>(4)</td>
</tr>
<tr>
<td>Merger reserve</td>
<td>(399)</td>
<td>(399)</td>
</tr>
<tr>
<td>Share-based payment reserve</td>
<td>649</td>
<td>566</td>
</tr>
<tr>
<td>Capital redemption reserve</td>
<td>20,359</td>
<td>20,359</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>(38,679)</td>
<td>(45,746)</td>
</tr>
<tr>
<td><strong>Total deficit attributable to equity holders of the parent</strong></td>
<td><strong>(10,184)</strong></td>
<td><strong>(17,348)</strong></td>
</tr>
</tbody>
</table>

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

The financial statements of Topps Tiles Plc, registered number 3213782, on pages 50 to 80 were approved by the Board of Directors and authorised for issue on 26 November 2013. They were signed on its behalf by:

**Matt Williams,**  
Director

**Rob Parker,**  
Director
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 28 September 2013

<table>
<thead>
<tr>
<th>Share capital £'000</th>
<th>Share premium £'000</th>
<th>Own shares reserve £'000</th>
<th>Merger reserve £'000</th>
<th>Share-based payment reserve £'000</th>
<th>Capital redemption reserve £'000</th>
<th>Retained earnings £'000</th>
<th>Total equity £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 October 2011</td>
<td>6,279</td>
<td>1,022</td>
<td>(4)</td>
<td>(399)</td>
<td>543</td>
<td>20,359</td>
<td>(53,262)</td>
</tr>
<tr>
<td>Profit and total comprehensive income for the period</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,769</td>
</tr>
<tr>
<td>Issue of share capital</td>
<td>116</td>
<td>459</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,769</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2,087)</td>
</tr>
<tr>
<td>Credit to equity for equity-settled share-based payments</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>23</td>
</tr>
<tr>
<td>Deferred tax on share-based payment transactions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(166)</td>
</tr>
<tr>
<td><strong>Balance at</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29 September 2012</td>
<td>6,395</td>
<td>1,481</td>
<td>(4)</td>
<td>(399)</td>
<td>566</td>
<td>20,359</td>
<td>(45,746)</td>
</tr>
<tr>
<td>Profit and total comprehensive income for the period</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,144</td>
</tr>
<tr>
<td>Issue of share capital</td>
<td>9</td>
<td>11</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,144</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2,396)</td>
</tr>
<tr>
<td>Own shares purchased in the period</td>
<td>–</td>
<td>–</td>
<td>(6)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(6)</td>
</tr>
<tr>
<td>Credit to equity for equity-settled share-based payments</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>83</td>
</tr>
<tr>
<td>Deferred tax on share-based payment transactions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>319</td>
</tr>
<tr>
<td><strong>Balance at</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28 September 2013</td>
<td>6,404</td>
<td>1,492</td>
<td>(10)</td>
<td>(399)</td>
<td>649</td>
<td>20,359</td>
<td>(38,679)</td>
</tr>
</tbody>
</table>
### CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 28 September 2013

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended</th>
<th>52 weeks ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>28 September</td>
<td>29 September</td>
</tr>
<tr>
<td></td>
<td>2013  £'000</td>
<td>2012  £'000</td>
</tr>
</tbody>
</table>

#### Cash flow from operating activities

Profit for the period 9,144  9,769
Taxation 1,457  2,724
Fair value (gain)/loss on interest rate derivatives (210)  637
Finance costs 3,733  4,108
Investment revenue (170)  1,152
Other gains (109)  1,624
Group operating profit 13,845  15,462
Adjustments for:
  - Depreciation of property, plant and equipment 4,258  3,988
  - Impairment of property, plant and equipment 553  525
  - Share option charge 83  23
  - (Increase)/Decrease in trade and other receivables (486)  62
  - Increase in inventories (279)  2,117
  - Increase in payables 10,209  1,782
**Cash generated by operations**
  - Interest paid (3,265)  (3,145)
  - Taxation paid (2,649)  (2,161)
Net cash from operating activities 22,269  14,419

#### Investing activities

- Interest received 199  266
- Purchase of property, plant and equipment (5,586)  (6,522)
- Proceeds on disposal of property, plant and equipment 398  5,419
Net cash used in investment activities (4,989)  837

#### Financing activities

- Dividends paid (2,396)  (2,087)
- Proceeds from issue of share capital 14  575
- Settlement of interest rate hedge (5,897)  (6,716)
- Repayment of bank loans (5,000)  –
Net cash used in financing activities (13,279)  (8,228)

Net increase in cash and cash equivalents 4,001  5,354
Cash and cash equivalents at beginning of period 14,442  9,088
**Cash and cash equivalents at end of period** 18,443  14,442
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 33. The nature of the Group’s operations and its principal activity are set out in the Directors’ Report on page 34.

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

Adoption of new and revised standards

In the current period, the following new and revised standards and interpretations have been adopted and may affect the future amounts reported in the financial statements:

Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters. The amendment clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosures of renegotiated financial assets. The impact of this amendment has been to reduce the level of disclosure provided on collateral that the entity holds as security on financial assets that are past, due or impaired.

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 IAS 32 – Classification of Rights Issues. Under the amendment, rights issues of instruments issued to acquire a fixed number of an entity’s own non-derivative equity instrument for a fixed amount in any currency and which otherwise meet the definition of equity are classified as equity.

Improvements to IFRSs 2010. Aside from those items already identified above, the amendments made to standards under the 2010 improvements to IFRSs have had no impact and will not have any impact on the Group.

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

IFRS 7 (amended): Disclosures – Transfers of Financial Assets
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 1 – (amended): Presentation of Items of Other Comprehensive Income
IAS 12 (amended): Deferred Tax: Recovery of Underlying Assets
IAS 19 (revised): Employee Benefits
IAS 27 (revised): Separate Financial Statements

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.
2 Accounting policies

a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards “IFRSs”. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS regulation. The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

b) Going concern

Based on a detailed review of the risks and uncertainties discussed within the Strategic and Operational Review, and management's current expectations, the Board believes that the 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 current economic climate creates a degree of uncertainty in the outlook which, when combined with the financial covenants included in our loan facilities, has led the Board to conduct a detailed review of a number of different trading scenarios, including reasonably possible downsides, as well as possible mitigating actions, should they be required.

Based on this analysis the Board has concluded that the Company would be able to fully meet all of its financial commitments for the foreseeable future and therefore consider it appropriate to prepare the financial statements on the going concern basis.

The principal accounting policies adopted are set out below.

c) Basis of consolidation

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

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

d) Financial period

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

Throughout the financial statements, Directors’ Report and Strategic Report, references to 2013 mean at 28 September 2013 or the 52 weeks then ended; references to 2012 mean at 29 September 2012 or the 52 weeks then ended.

e) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquiree'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 acquiree’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.
2 Accounting policies (continued)

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

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

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

Revenue for the Tesco Clubcard scheme is recognised on a gross profit basis as services are provided on an agency basis.

Sales returns are provided for based on past experience and deducted from income.

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

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

g) Exceptional items
Items are classed as exceptional where they relate to one-off costs incurred in the period that the Directors do not expect to be repeated in the same magnitude on an annual basis, or where the Directors consider the separate disclosure to be necessary to understand the Group’s performance. The principles applied in identifying exceptional costs are consistent between periods.

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

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

- Freehold buildings: 2% per annum on cost on a straight-line basis
- Short leasehold land and buildings: over the period of the lease, up to 25 years on a straight-line basis
- Fixtures and fittings: over 10 years or over four years per annum as appropriate
- Motor vehicles: 25% per annum on a reducing balance basis
- Freehold land is not depreciated.

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

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

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

i) Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

j) Inventories

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

k) Taxation

The tax expense represents the sum of the tax 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 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.
2 Accounting policies (continued)

l) Foreign currency

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

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

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

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

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

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

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

m) Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease even where payments are not made on such a basis, except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. 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.

n) Investments

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

o) Retirement benefit costs

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

p) Finance costs

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

All other finance costs of debt are recognised in the statement of financial performance over the term of the debt at a constant rate on the carrying amount.
2 Accounting policies (continued)

q) Financial instruments

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

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

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

Financial assets at FVTPL

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

A Financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Effective interest method

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

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

Impairment of financial assets

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

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

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

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

Changes in the carrying amount of the allowance account are recognised in profit or loss.
2 Accounting policies [continued]

q) Financial instruments (continued)

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

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

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

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

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

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

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

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

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

Derivative financial instruments
The Group’s activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates.
The Group uses foreign exchange forward contracts and interest rate swap contracts to manage these exposures. 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.

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

q) Financial instruments (continued)

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

r) Share-based payments

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

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

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

s) Trade payables

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

t) Operating profit

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

u) Provisions

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

v) Critical accounting judgements and key sources of estimation uncertainty

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

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

The critical judgement, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group’s accounting policies and that has the most significant effect on the amounts recognised in financial statements is the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. The Group only recognises revenue where this is the case.

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:

Impairment of property, plant and equipment

During the period, the Group has closed 12 stores in the UK, including five before their lease end dates. As the fixtures and fittings within these stores cannot be reused in other locations within the Group, the carrying value of these assets has been fully provided for in the period. Additional impairments have been made for stores which are identified for conversion during the next financial period and for loss-making stores.
2 Accounting policies (continued)

v) Critical accounting judgements and key sources of estimation uncertainty (continued)

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

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

3 Revenue
An analysis of Group revenue is as follows:

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended 28 September 2013 £'000</th>
<th>52 weeks ended 29 September 2012 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from the sale of goods</td>
<td>177,849</td>
<td>177,693</td>
</tr>
<tr>
<td>Investment revenue</td>
<td>170</td>
<td>152</td>
</tr>
<tr>
<td>Total revenue</td>
<td>178,019</td>
<td>177,845</td>
</tr>
</tbody>
</table>

Interest receivable represents gains on loans and receivables. There are no other gains recognised in respect of loans and receivables.

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

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended 28 September 2013 £'000</th>
<th>52 weeks ended 29 September 2012 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>4,258</td>
<td>3,988</td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>553</td>
<td>525</td>
</tr>
<tr>
<td>Disposal of property, plant and equipment gain</td>
<td>(109)</td>
<td>(1,624)</td>
</tr>
<tr>
<td>Property related provisions</td>
<td>927</td>
<td>208</td>
</tr>
<tr>
<td>Staff costs (see note 5)</td>
<td>43,123</td>
<td>42,801</td>
</tr>
<tr>
<td>Operating lease rentals</td>
<td>20,629</td>
<td>19,295</td>
</tr>
<tr>
<td>Write down of inventories recognised as an expense</td>
<td>2,807</td>
<td>2,594</td>
</tr>
<tr>
<td>Cost of inventories recognised as expense</td>
<td>68,019</td>
<td>68,550</td>
</tr>
<tr>
<td>Net foreign exchange gain</td>
<td>(11)</td>
<td>(30)</td>
</tr>
</tbody>
</table>
4 Profit before taxation (continued)

Analysis of auditor’s remuneration is provided below:

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended 28 September 2013 £’000</th>
<th>52 weeks ended 29 September 2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees payable to the Company’s auditor with respect to the Company’s annual accounts</td>
<td>50</td>
<td>40</td>
</tr>
<tr>
<td>Fees payable to the Company’s auditor and their associates for other audit services to the Group:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit of the Company’s subsidiaries pursuant to legislation</td>
<td>110</td>
<td>108</td>
</tr>
<tr>
<td>Total audit fees</td>
<td>160</td>
<td>148</td>
</tr>
<tr>
<td>Audit related assurance services</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Taxation compliance services</td>
<td>73</td>
<td>70</td>
</tr>
<tr>
<td>Other services</td>
<td>8</td>
<td>–</td>
</tr>
<tr>
<td>Total non audit fees</td>
<td>86</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>246</td>
<td>218</td>
</tr>
</tbody>
</table>

A description of the work of the Audit Committee is set out on pages 39 to 40 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

5 Staff costs

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

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended 28 September 2013 Number employed</th>
<th>52 weeks ended 29 September 2012 Number employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling</td>
<td>1,556</td>
<td>1,488</td>
</tr>
<tr>
<td>Administration</td>
<td>164</td>
<td>166</td>
</tr>
<tr>
<td></td>
<td>1,720</td>
<td>1,654</td>
</tr>
<tr>
<td></td>
<td>2013 £’000</td>
<td>2012 £’000</td>
</tr>
</tbody>
</table>

Their aggregate remuneration comprised:

- Wages and salaries (including LTIP, see note 28) 39,447
- Social security costs 3,466
- Other pension costs (see note 27b) 210

43,123

Details of Directors’ emoluments are disclosed on pages 43 to 44. Employee profit sharing of £6.2 million (2012: £6 million) is included in the above and comprises sales commission and bonuses.

