This has been another year of strategic progress for Topps, with a resilient sales performance in our retail business and significant development in our commercial operations.

**Inspiring customers through our love of tiles**

The core purpose of the business is to inspire customers through our love of tiles. This purpose also helps to give the business great strategic clarity in that any opportunities we pursue should seek to leverage our core specialism in tiles.

Topps Tiles has **362** retail stores across the UK with a broad geographic reach which means most customers require less than a **20-minute** drive time to reach their local store.

See the full list of our stores on page 146.
Our overarching goal for the Group is to drive profitable sales growth through our retail and commercial businesses. This goal is supported by our “leading product” initiative which encapsulates our leading specialism in tiles and our “leading people” initiative which includes all of our Group support functions and our industry-leading levels of customer service. The Board is confident that this is the right overall strategy for the Group.

Read more about . . .

OUR STRATEGY
+
See more information on Strategy on page 12

We maintain an investor website containing a wide range of information.

Investor website
We maintain an investor website containing a wide range of information.

Front cover image: Rhomba Metallic, Torrano and Tekno Grey
Inside front cover image: Arrange by Tom Pigeon (Parkside)

 Investor website
We maintain an investor website containing a wide range of information.

www.toppstilesplc.com
## 2019 HIGHLIGHTS

### STATUTORY MEASURES

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group Revenue (£m)</strong></td>
<td>2150</td>
<td>2118</td>
<td>2169</td>
<td>2192</td>
</tr>
<tr>
<td>Year-on-Year: +1.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross Margin (%)</strong></td>
<td>61.9</td>
<td>61.1</td>
<td>61.1</td>
<td>61.6</td>
</tr>
<tr>
<td>Year-on-Year: +50bps</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Final Dividend (p)</strong></td>
<td>2.50</td>
<td>2.30</td>
<td>2.30</td>
<td>2.30</td>
</tr>
<tr>
<td>Year-on-Year: nil</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Cash from Operating Activities (£m)</strong></td>
<td>21.9</td>
<td>21.9</td>
<td>15.2</td>
<td>24.2</td>
</tr>
<tr>
<td>Year-on-Year: nil</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Dividend (p)</strong></td>
<td>3.50</td>
<td>3.40</td>
<td>3.40</td>
<td>3.40</td>
</tr>
<tr>
<td>Year-on-Year: nil</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit Before Tax (£m)</strong></td>
<td>20.0</td>
<td>17.0</td>
<td>12.7</td>
<td>12.5</td>
</tr>
<tr>
<td>Year-on-Year: (1.6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Basic Earnings Per Share (p)</strong></td>
<td>8.05</td>
<td>6.98</td>
<td>5.00</td>
<td>5.18</td>
</tr>
<tr>
<td>Year-on-Year: +3.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### ADJUSTED MEASURES

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Like-for-like Revenue Growth (%)</strong></td>
<td>4.2</td>
<td>0.0</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>Year-on-Year: n/a</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted Profit Before Tax (£m)</strong></td>
<td>22.0</td>
<td>18.6</td>
<td>16.0</td>
<td>16.0</td>
</tr>
<tr>
<td>Year-on-Year: nil</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted Group Revenue</strong></td>
<td>£214.3m</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018: £214.8m Year-on-Year: (0.2)%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted Gross Margin</strong></td>
<td>62.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018: 61.3% Year-on-Year: +70bps</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Debt (£m)</strong></td>
<td>24.8</td>
<td>27.5</td>
<td>16.2</td>
<td>11.3</td>
</tr>
<tr>
<td>Year-on-Year: +£4.9m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Adjusting items are detailed in the notes opposite and in the adjusted measures section of the financial review. These include trading losses from the Commercial business while we go through an initial two year phase of investing in growth, plus other items which are either one-off in nature, or can fluctuate significantly from year to year (such as some property related items).

FINANCIAL SUMMARY

- Adjusted revenues broadly flat at £214.3 million (2018: £214.8 million) and like-for-like sales growth of 0.6%;
- Adjusted profit before tax of £16.0 million (2018: £16.0 million), with growth in gross margin offsetting inflationary cost pressures;
- Net debt reduced by £4.9 million year-on-year to £11.3 million due to continued cash generation and year end timing related working capital benefits;
- Final dividend maintained at 2.3 pence per share (2018: 2.3 pence per share), making a total for the year of 3.4 pence per share (2018: 3.4 pence per share);
- Statutory profit before tax of £12.5 million (2018: £12.7 million), details of the adjusting items can be found in the table below.

NOTES

1. Adjusted revenues are defined as total Group revenues excluding Commercial revenue of £4.9 million (2018: £2.1 million).
2. Like-for-like sales revenues are defined as sales from online and stores that have been trading for more than 52 weeks. In 2019 sales in like-for-like stores was £209.8 million (2018: £208.6 million), with an average of 354 stores included in the weekly calculation.
3. Adjusted gross margin is defined as Group gross margin excluding Commercial gross margin of £2.0 million (2018: £0.8 million).
4. Adjusted profit before tax excludes several items which are either one-off in nature or fluctuate significantly from year to year (such as some property related items). These are set out as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adjusted Profit before tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Impairment of property, plant, equipment and movement in onerous lease provision</td>
<td>(1.8)</td>
<td>(2.2)</td>
</tr>
<tr>
<td>– Vacant property costs</td>
<td>(1.1)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>– Gains on disposal of freehold or long leasehold properties</td>
<td>nil</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>(2.9)</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Costs related to acquisition during the period</td>
<td>(0.4)</td>
<td>nil</td>
</tr>
<tr>
<td>– Commercial trading loss</td>
<td>(2.0)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>– Commercial amortisation of intangibles &amp; redemption payments for non-controlling share</td>
<td>(0.3)</td>
<td>(0.1)</td>
</tr>
<tr>
<td></td>
<td>(2.7)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Historical adjustment to refunds provision</td>
<td>nil</td>
<td>(0.5)</td>
</tr>
<tr>
<td>– Write-off of goodwill relating to historic acquisition</td>
<td>(0.2)</td>
<td>nil</td>
</tr>
<tr>
<td>– Repayment of historical import duty</td>
<td>2.3</td>
<td>nil</td>
</tr>
<tr>
<td></td>
<td>2.1</td>
<td>(0.5)</td>
</tr>
<tr>
<td><strong>Statutory Profit before tax</strong></td>
<td>12.5</td>
<td>12.7</td>
</tr>
</tbody>
</table>

5. Adjusted earnings per share is adjusted for all of the items highlighted above, including the offsetting tax impacts of these items of £0.7 million (2018: £0.3 million), plus the impact of corporation tax of £2.4 million (2018: £3.0 million).
6. Net debt is defined as bank loans, before unamortised issue costs (note 18) and less cash and cash equivalents.
CHAIRMAN’S STATEMENT

Introduction
Welcome to the Topps Tiles 2019 Annual Report. I feel that the business has performed well against the backdrop of a subdued market and I am particularly pleased with the strategic progress we have made. Our newly created commercial business is currently a small part of the Group but it is strategically important for the longer term.

Purpose, Goal and Strategy
The core purpose for the business is to inspire customers through our love of tiles. This purpose also helps to give the business great strategic clarity in that any opportunities we pursue should seek to leverage our core specialism in tiles.

Our overarching goal for the business is to drive profitable sales growth. Within our retail business, Topps Tiles, we are focused on the UK domestic tile market where our strategy of “Out-specialising the Specialists” continues to serve us well and remains key for driving long-term profitable growth. Sales from our commercial business accounted for approximately 2% of the Group turnover. Our Commercial strategy of “Disrupt and Construct” has approximately doubled the size of our addressable market in the UK and remains central to our Group growth plans.

Trading and Financial Performance
Our primary market of residential repair, maintenance and improvement is closely linked to consumer confidence which remained at relatively low levels across the year, with the result that our market has been subdued. Against this backdrop I am pleased with how the business has performed, delivering like-for-like sales growth, gross margin growth, tight cost control and strong cash flow, which allows us to provide a return to our shareholders and also ensure the business is well invested. Our adjusted profit before tax was £16.0 million (2018: £16.0 million), with statutory profit before tax of £12.5 million (2018: £12.7 million). A full discussion of our financial performance can be found in the financial review section of this document.

Dividend
Our target for dividend cover is two times, such that approximately 50% of our annual post tax adjusted earnings are remitted back to shareholders. With our adjusted earnings per share being broadly flat when compared to the prior year, we have decided to maintain the level of dividend.

As a result, the Board is recommending a final dividend for the year of 2.3 pence per share (2018: 2.3 pence per share). This will bring the total dividend for the year to 3.4 pence per share (2018: 3.4 pence per share). As a consequence, dividend cover for the year on an adjusted earnings per share basis is 1.94x (2018: 1.95x).

Board Changes
We announced at the start of November that our CEO for the last 12 years, Matthew Williams, had decided to step down from his role with effect from 29 November 2019; however, Matt is being retained as an adviser until May 2020. Matt has made a tremendous contribution to the business over this time, reshaping the retail business, completing a very successful re-branding and leading the investment into the commercial tile market. On behalf of the Board I wish him every success in the future. Matt will be succeeded by our CFO, Rob Parker. Rob is very well qualified for the role, having served on the Board as CFO for the last 12 years and established himself as a strong strategic thinker and leader of people across the organisation. A search for a new CFO is underway and we will update the market accordingly.
I feel that the business has performed well against the backdrop of a subdued market and I am particularly pleased with the strategic progress we have made.

Darren Shapland
Chairman

The Board and Corporate Governance

In line with last year I am pleased to confirm that all Non-Executive Directors are independent and the Board is fully compliant with the UK Corporate Governance code. We have benefited from very good stability on the Board with all Directors having completed at least three years of service.

This year we have completed a more detailed Board evaluation exercise utilising external support to assess both how the Board operates and its interaction with the Executive and Leadership team. Overall, the conclusion was that the Board operates well but there were some recommendations for improvement in a small number of areas which we are now acting on. Full details of this evaluation can be found on page 42.

Our People

Topps Tiles is a customer service-based business and, as a result, our people are at the heart of our organisation. This is a key aspect of the Group’s success. The business operates a successful engagement forum, TEAMTalk, and this year Andy King, one of our Non-Executive Directors, has joined the national forum in order to ensure colleagues views are represented at Board level, in line with best practice. We provide training and development programmes for all colleagues and clear and open communication across the business is a key aspect of our culture and our success. On behalf of the Board I would like to extend my sincere thanks to all colleagues for their hard work, commitment and dedication.

The Future for Topps

In the UK domestic tile market, Topps Tiles’ retail strategy of “Out-specialising the Specialists” remains very much at the heart of what we do and the management team will continue to evolve the key strands of this strategy to maximise performance. Our continued growth into the UK commercial tile market represents an excellent opportunity to diversify the Group while staying within our core specialism in tiles. The Board is confident that this focus is the right strategy for the Group.

Darren Shapland
Non-Executive Chairman

Radisson Blu, Stansted (Parkside)

Vashi, Selfridges, Manchester (Strata)
The content of this Strategic Report meets the content requirements of the Strategic Report as set out in s414a of the Companies Act 2006. This Strategic Report and Chairman’s Statement contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.
The UK tile market

The UK Tile Market and Performance of the Business

The UK tile market is valued at £372 million per annum at manufacturers’ selling prices (source: MBD), or approximately £700 million at retail selling prices. The market splits into two broad sectors – domestic, accounting for around 55% of the market, and commercial, accounting for the remaining 45%. The domestic market includes the renovation, maintenance and improvement of residential properties and the commercial market includes commercial building projects in their many and varied forms, as well as new build residential property.

The annual tile industry report published by MBD covers the whole of the UK tile market (domestic and commercial) and is based on manufacturer and supplier data. In 2018 the total market was flat on a value basis, with 2% growth in volume.

The Board has previously recognised that Brexit could have a number of implications for the Group – we continue to monitor and plan for any adverse impacts.

Domestic Tile Market

Due to the discretionary nature of domestic market spending, consumer confidence remains a key driver of its performance. During 2019, the average level of consumer confidence was -12.5, which compares to -9.3 in 2018 (source: GFK). The index has been relatively stable across the year, averaging -12.8 over the first half and -12.2 over the second. The consumer confidence index has remained negative since the EU referendum result in June 2016 and we will continue to monitor this measure closely during the UK’s exit from the EU.

A further key driver of the customer decision to take on a home improvement project is buying a new home; housing transactions are therefore a useful indicator of likely future demand. Housing transactions across the UK have been quite stable since the summer of 2017 and during 2019 they have remained broadly flat at around 1.2 million (Source: HMRC).

We also consider UK house price data to be a useful indicator of the relative health of our market. House prices are both a good reflection of the housing market itself and also tend to reflect consumer confidence, as home owners tend to feel more affluent in a rising market. During the year house prices have been stable, with the average price of a house in the UK at £215,352 (2018: £214,922) (source: Nationwide).

Commercial Tile Market

Construction output for the private commercial sector declined by 2.6% across the period (source: ONS). We believe this to be a good proxy for the commercial tile market, with evidence of overall price deflation in construction as a whole and general project delays as investments and purchasing confidence declined.

The UK commercial tile market is quite fragmented and regionalised with only a very small number of scale competitors. The smaller competitors tend to specialise in certain sectors of the market – examples being transport, restaurants, automotive, leisure, offices or high end residential. Our success in this market results both from appealing to designers and architects through our differentiated offer, and to contractors who may require more commoditised products, in large quantities, but at lower prices. Although the focus for our commercial business is on customers in the former category, where we can leverage our tile specialism and design credentials, the Group’s buying advantage also enables volume sales.
UK HOUSE PRICES AND CONSUMER CONFIDENCE

- UK House prices (Nationwide)
- Consumer confidence (GFK)

Source: Consumer confidence = GFK, UK house price = Nationwide

UK 12-MONTH HOUSING TRANSACTIONS – HMRC

- 12-month rolling YoY%
- Housing transactions (000s)

Source: Housing transactions = HMRC

ONS – PRIVATE COMMERCIAL SECTOR CONSTRUCTION OUTPUT

- 12-month rolling YoY%

UK TILE MARKET – RETAIL VS COMMERCIAL

- UK Tile Market estimated at £700m @ RSP

Source: MBD and Company estimates

2 Rhomba White Gloss and Torrano
3 Aviva offices (Strata)
We are a specialist in the world of tiles, with a competitive advantage in sourcing differentiated products from around the world which we can access on an exclusive basis.

Supply Chain
We source our products directly from manufacturers on a global basis, with a focus on building long-term strategic relationships with our manufacturing partners. Owning as much of the post-manufacture supply chain as possible is a key aspect of our business model and an important source of competitive advantage. Our buying scale and customer reach allow us to develop product ranges with leading tile manufacturers that are genuinely innovative and to source them on an exclusive basis. Our investment in our supply chain also includes our 150,000 sq ft warehouse in Leicester and a fleet of 28 commercial vehicles. This gives us an unrivalled control over our inventory and delivery capability.

Product Innovation
We inspire all of our customers with a market leading product range, 86% of which is exclusive to us. We achieve both of these aspects by working collaboratively with our key suppliers to develop new ranges; with Topps providing the customer insight into emerging style trends and the manufacturer providing the technical knowledge and production capability. Technology is an important aspect of modern tile production with innovations such as digital printing and new glaze technologies allowing a much greater variety of patterns and finishes. We have made full use of these new technologies in recent years to further enhance the breadth and quality of our market leading tile range.

People
At our heart we are a customer service-based business and as a result our people are one of our most important assets. We aim to provide our customers with high quality advice and inspiration and to do this successfully we need highly engaged specialist teams in-store and in our direct sales force that can engage with our customers and truly inspire them. Technical knowledge and a strong service ethic are paramount and we invest significant amounts of time and money in training our people every year.

Channels
We operate multiple channels to market to provide all our customers with access to our market-leading product range and service in the most convenient format for them. For our retail business, stores remain our primary channel to market and almost all of our customers will visit a store at some point during their purchase. We operate from approximately 360 stores across the UK with an average footprint of 5,000 sq ft; however, the inherent flexibility in our operating model enables us to trade successfully from 1,000 sq ft up to 10,000 sq ft. This flexibility means Topps stores can be found in a wide variety of locations including high streets, retail parks, trade parks and on main arterial roads on routes to larger shopping destinations. Our store portfolio operates predominantly on a leased basis with an average unexpired lease term of less than four years, giving us flexibility to manage the portfolio.
Retail customers very often choose to use our website to conduct initial research into their projects or to maximise convenience by using this as a payment channel. The vast majority of our customers will use our website at some stage in their purchase journey with us. Through greater use of technology we are seeking to provide customers with an omni-channel experience and our new website, launched at the start of October 2019, is a significant step forwards in our ambition. Social media is very important to us as this provides an opportunity to create a community of influencers and traders with an interior design focus.

Trade customers – independent tile fitters contracted by customers to complete their domestic tiling projects – are a vital sales channel for our retail business. Our trade customers now account for 56% of our retail sales. In some cases we may not have a direct relationship with the homeowner which is why our relationship with our trade customers is very important to us. These relationships are built on the basis of our specialist credentials; our ability to provide excellent technical knowledge; and a range of specialist products which ensures we cater for all of our traders’ needs.

In the commercial market we serve the customer through our team of high-quality salespeople. These colleagues will often have historical relationships with architects and designers based on high levels of mutual trust, established over a sustained period through successful delivery of projects together.

Brand
The tile market has very few recognised product brands and in the absence of these pointers for customers, the business brand becomes very important.

Retail – Topps Tiles is the UK’s leading specialist tile retailer with 79% prompted awareness with consumers who have recently purchased or who are about to purchase tiles. Topps’ focus is on driving consideration with the tile decision maker and building this metric successfully results in increased sales from both home-improvers and traders. Our customers tell us they want inspirational service at all points of contact and quality “on-trend” products at a range of price levels which they can buy conveniently.

Commercial – We are building the Parkside brand and have increased our presence this year through our acquisition of Strata Tiles. Over time, our ambition is to become the market leader in Commercial.

Value for Customers
Retail Customers – We deliver value to our retail customers by combining differentiated products with excellence in customer service, the convenience of a nationwide store network and a world class website. This is combined with competitive pricing to ensure that all of our customers receive great value.

Commercial Customers – We deliver value to our commercial customers by providing access to a wide range of manufacturers’ products, often on an exclusive basis. We combine this with friendly, efficient and professional customer service and our Group scale allows us to offer advantaged pricing and often advantaged availability.

The Topps Tiles Group model continues to evolve and our strategy seeks to capitalise on the aspects where we consider we can maximise the potential to deliver our goal.

Read more information on Corporate Social Responsibility on pages 28 to 35
OUR STRATEGY

This has been another year of strategic progress for Topps, with a resilient sales performance in our retail business and significant development in our commercial operations. In Retail, our strategy of ‘Out-specialising the Specialists’ enabled us to deliver like-for-like sales growth and further enhance our market-leading gross margins in tough market conditions. In Commercial, we saw significant year-on-year sales growth as we continue to invest in constructing a market-leader over the medium term.

Matthew Williams
Chief Executive Officer

The Group business has an overarching goal to profitably grow sales and we aim to achieve this by putting our customers at the heart of what we do. In 2017, we identified an opportunity to expand into the commercial tile market. As a result, we acquired the Parkside business and have made good progress investing in and growing revenues. During 2019, we further expanded our commercial operations through the acquisition of Strata Tiles. While the commercial business currently only accounts for approximately 2% of our turnover, we consider it to be a key aspect of our future growth plans as it doubles the size of the Group’s addressable market in the UK. Our retail business, Topps Tiles, continues to successfully operate from a position of strength as the market leader and we have continued to refine and hone our customer offer. Both business units are supported by our Group strategies of “Leading Product” and “Leading People”.

PROFITABLE SALES GROWTH

RETAIL
Topps Tiles
Out-specialising the Specialists

COMMERCIAL
Parkside & Strata
Disrupt and Construct

LEADING PRODUCT

LEADING PEOPLE
The Group’s core purpose is to inspire customers through our love of tiles and this objective is reflected in our “Leading Product” initiative. Our specialism in tiles is our key source of competitive advantage. We are experts in the ranging, sourcing and procurement of tiles on a global basis and we work with carefully selected partners around the world to develop and produce differentiated products that are innovative, high quality and exclusive. We protect the intellectual property and design assets we create through partner exclusivity and design registration. Ultimately, it is this Group specialism that we leverage through our business units into both the retail and commercial markets.

Progress and Outlook

Our pace and iterative cycle of product introduction continues to set us apart from our competitors. During the year we launched over 40 new product ranges and we are proud that more than a third of our new tile ranges were designed by us in collaboration with selected key supply partners. Eighty-six per cent of our tile ranges are either own brand or exclusive to us and this forms an important aspect of our differential. Importantly, 70% of our purchases are now through our core supplier group, a key metric of our drive to leverage our buying scale and advantage and benefit those partners that are aligned to our strategic ambitions.

Innovation in design and, more recently, in manufacturing technology, makes it an exciting period for the ceramic industry and as specialists we are focused on embracing new opportunities to deliver the best possible products and projects for our customers. For example, we further extended our outdoor product offer with the addition of our exclusive 20mm porcelain tile range Everscape™, and more recently launched Aquabase™, a range of unique porcelain shower trays, which are designed to co-ordinate and contrast with many of our other tile ranges in the latest on-trend looks. In the year ahead, we will increase the level of in-house developed products across all categories.

In Commercial, we have focused on supporting our sales teams with an extended product range in order that they can be highly competitive in this established sector. Both Parkside and Strata now have access to over 7,000 tile products from a global supply base. Within the period we were pleased to strengthen our offer by securing exclusive partnerships with several Italian tile brands which are highly recognised within the architectural and design community.

Technical authority is increasingly important in our market and we aim to be leaders in this field. We have invested over recent years to build our own in-house technical team to meet the demands of our now broader customer base and to set us apart from our competitors. We are able to offer key technical information through in-house testing, on-demand support and ensuring high levels of product quality at all times.

WHAT OUR CUSTOMERS ARE SAYING

These are quality tiles which will stand the test of time, not only because they are well made, but because the designs across this range are classy classics. The tiles are also very versatile as they can be used en masse to create a great, rather exotic effect, or can be used as accent pieces. I have actually used several tiles from this range set into concrete on a summer house floor. They look great, with a few pieces creating a great effect.

Mrs Hadrian – Archivo™ Zahra Tile

1. Read more information on Key Performance Indicators on pages 18 to 19

1. Tile of the Year Syren & Dartrey Black
OUR STRATEGY

LEADING PEOPLE

The Group’s success is underpinned by industry-leading levels of customer service and this is reflected in our “Leading People” initiative. This means that we are very focused on our colleagues that deliver this service, with their capability and engagement levels being critical.

Progress and Outlook

This year we launched a new colleague initiative called “Leading People”. This is based around us having the leading people in each of our respective markets and we believe we will achieve this by having the very best leadership of our people. Leading People is about Leading the Thinking, Leading the Pace and Leading the Team. We are developing a range of materials to help all colleagues understand our expectations of them and to help them develop and grow within this framework.

Our online Learning Management System, “theHUB”, continues to be our primary vehicle for delivery of Learning & Development activity; it is very well utilised with the majority of colleagues logging on at least once every month. During the year we launched a new personal performance review process which encourages colleagues and managers to have a regular dialogue specifically tailored to the needs of both the business and our colleagues.

Colleague engagement in the business is high and we have now launched a new colleague engagement survey. This allows us to tailor questions to specific topics and build a long-term view of colleague engagement. The new system also allows a mid-year “pulse” survey which provides a helpful interim update on progress against key initiatives.

Internal succession is very important to us. As an example, when we recruit at a store management level, 58% (2018: 60%) of these roles are filled internally. This allows for excellent opportunities for colleague progression and also allows us to retain the strong technical skill sets that all store colleagues learn.

We are also investing in improvements in our HR and payroll technology in order to improve efficiency, ways of working, risk management and colleague engagement, and we expect this system to go live in the current financial year.

CASE STUDY – COLLEAGUE ENGAGEMENT

Denzil Johns’ career with Topps Tiles spans 17 years

He joined the Company as Store Manager in 2003, and spent more than a decade managing various Topps stores, as well as a period as Area Business Manager.

His passion for interior design played a vital role in the implementation of small format stores with the launch of Topps Boutique in January 2014, and Denzil recently embarked on a new career path by joining the commercial team as a Sales Manager for Strata Tiles.

Denzil says: “Topps ensured that every opportunity was in place to help me be the best I could be. When I was presented with the opportunity to become a Store Manager at a Topps Tiles Boutique, a new initiative project that focused on my passion for design, I grabbed the opportunity with both hands. The role was much more design-focused and involved engaging with architects and designers, and it was exciting because it was new and no-one knew what to expect. I grew and evolved massively during my time in Boutiques and I will always have a bit of the Boutique feel in my blood.

“After six successful years in Boutique, I started my new role in August 2019 and love each day. It is new and is challenging me daily, I can’t wait to see what I can do and how far I can go within this role, and that really excites me.

“I am the proof that if you invest in and trust your colleagues they will stick around. I have been given so many opportunities and pushed forward, never held back. Topps Tiles has always looked after me and I am so proud that I am still a part of a company that has helped me grow.”
RETAIL

TOPPS TILES

Our retail strategy for the domestic market of “Out-specialising the Specialists” continues to be very effective. This strategy is focused on providing both our retail and trade customers with a truly inspirational experience – both online and in store.

Progress and Outlook

The majority of home owners will utilise our website as the first step of their shopping journey with us – often as part of the research phase. This year we took a significant step forwards with the launch of our new website, which has been based around an enhanced user experience, including omni-channel technology capability which will unlock further functionality over time. While we know that our website is very important for customers when they are starting their journey with us, we also know that our stores represent a vital part of their journey – with 90% of our customers visiting a store as part of their purchase. As customers’ needs change so does the way we invest to attract them.

Our marketing spend is increasingly focused on digital media, and in particular in driving traffic to our website. We are also collaborating more than ever with social media influencers – people who have a natural fit with our customer offer and who can help us reach out to an ever-larger potential customer base. During the period we have focused on social media impressions and, in particular, building our Instagram presence by creating a community of influencers and traders with an interior design focus; as a result we now have 37,000 followers on Instagram (FY18: 16,000). Total social media impressions for the year increased by 96% to 12.7 million (FY18: 6.5 million).

This year we have introduced a new service into stores, “Virtual Tiler”, which allows colleagues to work with the customer to help them design a 3D visualisation of their project with their chosen tiles. Virtual Tiler complements our existing visualiser and the innovative grout and trim visualiser on the new website, and, together, they are a major source of inspiration for customers and a key tool for colleagues to utilise in stores.

Our colleagues offer our customers a world-class experience within store. Our all-store improvement initiative is now a three-year programme. This includes a number of new merchandising initiatives such as implementing design advice areas in stores. These areas establish a space in store for colleagues to interact with customers in a more consultative way, allowing them to really understand their needs and provide bespoke design solutions. The majority of our customers shop infrequently for tiles which means that when they do, they need lots of advice and expertise. Our customer satisfaction scores are very important to us and during the year we launched our new customer feedback system, “Tile Talk”. We have achieved an overall satisfaction rating of 86%, which we estimate places us within the top three of UK retailers (source: Institute of Customer Service and Topps data).

The size of our store portfolio is also a key source of competitive advantage as this makes us very convenient for the majority of the UK population. At the period end we had 362 stores (2018: 368 stores) and we expect to see continued movement in the portfolio through active portfolio management based on openings, closures and relocations. We anticipate that the total number of retail stores will reduce by approximately 10 in the current year due to a programme of continued portfolio optimisation. The optimum size of the portfolio for the UK will continue to be reviewed based on changing customer needs over time. Critically, the average unexpired lease term to the next break opportunity is 3.8 years (2018: 4.1 years) and if we remove stores which are strategically important (where we have proactively taken longer terms to secure our tenure) the average unexpired lease term to break falls to 3.1 years (2018: 3.4 years) – the flexibility this provides is a key strength of the business.

Our trade customer base represents 56% of our total sales (2018: 56%). Trade provides a vital link to those homeowners who prefer to transact through their fitter rather than with us direct. The UK consumer remains very dependent on the “Do It For Me” trend and hence our trade customer base is key to our continued success. We focus very hard on ensuring we offer our trade customers a compelling overall offer and our trade loyalty scheme leads our market place – with 90,000 traders registered and earning points over the preceding 12 months (2018: 72,000).

WHAT OUR CUSTOMERS ARE SAYING

“Transformed my once drab and dated bathroom! I wanted a clean, elegant and sophisticated look and these tiles have really fulfilled this. They make for a stunning feature. Quality is lovely and a very good price. Ticked all the boxes!”

Sophie88 – Torrano™ Calacatta Tile (60cm x 30cm)
OUR STRATEGY

COMMERCIAL

PARKSIDE AND STRATA

The commercial tile market represents around 45% of the overall UK tile market, hence our entry into this market approximately doubles our addressable market. Historically, the Group had a very small representation in this part of the market through commercial sales made in its retail stores, but in 2017 we identified commercial as an opportunity for expansion and profitable growth and acquired the Parkside business. Our strategy of “Disrupt and Construct” means that we plan to disrupt the existing competitive landscape and, over time, construct a new market leader. Our tile expertise, size and scale as a Group is central to this plan – giving us the resources to recruit a talented sales team and invest in market leading pricing.

Progress and Outlook

2019 was a year of learning, development and growth for Parkside. We have built a sales team of 19 people with approximately 400 years of combined tile sales experience, delivered a sales increase of 81% and developed a very encouraging pipeline of potential future sales. Feedback from customers has been very positive with both the quality and friendliness of our sales teams and our access to exclusive and differentiated ranges seen as key strengths. We have expanded our network of design studios with openings in the Clerkenwell district of London and the Cotswolds, bringing the total to four. These meeting and event spaces enable designers, architects and contractors to directly experience the vast range of product possibilities we offer.

During the period we further strengthened our position in the commercial tile market through the acquisition of Strata Tiles. Strata Tiles is a commercial tile business with a specialist focus in transport, retail and living spaces and an experienced team of nine sales people working across the industry.

Overall Commercial sales performance was strong during the period with total revenues growing by 133% to £4.9 million and an encouraging future pipeline of prospects which continues to build. Trading losses for the commercial business have been £2.0 million (excluding £0.3 million arising on the amortisation of intangible assets and provision for redemption of non-controlling interest). In line with previously announced strategy, these losses have been treated as a longer term investment and as such have been excluded from the adjusted financial results of the Group for this year. With effect from the 53 week period ended 3 October 2020 Commercial will no longer be excluded from our adjusted financial results and our expectation is that we will trade at broadly breakeven in that period (excluding amortisation of intangibles and redemption of non-controlling interest). We remain open to further growth through acquisition and will continue to review such opportunities as they arise.

WHAT OUR CUSTOMERS ARE SAYING

This is the first project we have carried out using materials from Parkside. Have to say deliveries to site have been first class which is crucial to our fast track programme in retail store.

Thomson Tiling

1. Lyttelton Arms, Stourbridge (Parkside)
2. Arrange by Tom Pigeon (Parkside)
KEY PERFORMANCE INDICATORS

The Board monitors a number of financial and non-financial metrics and KPIs both for the Group and by individual store. This information is reviewed and updated as the Directors feel appropriate. Specific measures include:

<table>
<thead>
<tr>
<th>FINANCIAL KPIS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Adjusted Group Revenue Growth Year-on-Year*</td>
</tr>
<tr>
<td>(0.2)%</td>
</tr>
<tr>
<td>2018: +1.5%</td>
</tr>
<tr>
<td>How we calculate this: Total Group revenues, excluding Commercial revenue</td>
</tr>
<tr>
<td><strong>2</strong> Like-for-Like Sales Growth Year-on-Year*</td>
</tr>
<tr>
<td>0.6%</td>
</tr>
<tr>
<td>2018: 0.0%</td>
</tr>
<tr>
<td>How we calculate this: Sales from online and stores that have been trading for more than 52 weeks</td>
</tr>
<tr>
<td><strong>3</strong> Adjusted Gross Margin*</td>
</tr>
<tr>
<td>62.0%</td>
</tr>
<tr>
<td>2018: 61.3%</td>
</tr>
<tr>
<td>How we calculate this: Group gross margin, excluding Commercial gross margin</td>
</tr>
<tr>
<td><strong>4</strong> Adjusted Profit Before Tax*</td>
</tr>
<tr>
<td>£16.0m</td>
</tr>
<tr>
<td>2018: £16.0m</td>
</tr>
<tr>
<td>How we calculate this: Group profit before tax, excluding items which are either one-off in nature or fluctuate significantly from year to year</td>
</tr>
<tr>
<td><strong>5</strong> Adjusted Earnings Per Share*</td>
</tr>
<tr>
<td>6.61p</td>
</tr>
<tr>
<td>2018: 6.64p</td>
</tr>
<tr>
<td>How we calculate this: Group earnings per share, adjusted for items which are either one-off in nature or fluctuate significantly from year to year, including the offsetting tax impacts of these items, plus the impact of corporation tax</td>
</tr>
<tr>
<td><strong>6</strong> Net Debt*</td>
</tr>
<tr>
<td>£11.3m</td>
</tr>
<tr>
<td>2018: £16.2m</td>
</tr>
<tr>
<td>How we calculate this: Bank loans, before unamortised issue costs, and less cash and cash equivalents</td>
</tr>
<tr>
<td><strong>7</strong> Inventory Days</td>
</tr>
<tr>
<td>134</td>
</tr>
<tr>
<td>2018: 130</td>
</tr>
<tr>
<td>How we calculate this: Inventory value divided by cost of sales, multiplied by 365 days</td>
</tr>
</tbody>
</table>

* As defined on page 3.
## Non-Financial KPIs

<table>
<thead>
<tr>
<th>KPI</th>
<th>2018</th>
<th>YoY</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer Overall Service Score</strong></td>
<td>86.0%</td>
<td>n.a</td>
<td>Calculated from responses we receive through our Tile Talk customer feedback programme, measuring the percentage of customers who score us 5 in the scale of 1–5, where 1 is highly dissatisfied and 5 is highly satisfied.</td>
</tr>
<tr>
<td><strong>Colleague Turnover</strong></td>
<td>36.8%</td>
<td>+0.4%</td>
<td>Total number of leavers in a period divided by the average number of employees in a period, multiplied by 100.</td>
</tr>
<tr>
<td><strong>Carbon Emissions Per Store (Tonnes Per Annum)</strong></td>
<td>31.9</td>
<td>(2.6)%</td>
<td>Actual electricity and gas energy consumed multiplied by Environment Agency-approved emissions’ factors, plus vehicle emissions based on mileage covered multiplied by manufacturer-quoted emission statistics.</td>
</tr>
<tr>
<td><strong>Number of Retail Stores at Year End</strong></td>
<td>362</td>
<td>(6)</td>
<td>Number of retail stores open as at 28 September 2019.</td>
</tr>
</tbody>
</table>

### Underfloor heating demonstration in store

### At the Design Advice Area

### Exploring outdoor tiles, in-store
Financial Objectives
In addition to the key strategic objectives highlighted in the Strategy section above, the business maintains a strict financial discipline, including:

- Primary focus on increasing revenues and cash generation, maintaining cost disciplines and optimising gross margins;
- Maximising earnings per share and shareholder returns, including bi-annual review of our dividend policy. The dividend policy is to remit approximately half of the adjusted earnings per share back to shareholders; and
- Capital structure and net debt – the Board is focused on having a strong balance sheet that can also provide the business with financial flexibility; the business remains strongly cash generative and the Board expects net debt to continue to fall.

Adjusted Measures
The Group’s management uses adjusted performance measures, to plan for, control and assess the performance of the Group. Adjusted Group revenue and gross margin differ from statutory by the exclusion of the commercial business, to allow the Group to understand Topps Tiles’ retail performance on a more comparable basis.

Adjusted profit before tax differs from the statutory profit before tax as it excludes the effect of one-off or fluctuating items, allowing the Group to understand results across periods in a more consistent manner.

For the current period the following items have been excluded:

- Losses related to the commercial business of £2.3 million (2018: £1.1 million) – recognising that 2018 and 2019 will be two years of investment in longer term growth. The commercial loss comprises £2.0 million from trading and a £0.3 million impairment of intangible assets and provision for redemption payments for non-controlling share;
- One-off deal costs related to the purchase of the Strata business of £0.4 million;
- Losses related to movement in property related provisions (including onerous lease movements and provision against fixed assets in loss making stores) of £1.8 million (2018: £2.2 million);
- Vacant property costs of £1.1 million (2018: £0.2 million) for stores closed as part of a portfolio optimisation programme;
- Gain relating to repayment of historical import duty from HMRC of £2.3 million; and
- Losses from a write-off of goodwill relating to a historical acquisition (Surface Coatings Ltd) of £0.2 million.

In the prior year a gain from the disposal of four freehold properties of £0.7 million and a loss of £0.5 million relating to a historical adjustment to the refunds provision were also excluded.

Profit and Loss Account
Revenue
Total revenue for the period ended 28 September 2019 increased by 1.1% to £219.2 million (2018: £216.9 million).

Adjusted revenue decreased by 0.2% to £214.3 million (2018: £214.8 million). Like-for-like store sales were 0.6% higher than the prior year, which consisted of a 0.2% increase in the first half of the financial period and a 0.9% increase in the second half. We believe that the sales performance represents an outperformance of our market and is an endorsement of our strategy.
Against the context of a challenging backdrop, the Group has delivered like-for-like sales growth, improvements in gross margin and a flat underlying profit. This has allowed us to maintain a stable dividend, continue to invest in the business and achieve a further reduction in net debt.

Rob Parker
Chief Financial Officer
The movement in adjusted operating costs is explained by the following key items:

- The average number of UK stores trading during the financial period was 366 (2018: 372), which generated a reduction in costs of approximately £1.5 million;
- Inflation at an average of approximately 1.4% increased our cost base by around £1.7 million (excluding regulatory impacts);
- Regulatory cost impacts, including the National Living Wage, accounted for £0.5 million of additional costs;
- Depreciation increased by £0.2 million due to higher levels of investment in the store estate over recent years;
- Supply chain costs increased by £0.3 million partially due to additional off-site facilities for stock as a result of Brexit contingency planning;
- Reclassification of £0.5 million of other income from operating costs into gross margin;
- Employee profit share costs decreased by £0.5 million, with lower level of financial performance compared to plan; and
- Other cost increases of £0.3 million across a number of cost lines.

For the year ahead we expect the adjusted operating costs for the business to be between £122 million and £123 million. This includes between £5.5 million and £6.0 million of costs relating to the inclusion of the commercial business due to this no longer being treated as an adjusting item.

### Adjusted Profit Before Tax (£m)

<table>
<thead>
<tr>
<th>Year</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>220</td>
<td>186</td>
<td>160</td>
<td>160</td>
</tr>
</tbody>
</table>

### Adjusted Earnings Per Share (p)

<table>
<thead>
<tr>
<th>Year</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPS</td>
<td>8.86</td>
<td>7.63</td>
<td>6.64</td>
<td>6.61</td>
</tr>
</tbody>
</table>

### Total Dividend (p)

<table>
<thead>
<tr>
<th>Year</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend</td>
<td>3.50</td>
<td>3.40</td>
<td>3.40</td>
<td>3.40</td>
</tr>
</tbody>
</table>

### Financing

Net finance costs for the period were £0.9 million (2018: £1.0 million). The reduction recognises changes to the principal debt which continued to fall over the year.

Net interest cover was 28.2 times (2018: 23.0 times) based on profit before interest and tax of £13.3 million (2018: £13.7 million), adjusted for depreciation and amortisation of £7.4 million (2018: £7.1 million) and adjusting items of £3.5 million (2018: £3.3 million).

### Profit Before Tax

Profit before tax (PBT) was £12.5 million (2018: £12.7 million). The Group PBT margin was 5.7% (2018: 5.9%).

Excluding the adjusting items detailed above, PBT was £16.0 million (2018: £16.0 million). The Group adjusted PBT margin was 7.5% (2018: 7.4%).

### Tax

The effective rate of corporation tax for the period was 19.2% (2018: 23.9%).

The Group tax rate is higher than the prevailing UK corporation tax rate due to non-deductible expenditure and depreciation on assets not qualifying for capital allowances.

### Earnings Per Share

Basic earnings per share were 5.18 pence (2018: 5.00 pence). Diluted earnings per share were 5.14 pence (2018: 4.93 pence).

Excluding the adjusting items detailed on page three adjusted earnings per share were 6.61 pence (2018: 6.64 pence).

### Dividend and Dividend Policy

The Board has previously indicated that it intended to pursue a dividend cover policy and that it would target approximately two times as a sustainable level and over the period we are in line with this at a cover of 1.94x the adjusted earnings per share (2018: 1.95x).

The Board is recommending to shareholders a final dividend of 2.3 pence per share (2018: 2.3 pence per share). This will cost £4.4 million (2018: £4.4 million). The shares will trade ex dividend on 19 December 2019 and, subject to approval at the Annual General Meeting, the dividend will be payable on 31 January 2020.

This will maintain the total dividend for the year at 3.4 pence per share (2018: 3.4 pence per share).

The policy for the interim dividend is to pay one third of the prior full year dividend.

### Balance Sheet

**Capital Expenditure**

Capital expenditure on tangible/intangible assets and investment properties in the period amounted to £7.8 million (2018: £7.9 million), a decrease of 1.3%.
Key investments are as follows:
- New retail stores and store improvements £4.5 million – 12 new openings (including two relocations) (2018: £3.3 million)
- Commercial showrooms £0.6 million (2018: £0.4 million)
- Freehold and investment property purchases £0.2 million (2018: £0.1 million)
- Central office refurbishment, IT and other expenditure £2.5 million (2018: £1.1 million)

The Board expects capital expenditure in the year ahead to be between £6 million and £7 million which will cover our core investment plans. In addition, we are considering investing in a programme to retrofit LED lighting into all stores at a cost of between £2.5 million and £3.0 million which will deliver a significant saving in energy and carbon emissions. Any strategic acquisitions that the Group may consider as part of its growth plans in the commercial tile market would be additional to this guidance.

At the period end the Group held five freehold or long leasehold sites, including two warehouse and distribution facilities and an office building, with a total carrying value of £13.8 million (2018: six freehold or long leasehold sites valued at £14.2 million). The carrying value is based on the historic purchase cost and capital expenditure less accumulated depreciation and in the case of the investment property a fair value adjustment.

Acquisitions & Disposals
During the year we disposed of one freehold property for a consideration of £0.2 million.
During the prior period we acquired one freehold property for a consideration of £2.9 million and disposed of four freehold properties for a consideration of £3.9 million.

Intangible Assets & Goodwill
During the year Topps acquired 80% of the Strata commercial tiles business, which has resulted in a goodwill value of £1.9 million. The Strata acquisition also resulted in intangible assets of £1.7 million, which have been amortised by £0.1 million in the period to a new carrying value of £1.6 million.
At the period end Parkside goodwill was £1.2 million (2018: £1.2 million). Intangible assets, relating to the Parkside business, were amortised by £0.1 million to a new holding value of £0.3 million (2018: £0.3 million).

In the previous year the Topps retail business held goodwill relating to historic acquisitions of £0.2 million, which was written off during the period.

Inventory
Inventory at the period end was £30.9 million (2018: £30.2 million) representing 134 days’ turnover (2018: 130 days’ turnover). The September 2019 year end stock balance includes £1.1 million of stock built up in advance of the previously proposed 31 October 2019 Brexit deadline, as a precaution against the risk of potential delays getting stock through ports during November.

Capital Structure and Treasury
Cash and cash equivalents at the period end were £18.7 million (2018: £13.8 million) with borrowings of £30.0 million (2018: £30.0 million) before unamortised issue costs.
This gives the Group a net debt position of £11.3 million (2018: £16.2 million).

Cash Flow
Cash generated from operations was £21.9 million, compared to £21.9 million in the prior year period, being flat year on year. Improvements in working capital of £2.0 million were driven by the financial calendar with year-end falling before payroll payments were made in FY19, while in FY18 payroll payments had been made. Working capital gains were offset by reduced cash flow from operating activities (including interest) (£1.2 million lower than prior year), and higher tax payments (£0.8 million higher than the prior year).
Free cash flow was £11.5 million (2018: £17.9 million), a reduction of £6.4 million year on year. This reduction was driven by lower proceeds from disposals of properties of £3.5 million. FY19 also includes the £2.7 million cash outflow for acquisition of the Strata business.

IFRS 16 – Leases
IFRS 16 will be adopted by the Group in the period ending 3 October 2020. The standard will have a material impact on the financials of the Group due to the large number of property leases it holds as well as leases relating to machinery and vehicles.
Based on the lease portfolio at the transition date of 29 September 2019, the Group will recognise a right-of-use asset in the region of £125 million, with a corresponding lease liability in the region of £130 million.
For the period ending 3 October 2020, the Group expects a reduction in Profit before taxation in the region of £1 million, as a result of the adoption of IFRS 16.

Current Trading and Market Conditions for the Year Ahead
Consumer demand has weakened further since the UK General Election was called in late October. In the first eight weeks of the new financial year, retail like-for-like sales have declined by 7.2%.
A reduction in political uncertainty will be key to the short-term outlook but we remain confident that our market-leading retail offer and rapidly growing commercial operations gives us a solid platform from which to deliver sustainable growth over the medium term.
## RISKS AND UNCERTAINTIES

The Board has assessed its process for reviewing strategic risk and uncertainties during the year. As a result of this we have developed a new framework, as follows:

- An annual strategic risk workshop which is attended by the Audit Committee Chairman, Head of Internal Audit and key senior members of the management team including the Executive committee;
- The production of a key risks register which is prepared based on a combination of likelihood and impact; and
- A quarterly update in the Board pack which includes a summary of the key risks identified, combined with mitigants and agreed actions.

### Risk Status Impact Mitigation

#### Brexit – General Economic & Consumer Confidence

The general economic climate and specifically consumer confidence are important to Topps and events that may affect these factors present a financial risk to the business. In the period post the UK voting to leave the European Union consumer confidence has been weaker and this has impacted our market.

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. The full impact of the decision of the UK to leave the EU remains unclear and this is likely to continue to create some uncertainty in the outlook over the short term.

We believe that through a combination of a robust level of profitability and financial flexibility the business is able to withstand short-term trading pressures. This has been proven in recent years over the period of the financial crisis. During the year we have again kept a tight control on costs, have increased focus on taking market share from competitors and have further expanded into the commercial tile market. Longer term we consider that the UK housing market remains attractive and we believe there remains significant upside from a sustained economic recovery.

#### Brexit – Foreign Exchange Rate Fluctuation

A significant devaluation of sterling will result in increased costs of sourcing for the Group, and subsequent reduction in profits.

We source around 35% of our cost of goods in foreign currencies which gives us an exposure to movements in foreign currency exchange rates. Every 1 cent change in euro and US$ (combined) has a £0.23 million impact on cost of goods over a full year of purchases (excluding the impact of Topps policy of hedging forward for 6 months).

We are proactive in managing this risk and we have proven historically that we are able to mitigate material amounts of the impact of adverse foreign exchange rates through activities such as supplier negotiation or sourcing management with a number of lines being re-sourced.

#### Brexit – Supply Chain Disruption

In the event of a “Hard Brexit” there is a possibility that we could see disruption at ports which would slow the importation of goods into the UK and this could adversely affect our business.

We source around 50% of our cost of goods from outside of the UK (some in foreign currency some in UK sterling). Any material slowdown in our supply chain could materially impact our stock availability and hence our sales performance.

The key mitigation is to ensure we have sufficient stock to provide stability through a period of disruption. We have increased the stockholding of our key selling lines in order to provide customers with greater continuity through any period of disruption.

#### Appropriate Business Strategy

Our business strategy will not be successfully delivered.

The expansion of the Group into the commercial tile market over the last two years has increased our strategic risk slightly.

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.

Our refreshed strategy includes diversification into the commercial tile market which will include some risk around successful delivery of acquisitions (where relevant) and management distraction away from our core business.

The strategy is reviewed annually, updated as required and approved by the Board. Biannual communication events and regular updates are provided to all colleagues on our progress towards our goals.
<table>
<thead>
<tr>
<th>Risk from Competitors</th>
<th>Status</th>
<th>Impact</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitors eroding our market share. A greater competitive threat could come from a new or existing competitor introducing a new point of differentiation to our market such as operational standards, range, service, use of technology, etc.</td>
<td>▲</td>
<td>Loss of market share leading to reduced sales and profitability.</td>
<td>We regularly review our competitor set but at the same time we are clear on our primary source of competitive advantage and how we strengthen this over time – namely our specialist focus on tiles and our leading range and leading people agendas. During the financial year approximately 110 stores have been subject to a programme of improvements which will further differentiate us from our competitors. We now have 243 stores with these treatments and the programme will be completed in the new financial year. We have launched our new website which greatly enhances the omni-channel shopping experience for our customers. We also work closely with tile manufacturers to ensure we are driving innovation in our market.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Attracting and Retaining Talent</th>
<th>Status</th>
<th>Impact</th>
<th>Mitigation</th>
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<tr>
<td>The failure to attract and/or retain key individuals could impact on the ability of the business to deliver its objectives. The loss of technical knowledge in stores through high levels of colleague turnover could have a negative impact on our customer service levels.</td>
<td>◄</td>
<td>Reduced levels of customer service or lack of key individuals to deliver the business objectives would result in lower levels of sales and profits for the Group.</td>
<td>We are very focussed on colleague engagement and colleague turnover is closely monitored. Pay and benefits are benchmarked to ensure we are rewarding our people in line with the market and reflective of their contribution to the business. We have a detailed succession plan for each key executive and non-compete clauses for senior colleagues. We have launched new apprenticeship programmes for both central colleagues and store colleagues, which will be an important addition to our employer brand credentials.</td>
</tr>
</tbody>
</table>

**Key:**

▲ Risk has increased
▼ Risk has decreased
► No change
N New risk
## RISKS AND UNCERTAINTIES

<table>
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<tr>
<th>Risk</th>
<th>Status</th>
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<th>Mitigation</th>
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<tbody>
<tr>
<td><strong>Store Portfolio</strong></td>
<td></td>
<td>A larger store presence across the UK than is required to maximise the profitability of the Group.</td>
<td>We will continue to review customer trends to ensure our estate remains optimised to best serve their needs. 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 pro-actively re-gear leases on high value stores to ensure we always have at least several years of security.</td>
</tr>
<tr>
<td>Optimum property strategy for the UK market along with the risk of losing key performing stores which contribute a material amount of Group earnings.</td>
<td><img src="https://via.placeholder.com/15" alt=" " /></td>
<td>Loss of a multiple number of top performing stores or stores in the wrong areas could cause a material impact on the Company’s profitability.</td>
<td></td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td></td>
<td>The most likely impact of not being able to renew the loan facility would be the requirement to raise additional funding from shareholders.</td>
<td>Loan renewal discussions are conducted well in advance in order to allow sufficient time to cater for different scenarios and would include both existing and new banks to gauge interest. Having completed refinancing negotiations in 2018, we have seen the financing risk level fall, aided by strong cash inflow in the financial year just completed. 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 pro-active discussions with lenders.</td>
</tr>
<tr>
<td>The Group has a £39 million revolving credit facility in place which was refinanced in July 2018 and expires in July 2022 (with an opportunity to extend for a further year (so a potential full term ending July 2023). The loan facility contains financial covenants which are tested on a bi-annual 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.</td>
<td><img src="https://via.placeholder.com/15" alt=" " /></td>
<td>The impact of breaching a loan covenant would likely be financial in terms of additional charges and fees. At its worst it would also mean the loan would be repayable which would be likely to result in an equity fundraising.</td>
<td></td>
</tr>
<tr>
<td><strong>Cyber Security</strong></td>
<td></td>
<td>A temporary loss of systems would be likely to result in an operational impact which would adversely affect sales and ultimately profits.</td>
<td>The Company uses modern systems and the latest network and security protocols to protect against attack or breaches of security. A disaster recovery server provision is in place and the majority of our servers now operate on virtualised technology. The Company has partnered with the National Computer Centre (NCC) as cyber security specialists to ensure the appropriate technology and controls are in place to protect data assets. Customer data sources are catalogued and the Company has undertaken a process of data minimisation to remove unnecessary instances of high value customer data.</td>
</tr>
<tr>
<td>The business suffers a breach of its IT systems security leading to either a loss of capability or a loss of customer and/or commercial data.</td>
<td><img src="https://via.placeholder.com/15" alt=" " /></td>
<td>The loss of commercial or customer data would potentially result in reputational damage to the Company.</td>
<td></td>
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</table>
## Risk Status Impact Mitigation

<table>
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<tr>
<th>Risk</th>
<th>Status</th>
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<th>Mitigation</th>
</tr>
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<tbody>
<tr>
<td><strong>Major Reputational Damage</strong></td>
<td></td>
<td>While impacts from reputational damage could be wide ranging the most likely impact would be financial resulting from damage to our brand and consequent loss of sales.</td>
<td>Governance and internal controls are the key mitigants against reputational damage. The Company operates a wide range of processes and procedures designed to ensure that we are fully compliant with all legal requirements and operate industry and governance best practice across the entire business. We have developed and tested a critical incident response process which would be invoked in the event of a business crisis. Supply chain is of particular significance and we believe in long term strategic relationships with our key suppliers. We have in place a sourcing policy which includes the relevant provisions from the Modern Slavery Act and are working with suppliers to ensure agreement with our terms of trade and compliance.</td>
</tr>
<tr>
<td><strong>Fitter Availability</strong></td>
<td>▲</td>
<td>A reduction in available qualified tilers could have a negative impact on sales across the tile retail market.</td>
<td>We have developed our trader champion programme to both retain our existing trader base and to encourage new traders to shop with Topps. The programme includes a market leading loyalty programme, bulk discounts, credit accounts and added value trader services.</td>
</tr>
<tr>
<td><strong>Delivery Optimisation</strong></td>
<td>N</td>
<td>A failure to offer a reliable delivery service to both retail, trade and commercial customers could have a negative effect on both reputation and future sales.</td>
<td>Ongoing reviews with our third party direct delivery partners to ensure we offer the optimum service to all customer bases.</td>
</tr>
</tbody>
</table>

### Key:
- ▲ Risk has increased
- ▼ Risk has decreased
- ◀ No change
- N New risk

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.
CORPORATE SOCIAL RESPONSIBILITY

People are at the heart of our business

Our Charity Partnerships

Topps Tiles Group colleagues have continued to support our local and national charity partnerships throughout the year, taking part in a variety of community projects and fundraising events.

At national level, an all-colleague vote saw the majority choose to extend our five-year partnership with Macmillan Cancer Support for an additional two years; this will now continue until December 2021.

Our Leicester support office has also renewed its partnership with Leicestershire Cares, a local organisation that seeks to work with local businesses to support charity initiatives. This gives colleagues the opportunity to get involved in activities which directly benefit community projects, including painting and decorating, gardening, catering and supporting events.

Macmillan Cancer Support

When Topps Tiles partnered with Macmillan Cancer Support at the start of 2015, the Company set itself a £500,000 target. This was reached during the FY18 financial year, one year ahead of schedule.

To date we have now raised more than £775,000, and the Company has doubled its original target to £1 million.

Around two thirds of the money raised has come via the Pennies digital charity box scheme, where customers in stores can make modest donations to Macmillan by rounding up their purchase to the nearest pound (the average donation is 31p). Pennies has raised more than £500,000 since its start in August 2015, and this year the total was £185,000. This is due to both the generosity of our customers and the efforts of our store colleagues who promote Pennies with every sale.

This year also saw the second Tour de Topps bike ride, in which 24 colleagues took part in a charity bike ride on a circular route starting and ending at our Enderby support office. Colleagues were given the chance to ride either 50 or 100 miles, with the overall event seeing 2,050 miles cycled and more than £8,000 raised for Macmillan.

Other events included a “Yellow Rucksack Challenge” which saw a rucksack taken to all 20 stores in the West Yorkshire region via any means barring transport. Colleagues walked, cycled, skipped or walked the dog to get the rucksack from one area to the other, finishing with a climb up Mount Snowdon. The team travelled more than 350 miles and raised more than £500.

Support office colleagues held regular samosa sales, two “Bake Off” competitions and a Christmas Raffle which brought in more than £1,500.
Buying and Stock teams run the Inflatable 5km Challenge for Macmillan Cancer Support.

The second Tour de Topps raised more than £8,000 for Macmillan as riders took on a 50-mile or 100-mile bike ride.

Total fundraising after five years.
CORPORATE SOCIAL RESPONSIBILITY

Leicestershire Cares

Teams throughout Topps Tiles and Parkside were invited to undertake a Leicestershire Cares team challenge to aid local good causes.

Last year’s successes included more than 700 toiletry items donated to homeless people, tidying and renovations of areas including a school vegetable garden and historic community hall, painting of a family centre, creation of a planter area at a community garden, the making of 1,500 packed lunches for children in need and a Christmas party for homeless people.

These challenges give everyone at Topps Tiles the opportunity to give something back to the local community as part of their working day and their own personal development, and enable the Company to be visible as a proactive, supportive part of the community in Leicestershire and Rutland.
Customer Service and Operations teams making 1,500 packed lunches over five days for disadvantaged schoolchildren (Images 4 & 5)

Logistics colleagues clearing allotments at Saffron Acres in Leicester

Buying and stock teams redecorating the community hall at Sproxton in Leicestershire

The HR team clearing a garden and fence painting at a local primary school
CORPORATE SOCIAL RESPONSIBILITY

The contribution that Topps Tiles has made to various communities across Leicester city and county has been invaluable.

Leicestershire Cares and Topps Tiles have shared a successful partnership. Since 2015 Topps Tiles teams have sent over 500 employee volunteers to make a significant impact to local communities, with hours volunteered equating to £75,000 worth of social investment into the local economy.

We would like to give a huge thank you and congratulations to the all the staff for the drive and determination they giving during their team and festive challenges. The staff use their corporate social responsibility to help people come together and feel a sense of unity and pride in their community once more.

The Topps Tiles staff give lots of festive cheer through Christmas parties and get thoroughly involved in Collect 4 Christmas; the whole Company comes together to collect items for individuals who have been homeless and ready for a fresh start in their new accommodation.

We look forward to building on the strong foundations we have with Topps Tiles staff and local communities.

Raheema Caratella
Community Development Co-ordinator
Leicestershire Cares

We are incredibly grateful to Topps Tiles customers and colleagues for all their amazing support since our partnership began back in 2015. To date they have raised over £775,000 for Macmillan Cancer Support, which is helping us provide physical, financial and emotional support to people affected by cancer in the UK. One in two of us will now receive a cancer diagnosis in our lifetime and we couldn’t provide our vital support to those that need us without the amazing contributions from our partners like Topps Tiles.

During 2019, we were delighted when colleagues chose to extend our partnership with Topps Tiles and renew their commitment to Macmillan for years to come. We were also proud to present Topps Tiles with the Macmillan Award for Excellence in Customer Microdonations, thanks to their incredible customer donations via the Pennies scheme.

We look forward to seeing what the future holds for our incredible partnership together.

Claire Singlehurst
Director of Relationship Fundraising, Macmillan Cancer Support

It has been wonderful to see Topps Tiles’ customers donate so generously since the partnership with Pennies was introduced in 2016, making more than 1.5 million individual donations and raising over £500,000 for Macmillan Cancer Support to date.

Pennies would like to give a huge thanks to the team at Topps Tiles – for not only using our digital charity box solution to raise funds for charity – but for being such advocates for the digital micro-donation movement. Pennies itself is a charity and we work hard to make charitable giving as easy, affordable and accessible as possible, to protect and grow digital micro-donations as a valuable source of funds for the charity sector.

It has never been more important for companies to commit to acts of ‘social good’ as investors, colleagues and customers demand ethical, responsible business. Topps Tiles is a shining example of a business that has shown their commitment to charities like Macmillan and Pennies; working hard to give back to the communities they serve and show customers how their pennies join together to make a difference. We look forward to building on this partnership across more channels in the coming years, to helping create more impact for Macmillan and their beneficiaries, and to offering many more Topps customers the option to make their pennies count for charity.

Alison Hutchinson CBE
Chief Executive, Pennies
Transport
This year has seen a focus on driver performance.

Our fleet covered a total of 3.7 million kilometres using 1.2 million litres of fuel, an increase of 2.3% and 1.3% respectively YoY.

But our overall levels of kilometres per litre rose from 2.97 to 2.99, suggesting an overall improvement in driver performance.

In addition, our Warehouse to Wheels programme continues to flourish, where we support warehouse to become fully qualified HGV drivers. This year two more drivers have completed the programme and are now part of our driver team. In an increasingly competitive market, this has become an important source of trained drivers, to ensure our driving colleagues reflect our high levels of customer service as they continue to represent our brand across the UK.

Supply Chain
We source a diverse range of products from 200 factories across the world to bring the latest trends, creative designs and advanced technologies to the UK to retain our position as market leader. We have developed long-term strategic partnerships across our supply chain where we share the same ethical values.

As a trusted retailer and supplier to Commercial projects our customers expect our products to be ethically sourced and therefore we look beyond our internal operation and ask for complete transparency across our supply base. Our supply chain can be complex but we are committed to ensuring all our suppliers adhere to the highest standards of ethics, able to demonstrate safe working conditions, and are treating workers with dignity and respect.

All our suppliers are required to comply with the Topps Responsible Sourcing code. This code has been designed to be ethical, auditable, and achievable and is in place to promote good working practices with our suppliers. The Code represents the Company's fundamental expectations of its supply partners in relation to responsible sourcing. Topps Tiles will not knowingly work with any supplier who does not comply and requires all suppliers to acknowledge this Code and confirm their acceptance of its provisions. Compliance is underpinned by way of contractual obligation and audit process. Suppliers applying this code are expected as a minimum to comply with national and other applicable laws. Suppliers are expected to be able to meet our high standards of behaviour and business ethics.

As part of our auditing process, all of our suppliers have to complete a Social and Ethical Self-assessment document to be able to identify if there are any product or geographical risks. As a result of these assessments, we are rolling out an independent third-party auditing programme across regions where due diligence mapping has identified any potential risks. To mitigate any risk there is also ongoing surveillance visits carried out by our buyers, factory agents and members of our technical team to ensure that our products continue to be ethically sourced.

In 2015, the Modern Day Slavery Act came into force and Topps Tiles is committed to this act ensuring that no forms of Modern Day Slavery enter the business and its supply chains. We believe that training in this area is important, and there is heightened awareness across the organisation on being able to identify the risks of modern day slavery.

* Our Responsible Sourcing Code of Conduct and Modern Day Slavery Statement can be found on our website at www.toppstilesplc.com under Corporate Responsibility.
CORPORATE SOCIAL RESPONSIBILITY

Environment and Sustainability

Reducing the amount of waste sent to landfill continues to be a focus across the business and we are pleased to report notable improvements in this area.

At Clerkenwell Design Week, May 2019, our commercial business Parkside launched Sequel Vibe, a 3-colour, 3 format-tile collection that is manufactured from 98% recycled materials. By using unwanted manufacturing materials a new kind of material is produced, combining glass and porcelain, to create tiles with unique character and low environmental impact.

As a group, we continue to work with Parkside suppliers to improve the sustainability of its tile collections.

In terms of recycling, waste is collected from across our store network to be sorted into different categories, much of which is recycled, including cardboard, shrink-wrap, polythene, polypropylene banding, wooden packaging, scrap metal and repairable wooden pallets.

In the past year we have recycled 98 tonnes of cardboard through our operation (+69% YoY as cardboard is now sent back to our distribution centre from stores). We are also recycling 70 tonnes of polythene (+15%), 16 tonnes of nylon strapping (+7%) and 14 tonnes of paper (+17%).

Our Distribution Centre also centrally recovers cementitious waste product (such as adhesive and grout) from all stores where it is sent on for specialised end-of-life processing.

We collect damaged tiles from our stores and in partnership with Green4life we have recycled 52% of our tiles. This year saw 37% of our tile waste crushed and used as a composite material in breeze blocks and a further 15% used as a composite of aggregate. This is a market-leading initiative based on our principle of reducing waste to landfill.

The Company is a member of the On-pack Recycling Label scheme which delivers a simple, consistent and UK-wide recycling message. As members of the scheme, all our suppliers will place these specific clear recycling symbols on all of our own brand products. This enables our customers to recycle more packaging correctly. It also enables local authorities to recycle more and in turn will minimise our environmental footprint.

The UK Waste Electrical and Electronic Equipment (WEEE) Regulations were introduced in 2007 with the aim of reducing the amount of electrical and electronic equipment ending up in landfill. Our stores offer a like-for-like take back service, whereby customers can return their old product to any store, when purchasing a new one. These electrical products are then collated at our distribution centre and sent for recycling.

Sequel range, made from recycled glass (Parkside) (Images 1 & 2)
We work proactively with our suppliers to ensure that they take into consideration the principles of sustainable development, in particular the optimum use of raw materials, water, the efficient use of energy and also minimising the amount of waste as a result of the supply chain and manufacturing process.

For the last three years all new, relocated and refitted stores have been installed with LED lighting and we are now commencing a six-month programme to retro-fit our remaining store estate with a new energy efficient LED lighting system. This will cut energy consumption by over 40%. This year we also upgraded the lighting in our one remaining non-LED lit distribution warehouse in Leicester to an energy efficient system.

Carbon emissions per store have increased slightly from 31.1 to 32 tonnes per annum (+2.9%), compiled in conjunction with our electricity and gas suppliers and our in-house transport team. This is based on the actual energy consumed multiplied by Environment Agency-approved emissions factors. Vehicle emissions have been calculated by our in-house transport team based on mileage covered multiplied by manufacturer-quoted emission statistics.

Youth Sport

At Topps Tiles, we have always recognised the benefits that participation in sport can bring to the communities in which we trade. We are proud to be involved in helping children become more active through our youth sport sponsorship. This enables our stores to allocate a modest sponsorship budget to a local youth team.

We donated funds to 60 teams throughout the UK during 2019, including football, rugby, cricket and netball.

The Tile Association

For the past three years we have been working with The Tile Association (TTA), a trade association whose mission it is to promote professionalism and technical standards in the tiling industry across tiling contractors, fixers, distributors, retailers and manufacturers.

The TTA is the leading body contributing to the formation of British Standards in Tiles and a member of Build UK. Our Buying Director, Tim Tatlock, also sits on the Board of Directors of The Tile Association.

We aim to work with the association on improving industry standards, training and offering support in encouraging best practises throughout the industry.
Non-financial Information Statement

Topps Tiles Plc has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the strategic report. This can be found as follows:

• Group’s business model is on page 10.
• Information regarding the following matters, including policies, the due diligence process implemented in pursuance of the policies and outcomes of those policies, can be found on the following pages:
  − Environmental matters on page 34;
  − Employees on page 14;
  − Gender diversity on page 52;
  − Social matters on pages 28 to 35;
  − Respect for human rights on page 52; and
  − Anti-corruption and anti-bribery matters on page 47.
• Where principal risks have been identified in relation to any of the matters listed above, these can be found on pages 24 to 27, including a description of the business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and a description of how the principal risks are managed.
• All key performance indicators of the Group, including those non-financial indicators, are on pages 18 and 19.
• The Financial Review section on pages 20 to 23 includes, where appropriate, references to, and additional explanations of, amounts included in the entity’s annual accounts.

Section 172 Companies Act 2006

Details on how Topps Tiles Plc has complied with the requirements of s172 of the Companies Act 2006 are found within the Corporate Governance Statement on page 42.

Going Concern

When considering the going concern assertion the Board reviews several factors including a detailed review of risks and uncertainties, the Group’s forecast covenant and cash headroom against lending facilities and management’s current expectations. As a result of this review the Board believes that the Group will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. Therefore, the Board considers it appropriate to prepare the accounts on the going concern basis.

Long Term Viability

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

Long Term Viability

In addition to the Going Concern statement, the Directors have also assessed the prospects of the Group over a longer period. This assessment has been done over a period of 3 years for the following reasons:

• This is the basis on which the current strategic financial plans have been prepared; and
• The business is largely dependent on UK consumer confidence and discretionary spending which is difficult to project beyond this period

The Directors’ assessment of the Group’s prospects has been made with reference to the Group’s current position, which has been strengthened by the refinance of loan facilities concluded in the period and the principal risks facing the Group, as detailed in the Strategic Report.

In assessing the viability of the Group, the Board considers the key risks to the delivery of its financial plans related to Brexit driven reduction in consumer confidence and major reputational damage from cyber security attacks, both of which would be expected to lead to a reduction in sales. In addition, there are key risks such as currency fluctuations and supply chain disruption driven by the uncertainty related to Brexit which could lead to a weakening in the Group’s gross margin.

As a result the Board has reviewed a number of sensitivities based on a reduction in sales and gross margin over the viability period of 3 years. It should also be noted that the Group is operationally geared which means that there is a relatively high level of impact from any increases or decreases in levels of turnover. A sustained decrease in levels of turnover would be managed by a reduction in operational expenditure, reductions in capital expenditure, tighter working capital controls and possible restriction of company dividends.

The conclusion of these sensitivities is that the Group has a good level of financial flexibility and is well positioned to withstand a number of risks occurring and the sustained reduction in levels of consumer spending and rising margin costs through the next three years.

The Board has also considered the Group’s current banking facilities which include a non-amortising revolving credit facility that expires in June 2022 (with the opportunity to extend by a further year in June 2020).

Based on this review the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meets its liabilities, as they fall due, for the next 3 years.
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.

ANNUAL GENERAL MEETING
The Annual General Meeting for the period to 28 September 2019 will be held on 22 January 2020 at 10am at the Marriott Hotel, Leicester.

The Strategic Report was approved by the Board of Directors and signed on its behalf by:

Matthew Williams
Chief Executive Officer

Rob Parker
Chief Financial Officer
26 November 2019
## OUR GOVERNANCE

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1. Orbitale Brass, Carrara Honed and Lato Circle
BOARD OF DIRECTORS

Darren Shapland  G
Non-Executive Chairman
Darren joined the Board in March 2015. He has over 30 years of retail and consumer experience, having held senior financial and operational positions within the Burton Group, Arcadia and Kingfisher. Darren was Chief Financial Officer at J Sainsbury plc between 2005 and 2010 before being appointed Group Development Director, a position he held between 2010 and 2011. He was also Non-Executive Chairman of Sainsbury’s Bank from 2006 to 2013 and Chief Executive Officer of Carpetright plc from 2012 to 2013.