6 Other gains

Other gains in 2013 relate to the sale of one freehold property (2012: three freehold properties).
7 Investment revenue, finance costs and fair value loss on interest rate derivatives

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended 28 September 2013 £'000</th>
<th>52 weeks ended 29 September 2012 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank interest receivable and similar income</td>
<td>170</td>
<td>152</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on bank loans and overdrafts</td>
<td>(2,200)</td>
<td>(3,119)</td>
</tr>
<tr>
<td>Interest on interest rate derivatives</td>
<td>(506)</td>
<td>(821)</td>
</tr>
<tr>
<td>Interest on underpaid tax*</td>
<td>(1,000)</td>
<td>–</td>
</tr>
<tr>
<td>Fair value loss on forward currency contracts</td>
<td>(27)</td>
<td>(168)</td>
</tr>
<tr>
<td></td>
<td>(3,733)</td>
<td>(4,108)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended 28 September 2013 £'000</th>
<th>52 weeks ended 29 September 2012 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Held for trading assets and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps gain/(loss)</td>
<td>210</td>
<td>(637)</td>
</tr>
<tr>
<td>Forward currency contracts losses</td>
<td>(27)</td>
<td>(168)</td>
</tr>
<tr>
<td></td>
<td>183</td>
<td>805</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended 28 September 2013 £'000</th>
<th>52 weeks ended 29 September 2012 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuing operations:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current tax – charge for the period</td>
<td>1,799</td>
<td>2,573</td>
</tr>
<tr>
<td>Current tax – adjustment in respect of previous periods</td>
<td>(1,226)</td>
<td>(139)</td>
</tr>
<tr>
<td>Deferred tax – effect of reduction in UK corporation tax rate</td>
<td>–</td>
<td>48</td>
</tr>
<tr>
<td>Deferred tax – charge for period (note 19)</td>
<td>875</td>
<td>661</td>
</tr>
<tr>
<td>Deferred tax – adjustment in respect of previous periods (note 19)</td>
<td>9</td>
<td>(419)</td>
</tr>
<tr>
<td></td>
<td>1,457</td>
<td>2,724</td>
</tr>
</tbody>
</table>

Corporation tax in the UK is calculated at 23.5% (2012: 25%) of the estimated assessable profit for the period.

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

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

<table>
<thead>
<tr>
<th>Continuing operations:</th>
<th>52 weeks ended 28 September 2013 £’000</th>
<th>52 weeks ended 29 September 2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>10,601</td>
<td>12,493</td>
</tr>
<tr>
<td>Tax at the UK corporation tax rate of 23.5% (2012: 25%)</td>
<td>2,491</td>
<td>3,123</td>
</tr>
<tr>
<td>Tax effect of expenses that are not deductible in determining taxable profit</td>
<td>16</td>
<td>59</td>
</tr>
<tr>
<td>Tax effect of chargeable gain lower than profit on sale of freehold property</td>
<td>(56)</td>
<td>(159)</td>
</tr>
<tr>
<td>Tax effect of tangible fixed assets which do not qualify for capital allowances</td>
<td>222</td>
<td>259</td>
</tr>
<tr>
<td>Tax effect of adjustment in respect of prior periods</td>
<td>(1,216)</td>
<td>(558)</td>
</tr>
<tr>
<td>Tax expense for the period</td>
<td>1,457</td>
<td>2,724</td>
</tr>
</tbody>
</table>

9 Dividends

<table>
<thead>
<tr>
<th>52 weeks ended 28 September 2013 £’000</th>
<th>52 weeks ended 29 September 2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim dividend for the period ended 28 September 2013 of £0.005 (2012: £0.005) per share</td>
<td>958</td>
</tr>
<tr>
<td>Proposed final dividend for the period ended 28 September 2013 of £0.01 (2012: £0.0075) per share</td>
<td>1,921</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>2013 Number of shares</th>
<th>2012 Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average number of shares</td>
<td></td>
</tr>
<tr>
<td>For basic earnings per share</td>
<td>192,012,412</td>
</tr>
<tr>
<td>Weighted average number of shares under option</td>
<td>1,351,853</td>
</tr>
<tr>
<td>For diluted earnings per share</td>
<td>193,364,265</td>
</tr>
</tbody>
</table>
10 Earnings per share (continued)

The calculation of the basic and diluted earnings per share used the denominators as shown above for both basic and diluted earnings per share. The adjusted earnings figure is based on the following data (as detailed in the Financial Review section of this report):

<table>
<thead>
<tr>
<th>From continuing operations</th>
<th>52 weeks ended 2013</th>
<th>52 weeks ended 29 September 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax for the period</td>
<td>9,144</td>
<td>9,769</td>
</tr>
<tr>
<td>Post tax effect of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>553</td>
<td>525</td>
</tr>
<tr>
<td>Property disposal gain</td>
<td>(109)</td>
<td>(1,624)</td>
</tr>
<tr>
<td>Interest rate derivative (gain)/charge</td>
<td>(161)</td>
<td>478</td>
</tr>
<tr>
<td>Fair value loss on foreign currency forward contracts</td>
<td>21</td>
<td>126</td>
</tr>
<tr>
<td>Restructuring costs</td>
<td>177</td>
<td>288</td>
</tr>
<tr>
<td>Interest on corporation tax</td>
<td>115</td>
<td>–</td>
</tr>
<tr>
<td>Property related provisions</td>
<td>709</td>
<td>155</td>
</tr>
<tr>
<td>Adjusted profit after tax for the period</td>
<td>10,449</td>
<td>9,717</td>
</tr>
</tbody>
</table>

11 Goodwill

Cost and carrying amount at 1 October 2011, 29 September 2012 and 28 September 2013: £245

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

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

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to, selling prices and direct costs during the period. Management estimates discount rates based on the Group’s weighted average cost of capital. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Discounted cash flows are calculated using a post-tax rate of 13.0% (2012: 10.9%).

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

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

As a result of the annual test of impairment of goodwill, no impairment has been identified for the current period.
12 Property, plant and equipment

<table>
<thead>
<tr>
<th>Land and buildings</th>
<th>Freehold £’000</th>
<th>Short leasehold £’000</th>
<th>Fixtures and fittings £’000</th>
<th>Motor vehicles £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 October 2011</strong></td>
<td>19,705</td>
<td>1,842</td>
<td>50,266</td>
<td>90</td>
<td>71,903</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>528</td>
<td>-</td>
<td>5,591</td>
<td>-</td>
<td>6,119</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>(4,432)</td>
<td>-</td>
<td>(2,823)</td>
<td>-</td>
<td>(7,255)</td>
</tr>
<tr>
<td><strong>At 29 September 2012</strong></td>
<td>15,801</td>
<td>1,842</td>
<td>53,034</td>
<td>90</td>
<td>70,767</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>70</td>
<td>-</td>
<td>5,358</td>
<td>121</td>
<td>5,449</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>(511)</td>
<td>-</td>
<td>(2,042)</td>
<td>(45)</td>
<td>(2,598)</td>
</tr>
<tr>
<td><strong>At 28 September 2013</strong></td>
<td>15,360</td>
<td>1,842</td>
<td>56,350</td>
<td>166</td>
<td>73,718</td>
</tr>
</tbody>
</table>

Accumulated depreciation and impairment

| **At 1 October 2011** | 1,915         | 1,537                | 31,206                      | 24                  | 34,682      |
| **Charge for the period** | 290          | 74                   | 3,599                       | 25                  | 3,988       |
| **Provision for impairment** | 65           | -                    | 460                         | -                   | 525         |
| **Eliminated on disposals** | (638)       | -                    | (2,806)                     | -                   | (3,444)     |
| **At 29 September 2012** | 1,632       | 1,611                | 32,459                      | 49                  | 35,751      |
| **Charge for the period** | 227          | 67                   | 3,925                       | 39                  | 4,258       |
| **Provision for impairment** | -            | -                    | 550                         | 3                   | 553         |
| **Eliminated on disposals** | (240)      | -                    | (1,925)                     | (27)                | (2,192)     |
| **At 28 September 2013** | 1,619       | 1,678                | 35,009                      | 64                  | 38,370      |

Carrying amount

| **At 28 September 2013** | 13,741   | 164           | 21,341                      | 102                 | 35,348      |
| **At 29 September 2012** | 14,169   | 231           | 20,575                      | 41                  | 35,016      |

Freehold land and buildings include £4,104,000 of freehold land (2012: £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 (2012: £nil).

Contractual commitments for the acquisition of property, plant and equipment are detailed in note 29.

During the period, the Group has closed 12 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 included within other operating expenses.

13 Subsidiaries

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

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts receivable for the sale of goods</td>
<td>714</td>
<td>750</td>
</tr>
<tr>
<td>Allowance for doubtful debts</td>
<td>(59)</td>
<td>(104)</td>
</tr>
<tr>
<td>Other debtors and prepayments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Rent and rates</td>
<td>5,072</td>
<td>5,090</td>
</tr>
<tr>
<td>– Other</td>
<td>1,984</td>
<td>1,349</td>
</tr>
<tr>
<td></td>
<td>7,711</td>
<td>7,085</td>
</tr>
</tbody>
</table>

The Directors consider that the carrying amount of trade and other receivables at 28 September 2013 and 29 September 2012 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 28 September 2013 amounted to £0.7 million (2012: £0.6 million). These amounts mainly relate to sundry trade accounts and Tesco Clubcard Scheme generated sales. In relation to these sales, the average credit period taken is 62 days (2012: 58 days) and no interest is charged on the receivables. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. Of the trade receivables balance at the end of the year, £161,000 (2012: £176,000) is due from Tesco Plc, the Group's largest customer.

Included in the Group's trade receivable balance are debtors with a carrying amount of £36,000 (2012: £211,000) 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. The average age of these receivables is 98 days (2012: 197 days).

Ageing of past due but not impaired receivables

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 – 120 days</td>
<td>7</td>
<td>80</td>
</tr>
<tr>
<td>121 – 200 days</td>
<td>20</td>
<td>55</td>
</tr>
<tr>
<td>Greater than 200 days</td>
<td>9</td>
<td>76</td>
</tr>
</tbody>
</table>

The allowance for doubtful debts was £59,000 by the end of the period (2012: £104,000). 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 £59,000 relating to individually impaired trade receivables (2012: £104,000) 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.
15 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:

<table>
<thead>
<tr>
<th>Currency</th>
<th>2013 £'000</th>
<th>2012 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>18,369</td>
<td>14,023</td>
</tr>
<tr>
<td>US dollar</td>
<td>27</td>
<td>254</td>
</tr>
<tr>
<td>Euro</td>
<td>47</td>
<td>165</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td><strong>18,443</strong></td>
<td><strong>14,442</strong></td>
</tr>
</tbody>
</table>

16 Other financial liabilities

Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>2013 £'000</th>
<th>2012 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>18,244</td>
<td>12,916</td>
</tr>
<tr>
<td>Other payables</td>
<td>5,506</td>
<td>3,331</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>12,179</td>
<td>9,852</td>
</tr>
<tr>
<td></td>
<td><strong>35,929</strong></td>
<td><strong>26,099</strong></td>
</tr>
</tbody>
</table>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 59 days (2012: 43 days). No interest is charged on these payables.