Matthew Williams  B
Chief Executive Officer
Matt joined Topps Tiles in 1998 as Property Director soon after its IPO. He spent the next six years expanding the Company’s store base, acquiring more than 200 new sites, which still make up a large part of the store portfolio today. Promoted to the role of Chief Operating Officer in 2004 and joining the Board in 2006, he was a key member of the team that established Topps Tiles as the leading specialist tile retailer in the UK. In 2007, he was promoted to Chief Executive Officer. Matt is also a Non-Executive Director of The Original Factory Shop and sits on the Pennies Retail Hospitality Advisory Board.

Rob Parker  H
Chief Financial Officer
Rob joined the Board 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 accountable for all aspects of finance, human resources, logistics, property, IT, and company legal matters.

Matt Williams will step down as CEO and be succeeded by Rob Parker on 29 November 2019.

Keith Down  C D E
Non-Executive Director
Chair of the Audit Committee
Keith joined the Board in February 2015. A chartered accountant, Keith is currently the Group Finance Director of Selfridges Group, having held this post since July 2018. He was previously the Chief Financial Officer of Dunelm Group plc, Go-Ahead Group plc and JD Wetherspoons plc.

Claire Tiney  B D F H
Non-Executive Director
Chair of the Remuneration Committee
Claire joined the Board in November 2011. She is also a Non-Executive Director of Volition plc and Hollywood Bowl Group plc, having previously spent 15 years as an Executive Director in several retail businesses including Mothercare and WHSmith. Most recently, she was HR Director at McArthurGlen.

Andy King  D E H
Non-Executive Director
Employee Engagement Director
Andy joined the Board in January 2012. Formerly Chief Executive Officer of Evans Cycles, prior to that Managing Director of Dobbies Garden Centres and prior to that Chief Executive of Notcutts Garden Centres. Andy has also held director roles at The Body Shop, Mothercare, WHSmith and Boots the Chemists. Andy is the Company Engagement Director, with responsibilities for engagement with the workforce on behalf of the Board.
EXECUTIVE TEAM

Matthew Williams
Chief Executive Officer
Matt Williams will step down as CEO and be succeeded by Rob Parker on 29 November 2019.

Rob Parker
Chief Financial Officer
Rob Parker also serves on the Board of Directors.

Alistair Hodder
A Company Secretary
Appointed Head of Legal & Company Secretary in June 2018. After starting his legal career as a solicitor with national law firm Prettys & Co, Alistair has held senior in-house and General Counsel/Head of Legal positions, with a focus on technology, construction/building materials, insurance and consumer. Before joining Topps Tiles, Alistair was Head of Legal at NHBC.

Brian Linnington
Managing Director of Commercial
Appointed Managing Director of Commercial in April 2018. A chemistry graduate and MBA, Brian has many years of retail business experience. Starting his career at Boots where his roles included Category General Manager Tasteties, International Country Manager for Holland and then Taiwan and finally Multi-channel Director for Boots UK. Brian was Product and Marketing Director at Vision Express before joining Tapps Tiles in 2012 to take responsibility for buying, marketing and online.

Richard Carter
Managing Director of Retail
Appointed Managing Director of Retail in April 2018. An experienced retailer who has worked for both blue chip retailers and smaller, more entrepreneurial businesses, Richard has previously held senior operations roles with the Spirit Group (Punch Taverns), Virgin Retail, Dixons and Office World (Staples). Richard started his career with Asda on their retail operations graduate recruitment programme, before joining Tapps Tiles in 2010 to take responsibility for retail operations, supply chain and the trade division.

Tim Tatlock
Buying Director
Appointed Buying Director in April 2018. Responsible for all our product assets and leads in Creative, Sourcing, Technical and Inventory, Tim has over 20 years of tile industry experience and prior to joining Tapps Tiles held senior leadership positions with UK tile distributors and multinational tile manufacturers. His expert knowledge and innovative approach have seen progress to the position of Buying Director, after joining Tapps Tiles as a Buyer in 2005.
CORPORATE GOVERNANCE REPORT

The Board has reviewed the contents of this Annual Report and considers it fair, balanced, understandable and an accurate representation of the Company’s current position, performance, business model and strategy.

Darren Shapland
Chairman

Dear Shareholder
I am pleased to present our Corporate Governance Report for the period ended 28 September 2019.

Continuing to Strengthen Our Governance
Good governance is essential to the successful delivery of our strategy and the Board is committed to meeting the highest standards for all stakeholders. The Financial Reporting Council’s 2016 UK Corporate Governance Code (“2016 Code”) was applicable during the Period. The Board and I welcomed the Financial Reporting Council’s 2018 UK Corporate Governance Code (the “2018 Code”) against which we will be reporting next year. We support its aims and have been progressively implementing its principles and requirements, as follows:

- The Company Secretary reviewed compliance with the 2018 Code and regularly briefs the Board on progress against actions to achieve compliance;
- We reviewed our corporate purpose, and how strategy is aligned to this;
- We discussed our approach to ensuring diversity on the Board and throughout the business;
- We launched “MyVoice”, a new employee engagement programme and appointed Andy King as Employee Engagement Director to attend our “Team Talk” employee engagement sessions, to strengthen communication between the Board and colleagues;
- We reviewed how we engage with our customers and launched “Tile Talk”, a new customer engagement programme, to help us listen to the voice of our customer, in real time; and
- We formally considered “emerging risks” through our risk review process.

Fair, Balanced, Understandable
The Board has reviewed the contents of this Annual Report and considers it fair, balanced, understandable and an accurate representation of the Company’s current position, performance, business model and strategy. The basis for this view is that the Directors are provided with the relevant information to perform their duties and have access to members of management, as they require. The Board meets regularly and is given adequate time to probe, debate and challenge business performance. The Board has received a report from the Audit Committee in relation to the financial results and based on that, has approved the final accounts for the period. Having gained a thorough understanding of the business, each member of the Board has also had the opportunity to review and influence this report and as such have concluded in line with the statement above.

Being Available to Shareholders
All members of the Board will be available to answer questions at the Annual General Meeting in January 2020.

Statement of Compliance with the 2016 UK Corporate Governance Code
Throughout the Period, the Company has complied fully with the principles of the 2016 Code, including both the Main Principles and the supporting principles, as reported. More on how the Main Principles have been applied are set out below and in the Strategic Report, Directors’ Remuneration Report and Audit Committee Report.
constructive debate. an effective contribution within an atmosphere of transparency and
At meetings, the Chairman ensures that each Director can make
responsibilities and are invited to give feedback to the Board.
attend to update the Board in relation to their specific departmental
of the Group’s financial position and performance against KPIs.
Regular items at Board meetings include updates on health and
safety, reports on progress towards strategic objectives, reviews
of the Group’s financial position and performance against KPIs.
Members of the Executive and Leadership teams are invited to
attend to update the Board in relation to their specific departmental
responsibilities and are invited to give feedback to the Board.
At meetings, the Chairman ensures that each Director can make
an effective contribution within an atmosphere of transparency and
constructive debate.

The Board

The Board comprises six members, of which four are considered
independent, in line with the 2016 Code. Darren Shapland chairs
the Board and the Nomination and Governance Committee, the
Senior Independent Non-Executive Director is Claire Tiney, who
also chairs the Remuneration Committee, Keith Down chairs the
Audit Committee and Andy King has a remit to oversee Employee
Engagement. Brief biographical details of all Directors are given
on page 40.

As announced on 5 November 2019, Matt Williams, our Chief
Executive Officer, has decided to step down from the Board with
effect from 29 November 2019 and will be succeeded by Rob
Parker, currently Chief Financial Officer. The Company has begun
the search for a new CFO. To ensure a smooth handover Matt will
remain as an adviser to the business until the end of May 2020.
The Board held 12 scheduled meetings during the Period, based
on an annual plan agreed with the Chair, including an annual off-
site strategy review.

Ahead of each meeting, the Directors are given up-to-date
information about trading performance, the Group’s overall
financial position and its achievement against prior year, budget
and forecasts.

Regular items at Board meetings include updates on health and
safety, reports on progress towards strategic objectives, reviews
of the Group’s financial position and performance against KPIs.
Members of the Executive and Leadership teams are invited to
attend to update the Board in relation to their specific departmental
responsibilities and are invited to give feedback to the Board.

Between Board meetings, financial and other relevant information
is circulated to the Directors as necessary; the Chairman maintains
frequent direct contact with the Executive and Non-Executive
Directors and keeps the Non-Executive Directors informed of
material developments. Directors can meet with Senior Executives
and visit stores.

Certain defined matters are reserved for the Board including:

• Investor relations.
• Approval of Financial Statements and circulars.
• Approval of operating and capital expenditure budgets.
• Approval of the strategy and business plan.
• Approval of corporate transactions and changes to capital
structure, core activities or listing status.
• Key policies including Modern Slavery and Ethical Trading,
Anti-Bribery, Health and Safety and Diversity.
• Directors’ appointments.
• Corporate governance.
• Key external and internal appointments.
• Pensions and employee incentives.

Board members are responsible for their own development but are
provided access to the Company’s advisers 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
various technical seminars and professional updates on a range
of relevant topics useful to enhancing the Board’s knowledge and
understanding of corporate governance. Provision has also been
made within the Board’s timetable for regular updates in relation
to areas including the economy, the market and development in
remuneration practice.

Our customers and suppliers are also fundamental to the
delivery of our plan and as leading consumer brand, it is
essential that we maintain our reputation for high standards
of business conduct. Read about how we work to strengthen
supplier relationships, and to continually improve our products
and customer service, on pages 10 and 11.

We aim to be a responsible member of our community and
minimise our impact on the environment. Read about what
we do on pages 28 to 35.

As a Board, our intention is to behave responsibly toward our
shareholders and treat them fairly and equally, so that they all
benefit from the successful delivery of our plan.

The Board of Directors has overall responsibility for determining
the Company’s purpose, values and strategy and for ensuring
high standards of governance. The primary aim of the Board is
to promote the long-term sustainable success of the Company,
generating value for shareholders and contributing to wider
society. Stakeholders include employees, shareholders, suppliers,
customers and creditors of the business.

Section 172 Companies Act 2006

The Board, both individually and together, consider that they
have acted in the way they consider, in good faith, would be
most likely to promote the success of the Company for the benefit
of its members as a whole (having regard to the stakeholders and
matters set out in s172 (1) (a-f) of the Companies Act 2006) in
the decisions taken during the Period. In particular:

• To ensure the Board takes account of the likely consequences
doing business (enhancing the Board’s knowledge and

readiness to areas including the economy, the market and development in
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society. Stakeholders include employees, shareholders, suppliers,
customers and creditors of the business.
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 address issues to the Senior Independent Non-Executive Director.

The Board considers that Darren Shapland, Claire Tiney, Andy King and Keith Down are independent for the purposes of the 2016 Code. The terms and conditions for the appointment of Non-Executive Directors are available for inspection on request.

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

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

**Board Composition**

<table>
<thead>
<tr>
<th></th>
<th>Appointed</th>
<th>Independent</th>
<th>Nomination and Governance</th>
<th>Audit</th>
<th>Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darren Shapland</td>
<td>19 March 2015</td>
<td>Non-Executive</td>
<td>Board Chair</td>
<td>I</td>
<td>C</td>
</tr>
<tr>
<td>Matthew Williams</td>
<td>1 April 2006</td>
<td>Executive Chief Executive Officer</td>
<td>I</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Rob Parker</td>
<td>10 April 2007</td>
<td>Executive Chief Financial Officer</td>
<td>I</td>
<td>I</td>
<td>I</td>
</tr>
<tr>
<td>Andy King</td>
<td>23 January 2012</td>
<td>Non-Executive</td>
<td>Employee Engagement Director</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Claire Tiney</td>
<td>12 December 2011</td>
<td>Non-Executive</td>
<td>Senior Independent Director</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Keith Down</td>
<td>2 February 2015</td>
<td>Non-Executive</td>
<td></td>
<td>C</td>
<td>M</td>
</tr>
</tbody>
</table>

- **C** Chairman
- **M** Member
- **I** Invitation – May attend at the invitation of the Chair.

Matt Williams will step down as CEO and be succeeded by Rob Parker on 29 November 2019.
## Attendance at Scheduled Board and Board Committee Meetings

<table>
<thead>
<tr>
<th></th>
<th>D. Shapland</th>
<th>M. Williams¹</th>
<th>R. Parker</th>
<th>C. Tiney</th>
<th>A. King</th>
<th>K. Down</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Audit Committee</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Remuneration Committee</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Nomination and Governance Committee</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

*Meetings attended  Possible meetings  Invitation — May attend by invitation of the Chair.

¹ Matt Williams will step down as CEO and be succeeded by Rob Parker on 29 November 2019.

### Appointment and Re-election of Directors

There were no new appointments during the Period.

All Directors are subject to annual re-election at the AGM (any newly appointed Director would be put forward for election at the next AGM following their appointment). The Nomination and Governance Committee considers the role and contribution of Directors annually as part of their work on succession planning and Board evaluation and considers that each member of the Board continues to be important to the Company’s long-term sustainable success as follows:

- **Darren Shapland**: an experienced Board Chair, with over 30 years of retail and consumer experience. Darren’s key contribution will continue to be to provide leadership to the Board.
- **Rob Parker**: a qualified accountant and experienced CFO, who has supported Topps Tiles’ long-term sustainable growth. From 29 November 2019, Rob will succeed Matt Williams as CEO.
- **Keith Down**: a qualified accountant and experienced CFO, with substantial retail and consumer experience. Keith’s key contribution will continue to be to support the Board and senior Executives and to chair the Audit Committee.
- **Claire Tiney**: an experienced HR Director, with substantial retail and consumer experience. Claire’s key contribution will continue to be to support the Board and senior Executives and to chair the Remuneration Committee.
- **Andy King**: an experienced CEO, with substantial retail and consumer experience. Andy’s key contribution will continue to be to support the Board and senior Executives and to act as Employee Engagement Director.
Focus on Evaluation
Each year there is a formal and rigorous annual evaluation of the performance of the Board, its committees, the Chairman and individual Directors. This provides an opportunity to highlight areas for further development.

For this period, an external evaluation was undertaken, facilitated by Milena Djurdjevic of Calibro Consult ("Calibro"), as described below. Neither Milena Djurdjevic nor Calibro has any other connection with the Group.

The outcome was positive, with key findings being:

- The performance of the Board compares well to boards of other companies of similar size and scale. It is well run, effectively chaired, with a positive culture.
- Against this backdrop of a Board that is performing well, there were some aspects in terms of focus and processes which could be strengthened further, and which have been prioritised by the Chairman for action. These included developing a more focused agenda for future Board meetings.

In addition, for this Period, an internal evaluation was undertaken for the Board and each Committee, facilitated by the Company Secretary. This confirmed that each Committee continued to function effectively.

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In addition, for this Period, an internal evaluation was undertaken for the Board and each Committee, facilitated by the Company Secretary. This confirmed that each Committee continued to function effectively.
Dialogue with Institutional Shareholders
The Directors build on a mutual understanding of objectives between the Company and its institutional shareholders, with annual presentations and regular communications over the year. In addition, I write to major shareholders each year and meet with many of them to discuss the Company and its governance. Financial information is published on the Company’s website toppstilesplc.com. The chairs of the Audit, Remuneration and Nomination and Governance Committees make themselves available at the AGM to answer shareholders’ questions.

Maintenance of a Sound System of Internal Control
The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces and regularly reviews this process. The Board is responsible for the Group’s system of internal control and for reviewing its effectiveness. This 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. As noted below, the scope of the internal audit programme has recently increased.

The Group has established internal control and risk management systems in relation to the process for preparing the consolidated financial statements. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. Management regularly monitors changes in accounting standards and financial reporting requirements, and reflects any relevant changes in the financial statements where appropriate.

The full year financial statements are subject to external audit and the half year interim financial statements are reviewed by the external auditors. The Audit Committee receives reports from management and the external auditors on significant judgements, changes in accounting policies, changes in accounting estimates and any other appropriate changes to the financial statements.

The Company is committed to complying with Corporate Governance guidelines and currently complies with the 2016 Code. The Audit Committee assists the Board in discharging its responsibilities in this regard. The outcomes from the recent key risks and uncertainties review are detailed in the Strategic Report section of this report and the Board has considered all significant aspects of internal control in conjunction with the review of the work of Internal Audit.

During 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.

Modern Slavery
The Board is committed to ensuring that acts of modern-day slavery and human trafficking do not occur in relation to the Company, or its supply chain. To meet this commitment, the Company introduced The Topps Tiles Code of Conduct for Suppliers, which is explained in our Modern Slavery Statement on the Company’s website. This is reinforced by commercial agreements that require our suppliers to be fully compliant with local laws and we pay attention to labour standards and factory conditions.

Anti-corruption and Anti-Bribery
The Board is committed to ensuring that our business is conducted in an honest and ethical manner. We take a zero tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. This commitment includes implementation of an anti-bribery policy which all colleagues are required to adhere to and enforcing an effective systems of control, through our dedicated Internal Audit team. The team works to a plan agreed with the Audit Committee and reports progress to the Audit Committee on a twice yearly basis.

Annual General Meeting
Shareholders receive more than 20 working days’ notice of the Annual General Meeting (“AGM”) at which all Directors are available for questions. Each substantive issue considered at the AGM is the subject of a separate resolution. The numbers of proxy votes for and against each resolution are announced at the meeting and the final votes are subsequently published on the Company’s website.
**Audit Committee**

The Committee held four scheduled meetings during the Period, based on an annual plan agreed with the Chair of the Committee. The Audit Committee comprises independent Non-Executive Directors Keith Down (Chairman), Claire Tiney and Andy King. Their qualifications are detailed on page 40. The Chair has relevant experience, being a qualified Chartered Accountant, a former Chief Financial Officer of a listed company and a serving Chief Financial Officer of a non-listed company. The Chief Executive Officer, Chief Financial Officer and the Chairman of the Board may attend meetings by invitation.

The Audit Committee considers the nature and scope of the audit process (both internal and external to ensure that the programme is aligned to key risks and where necessary any particular risk areas) and its effectiveness. It also monitors, reviews and approves the internal audit programme, and receives internal audit reports on a regular basis to review the effectiveness of its work. The Committee meets with the external auditors and considers the Annual and Interim Financial Statements before making its recommendations to the Board. The Committee reviews and monitors the external auditors’ independence and objectivity and the effectiveness of the audit process. The internal audit programme has recently increased its scope to cover the new commercial division.

The Committee is responsible for ensuring that arrangements are in place to enable staff, in confidence, to raise any concerns about possible improprieties in matters of financial reporting or other matters. No issues have been identified during the Period.

The Committee is responsible for the robust assessment of the Company’s principal strategic risks, which include those to its business model, future performance, solvency and liquidity. The Committee, with support from senior operational managers performs this process. The Committee reviews the strategic risk schedule on a half-yearly basis to ensure that any actions that have been identified are being progressed; additionally the Board receives quarterly updates. It also reviews the Group’s system of internal control by reference to an Internal Controls Framework assessment and reports its findings quarterly to the Board.

The Audit Committee Chairman in conjunction with the Company Secretary conducts an annual internal evaluation of the Committee’s processes during the Period. The conclusion was that the Committee is functioning well, in accordance with its Terms of Reference and corporate governance practice providing appropriate assurance to the Board.

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

- **Review of principal strategic risks** – the Committee conducts an annual review of principal strategic risks and invites a cross section of Company’s management to present in order to ensure that the review includes a detailed understanding of the business. The review highlights the principal risks based on a combination of likelihood and impact and then considers what appropriate mitigating effects should be implemented.
- **Review of poor performing stores** – as part of both the interim and full year-end review process, poorly 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 reviews progress towards these plans at the following review. The Audit Committee also reviews and approves the discount rate calculations used to discount these provisions. Provisions are made to the extent that the poorly performing store leases are considered onerous.
• Dilapidations are provided for across the entire store portfolio. Management provides an estimate of the required provision based on an assessment of the expected exit period for the current portfolio and average dilapidation cost incurred historically. The Audit Committee reviews the inputs in the provision at each reporting Period and approves the inputs and provision included within the Annual Report.

• Review of inventory – ensuring that inventory is correctly valued is a key area of focus for the Audit Committee. The finance function performs ongoing detailed checks of supplier invoices by comparing to system prices, and management conducts a regular review of any products being sold, or likely to be sold, below the original cost price. Inventory provisions are prepared in accordance with these reviews. The Audit Committee reviews the output of these reviews and approves the provisions included in the Annual Report.

• Going concern and long-term viability statement – the Chief Financial Officer provides an assessment of the Company’s ability to continue to trade on both a 12-month look-forward test basis and a three-year look-forward basis. The conclusions of those reviews is included in the Strategic Report.

• Annual Review of the Group Tax and Treasury Policy, which is published on the Company’s website.

• Monitors the Group’s compliance with Accounting Standards, including new accounting standards, such as IFRS 16 (accounting for leases). Reviews all material judgemental accounting areas such as loyalty accounting and all items considered to be adjusting to support external understanding of underlying performance. The Audit Committee also reviews the independence of the Company’s external auditors, PricewaterhouseCoopers LLP (“PwC”). PwC were selected as the Auditors following a tendering exercise carried out in 2018 and appointed at the AGM in January 2019. A resolution will be proposed at the Annual General Meeting in January 2020 to reappoint PricewaterhouseCoopers LLP as the Auditors.

The audit fee for the statutory audit of the Company’s consolidated financial statements and audit-related services for the period is £159,000 (2018: £130,000).

Nomination and Governance Committee
The Committee held three scheduled meetings during the Period, based on an annual plan agreed with the Chair of the Committee.

The Committee comprises independent Non-Executive Directors Darren Shapland (Chair), Andy King, Keith Down and Claire Tiney. The Committee is responsible for making recommendations to the Board for appointments of Directors and other senior executives. Darren Shapland was appointed Chair in June 2019 following Andy King’s appointment as Employee Engagement Director.

The role of the Nomination and Governance Committee is to lead the process for appointments, ensure plans are in place for orderly succession to both the Board and senior management positions, and to oversee the development of a diverse pipeline for succession and for diversity, on which our policy is included in the Directors’ Report.

The Committee’s principal activities during the Period were:

• Reviewing Executive and senior manager succession plans.

• Planning for the appointment of Andy King as the Employee Engagement Director and succession of Darren Shapland to chair the Committee.

• Executive and Board succession and planning, and reviewing the size, diversity, skills and experience of the Board considering the future needs of the business and the 2018 Code.

• Carrying out an externally facilitated Board evaluation and internal committee evaluations.

• Planning for the appointment of Rob Parker as Chief Executive Officer and a smooth transition following Matthew Williams’ decision to step down.

Remuneration Committee
The Committee held five scheduled meetings during the Period, based on an annual plan agreed with the Chair of the Committee.

The Committee comprises independent Non-Executive Directors Claire Tiney (Chair), Andy King and Keith Down.

For more information on remuneration, see the Directors’ Remuneration Report on page 54 to 71.

Darren Shapland
Chairman of the Board
26 November 2019
DIRECTORS’ REPORT

The Directors of Topps Tiles plc (the “Directors” or the “Board”) present their Annual Report on the affairs of the Group (comprising Topps Tiles plc and its subsidiary companies) together with the Financial Statements and Auditors’ Report, for the 52-week period ended 28 September 2019. The Corporate Governance Report set out on pages 42 to 49 forms part of this report.

Principal Activities
The principal activity of the Group is the retail distribution of ceramic and porcelain tiles, natural stone, and related products.

Strategic Review
The Company is required by the Companies Act 2006 to set out in this report a fair review of the business of the Group during the financial period ended 28 September 2019 and of the position of the Group at the end of that financial period. The Company is also required to set out a description of the principal risks and uncertainties facing the Group. This information is in the Chairman’s Statement on page 04, the Strategic Report on pages 08 to 37, and the Corporate and Social Responsibility (“CSR”) statement on pages 28 to 35, which form part of the Directors’ Report.

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

The Directors monitor a number of financial and non-financial key performance indicators (“KPIs”) for the Group. The most significant of these are detailed on page 18.

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

Results and Dividends
The audited Financial Statements for the 52-week period ended 28 September 2019 are set out on pages 82 to 123. The Group’s profit for the period from continuing operations, after taxation, was £10,078,000 (2018: £9,659,000).

During the interim period, a dividend of 1.1 pence per share was declared and paid (2018: interim dividend of 1.1 pence per share was paid).

Following careful consideration, and for the reasons given in the Chairman’s Statement in this report, the Board is recommending the payment of a final dividend of 2.3 pence per share, totalling £4,483,000 (2018: 2.3 pence per share, totalling £4,447,000).

Directors
The Directors, who served throughout the year, were as follows:
D. Shapland
Non-Executive Chairman
M. Williams
Chief Executive Officer
R. Parker
Chief Financial Officer
C. Tiney
Senior Independent Non-Executive Director
A. King
Non-Executive Director
K. Down
Non-Executive Director

In line with the 2018 UK Corporate Governance Code, all Directors are subject to annual re-election at the next Annual General Meeting.

The Company provides insurance against Directors’ and Officers’ liabilities to a maximum value of £15,000,000.

Articles of Association
The internal regulation of the Company is set out in its Articles of Association. The Articles of Association can be amended by a special resolution of the Company’s shareholders. They cover matters such as the rights of shareholders, the appointment or removal of Directors and the conduct of Board and general meetings. Copies are available upon request and on the Company’s website. In accordance with the Articles of Association, Directors can be appointed or removed by the Board or shareholders in general meeting. Subject to company law and the Articles of Association, the Directors may exercise all the powers of the Company and may delegate authorities to committees. The principal Board committees are the Audit Committee, Nomination and Governance Committee and the Remuneration Committee. Details of the work of these committees can be found in the Corporate Governance Report on pages 48 and 49.

Voting at the Annual General Meeting
In line with the Company’s Articles of Association, voting on resolutions at the Annual General Meeting is by show of hands of the members present taken together with the number of proxy votes. The number of the proxy votes cast for each proposed resolution is provided in advance of voting to the members present at the meeting. In the event that the votes did not support the resolution, the Chairman would formally call for a poll to ensure that all members’ interests are represented.
Share Capital

Details of the Company’s issued share capital, together with details of the movements in the Company’s issued share capital during the Period, are shown in note 21 to the Financial Statements.

The Company has one class of ordinary shares in issue, which carries no right to fixed income. Each share carries the right to one vote in a General Meeting of the Company.

The Company imposes no restrictions on the size of a holding or on the transfer of shares, which are governed by the general provisions of the Articles of Association and company law. 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. All issued shares are fully paid.

Substantial Shareholdings

In addition to the Directors’ shareholdings noted on page 69, as at 28 September 2019, the Company had been notified, in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules, of the following disclosable interests in its issued share capital.

<table>
<thead>
<tr>
<th>Number</th>
<th>% held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberforth Partners LLP</td>
<td>21,469,861</td>
</tr>
<tr>
<td>Williams S K M Esq</td>
<td>20,593,950</td>
</tr>
<tr>
<td>FMR plc</td>
<td>19,644,097</td>
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<tr>
<td>AXA Investment Managers SA</td>
<td>19,213,670</td>
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<tr>
<td>BlackRock Investment Mgt (UK)</td>
<td>11,256,019</td>
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<tr>
<td>Invesco Asset Management</td>
<td>9,790,934</td>
</tr>
<tr>
<td>Standard Life</td>
<td>7,783,246</td>
</tr>
</tbody>
</table>

In addition to the above shareholdings, between 28 September 2019 and 26 November 2019, we have been notified of changes in shareholdings as follows:

- 21 October 2019 – Prudential plc group of companies, notified reduced holding to nil. Notification made solely as a result of the demerger of Prudential plc and M&G plc, resulting in a change of control from Prudential to M&G.

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 14,946,189 (2018: 14,499,395 as restated, see note 30 in “Our Financials”).

As described in note 29, employee share purchase plans are open to almost all employees and provide for employees to purchase Ordinary Shares at a purchase price equal to the daily average market price over the three days preceding the start of the offer period, less 20%. The offer period fell between 5 January 2019 and 21 January 2019 and the offer price to employees was 51 pence.

The Directors’ interests in the shares of the Company and details of the Directors’ share options are given in the Directors’ Remuneration Report on pages 69 to 71.

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 in the event of a change of control of the Company. Should any counterparties choose to exercise their rights under such agreements on a change of control, these arrangements may have to be renegotiated or replacement suppliers, or premises, be found. None of these is considered 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 that 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.
DIRECTORS’ REPORT

Carbon Reporting
As detailed in the Corporate Social Responsibility statement of this report on page 28, our primary energy consumption is electricity used across our store estate. Energy for in-store lighting is a significant source of carbon emissions. We continue to invest in new technology, including low energy lighting, to reduce our carbon emissions.

<table>
<thead>
<tr>
<th></th>
<th>2019 CO₂ (Tonnes)</th>
<th>2018 CO₂ (Tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>5,338</td>
<td>5,486</td>
</tr>
<tr>
<td>Gas and oil</td>
<td>2,742</td>
<td>2,520</td>
</tr>
<tr>
<td>Commercial fleet</td>
<td>3,248</td>
<td>3,204</td>
</tr>
<tr>
<td>Company cars</td>
<td>376</td>
<td>348</td>
</tr>
<tr>
<td>Total</td>
<td>11,704</td>
<td>11,558</td>
</tr>
</tbody>
</table>

The above carbon emissions data covers the Period of this Annual Report. It has been compiled from data from our energy suppliers (based on the energy consumed multiplied by Environment Agency approved emissions factors) and for vehicle emissions, from our in-house transport team (based on mileage covered multiplied by manufacturer’s published emissions data).

Charitable and Political Contributions
The Group has designated charitable partners, the Macmillan Trust and Leicestershire Cares. Across the Group’s business, colleagues engage in numerous fundraising activities, which are documented in the Corporate Social Responsibility statement of this report. During the period, the Group made no monetary charitable donations and no political contributions.

Corporate Social Responsibility
The Company has a long-standing Corporate Social Responsibility agenda covering Community, Charity, the Environment and Our People. Details of our current Corporate Social Responsibility activities are on pages 28 to 33. We take the impact of our business on our environment extremely seriously and have included a range of environmental metrics above and we pay particular attention to labour standards and factory conditions.

Human Rights
All directly employed colleagues are based in the UK and covered by UK employment law. The Modern Slavery Act 2015 came into effect in 2015 and the Board is committed to ensuring that acts of modern-day slavery and human trafficking do not occur in relation to the Company, or its supply chain. For more on this see page 47.

Diversity
The Nomination and Governance Committee reviews the balance of skills, knowledge and experience on the Board regularly. The Board recognises the importance and benefits of diversity in our organisation. We appoint on merit, against objective criteria and with due regard for the benefits of diversity.

Our workforce at the Period-end date comprises:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Senior managers</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Other employees</td>
<td>1,493</td>
<td>1,479</td>
</tr>
<tr>
<td>Total</td>
<td>1,514</td>
<td>1,495</td>
</tr>
<tr>
<td>% of total</td>
<td>75%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Equal Opportunities
The Board is committed to promoting equal opportunities and ensuring that we hire on potential, promote on talent and reward on success. We aim to promote equality of opportunity in employment. We welcome applications for employment from people of all backgrounds, regardless of age, disability, gender reassignment, marriage or civil partnership status, pregnancy, maternity, race, religion or belief and sex. Should a colleague become disabled, we aim to continue to support their training and career development where we can do so, making reasonable adjustments.

Colleague Consultation
The Board values the views of employees and recognises the importance of keeping employees informed of matters affecting them and the Group. This is achieved through formal and informal meetings, electronic announcements, the Company magazine and “TEAM Talk”, a Company-wide forum for colleagues to discuss matters that affect them and the Company. Regular forums are held at local and national levels to ensure that employee representatives are consulted quarterly on matters affecting them.
Financial Risk Management, Objectives and Policies
The Group is exposed to interest rate risk, currency risk and credit risk. Information regarding our approach to managing these risks is contained in note 19 to the Financial Statements. The Group’s approach to risk management is explained in the Strategic Report on pages 24 to 27.

Information Given to the Auditors
Each of the Directors at the date of approval of this Annual Report confirms that:
• so far as they are aware, there is no relevant audit information of which the Company’s auditors are unaware; and
• they have taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

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

Reappointment of the Company’s Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as the Company’s auditors will be proposed at the forthcoming Annual General Meeting.

Directors’ Responsibilities Statement
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial 52-week period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:
• select suitable accounting policies and then apply them consistently;
• state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements, and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
• make judgements and accounting estimates that are reasonable and prudent; and
• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors’ Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Confirmation Statement
We confirm that to the best of our knowledge:
• the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company’s performance, business model and strategy;
• 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 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.

On behalf of the Board
Rob Parker
Director
26 November 2019
The objective of the remuneration committee is to ensure that shareholder and management interests are aligned. In doing this, we aim to make the various elements of the remuneration package transparent, easy to communicate and simple to operate.

Claire Tiney
Chairman of the Remuneration Committee

Role and Responsibilities
The role of the Remuneration Committee is set out in its terms of reference, which are available on the Group’s website. The Committee’s primary purpose is to develop and determine the Group’s remuneration policies for the Executive Directors, Chairman and Senior Management.

Specific duties of the Remuneration Committee include:

- setting the remuneration policy for Executive Directors, Chairman and senior management;
- determining individual pay awards within the terms of the agreed policy; and
- ensuring that the remuneration policy operates to align the interests of management with those of shareholders.

The Committee also has responsibility for reviewing pay and conditions across the Group and the alignment of incentives and rewards with culture.

Statement from the Chairman of the Remuneration Committee

Dear Shareholder

On behalf of the Remuneration Committee, I am pleased to present the Directors’ Remuneration Report for the 52 weeks ended 28 September 2019.

This report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UKLA Listing Rules and the UK Corporate Governance Code. The report is divided into three parts:

1. The Annual Statement by the Chair of the Remuneration Committee.
2. Our Directors’ Remuneration Policy (the “Policy”). As required, this year we will be taking an updated Policy to a binding shareholder vote at the AGM in January 2020. Subject to approval, the updated Policy will then apply for three years from the date of approval.
3. The Annual Report on Remuneration, which sets out payments made to the Directors and details the link between Company performance and remuneration for the 52 weeks ended 28 September 2019. The Annual Report on Remuneration is subject to an advisory shareholder vote at the AGM in January 2020.

Remuneration Framework
Over the course of 2019, the Committee undertook a detailed review of the current Policy to ensure it supports our remuneration principles, which are to:

- attract and retain the best talent;
- drive behaviours which support the Group’s strategy and business objectives which are developed in the long-term interests of the Company and its shareholders;
- reward senior management appropriately for their personal and collective achievements;
- provide incentives that help to maintain commitment over the longer term and align the interests of senior management with those of shareholders; and
- ensure that a significant percentage of the overall package for the Executives and senior managers remains at risk dependent upon performance and that their pay and benefits adequately take account of reward versus risk.

The Committee is proposing to make a number of small changes to reflect developing market best practice over the last three years since the current policy was approved, as well as to ensure compliance with the new 2018 UK Corporate Governance Code (the “Code”) and emerging investor expectations.

I wrote to our major shareholders in August with an outline of our proposed updated Policy and I would like to thank those who provided feedback.
This has been considered by the Committee prior to coming to the final proposal as outlined on page 56.

Performance in 2019 and Remuneration Outcomes

The year under review continued to present some challenging market conditions; despite this, the business has retained its market-leading position in the retail tile market. Additionally, the development of the commercial business has progressed at pace. Following the acquisition of Parkside in September 2017, during the past year another commercial tile business, Strata, has also been acquired and the Group continues to build in this market.

Reflecting the financial performance of the Group, the annual bonus payment was 16% of the maximum. This was based on achieving stage one of the financial targets, which were linked to delivery of Adjusted PBT of £16 million, and delivery of the strategic targets, which were partially met as outlined on page 66.

The long-term plan awards granted in December 2016 were based upon performance over the three financial years to September 2019. The awards required cumulative adjusted earnings per share (“EPS”) over the period to be at least 29.84p for 25% vesting, increasing to 32.29p for full vesting of the awards. Actual cumulative EPS was 20.88p; therefore, no payments will be made in respect of the LTIP.

Remuneration Decisions for 2019

During the Period, the Committee reviewed the base salary levels for the Executive Directors and as part of that review considered the remuneration of the wider workforce. It was concluded that the Executive Directors and Non-Executive Directors should be awarded an increase in base salary of 2% in line with the wider workforce. This increase was effective from 1 October 2019. Except for Rob Parker, as explained under “Change of Directors” below, no other changes are being proposed to the remuneration of the Executive or Non-Executive Directors and the variable incentive opportunity levels will remain the same as those set previously.

Change of Directors

As announced on 5 November 2019, Matt Williams, our Chief Executive Officer, has decided to step down from the Board with effect from 29 November 2019. Rob Parker, currently Chief Financial Officer, will be appointed as Chief Executive Officer effective from the same date. To ensure a smooth handover Matt will remain as an adviser to the business until the end of May 2020.

The full details of Matt’s package on termination, once finalised, will be set out in next year’s remuneration report. I can confirm that he will only receive payments in line with his contract; will not be entitled to any annual bonus in respect of 2019/20; and his LTIP and SAYE awards will be dealt with in accordance with the Remuneration Policy and the Plan Rules.

The Remuneration Committee has agreed to increase Rob’s salary on promotion to Chief Executive Officer to £400,000 (from £270,928, effective from 1 December 2019) which will be £10,071 less than Matt’s current salary. In addition to normal benefits, Rob will receive an allowance in lieu of pension of 5% of salary (in line with the majority of the workforce) which is reduced from the previous rate of 12.5%, a maximum bonus opportunity of 100% of salary and a maximum LTIP award of 100% of salary. Full details will be included in next year’s remuneration report.

Annual General Meeting

On behalf of the Board, I would like to thank shareholders for their continued support and I look forward to meeting you at the Annual General Meeting on 22 January 2020.

In the meantime, I am always happy to hear from the Company’s shareholders. You can contact me via the Company Secretary if you have any questions on this report or more generally in relation to the Company’s remuneration.

Claire Tiney
Chair of the Remuneration Committee
26 November 2019
Potential Directors’ Remuneration Policy
This part of the report sets out the Company’s Directors’ Remuneration Policy, which will be subject to a binding shareholder vote at the Annual General Meeting in January 2020. Subject to approval by shareholders, it is intended that the policy will be in force for a three-year period from that date.

The Role of the Committee in Reviewing the Remuneration Policy
The previous remuneration policy was approved by shareholders at the AGM in January 2017 and was approved with approximately 95% of votes cast in favour. During 2019, the Committee undertook a detailed review of the remuneration policy and its operation to ensure that it continues to support the business strategy and meet the expectations of the Company’s shareholders and other stakeholders. As part of this review, the Committee also took into account the principles set out in the new 2018 UK Corporate Governance Code. In addition to setting the remuneration for the Executive Directors and other senior executives, the Committee also maintains oversight of the reward arrangements for all colleagues within the Group and took this broader context into account when reviewing the policy. Further details on the operation of the Committee and its membership are set on page 49.

Changes from the Previously Approved Policy
The key changes between the previous and proposed policy are:
- A reduction in the potential maximum pension contribution level from 20% to the level currently available to the majority of the workforce (currently 5% of salary);
- An increase in the shareholding requirement for the Chief Financial Officer from 150% to 200% of salary;
- The introduction of a post-vesting holding period for LTIP awards, applicable to awards granted from the date of the AGM in January 2020 onwards, which will require executives to retain the net of tax number of shares vesting until the fifth anniversary of grant;
- Extended clawback powers in respect of LTIP awards, applicable to awards granted from the date of the AGM in January 2020 awards.

Executive Directors

<table>
<thead>
<tr>
<th>Component</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum opportunity</th>
<th>Performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary</td>
<td>Core element of fixed remuneration set at a market competitive level with the aim to attract and retain Executive Directors of the calibre required.</td>
<td>Salaries are usually reviewed annually taking into account: • underlying Group performance; • role, experience and individual performance; • competitive salary levels and market forces; and • pay and conditions elsewhere in the Group.</td>
<td>While there is no maximum salary, increases will normally be no higher than the typical level of salary increase awarded (in percentage of salary terms) to other employees in the Group. Salary increases above this level may be awarded in certain circumstances, such as, but not limited to: • where an Executive Director has been promoted or has had a change in scope or responsibility; • an individual’s development or performance in role (e.g. to align a newly appointed Executive Director’s salary with the market over time); • where there has been a change in market practice; or • where there has been a change in the size and/or complexity of the business. Such increases may be implemented over such time period as the Committee deems appropriate.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>Component</td>
<td>Purpose and link to strategy</td>
<td>Operation</td>
<td>Maximum opportunity</td>
<td>Performance measures</td>
</tr>
<tr>
<td>--------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------</td>
</tr>
<tr>
<td>Benefits</td>
<td>Fixed element of remuneration set at a market competitive level with the aim to attract and retain Executive Directors of the calibre required.</td>
<td>Executive Directors receive benefits in line with market practice, and these include principally life insurance, income protection, private medical insurance, company car or car allowance and fuel allowance and, where relevant, relocation expenses. Other benefits may be provided based on individual circumstances. These may include other benefits which are introduced for the wider workforce on broadly similar terms. Any reasonable business-related expenses (including the tax thereon) can be reimbursed.</td>
<td>While the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>Pensions</td>
<td>Provides appropriate post-employment benefits (or cash equivalent).</td>
<td>Executive Directors are eligible to participate in the defined contribution pension scheme. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, Executive Directors may be permitted to take a cash supplement instead of contributions to a pension plan.</td>
<td>Contributions of up to the rate available to the majority of the workforce (currently 5% of salary).</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>All employee share schemes</td>
<td>To create alignment with the Group and promote a sense of ownership.</td>
<td>Executive Directors are entitled to participate in a tax-qualifying all employee SAYE scheme under which they may make monthly savings contributions over a period of three or five years linked to the grant of an option over the Company’s shares with an option price which can be at a discount of up to 20% to the market value of shares at grant. Executive Directors are also entitled to participate in an HMRC tax-qualifying Share Incentive Plan (&quot;SIP&quot;) and any other HMRC-approved plans that may be introduced by the Company for all employees.</td>
<td>Participation limits are those set by the UK tax authorities from time to time.</td>
<td>Not subject to performance measures in line with HMRC practice.</td>
</tr>
</tbody>
</table>
## DIRECTORS’ REMUNERATION REPORT

<table>
<thead>
<tr>
<th>Component</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum opportunity</th>
<th>Performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual bonus</strong></td>
<td>Rewards performance against annual targets which support the strategic direction of the Group.</td>
<td>Awards are based on annual performance against key financial targets and/or the delivery of personal/strategic objectives. Pay-out levels are determined by the Committee after the year-end based on performance against those targets. The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee’s assessment of overall business performance.</td>
<td>The maximum bonus opportunity for an Executive Director will not exceed 100% of salary.</td>
<td>Targets are set annually reflecting the Company’s strategy and are aligned with key performance indicators. Up to 20% of the bonus may be based on strategic measures and/or individual performance. The balance will be assessed against key financial performance metrics of the business. <strong>Financial metrics</strong> There is no minimum payment at threshold performance and all of the maximum potential will be paid out for maximum performance, with scaled vesting in between. <strong>Non-financial or individual metrics</strong> Vesting of the strategic awards will apply based on the Committee’s assessment of the extent to which a strategic metric has been met.</td>
</tr>
<tr>
<td>Component</td>
<td>Purpose and link to strategy</td>
<td>Operation</td>
<td>Maximum opportunity</td>
<td>Performance measures</td>
</tr>
<tr>
<td>-----------</td>
<td>------------------------------</td>
<td>-----------</td>
<td>---------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Long Term Incentive Plan (&quot;LTIP&quot;)</td>
<td>To incentivise Executive Directors, and to deliver genuine performance-related pay, with a clear line of sight for Executives and direct alignment with shareholders’ interests.</td>
<td>Long-term incentive awards are granted under the LTIP, approved by shareholders on 23 January 2013. Under the LTIP, awards of nil cost share options or conditional shares may be made. While there is no current intention to do so, awards may (technically) be settled in full or in part in cash at the discretion of the Committee (for example in respect of shares that would otherwise be sold to satisfy tax withholding requirements or in response to local law constraints). The vesting of awards will be subject to the achievement of specified performance conditions, ordinarily measured over a period of at least three years. Dividend equivalents may be paid on shares that vest in connection with LTIP awards by reference to the value of dividends payable during the award’s vesting period (and holding period where relevant). For awards granted from the date of AGM in January 2020 onwards, a post-vesting holding period will apply which will require Executives to ordinarily retain any shares vesting (net of tax) until the fifth anniversary of grant.</td>
<td>The normal maximum award is 100% of salary in respect of a financial year. Under the share plan rules the overall maximum opportunity that may be granted in respect of a financial year is 200% of salary. The normal maximum award limit will only be exceeded in exceptional circumstances, such as the recruitment or retention of an Executive Director. The market value of the shares subject to an award is based on the three-day average share price immediately after the Company’s Quarter 4 trading statement, unless the Committee determines otherwise.</td>
<td>Relevant performance measures are set that reflect business performance. Specific disclosures on the performance measures that have been set in any given year are provided in the relevant Directors’ Remuneration Report for that year. The Committee retains discretion to adjust the vesting outcome of any LTIP award to reflect the underlying financial performance of the Company, notwithstanding the extent to which the specific performance targets applicable to the award have been met. Performance measures and their weighting (where there is more than one measure) are reviewed annually to maintain appropriateness and relevance. For achievement of threshold, no more than 25% of the maximum opportunity will vest. There will usually be straight-line vesting between threshold and maximum performance.</td>
</tr>
</tbody>
</table>

Shareholding Requirement

The Executive Directors are subject to a shareholding requirement to build and maintain a shareholding in Topps Tiles equivalent to 200% of salary for the Chief Executive Officer and the Chief Financial Officer.

Legacy Incentive Plans (2020 Awards)

The Executive Directors retain legacy share awards granted under the previous remuneration policy, the “2020 awards”. The awards are subject to performance conditions based on the financial reporting period ending 3 October 2020. The awards will be allowed to vest on the terms on which they were granted, subject to achievement of the applicable performance targets.
Recovery and Withholding of Annual Bonuses, LTIP Awards and 2020 Awards

The Committee has the right to reduce, cancel or impose further conditions on unvested or unexercised LTIP or 2020 awards, or to clawback amounts from participants within a period of two years following the vesting of any LTIP or 2020 awards, if there has been a material misstatement of the Company's financial results, a material failure of risk management by the Company or if there has been serious reputational damage to the Company as a result of the participant's misconduct or otherwise. In respect of LTIP awards granted from the date of the AGM in January 2020 onwards, clawback may also apply in instances of corporate failure, discovery of serious misconduct and/or error of calculation. For up to two years following the payment of any annual bonus, the Committee may require the repayment of some or all of the annual bonus if an act or omission or a failure to apply reasonable skill and judgement leads to a material loss to the Group or serious reputational damage to the Group or a material misstatement of the Group’s financial statements.

Explanation of Performance Measures Chosen for the Incentive Schemes

Performance measures are selected that are aligned with the performance of the Group and the interests of shareholders. Stretching performance targets are set each year for the annual bonus and long-term incentive awards. When setting these performance targets, the Committee will take into account a number of different reference points, which may include the Company’s business plans and strategy and the economic environment. Full vesting will only occur for what the Committee considers to be a stretching performance.

The annual bonus can be assessed against financial and individual/strategic measures as determined by the Committee. Bonuses are currently based on adjusted profit before tax and strategic targets. The Committee considers that profit before tax is a key performance metric for the annual bonus and specific strategic objectives – which are aligned to delivering the overall business strategy and encourage behaviours, which facilitate profitable growth and the future development of the business – are also included.

Long-term performance measures are chosen by the Committee to provide a robust and transparent basis on which to measure the Company's performance over the longer term and to provide alignment with the business strategy. They are selected to be aligned with the interests of shareholders and to drive business performance while not encouraging excessive risk-taking. LTIP awards are currently based on challenging cumulative earnings per share targets, providing an assessment of the overall financial performance of the business and rewarding sustainable long-term performance.

The Committee retains the ability to adjust the targets or set different performance measures for the annual bonus and share awards if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the original measures or targets are no longer appropriate and that amendment is required so that they achieve their original purpose.

Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the LTIP.

Illustrations of Application of Remuneration Policy for 2019/20

As the current Chief Executive Officer will be standing down from the Board before the new policy is adopted and we currently have not identified a new Chief Financial Officer to replace Rob Parker who is being promoted to Chief Executive Officer, we have only included a scenario chart for Rob as the new Chief Executive Officer1.

In illustrating the potential reward, assumptions have been made as detailed on the next page.

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1. From 29 November 2019.
**Fixed pay**
- Minimum performance: Fixed elements of remuneration only – base salary (being the salary as at 1 October 2019), benefits as disclosed in the single figure table on page 65 for the year 2018/19 and pension of 5% of salary.
- Performance in line with expectations: 50% of salary awarded for achieving target performance.
- Maximum performance: 100% of salary awarded for achieving maximum performance.
- Maximum performance plus share price growth: 100% of salary awarded for achieving maximum performance.

**Annual bonus**
- Minimum performance: No bonus.
- Performance in line with expectations: 50% of salary awarded for achieving target performance.
- Maximum performance: 100% of salary awarded for achieving maximum performance.
- Maximum performance plus share price growth: 100% of salary awarded for achieving maximum performance.

**LTIP**
- Minimum performance: No LTIP vesting.
- Performance in line with expectations: 50% of maximum award vesting (equivalent to 50% of salary) for achieving target performance.
- Maximum performance: 100% of maximum award vesting (equivalent to 100% of salary) for achieving maximum performance.
- Maximum performance plus share price growth: 100% of maximum award vesting for achieving maximum performance plus an assumption for share price growth (50% increase).

* LTIP awards are included in these scenarios at face value with no share price movement included.

**Non-Executive Directors**

**Purpose and link to strategy**
Set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.

**Approach of the Company**
Fees are normally reviewed annually.

Fees paid to Non-Executive Directors for their services are approved by the Board. Fees may include a basic fee and additional fees for further responsibilities (for example, chairing the Board committees, holding the office of Senior Independent Director, other additional responsibilities or temporary increase in time commitment). Fees are based on the level of fees paid to Non-Executive Directors serving on the boards of similar-sized UK listed companies and the time commitment and contribution expected for the role. Typically, any fee increase will be in line with the wider workforce. Fee increases may be awarded above this level in certain circumstances such as (but not limited to):

- where there has been a change in market practice;
- where there has been a change in the size and complexity of the Company; or
- where there has been an increase in the Non-Executive Director’s time commitment to the role.

Overall fees paid to Non-Executive Directors will remain within the limits set by the Company’s Articles of Association.

Non-Executive Directors cannot participate in any of the Company’s share incentive schemes and are not eligible to join the Company’s pension scheme. Non-Executive Directors may be eligible to receive benefits such as the use of secretarial support, travel costs (including any tax incurred thereon) or other benefits that may be appropriate.

**Approach to Recruitment Remuneration**
The policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business and execute the strategy effectively for the benefit of shareholders. When appointing a new Executive Director, the Committee seeks to ensure that arrangements are in the best interests of the Company and not to pay more than is appropriate.

The Committee will take into consideration a number of relevant factors, which may include the calibre of the individual, the candidate’s existing remuneration package, and the specific circumstances of the individual including the jurisdiction from which the candidate was recruited.

When appointing a new Executive Director, the Committee will typically align the remuneration package with the above Policy for existing Directors. The Committee may include other elements of pay which it considers are appropriate, however, this discretion is capped and is subject to the principles and the limits referred to below.

- Base salary will be set at a level appropriate to the role and the experience of the Executive Director being appointed. This may include agreement on future increases up to a market rate, in line with increased experience and/or responsibilities, subject to good performance, where it is considered appropriate.
- Benefits will be provided in line with the above Policy.
DIRECTORS’ REMUNERATION REPORT

The pension contribution (or cash allowance in lieu thereof) will be set in line with the maximum rate provided to other below Board employees (which is currently 5%).

- Other elements may be included in the following circumstances:
  - an interim appointment being made to fill an Executive Director role on a short-term basis;
  - if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
  - if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance;
  - if the Executive Director will be required to relocate in order to take up the position, it is the Company’s policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee and may include sums to cover the tax payable thereon.

- The Committee may also alter the performance measures, performance period and vesting period of the annual bonus, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the following Directors’ Remuneration Report.

- The maximum level of variable remuneration which may be granted (excluding “buyout” awards as referred to below) is 200% of salary.

The Committee may make payments or awards in respect of appointing an employee to “buyout” remuneration arrangements forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors, including any performance conditions attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure buyout awards or payments on a like-for-like basis to the remuneration arrangements forfeited. Any such payments or awards are limited to the expected value of the forfeited awards. Where considered appropriate, such special recruitment awards will be liable to forfeiture or “malus” and/or “clawback” on early departure.

Any share awards referred to in this section will be granted as far as possible under the Company’s existing share plans. If necessary, and subject to the limits referred to above, buyout awards may be granted outside of these plans as permitted under section 9.4.2 (2) of the Listing Rules which allows for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Fees payable to a Chairman or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

**Service Contracts**

It is the Company’s policy that Executive Directors are offered permanent contracts of employment with a 12-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 prevailing notice period.

Company policy also states that Non-Executive Directors should have contracts of services with an indefinite term providing for a maximum of six months’ notice. The role of Chairman is also Non-Executive, with an indefinite term contract and a maximum six months’ notice.
## Payments for Loss of Office

The principles on which the determination of payments for loss of office will be approached are set out below:

<table>
<thead>
<tr>
<th>Policy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payment in lieu of notice</strong></td>
<td>The Company has discretion to make a payment in lieu of notice. Such a payment would be calculated by reference to basic salary and shall include compensation for any employer pension contributions for the unexpired period of notice. The payment may also include compensation for benefits and pension for the period.</td>
</tr>
<tr>
<td><strong>Annual bonus</strong></td>
<td>This will be at the discretion of the Committee on an individual basis and the decision as to whether or not to award a bonus in full or in part will be dependent on a number of factors, including the circumstances of the individual’s departure and their contribution to the business during the bonus period in question. Any bonus amounts paid will typically be prorated for time in service during the bonus period and will, subject to performance, be paid at the usual time (although the Committee retains discretion to pay the bonus earlier in appropriate circumstances).</td>
</tr>
<tr>
<td><strong>LTIP</strong></td>
<td>The extent to which any unvested award will vest will be determined in accordance with the rules of the LTIP. Unvested awards will normally lapse on cessation of employment. However, if the participant leaves due to death, illness, injury, disability, sale of his employer or any other reason at the discretion of the Committee, any unvested awards will continue to be capable of vesting at the normal vesting date (or, exceptionally and at the Committee’s discretion, at cessation). In either case, the extent of vesting will be determined by the Committee taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, subject to prorating by reference to the period of time elapsed from the start of the performance period to the date of cessation relative to the full performance period (although the Committee may disapply (in full or in part) time prorating if it considers it appropriate to do so). Where the Committee determines that awards shall vest at the date of cessation, performance shall be assessed on such basis as the Committee considers appropriate over the curtailed performance period. Once vested, awards held by leavers may then be exercised during such period as the Committee determines. The post-vesting holding period for LTIP awards granted from the date of the AGM in January 2020 onwards, will continue to apply irrespective of employment status unless the Committee, in exceptional circumstances, determines otherwise. Awards which have already vested at the date of cessation may be exercised for such period as the Committee determines.</td>
</tr>
<tr>
<td><strong>Mitigation</strong></td>
<td>The Committee’s practice is that if an Executive Director’s employment is terminated, any compensation payment will be calculated in accordance with normal legal principles including the application of mitigation to the extent appropriate to the circumstances of the termination.</td>
</tr>
<tr>
<td><strong>All employee share plans</strong></td>
<td>Payments may be made either in the event of a loss of office or a change of control under the all employee share plans, which are governed by the rules and the legislation relating to such tax-qualifying plans. There is no discretionary treatment for leavers or on a change of control under these schemes. In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees.</td>
</tr>
<tr>
<td><strong>Post-cessation shareholding requirements</strong></td>
<td>Having carefully considered this area, we do not intend to introduce additional post-employment requirements under this policy. However, under the proposed policy, LTIP awards granted after the AGM in January 2020 will be subject to their applicable post-vesting holding period and awards (if any) retained on departure will not ordinarily be accelerated. Shares purchased by the Executives through their own funds (or which have been acquired through the vesting of earlier LTIP grants) will not be subject to a post-cession shareholding requirement.</td>
</tr>
</tbody>
</table>
Where a buyout award is made under section 9.4.2(2) of the Listing Rules then the leaver provisions would be determined at the time of the award.

The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing contractual, statutory or legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director’s office or employment.

Where the Committee retains discretion it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the Director’s departure and performance. Where applicable, the Committee may impose additional conditions on the vesting or exercise of incentive awards as appropriate taking into account the circumstances of the Executive’s departure.

There is no entitlement to any compensation in the event of a Non-Executive Director’s appointment being terminated.

Treatment on a Change of Control or Other Corporate Events

The extent to which unvested LTIP awards or 2020 awards will vest on a change of control or other corporate events will be determined in accordance with the rules of the LTIP or 2020 Incentive Plan (as applicable).

LTIP awards and 2020 awards will vest early on a takeover, merger, winding-up or other relevant corporate event. The Committee will determine the level of vesting taking into account the extent to which the performance conditions are satisfied over the curtailed performance period (on such basis as the Committee determines appropriate) and, unless the Committee determines otherwise, time prorating to reflect the period of time elapsed from the start of the performance period to the date of the relevant corporate event relative to the full performance period.

Alternatively, the Committee may provide that LTIP awards and 2020 awards shall be automatically exchanged for new awards over shares in another company (for example, an award over shares in the new holding company following an internal reorganisation).

The Committee may adjust the number of shares under any LTIP award or 2020 award, or the performance conditions applicable to such awards, in the event of a variation in the share capital of the Company or on the occurrence of any other events (such as a demerger or rights issues) that impact the Company’s share price.

A full or pro rata time-based bonus may be awarded on a change of control, and this may be paid either at the time of the change of control or on the normal payment date.

Existing Contractual Arrangements

The Committee retains discretion to make any remuneration payment or payment for loss of office outside the policy in this report:

• where the terms of the payment were agreed before the policy came into effect;
• where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company; and
• to satisfy contractual commitments under legacy remuneration arrangements.

For these purposes, “payments” includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Policy for the Remuneration of Employees More Generally

Remuneration arrangements are determined throughout the Group based on the same principle that reward should be achieved for delivery of the business strategy and should be sufficient to attract, retain and motivate high-calibre employees.

When determining the remuneration arrangements for Executive Directors, the Committee takes into consideration, as a matter of course, the pay and conditions of employees throughout the Group. In particular, the Committee is kept informed on:

• salary increase for the general employee population;
• benefit and pension policies;
• overall spend on annual bonus; and
• participation levels in the annual bonus and share plans.

The Group has various ways of engaging employees collectively, as teams and one-to-one which provide a forum for employees to express their views on the Company’s executive and wider employee reward policies.

Statement of Consideration of Shareholder Views

The Committee is committed to an ongoing dialogue with shareholders and welcomes feedback on Directors’ remuneration. Prior to this Remuneration Policy being formally put to shareholders, the Committee engaged with major shareholders and institutional bodies setting out the proposals and rationale for the changes.
Annual Report on Remuneration
Single Figure Table (Audited Information)

The tables below detail the total remuneration receivable by each Director for the 52-week period ended 28 September 2019 and the 52-week period ended 29 September 2018.

<table>
<thead>
<tr>
<th></th>
<th>2018/19</th>
<th></th>
<th></th>
<th>2017/18</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary</td>
<td>Benefits</td>
<td>Bonus</td>
<td>Salary</td>
<td>Benefits</td>
<td>Bonus</td>
</tr>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td><strong>Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M T M Williams</td>
<td>402</td>
<td>31</td>
<td>64</td>
<td>402</td>
<td>31</td>
<td>56</td>
</tr>
<tr>
<td>R Parker</td>
<td>266</td>
<td>27</td>
<td>42</td>
<td>256</td>
<td>27</td>
<td>36</td>
</tr>
<tr>
<td><strong>Non-Executive Directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D Shapland</td>
<td>127</td>
<td>6</td>
<td>–</td>
<td>127</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>A King</td>
<td>44</td>
<td>1</td>
<td>–</td>
<td>44</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>K Down</td>
<td>44</td>
<td>1</td>
<td>–</td>
<td>44</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>C Tiney</td>
<td>45</td>
<td>1</td>
<td>–</td>
<td>45</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

The figures in the single figure tables above are derived from the following:

**Salary and fees**: The amount of salary/fees received in the relevant period.

**Benefits**: The taxable value of benefits received in the relevant period. These are principally life insurance, income protection, private medical insurance, company car or car allowance, fuel allowance and the value of SAYE scheme options granted during the relevant period. The value attributable to Sharesave scheme options is calculated on the following basis: Monthly contribution \( \times 12 \times 20\% \) (being the discount applied to market value in determining the exercise price). In the case of the Non-Executive Directors, taxable expenses are shown as being paid by way of benefits.

**Pension**: The pension figure represents the cash value of Company pension contributions paid to the Executive Directors as part of the Company’s defined contribution scheme or as a cash supplement taken in lieu of contributions to the pension plan (paid as cash in lieu in respect of Rob Parker).

**Annual bonus**: The annual bonus is the cash value of the bonus earned in respect of the period. A description of performance against the objectives which applied for the relevant period is provided on page 66.

**LTIP**: The LTIP figure for the period 2018/19 represents the awards granted on 15 December 2016. The awards were based on cumulative EPS performance over three financial years to 28 September 2019 and did not vest.

The LTIP figure stated for the period 2017/18 represents the value of awards granted under the Topps Tiles plc 2013 Long Term Incentive Plan on 16 December 2015. The awards were based on cumulative EPS performance over three financial years to 29 September 2018 and did not vest.
DIRECTORS’ REMUNERATION REPORT

Individual Elements of Remuneration
(Audited Information)

Base Salary and Fees

Base salaries for individual Directors are reviewed annually by the Committee and are set with reference to the Remuneration Policy. During the Period, the following changes to base salary were made with effect from 1 October 2019:

<table>
<thead>
<tr>
<th>Name</th>
<th>1 October 2018</th>
<th>1 October 2019</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>M T M Williams</td>
<td>£402,030</td>
<td>£410,071</td>
<td>2%</td>
</tr>
<tr>
<td>R Parker</td>
<td>£265,616</td>
<td>£270,928</td>
<td>2%</td>
</tr>
</tbody>
</table>

The base salary increase for Matt Williams and Rob Parker awarded in 2019 was in line with the range of salary increases across the wider workforce. Rob Parker will succeed Matt Williams as CEO with a salary of £400,000 per annum effective from 1 December 2019.

The Non-Executive Directors’ fees are reviewed annually with any changes effective from 1 October. Details of the current fee policy for the Non-Executive Directors are set out in the table below. They were awarded a 2% increase in line with the wider workforce. No change to the fee policy is currently anticipated for 2019/20.

<table>
<thead>
<tr>
<th>Fees</th>
<th>1 October 2018</th>
<th>1 October 2019</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman’s fee</td>
<td>£126,720</td>
<td>£129,254</td>
<td>2%</td>
</tr>
<tr>
<td>Non-Executive Directors’ basic fee</td>
<td>£38,561</td>
<td>£39,332</td>
<td>2%</td>
</tr>
<tr>
<td>Additional fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Independent Director/Chair of Remuneration Committee</td>
<td>£6,462</td>
<td>£6,591</td>
<td>2%</td>
</tr>
<tr>
<td>Employee Engagement Director1</td>
<td>£5,385</td>
<td>£5,493</td>
<td>2%</td>
</tr>
<tr>
<td>Chair of the Audit Committee</td>
<td>£5,385</td>
<td>£5,493</td>
<td>2%</td>
</tr>
</tbody>
</table>

1. Formerly, the Chair of the Nomination and Governance Committee.

Total Pension Entitlements

During the year the Company pension benefit represented 12.5% of salary for the Executive Directors (paid as cash in lieu in respect of Rob Parker and Matthew Williams) and is in line with the Remuneration Policy.

Annual Bonus

For the 52-week period ended 28 September 2019, the maximum annual bonus opportunity was 100% of salary. To encourage behaviours which facilitate profitable growth and future development of business, up to 80% of salary could be earned based on adjusted PBT performance and up to 20% of salary could be earned for the achievement of individual objectives specifically delivering the strategic plan.

The following table sets out the bonus payout to the Executive Directors for 2018/19 and how this reflects performance for the Period:

<table>
<thead>
<tr>
<th>Executive Director bonus earned as a percentage of salary</th>
<th>Weighting</th>
<th>Threshold</th>
<th>Stretch</th>
<th>Actual performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted PBT1</td>
<td>80%</td>
<td>£16.0 million</td>
<td>£21.0 million</td>
<td>£16.0 million</td>
</tr>
<tr>
<td>Strategic objectives2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group customer satisfaction, increase in score</td>
<td>4%</td>
<td>6.5%</td>
<td>65.6%</td>
<td>72.8%</td>
</tr>
<tr>
<td>Group shared buying, increase in shared volume</td>
<td>4%</td>
<td>1%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Working capital, YOY improvement in key measures</td>
<td>4%</td>
<td>4.0</td>
<td>5.5</td>
<td>2.3</td>
</tr>
<tr>
<td>Simplification, targeted reduction in hours</td>
<td>4%</td>
<td>750</td>
<td>3,000</td>
<td>2,940</td>
</tr>
<tr>
<td>People3</td>
<td>4%</td>
<td>n/a</td>
<td>n/a</td>
<td>2%</td>
</tr>
<tr>
<td>Total bonus earned</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Adjusted PBT as defined in the Financial Review section of this report.

2. Adjusted PBT of £16.0 million or higher for 2018/19 must be achieved for any bonus to be payable under the strategic objectives. This requirement was achieved.

3. Four measures, 1% each for number of logons to Learning Management System website, introduction of new colleague survey, delivery of new HR systems and improvements in staff turnover.
The bonuses will be paid in cash in November 2019.

**Annual Bonus for 2019/20**

The maximum annual bonus opportunity for the 2019/20 financial year remains 100% of salary. Up to 20% of salary will continue to be focused upon achievement of individual objectives specifically delivering the strategic plan and 80% will be based on challenging adjusted PBT targets. The strategic objectives for 2019/20 are a mix of financial and non-financial measures which act to bind the senior management together to common objectives, based on improvements in customer satisfaction, buying, stock management and people based measures.

The Committee considers that the actual annual bonus targets are commercially sensitive and should therefore remain confidential to the Company at this stage. However, the Committee will continue to disclose how the bonus pay-out delivered relates to performance against the targets on a retrospective basis.

**Long-Term Incentives**

(Audited Information)

**Awards Vesting in Respect of the Financial Year**

The LTIP awards granted in December 2016 were based on cumulative adjusted EPS targets over the three financial years to 28 September 2019. The performance targets for the awards were as follows:

<table>
<thead>
<tr>
<th>Cumulative Adjusted EPS for the period 2016/17 to 2018/19</th>
<th>Percentage of the award that will vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.84 pence</td>
<td>25%</td>
</tr>
<tr>
<td>Greater than 29.84 pence but less than 32.29 pence</td>
<td>Determined on a straight-line basis between 25% and 100%</td>
</tr>
<tr>
<td>32.29 pence</td>
<td>100%</td>
</tr>
</tbody>
</table>

Adjusted EPS is defined as stated in the Company’s accounts for the relevant financial period excluding exceptional items. Cumulative EPS over the three-year period was 20.88 pence. This resulted in 0% of the award vesting.

**Awards Granted During the Financial Year**

(Audited Information)

For the 52-week period ended 28 September 2019, the following awards were granted to Executive Directors on 17 December 2018:

<table>
<thead>
<tr>
<th>Type of award</th>
<th>Percentage of salary</th>
<th>Number of shares</th>
<th>Face value at grant</th>
<th>% of award vesting at threshold</th>
<th>Performance period</th>
</tr>
</thead>
<tbody>
<tr>
<td>M T M Williams Nil-cost option</td>
<td>100%</td>
<td>598,259</td>
<td>£402,030</td>
<td>25%</td>
<td>3 years</td>
</tr>
<tr>
<td>R Parker Nil-cost option</td>
<td>100%</td>
<td>395,262</td>
<td>£265,616</td>
<td>25%</td>
<td>3 years</td>
</tr>
</tbody>
</table>

1. Valued using a share price of 67.2 pence based on the average three-day share price ending on 5 October 2018.

The awards will vest based on the following Cumulative Adjusted EPS targets:

<table>
<thead>
<tr>
<th>Cumulative Adjusted EPS for the period 2017/18 to 2019/20</th>
<th>Percentage of the award that will vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.04 pence</td>
<td>25%</td>
</tr>
<tr>
<td>Greater than 23.52 pence but less than 25.37 pence</td>
<td>Determined on a straight-line basis between 25% and 100%</td>
</tr>
<tr>
<td>23.76 pence</td>
<td>100%</td>
</tr>
</tbody>
</table>

Adjusted EPS is defined as stated in the Company’s accounts for the relevant financial period excluding exceptional items and subject to such adjustments as the Board in its discretion determines are fair and reasonable.

These targets equate to adjusted EPS growth of c.7% from the 2017/18 outturn for 25% vesting and c.11% for 100% vesting.

Notwithstanding the Cumulative Adjusted EPS targets calculated above, the extent to which the awards will vest will be subject to the Committee’s assessment of the quality of earnings over the performance period. The Committee may reduce the extent to which the award would otherwise vest if the Committee determines that the Cumulative Adjusted EPS achieved is not consistent with the achievement of commensurate underlying financial performance, taking into account such factors as the Committee considers appropriate, including market share, margin performance, net debt, overall returns to shareholders and shareholder value creation.
DIRECTORS’ REMUNERATION REPORT

Long-Term Incentives for 2019/20

LTIP Awards

The maximum LTIP opportunity will remain at 100% of salary and the proportion of the award vesting for threshold performance remains at 25% of salary.

The vesting of these awards will be based on Cumulative Adjusted EPS targets and will vest three years from grant.