The Directors consider that the carrying amount of trade payables at 28 September 2013 and 29 September 2012 approximates to their fair value on the basis of discounted cash flow analysis.

17 Bank loans

<table>
<thead>
<tr>
<th></th>
<th>2013 £'000</th>
<th>2012 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans (all Sterling)</td>
<td><strong>54,555</strong></td>
<td><strong>59,289</strong></td>
</tr>
<tr>
<td>The borrowings are repayable as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>On demand or within one year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>In the second year</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>In the third to fifth year</td>
<td>55,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Less: total unamortised issue costs</td>
<td>(445)</td>
<td>(711)</td>
</tr>
<tr>
<td>Issue costs to be amortised within 12 months</td>
<td><strong>54,555</strong></td>
<td><strong>59,289</strong></td>
</tr>
<tr>
<td>Amount due for settlement after 12 months</td>
<td>265</td>
<td>266</td>
</tr>
<tr>
<td></td>
<td><strong>54,820</strong></td>
<td><strong>59,555</strong></td>
</tr>
</tbody>
</table>

The Directors consider that the carrying amount of the bank loan at 28 September 2013 and 29 September 2012 approximates to its fair value since the amounts relate to floating rate debt.
17 Bank loans (continued)
The average weighted interest rates paid on the loan were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013 %</th>
<th>2012 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>3.30</td>
<td>4.54</td>
</tr>
</tbody>
</table>

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

During the period the Group cancelled £10 million of its committed revolving credit facility, leaving a remaining facility of £65 million, expiring in May 2015. As at the financial period end £55 million of this facility was drawn, with a further £10 million of undrawn financing available. The loan facility contains financial covenants which are tested on a biannual basis.

At 28 September 2013, the Group had available £10 million (2012: £15 million) of undrawn committed banking facilities.

18 Financial instruments

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from 2012. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents disclosed in note 15 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 20 to 26.

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

Significant accounting policies

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

Categories of financial instruments

<table>
<thead>
<tr>
<th>Carrying Value and Fair Value</th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and receivables (including cash and cash equivalents)</td>
<td>19,098</td>
<td>15,088</td>
</tr>
<tr>
<td><strong>Financial liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held for trading</td>
<td>-</td>
<td>6,107</td>
</tr>
<tr>
<td>Fair value through profit and loss</td>
<td>129</td>
<td>102</td>
</tr>
<tr>
<td>Amortised cost</td>
<td>72,935</td>
<td>72,369</td>
</tr>
</tbody>
</table>

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.
18 Financial instruments (continued)

Market risks
The Group’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:
- forward foreign exchange contracts to hedge the exchange rate risk arising on the import of goods from South America and China; and
- interest rate swaps and collars to mitigate the risk of movements in interest rates.

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:

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro</td>
<td>47</td>
<td>177</td>
<td>801</td>
<td>1,253</td>
</tr>
<tr>
<td>US dollar</td>
<td>135</td>
<td>254</td>
<td>–</td>
<td>434</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit or Loss movement on a 10% strengthening in Sterling against the Euro</td>
<td>68</td>
<td>98</td>
</tr>
<tr>
<td>Profit or Loss movement on a 10% strengthening in Sterling against the US dollar</td>
<td>(12)</td>
<td>16</td>
</tr>
<tr>
<td>Profit or Loss movement on a 10% weakening in Sterling against the Euro</td>
<td>(84)</td>
<td>(120)</td>
</tr>
<tr>
<td>Profit or Loss movement on a 10% weakening in Sterling against the US dollar</td>
<td>15</td>
<td>(20)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward foreign exchange contracts</td>
<td>4,828</td>
<td>5,132</td>
</tr>
</tbody>
</table>

These arrangements are designed to address significant exchange exposures for the first half of 2013 and are renewed on a revolving basis as required.

At 28 September 2013 the fair value of the Group’s currency derivatives is a £129,000 liability within accruals and deferred income (note 16) (2012: a liability of £102,000). These amounts are based on market value of equivalent instruments at the balance sheet date.

Losses of £27,000 are included in finance costs (note 7) (2012: £168,000 loss).
18 Financial instruments (continued)

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and collars. The Group’s exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

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

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

<table>
<thead>
<tr>
<th></th>
<th>50 basis points increase in interest rates</th>
<th>50 basis points decrease in interest rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss) or profit</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>2013</td>
<td>(187)</td>
<td>187</td>
</tr>
<tr>
<td>2012</td>
<td>723</td>
<td>(441)</td>
</tr>
</tbody>
</table>

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

Interest rate derivatives

The Group used interest rate derivatives to manage its exposure to interest rate movements on its bank borrowings.

The Group’s interest rate derivative comprised of a 10 year cancellable collar with a notional value of £30 million (2012: £30 million) with a cap of 5.6% and a floor of 4.49%. The interest rate within this range is LIBOR less 0.4%. Where LIBOR falls below the floor the interest rate resets to a fixed level of 5.55%.

The fair value liability of the swaps entered into at 28 September 2013 is estimated at £nil (2012: £6,107,000). An amount of £210,000 has been credited to the statement of financial performance in the period (2012: £637,000 charge) to reflect the fair value gain.

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

Credit risk management

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

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

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 17 is a description of additional undrawn facilities that the Group has at its disposal to reduce liquidity risk further.

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 3.01688% (2012: 3.54658%) 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.
The Group is financed through a £65 million (2012 £75 million), revolving credit facility of which £55 million (2012 £65 million) was utilised. In the current period the total unused amount of financing facilities was £10 million (2012 £15 million) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Less than 1 month £’000</th>
<th>1–3 months £’000</th>
<th>3 months to 1 year £’000</th>
<th>1–5 years £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Non-interest bearing</td>
<td></td>
<td></td>
<td></td>
<td>35,929</td>
</tr>
<tr>
<td></td>
<td>Variable interest rate</td>
<td></td>
<td></td>
<td></td>
<td>5,131</td>
</tr>
<tr>
<td></td>
<td>instruments</td>
<td></td>
<td></td>
<td></td>
<td>35,929</td>
</tr>
<tr>
<td>2012</td>
<td>Non-interest bearing</td>
<td></td>
<td></td>
<td></td>
<td>26,099</td>
</tr>
<tr>
<td></td>
<td>Variable interest rate</td>
<td></td>
<td></td>
<td></td>
<td>197</td>
</tr>
<tr>
<td></td>
<td>instruments</td>
<td></td>
<td></td>
<td></td>
<td>26,099</td>
</tr>
</tbody>
</table>

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.
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- Interest rate collars are measured using applicable yield curves derived from quoted interest rates and market volatilities.

The fair values are therefore categorised as 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).
## 19 Provisions

<table>
<thead>
<tr>
<th></th>
<th>2013 £'000</th>
<th>2012 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onerous lease provision</td>
<td>1,973</td>
<td>1,080</td>
</tr>
<tr>
<td>Dilapidations provision</td>
<td>1,245</td>
<td>1,542</td>
</tr>
<tr>
<td></td>
<td><strong>3,218</strong></td>
<td><strong>2,622</strong></td>
</tr>
<tr>
<td>Current</td>
<td>1,014</td>
<td>820</td>
</tr>
<tr>
<td>Non-current</td>
<td>2,204</td>
<td>1,802</td>
</tr>
<tr>
<td></td>
<td><strong>3,218</strong></td>
<td><strong>2,622</strong></td>
</tr>
</tbody>
</table>

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 seven financial periods.

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

<table>
<thead>
<tr>
<th></th>
<th>Accelerated tax depreciation</th>
<th>Other short-term timing differences</th>
<th>Share-based payments</th>
<th>Exchange rate differences</th>
<th>Interest rate hedging</th>
<th>Rent free</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 October 2011</td>
<td>1,847</td>
<td>(42)</td>
<td>(308)</td>
<td>17</td>
<td>(2,074)</td>
<td>(35)</td>
<td>(595)</td>
</tr>
<tr>
<td>(Credit)/charge to income</td>
<td>(9)</td>
<td>(14)</td>
<td>(23)</td>
<td>(39)</td>
<td>845</td>
<td>(99)</td>
<td>661</td>
</tr>
<tr>
<td>Charge/(credit) in respect of previous periods</td>
<td>28</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>166</td>
</tr>
<tr>
<td>Impact of rate change</td>
<td>(147)</td>
<td>2</td>
<td>25</td>
<td>(1)</td>
<td>166</td>
<td>3</td>
<td>48</td>
</tr>
<tr>
<td>Charge to equity</td>
<td>–</td>
<td>–</td>
<td>166</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>166</td>
</tr>
<tr>
<td>As at 29 September 2012</td>
<td>1,719</td>
<td>[54]</td>
<td>(140)</td>
<td>(23)</td>
<td>(1,063)</td>
<td>(578)</td>
<td>(139)</td>
</tr>
<tr>
<td>(Credit)/charge to income</td>
<td>(155)</td>
<td>31</td>
<td>(19)</td>
<td>(5)</td>
<td>1,061</td>
<td>(38)</td>
<td>875</td>
</tr>
<tr>
<td>Charge in respect of previous periods</td>
<td>9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9</td>
</tr>
<tr>
<td>Credit to equity</td>
<td>–</td>
<td>–</td>
<td>(319)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(319)</td>
</tr>
<tr>
<td>As at 28 September 2013</td>
<td><strong>1,573</strong></td>
<td><strong>(23)</strong></td>
<td><strong>(478)</strong></td>
<td><strong>(28)</strong></td>
<td><strong>(2)</strong></td>
<td><strong>(616)</strong></td>
<td><strong>426</strong></td>
</tr>
</tbody>
</table>

Finance Act 2013 included provision to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015. If the deferred tax assets and liabilities of the Group were all to reverse after 1 April 2015, the effect of the reduction to 20% would be to reduce the net deferred tax liability by £56,000.
20 Called-up share capital

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised 240,000,000 (2012: 240,000,000) ordinary shares of 3.33p each (2012: 3.33p)</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Authorised 37,000,000 (2012: 37,000,000) redeemable B shares of £0.54 each</td>
<td>19,980</td>
<td>19,980</td>
</tr>
<tr>
<td>Authorised 124,890,948 (2012: 124,890,948) irredeemable C shares of £0.001 each</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,105</strong></td>
<td><strong>28,105</strong></td>
</tr>
</tbody>
</table>

Issued and fully-paid 192,127,669* (2012: 191,852,710) ordinary shares of 3.33p each (2012: 3.33p) | 6,404 | 6,395 |


* During the period 191,000 (£6,000) shares were purchased by Topps Tiles Employee Benefit Trust on behalf of the Directors and Senior Management Team. These have not been paid for at the balance sheet date.

21 Share premium

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of period</td>
<td>1,481</td>
<td>1,022</td>
</tr>
<tr>
<td>Premium on issue of new shares</td>
<td>11</td>
<td>459</td>
</tr>
<tr>
<td>At end of period</td>
<td>1,492</td>
<td>1,481</td>
</tr>
</tbody>
</table>

22 Own shares

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of period</td>
<td>(4)</td>
<td>(4)</td>
</tr>
<tr>
<td>Issued in the period</td>
<td>(6)</td>
<td>–</td>
</tr>
<tr>
<td>At end of period</td>
<td>(10)</td>
<td>(4)</td>
</tr>
</tbody>
</table>

A subsidiary of the Group holds 313,000 (2012: 122,000) shares with a nominal value of £10,000 (2012: £4,000) and therefore these have been classed as own shares.