The Remuneration Committee considers that both the threshold and stretch targets are challenging in the light of the growth environment and current business expectation.

<table>
<thead>
<tr>
<th>Cumulative Adjusted EPS for the period 2019/20 to 2021/22</th>
<th>Percentage of the award that will vest</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.9 pence</td>
<td>25%</td>
</tr>
<tr>
<td>Greater than 19.9 pence but less than 22.3 pence</td>
<td>Determined on a straight-line basis between 25% and 100%</td>
</tr>
<tr>
<td>22.3 pence</td>
<td>100%</td>
</tr>
</tbody>
</table>

Adjusted EPS is defined as stated in the Company’s accounts for the relevant financial period excluding exceptional items and subject to such adjustments as the Board, in its discretion, determines are fair and reasonable.

All Employee Share Plans

The Executive Directors may participate in the Company’s all employee share plans, the Topps Tiles plc SAYE Scheme (“SAYE Scheme”) and the Topps Tiles plc Share Incentive Plan (“SIP”), on the same basis as other employees.

The SAYE Scheme provides an opportunity to save a set monthly amount (currently up to £500) over three years towards the exercise of a discounted share option, which is granted at the start of the three years.

The SIP provides an opportunity for employees to buy shares from their pre-tax remuneration up to the limit permitted by the relevant tax legislation (currently £1,800 per year). No matching shares are awarded.

Options and awards under these plans are not subject to performance conditions.

The following SAYE options were granted to the Executive Directors during the financial year ended 28 September 2019:

<table>
<thead>
<tr>
<th>Type of award</th>
<th>Number of shares</th>
<th>Face value at grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>M T M Williams</td>
<td>3yr Discounted share option</td>
<td>35,294</td>
</tr>
<tr>
<td>R Parker</td>
<td>3yr Discounted share option</td>
<td>21,176</td>
</tr>
</tbody>
</table>

1. In accordance with the scheme rules, the options are granted with an exercise price set at a discount of up to 20% to the market value of a share when the invitations to acquire the option are issued. For the awards granted in 2018/19, the share price at the date of invitation was 63.26 pence and the exercise price is 51 pence per share.

2. The face value of the award is calculated by multiplying the number of shares under option by the market value of a share on the date of grant (being 64.5 pence for these options granted on 28 January 2019).

Statement of Directors’ Shareholding and Share Interests

(Audited Information)

In order to further align the Executive Directors’ long-term interests with those of shareholders and in accordance with the Remuneration Policy, the Committee introduced shareholding guidelines, effective from the 2017 AGM, which required that Executive Directors build up a shareholding of 2 times salary for the CEO and 1.5 times salary for the CFO. The table below sets out the number of shares held or potentially held by Directors (including their connected persons where relevant) as at 28 September 2019:

<table>
<thead>
<tr>
<th>Shareholding guidelines</th>
<th>Shareholding (as % of salary)</th>
</tr>
</thead>
<tbody>
<tr>
<td>M T M Williams</td>
<td>200%</td>
</tr>
<tr>
<td>R Parker</td>
<td>150%</td>
</tr>
</tbody>
</table>
The interests of each Executive Director of the Company as at 28 September 2019 were as follows:

<table>
<thead>
<tr>
<th>Directors</th>
<th>Shares owned (as at 1 October 2018)</th>
<th>Total shares owned (as at 28 September 2019)</th>
<th>Options</th>
<th>Unvested options, subject to performance conditions</th>
<th>Unvested options, not subject to performance conditions</th>
<th>Total options as at 28 September 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Type</td>
<td>Options exercised during the year</td>
<td>Vested options</td>
<td></td>
</tr>
<tr>
<td>M T M Williams</td>
<td>2,023,231</td>
<td>2,828,774</td>
<td>LTIP</td>
<td>1,517,613</td>
<td>0</td>
<td>1,807,115</td>
</tr>
<tr>
<td></td>
<td>n/a</td>
<td>n/a</td>
<td>SAYE</td>
<td>n/a</td>
<td>n/a</td>
<td>35,294</td>
</tr>
<tr>
<td>R Parker</td>
<td>417,893</td>
<td>452,893</td>
<td>LTIP</td>
<td>0</td>
<td>616,063</td>
<td>1,163,869</td>
</tr>
<tr>
<td></td>
<td>n/a</td>
<td>n/a</td>
<td>SAYE</td>
<td>n/a</td>
<td>n/a</td>
<td>31,943</td>
</tr>
</tbody>
</table>

Note: Directors' shareholdings include shares held by their closely associated persons where relevant.

There have been no changes in the Directors' shareholdings between 28 September 2019 and the date of this report; except as follows:

- M Williams, shares acquired through the SIP scheme: 435.

Payments Made to Former Directors during the Period
(Audited Information)
There have been no payments to former Directors during the Period.

Payments for Loss of Office Made During the Period
(Audited Information)
No payments for loss of office were made in the Period to any Director of the Company.

Performance Graph
The graph below shows the TSR performance for the Company’s shares in comparison to the FTSE Small Cap Index for the ten years to 28 September 2019. For the purposes of the graph, TSR has been calculated as the percentage change during the ten-year period in the market price of the shares, assuming that dividends are reinvested. The graph shows the value, by the end of the 2018/19 financial year, of £100 invested in the Group over the last ten financial years compared with £100 invested in the FTSE Small Cap Index, which the Directors believe is the most appropriate comparative index.
**DIRECTORS’ REMUNERATION REPORT**

**Historical Chief Executive Remuneration Outcomes**

The table below shows details of the total remuneration and annual bonus and LTIP vesting (as a percentage of the maximum opportunity) for the Chief Executive over the last ten financial years.

<table>
<thead>
<tr>
<th>Period Ended</th>
<th>Total Remuneration £’000</th>
<th>Annual Bonus as a % of Maximum Opportunity</th>
<th>LTIP as a % of Maximum Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>52-week period ended 28 September 2019</td>
<td>541</td>
<td>16%</td>
<td>0%</td>
</tr>
<tr>
<td>52-week period ended 29 September 2018</td>
<td>538</td>
<td>14%</td>
<td>0%</td>
</tr>
<tr>
<td>52-week period ended 30 September 2017</td>
<td>765</td>
<td>9%</td>
<td>86.7%</td>
</tr>
<tr>
<td>52-week period ended 2 October 2016</td>
<td>1,180</td>
<td>67%</td>
<td>100%</td>
</tr>
<tr>
<td>53-week period ended 3 October 2015</td>
<td>2,027</td>
<td>83%</td>
<td>100%</td>
</tr>
<tr>
<td>52-week period ended 27 September 2014</td>
<td>849</td>
<td>99%</td>
<td>n/a</td>
</tr>
<tr>
<td>52-week period ended 28 September 2013</td>
<td>564</td>
<td>46.3%</td>
<td>n/a</td>
</tr>
<tr>
<td>52-week period ended 29 September 2012</td>
<td>579</td>
<td>35.2%</td>
<td>n/a</td>
</tr>
<tr>
<td>52-week period ended 1 October 2011</td>
<td>384</td>
<td>0%</td>
<td>n/a</td>
</tr>
<tr>
<td>52-week period ended 1 October 2010</td>
<td>515</td>
<td>40%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**CEO Pay Increase in Relation to All Employees**

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage change in remuneration for Matthew Williams compared to the wider workforce. For these purposes, the wider workforce includes all employees.

<table>
<thead>
<tr>
<th>Percentage change</th>
<th>CEO</th>
<th>Wider workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>2%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Taxable benefits*</td>
<td>0%</td>
<td>16%</td>
</tr>
<tr>
<td>Annual bonus**</td>
<td>14.3%</td>
<td>-3.8%</td>
</tr>
</tbody>
</table>

* This reflects higher costs in connection with car allowances, taxable benefit on company cars due to CO₂ emissions and medical insurance for the wider workforce.

**Executive Director’s Remuneration From Non-Executive Roles**

Matthew Williams is a non-executive director of The Original Factory Shop. Remuneration of approximately £35,000 was retained during the Period.

**Spend on Pay**

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the organisation):

<table>
<thead>
<tr>
<th>Period Ended</th>
<th>Dividends and share buybacks</th>
<th>Overall expenditure on pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>52-week period ended 28 September 2019</td>
<td>3.4 pence per share</td>
<td>£55,440,000</td>
</tr>
<tr>
<td>52-week period ended 29 September 2018</td>
<td>3.4 pence per share</td>
<td>£54,909,000</td>
</tr>
</tbody>
</table>

**Consideration by the Directors of Matters Relating to Directors’ Remuneration**

The Committee is composed of the Company’s independent Non-Executive Directors, Claire Tiney (Chair), Andy King and Keith Down. The Company Secretary attends the meetings as secretary to the Committee.
The role of the Committee is to:

- Set and keep under review the Remuneration Policy for the Executive Directors and Chairman;
- Determine the remuneration of the Executive Directors and Chairman, including short-term and long-term incentives, in line with the Remuneration Policy;
- Recommend and monitor the level and structure of remuneration for senior management;
- Approve the design of and determine targets for performance-related pay schemes and approve the payments made under them;
- Review the design of all share incentive plans and for those in place and determine what awards will be made; and
- Oversee any major changes in employee benefits structures throughout the Company or Group.

Advisers

The Committee is assisted in its work by the Chief Executive Officer and Chief Financial Officer. The Chief Executive Officer is consulted on the remuneration of those who report directly to him and also of other senior management. No Executive Director or employee is present or takes part in discussions in respect of matters relating directly to their own remuneration.

The executive compensation business of Aon plc (“Aon”) has been appointed as an independent adviser.

### Adviser Details of appointment

<table>
<thead>
<tr>
<th>Adviser</th>
<th>Details of appointment</th>
<th>Fees paid by the Company for advice to the Committee and basis of charge</th>
<th>Other services provided to the Company in the 52-week period ended 28 September 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aon</td>
<td>Appointed by the Committee in March 2016</td>
<td>£33,096 (excluding VAT) Charged on a time/cost basis or fixed fee dependent on the nature of the project</td>
<td>None</td>
</tr>
</tbody>
</table>

Aon is a member of the Remuneration Consultants Group and adheres to its Code of Conduct. The Remuneration Committee is satisfied that the advice received from Aon during the year has been objective and independent.

### Statement of Voting at Last AGM

The following table sets out actual voting in respect of the resolution to approve the Directors’ Remuneration Report at the Company’s Annual General Meeting on 30 January 2019:

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Votes for</th>
<th>% of vote</th>
<th>Votes against</th>
<th>% of vote</th>
<th>Discretion</th>
<th>% of vote</th>
<th>Votes withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approve Remuneration Report</td>
<td>122,713,813</td>
<td>95.95%</td>
<td>5,158,928</td>
<td>4.03%</td>
<td>23,909</td>
<td>0.02%</td>
<td>35,9029</td>
</tr>
</tbody>
</table>

The following table sets out the actual voting in respect of the resolution to approve the Directors’ Remuneration Policy at the Company’s Annual General Meeting on 26 January 2017:

<table>
<thead>
<tr>
<th>Resolution</th>
<th>Votes for</th>
<th>% of vote</th>
<th>Votes against</th>
<th>% of vote</th>
<th>Discretion</th>
<th>% of vote</th>
<th>Votes withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approve Directors’ Remuneration Policy</td>
<td>117,880,410</td>
<td>94.82%</td>
<td>6,434,637</td>
<td>5.18%</td>
<td>6,889</td>
<td>0.01%</td>
<td>5,913,837</td>
</tr>
</tbody>
</table>

### Approval

This report was approved by the Board on 11 November 2019 and signed on its behalf by:

**Claire Tiney**

Chairman of the Remuneration Committee

26 November 2019
OUR FINANCIALS

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INDEPENDENT AUDITORS’ REPORT TO THE
MEMBERS OF TOPPS TILES PLC
Report on the audit of the financial statements

Opinion
In our opinion:
• Topps Tiles Plc’s Group financial statements and Company financial statements (the “financial statements”) give a true and fair view of the state of the Group’s and of the Company’s affairs as at 28 September 2019 and of the Group’s profit and cash flows for the 52 week period (the “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 Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 “Reduced Disclosure Framework”, and applicable law); 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.

We have audited the financial statements, included within the Annual Report and Accounts (the “Annual Report”), which comprise: the consolidated statement of financial position and the Company balance sheet as at 28 September 2019; the consolidated statement of financial performance and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and Company statements of changes in equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 30 September 2018 to 28 September 2019.

Our Audit Approach
Overview

Materiality

- Overall Group materiality: £510,000 (2018: £700,000), based on 5% of profit before tax, adjusted for the repayment of historical import duty.
- Overall Company materiality: £480,000 (2018: £690,000), based on 1% of net assets.

Audit scope

- We conducted a full scope audit of the aggregated financial information for the Group (excluding Parkside Ceramics Limited and Strata Tiles Limited).
- All of the in-scope components were audited by the UK Group Engagement Team;
- Our scoping results in coverage of 98% of revenue, 113% of profit before tax (offset by losses elsewhere in the Group); and 95% of total assets.

Key audit matters

- Valuation of inventory.
- Valuation of provisions for onerous leases and impairment of store assets.
- Valuation of provisions for dilapidations.
- Presentation and disclosure of the impact of IFRS 16 “Leases”.

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The Scope of Our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the Audit in Detecting Irregularities, Including Fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of employee, tax and construction product related laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and Payroll taxes including income tax, and Value added tax. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements [including the risk of override of controls], and determined that the principal risks were related to fraudulent transactions to increase the share price that would result in overstating profits, therefore raising shareholder expectations and senior management bonus payments. Appropriate audit procedures in response to these risks were carried out at both the Group and component levels. These procedures included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management’s controls designed to prevent and detect irregularities;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or that were posted by senior management;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to inventory provisions, onerous leases and store impairments, and dilapidations (see related key audit matters below).

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.
INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF TOPPS TILES PLC

Report on the audit of the financial statements

Key Audit Matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

<table>
<thead>
<tr>
<th>Key audit matter</th>
<th>How our audit addressed the key audit matter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation of inventory</td>
<td>We tested an ageing report for stock lines not sold in the last 6 and 12 months and performed a reasonableness check of the aged balance compared to the inventory provision; We challenged management’s judgements by carrying out discussions with representatives from the inventory management team (outside of the finance function) and challenged them regarding stock not provided for and the impact of future product range plans on provisions required; We performed an analysis of average stock write-off per store and applied this to each store to recalculate the store stock loss provision compared to average stock count losses; We reviewed the out-turn of prior period provisions to ensure they are not inconsistent with the inventory provision at the current year end; and We tested the integrity of the provision calculation to ensure it used underlying data correctly and calculated the provision accurately, including testing inventory stock count write-offs in the financial period.</td>
</tr>
<tr>
<td>Valuation of provisions for onerous leases and impairment of store assets</td>
<td>We reviewed performance at an individual store level to assess completeness of providing for lease commitments for underperforming stores; Reviewed methodology for forecasting expected growth for stores to ensure this is supported by historical data on store performance; Reviewed the value of assets held at both underperforming stores and stores closed in the year to ensure that assets have been appropriately impaired; Re-performed certain onerous lease provision calculations for accuracy; and Tested the movement in the provision from the prior period.</td>
</tr>
</tbody>
</table>
Key audit matter

Valuation of provisions for dilapidations
Refer to matters considered by the Audit Committee within the Corporate Governance Report on page 49 and the Critical Accounting Judgements and Key Sources of Estimation Uncertainty within the Group Accounting Policies.

As the Group has a significant store portfolio, with store openings and closures expected each period, there is a risk that costs for returning stores to the required standard may not be adequate, as they may not reflect the requirements of underlying lease agreements with landlords or local market conditions as the property portfolio evolves.

We recalculated the dilapidation provision calculation to confirm accuracy;
Tested key assumptions, being level of dilapidation costs incurred in the period, historical level of stores experiencing costs on exit and percentage of leases that are extended, to supplier invoices and lease documentation;
Corroborated the discount rate adopted to external sources; and
Tested the movement in the provision including the out-turn of prior period provisions.

Presentation and disclosure of the impact of IFRS 16 “Leases”
Refer to matters considered by the Audit Committee within the Corporate Governance Report on page 49 and the Critical Accounting Judgements and Key Sources of Estimation Uncertainty within the Group Accounting Policies.

The Group is applying IFRS 16 from 3 October 2020, using the modified retrospective method, so the expected impact on the Group financial statements has to be disclosed this period in line with IAS 8.

The Group has implemented a new IT system to calculate these numbers. In addition judgements have been taken by the Group, including the discount rate to be applied on transition to the new standard.

We have tested a sample of inputs into the IT system and agreed them back to the underlying lease agreements;
We have recalculated the accounting entries for a sample of leases and confirmed the IT system is performing this calculation accurately;
We have reviewed the methodology applied to calculate the discount rates using incremental borrowing rates specific to the Group and regard the approach to be consistent with the requirements of IFRS 16;
We have reviewed the other assumptions applied in calculating the impact of IFRS 16 and consider them to be appropriate, including ensuring that the lease term is accurate, and
We have reviewed the disclosures in the Group financial statements, we are satisfied that they are compliant with IAS 8.

We determined that there were no key audit matters applicable to the Company to communicate in our report.
INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS OF TOPPS TILES PLC

Report on the audit of the financial statements

How We Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of a number of reporting units, comprising the Group’s operating businesses, all based in the UK, with our audit work focussed on the aggregated financial information for the Group (excluding Parkside Ceramics Limited and Strata Tiles Limited).

In establishing the overall approach to the Group audit, we identified one reporting unit, being the aggregated financial information for the Group (excluding Parkside Ceramics Limited and Strata Tiles Limited) which in our view, required an audit of its complete financial information both due to its size and risk characteristics.

The audit work performed at this reporting unit, together with additional procedures performed on centralised functions at the Group level, including audit procedures over the consolidation and intangible asset impairment testing, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

All of the in-scope components were audited by the UK Group Engagement Team.

The Parent Company is comprised of one reporting unit which was subject to a full scope audit for the purpose of the Company financial statements, and formed part of the Group aggregated financial information for the purpose of the Group financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<table>
<thead>
<tr>
<th></th>
<th>Group financial statements</th>
<th>Company financial statements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall materiality</td>
<td>£510,000 (2018: £700,000)</td>
<td>£480,000 (2018: £690,000)</td>
</tr>
<tr>
<td>How we determined it</td>
<td>5% of profit before tax, adjusted for the repayment of historical import duty.</td>
<td>1% of net assets.</td>
</tr>
<tr>
<td>Rationale for benchmark applied</td>
<td>Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. The repayment of historical import duty has been excluded as it relates to a change in accounting estimate relating to prior periods and is not relevant to current year trading profit.</td>
<td>As the Company does not trade, with its main operations being that of a holding company, we believe that net assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. The materiality used has been capped at component materiality.</td>
</tr>
</tbody>
</table>

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £480,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £26,000 (Group audit) (2018: £35,000) and £24,000 (Company audit) (2018: £35,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.
### Going Concern

In accordance with ISAs (UK) we report as follows:

<table>
<thead>
<tr>
<th>Reporting obligation</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are required to report if we have anything material to add or draw attention to in respect of the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors’ identification of any material uncertainties to the Group’s and the Company’s ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.</td>
<td>We have nothing material to add or to draw attention to.</td>
</tr>
</tbody>
</table>

We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group’s and Company’s ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group’s trade, customers, suppliers and the wider economy.

We are required to report if the directors’ statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit. We have nothing to report.

### Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors’ Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

**Strategic Report and Directors’ Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors’ Report for the period ended 28 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors’ Report. (CA06)
Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (in section Our Governance) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (in section Our Governance) with respect to the Company’s corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The Directors’ Assessment of the Prospects of the Group and of the Principal Risks that Would Threaten the Solvency or Liquidity of the Group

We have nothing material to add or draw attention to regarding:

• The directors’ confirmation on page 24 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
• The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
• The directors’ explanation on page 36 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors’ statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the directors’ process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the “Code”); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

The statement given by the directors, on page 42, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group’s and Company’s position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.

The section of the Annual Report on pages 48 to 49 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

The directors’ statement relating to the Company’s compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors’ Remuneration

In our opinion, the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)
Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements
As explained more fully in the Directors’ Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Use of this report
This report, including the opinions, has been prepared for and only for the Company’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting
Companies Act 2006 Exception Reporting
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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
• certain disclosures of directors’ remuneration specified by law are not made; or
• the Company financial statements and the part of the Directors’ Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the audit committee, we were appointed by the members on 30 January 2019 to audit the financial statements for the year ended 28 September 2019 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Andrew Lyon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
26 November 2019
## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
For the 52 weeks ended 28 September 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>52 weeks ended 28 September 2019 £’000</th>
<th>52 weeks ended 29 September 2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group revenue – continuing operations</td>
<td>3 219,197</td>
<td>216,887</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(84,245)</td>
<td>(84,464)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution and selling costs</td>
<td>(93,138)</td>
<td>(88,348)*</td>
</tr>
<tr>
<td>Repayment of historical import duty</td>
<td>5 2,272</td>
<td>–</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(8,070)</td>
<td>(9,480)</td>
</tr>
<tr>
<td>Administrative costs</td>
<td>(17,439)</td>
<td>(16,067)*</td>
</tr>
<tr>
<td>Sales and marketing costs</td>
<td>(5,244)</td>
<td>(4,793)</td>
</tr>
<tr>
<td><strong>Group operating profit</strong></td>
<td>13,333</td>
<td>13,735</td>
</tr>
<tr>
<td>Finance income</td>
<td>7 15</td>
<td>25</td>
</tr>
<tr>
<td>Finance costs</td>
<td>7 (873)</td>
<td>(1,072)</td>
</tr>
<tr>
<td><strong>Profit before taxation</strong></td>
<td>5 12,475</td>
<td>12,688</td>
</tr>
<tr>
<td>Taxation</td>
<td>8 (2,397)</td>
<td>(3,029)</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>27 10,078</td>
<td>9,659</td>
</tr>
<tr>
<td><strong>Profit is attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner of Topps Tiles Plc</td>
<td>10,119</td>
<td>9,659</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>28 (41)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total comprehensible income for the period is attributable to:</strong></td>
<td>10,078</td>
<td>9,659</td>
</tr>
</tbody>
</table>

**Earnings per ordinary share from continuing operations:**

- Basic | 5.18p | 5.00p |
- Diluted | 5.14p | 4.93p |

* Distribution and selling costs and administrative costs are now inclusive of employee profit sharing costs, which were separately identified in the prior period financial statements. The prior period has been adjusted to be comparable. The Group has reviewed its accounting policy and has reclassified employee profit sharing costs of £5,153,000 (2018: £5,776,000) to distribution and selling costs, and £617,000 (2018: £492,000) to administrative costs.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 52 weeks ended 28 September 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>52 weeks ended 28 September 2019 £’000</th>
<th>52 weeks ended 29 September 2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit for the period</strong></td>
<td>10,078</td>
<td>9,659</td>
</tr>
<tr>
<td><strong>Total comprehensible income for the period is attributable to:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of Topps Tiles Plc</td>
<td>10,119</td>
<td>9,659</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(41)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total comprehensible income for the period is attributable to:</strong></td>
<td>10,078</td>
<td>9,659</td>
</tr>
</tbody>
</table>
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 September 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>11</td>
<td>3,104</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>12</td>
<td>2,663</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>13a</td>
<td>46,958</td>
</tr>
<tr>
<td>Investment properties</td>
<td>13b</td>
<td>1,233</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>53,958</strong></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td>30,924</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>15</td>
<td>8,142</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>16</td>
<td>18,747</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>57,813</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td><strong>111,771</strong></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>17</td>
<td>(43,336)</td>
</tr>
<tr>
<td>Current tax liabilities</td>
<td></td>
<td>(2,025)</td>
</tr>
<tr>
<td>Provisions</td>
<td>20</td>
<td>(1,235)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>(46,596)</strong></td>
</tr>
<tr>
<td><strong>Net current assets</strong></td>
<td></td>
<td><strong>11,217</strong></td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loans</td>
<td>18</td>
<td>(29,884)</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>20</td>
<td>(1,197)</td>
</tr>
<tr>
<td>Provisions</td>
<td>20</td>
<td>(3,862)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>(34,943)</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td><strong>(81,539)</strong></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td><strong>30,232</strong></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>21</td>
<td>6,548</td>
</tr>
<tr>
<td>Share premium</td>
<td>22</td>
<td>2,490</td>
</tr>
<tr>
<td>Own shares</td>
<td>23</td>
<td>(1,548)</td>
</tr>
<tr>
<td>Merger reserve</td>
<td>24</td>
<td>(399)</td>
</tr>
<tr>
<td>Share-based payment reserve</td>
<td>25</td>
<td>3,962</td>
</tr>
<tr>
<td>Capital redemption reserve</td>
<td>26</td>
<td>20,359</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>27</td>
<td>(1,178)</td>
</tr>
<tr>
<td>Capital and reserves attributable to owners of Topps Tiles Plc</td>
<td></td>
<td>30,234</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>28</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td><strong>30,232</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 82 to 85 were approved by the Board of Directors and authorised for issue on 26 November 2019. They were signed on its behalf by:

**Matthew Williams**  
Director

**Rob Parker**  
Director  
26 November 2019
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 28 September 2019

<table>
<thead>
<tr>
<th></th>
<th>£’000</th>
<th>Share</th>
<th>£’000</th>
<th>Premium</th>
<th>£’000</th>
<th>Own shares</th>
<th>£’000</th>
<th>Merger reserve</th>
<th>£’000</th>
<th>Capital redemption reserve</th>
<th>£’000</th>
<th>Accumulated losses</th>
<th>£’000</th>
<th>Non-controlling interest</th>
<th>£’000</th>
<th>Total equity £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 October 2017</strong></td>
<td>6,548</td>
<td>2,487</td>
<td>(4,411)</td>
<td>(399)</td>
<td>3,921</td>
<td>20,359</td>
<td>(4,952)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>23,553</td>
<td></td>
</tr>
<tr>
<td><strong>Profit and total comprehensive income for the period</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>9,659</td>
<td>–</td>
<td>9,659</td>
<td></td>
</tr>
<tr>
<td><strong>Issue of share capital</strong></td>
<td>–</td>
<td>3</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(6,566)</td>
<td>–</td>
<td>(6,566)</td>
<td></td>
</tr>
<tr>
<td><strong>Own shares issued in the period</strong></td>
<td>–</td>
<td>–</td>
<td>661</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(661)</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Credit to equity for equity-settled share-based payments</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>24</td>
<td>–</td>
<td>11</td>
<td>–</td>
<td>–</td>
<td>35</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred tax on share-based payment transactions</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(21)</td>
<td>–</td>
<td>(21)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 29 September 2018</strong></td>
<td>6,548</td>
<td>2,490</td>
<td>(3,750)</td>
<td>(399)</td>
<td>3,945</td>
<td>20,359</td>
<td>(2,530)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>26,663</td>
<td></td>
</tr>
<tr>
<td><strong>Profit and total comprehensive income for the period</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>10,119</td>
<td>(41)</td>
<td>10,078</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(6,623)</td>
<td>–</td>
<td>(6,623)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Own shares issued in the period</strong></td>
<td>–</td>
<td>–</td>
<td>2,202</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(2,202)</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Credit to equity for equity-settled share-based payments</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>17</td>
<td>–</td>
<td>64</td>
<td>–</td>
<td>–</td>
<td>81</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred tax on share-based payment transactions</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(6)</td>
<td>–</td>
<td>(6)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-controlling interest on business combination</strong></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>39</td>
<td>–</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 28 September 2019</strong></td>
<td>6,548</td>
<td>2,490</td>
<td>(1,548)</td>
<td>(399)</td>
<td>3,962</td>
<td>20,359</td>
<td>(1,178)</td>
<td>(2)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>30,232</td>
<td></td>
</tr>
</tbody>
</table>
### CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 28 September 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>52 weeks ended 28 September 2019 £'000</th>
<th>52 weeks ended 29 September 2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
<td>10,078</td>
<td>9,659</td>
</tr>
<tr>
<td>Taxation</td>
<td>2,397</td>
<td>3,029</td>
</tr>
<tr>
<td>Finance costs</td>
<td>873</td>
<td>1,072</td>
</tr>
<tr>
<td>Finance income</td>
<td>(15)</td>
<td>(25)</td>
</tr>
<tr>
<td><strong>Group operating profit</strong></td>
<td>13,333</td>
<td>13,735</td>
</tr>
<tr>
<td><strong>Adjustments for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>7,117</td>
<td>6,983</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>245</td>
<td>90</td>
</tr>
<tr>
<td>Loss/(gain) on disposal of property, plant and equipment</td>
<td>866</td>
<td>(421)</td>
</tr>
<tr>
<td>Impairment (reversal)/charge of property, plant and equipment</td>
<td>(246)</td>
<td>958</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>245</td>
<td>–</td>
</tr>
<tr>
<td>Decrease in fair value of investment properties</td>
<td>21</td>
<td>1,651</td>
</tr>
<tr>
<td>Share option charge</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>Decrease/(increase) in trade and other receivables</td>
<td>820</td>
<td>(2,241)</td>
</tr>
<tr>
<td>Increase in inventories</td>
<td>(681)</td>
<td>(652)</td>
</tr>
<tr>
<td>Increase in payables</td>
<td>4,412</td>
<td>5,419</td>
</tr>
<tr>
<td><strong>Cash generated by operations</strong></td>
<td>26,149</td>
<td>25,546</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(861)</td>
<td>(1,109)</td>
</tr>
<tr>
<td>Taxation paid</td>
<td>(3,385)</td>
<td>(2,543)</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>21,903</td>
<td>21,894</td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(7,242)</td>
<td>(5,052)</td>
</tr>
<tr>
<td>Addition of intangibles</td>
<td>(563)</td>
<td>–</td>
</tr>
<tr>
<td>Purchase of investment property</td>
<td>(21)</td>
<td>(2,884)</td>
</tr>
<tr>
<td>Proceeds on disposal of property, plant and equipment</td>
<td>185</td>
<td>3,921</td>
</tr>
<tr>
<td>Acquisition of subsidiary, net of cash acquired</td>
<td>(2,749)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net cash used in investment activities</strong></td>
<td>(10,375)</td>
<td>(3,990)</td>
</tr>
<tr>
<td><strong>Financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(6,623)</td>
<td>(6,566)</td>
</tr>
<tr>
<td>Proceeds from issue of share capital</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Drawdown of bank loans</td>
<td>5,000</td>
<td>–</td>
</tr>
<tr>
<td>Repayment of bank loans</td>
<td>(5,000)</td>
<td>(5,000)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(6,623)</td>
<td>(11,563)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>4,905</td>
<td>6,341</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>13,842</td>
<td>7,501</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>18,747</td>
<td>13,842</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

1 General Information
Topps Tiles Plc is a public company, limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 41. The nature of the Group’s operations and its principal activity are set out in the Directors’ Report on pages 50 to 53.

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

Adoption of New and Revised Standards
In the current period, there were no new or revised standards and interpretations adopted that have a material impact on the financial statements, apart from IFRS 9 and IFRS 15 (see below).

Standards Adopted in Current Period
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, apart from IFRS 9 and IFRS 15.

Amendments to IFRS 2 (Jun 2016) – Classification and Measurement of Share-based Payment Transactions
Amendments to IAS 40 (Dec 2016) – Transfers of Investment Property
IFRIC 22 – Foreign Currency Transactions and Advance Consideration

IFRS 9 “Financial Instruments”
The Group has adopted IFRS 9 “Financial Instruments” for the first time in the current financial year, with a date of initial application of 30 September 2018. The standard is applicable to financial assets and financial liabilities, and covers the classification and measurement of financial assets and financial liabilities. The standard also revises the requirements for when hedge accounting can be applied and introduces a new impairment model for financial assets.

The Group applied IFRS 9 using the modified retrospective method, without adjusting prior periods. The adoption of IFRS 9 had no material impact on the Group’s retained earnings at 30 September 2018. There were no changes to the carrying amounts of assets and liabilities on transition to IFRS 9.

(A) Classification and Measurement of Financial Assets
IFRS 9 contains two principal classification categories for financial assets: measured at amortised cost or measured at fair value (through profit or loss or through other comprehensive income). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Under IFRS 9, investments in equity instruments that do not have a quoted price in an active market for an identical instrument are now measured at fair value rather than at cost.

On 30 September 2018 the Group reassessed the classification and measurement of financial assets of the business and has classified its financial instruments into the appropriate IFRS 9 categories:

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>Classification (IAS 39)</th>
<th>Classification (IFRS 9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative financial instruments (not designated as hedging instruments)</td>
<td>Fair value through profit and loss</td>
<td>Fair value through profit and loss</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>Loans and receivables</td>
<td>Amortised cost</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>Loans and receivables</td>
<td>Amortised cost</td>
</tr>
</tbody>
</table>

Upon adoption of IFRS 9, gains and losses for assets measured at fair value will continue to be recorded in profit or loss. All of the classification changes above only impact disclosure in the Notes to the Financial Statements. The accounting policies for financial assets in Note 2 have been updated for changes arising from IFRS 9.

(B) Classification and Measurement of Financial Liabilities
For financial liabilities, the classification and measurement requirements under IFRS 9 are similar to those under IAS 39, and no changes were noted on transition.
1 General Information continued

(C) Impairment

IFRS 9 also introduced a forward-looking expected credit loss model for recognising provisions in respect of financial assets and
receivables. This results in greater judgement due to the need to factor in forward looking information when estimating the appropriate
amount of provisions. The Group considers the probability of a default occurring over the life of its trade receivables on initial recognition
of those assets. This, in theory, could result in earlier recognition of credit losses, than the incurred loss model of IAS 39.

The Group has updated its accounting policy for the establishment of provisions against trade receivables to reflect the lifetime expected
credit loss, consistent with the simplified approach under IFRS 9. The impact of using the expected credit loss model on the consolidated
financial statements of the Group is immaterial at the transition date.

(D) Hedge Accounting

The Group does not account for derivatives under hedge accounting and therefore, the updated IFRS 9 requirements in relation to hedge
accounting do not impact the Group.

IFRS 15 “Revenue from Contracts with Customers”

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” for the first time in the current financial year, with a date of
initial application of 30 September 2018. The standard establishes a principles-based approach for revenue recognition and is based
on the concept of recognising revenue for performance obligations only when they are satisfied and the control of goods or services is
transferred. In doing so, the standard applies a five-step approach to the timing of revenue recognition and applies to all contracts with
customers, except those in the scope of other standards.

Based on the nature of the Group’s revenue streams with the recognition of revenue at the point of sale and the absence of significant
judgement required in determining the timing of transfer of control, the adoption of IFRS 15 does not have a material impact on the timing
or nature of the Group’s revenue recognition.

The standard has been applied using the modified retrospective method of adoption, without adjusting prior periods. Under this approach
the cumulative effect of applying the new standard is recognised at the date of initial application. The Group has considered the following
in assessing the impact of the new standard:

(A) Sale of Goods

The Group’s contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that
revenue from the sale of goods should be recognised at the point in time when control of the asset is transferred to the customer. This does
not represent a change to the Group’s accounting policy and therefore, the adoption of IFRS 15 does not have an impact on the timing of
revenue recognition.