23 Merger reserve

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start and end of period</td>
<td>(399)</td>
<td>(399)</td>
</tr>
</tbody>
</table>

24 Share-based payment reserve

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of period</td>
<td>566</td>
<td>543</td>
</tr>
<tr>
<td>Credit to equity for equity-settled share-based payments</td>
<td>83</td>
<td>23</td>
</tr>
<tr>
<td>At end of period</td>
<td>649</td>
<td>566</td>
</tr>
</tbody>
</table>
25 Capital redemption reserve

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start and end of period</td>
<td>20,359</td>
<td>20,359</td>
</tr>
</tbody>
</table>

The capital redemption reserve arose on the cancellation of treasury shares and as a result of a share reorganisation in 2006.

26 Retained earnings

<table>
<thead>
<tr>
<th></th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 October 2011</td>
<td>(53,262)</td>
</tr>
<tr>
<td>Dividends (note 9)</td>
<td>(2,087)</td>
</tr>
<tr>
<td>Deferred tax on sharesave scheme taken directly to equity</td>
<td>(166)</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>9,769</td>
</tr>
<tr>
<td>At 29 September 2012</td>
<td>(45,746)</td>
</tr>
<tr>
<td>Dividends (note 9)</td>
<td>(2,396)</td>
</tr>
<tr>
<td>Deferred tax on share save scheme taken directly to equit</td>
<td>319</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>9,144</td>
</tr>
<tr>
<td>At 28 September 2013</td>
<td>(38,679)</td>
</tr>
</tbody>
</table>

27 Financial commitments

a) Capital commitments

At the end of the period there were capital commitments contracted of £200,000 (2012: £300,000).

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 £210,000 (2012: £175,000). At the period end there are no outstanding contributions (2012: same).

c) Lease commitments

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

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

Minimum lease payments under operating leases recognised as an expense for the period were £20,629,000 which includes property service charges of £707,000 (2012: £19,295,000 including property service charges of £591,000).

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:

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings £’000</th>
<th>Other £’000</th>
<th>Land and buildings £’000</th>
<th>Other £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>- within 1 year</td>
<td>20,270</td>
<td>1,321</td>
<td>19,335</td>
<td>1,025</td>
</tr>
<tr>
<td>- within 2 – 5 years</td>
<td>67,540</td>
<td>953</td>
<td>63,334</td>
<td>1,160</td>
</tr>
<tr>
<td>- after 5 years</td>
<td>65,884</td>
<td></td>
<td>65,646</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>153,694</td>
<td>2,274</td>
<td>148,315</td>
<td>2,210</td>
</tr>
</tbody>
</table>

Operating lease payments primarily represent rentals payable by the Group for certain of its office and store properties. Leases are negotiated for an average term of 15 years and rentals are fixed for an average of five years (2012: five years).
28 Share-based payments

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

**Equity-settled share option scheme**

Options are exercisable at the middle market closing price for the working day prior to the date of grant and are exercisable three years from the date of grant if the employee is still employed by the Group at that date.

Details of the share options outstanding during the period are as follows:

<table>
<thead>
<tr>
<th>Date of grant</th>
<th>Option price</th>
<th>Exercisable period</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>26 January 2001</td>
<td>54p</td>
<td>7 years</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>12 February 2002</td>
<td>54p</td>
<td>7 years</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Movements in share options are summarised as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average exercise price</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Outstanding at beginning of period</td>
<td>–</td>
<td>40,779</td>
</tr>
<tr>
<td>Exercised during the period</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Expired during the period</td>
<td>–</td>
<td>(40,779)</td>
</tr>
<tr>
<td>Outstanding at end of period</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exercisable at end of period</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

**Other share-based payment plans**

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

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average exercise price</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Outstanding at beginning of period</td>
<td>1,972,894</td>
<td>6,229,563</td>
</tr>
<tr>
<td>Issued during the period</td>
<td>2,029,575</td>
<td>–</td>
</tr>
<tr>
<td>Expired during the period</td>
<td>(553,079)</td>
<td>(769,761)</td>
</tr>
<tr>
<td>Exercised during the period</td>
<td>(96,966)</td>
<td>(3,486,908)</td>
</tr>
<tr>
<td>Outstanding at end of period</td>
<td>3,352,424</td>
<td>1,972,894</td>
</tr>
<tr>
<td>Exercisable at end of period</td>
<td>3,352,424</td>
<td>1,972,894</td>
</tr>
</tbody>
</table>
The inputs to the Black-Scholes Model for the above three and five year plans are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average share price – pence</td>
<td>45.9</td>
<td>39.8</td>
</tr>
<tr>
<td>Weighted average exercise price – pence</td>
<td>36.7</td>
<td>31.8</td>
</tr>
<tr>
<td>Expected volatility (3 and 5 years) – %</td>
<td>48.1 and 63.6</td>
<td>47.3 and 70.6</td>
</tr>
<tr>
<td>Expected life – years</td>
<td>3 or 5</td>
<td>3 or 5</td>
</tr>
<tr>
<td>Risk-free rate of interest – %</td>
<td>0.34</td>
<td>0.2</td>
</tr>
<tr>
<td>Dividend yield – %</td>
<td>3.18</td>
<td>4.09</td>
</tr>
</tbody>
</table>

Expected volatility was determined by calculating the historical volatility of the Group’s share price over the previous three or five years (2012: three or five years). The expected risk used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

Deferred bonus long-term incentive plan

During the financial period ended 29 September 2012 an award was made under the deferred bonus long-term incentive plan (“LTIP”) for the Senior Management Team. Under this bonus scheme 25% of the award (net of tax) is deferred in the form of shares for a two year period, with a matching share award (on a gross basis) that vests at the end of two years subject to the achievement of performance conditions relating to continuing employment within the business and EBITDA earnings growth measured over the two year period.

This scheme was replaced in January 2013 when a new long-term incentive plan was approved by shareholders and as such there will be no further awards under this scheme.

The total number of shares awarded was 191,084, and the fair value of these deferred shares as at 28 September 2013 was £81,000 (2012: £95,000).

The total number of matching shares that are expected to be awarded, subject to fulfilment of the performance conditions is 363,614 and the fair value of these matching shares as at 28 September 2013 was £163,000 (2012: £nil). No options were granted or exercised during the period (2012: none). There were no options outstanding at 28 September 2013.

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average share price – pence</td>
<td>50.5</td>
<td>49.7</td>
</tr>
<tr>
<td>Weighted average exercise price – pence</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Expected volatility – %</td>
<td>43.8</td>
<td>53.4</td>
</tr>
<tr>
<td>Expected life – years</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Risk-free rate of interest – %</td>
<td>0.3</td>
<td>0.2</td>
</tr>
</tbody>
</table>

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

Management options

During the period members of the Management team were granted share options that are due to vest in October 2015, subject to the fulfilment of criteria. The number of shares that are expected to be awarded is 290,000 and the fair value of these shares as at 28 September 2013 was £138,000.

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average share price</td>
<td>55.0</td>
<td>–</td>
</tr>
<tr>
<td>Weighted average exercise price</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>48.1</td>
<td>–</td>
</tr>
<tr>
<td>Expected life</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>Risk-free rate of interest</td>
<td>0.54</td>
<td>–</td>
</tr>
</tbody>
</table>

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

In total, the Group recognised a total expense of £83,000 (2012: £23,000 expense) relating to share-based payments.

29 Related party transactions

S.K.M. Williams had the non-statutory role of President (resigned March 2012), advising on property matters and is a related party by virtue of his 10.7% shareholding (20,593,950 ordinary shares) in the Group’s issued share capital (2012: 10.7% shareholding of 20,593,950 ordinary shares).

At 28 September 2013 S.K.M. Williams was the landlord of four properties leased to Multi Tile Limited, a trading subsidiary of Topps Tiles Plc, for £208,000 (2012: four properties for £178,000) per annum.

No amounts were outstanding with S.K.M. Williams at 28 September 2013 (2012: £nil). The lease agreements on all properties are operated on commercial arm’s length terms. His salary for the period in his role as President was £nil (2012: £24,000).

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 (2012: £1.5 million) as well as share-based payments of £44,000 (2012: £65,000). Further information about the remuneration of the individual Directors is provided in the Remuneration Report on pages 41 to 45.
### COMPANY BALANCE SHEET
As at 28 September 2013

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended 2013</th>
<th>52 weeks ended 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>3</td>
<td>2,959</td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td>2,920</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtor due within one year</td>
<td>4</td>
<td>3,156</td>
</tr>
<tr>
<td>Debtor due within one year</td>
<td>4</td>
<td>35</td>
</tr>
<tr>
<td>Debtor due after one year</td>
<td>4</td>
<td>123,200</td>
</tr>
<tr>
<td>Debtor due after one year</td>
<td>4</td>
<td>221,200</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>14,784</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>20,270</td>
</tr>
<tr>
<td></td>
<td></td>
<td>141,140</td>
</tr>
<tr>
<td></td>
<td></td>
<td>241,505</td>
</tr>
<tr>
<td><strong>Creditors:</strong> Amounts falling due within one year</td>
<td>5</td>
<td>(1,387)</td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td></td>
<td>139,753</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>142,712</td>
</tr>
<tr>
<td></td>
<td></td>
<td>243,286</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called-up share capital</td>
<td>6,7</td>
<td>6,404</td>
</tr>
<tr>
<td>Share premium</td>
<td>7</td>
<td>1,492</td>
</tr>
<tr>
<td>Share premium</td>
<td></td>
<td>1,481</td>
</tr>
<tr>
<td>Share-based payment reserve</td>
<td>7</td>
<td>649</td>
</tr>
<tr>
<td>Share-based payment reserve</td>
<td>7</td>
<td>532</td>
</tr>
<tr>
<td>Capital redemption reserve</td>
<td>7</td>
<td>20,359</td>
</tr>
<tr>
<td>Other reserve</td>
<td>7</td>
<td>6,200</td>
</tr>
<tr>
<td>Other reserve</td>
<td></td>
<td>6,200</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>7</td>
<td>107,608</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>7</td>
<td>208,319</td>
</tr>
<tr>
<td><strong>Equity shareholders’ funds</strong></td>
<td>142,712</td>
<td>243,286</td>
</tr>
</tbody>
</table>

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

**Matt Williams,**  
Director

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

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

The current economic climate creates a degree of uncertainty in the outlook which when combined with the financial covenants included in our loan facilities, has led the Board to conduct a detailed review of a number of different trading scenarios, including reasonably possible downsides, as well as possible mitigating actions, should they be required.

Based on this analysis the Board has concluded that the Company would be able to fully meet all of its financial commitments for the foreseeable future and therefore consider it appropriate to prepare the financial statements on the going concern basis.

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

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The charge added to the cost of investment in those subsidiaries whose employees receive the benefit of the share options is £39,000 (2012: £8,000 credit). In respect of the deferred long-term bonus incentive plan, the share-based payment charge within the Company is £nil (2012: £57,000).

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

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

2 Profit for the period
As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period. Topps Tiles Plc reported a retained loss for the financial period ended 28 September 2013 of £100,711,000 (2012: £5,047,000). Following a review of the projected cash flows relating to this company and its subsidiaries an impairment of £98,000,000 has been recognised against the intercompany receivable.

The auditor’s remuneration for services to the Company was £50,000 for audit related work (2012: £40,000 for audit related work). Fees relating to non-audit work totalled £nil (2012: £nil), see note 4 to the Group financial statements for further details.

The Company had no other employees other than the Directors (2012: same), whose remuneration is detailed on pages 43 to 44.

3 Fixed asset investments

<table>
<thead>
<tr>
<th>Shares £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 29 September 2012</td>
</tr>
<tr>
<td>Movement in share options granted to employees</td>
</tr>
<tr>
<td><strong>At 28 September 2013</strong></td>
</tr>
</tbody>
</table>
3 Fixed asset investments (continued)

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

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

*Held directly by Topps Tiles Plc

The investments are represented by ordinary shares.

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

4 Debtors

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owed by subsidiary undertakings</td>
<td>2,977</td>
<td>–</td>
</tr>
<tr>
<td>Other debtors</td>
<td>166</td>
<td>22</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>3,156</td>
<td>35</td>
</tr>
<tr>
<td>Amounts falling due after one year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owed by subsidiary undertaking</td>
<td>123,200</td>
<td>221,200</td>
</tr>
</tbody>
</table>

Following a review of the projected cash flows relating to this Company and its subsidiaries an impairment of £98,000,000 has been recognised against the intercompany receivable.

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

5 Creditors: amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2013 £’000</th>
<th>2012 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other creditors</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>Amounts owed to subsidiary undertakings</td>
<td>251</td>
<td>130</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>1,119</td>
<td>993</td>
</tr>
<tr>
<td></td>
<td>1,387</td>
<td>1,139</td>
</tr>
</tbody>
</table>
6 Called-up share capital

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised 240,000,000 (2012: 240,000,000) ordinary shares of 3.33p each (2012: 3.33p)</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Authorised 37,000,000 (2012: 37,000,000) redeemable B shares of 0.54 each</td>
<td>19,980</td>
<td>19,980</td>
</tr>
<tr>
<td>Authorised 124,890,948 (2012: 124,890,948) irredeemable C shares of 0.001 each</td>
<td>125</td>
<td>125</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,105</strong></td>
<td><strong>28,105</strong></td>
</tr>
</tbody>
</table>

Issued and fully-paid 192,127,669* (2012: 191,852,710) ordinary shares of 3.33p each (2012: 3.33p) | 6,404 | 6,395 |

* During the period 191,000 (£6,000) shares were purchased by Topp's Tiles Employee Benefit Trust on behalf of the Directors and Senior Management Team. These have not been paid for at the balance sheet date.


7 Reserves

<table>
<thead>
<tr>
<th>Company</th>
<th>Share capital £’000</th>
<th>Share premium £’000</th>
<th>Share-based payment reserve £’000</th>
<th>Capital redemption reserve £’000</th>
<th>Other reserves £’000</th>
<th>Profit and loss account £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 29 September 2012</td>
<td>6,395</td>
<td>1,481</td>
<td>532</td>
<td>20,359</td>
<td>6,200</td>
<td>208,319</td>
<td>243,286</td>
</tr>
<tr>
<td>Loss for the period</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(98,315)</td>
<td>(98,315)</td>
</tr>
<tr>
<td>Dividend paid to equity shareholders</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2,396)</td>
<td>(2,396)</td>
</tr>
<tr>
<td>Issue of new shares</td>
<td>9</td>
<td>11</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>20</td>
</tr>
<tr>
<td>Credit to equity for equity-settled share-based payments</td>
<td>–</td>
<td>–</td>
<td>117</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>117</td>
</tr>
<tr>
<td><strong>At 28 September 2013</strong></td>
<td><strong>6,404</strong></td>
<td><strong>1,492</strong></td>
<td><strong>649</strong></td>
<td><strong>20,359</strong></td>
<td><strong>6,200</strong></td>
<td><strong>107,608</strong></td>
<td><strong>142,712</strong></td>
</tr>
</tbody>
</table>

At 28 September 2013, the Directors consider the other reserve of £6,200,000 to remain nondistributable.

The Directors consider £105,106,000 (2012: £203,106,000) of profit and loss account reserves not to be distributable at 28 September 2013. This arose on an unrealised gain on the intragroup disposal of subsidiary companies. An impairment has been recognised against the related intercompany balance this period.
### Five Year Record

**UNAUDITED**

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended</th>
<th>53 weeks ended</th>
<th>52 weeks ended</th>
<th>52 weeks ended</th>
<th>52 weeks ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26 September</td>
<td>2 October</td>
<td>1 October</td>
<td>29 September</td>
<td>28 September</td>
</tr>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Group revenue</td>
<td>186,061</td>
<td>183,420</td>
<td>175,525</td>
<td>177,693</td>
<td>177,849</td>
</tr>
<tr>
<td>Group operating profit</td>
<td>16,425</td>
<td>20,899</td>
<td>13,980</td>
<td>15,462</td>
<td>13,845</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>4,904</td>
<td>13,397</td>
<td>7,908</td>
<td>12,493</td>
<td>10,601</td>
</tr>
<tr>
<td>Shareholders’ deficit</td>
<td>(53,282)</td>
<td>(28,530)</td>
<td>(25,462)</td>
<td>(17348)</td>
<td>(10,184)</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>1.00p</td>
<td>5.37p</td>
<td>3.04p</td>
<td>5.14p</td>
<td>4.76p</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>–</td>
<td>–</td>
<td>1.50p</td>
<td>1.10p</td>
<td>1.25p</td>
</tr>
<tr>
<td>Dividend cover</td>
<td>–</td>
<td>–</td>
<td>1.92</td>
<td>4.68</td>
<td>3.17</td>
</tr>
<tr>
<td>Average number of employees</td>
<td>1,625</td>
<td>1,615</td>
<td>1,661</td>
<td>1,654</td>
<td>1,720</td>
</tr>
<tr>
<td>Share price (period end)</td>
<td>94.41p</td>
<td>60.0p</td>
<td>34.0p</td>
<td>46.0p</td>
<td>93.0p</td>
</tr>
</tbody>
</table>

All figures quoted are inclusive of continued and discontinued operations.
NOTICE IS HEREBY GIVEN that the Annual General Meeting of Topps Tiles Plc (the “Company”) will be held at Topps Tiles Plc, Thorpe Way, Grove Park, Enderby, Leicestershire LE19 1SU on 24 January 2014 at 10.00 am for the purpose of considering the following resolutions:- resolutions 1 to 11, (inclusive) as ordinary resolutions and resolutions 12 to 14 (inclusive) as special resolutions.

Ordinary business

1. To receive and adopt the Company’s Annual Report and Financial Statements for the financial period ended 28th September 2013 together with the last Directors’ Report, the last Directors’ Remuneration Report and the Auditor’s Report on those accounts and the auditable part of the Directors’ Remuneration Report.

2. To declare a final dividend of 1p per Ordinary Share on the Ordinary Shares for the period.

3. To re-elect Matthew Williams as a Director of the Company.

4. To re-elect Robert Parker as a Director of the Company.

5. To re-elect The Rt. Hon. Michael Jack as a Director of the Company.

6. To re-elect Alan White as a Director of the Company.

7. To re-elect Claire Tiney as a Director of the Company.

8. To re-elect Andy King as a Director of the Company.

9. To re-appoint Deloitte LLP as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the Annual Report and Financial Statements are laid before the Company at a remuneration to be determined by the Directors.

10. To approve the Directors’ Remuneration Report for the financial period ended 28th September 2013 as set out in the Annual Report and Financial Statements for that period.

Special business

To consider and, if thought fit, to pass the resolutions set out below which, in the case of Resolution 11 will be proposed as Ordinary Resolution and, in the case of Resolutions 12 to 14 (inclusive) will be proposed as Special Resolutions.

11. THAT, in accordance with section 551 of the Companies Act 2006 (“2006 Act”), the Directors be generally and unconditionally authorised to allot Relevant Securities (as defined in the Notes to this Resolution):

(a) comprising equity securities (as defined by section 560 of the CA 2006) up to an aggregate nominal amount of £4,264,807 (such amount to be reduced by the nominal amount of any Relevant Securities allotted pursuant the authority in paragraph 11(b) below) in connection with an offer by way of a rights issue:

i. to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and

ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) In any other case, up to an aggregate nominal amount of £2,132,403 (such amount to be reduced by the nominal amount of any equity securities allotted pursuant to the authority in paragraph 11(a) above in excess of £2,132,403),

provided that this authority shall, unless renewed, varied or revoked by the Company, expire 15 months from the passing of this resolution or, if earlier, the date of the next Annual General Meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.
12. THAT, subject to the passing of Resolution 1.1 above, the Directors of the Company be given the general power to allot equity securities (as defined by section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by Resolution 1.1 or by way of a sale of treasury shares, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities pursuant to a rights issue or similar offer to Ordinary Shareholders where the equity securities respectively attributable to the interests of all Ordinary Shareholders are proportionate or as nearly as practical (and taking into account any prohibitions against or difficulties concerning the making of an offer of allotment to shareholders whose registered address or place of residence is overseas and subject to such exclusions as the Directors of the Company may deem necessary or expedient to deal with fractional entitlement or record dates) to the respective numbers of Ordinary Shares held by them; and

(b) the allotment (other than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal amount of the greater of £320,180 or 5% of the issued share capital of the Company.

The power granted by this resolution will expire 15 months from the passing of this resolution or, if earlier, the conclusion of the Company’s next Annual General Meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

13. THAT, the Company be generally and unconditionally authorised for the purposes of section 701 of the 2006 Act to make market purchases (within the meaning of section 693(4) of the 2006 Act) of Ordinary Shares of 3 1/3p each in the capital of the Company (“Ordinary Shares”) provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 28,627,022 (representing 14.9% of the Company’s issued Ordinary Share capital),

(b) the minimum price, exclusive of any expenses, which may be paid for an Ordinary Share is 3 1/3p;

(c) the maximum price, exclusive of any expenses, which may be paid for an Ordinary Share is an amount equal to 105% of the average of the middle market quotations for an Ordinary Share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such Ordinary Share is Contracted to be purchased;

(d) unless previously renewed, varied or revoked, the authority conferred shall expire at the close of the next Annual General Meeting of the Company or 12 months from the date of this resolution, if earlier; and

(e) the Company may make a contract for the purchase of Ordinary Shares under this authority before the expiry of this authority which would or might require to be executed wholly or partly after the expiry of such authority, and may make purchases of Ordinary Shares in pursuance of such a contract as if such authority had not expired.

14. THAT, a general meeting other than an annual general meeting may be called on not less than 14 clear days’ notice.

Notes

1. The right to vote at the meeting is determined by reference to the register of members. Only those members registered in the register of members of the Company as at 6:00pm on 22 January 2014 or, in the event that the meeting is adjourned, close of business on such date being not more than 2 days prior to the date fixed for the adjourned meeting. Changes to entries in the register of members after 6:00pm on 22 January 2014 or, in the event that the meeting is adjourned, after 2 working days before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2. A member is entitled to appoint one or more persons as proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. A form of proxy is enclosed and notes for completion can be found on the form and should be read carefully before it is completed. To be valid, the form of proxy must be completed, signed and sent to the offices of the Company’s registrars, Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, so as to arrive no later than 10.00am on 22nd January 2014 or, in the event that the meeting is adjourned, no later than 2 working days before the time of any adjourned meeting.

3. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy, you will need to complete a separate proxy form in relation to each appointment. You may photocopy the enclosed proxy form, indicating clearly on each proxy form the name of the proxy you wish to appoint and the number of shares in relation to which the proxy is appointed. All forms must be signed and should be returned together in the same envelope. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The right of a member under section 324 of the Companies Act 2006 (“2006 Act”) to appoint a proxy does not apply to a person nominated to enjoy information rights under section 146 of the 2006 Act.

4. The appointment of a proxy will not preclude a member from attending and voting in person at the meeting if he or she so wishes.