(B) Principal Versus Agent Consideration

Management has established that the Group acts as a principal for all types of products and thus should recognise revenue in the gross
amount of consideration to which it expects to be entitled. The Group already recognised revenue on a gross basis; therefore, the Group’s
revenue recognition is unchanged in this regard.

(C) Right of Return

The Group currently estimates the expected level of returns, and as such holds a sales return provision in the Consolidated Statement of
Financial Position to provide for these.

Prior to IFRS 15, provisions for customer returns were presented on a net basis, as part of Accruals within Trade and other payables.
Following the adoption of IFRS 15, they are now shown on a gross basis and liabilities for the full amount expected to be refunded to
customers are included in Accruals within Trade and other payables. Subsequently assets for the value of goods expected to be returned
are included in Inventories. The net adjustment on adoption is a £0.4 million increase in the value of Inventories and Accruals.

None of the adjustments impacted the Group’s profit, retained earnings, net assets or cash flows.
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

1 General Information continued
A summary of the impact on the Group Statement of Financial Position as at 28 September 2019 is shown below:

<table>
<thead>
<tr>
<th></th>
<th>Pre IFRS 15 Adjustments £'000</th>
<th>IFRS 15 Adjustments £'000</th>
<th>As Reported £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>30,526</td>
<td>398</td>
<td>30,924</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(42,938)</td>
<td>(398)</td>
<td>(43,336)</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>30,232</td>
<td>–</td>
<td>30,232</td>
</tr>
</tbody>
</table>

Within trade and other payables, £3,165,000 (2018: £3,963,000) relating to customer deposits has been reclassified from trade payables to contract liabilities as a result of the adoption of IFRS 15 (see note 17).

(D) Disclosure of Disaggregation of Revenue
IFRS 15 requires the disaggregation of revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Management has considered how information about the entity’s revenue has been presented for other purposes such as internal management accounts and investor presentations. Based on this, revenue has been disaggregated between the Retail and Commercial businesses (please refer to note 3). However, management has concluded that since customers access the Group’s products across multiple channels and often their journey involves more than one channel, any further disaggregation of revenue would not be appropriate.

Standards Not Adopted in Current Period
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). Apart from IFRS 16, the Directors anticipate that the adoption of the remaining standards and interpretations in future periods will have no material impact on the financial statements of the Group.

Amendments to IFRS 10 and IAS 28 [Sept 2014] – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 23 – Uncertainty over Income Tax Treatments
Amendments to IFRS 9 [Oct 2017] – Prepayment Features with Negative Compensation
Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement
Amendments to IFRS 3 – Clarification of definition of a business
Amendments to IAS 1 – Amendments regarding the definition of material
Amendments to IAS 8 – Amendments regarding the definition of material

IFRS 16 “Leases”
IFRS 16 “Leases” was issued in January 2016 to replace IAS 17 “Leases” and has been endorsed by the EU. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group in the period ending 3 October 2020.

The standard will have a material impact on the financials statements of the Group due to the large number of property leases it holds as well as leases relating to machinery and vehicles.

All of the Group’s operating leases, apart from those leases captured under the low value and short-term lease exemptions, will be recognised on the Consolidated Statement of Financial Position, which will give rise to the recognition of an asset representing the right to use the leased item and an obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Consolidated Statement of Financial Performance over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases. Rental costs will be replaced by interest and depreciation charges and therefore, IFRS 16 will impact the Group’s profit each period.
1 General Information continued

The implementation of IFRS 16 has no impact on cash flows generated, but will impact the presentation of the Consolidated Cash Flow Statement, with an increase in net cash from operating activities being offset by an increase in net cash used in financing activities.

Material judgements are required in identifying and accounting for leases. The most significant judgement areas are expected to be around the determination of the lease term and discount rate. The lease term includes extension periods where it is reasonably certain that a lease extension option will be exercised or that a lease termination option will not be exercised. The discount rate should best represent the rate implicit in the lease or the incremental borrowing rate in order to determine the present value of future lease commitments. The Group intends to apply a single discount rate to all leases with similar characteristics, which is an option permitted by the standard. This rate will be calculated based on the Revolving Credit Facility rate adjusted for a factor based on the lease term.

The Group has invested in a new property management system to prepare for the adoption of the new standard and has a project team working to determine the effect of this new standard on its existing lease portfolio of 362 property leases and other contracts and implement the processes and systems necessary to comply with its requirements. The Group intends to apply the modified retrospective approach on transition and will not restate the comparative information. Under this transition route, any difference between asset and liability is recognised in opening retained earnings at the transition date. The lease liability is calculated using a discount rate at the date of transition, rather than at the lease commencement date.

In order to estimate the impact on the Consolidated Statement of Financial Position for the year ending 3 October 2020, the lease portfolio at transition date, of 29 September 2019, has been used. On transition, the Group will recognise a right-of-use asset in the region of £125 million, with a corresponding lease liability in the region of £130 million.

For the period ending 3 October 2020, the Group expects a reduction in Profit before taxation in the region of £1.0 million, as a result of the adoption of IFRS 16. In order to illustrate the likely impact of transitioning to IFRS 16 on the Consolidated Statement of Financial Performance, we have set out a pro forma unaudited reconciliation using financials from the Consolidated Statement of Financial Performance for the period ended 28 September 2019.

<table>
<thead>
<tr>
<th>Pro forma Consolidated Statement of Financial Performance</th>
<th>Pre IFRS 16 for the period ended 28 September 2019</th>
<th>Remove estimated rent £m</th>
<th>Include estimated depreciation £m</th>
<th>Include estimated financing cost £m</th>
<th>Post IFRS 16 estimated £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group revenue</td>
<td>219.2</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>219.2</td>
</tr>
<tr>
<td>Gross profit</td>
<td>135.0</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>135.0</td>
</tr>
<tr>
<td>Operating costs</td>
<td>(121.7)</td>
<td>25.0</td>
<td>(23.4)</td>
<td>–</td>
<td>(120.1)</td>
</tr>
<tr>
<td>Group operating profit</td>
<td>13.3</td>
<td>25.0</td>
<td>(23.4)</td>
<td>–</td>
<td>14.9</td>
</tr>
<tr>
<td>Finance costs/Investment revenue</td>
<td>(0.8)</td>
<td>–</td>
<td>–</td>
<td>(2.6)</td>
<td>(3.4)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>12.5</td>
<td>25.0</td>
<td>(23.4)</td>
<td>(2.6)</td>
<td>11.5</td>
</tr>
</tbody>
</table>

2 Accounting Policies

The principal accounting policies adopted are set out below.

(A) Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee ("IFRS IC") interpretations. 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, and as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments and investment property. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

The Group has applied for the first time IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial Instruments”. Refer to Note 1 for details of the impact on transition to these standards.
2 Accounting Policies continued

(B) Going Concern

When considering the going concern assertion, the Board reviews several factors including a detailed review of the above risks and uncertainties, the Group’s forecast covenant and cash headroom against lending facilities, and management’s current expectations. Further details of the assumptions, sensitivities and procedures performed are given in the Strategic Report. As a result of this review the Board believes that the Group will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. Therefore, the Board considers it appropriate to prepare the financial statements on the going concern basis.

(C) Business Combinations

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

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Contingent consideration is recognised at fair value at the date of acquisition. Subsequent changes in contingent consideration which has been classified as an asset or liability which does not result from a measurement period adjustment is accounted for in accordance with IFRS 9 where the asset or liability is a financial instrument, and in accordance with IAS 37 in all other cases.

(D) Basis of Consolidation

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

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

(E) Financial Period

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

Throughout the financial statements, Directors’ Report and Strategic Report, references to 2019 mean “at 28 September 2019” or the 52 weeks then ended; references to 2018 mean “at 29 September 2018” or the 52 weeks then ended.

(F) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group’s interest in the fair value of the acquiree’s identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.
2 Accounting Policies continued

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill of £15,080,000 written off to reserves under UK GAAP prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

(G) Revenue Recognition

Revenue is measured at the transaction price received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from the sale of goods is recognised on the collection or delivery of goods, when all the following conditions are satisfied:

- the Group has satisfied its performance obligations to external customers, being the date goods are collected from store or received by the customers; and
- the customer has obtained controls of the goods being transferred.

These conditions are met, predominantly, at the point of sale. The exceptions to this are for: goods ordered in advance of collection, where revenue is recognised at the point that the goods are collected; sales of goods that result in award credits for customers (see below); and web sales, where revenue is recognised at the point of delivery.

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

The level of sales returns is closely monitored by management, and as such, the Group holds a sales return provision in the Consolidated Statement of Financial Position to provide for the expected level of returns. The sales value of the expected returns is recognised within Accruals, with the cost value of the goods expected to be returned recognised as a current asset within Inventories.

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 accrual on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

(H) Intangible Assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at the fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation.

Costs that are directly associated with identifiable software products controlled by the Group, and that will generate economic benefits beyond one year are recognised as intangible assets. These intangible assets are stated at cost less accumulated amortisation and impairment losses, and are amortised over four years.

(I) Property, Plant and Equipment

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

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

- **Freehold buildings**: 2% per annum on cost on a straight-line basis
- **Short leasehold land and buildings**: over the period of the lease, up to 50 years on a straight-line basis
- **Fixtures and fittings**: over 10 years, except for the following: four years for computer equipment or five years for display stands, as appropriate
- **Motor vehicles**: 2.5% per annum on a reducing balance basis

Freehold land is not depreciated.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 Consolidated Statement of Financial Performance.
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

2 Accounting Policies continued

(J) Impairment of Tangible and Intangible Assets

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

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

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

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

(K) Inventories

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

(L) Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of financial performance because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted at 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, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.
2 Accounting Policies continued

(M) Foreign Currency

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

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

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 the statement of financial performance for the period.

(N) Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease even where payments are not made on such a basis, except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed or a provision has been made for an onerous lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group provides for the unavoidable costs prior to lease termination or sub-lease relating to onerous leases. Dilapidation costs are provided for against all leasehold properties across the entire estate. See note 2U and 2X for details on how these provisions are calculated.

(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 statement of financial position.

(P) Finance Costs

Finance costs of debt are recognised in the statement of financial performance over the term of the debt at a constant rate on the carrying amount.

(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 time frame 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), financial assets “at fair value through other comprehensive income” (FVOCI), and financial assets carried at “amortised cost”. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial Assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. Transactional costs of financial assets carried at FVTPL are expensed in the Consolidated Statement of Financial Performance. 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. Financial assets at FVTPL are subsequently measured at fair value, with net gains and losses, including any interest or dividend income being recognised in profit of loss.
2 Accounting Policies continued

Trade and Other Receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are initially recognised at fair value and then carried 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. The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost.

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, as well as observable changes in national or local economic conditions that correlate with default on receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for financial assets.

For all other 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. The Group will write off, either partially or in full, the gross carrying amount of a financial asset when there is no realistic prospect of recovery. This is usually the case when it is determined that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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 balances including credit card receipts and deposits, less bank overdrafts which are repayable on demand where there is a right of offset. All cash equivalents have an original maturity of three months or less.

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 Instruments

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 that are classified as FVTPL relate to derivatives that are 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.
2 Accounting Policies continued

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.

The Group uses foreign exchange forward contracts to manage its foreign currency risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group’s policies, approved by the Board of Directors, on the use of financial derivatives.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each period end date. The resulting gain or loss is recognised in profit or loss immediately. The fair values are determined by reference to the market prices available from the market on which the instruments involved are traded.

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.

(R) Share-based Payments

The Group has applied the requirements of IFRS 2 Share-based Payments.

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 Sharesave 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 Costs

Restructuring costs relate to Board approved decisions such as business closures or major organisational changes. Operating profit is stated after charging/(crediting) restructuring costs but before investment income and finance costs.

The accounting policy for employee profit sharing costs has been revised, with costs now reclassified to distribution and selling costs and administrative costs. There is no impact on earnings per share.

(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) Supplier Income

Amounts receivable from suppliers are initially held on the balance sheet within the cost of inventory and recognised within the income statement once the contractual terms of the supplier agreements are met and the corresponding inventory has been sold.

Volume rebates and price discounts are recognised in the income statement as a reduction in cost of sales, in line with the recognition of the sale of a product.
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

2 Accounting Policies continued

(W) Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Investment properties are not depreciated.

The Group obtains independent valuations for its investment properties, and at the end of the reporting period, the fair value of each property is updated, taking into account the most recent independent valuation. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

(X) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the period end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below:

Onerous Lease Provision and Loss Making Stores/Store Impairment

During the period the Group has continued to review the performance of its store portfolio, which has resulted in five further stores being exited before their lease terms had expired (2018: six 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 sub-lease. The Group has further reviewed any trading loss-making stores and provided for those leases considered to be onerous, and have considered whether the net book value of the assets in relation to those stores is impaired. The key estimates involved relate to the forecast future cash flows of the stores identified as potentially loss making. These estimates are based upon available information and knowledge of the property market and retail market. A 10% change in the forecast future cash flows of the stores identified as potentially loss making would lead to a change in the provision of £27,000.

Dilapidations Provision

The Group has estimated its likely dilapidation charges for its store portfolio and provided accordingly. The key estimate involves an assessment of the percentage of store leases expected to renew or exit at the end of the current lease contract, and is based on management’s best estimate, taking into account knowledge of the property market and historical trends. A 10% change in the percentage of properties expected to exit at the end of the current lease contract would lead to a change in the provision of £62,000.

Inventory Provision

The Group provides against the carrying value of the inventories held where it is anticipated that net realisable value (NRV) will be below cost. The key estimate involves an assessment of clearance and discontinued lines, with an anticipated 100% mark down. A 10% change in the volume of lines identified as clearance and discontinued would lead to a change in the provision of £77,000.
3 Revenue

An analysis of Group revenue is as follows:

<table>
<thead>
<tr>
<th></th>
<th>52 weeks ended 28 September 2019 £’000</th>
<th>52 weeks ended 29 September 2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from the sale of goods</td>
<td>219,197</td>
<td>216,887</td>
</tr>
<tr>
<td>Total revenue</td>
<td>219,197</td>
<td>216,887</td>
</tr>
</tbody>
</table>

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

IFRS 15 requires the disaggregation of revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The total Group revenue for the period includes £214,346,000 revenue from the Retail business and £4,851,000 revenue from the Commercial business, being the recent acquisitions of Parkside Ceramics Limited and Strata Tiles Limited. As noted above, the business is not regarded as having more than one operating segment.

The Group’s revenue is driven by the consolidation of individual small value transactions and as a result, Group revenue is not reliant on a major customer or group of customers.

4 Acquisition of Subsidiaries

Topps Tiles Plc acquired 80% of the issued share capital of Strata Tiles Limited (“Strata”) on 18 April 2019, a company supplying tiles for commercial design projects. The acquisition also involves the grant of a put and call option relating to the purchase by the Group of the remaining 20% of the issued shares in Strata, which is exercisable in 2021.

The acquisition of Strata will add additional scale to the Group’s fast-growing commercial business as it seeks to build a leading position in the commercial tile market. Strata is expected to benefit from the Group’s competitive advantage as the UK’s leading tile specialist, particularly its product range and buying scale.

The Group performed a purchase price allocation exercise on Strata Tiles Limited to restate assets and liabilities at their provisional fair value. Separately identifiable intangible assets were recognised in relation to the Strata Tiles brand and customer relationships.

The Group incurred £432,863 of costs in relation to acquisition activity during the year of acquisition, which were recognised in the Consolidated Statement of Financial Performance.

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

<table>
<thead>
<tr>
<th>Provisional Fair value of net assets acquired £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
</tr>
<tr>
<td>Inventories</td>
</tr>
<tr>
<td>Trade and other receivables</td>
</tr>
<tr>
<td>Trade and other payables</td>
</tr>
<tr>
<td>Corporation tax</td>
</tr>
<tr>
<td>Deferred tax</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
</tr>
<tr>
<td>Brand</td>
</tr>
<tr>
<td>Customer relationships</td>
</tr>
<tr>
<td>Provisions</td>
</tr>
<tr>
<td>Non-controlling interest</td>
</tr>
<tr>
<td><strong>Fair value of assets acquired</strong></td>
</tr>
<tr>
<td><strong>Cash consideration</strong></td>
</tr>
<tr>
<td><strong>Total consideration</strong></td>
</tr>
<tr>
<td><strong>Goodwill</strong></td>
</tr>
</tbody>
</table>
4 Acquisition of Subsidiaries continued
The net cash outflow in the cash flow statement in the year of acquisition was as follows:

<table>
<thead>
<tr>
<th></th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash consideration</td>
<td>3,717</td>
</tr>
<tr>
<td>Cash acquired</td>
<td>(968)</td>
</tr>
<tr>
<td><strong>Net cash outflow in the cash flow statement</strong></td>
<td><strong>2,749</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,075</td>
</tr>
<tr>
<td>Loss before tax</td>
<td>(203)</td>
</tr>
</tbody>
</table>

Had the acquisition been included from the start of the period, £3,379,000 of revenue and £142,000 of loss before tax would have been included in the Group’s financial statements in the period.

There were no contingent liabilities acquired as a result of the above transaction.

5 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</th>
<th>52 weeks ended 29 September</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td><strong>£'000</strong></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>7,117</td>
<td>6,983</td>
</tr>
<tr>
<td>Impairment (reversal)/charge of property, plant and equipment</td>
<td>(246)</td>
<td>958</td>
</tr>
<tr>
<td>Loss/(gain) on disposal of property, plant and equipment</td>
<td>866</td>
<td>(421)</td>
</tr>
<tr>
<td>Amortisation of intangibles</td>
<td>245</td>
<td>90</td>
</tr>
<tr>
<td>Impairment of goodwill</td>
<td>245</td>
<td>–</td>
</tr>
<tr>
<td>Decrease in fair value of investment properties recognised as an expense</td>
<td>21</td>
<td>1,651</td>
</tr>
<tr>
<td>Property related provisions charged/(credited)</td>
<td>406</td>
<td>(723)</td>
</tr>
<tr>
<td>Staff costs (see note 6)</td>
<td>55,440</td>
<td>54,909</td>
</tr>
<tr>
<td>Operating lease rentals</td>
<td>26,333</td>
<td>25,489</td>
</tr>
<tr>
<td>Repayment of historical import duty</td>
<td>(2,272)</td>
<td>–</td>
</tr>
<tr>
<td>Exchange losses/(gains) recognised in profit or loss</td>
<td>80</td>
<td>(262)</td>
</tr>
<tr>
<td>Write-down of inventories recognised as an expense</td>
<td>2,633</td>
<td>3,031</td>
</tr>
<tr>
<td>Cost of inventories recognised as an expense</td>
<td>81,612</td>
<td>81,433</td>
</tr>
</tbody>
</table>

During the year the business disposed of one freehold property (2018: four freehold properties).

The gain of £2,272,000 relates to repayment of import duty paid to HMRC, specifically relating to additional duty on products arriving into the EU from China relating to the period 2015 to 2017. We originally recorded duty paid on a cautious basis, reflecting the uncertainty of recovering the overpayment. As this settlement has been agreed and confirmed during this financial year, this has been accounted for as a change in accounting estimate in the current period.
5 Profit Before Taxation continued
Analysis of the auditors’ remuneration is provided below:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>52 weeks ended 28 September 2019 £'000</th>
<th>52 weeks ended 29 September 2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees payable to the Company’s auditors with respect to the Company’s annual accounts</td>
<td>49</td>
<td>40</td>
</tr>
<tr>
<td>Fees payable to the Company’s auditors 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>90</td>
</tr>
<tr>
<td>Total audit fees</td>
<td>159</td>
<td>130</td>
</tr>
<tr>
<td>Audit related assurance services</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Total non-audit fees</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Total fees payable to the Company’s auditors</td>
<td>179</td>
<td>160</td>
</tr>
</tbody>
</table>

Audit related assurance services relate to the fee payable for the interim review performed. The 2018 fees relate to the Group’s former auditors.

A description of the work of the Audit Committee is set out on page 48 and includes an explanation of how auditors’ objectivity and independence is safeguarded when non-audit services are provided by the auditors.

6 Staff Costs
The average monthly number of persons employed by the Group in the UK during the accounting period (including Executive Directors) was:

<table>
<thead>
<tr>
<th>Service Description</th>
<th>52 weeks ended 28 September 2019 Number employed</th>
<th>52 weeks ended 29 September 2018 Number employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling</td>
<td>1,852</td>
<td>1,900</td>
</tr>
<tr>
<td>Administration</td>
<td>237</td>
<td>214</td>
</tr>
<tr>
<td>Total</td>
<td>2,089</td>
<td>2,114</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Service Description</th>
<th>52 weeks ended 29 September 2019 Number employed</th>
<th>52 weeks ended 29 September 2018 Number employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling</td>
<td>1,754</td>
<td>1,792</td>
</tr>
<tr>
<td>Administration</td>
<td>231</td>
<td>208</td>
</tr>
<tr>
<td>Total</td>
<td>1,985</td>
<td>2,000</td>
</tr>
</tbody>
</table>

Their aggregate remuneration comprised:

- Wages and salaries (including LTIP, see note 30) £50,153 (2018: £49,782)
- Social security costs £4,224 (2018: £4,209)
- Other pension costs (see note 29b) £1,063 (2018: £918)

Details of Directors’ emoluments are disclosed on pages 66 to 70. The Group considers key management to be the Directors only.
Employee profit sharing of £5.8 million (2018: £6.3 million) is included in the above and comprises sales commission and bonuses.
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

7 Finance Investment and Finance Costs

<table>
<thead>
<tr>
<th>Finance income</th>
<th>52 weeks ended</th>
<th>52 weeks ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank interest receivable</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Finance costs</th>
<th>52 weeks ended</th>
<th>52 weeks ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on bank loans and overdrafts</td>
<td>(871)</td>
<td>(1,028)</td>
</tr>
<tr>
<td>Other interest</td>
<td>(2)</td>
<td>(44)</td>
</tr>
<tr>
<td></td>
<td>(873)</td>
<td>(1,072)</td>
</tr>
</tbody>
</table>

No finance costs have been 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>Taxation</th>
<th>52 weeks ended</th>
<th>52 weeks ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax – charge for the period</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Current tax – adjustment in respect of previous periods</td>
<td>(101)</td>
<td>(11)</td>
</tr>
<tr>
<td>Deferred tax – credit for the period (note 20)</td>
<td>(65)</td>
<td>(94)</td>
</tr>
<tr>
<td>Deferred tax – adjustment in respect of previous periods (note 20)</td>
<td>(39)</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>2,397</td>
<td>3,029</td>
</tr>
</tbody>
</table>

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</th>
<th>52 weeks ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before taxation</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Tax at the UK corporation tax rate of 19.0% (2018: 19.0%)</td>
<td>12,475</td>
<td>12,688</td>
</tr>
<tr>
<td>Expenses that are not deductible in determining taxable profit</td>
<td>74</td>
<td>55</td>
</tr>
<tr>
<td>Chargeable gains</td>
<td>1</td>
<td>77</td>
</tr>
<tr>
<td>Difference between IFRS 2 and corporation tax relief</td>
<td>14</td>
<td>48</td>
</tr>
<tr>
<td>Reduction in UK corporation tax rate</td>
<td>(27)</td>
<td>21</td>
</tr>
<tr>
<td>Non-taxable income relating to goodwill revaluation</td>
<td>–</td>
<td>(22)</td>
</tr>
<tr>
<td>Tangible fixed assets which do not qualify for capital allowances</td>
<td>105</td>
<td>431</td>
</tr>
<tr>
<td>Tax effect of adjustment in respect of prior periods</td>
<td>(140)</td>
<td>8</td>
</tr>
<tr>
<td>Tax expense for the period</td>
<td>2,397</td>
<td>3,029</td>
</tr>
</tbody>
</table>

In the period, the Group has recognised a corporation tax credit directly to equity of £64,064 (2018: £11,899) and a deferred tax debit to equity of £5,961 (2018: £21,184) in relation to the Group’s share option schemes.
9 Dividends
Amounts recognised as distributions to equity holders in the period:

<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>2019 (£’000)</td>
<td>2018 (£’000)</td>
</tr>
<tr>
<td>Final dividend for the</td>
<td>4,483</td>
<td>4,439</td>
</tr>
<tr>
<td>period ended 29 September</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018 of £0.023 (2017:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0.023) per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim dividend for the</td>
<td>2,140</td>
<td>2,127</td>
</tr>
<tr>
<td>period ended 29 September</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019 of £0.011 (2018:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0.011) per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6,623</td>
<td>6,566</td>
</tr>
<tr>
<td>Proposed final dividend</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for the period ended</td>
<td>4,483</td>
<td>4,447</td>
</tr>
<tr>
<td>28 September 2019 of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£0.023 (2018: £0.023)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>per share</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The proposed final dividend for the period ended 28 September 2019 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></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>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Weighted average number of</td>
<td>196,441,003</td>
<td>196,439,403</td>
</tr>
<tr>
<td>issued shares for basic earnings per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average impact of</td>
<td>(1,762,806)</td>
<td>(3,292,316)</td>
</tr>
<tr>
<td>treasury shares for basic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>earnings per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total weighted average number</td>
<td>194,678,197</td>
<td>193,147,087</td>
</tr>
<tr>
<td>of treasury shares for basic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>earnings per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of</td>
<td>1,545,658</td>
<td>2,746,297</td>
</tr>
<tr>
<td>shares under option</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For diluted earnings per share</td>
<td>196,223,855</td>
<td>195,893,384</td>
</tr>
</tbody>
</table>

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

11 Goodwill

<table>
<thead>
<tr>
<th></th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>At 1 October 2017</td>
<td>1,461</td>
</tr>
<tr>
<td>At 29 September 2018</td>
<td>1,461</td>
</tr>
<tr>
<td>Acquisition of Strata</td>
<td>1,888</td>
</tr>
<tr>
<td>Tiles Limited (note 4)</td>
<td></td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td>3,349</td>
</tr>
<tr>
<td>Accumulated impairment</td>
<td></td>
</tr>
<tr>
<td>losses</td>
<td></td>
</tr>
<tr>
<td>At 1 October 2017</td>
<td>( )</td>
</tr>
<tr>
<td>At 29 September 2018</td>
<td>( )</td>
</tr>
<tr>
<td>Impairment losses in the</td>
<td></td>
</tr>
<tr>
<td>period</td>
<td>245</td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td>245</td>
</tr>
<tr>
<td>Carrying amount</td>
<td></td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td>3,104</td>
</tr>
<tr>
<td>At 29 September 2018</td>
<td>1,461</td>
</tr>
</tbody>
</table>

The balance of goodwill remaining is the carrying value that arose on the acquisition of Parkside Ceramics Limited in 2017 and Strata Tiles Limited in 2019. The balance relates to two (2018: two) Cash-Generating Units (CGUs). Goodwill of £1,216,000 (Parkside Ceramics Limited) relates to one CGU, with the balance of £1,888,000 (Strata Tiles Limited) relating to another CGU.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

11 Goodwill continued
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 of 1.3% are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Discounted cash flows are calculated using a pre-tax rate of 14.8% (2018: 14.3%).

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

An impairment of £245,000 in relation to Surface Coatings Limited has been identified in the current period as a result of the annual test for impairment. This reduces the carrying amount to nil.

12 Intangible Assets

<table>
<thead>
<tr>
<th></th>
<th>Brand £’000</th>
<th>Customer relationships £’000</th>
<th>Software £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 October 2017</td>
<td>229</td>
<td>200</td>
<td>–</td>
<td>429</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At 29 September 2018</td>
<td>229</td>
<td>200</td>
<td>–</td>
<td>429</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>–</td>
<td>563</td>
<td>563</td>
</tr>
<tr>
<td>Acquired on business combination</td>
<td>835</td>
<td>842</td>
<td>–</td>
<td>1,677</td>
</tr>
<tr>
<td>Transferred from property, plant and equipment</td>
<td>–</td>
<td>–</td>
<td>457</td>
<td>457</td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td><strong>1,064</strong></td>
<td><strong>1,042</strong></td>
<td><strong>1,020</strong></td>
<td><strong>3,126</strong></td>
</tr>
<tr>
<td>Accumulated amortisation and impairment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 October 2017</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Amortisation charge for the period</td>
<td>23</td>
<td>67</td>
<td>–</td>
<td>90</td>
</tr>
<tr>
<td>At 29 September 2018</td>
<td>23</td>
<td>67</td>
<td>–</td>
<td>90</td>
</tr>
<tr>
<td>Amortisation charge for the period</td>
<td>64</td>
<td>117</td>
<td>64</td>
<td>245</td>
</tr>
<tr>
<td>Transferred from property, plant and equipment</td>
<td>–</td>
<td>–</td>
<td>128</td>
<td>128</td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td><strong>87</strong></td>
<td><strong>184</strong></td>
<td><strong>192</strong></td>
<td><strong>463</strong></td>
</tr>
<tr>
<td>Carrying amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td>977</td>
<td>858</td>
<td>828</td>
<td>2,663</td>
</tr>
<tr>
<td>At 29 September 2018</td>
<td>206</td>
<td>133</td>
<td>–</td>
<td>339</td>
</tr>
</tbody>
</table>

The brand and customer relationships additions occurred on the acquisition of Parkside Ceramics Limited on 31 August 2017 and the acquisition of Strata Tiles Limited on 18 April 2019.

The brands are amortised over their estimated useful life of 10 years. Customer relationships are amortised over their estimated useful lives of 3, 5 and 10 years. Amortisation is included within administrative costs within the Consolidated Statement of Financial Performance.

Of the additions to software, £457,000 was transferred from property, plant and equipment additions and £128,000 of accumulated depreciation has been transferred to amortisation (Note 13a).
13a Property, Plant and Equipment

<table>
<thead>
<tr>
<th></th>
<th>Land and buildings</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freehold and long leasehold £'000</td>
<td>Short leasehold £'000</td>
<td>Fixtures and fittings £'000</td>
<td>Motor vehicles £'000</td>
<td>Total £'000</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 October 2017</td>
<td>18,988</td>
<td>1,449</td>
<td>91,651</td>
<td>126</td>
<td>112,214</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>160</td>
<td>4,892</td>
<td>–</td>
<td>5,052</td>
</tr>
<tr>
<td>Disposals</td>
<td>(3,481)</td>
<td>(5)</td>
<td>(1,416)</td>
<td>(51)</td>
<td>(4,953)</td>
</tr>
<tr>
<td>At 29 September 2018</td>
<td>15,507</td>
<td>1,604</td>
<td>95,127</td>
<td>75</td>
<td>112,313</td>
</tr>
<tr>
<td>Additions</td>
<td>–</td>
<td>313</td>
<td>6,929</td>
<td>–</td>
<td>7,242</td>
</tr>
<tr>
<td>Disposals</td>
<td>(155)</td>
<td>(94)</td>
<td>(9,616)</td>
<td>(1)</td>
<td>(9,866)</td>
</tr>
<tr>
<td>Transferred to intangibles</td>
<td>–</td>
<td>–</td>
<td>(457)</td>
<td>–</td>
<td>(457)</td>
</tr>
<tr>
<td>Acquisition of subsidiary undertakings</td>
<td>–</td>
<td>–</td>
<td>14</td>
<td>–</td>
<td>14</td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td>15,352</td>
<td>1,823</td>
<td>91,997</td>
<td>74</td>
<td>109,246</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 October 2017</td>
<td>2,536</td>
<td>1,070</td>
<td>54,182</td>
<td>84</td>
<td>57,872</td>
</tr>
<tr>
<td>Charge for the period</td>
<td>267</td>
<td>62</td>
<td>6,644</td>
<td>10</td>
<td>6,983</td>
</tr>
<tr>
<td>Provision for impairment</td>
<td>–</td>
<td>–</td>
<td>958</td>
<td>–</td>
<td>958</td>
</tr>
<tr>
<td>Eliminated on disposals</td>
<td>(251)</td>
<td>(2)</td>
<td>(1,165)</td>
<td>(35)</td>
<td>(1,453)</td>
</tr>
<tr>
<td>At 29 September 2018</td>
<td>2,552</td>
<td>1,130</td>
<td>60,619</td>
<td>59</td>
<td>64,360</td>
</tr>
<tr>
<td>Charge for the period</td>
<td>230</td>
<td>89</td>
<td>6,792</td>
<td>6</td>
<td>7,117</td>
</tr>
<tr>
<td>Reversal of impairment</td>
<td>–</td>
<td>–</td>
<td>(246)</td>
<td>–</td>
<td>(246)</td>
</tr>
<tr>
<td>Eliminated on disposals</td>
<td>(21)</td>
<td>(91)</td>
<td>(8,702)</td>
<td>(1)</td>
<td>(8,815)</td>
</tr>
<tr>
<td>Transferred to intangibles</td>
<td>–</td>
<td>–</td>
<td>(128)</td>
<td>–</td>
<td>(128)</td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td>2,761</td>
<td>1,128</td>
<td>58,335</td>
<td>64</td>
<td>62,288</td>
</tr>
<tr>
<td>Carrying amount</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td>12,591</td>
<td>695</td>
<td>33,662</td>
<td>10</td>
<td>46,958</td>
</tr>
<tr>
<td>At 29 September 2018</td>
<td>12,955</td>
<td>474</td>
<td>34,508</td>
<td>16</td>
<td>47,953</td>
</tr>
</tbody>
</table>

Freehold land and buildings includes £4,104,000 of freehold land (2018: £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 (2018: £nil). Contractual commitments for the acquisition of property, plant and equipment are detailed in note 29.

During the period, the Group has continued to review the performance of its store portfolio and as the fixtures and fittings within these stores cannot be reused in other locations, the Group have provided for the net book value of the assets in relation to the seven stores (2018: eleven) that are impaired. The carrying value of these assets has been fully provided for in the period, with a reduction in the provision of £246,000 in the period (2018: £958,000 increase in provision) included within other operating expenses.

All assets classified as property, plant and equipment are UK based.
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

13b Investment Properties

At fair value £’000

At 1 October 2017  -
Additions  2,884
Fair value adjustment  (1,651)
At 29 September 2018 1,233
Additions  21
Fair value adjustment  (21)
At 28 September 2019  1,233

Investment properties relate to one freehold office building that is not occupied by the Group, and is UK based. The property was purchased to allow the Group to exit an onerous lease. The investment property is carried at fair value, and a fair value adjustment of £21,000 (2018: £1,651,000 loss) was recognised in the Consolidated Statement of Financial Performance in the period.

Since acquisition, the investment property has remained vacant, and as such there are no other amounts recognised in the Consolidated Statement of Financial Performance in relation to rental income or other direct operating expenses.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The Group obtains independent valuations for its investment properties, and at the end of the reporting period, the fair value of each property is updated, taking into account the most recent independent valuation. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

14 Subsidiaries

A list of all subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 4 to the Company only financial statements.

15 Trade and Other Receivables

2019 2018
£’000 £’000

Amounts falling due within one year:
Amounts receivable for the sale of goods 1,310 899
Allowance for expected credit losses (calculated under IFRS 9) (26) –
Allowance for doubtful debts (calculated under IAS 39) – (24)
Other debtors and prepayments
– Rent and rates 4,435 4,530
– Other 2,423 3,307
8,142 8,712

The Directors consider that the carrying amount of trade and other receivables at 28 September 2019 and 29 September 2018 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 expected credit losses/doubtful debts) held by the Group at 28 September 2019 amounted to £1.3 million (2018: £0.9 million). These amounts mainly relate to sundry trade account generated sales. In relation to these sales, the average credit period taken is 58 days (2018: 48 days) and no interest is charged on the receivables.