5. As at the close of business on the date of this notice, the Company’s issued share capital comprised 192,174,429 Ordinary Shares of 3 1/3p each. Each Ordinary Share carries the right to one vote at a general meeting of the Company.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting. The notes to the proxy form explain how to direct your proxy to vote on each resolution or withhold their vote.

7. In the case of joint holders, where more than one joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company’s register of members in respect of the joint holding (the first named being the most senior).

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (“CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited (formerly CRESTCo’s) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuers’ agent (ID RA10) by the latest time for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the registrars are able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 3.5(5)(a) of the Uncertificated Securities Regulations 2001.

11. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under section 146 of the 2006 Act (“nominee”):

(a) the nominee may have a right under an agreement between the nominee and the member by whom he was appointed, to be appointed, or to have someone else appointed, as a proxy for the meeting; or

(b) if the nominee does not have any such right or does not wish to exercise such right, the nominee may have a right under any such agreement to give instructions to the member as to the exercise of voting rights.

12. Capita Asset Services maintain the Company’s share register. They also provide a telephone helpline service on 0871 664 0300 (calls cost 10p a minute plus network extras. Lines are open from 8.30am to 5.30pm, Monday to Friday. If you have any queries about voting or about your shareholding, please contact Capita Asset Services.

13. Members have the right to ask questions at the meeting in accordance with section 319A of the 2006 Act.

14. The following documents are available for inspection by members at the registered office of the Company (except Bank Holidays) during the normal business hours and at the place of the meeting not less than 15 minutes prior to and during the meeting:

(a) the register of Directors’ interests required to be kept under section 809 of the 2006 Act; and

(b) copies of the Directors’ service contracts.

15. Information regarding the AGM, including the information required by section 311A of the 2006 Act, is available from the Company’s website – www.toppstiles.co.uk.

Rob Parker – Company Secretary
Registered Office: Thorpe Way, Grove Park, Enderby, Leicestershire, LE19 1SU
Registered No: 3213782
THE ANNUAL GENERAL MEETING of the Company will be held at the Company’s premises at Thorpe Way, Grove Park, Enderby, Leicestershire LE19 1SU on 24 January 2014 at 10.00am.

Four of the resolutions are to be taken at this year’s Annual General Meeting as special business. By way of explanation of these and certain other resolutions:

Ordinary business

Resolution 2
Declaration of Final Dividend
A final dividend of 1p per Ordinary Share is recommended by the Directors for payment to shareholders on the register of members of the Company at 6.00pm on 27 December 2013. Subject to approval by the Ordinary Shareholders at the Annual General Meeting, the dividend will be paid on 31 January 2014. An interim dividend of 0.50p was declared which means the total dividend level will be 1.50p per Ordinary Share for the 52 weeks prior to 28 September 2013.

Resolutions 3 to 8
Re-election of Directors
The Company’s articles of association require that all members of the Board of Directors submit themselves for re-election at least every three years with the exception of the Rt. Hon. J.M. Jack who has served for at least nine years and therefore retires and offers himself for re-election annually. Although not required by the Company’s articles, each of the remaining Directors will, in the interests of good corporate governance, retire voluntarily and offer himself for re-election. Brief biographical details about all the Directors appear on pages 32 and 33 of the Annual Report and Financial Statements.

Special business

Resolution 11
Authority to issue shares
This resolution deals with the Directors’ authority to allot Relevant Securities in accordance with section 551 of the CA 2006.

This resolution complies with guidance issued by the Association of British Insurers (ABI) in December 2008 (and revised in November 2009) and will, if passed, authorise the Directors to allot:

- In relation to a pre-emptive rights issue only, equity securities (as defined by section 560 of the CA 2006) up to a maximum nominal amount of £4,264,807 which represents approximately 66.66% of the Company’s issued Ordinary Shares (excluding treasury shares) as at 24 January 2014. This maximum is reduced by the nominal amount of any Relevant Securities allotted under the authority set out in paragraph 11.2.

- In any other case, Relevant Securities up to a maximum nominal amount of £2,132,403 which represents approximately 33.3% of the Company’s issued Ordinary Shares (excluding treasury shares) as at 24 January 2014. This maximum is reduced by the nominal amount of any equity securities allotted under the authority set out in paragraph 11.1 in excess of £2,132,403.

Therefore, the maximum nominal amount of Relevant Securities (including equity securities) which may be allotted under this resolution is £4,264,807.

The Company does not currently hold any treasury shares.

The authority granted by this resolution will expire 15 months following the resolution being passed or, if earlier, the date of the next Annual General Meeting of the Company.

The Directors have no present intention to exercise this authority.

In this resolution, Relevant Securities means:

- shares in the Company, other than shares allotted pursuant to:
  - an employee share scheme (as defined in section 1166 of the CA 2006);
  - a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or
  - a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and
  - any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined in section 1166 of the CA 2006).

References to the allotment of Relevant Securities in this resolution include the grant of such rights.
Resolution 12
Disapplication of statutory rights of pre-emption
This proposed resolution seeks to obtain power under section 571 of the 2006 Act to enable the Directors to allot, for cash, shares with an aggregate nominal value of £320,180 equal to approximately 5% of the Company’s current issued share capital without being required first to offer such securities to existing shareholders. The Company will thereby be given greater flexibility when considering future opportunities but the interests of existing shareholders will be protected as, except in the case of a rights issue or the allotment of shares under the Company’s share option schemes, the Directors have no present intention to exercise its authority under this resolution to allot any part of the unissued share capital of the Company or, without the prior approval of the Company in general meeting, to make any issue which would effectively alter the control of the Company or the nature of its business. This authority will expire immediately following the Annual General Meeting next following the resolution or, if earlier, 15 months following the resolution being passed.

Resolution 13
Authority to purchase Ordinary Shares
At the Annual General Meeting, Ordinary Shareholders are being invited under Resolution 13 to grant authority to the Company to make market purchases of its Ordinary Shares. It is proposed such authority shall expire on the conclusion of the Annual General Meeting to be held in 2015 or 12 months from the date of this resolution, if earlier. This authority will be limited to the purchase of not more than 14.9% of the Ordinary Shares currently in issue. This represents the maximum amount of Ordinary Share capital in issue which is permitted before tender or partial offer to all shareholders is required to be made to perform any share buy-back. The maximum price payable under this authority will be 105% of the average of the middle market quotations of an Ordinary Share for the five business days before the relevant purchase and the minimum price will be 3½p per Ordinary Share. In considering whether or not to purchase Ordinary Shares under the market purchase authority, the Directors will take into account cash resources, the effect on gearing and other investment opportunities before exercising the authority. In addition, the Company will only exercise the authority to make such a purchase in the market when the Directors consider it is in the best interests of the shareholders generally to do so and it should result in an increase in Earnings per Ordinary Share. As at 29 September 2013, there were options to subscribe for 5,731,033 equity shares outstanding under various schemes representing approximately 3% of the current issued share capital of the Company. If the authority sought by Resolution 13 was exercised in full, the number of outstanding options would represent approximately 3.5% of the issued share capital following the repurchase of shares.