The Group will write off, either partially or in full, the gross carrying amount of a financial asset when there is no realistic prospect of recovery. This is usually the case when it is determined that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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.
15 Trade and Other Receivables continued

Included in the Group’s trade receivable balance are debtors with a carrying amount of £nil (2018: £nil) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired receivables:

<table>
<thead>
<tr>
<th></th>
<th>2019 £’000</th>
<th>2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than 60 days</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

The allowance for expected credit losses/allowance for doubtful debts was £26,000 by the end of the period (2018: £24,000). Given the minimal receivable balance, the Directors believe that there is no further credit provision required in excess of the allowance for expected credit losses/allowance for doubtful debts.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and accrued income.

The allowance for expected credit losses/allowance for doubtful debts includes £12,000 relating to individually impaired trade receivables (2018: £10,000) which are due from companies that have been placed into liquidation.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

16 Cash and Cash Equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits net of bank overdrafts, where there is a right of offset, 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></th>
<th>2019 £’000</th>
<th>2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sterling</td>
<td>18,049</td>
<td>11,349</td>
</tr>
<tr>
<td>US dollar</td>
<td>183</td>
<td>1,819</td>
</tr>
<tr>
<td>Euro</td>
<td>515</td>
<td>674</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td><strong>18,747</strong></td>
<td><strong>13,842</strong></td>
</tr>
</tbody>
</table>

Cash and cash equivalents are in the scope of the expected credit loss model under IFRS 9; however, balances are held with recognised financial institutions and therefore the expected impairment loss is considered to be minimal.

17 Trade and Other Payables

Amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2019 £’000</th>
<th>Restated 2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>17,394</td>
<td>16,828</td>
</tr>
<tr>
<td>Other payables</td>
<td>7,142</td>
<td>4,172</td>
</tr>
<tr>
<td>Accruals</td>
<td>14,622</td>
<td>12,449</td>
</tr>
<tr>
<td>Deferred income</td>
<td>1,013</td>
<td>1,236</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>3,165</td>
<td>3,963</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43,336</strong></td>
<td><strong>38,648</strong></td>
</tr>
</tbody>
</table>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The 2018 amounts have been restated to reclassify customer deposits from trade payables to contract liabilities as a result of the adoption of IFRS 15. The average credit period taken for trade purchases is 58 days (2018: 59 days). No interest is charged on these payables.

The Directors consider that the carrying amount of trade payables at 28 September 2019 and 29 September 2018 approximates to their fair value on the basis of discounted cash flow analysis.

Accruals includes provisions for customer returns of £1,078,000 (2018: £679,000). Prior to IFRS 15, provisions for customer returns were presented on a net basis, including assets for the value of goods expected to be returned. Following the adoption of IFRS 15, they are now shown on a gross basis, with the asset element included in Inventories. See Note 1 for full impact of the transition to IFRS 15.
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

18 Bank Loans

<table>
<thead>
<tr>
<th></th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans (all sterling)</td>
<td>29,762</td>
<td>29,766</td>
</tr>
</tbody>
</table>

The borrowings are repayable as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<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>30,000</td>
<td>30,000</td>
</tr>
</tbody>
</table>

Less: total unamortised issue costs

<table>
<thead>
<tr>
<th></th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unamortised issue costs</td>
<td>(238)</td>
<td>(234)</td>
</tr>
</tbody>
</table>

Issue costs to be amortised within 12 months

<table>
<thead>
<tr>
<th></th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue costs to be amortised within 12 months</td>
<td>122</td>
<td>85</td>
</tr>
</tbody>
</table>

Amount due for settlement after 12 months

<table>
<thead>
<tr>
<th></th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount due for settlement after 12 months</td>
<td>29,884</td>
<td>29,851</td>
</tr>
</tbody>
</table>

The Directors consider that the carrying amount of the bank loan at 28 September 2019 and 29 September 2018 approximates to its fair value since the amounts relate to floating rate debt.

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

<table>
<thead>
<tr>
<th></th>
<th>2019 %</th>
<th>2018 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>2.36</td>
<td>2.27</td>
</tr>
</tbody>
</table>

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

The following is a reconciliation of changes in financial liabilities to movement in cash from financing activities:

<table>
<thead>
<tr>
<th></th>
<th>Long-term borrowings £'000</th>
<th>Unamortised issue costs £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 October 2017</td>
<td>35,000</td>
<td>(193)</td>
</tr>
<tr>
<td>Repayment of bank loan</td>
<td>(5,000)</td>
<td>–</td>
</tr>
<tr>
<td>Issue costs incurred in the year</td>
<td>–</td>
<td>(255)</td>
</tr>
<tr>
<td>Amortisation of issue costs</td>
<td>–</td>
<td>214</td>
</tr>
<tr>
<td>As at 29 September 2018</td>
<td>30,000</td>
<td>(234)</td>
</tr>
<tr>
<td>Repayment of bank loan</td>
<td>(5,000)</td>
<td>–</td>
</tr>
<tr>
<td>Drawdown of bank loan</td>
<td>5,000</td>
<td>–</td>
</tr>
<tr>
<td>Issue costs incurred in the year</td>
<td>–</td>
<td>(102)</td>
</tr>
<tr>
<td>Amortisation of issue costs</td>
<td>–</td>
<td>98</td>
</tr>
<tr>
<td>As at 28 September 2019</td>
<td>30,000</td>
<td>(238)</td>
</tr>
</tbody>
</table>

During the year the Group extended its revolving credit facility from 29 June 2021 to 29 June 2022 and increased the facility from £35.0 million to £39.0 million. As at the financial period end, £30.0 million of this was drawn (2018: £30.0 million). The loan facility contains financial covenants which are tested on a bi-annual basis. The Group did not breach any covenants in the period.

At 28 September 2019, the Group had available £9.0 million (2018: £5.0 million) of undrawn committed banking facilities.
19 Financial Instruments

Capital Risk Management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from 2018. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents disclosed in note 16 and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 21 to 27.

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

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

Categories of Financial Instruments

<table>
<thead>
<tr>
<th></th>
<th>Carrying value and fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
</tr>
<tr>
<td>Amortised cost (including cash and cash equivalents)</td>
<td>20,031</td>
</tr>
<tr>
<td>Fair value through profit and loss</td>
<td>89</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
</tr>
<tr>
<td>Amortised cost</td>
<td></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.

Market Risk
The Group’s activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the import of goods.
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

19 Financial Instruments continued

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>Assets £’000</th>
<th>Liabilities £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Euro</td>
<td>636</td>
<td>686</td>
</tr>
<tr>
<td>US dollar</td>
<td>421</td>
<td>1,822</td>
</tr>
</tbody>
</table>

Foreign Currency Sensitivity Analysis

The Group is mainly exposed to the currency of China, India and Brazil (US dollar currency) and to various European countries (euro) as a result of inventory purchases. The following table details the Group’s sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. Ten per cent represents management’s assessment of the reasonably possible change in foreign exchange rates, based on historic volatility. 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>2019 £’000</th>
<th>2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit or loss movement on a 10% strengthening in sterling against the euro</td>
<td>229</td>
<td>291</td>
</tr>
<tr>
<td>Profit or loss movement on a 10% strengthening in sterling against the US dollar</td>
<td>6</td>
<td>34</td>
</tr>
<tr>
<td>Profit or loss movement on a 10% weakening in sterling against the euro</td>
<td>(280)</td>
<td>(356)</td>
</tr>
<tr>
<td>Profit or loss movement on a 10% weakening in sterling against the US dollar</td>
<td>(7)</td>
<td>(41)</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>2019 £’000</th>
<th>2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forward foreign exchange contracts</td>
<td>10,600</td>
<td>10,582</td>
</tr>
</tbody>
</table>

These arrangements are designed to address significant exchange exposures for the first half of 2019 and are renewed on a revolving basis as required.

At 29 September 2019 the fair value of the Group’s currency derivatives is a gain of £88,514 within other debtors and prepayments (note 15) [2018: gain of £167,699 within other debtors and prepayments (note 15)].

Gains of £99,957 have been included in cost of sales during the period [2018: £291,845 gain].

Interest Rate Risk Management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Due to the reduced level of floating rate borrowings and the current low level of interest rates, management has not deemed it necessary to implement measures that would mitigate this risk. The Group’s exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the possible change in interest rates.
If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group’s profit would be impacted as follows:

<table>
<thead>
<tr>
<th>50 basis points increase in interest rates</th>
<th>50 basis points decrease in interest rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 £’000</td>
<td>2018 £’000</td>
</tr>
<tr>
<td>(Loss) or profit</td>
<td>(143)</td>
</tr>
</tbody>
</table>

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

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. Management has considered the counterparty risk associated with the cash and derivative balances and does not consider there to be a material risk. The Group has a policy of only dealing with creditworthy counterparties. 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. Trade receivables are minimal, consisting of a number of sundry trade accounts; further information is provided in note 15.

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

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and Interest Risk Tables

The following tables detail the Group’s remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows (and on the assumption that the variable interest rate remains constant at the latest fixing level of 2.36% (2018: 2.27%) 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.

### 2019

<table>
<thead>
<tr>
<th></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>Non-interest bearing</td>
<td>39,158</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>39,158</td>
</tr>
<tr>
<td>Variable interest rate instruments</td>
<td>59</td>
<td>119</td>
<td>539</td>
<td>31,251</td>
<td>31,968</td>
</tr>
</tbody>
</table>

### 2018 Restated

<table>
<thead>
<tr>
<th></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>Non-interest bearing</td>
<td>33,449</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>33,449</td>
</tr>
<tr>
<td>Variable interest rate instruments</td>
<td>74</td>
<td>151</td>
<td>30,377</td>
<td>–</td>
<td>30,602</td>
</tr>
</tbody>
</table>

The Group is financed through a £39 million (2018: £35 million) revolving credit facility, of which £30 million (2018: £30 million) was utilised. At the balance sheet date the total unused amount of financing facilities was £9 million (2018: £5 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The 2018 amounts have been restated to reclassify customer deposits from trade payables to contract liabilities as a result of the adoption of IFRS 15 (see note 17).
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

19 Financial Instruments continued

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

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Less than 1 month</td>
<td>1–3 months</td>
<td>3 months to 1 year</td>
<td>1–5 years</td>
<td>5+ years</td>
</tr>
<tr>
<td>Foreign exchange forward contracts payments</td>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>(1,397)</td>
<td>(3,161)</td>
<td>(6,042)</td>
<td>–</td>
<td>–</td>
<td>(10,600)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange forward contracts receipts</td>
<td>1,458</td>
<td>3,226</td>
<td>6,005</td>
<td>–</td>
<td>–</td>
<td>10,689</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange forward contracts payments</td>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>(1,885)</td>
<td>(3,945)</td>
<td>(4,752)</td>
<td>–</td>
<td>–</td>
<td>(10,582)</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange forward contracts receipts</td>
<td>1,969</td>
<td>4,016</td>
<td>4,764</td>
<td>–</td>
<td>–</td>
<td>10,749</td>
</tr>
</tbody>
</table>

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined as follows:

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair values are therefore categorised as Level 2 (2018: Level 2), based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

20 Provisions

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Onerous lease provision</td>
<td>2,990</td>
<td>1,777</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Business simplification provision</td>
<td>–</td>
<td>128</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dilapidations provision</td>
<td>2,008</td>
<td>2,687</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Redemption liability</td>
<td>99</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>5,097</td>
<td>4,592</td>
<td>4,197</td>
<td>3,395</td>
<td>5,097</td>
<td>4,592</td>
<td></td>
</tr>
</tbody>
</table>

Current | 1,235 | 1,197 |
Non-current | 3,862 | 3,395 |

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>At 30 September 2018</td>
<td>128</td>
<td>1,777</td>
<td>2,687</td>
<td>–</td>
<td>–</td>
<td>4,592</td>
</tr>
<tr>
<td>Created in the year</td>
<td>–</td>
<td>2,270</td>
<td>–</td>
<td>99</td>
<td>2,369</td>
<td></td>
</tr>
<tr>
<td>Utilisation of provision</td>
<td>(128)</td>
<td>(812)</td>
<td>(309)</td>
<td>–</td>
<td>–</td>
<td>(1,249)</td>
</tr>
<tr>
<td>Release of provision in the period</td>
<td>–</td>
<td>(245)</td>
<td>(370)</td>
<td>–</td>
<td>–</td>
<td>(615)</td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td>–</td>
<td>2,990</td>
<td>2,008</td>
<td>99</td>
<td>5,097</td>
<td>4,592</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 lease term of the various properties (with the majority being less than 4 years). 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 lease term of the various properties (average of 12 years which includes an estimation of renewals). The business simplification provision related to the decision to exit the Topps Clearance format and relocation of the finance function to Leicester, resulting in redundancies and the subsequent closure of nine store locations and one support office. The discount rate used to calculate the present value of property provisions is 5% (2018: 5%). A 10% reduction in discount rate would lead to an increase in property provisions of £80,000 (2018: £60,000).
20 Provisions continued

The movements in the onerous lease provision are shown within “Impairment of property, plant and equipment and movement in onerous lease provision” in the Highlights section of the Annual Report.

Provisions include £99,000 redemption liability in relation to the purchase of Strata Tiles Limited, payable in 2021, and therefore have been classed as non-current. The liability is valued at fair value based on forecast attainment of performance conditions associated with the payment of the liability.

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 £’000</th>
<th>Share-based payments £’000</th>
<th>Stock provisions £’000</th>
<th>Intangible assets £’000</th>
<th>Total £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>As at 1 October 2017</td>
<td>1,481</td>
<td>(445)</td>
<td>(38)</td>
<td>73</td>
<td>1,071</td>
</tr>
<tr>
<td>(Credit)/charge to income</td>
<td>(242)</td>
<td>155</td>
<td>–</td>
<td>(7)</td>
<td>(94)</td>
</tr>
<tr>
<td>Charge in respect of previous periods</td>
<td>19</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>19</td>
</tr>
<tr>
<td>Charge to equity</td>
<td>–</td>
<td>21</td>
<td>–</td>
<td>–</td>
<td>21</td>
</tr>
<tr>
<td>As at 29 September 2018</td>
<td>1,258</td>
<td>(269)</td>
<td>(38)</td>
<td>66</td>
<td>1,017</td>
</tr>
<tr>
<td>Recognised on acquisition of subsidiary</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>285</td>
<td>278</td>
</tr>
<tr>
<td>(Credit)/charge to income</td>
<td>(182)</td>
<td>139</td>
<td>11</td>
<td>(33)</td>
<td>(65)</td>
</tr>
<tr>
<td>(Credit)/charge in respect of previous periods</td>
<td>(58)</td>
<td>–</td>
<td>27</td>
<td>(8)</td>
<td>(39)</td>
</tr>
<tr>
<td>Charge to equity</td>
<td>–</td>
<td>6</td>
<td>–</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td>As at 28 September 2019</td>
<td>1,018</td>
<td>(124)</td>
<td>(7)</td>
<td>310</td>
<td>1,197</td>
</tr>
</tbody>
</table>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

21 Share Capital

<table>
<thead>
<tr>
<th></th>
<th>2019 Shares</th>
<th>2018 Shares</th>
<th>2019 £’000</th>
<th>2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allotted, issued and fully paid ordinary shares of 3.33p (2018: 3.33p)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At the start of the period</td>
<td>196,440,971</td>
<td>196,437,298</td>
<td>6,548</td>
<td>6,548</td>
</tr>
<tr>
<td>Issued in the period</td>
<td>–</td>
<td>3,673</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>At the end of the period</td>
<td>196,440,971</td>
<td>196,440,971</td>
<td>6,548</td>
<td>6,548</td>
</tr>
</tbody>
</table>

During the period the Group issued nil (2018: 3,673) ordinary shares with a nominal value of £nil (2018: £122) under share option schemes for an aggregate cash consideration of £nil (2018: £3,560).

The authorised share capital of the Group is £8,000,000 (2018: £8,000,000), which consists of 240,000,000 ordinary shares (2018: 240,000,000).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company’s residual assets.

22 Share Premium

<table>
<thead>
<tr>
<th></th>
<th>2019 £’000</th>
<th>2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of the period</td>
<td>2,490</td>
<td>2,487</td>
</tr>
<tr>
<td>Premium on issue of new shares</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>At end of the period</td>
<td>2,490</td>
<td>2,490</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

23 Own Shares

<table>
<thead>
<tr>
<th></th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of the period</td>
<td>(3,750)</td>
<td>(4,411)</td>
</tr>
<tr>
<td>Disposed of on issue in the period</td>
<td>2,202</td>
<td>661</td>
</tr>
<tr>
<td>At end of the period</td>
<td>(1,548)</td>
<td>(3,750)</td>
</tr>
</tbody>
</table>

A subsidiary of the Group holds 1,518,694 (2018: 3,090,030) shares with a nominal value of £1,547,603 acquired for an average price of £1.02 per share (2018: £3,749,570 acquired for an average price of £1.21 per share) and therefore these have been classed as own shares.

24 Merger Reserve

<table>
<thead>
<tr>
<th></th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start and end of the period</td>
<td>(399)</td>
<td>(399)</td>
</tr>
</tbody>
</table>

The merger reserve arose on pre-2006 acquisitions. The Directors do not consider this to be distributable as at 28 September 2019 (2018: same).

25 Share-Based Payment Reserve

<table>
<thead>
<tr>
<th></th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of the period</td>
<td>3,945</td>
<td>3,921</td>
</tr>
<tr>
<td>Credit to equity for equity-settled share-based payments</td>
<td>17</td>
<td>24</td>
</tr>
<tr>
<td>At end of the period</td>
<td>3,962</td>
<td>3,945</td>
</tr>
</tbody>
</table>

The share-based payment reserve has arisen on the fair valuation of save-as-you-earn schemes and long-term incentive plans. The Directors consider this to be distributable as at 28 September 2019 (2018: same).

26 Capital Redemption Reserve

<table>
<thead>
<tr>
<th></th>
<th>2019 £'000</th>
<th>2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start and end of the 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. The Directors do not consider this to be distributable as at 28 September 2019 (2018: same).

27 Accumulated Losses

<table>
<thead>
<tr>
<th></th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 October 2017</td>
<td>(4,952)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(6,566)</td>
</tr>
<tr>
<td>Deferred and current tax on Sharesave scheme taken directly to equity</td>
<td>(10)</td>
</tr>
<tr>
<td>Own shares issued in the period</td>
<td>(661)</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>9,659</td>
</tr>
<tr>
<td>At 29 September 2018</td>
<td>(2,530)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(6,623)</td>
</tr>
<tr>
<td>Deferred and current tax on Sharesave scheme taken directly to equity</td>
<td>58</td>
</tr>
<tr>
<td>Own shares issued in the period</td>
<td>(2,202)</td>
</tr>
<tr>
<td>Net profit for the period attributable to owners of Topps Tiles Plc</td>
<td>10,119</td>
</tr>
<tr>
<td>At 28 September 2019</td>
<td>(1,178)</td>
</tr>
</tbody>
</table>
28 Non-Controlling Interest

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of the period</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Non-controlling interest on business combination</td>
<td>39</td>
<td>–</td>
</tr>
<tr>
<td>Net loss for the period distributable to non-controlling interests</td>
<td>(41)</td>
<td>–</td>
</tr>
<tr>
<td>At end of the period</td>
<td>(2)</td>
<td>–</td>
</tr>
</tbody>
</table>

29 Financial Commitments

A) Capital Commitments

At the end of the period there were capital commitments contracted of £nil (2018: £nil).

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 £1,063,000 (2018: £918,000). At the period end, the Group holds outstanding contributions of £221,115 (2018: £143,485).

C) Lease Commitments

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 £26,333,430 (2018: £25,489,488) which includes property service charges of £954,713 (2018: £911,000).

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>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Land and buildings £'000</td>
<td>Other £'000</td>
</tr>
<tr>
<td>Within 1 year</td>
<td>23,037</td>
<td>1,745</td>
</tr>
<tr>
<td>Within 2-5 years</td>
<td>72,606</td>
<td>2,563</td>
</tr>
<tr>
<td>After 5 years</td>
<td>38,311</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>133,954</td>
<td>4,308</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 ten years (2018: ten) and rentals are fixed for an average of five years (2018: five).

Minimum future sub-lease payments

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year</td>
<td>577</td>
<td>452</td>
</tr>
<tr>
<td>Within 2-5 years</td>
<td>1,919</td>
<td>1,306</td>
</tr>
<tr>
<td>After 5 years</td>
<td>1,652</td>
<td>428</td>
</tr>
<tr>
<td></td>
<td>4,148</td>
<td>2,186</td>
</tr>
</tbody>
</table>
30 Share-based Payments

The Group operates three (2018: three) share option schemes in relation to Group employees, being the SAYE scheme, the 2013 Long Term Incentive Plan and the 2020 Long Term Incentive Plan.

Employee Share Purchase Plans

Employee share purchase plans are open to almost all employees and there are no specific vesting conditions other than the requirement for continued employee service. The share plans provide for a purchase price equal to the average market price over the three days prior to the date of grant, less 20%. The shares can be purchased during a two-week period each financial period. The shares 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>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of share options</td>
<td>Weighted average exercise price</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£</td>
</tr>
<tr>
<td>Outstanding at beginning of the period</td>
<td>3,868,716</td>
<td>0.78</td>
</tr>
<tr>
<td>Issued during the period</td>
<td>3,195,674</td>
<td>0.51</td>
</tr>
<tr>
<td>Expired during the period</td>
<td>(356,341)</td>
<td>0.92</td>
</tr>
<tr>
<td>Forfeited during the period</td>
<td>(1,953,543)</td>
<td>0.73</td>
</tr>
<tr>
<td>Exercised during the period</td>
<td>4,752,154</td>
<td>0.61</td>
</tr>
<tr>
<td>Outstanding at end of the period</td>
<td>169,344</td>
<td>1.27</td>
</tr>
</tbody>
</table>

The number of share options outstanding as at the beginning of the period has been restated from 3,876,308 to 3,868,716 to adjust for 7,592 share options which were forfeited in 2018 but were reported as shares under option as at the period ending 29 September 2018.

The 2018 movement in the number of options have been restated so that the number of options which were disclosed as expired during the previous reporting period have been restated so that the number forfeited during the period is separately disclosed. This more accurately meets the requirements of IFRS 2.45(b) based on the conditions related to those movements. This has also caused a restatement to the average weighted price of the expired options.

During the financial period, the Group granted 3,195,674 share options under the existing share option scheme due to vest in April 2022 with a fair value of £446,052.

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

<table>
<thead>
<tr>
<th>Three-year plan</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average share price</td>
<td>— pence</td>
<td>64.70</td>
</tr>
<tr>
<td>Weighted average exercise price</td>
<td>— pence</td>
<td>51.00</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>— %</td>
<td>30.69</td>
</tr>
<tr>
<td>Expected life</td>
<td>— years</td>
<td>3.20</td>
</tr>
<tr>
<td>Risk-free rate of interest</td>
<td>— %</td>
<td>0.82</td>
</tr>
<tr>
<td>Dividend yield</td>
<td>— %</td>
<td>5.26</td>
</tr>
</tbody>
</table>

Expected volatility was determined by calculating the historical volatility of the Group’s share price over the previous three years (2018: three years).

The weighted average remaining contractual life of the share options outstanding at the end of the period is 2.38 years (2018: 2.30 years).

The exercise price for share options under the share save scheme range from 47 pence to 127 pence.

The weighted average share price at the date of exercise of options exercised during the year ended 28 September 2019 is 69 pence (2018: 88.5 pence).
30 Share-based Payments continued

Long Term Incentive Plan

Long Term Incentive Plans have been granted to senior management and have a vesting period of three years. Vesting is subject to achievement of certain performance conditions which are detailed in the Remuneration Report.

Movements in the 2013 Long Term Incentive Plan options are summarised as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of</td>
<td>Number of</td>
</tr>
<tr>
<td></td>
<td>share options</td>
<td>share options</td>
</tr>
<tr>
<td>Outstanding at beginning of</td>
<td>7,973,849</td>
<td>6,433,257</td>
</tr>
<tr>
<td>the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued during the period</td>
<td>2,885,557</td>
<td>3,099,142</td>
</tr>
<tr>
<td>Forfeited during the period</td>
<td>(1,496,684)</td>
<td>(610,085)</td>
</tr>
<tr>
<td>Exercised during the period</td>
<td>(1,571,336)</td>
<td>(948,465)</td>
</tr>
<tr>
<td>Outstanding at end of the</td>
<td>7,791,386</td>
<td>7,973,849</td>
</tr>
<tr>
<td>period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercisable at end of the</td>
<td>951,365</td>
<td>2,526,034</td>
</tr>
<tr>
<td>period</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

During the financial period, the Group granted 14,497 share options under the existing share option scheme due to vest in December 2018 with a fair value of £8,819.

The inputs to the Black–Scholes model are as follows:

|                                |               |
|                                | 64.00         |
| Weighted average share price   | pence         |
| Weighted average exercise price| pence         |
| Expected volatility            | nil           |
| Expected life                  | 28.35         |
| Risk-free rate of interest     | 0.72          |
| Dividend yield                 | 5.31          |

During the financial period, the Group granted 53,000 share options under the existing share option scheme due to vest in December 2020; 40,599 of these shares were granted in December 2018 with a fair value of £23,415.

The inputs to the Black–Scholes model are as follows:

|                                |               |
|                                | 64.0          |
| Weighted average share price   | pence         |
| Weighted average exercise price| pence         |
| Expected volatility            | nil           |
| Expected life                  | 31.20         |
| Risk-free rate of interest     | 0.74          |
| Dividend yield                 | 5.31          |

The Group granted 12,401 in June 2019 with a fair value of £7,618.

The inputs to the Black–Scholes model are as follows:

|                                |               |
|                                | 66.2          |
| Weighted average share price   | pence         |
| Weighted average exercise price| pence         |
| Expected volatility            | nil           |
| Expected life                  | 28.48         |
| Risk-free rate of interest     | 1.50          |
| Dividend yield                 | 5.14          |

During the financial period, the Group granted 2,818,060 share options under the existing share option scheme due to vest in December 2021.

The Group granted 2,811,140 of these shares in December 2018 with a fair value of £1,537,441.
NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

30 Share-based Payments continued
The inputs to the Black–Scholes model are as follows:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average share price — pence</td>
<td>64.00</td>
<td></td>
</tr>
<tr>
<td>Weighted average exercise price — pence</td>
<td>nil</td>
<td></td>
</tr>
<tr>
<td>Expected volatility — %</td>
<td>30.91</td>
<td></td>
</tr>
<tr>
<td>Expected life — years</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Risk-free rate of interest — %</td>
<td>0.78</td>
<td></td>
</tr>
<tr>
<td>Dividend yield — %</td>
<td>5.31</td>
<td></td>
</tr>
</tbody>
</table>

The Group granted 6,920 share options in June 2019 with a fair value of £4,038.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average share price — pence</td>
<td>66.20</td>
<td></td>
</tr>
<tr>
<td>Weighted average exercise price — pence</td>
<td>nil</td>
<td></td>
</tr>
<tr>
<td>Expected volatility — %</td>
<td>30.64</td>
<td></td>
</tr>
<tr>
<td>Expected life — years</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Risk-free rate of interest — %</td>
<td>0.59</td>
<td></td>
</tr>
<tr>
<td>Dividend yield — %</td>
<td>5.14</td>
<td></td>
</tr>
</tbody>
</table>

Expected volatility for the additional share options was determined by calculating the historical volatility of the Group’s share price over the previous one, two and three years (2017: three and five years).

The weighted average remaining contractual life of share options outstanding at the end of the period is 7.96 years (2018: 7.52 years).

The weighted average share price at the date of exercise of options exercised during the year ended 28 September 2019 is 64.78 pence (2018: 76.73 pence).

2020 Long Term Incentive Plan
Under the plan a number of share options were granted to management level employees across the Group. These options will vest in December 2020 subject to the achievement of certain performance criteria which are detailed in the Remuneration Report.

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

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of share options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average exercise price</td>
<td>£</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding at beginning of the period</td>
<td>2,656,830</td>
<td>–</td>
<td>3,061,262</td>
<td>–</td>
</tr>
<tr>
<td>Forfeited during the period</td>
<td>(254,182)</td>
<td>–</td>
<td>(404,432)</td>
<td>–</td>
</tr>
<tr>
<td>Outstanding at end of the period</td>
<td>2,402,648</td>
<td>–</td>
<td>2,656,830</td>
<td>–</td>
</tr>
</tbody>
</table>

The weighted average remaining contractual life of share options outstanding at the end of the period is 6.68 years (2018: 7.64 years).

In total, the Group recognised a total expense of £17,069 (2018: £23,531 expense) relating to share-based payments.
31 Contingent Liabilities
The Group has an open tax enquiry with HMRC, dating back to 2009 relating to EU loss relief in relation to the closed Dutch retail business. Historically the Group, supported by external professional advice, had been of the opinion that the prospect of needing to settle on this matter was remote. HMRC have recently hardened their stance and, given updated professional advice received, the Directors believe that it is possible, and not probable, that the claim will be settled and therefore has been disclosed as a contingent liability. The potential undiscounted amount of the total payments that the Group could be required to make if there was an adverse decision related to this matter is approximately £0.9 million.

32 Related Party Transactions
S.K.M. Williams is a related party by virtue of his close family relationship with key management, with a 10.5% shareholding (20,593,950 ordinary shares) in the Group’s issued share capital (2018: 10.5% shareholding of 20,593,950 ordinary shares).

At 28 September 2019, S.K.M. Williams was the landlord of two properties leased to Multi Tile Limited, a trading subsidiary of Topps Tiles Plc, for £122,000 (2018: two properties for £119,000) per annum.

No amounts were outstanding with S.K.M. Williams at 28 September 2019 (2018: £nil). The lease agreements on all properties are operated on commercial arm’s length terms.

 Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note, in accordance with the exemption available under IAS 24.

The remuneration of the Board of Directors, who are considered key management personnel of the Group, was £1.2 million (2018: £1.1 million) including share-based payments of £nil (2018: £nil). Further information about the remuneration of the individual Directors is provided in the Remuneration Report on pages 54 to 71.

The Group’s defined contribution pension scheme is administered by Legal and General. During the year the Group made contributions of £1,063,000 (2018: £918,000) and at year end the Group has outstanding contributions of £221,115 (2018: £143,485).
COMPANY BALANCE SHEET
As at 28 September 2019

<table>
<thead>
<tr>
<th>Notes</th>
<th>2019 £’000</th>
<th>2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>4</td>
<td>7,154</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>5</td>
<td>133,332</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>5,929</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>6</td>
<td>(79,343)</td>
</tr>
<tr>
<td>Net current assets</td>
<td></td>
<td>59,918</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td></td>
<td>(99)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>(79,442)</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td>66,973</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called-up share capital</td>
<td>7</td>
<td>6,548</td>
</tr>
<tr>
<td>Share premium account</td>
<td></td>
<td>2,490</td>
</tr>
<tr>
<td>Share-based payment reserve</td>
<td></td>
<td>4,496</td>
</tr>
<tr>
<td>Capital redemption reserve</td>
<td></td>
<td>20,359</td>
</tr>
<tr>
<td>Other reserve</td>
<td>8</td>
<td>6,200</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td></td>
<td>26,880</td>
</tr>
<tr>
<td>Equity shareholders’ funds</td>
<td></td>
<td>66,973</td>
</tr>
</tbody>
</table>

The Company made a profit after tax for the financial period ended 28 September 2019 of £10,009,000 (2018: £15,792,000).

The financial statements of Topps Tiles Plc, Companies House number 3213782, were approved by the Board of Directors on 26 November 2019 and signed on its behalf by:

Matthew Williams
Director

Rob Parker
Director
COMPANY STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 28 September 2019

<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>Balance at 1 October 2017</td>
<td>6,548</td>
<td>2,487</td>
<td>4,455</td>
<td>20,359</td>
<td>6,200</td>
<td>14,268</td>
<td>54,317</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Dividend paid to equity shareholders</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(6,566)</td>
<td>(6,566)</td>
</tr>
<tr>
<td>Issue of new shares</td>
<td>–</td>
<td>3</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Credit to equity for equity-settled share-based payments</td>
<td>–</td>
<td>–</td>
<td>24</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>24</td>
</tr>
<tr>
<td>Balance at 29 September 2018</td>
<td>6,548</td>
<td>2,490</td>
<td>4,479</td>
<td>20,359</td>
<td>6,200</td>
<td>23,494</td>
<td>63,570</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>10,009</td>
<td>10,009</td>
</tr>
<tr>
<td>Dividend paid to equity shareholders</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(6,623)</td>
<td>(6,623)</td>
</tr>
<tr>
<td>Credit to equity for equity-settled share-based payments</td>
<td>–</td>
<td>–</td>
<td>17</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>17</td>
</tr>
<tr>
<td>Balance at 28 September 2019</td>
<td>6,548</td>
<td>2,490</td>
<td>4,496</td>
<td>20,359</td>
<td>6,200</td>
<td>26,880</td>
<td>66,973</td>
</tr>
</tbody>
</table>

The other reserves comprise an unrealised gain arising on the disposal of certain trademarks to a subsidiary company. At 28 September 2019, the Directors consider the other reserve of £6,200,000 to remain non-distributable.

The Directors consider £nil (2018: £nil) of profit and loss account reserves to be non-distributable at 28 September 2019.
NOTES TO THE COMPANY
FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

1 General Information and Basis of Accounting
Topps Tiles Plc is a private limited company, limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 41.

The financial statements of Topps Tiles Plc have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) issued by the Financial Reporting Council (FRC).

During the year, IFRS 9 and IFRS 15 were adopted in line with the requirements of accounting standards. Both standards did not have a material impact on the financial statements of the Company.

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

i. The requirements of IFRS 7 Financial Instruments: Disclosures
ii. The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
   a. Paragraph 79(a)(iv) of IAS 1
   b. Paragraph 73(e) of IAS 16 Property, Plant and Equipment
iii. The requirements of IAS 7 Statement of Cash Flows
iv. The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
v. The requirements of paragraphs 10(d), 10(f), and 134 to 136 of IAS 1 Presentation of Financial Statements
vi. The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Where relevant, equivalent disclosures have been given in the Group financial statements of which the Company’s results are included.

The financial statements have been prepared under the historical cost convention. Comparative data is for the period ended 29 September 2018.

2 Accounting Policies
The principal accounting policies adopted are set out below.

(A) Going Concern
When considering the going concern assertion, the Board reviews several factors, including a detailed review of the above risks and uncertainties, and management’s current expectations. Further details of the assumptions, sensitivities and procedures performed are given in the Strategic Report. As a result of this review 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 for the foreseeable future. Therefore, the Board considers it appropriate to prepare the financial statements on the going concern basis.

(B) 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 2019 mean “at 28 September 2019” or the 52 weeks then ended; references to 2018 mean “at 29 September 2018” or the 52 weeks then ended.

(C) Taxation
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 Company intends to settle its current tax assets and liabilities on a net basis.