Resolution 14
Notice period for general meetings
This resolution is required to reflect the implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive increased the notice period for general meetings of the Company to 21 days. Previously the Company was able to call general meetings (other than an AGM) on 14 clear days’ notice and would like to preserve this ability going forward. In order to be able to do so shareholders must approve the calling of meetings on 14 days’ notice. Resolution 14 seeks such approval. The approval will be effective until the Company’s next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 days’ notice.
<table>
<thead>
<tr>
<th>The Team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alister Watt, Alan Harper, Alvin Chiriyanga, Amanda Green, Amanda Hullett, Amanda Samuel, Amarendra Singh, Amit Bhargava, Amy Randall, Amy Smith, Aranathan Sivanesan, Aranathanpapanan, Aranathapuvirajah, Andre Oliveira, Andrea Crooks, Andrea Moon, Andrew Bartlett, Andrew Belson, Andrew Brookfield, Andrew Canham, Andrew Chapman, Andrew Childs, Andrew Clay, Andrew Clayton, Andrew Collins, Andrew Cox, Andrew Cur, Andrew Curtis, Andrew Davis, Andrew Elliott, Andrew Green, Andrew Haining, Andrew Hamilton, Andrew Hanson, Andrew Harrison, Andrew Hill, Andrew Keatch, Andrew King, Andrew Middleton, Andrew Page, Andrew Phillips, Andrew Playfoot, Andrew Riley, Andrew Salles, Andrew Shankrey, Andrew Shaw, Andrew Smith, Andrew Taylor, Andrew Wagstaff, Andrew Warne, Andrew Waterfield, Andrew Wilkinson, Andrew Winterburn, Andrew Wood, Andrew Woodhouse, Andrew Woods, Andrew Young, Angela Capp, Angeline Da Silva, Ann Mathias, Anna Forden, Anna Weinerzyk, Annie Marie Malone, Anthony Christopher, Anthony Cox, Anthony Daly, Anthony Davies, Anthony Dedman, Anthony Docherty, Anthony Gibby, Anthony Gilbert, Anthony Gregory, Anthony Havvas, Anthony James, Anthony Lissell, Anthony Martin, Anthony Molyneux, Anthony Marr, Anthony Wood, Antonia Brown, Antonia Perkins, Antony Belham, Anub Varghese, Anurag Parashar, Anwar Marshall, Arisha Khullar, Arnold Harrison, Arnold Jones, Aron Hoff, Arthur Stafford, Arthur van Aswegen, Ashleigh Mackinnon, Ashleigh Richards, Ashley Cutler, Ashley Martin, Asim Ali, Asteraya Engdahyeu, Astone Davids, Benjamin Lawson, Benjamin Rich, Benjamin Rowe, Benjamin Willis, Benjamin Woodills, Bernadette Peasland, Beth Boulton, Beth Crozier, Bilal Rafiq, Billy Hutchins, Billy Lodge, Bjorn Bjergfelt, Bolaji Adeyanju, Bradley Ball, Bradley Crome, Bradley Moore, Brandon Abels, Brandon Sykes, Brant Wells, Brgetta Hill, Brendan Flynn, Brendan Holdaway, Brett Goulden, Brian Cariello, Brian Cook, Brian Cooper, Brian Cox, Brian Crews, Brian Dicks, Brian Flatters, Brian King, Brian Linnington, Brian Lockart, Bridget Mappley, Bruce Fielding, Bruce Garrod, Bruno Bernasconi, Bryan Torres Teran, Carolyn Paull, Catherine Platt, Charlene Walpole, Charles Robbins, Charles Ross, Charles Smith, Charles Taylor, Charles Woodward, Charlie Hamblin, Charlotte Dsorlle, Charlotte Lamming, Chelsea Crichton, Cherie Ahmet, Cheryl Veamcombe, Chetna Shah, Chia Abdulla, Chirag Shah, Chloe Bennett, Choudre Grobler, Chister Vida Farcinsen-Leh, Christian Banham, Christian Clarke, Christina Longridge, Christine Hendry, Christine Thistlewaite, Christopher Bea, Christopher Bland, Christopher Bowline, Christopher Bowles, Christopher Breerton, Christopher Cartley, Christopher Collins, Christopher Cooper, Christopher Curtis, Christopher Foster, Christopher Harbut, Christopher Heyes, Christopher Holland, Christopher Howe, Christopher Jensen, Christopher Jaynes, Christopher Lamb, Christopher Leach, Christopher Markham, Christopher Nicholls, Christopher Nix, Christopher Nottle, Christopher Potter, Christopher Sansby, Christopher Santos, Christopher Stobs, Christopher Turley, Christopher Walker, Christopher Warren, Christopher White, Christopher Williamson, Chudy Ghani, Cindy Cox, Clair Jeffries, Claire Chaffe, Claire Rayton, Claire Tinley</td>
</tr>
</tbody>
</table>
Clare Barden  
Clare Bytheway  
Colin Griffiths  
Colin Harvey  
Colin Hayward  
Colin Haban  
Colin Jay  
Colin Markham  
Colin Rymer  
Colin Skinner  
Colin Taylor  
Connor Bellhouse  
Connor Saunders  
Conrad Harrup  
Cora Morrison  
Corrina Bowers  
Craig Connor  
Craig Dolling  
Craig Hill  
Craig Murphy  
Craig Nicholson  
Craig Ollard  
Craig Reed  
Craig Smith  
Craig Telford  
Cristina Cole  
Curtis Hutton  
Czeslaw Majorek  
Daniel Omara  
Daniel Whittaker  
Danniella Green  
Danny Burgess  
Darone Dubois-Gayere  
Darran Wood  
Darren Bebbington  
Darren Bentley  
Darren Bradley  
Darren Chester  
Darren Doughty  
Darren Hancock  
Darren Harper  
Darren Hyman  
Darren Mitchell  
Darren Morgan  
Darren Rawlings  
Darren Read  
Darren Rutledge  
Darren Square  
Darren Wagg  
Darren Weeden  
Darren Bicknell  
Darren Kerr  
Darrel Ferry  
David Atherton  
David Augustus  
David Blades  
David Bolingbroke  
David Brooks  
David Burnikell  
David Carpenter  
David Clare  
David Coupland  
David Critchlow  
David Dorney  
David Elliott  
David Godbold  
David Harper  
David Hatton  
David Hayers  
David Henderson  
David Hill  
David Hirst  
David Hope  
David Hussey  
David Joyling  
David Jones  
David Kerrshaw  
David Kettlewell  
David Knight  
David Lane  
David Locke  
David Macarthey  
David Marsh  
David Matthews  
David Meers  
David Miller  
David Morris  
David Murray  
David Nichol  
David Oliver  
David Palmer  
David Parr  
David Prine  
David Randall  
David Savage  
David Sheehy  
David Shevan  
David Simons  
David Smith  
David Stott  
David Tempest  
David Thomasson  
David Thompson  
David Townsley  
David Webb  
David Whitehead  
David Wilson  
David Yallop  
Dawn Allen  
Dawn Gale Curtis  
Dean Beale  
Dean Bull  
Dean Harper  
Dean Johnson  
Dean Macmillan  
Dean Marshall  
Dean Miller  
Dean Newell  
Dean Smith-Crome  
Dean Titchen  
Dean Woolley  
Deana Turner  
Deborah Gobey  
Deborah Rooney  
Declan Speede  
Deji Babatope  
Deirdre Richardson  
Demii-Louise Skinner  
Denis O'Brien  
Denise Fishwick  
Dennis Jepson  
Dennis Jovelinos  
Dennis Lammas  
Denzi Johns  
Derek Amoo  
Derek Lambourn  
Derek Amoo  
Derek Smith  
Deviats Gudka  
Devindra Gavender  
Dewi Evans  
Dhanvir Sandhu  
Dilawar Ali  
Dilip Parmar  
Dinesh Armin  
Dipal Parikh  
Dishon Meade  
Diweshkumar Javaya  
Dominic D’Souza  
Dominic Hall  
Dominic Reilly  
Dominic Summers  
Dominic Vass  
Donald Macguill  
Donovan Robinson  
Dorothy Stewart  
Douglas Hartness  
Douglas Macquarie  
Duane Glover  
Duncan Hoy  
Duncan Fraser  
Dylan Roberts  
Eamonn Clancy  
Elizabeth Harbord  
Ellie Howcroft  
Emily Grice  
Emily Lenten  
Emma Childs  
Emma Hatton  
Emma Leavis  
Emma Whatton  
Emmanuel Liwaa  
Emran Mannan  
Eric Asuming  
Emiyas Girma  
Eshan Short  
Eva Lukaszewska  
Eva Evans  
Faisal Ashraf  
Faizar Ali  
Felipe Da Rocha West  
Finbarr Maquaid  
Fiona Grant  
Fitz Martin  
Frances Aylward  
Francesco Wright  
Frank Hibbert  
Gage Wheelerdon  
Gail Purves  
Gareth Carnegie  
Gareth Carruthers  
Gareth Davies  
Gareth Mass  
Gareth Pye  
Gareth Roberts  
Gareth Williams  
Gary Casey  
Gary Hardy  
Gary Pilling  
Gary Ashdown  
Gary Bloomfield  
Gary Curtis  
Gary Gear  
Gary Gee  
Gary Gledhill  
Gary Hawrylak  
Gary Mansden  
Gary Marshall  
Gary Peters  
Gary Roberts  
Gary Thatcher  
Gary Woolmore  
Gavin Bennett  
Gavin Collins  
Gavin Magwood  
Gavin Mitchell  
Gavin Richardson  
Gemma Stephens  
George Latham  
George Martinesz  
George Peck  
George Tupilin  
Georgina Joyson  
Geraint Thorne  
Gerald Mallon  
Gethin Jordan  
Gianfranco Zanolini  
Gillian Grace  
Glen Holloway  
Glendale Canoville  
Glenn Alford  
Glenn Claridge  
Glenn Elgy  
Glyn Rogers  
Gordon Davies  
Gordon Vallente  
Goutam Saha  
Graham Beaney  
Graham Cooper  
Graham Jones  
Graham Livingstone  
Graham Vance  
Grant Harris  
Grant Spicer  
Gregory Barwick  
Gregory McLough  
Gregory O’Loughlin  
Grzegorz Kaminski  
Gunam Sharma  
Guy Ferguson  
Hardeep Samra  
Harmeet Jassal  
Harry Biggs  
Harry Brazier  
Harry Pinaker  
Hassan Rajah  
Hazel Millington  
Heather Findler  
Heidi McGonigle  
Helen Gosling  
Helen Hughes  
Hitesh Nathu  
Holly Nettleton  
Hugh Selley  

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J

Jabbar Shah
Jacek Zebrowski
Jack Cairns
Jack Campany
Jack Coker
Jack Maddison
Jack O’Neill
Jack Walker
Jack Whitehead
Jacob Coleman
Jacqueline Byrne
Jacqueline Desborough- Morehead
Jacqueline Farnan
Jaiuline Peake
Jaime Bugg
Jair Sharp
Jawinder Harar
Jake Leach
Jake Mussen
Jake Shopland
Jake Woods
Jake Wright
James Bayley
James Biesly
James Butler
James Cameron
James Clifford
James Faulkner
James Fox
James Heard
James Holt
James Hubball
James Judkins
James Macgeoch
James Morgan
James Murphy
James Parle
James Pascoe
James Patston
James Pearson
James Pillold
James Robertson
James Rolfe
James Saunders
James Taylor
James Thorning
James Tuvey
James Vander Plank
James Walker
James Wardon
Jamie Axten
Jamie Evans
Jamie Rose
Jamie Sia
Jamie Thain
Jamie Wemborn
Jan Reddi
Jane Coventry
Janet Riley
Janice Millet
Janie Bungey
Jarred Hawkins
Jason Bennett
Jason Buckley
Jason Clare
Jason Coupland
Jason Darcy
Jason Ealden
Jason Gallagher
Jason Hannon
Jason Knox
Jason Meadows
Jason nettleford
Jason Perry
Jason Pratt
Jason Prevette
Jason Rose
Jason Thomas
Javed Parker
Jay Cinense
Jay Stanford
Jayandrie Chetty
Jayaprakash Paragjee
Jayash Patel
Jayde Bailey
Jaykumar Kulasegarampillai
Jaymal Arjan
Jeanleur Brackleshurst
Jeannette Hastie
Jedzej Poltowski
Jeffrey Adubotour
Jeffrey Armstrong
Jemma Jordan
Jemma Wyatt
Jenna Syzum
Jennifer Seabrook
Jennifer Wall
Jenny Mason
Jessica McCarty
Jessica Thirai
Jeton Jashari
Jill Cox
Joanna Terrell
Joanne Cox
Joanne Elton
Jodie Baigrie
Joe Cromie
Joe Lamond
Joe Smith
Joelle Cochrane
John Bourke
John Coleman
John Cook
John Cooper
John Duffy
John Ellis
John Fawkes
John Forden
John Foster
John Gardner
John Harris
John Harrison
John Hesp
John Hickey
John Hughes
John Keouski
John Lewis
John Marris
John McLean
John Moat
John Page
John Pilling
John Seager
John Shaw
John Smith
John Tait
John Taylor
John Thompson
John Williams
John Wright
Jonathan McCallum
John-Paul Jones
Jon Clarke
Jon Reynolds
Jon Thatcher
Jonathan Bainbridge- Coombs
Jonathan Boxall
Jonathan Francois
Jonathan Hall
Jonathan Hargreaves
Jonathan Hicks
Jonathan Mills
Jonathan Morgan
Jonathan Pringle
Jonathan Sheerin
Jonathan Smith
Jonathan Wallace
Jonathan Williams
Jonathan Winzer
Jonathan Woodroffe
Jon Paul Hughes
Jon Paul Russell
Jordan Gibbins
Jordan Macdonald
Jordan McKinlay
Joseph Cox
Joseph Greigorace
Joseph Heath
Joseph Lawton
Joseph Rudd
Joseph Sweeney
Joshua Badrick
Joshua Batterham
Joshua Gaston
Joshua Groener
Joshua Harris
Joshua Raypole
Joshua Wood
Joshua Wright
Jubair Ahmed
Juginder Gill
Julie Brachtvogel
Julie Christie
Julie Cox
Julie Frewings
Julie Jordan
Juliet Willford
Justin Bradley
Justin Evans
Justin Kirankeye-Addai
Justin Morgan
K
Kalpeshkumar Patel
Kalpik Singh
Karim Janas
Kamlesh Shah
Karen Brook
Karen Dodds
Karen Leimetter
Karen Sutcliffe
Karl Batterham
Karl Stephens
Karl Turner-Talmage
Karl Verry
Karl Wilson
Kashan Riley
Kashif Munir
Katarzyna Roberts
Katherine Davis
Kathryn Baird
Kathryn Robinson
Katie Brindley
Katy Arthur
Kawaiji Gulati
Keenan Childs
Keith Ambrose
Keith Earl
Keith Fitzpatrick
Keith Johnson
Keith Ruddin
Keith Starrier
Keith Webb
Kellie Collins
Kellie Harris
Kelly Carvell
Kelly Hackman
Kelly Horsburgh
Kelly Savile
Kelly-Anne O Connor
Kelvin Lansdowne
Kenneth Owen
Kenneth Pettengale
Kenneth Westley
Kenneth Williams
Kerim Ozkolaci
Keri Atkinson
Kerry Bate
Kerry Hume
Kevan Richardson
Kevin Baker
Kevin Bowdle
Kevin Fox
Kevin Hailes
Kevin Hartley
Kevin Hastings
Kevin Hodson
Kevin Jeans
Kevin Jones
Kevin Nicoll
Kevin Rowe
Kevin Schofield
Kevin Sherwood
Kevin Thorne
Kieran Barnes-Warden
Kieran Harvey
Kieron Clarke
Kim Liddie
Kirstie Leonard
Kirsty Haughton
Kirti Patel
Kristian Catterall
Kristian Powell
Kristopher Bailey
Krisfie Milan
Kuldeep Singh
Kulvinder Singh
Kunal Pandya
Kyle Francis
Kyle Hardie
L
Lance Cale
Laura Adams
Laura Brice
Laura Edwards
Laura Henly
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The Team (continued)

Neil Donkin
Neil Hardy
Neil Homan
Neil Jones
Neil Southgate
Neil Topping
Neil Wardlaw
Neil Williams
Neil Wilshire
Nicholas Billyeal
Nicholas Donkin
Nicholas Gadd
Nicholas Gussow
Nicholas Houghton
Nicholas Knowles
Nicholas Lawrence
Nicholas Lodge
Nicholas Smith
Nicholas Walch
Nicholas Withers
Nicholas Buchanan
Nick Wardman
Nicky Glenister
Nicola Biggs
Nicola Mowatt
Nicola Squires
Nicola Andrews
Nigel Fleming
Nigel Hickman
Nigel Parry
Nikkole Jury
Nikola Sutton
Nikunj Kumar Patel
Niroshan Aithmajothy
Nital Patel

Oliver Clancy
Oliver Hägghish
Olivia Pilson-Wood
Omid Ibrahim
Osema Masaya
Owen Tudor

Paige Makepeace
Pankaj Bhardwaj
Paolo Segagni
Patricia Evans
Patrick Coleman
Paul Baxter
Paul Burket
Paul Burrow
Paul Carter
Paul Cartledge
Paul Chapman
Paul Clark
Paul Collett
Paul Cowen
Paul Cull
Paul Dalby
Paul Davey
Paul Elliott
Paul FitzSimmons
Paul Galvin
Paul Gillham
Paul Grant
Paul Holmes
Paul Hutchins
Paul Irving
Paul Kelly
Paul Krawczyk
Paul Laverty
Paul Lester
Paul McCabe
Paul Miller
Paul Mills
Paul Nicholls
Paul Noyes
Paul Ruddle
Paul Silvester
Paul Smith
Paul Starkey
Paul Tennant
Paul Tregaskis
Paul Vandendyck
Paul West
Paul Whittington
Paul Whitworth
Paul Withshaw
Paula Budsworth
Pauline Harrison
Pawel Warych
Peter Bauer
Peter Anderson
Peter Callan
Peter Charters
Peter Hanley
Peter Higgins
Peter Hogg
Peter Jones
Peter Nicholson
Peter Oldman
Peter Scott
Peter Simmonds
Peter Stubbs
Peter Turtle
Peter Walmsley
Peter Young
Philip Banks
Philip Cranston
Philip Dunn
Philip Gallop
Philip Hibbert
Philip Kelly
Philip Mccarney
Philip Quane
Philip Grode
Philip Goodeve
Phillip Gundel
Phillip Hunt
Phillip Walters
Phillippa Hewitt
Pheobe Webb
Prakash Mistry
Premyslaw Swislocki
Pritesh Bhatt

Quadeer Ahmed
Guang Pham

Rachit Vadgama
Rae Williams
Rafal Wojtasik
Raj Surani
Rajiv Vadgama
Ramanjeet Narain
Ravendra Bishun
Ravkumar Patel
Raymond Johnson
Rea Taran
Rebecca Julie Goodwin
Rebecca Lively
Rebecca Oblein
Reiss Maddison
Rhys Bennett
Rhys Bird
Rhys Hedges
Rhys Kelland
Rhys Shepherd
Ricardo Malcolm
Richard Bickers
Richard Brooks
Richard Carter
Richard Clark
Richard Davies
Richard Edwards
Richard Fagan
Richard Fellows
Richard Geare
Richard Harris
Richard Hickman
Richard Hopkin
Richard Lewington
Richard McCracken
Richard O’donnell
Richard Oldale
Richard Slack
Richard Small
Richard Summer
Richard Westell
Rickey Singleton
Ricky Bishop
Rhe山谷
Robel Ghebrewoold
Robert Adams
Robert Adkins
Robert Aldridge
Robert Beard
Robert Bindon
Robert Chown
Robert Clarke
Robert Collins
Robert Eley
Robert Gedlek
Robert George
Robert Havens
Robert Hawkner
Robert Jay
Robert Keohane
Robert King
Robert Kremers
Robert Kwal
Robert Lynch
Robert Lyons
Robert Mccormick
Robert Mcgowan
Robert Moss
Robert Myers
Robert Parker
Robert Prince
Robert Prothero-Dyer
Robert Swift
Robert Stagg
Robert Thomson
Rodney Meyer
Roger Grisdale
Roger Lazenby
Ronald Forester
Ronald Woolgar
Ross Ashbrook
Ross Copley
Ross Langford
Ross Matthews
Rosanne Evans
Rosanne Martin
Roy Peasland
Roy Redgate
Ryan Apark
Ryan Coleman
Ryan Curd
Ryan Gomersall
Ryan Jones
Ryan Lee
Ryan Randall
Ryan Sinclair

S
Salman Bawani
Sam Davis
Sam Norkey
Sam Orton
Samanta Hunter
Samantha Leavis
Samantha Macrygiannis
Samantha Sumber
Sameer Jamdar
Sampson Coomber
Samson Okolosi
Samuel Carey
Samuel Heath
Samuel Knowles
Samuel Lenny
Samuel Purvis
Sandip Sahota
Sandra Ramsay
Sanjeev Pal
Sarah Bacon
Sarah Cassam
Sarah Dobson
Sarah Drake
Sarah Harris
Sarah Jordan
Sarah Kele
Sarah Newcomb
Savio Coutinho
Sayanathan Nallanathan
Scott Ahmad
Scott Birdseye
Scott Bond
Scott Bunting
Scott Campbell
Scott Currie
Scott Meadows
Scott Williams
Sean Baxter
Sean Cahill
Sean Collins
Sean Dare
Sean Gee
Sean King
Sean McLean
Sean Taylor
Sean Weatherby
Shahid Mahmood
Shana Esoworthy
Shane Bryan
Shane Daley
Shane Harte
Shane Lindsay
Shane Malone
Shane Till
Shannon Woods
Sharon Beckett
Sharon Buckley
Sharon Simmonds
Shaun Barrett
London
- Chingford
- Edmonton
- Stanford Hill
- Enfield
- Waltham Cross
- Shoreditch
- Southall
- Staples Corner
- New Southgate
- New Southgate Clearance
- Collindale
- Wembley
- Hayes
- Uxbridge
- Golders Green
- North Finchley
- Ruslip
- Westfields
- Harrow
- Acton
- Ilford
- Beckton
- Mile End Topps
- Wapping
- Barking Topps
- Mile End Topps
- Beckton
- Ilford
- Acton
- Harrow
- Westfields
- North Finchley
- Golders Green
- Uxbridge
- New Southgate

Midlands
- Workop
- Hull
- Hull Clearance
- Grimsby
- Rotherham
- Meadowhall
- Barnsley
- Doncaster
- Doncaster Sprotborough
- Congleton
- Northwich
- Lincoln
- Newark
- Boston
- Mansfield
- Grantham
- Spalding
- Lincoln Outer Circle
- Chesterfield
- Nottingham – Lady Bay
- Nottingham – Castle Park
- Long Eaton
- Derby Osmaston
- Derby
- Telford
- Shrewsbury
- Newcastle-under-Lyme
- Leek
- Nantwich
- Crewe
- Cannock
- Stoke on Trent – Fenton
- Stoke Clearance
- Birmingham – Great Barr
- Birmingham – Solihull
- Wolverhampton
- Wolverhampton Clearance
- Birmingham – Erdington
- Birmingham – Sheldon
- West Bromwich
- Tamworth
- Burton on Trent
- Lichfield
- Coventry
- Coventry – Binley
- Stratford Upon Avon
- Nuneaton Topps
- Redditch
- Kidderminster
- Kings Heath
- Rugby
- Leicester
- Leicester – Grove Park
- Kettering
- Loughborough
- Cheltenham
- Stoke On Trent*
- Wolverhampton
- Kettering*

North
- Carlisle
- Penrith
- Workington
- Stockton
- Newcastle upon Tyne
- Durham
- Darlington
- York Clifton Moor
- Harrogate
- Scarborough
- Wakefield
- Pontefract
- Gateshead
- Widnes
- St Helens
- Bolton
- Blackburn
- Morecambe
- Barrow
- Preston
- Cleveleys
- Chorley
- Ormskirk
- Blackpool Marion
- Chester
- Warrington
- Birkenhead
- Wigan
- Wigan Clearance
- Ashton
- Aintree
- Manchester – Salford
- Manchester – Audenshaw
- Chadderton
- Manchester – Green Quarter
- Manchester – Sale
- Stockport
- Stockport Clearance
- Manchester – Fallowfield
- Manchester – Hyde
- Oldham
- Huddersfield
- Marsden
- Leeds
- Bradford
- Sheffield Hillsborough
- Hull*
- Stockport*
- Wigan*
- Liverpool*

Scotland and Northern Ireland
- Edinburgh – Hillington
- Wigtown
- Glasgow – Greenock
- Glasgow
- Glasgow – Shawfield
- Edinburgh – Leith
- Aberdeen
- Inverness
- Dundee
- Edinburgh – Sighthill
- Aberdeen – Bridge of Don
- Edinburgh – Kintraid
- Glasgow – Govan
- Dumfries
- Ayr
- East Lothian
- Edinburgh – Haymarket
- Aberdeenshire
- Edinburgh – Linlithgow
- Edinburgh – Leith
- Edinburgh – Portobello

South
- Kings Lynn
- Wisbech
- Peterborough – Boongate
- Peterborough – Rex Centre
- Stamford
- Chelmsford
- Colchester
- Sudbury
- Braintree
- Clacton on Sea
- Chelmsford Springfield
- Harlow
- Harlow Clearance
- Bishop Stortford
- North London
- Waltham Cross
- North London
- Isle of Wight
- Reading
- Newbury
- Southampton – Millbrook
- Southampton – Hedge End
- Oxford – Cowley
- Oxford – Abingdon
- Oxford – Banbury
- Oxford – Bicester

Wales
- Wrexham
- Cardiff – Hadfield Rd
- Cardiff – Newport Rd
- Bridgend
- Merthyr Tydfil
- Cross Hands
- Neath
- Carmarthen
- Barry
- Swansea – Llansamlet
- Swansea – Cwmdu
- Flint
- Rhyd
- Bangor

Northern Ireland
- Antrim
- Ballymena
- Ballymena
- Ballymena
- Ballymoney
- Belfast
- Bangor
- Newtownabbey
- Newtownabbey
- Newtownabbey
- Carlow
- Wicklow
- Kildare
- Dundalk
- Drogheda
- Drogheda
- Letterkenny
- Waterford
- Kilkenny
- Sligo
- Killarney
- Cork
- Tralee
- Tralee
- Limerick
- Tralee
- Kerry

*Brand swapped store
### Store Locations

- **Scotland**
- **Northern Ireland**
- **Midlands**
- **London**
- **South**
- **Wales**

### Topps Tiles – Store Numbers

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stores at the beginning of the period</td>
<td>325</td>
</tr>
<tr>
<td>New stores opened</td>
<td>18</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td>343</td>
</tr>
<tr>
<td>Closures (including brand swaps)</td>
<td>-15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>328</td>
</tr>
</tbody>
</table>
50 YEARS OF SUCCESS, 328 STORES AND STILL GROWING

**2013**
Topps Tiles celebrates its 50th year anniversary.

**2011**
Topps Tiles open a brand new 50,000 sq. ft. warehouse to fulfill online orders and expand their product range.

**2010**
- We launch our How-To DVD and online tile visualiser
- We sponsor the ITV Weather

**2007**
- Matt Williams is appointed our new CEO
- Topps Tiles sponsors Leicester City Football Club
- We launch our Youth Sponsorship programme

**2003**
We win PIC of the Year award.

**2002**
We launch our own radio station - Topps FM - and our first national TV campaign.

**1995**
Tile Kingdom buys and becomes Topps Tiles, meaning 40 stores across the UK.

**1963**
The first Topps Tiles is opened in Manchester, owned by Ted Derbyshire.

Topps Tiles Plc
Thorpe Way, Grove Park, Enderby, Leicestershire LE19 1SU
T 0116 282 8000
F 0116 282 8115
www.toppstiles.co.uk