(D) Investments
Fixed asset investments are shown at cost less provision for impairment.
2 Accounting Policies continued

(E) Financial Instruments

Financial assets and financial liabilities are recognised in the Company’s statement of financial position when the Company 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), financial assets “at fair value through other comprehensive income” (FVOCI), and financial assets carried at “amortised cost”. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Trade and Other Receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are initially recognised at fair value and then carried 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. The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost.

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 Company’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for financial assets.

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. The Company will write off, either partially or in full, the gross carrying amount of a financial asset when there is no realistic prospect of recovery. This is usually the case when it is determined that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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 in 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.
NOTES TO THE COMPANY
FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

2 Accounting Policies continued

Derecognition of Financial Assets
The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities and Equity Instruments
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 Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities that are classified as FVTPL relate to derivatives that are 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.

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

(F) Dividends
Dividends payable and receivable are only included in the financial statements in the year that they have been formally and irrevocably agreed, this is usually by reference to the board resolution agreeing the payment on the dividend.

(G) Finance Income and Finance Costs
Interest receivable or payable is recognised on accrual basis.

(H) Share-based Payments
The Group has applied the requirements of IFRS 2 Share-based Payments.

The Company 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 Company’s estimate of shares that will eventually vest. Fair value is measured by use of the Black–Scholes model.

The Company provides employees with the ability to purchase the Company’s ordinary shares at 80% of the current market value through the operation of its Sharesave scheme. The Company 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.
2 Accounting Policies continued

(I) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company’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 Company considers the judgement as to whether investments or balances owed by subsidiary undertakings are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs).

The Directors have concluded that there are no other critical areas of accounting judgement or any key sources of estimation uncertainty in the application of the Company’s accounting policies in the current period.

3 Profit for the Period

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period. Topps Tiles Plc reported a profit for the financial period ended 28 September 2019 of £10,009,000 (2018: £15,792,000).

The auditors’ remuneration for services to the Company was £49,000 for audit-related work (2018: £40,000 for audit-related work). Fees relating to non-audit work totalled £nil (2018: £nil); see note 5 to the Group financial statements for further details.

The Company had no employees other than the Directors (2018: same), whose remuneration is detailed on page 65.
NOTES TO THE COMPANY
FINANCIAL STATEMENTS
For the 52 weeks ended 28 September 2019

4 Investments

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost at 1 October 2017*</th>
<th>Movement in share options granted to employees</th>
<th>Cost at 29 September 2018</th>
<th>Acquisition of subsidiary</th>
<th>Movement in share options granted to employees</th>
<th>Cost at 28 September 2019</th>
<th>Impairment at 1 October 2017*, at 29 September 2018* and at 28 September 2019</th>
<th>Net book value at 28 September 2019</th>
<th>Net book value at 29 September 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost at 1 October 2017*</td>
<td>6,113</td>
<td>24</td>
<td>6,137</td>
<td>3,717</td>
<td>17</td>
<td>9,871</td>
<td>(2,717)</td>
<td>7,154</td>
<td>3,420</td>
</tr>
</tbody>
</table>

* The opening figures have been restated to present the gross cost of investment in subsidiaries and provisions for impairment separately. There was no impact on the net investment value.

The following were subsidiaries that the Company has investments in, both as at 28 September 2019 and 29 September 2018, with the exception of Strata Tiles Limited as the company was acquired on 18 April 2019:

<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>Topalpha (Warehouse) Limited</td>
<td>100%</td>
<td>Property management and investment and provision of warehousing services</td>
</tr>
<tr>
<td>Topalpha (Stoke) Limited</td>
<td>100%</td>
<td>Property management and investment</td>
</tr>
<tr>
<td>Tiles4less Limited†</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 Holdings Limited†</td>
<td>100%</td>
<td>Intermediate holding company</td>
</tr>
<tr>
<td>Topps Tile Kingdom Limited</td>
<td>100%</td>
<td>Intermediate holding company</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 Distribution Limited</td>
<td>100%</td>
<td>Wholesale and distribution of ceramic tiles, wood flooring and related products</td>
</tr>
<tr>
<td>Multi-Tile Distribution Limited</td>
<td>100%</td>
<td>Intermediate holding company</td>
</tr>
<tr>
<td>Topps Tiles I.P Company Limited</td>
<td>100%</td>
<td>Ownership and management of Group intellectual property</td>
</tr>
<tr>
<td>Topps Tiles Employee Benefit Trust†</td>
<td>100%</td>
<td>Employee benefit trust</td>
</tr>
<tr>
<td>Strata Tiles Limited†</td>
<td>80%</td>
<td>Architectural ceramic sales and distribution</td>
</tr>
<tr>
<td>Parkside Ceramics Limited†</td>
<td>100%</td>
<td>Commercial distribution of ceramic and porcelain tiles, natural stone 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.

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

The registered address of Parkside Ceramics Limited is Parkside Barnsdale Way, Enderby, Leicester, England, LE19 1SN.
5 Debtors: Amounts Falling Due Within One Year

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 £’000</th>
<th>Restated 2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts owed by subsidiary undertakings</td>
<td>133,267</td>
<td>112,505</td>
</tr>
<tr>
<td>Prepayments</td>
<td>27</td>
<td>277</td>
</tr>
<tr>
<td>Other debtors</td>
<td>38</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>133,332</strong></td>
<td><strong>112,782</strong></td>
</tr>
</tbody>
</table>

The 2018 amounts have been restated by £36,828,000 to reflect gross rather than net intercompany balances by counterparty. There is no overall change in net assets as a result of this restatement.

Amounts owed by subsidiary undertakings are interest free, repayable on demand and not subject to any security.

6 Creditors: Amounts Falling Due Within One Year

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 £’000</th>
<th>Restated 2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans and overdrafts</td>
<td>–</td>
<td>14,706</td>
</tr>
<tr>
<td>Trade and other creditors</td>
<td>157</td>
<td>–</td>
</tr>
<tr>
<td>Amounts owed to subsidiary undertakings</td>
<td>78,218</td>
<td>36,892</td>
</tr>
<tr>
<td>Accruals</td>
<td>968</td>
<td>1,034</td>
</tr>
<tr>
<td></td>
<td><strong>79,343</strong></td>
<td><strong>52,632</strong></td>
</tr>
</tbody>
</table>

The 2018 amounts have been restated by £36,828,000 to reflect gross rather than net intercompany balances by counterparty. There is no overall change in net assets as a result of this restatement.

Amounts owed to subsidiary undertakings are interest free, repayable on demand and not subject to any security.

7 Called-Up Share Capital

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 £’000</th>
<th>2018 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allotted, issued and fully paid 196,440,971 (2018: 196,440,971) ordinary shares of 3.33p each (2018: 3.33p)</td>
<td><strong>6,548</strong></td>
<td><strong>6,548</strong></td>
</tr>
</tbody>
</table>

During the period nil shares were purchased by Topps Tiles Employee Benefit Trust on behalf of the Group (2018: nil).

During the period the Group issued and allotted nil (2018: 3,673) ordinary shares with a nominal value of £nil (2018: £122) under share option schemes for an aggregate cash consideration of £nil (2018: £3,560).

8 Other Reserves

The other reserves comprise an unrealised gain arising on the disposal of certain trademarks to a subsidiary company.
## ADDITIONAL INFORMATION

<table>
<thead>
<tr>
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<th>Page</th>
</tr>
</thead>
<tbody>
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<tr>
<td>Notice of Annual General Meeting</td>
<td>129</td>
</tr>
<tr>
<td>Explanatory Notes to the Notice of Annual General Meeting</td>
<td>134</td>
</tr>
<tr>
<td>The Team</td>
<td>137</td>
</tr>
<tr>
<td>Store Locations</td>
<td>146</td>
</tr>
</tbody>
</table>
## FIVE YEAR RECORD

Unaudited

<table>
<thead>
<tr>
<th></th>
<th>53 weeks ended</th>
<th>52 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>3 October 2015</td>
<td>1 October 2016</td>
<td>30 September 2017</td>
<td>29 September 2018</td>
<td>28 September 2019</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>212,221</td>
<td>214,994</td>
<td>211,848</td>
<td>216,887</td>
<td>219,197</td>
</tr>
<tr>
<td>Group operating profit</td>
<td>18,883</td>
<td>21,073</td>
<td>17,889</td>
<td>13,735</td>
<td>13,333</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>17,019</td>
<td>19,982</td>
<td>16,999</td>
<td>12,688</td>
<td>12,475</td>
</tr>
<tr>
<td>Shareholders’ funds</td>
<td>10,798</td>
<td>17,545</td>
<td>23,553</td>
<td>26,663</td>
<td>30,232</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>6.75p</td>
<td>8.05p</td>
<td>6.98p</td>
<td>5.00p</td>
<td>5.18p</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>2.34p</td>
<td>3.50p</td>
<td>3.40p</td>
<td>3.40p</td>
<td>3.40p</td>
</tr>
<tr>
<td>Dividend cover</td>
<td>2.88x</td>
<td>2.30x</td>
<td>2.05x</td>
<td>1.47x</td>
<td>1.52x</td>
</tr>
<tr>
<td>Average number of employees</td>
<td>1,915</td>
<td>1,977</td>
<td>2,030</td>
<td>2,114</td>
<td>2,089</td>
</tr>
<tr>
<td>Share price (period end)</td>
<td>148.75p</td>
<td>112.25p</td>
<td>75.50p</td>
<td>62.90p</td>
<td>66.60p</td>
</tr>
</tbody>
</table>

All figures quoted are inclusive of continued and discontinued operations.
NOTICE OF ANNUAL GENERAL MEETING

This notice of meeting is important and requires your immediate attention. If you are in any doubt as to the contents of this document and/or the action you should take, you are recommended to seek personal financial advice from your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in the Company, please pass this document and all accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected so that they can pass these documents to the person who now holds the shares.

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “Annual General Meeting”, the “AGM” or the “meeting”) of Topps Tiles plc (the “Company”) will be held at the Marriott Hotel, Smith Way, Grove Park, Enderby, Leicestershire, LE19 1SW on 22 January 2020 at 10.00 a.m. for the following purposes:

Ordinary Business
To consider and, if thought fit, pass the following resolutions 1–12 (inclusive) which will be proposed as Ordinary Resolutions:

1. To receive the Company’s Annual Report and Financial Statements for the financial period ended 28 September 2019 together with the last Directors’ Report, the last Directors’ Remuneration Report and the Auditors’ Report on those accounts and the auditable part of the Directors’ Remuneration Report.

2. To declare a final dividend of 2.3 pence per ordinary share for the financial period ended 28 September 2019 payable on 3 February 2020 to shareholders who are on the register of members of the Company on 20 December 2019.

3. To approve the Directors’ Remuneration Report for the financial period ended 28 September 2019 as set out on pages 54 to 71 of the Company’s Annual Report and Financial Statements for that period (excluding the Directors’ Remuneration Policy set out on pages 56 to 59).

4. To approve the Directors’ Remuneration Policy as set out in pages 56 to 59 of the Company’s Annual Report and Financial Statements for the financial period ended 28 September 2019.

5. To approve the proposed change to the rules of the Topps Tiles 2013 Long Term Incentive Plan (the “LTIP”) to extend its current dividend equivalent provisions in the manner described in the explanatory note for this Resolution.

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

7. To re-elect Darren Shapland as a Director of the Company.

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

9. To re-elect Andrew King as a Director of the Company.

10. To re-elect Keith Down as a Director of the Company.

11. To reappoint PricewaterhouseCoopers LLP as the auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting at which the Annual Report and Financial Statements are laid before the Company.

12. To authorise the Directors to determine the remuneration of the auditors.

Special Business
To consider and, if thought fit, to pass the resolutions set out below which, in the case of resolution 13 will be proposed as an Ordinary Resolution and, in the case of resolutions 14, 15, 16 and 17, will be proposed as Special Resolutions:

13. THAT, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the “Act”):

   a. to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being “relevant securities”) up to an aggregate nominal amount of £2,180,521 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (b) below in excess of £2,180,521); and further:

   b. to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £4,361,042 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (a) above) in connection with an offer by way of rights issue:

      i. in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

      ii. to holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,
NOTICE OF ANNUAL GENERAL MEETING

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever,

provided that, unless previously revoked, varied or extended, this authority shall expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

14. THAT, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are empowered to allot equity securities (as defined in section 560 of the Act) of the Company wholly for cash pursuant to the authority of the Directors under section 551 of the Act conferred by resolution 13 above (in accordance with section 570(1) of the Act) and/or by way of a sale of treasury shares (in accordance with section 573 of the Act), in each case as if section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:

a. the allotment of equity securities in connection with an offer of, or invitation to apply for, equity securities [but in the case of the authority granted under paragraph (b) of resolution 13, by way of a rights issue only]:
   i. in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and
   ii. to holders of any 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 to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

b. the allotment, otherwise than pursuant to sub-paragraph (a) above, of equity securities up to an aggregate nominal value equal to £327,078; and

unless previously revoked, varied or extended, this power shall expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

15. THAT, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution the Directors be and they are empowered, in addition to the authorities and powers granted to the Directors pursuant to resolution 14, to allot equity securities (as defined in section 560 of the Act) of the Company wholly for cash pursuant to the authority of the Directors under section 551 of the Act conferred by resolution 13 above (in accordance with section 570(1) of the Act) and/or by way of a sale of treasury shares (in accordance with section 573 of the Act), in each case as if section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be:

a. limited to the allotment of equity securities up to an aggregate nominal value equal to £327,078; and

b. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

unless previously revoked, varied or extended, this power shall expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

16. THAT the Company be generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 3.33p each in the capital of the Company ("Ordinary Shares") provided that:

a. the maximum number of Ordinary Shares hereby authorised to be purchased is 19,644,332 (representing 10% 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 3.33p;
17. THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days’ notice.

Dated: 16 December 2019

By order of the Board

Alistair Hodder
Company Secretary

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 close of business on 20 January 2020 or, in the event that the meeting is adjourned, close of business on such date being not more than two days prior to the date fixed for the adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after close of business on 20 January 2020 or, in the event that the meeting is adjourned, after two 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. If you propose to attend the AGM in person, please detach and bring with you the attendance slip attached to the Form of Proxy. You will be asked to show this at the entrance and not having it available could delay your admission. Shareholders and participants may also be required to provide proof of identity.

3. 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, Link 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 at no later than 10.00 a.m. on 20 January 2020 (or, in the event that the meeting is adjourned, no later than two working days before the time of any adjourned meeting).

4. 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 share or 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 Act to appoint a proxy does not apply to a person nominated to enjoy 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 at no later than 10.00 a.m. on 20 January 2020 (or, in the event that the meeting is adjourned, no later than two working days before the time of any adjourned meeting).

5. 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.

6. As an alternative to completing the hard copy proxy form, a shareholder may appoint a proxy or proxies electronically by logging onto www.signalshares.com. Full details of the procedures are given on that website. For an electronic proxy appointment to be valid, the appointment must be received by Link Asset Services no later than 10.00 a.m. on 20 January 2020 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). Any electronic communication sent by a shareholder to the Company or Link Asset Services which is found to contain a virus will not be accepted by the Company but every effort will be made by the Company to inform the shareholder of the rejected communication.

7. If you submit your proxy form via the Internet it should reach the registrar by 10.00 a.m. on 20 January 2020. Should you complete your proxy form electronically and then post a hard copy, the form that arrives last will be counted to the exclusion of instructions received earlier, whether electronic or posted. Please refer to the terms and conditions of the service on the website.

8. The notes to the proxy form include instructions on how to appoint a proxy by using the CREST proxy appointment service.

9. You may not use any electronic address provided either in this Notice of AGM or in any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
NOTICE OF ANNUAL GENERAL MEETING

10. As at the close of business on 15 December 2019, the Company’s issued share capital comprised 196,443,323 ordinary shares of 3.33p each. Each Ordinary Share carries the right to one vote at a general meeting of the Company. No Ordinary Shares were held in treasury but the Company’s employee benefit trust holds 1,478,694 Ordinary Shares to which it has waived its voting rights. Accordingly, the total number of voting rights in the Company as at the close of business on 15 December 2019 is 194,964,629.

11. 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.

12. In the case of joint holders, where more than one joint holder 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).

13. 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.

• In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited 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.

• CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

• The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

14. 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 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.

15. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described in notes 3 to 8 above), or by a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company’s Articles of Association (the “Articles”) and the relevant provision of the Act.

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

17. Members have the right to ask questions at the meeting in accordance with section 319A of the Act.
18. It is possible that, pursuant to requests made by members of the Company under section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company’s accounts (including the Auditors’ Report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company’s auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

19. 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 Act;
   b. copies of the Directors’ service contracts and letters of appointment of the Non-Executive Directors;
   c. a copy of the Articles; and
   d. a copy of the rules of the LTIP marked with the change proposed at Resolution 5 will be available for inspection at the offices of Aon Hewitt at The Aon Centre, The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AN during normal business hours on any weekday (English public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

20. Information regarding the meeting, including the information required by section 311A of the Act, is available from the Company’s website – http://www.toppstilesplc.com/21.
EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

THE ANNUAL GENERAL MEETING of the Company will be held at the Marriott Hotel, Smith Way, Grove Park, Enderby, Leicestershire, LE19 1SW on 22 January 2020 at 10.00 a.m.

By way of explanation of the proposed resolutions:

**Ordinary Business**

**Resolution 1**

*Receiving the Accounts and Reports*

All quoted companies are required by law to lay their annual accounts before a general meeting of the company, together with the directors’ reports and auditors’ report on the accounts. At the Annual General Meeting, the Directors will present these documents to the shareholders for the financial period ended 28 September 2019 (the “Annual Report and Financial Statements”).

**Resolution 2**

*Declaration of Final Dividend*

A final dividend of 2.3 pence per Ordinary Share is recommended by the Directors for payment to shareholders on the register of members of the Company at 6.00 p.m. on 20 December 2019. Subject to approval by the Ordinary Shareholders at the Annual General Meeting, the dividend will be paid on 3 February 2020. An interim dividend of 1.1 pence was declared which means the total dividend level will be 3.4 pence per Ordinary Share for the 52 weeks prior to 28 September 2019.

**Resolution 3 (Directors’ Remuneration Report), Resolution 4 (Directors’ Remuneration Policy) and Resolution 5 (LTIP Scheme Rules)**

The Remuneration Committee of the Board (the “Committee”) is seeking shareholder approval of the Directors’ Remuneration Report and the new Directors’ Remuneration Policy under Resolutions 3 and 4 respectively.

The Directors are required to prepare the Directors’ Remuneration Report which is set out on pages 54 to 71 of the Annual Report and Financial Statements for the financial period ended 28 September 2019. The Directors’ Remuneration Report comprises an annual report detailing the remuneration of the Directors and a statement by the Chairman of the Committee. The Company is required to seek shareholder approval in respect of the contents of this report on an annual basis. The vote is an advisory one and the entitlement of a Director to receive remuneration is not conditional on it.

Shareholders are separately asked to approve the new Directors’ Remuneration Policy which is set out on pages 54 to 71 of the same Annual Report and Financial Statements. It is intended that this will take effect immediately after the AGM and will replace the existing policy that was approved by shareholders in January 2017.

It is anticipated that the new Directors’ Remuneration Policy will be in force for three years although we will closely monitor regulatory changes and market trends and, if necessary, we may present a revised policy within that three-year period.

The new Directors’ Remuneration Policy has been developed taking into account the principles of the 2018 UK Corporate Governance Code and the views of the Company’s major shareholders.

The Company’s existing long-term incentive arrangement for the Company’s Executive Directors and other selected senior management is the LTIP.

Since its approval by shareholders in January 2013, the LTIP has provided for annual share-based awards ordinarily vesting following a three-year performance period, subject to the participant’s continued service and the extent to which objective performance criteria are met over the performance period.

The Committee has recently undertaken a review of the LTIP and concluded that certain amendments should be made to the rules to align them to the latest best practice expectations and the long-term incentive aspects of the new Directors’ Remuneration Policy.

The changes proposed and their effect is summarised below.

It is proposed that the LTIP’s existing clawback terms (under which award value can be recovered following payment) are extended to also cover instances of corporate failure, discovery of serious misconduct and/or error of calculation (in respect of a performance condition result or otherwise). This change to the rules of the LTIP does not require prior shareholder approval.

Secondly, it is proposed that the terms of the LTIP be amended to include a holding period. This new rule would require executive director participants (and such others that the Committee requires) to retain any vested shares (on an after-tax basis) acquired under the LTIP until at least the second anniversary of the vesting of the relevant award. This change to the rules of the LTIP does not require prior shareholder approval.
The third proposed change will amend the LTIP’s current dividend equivalent provisions to also count dividends arising during an award’s post vesting holding period (if any). Under this change, the Committee may decide that participants will receive a payment (in cash and/or shares) of an amount equivalent to the aggregate of (i) the value of the dividends that would have been payable on an award’s vested shares between the date of grant and the vesting of the award as per the existing terms of the LTIP and (ii) the value of the dividends that would have been payable on an award’s vested shares between the date of vesting and the end of the award’s holding period (or if earlier, until the exercise of the award).

The change noted at (ii) immediately above requires prior shareholder approval, which is sought under Resolution 5.

Each of the changes, if adopted, would apply in respect of awards granted on or after the AGM.

Resolutions 6 to 10
Re-election of Directors
The Company’s Articles require that at every annual general meeting one-third of the Directors for the time being shall retire and submit themselves for re-election. Although not required by the Company’s Articles, the Directors will, in the interests of good corporate governance under the 2016 UK Corporate Governance Code, retire voluntarily and offer themselves for re-election. Brief biographical details of all Directors are given on page 41 of the Annual Report and Financial Statements. The Board considers that the contribution of each of the Directors continues to be important to the Company’s long-term sustainable success, for the reasons given on page 45.

Resolution 11
Appointment of Auditors
This resolution concerns the reappointment of PricewaterhouseCoopers LLP as auditors until the conclusion of the next general meeting at which accounts are laid, that is, the next Annual General Meeting.

Resolution 12
Auditors’ Remuneration
This resolution authorises the Directors to fix the auditors’ remuneration.

Special Business
Resolution 13
Directors’ Power to Allot Shares
This resolution complies with guidance issued by the Investment Association and will, if passed, authorise the Directors to allot:

- relevant securities up to a maximum nominal amount of £2,180,521 which represents approximately one-third of the Company’s issued ordinary shares (excluding treasury shares) as at the date of this notice. This maximum is reduced by the nominal amount of any equity securities allotted under the authority set out in paragraph (b) of resolution 13 in excess of £2,180,521; and
- in relation to a pre-emptive rights issue only, equity securities (as defined by section 560 of the Act) up to a maximum nominal amount of £4,361,042 which represents approximately two-thirds of the Company’s issued ordinary shares (excluding treasury shares) as at the date of this notice. This maximum is reduced by the nominal amount of any relevant securities allotted under the authority set out in paragraph (a) of resolution 13.

Therefore, the maximum nominal amount of relevant securities (including equity securities) which may be allotted under this resolution is £4,361,042.

As at the date of this notice, the Company does not have any treasury shares.

The Directors do not have any present intention of exercising the authorities conferred by this resolution but they consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities.

Resolutions 14 and 15
Directors’ Power to Issue Shares for Cash
Resolution 14 authorises the Directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are where the allotment:

- takes place in connection with a rights issue or other pre-emptive issue;
- is limited to a maximum nominal amount of £327,078 representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 15 December 2019, being the latest practicable date before publication of this notice.
EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Resolution 15 authorises the Directors to allot further equity securities for cash in connection with acquisitions or other specified capital investments which are announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. This authority, which is in addition to the authority granted to the Directors pursuant to resolution 14 and is being sought in accordance with the Pre-Emption Group’s Statement of Principles, is limited to a maximum nominal amount of £327,078 which represents approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 15 December 2019, being the latest practicable date before publication of this notice.

The Board confirms its intention to follow the provisions of the Pre-Emption Group’s Statement of Principles regarding cumulative usage of authorities within a rolling three-year period where the Principles provide that usage in excess of 7.5% of issued ordinary share capital of the Company (excluding treasury shares) should not take place without prior consultation with shareholders, except in connection with an acquisition or specified capital investment as referred to above.

**Treasury Shares**

The Company may hold any shares it buys back “in treasury” and then sell them at a later date for cash rather than simply cancelling them. Any such sales are required to be made on a pro rata basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued ordinary shares on a non-preemptive basis, resolutions 14 and 15 will also give Directors power to sell ordinary shares held in treasury on a non-preemptive basis, subject always to the limitations noted above. As at the date of this notice, the Company does not have any treasury shares.

The Directors consider that the power proposed to be granted by resolutions 14 and 15 is necessary to retain flexibility, although they do not have any intention at the present time of exercising such power.

Unless revoked, varied or extended, the authorities conferred by resolutions 14 and 15 will expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of the resolution, whichever is the earlier.

**Resolution 16**

**Authority to Purchase Shares (Market Purchases)**

This resolution authorises the Board to make market purchases of up to 19,644,332 ordinary shares (representing approximately 10% of the Company’s issued ordinary shares as at 15 December 2019, being the latest practicable date before publication of this notice). Shares so purchased may be cancelled or held as treasury shares. The authority will expire at the end of the next Annual General Meeting of the Company or 15 months from the passing of the resolution, whichever is the earlier. The Directors intend to seek renewal of this authority at subsequent annual general meetings.

The minimum price that can be paid for an ordinary share is 3.33p, being the nominal value of an ordinary share. The maximum price that can be paid is 5% over the average of the middle market prices for an ordinary share, derived from the Daily Official List of the London Stock Exchange, for the five business days immediately before the day on which the share is contracted to be purchased.

The Directors intend to exercise this right only when, in light of the market conditions prevailing at the time and taking into account all relevant factors (for example, the effect on earnings per share), they believe that such purchases are in the best interests of the Company and shareholders generally. The overall position of the Company will be taken into account before deciding upon this course of action. The decision as to whether any such shares bought back will be cancelled or held in treasury will be made by the Directors on the same basis at the time of the purchase.

As at 15 December 2019, being the latest practicable date before publication of this notice, there were outstanding awards under the Company’s various share option schemes in respect of 14,499,395 ordinary shares in the capital of the Company, representing 7.4% of the Company’s issued ordinary share capital. If the authority to purchase the Company’s ordinary shares were exercised in full, the number of outstanding options would represent 8.2% of the Company’s issued ordinary share capital following the repurchase of shares.

**Resolution 17**

**Notice Period for General Meetings**

The Companies (Shareholders’ Rights) Regulations 2009 require the Company to call general meetings (other than annual general meetings) on at least 21 clear days’ notice unless shareholders approve a shorter notice period of not less than 14 clear days. Such approval was granted at last year’s Annual General Meeting and this resolution therefore seeks to renew this approval. The approval will be effective until the Company’s next Annual General Meeting, at which it is intended a similar resolution will be proposed. The Directors’ intention is to only call general meetings on less than 21 days’ notice where such shorter notice period would be in the interests of shareholders as a whole.
THE TEAM

A
Aaron Clarkson
Aaron Gauntlett
Aaron Kiddell
Abbie Telford
Abdul Kharem
Abigail Routley
Abu Al-Mehrab
Ada Duka
Adam Clarke
Adam Crowe
Adam Devine
Adam Gaymer
Adam Gilkes
Adam Godfrey
Adam Heffer
Adam Holland
Adam Jolly
Adam Layfield
Adam Nuttall
Adam Shearsmith
Adam Simpson
Adam Smolarek
Adam Stevens
Adam Ward
Adam Woollam
Addam Marsh
Adel Tazi
Adele McMahon
Aderemi Adediran
Adrian Gower
Adrian Hoggard
Afrim Mensah
Aidan Dawes
Aidan Monahan
Airon Hurrell
Aksyon Krekaya
Akshey Vadgama
Alan Clague
Alan Evans
Alan Lamb
Alan Saunders
Alan Sinclair
Alan Smalley
Alan Sproston
Aleksandr Lagowski
Aleksands Gulenkovs
Aleksajs Jefremovs
Alessandro Tedeschi
Alex Bell
Alex Bennet
Alex Di Pace
Alex Jones
Alex Watkins
Alex Whitmore
Alexander Bennett
Alexander Findley
Alexander Ford
Alexander Gaffney
Alexander Jackson
Alexander Marks
Alexander Miles
Alexander Walton
Alexander Williams
Alexandra Harding
Alice Cairns
Alicija Romanovska-Stefanovic
Alissa Millward
Alison Mazzie-Foster
Alistair Hodder
Allan Busby
Allan Harper
Allisha Byrne
Alnavaz Nuralah
Amanda Brogan
Amanda Green
Amanda Lyon
Amanda Plumb
Amanda Samuel
Amardeep Sanghera
Amelia Foster
Amin Ali
Amina Said
Amy Butter
Amy McVey
Amy Pass
Amy Wilkins
Amy Wirtz
Anand Lad
Ananthan Sivanesan
Andre Osei
Andrea Moon
Andrew Bond
Andrew Carter-Riley
Andrew Collins
Andrew Cox
Andrew Davis
Andrew Habbick
Andrew Harrison
Andrew Hawker
Andrew Haynes
Andrew Hendry
Andrew King
Andrew Lee
Andrew Louden
Andrew Oliver
Andrew Playfoot
Andrew Reilly
Andrew Roseby
Andrew Ross
Andrew Sansum
Andrew Scargie
Andrew Sharkey
Andrew Shaw
Andrew Tibbeits
Andrew Warne
Andrew Waterfield
Andrew Wathan
Andrew Wilkinson
Andrew Woodier
Andrius Matusievicius
Aneta Kleczek
Angela Capp
Angela Cooke
Angela George
Angela Millington
Angela Trainer
Anna Hibberd
Anna-Marie Puit
Anna-Marie Wells
Annie Dickson
Annmarie Malone
Anthony Connor
Anthony Daly
Anthony Davies
Anthony Dedman
Anthony Dolan
Anthony Gilbert
Anthony Hollick
Anthony Lyth
Anthony Molyneux
Anthony Reynolds
Anthony Saunders
Anthony Tarr
Anthony Taylor
Anthony White
Anthony Belmont
Antun Varghese
Anwar Marshall
Aron Hoff
Aruna Misty
Arvydas Vaistaras
Ashley Burke
Ashley Cutler
Ashley Hegarty
Ashley Humphreys
Ashley Katinas
Ashley Kiffin
Ashley Mansfield
Ashley Murray
Ashley Ryle
Ashley Somerville
Astone Davids
Athena Sesay
Atul Patel
Auatrius Kalojanskas
Avinas Lertkauskas
Azim Ahmed

B
Barbara Connor
Barbara Smith
Barri Barnes
Barry Beavent
Barry Gilbert
Barry Hanlon
Barry Jones
Barry Mantau
Barry Stratford
Barry Theobald
Bartosz Pawelczak
Bassam Awalli
Ben Adams
Ben Bain
Ben Barraclaugh
Ben Bright
Ben Howard
Ben Richmond
Benjamin Frost
Benjamin Goodey
Benjamin Hale
Benjamin Hawes
Benjamin Matthews
Benjamin Nosworthy
Benjamin Rich
Berek K-Caesar
Bertie Brame
Beverley Ortan
Bilky Hardy
Bilky Stout
Bilky Taylor
Blake Ladeinde
Balaji Adeyanju
Bonita Flintth
Bonnventure Takpah
Bradley Matheou
Bradley Powell
Bradley Riches
Bradley Rockell
Brajan Pyszowski
Brandon Abels
Brandon Battle
Brendan Flynn
Bret Machon
Bret O’Harro
Brett Simkiss
Brett Singers
Brian Cook
Brian Linningen
Brian Morris
Bruce Fielding
Bruce Garrod
Bruno Bernasconi
Bryn Lewis
Bryony Benson
Byron Tree
THE TEAM

C
Caitlin Pipes
Callum Evans
Calum Phillips
Calvin Christopher
Campbell Marr
Carl Ainsworth
Carl Courtney
Carl Cumberbatch
Carl Fraser
Carl Herritt
Carl Whatley
Carley Brown
Carlos Alford Maestre
Carlos Chowdhury
Carol Beattie
Carol Hawkes
Carol McKillop
Carole Hawken
Caroline Bailey
Caroline Bray
Caroline Brown
Caroline Hynes-Cheesman
Caroline Macro
Caroline May
Caroline Vernon-Sutton
Carlynn Remington-Hobbs
Carrie Peckston
Catherine Britton
Catherine Doulton
Catriona Bennett-Cook
Cerith Halfpenny
Chanel Sanganoo
Chantelle Gurney
Charlène Smith
Charlene Walpole
Charles Hayes
Charles Johnson
Charles Robbins
Charles Rolls
Charles Taylor
Charles Watson
Charlie Truscott
Charlotte Amos
Charlotte Jackson
Charlotte Lammin
Charlotte Leyden
Chelsea Battle
Chelsea Cragg
Chelsea Long
Cheryl Vearncombe
Cheyanne Brown
Chloe Andrews
Chloe Jackson
Chloe Singleton
Chris Foster
Christelle Armstrong
Christine Berry
Christine Pawlow
Christine Taylor
Christine Thistlethwaite
Christopher Bailey
Christopher Beeson
Christopher Bentley
Christopher Bowden
Christopher Burrows-Simpson
Christopher Butler
Christopher Carey
Christopher Collins
Christopher Cooper
Christopher Curtis
Christopher D’Arts
Christopher Edwards
Christopher Fath
Christopher Goodacre
Christopher Green
Christopher Harbutt
Christopher Heyes
Christopher Holland
Christopher Howe
Christopher MacFarlane Leach
Christopher Merrick
Christopher Miskelly
Christopher Moore
Christopher Nicholls
Christopher Nottle
Christopher Potter
Christopher Proud
Christopher Roberts Shaw
Christopher Samuel
Christopher Sansby
Christopher Turley
Christopher Wallis
Christopher Wells
Cieran Armstrong
Ciprian Popovici
Clair Jeffries
Claire Chaffe
Claire Harris
Claire Herridge
Claire Lees
Claire Ralphs
Claire Steel
Claire Tiney
Clare Barden
Clare Long
Clare Miles
Clifford Adams
Clifford Tomlinson
Clive Harlow
Colin Clarke
Colin Denson
Colin Griffiths
Colin Harvey
Colin Markham
Colin Petch
Colin Rymer
Colin Skinner
Colin Smith
Colin Treanery
Connell Smyth
Conner Ockenden
Connor Armstrong
Connor Bantin
Connor Garrow
Connor Thompson
Conrad Cassidy
Conrad Harrup
Cora Morrison
Cory Handford
Cosmin Zaharia
Courtney Maglone-Gillies
Craig Dolling
Craig Johnson
Craig Jones
Craig Matthews
Craig Murphy
Craig Reed
Cris Hall
Cristian Olaru
Cristina Cole
Curtis Julien
Curtis Lee
Czeslaw Majorek
D
Dale Sheppard
Damian Merritt
Damiano Seresini
Dan Bevan
Daniel Holloway
Daniel Angel
Daniel Brain
Daniel Calderwood
Daniel Chambers
Daniel Cheyne
Daniel Colk
Daniel Cox
Daniel Cross
Daniel Danks
Daniel Fairless
Daniel Fallow
Daniel Geoghegan
Daniel Gillett
Daniel Hubble
Daniel Jenkins
Daniel Jones
Daniel Lawrie
Daniel Little
Daniel McLean
Daniel Milner
Daniel Monaghan
Daniel O’Callaghan
Daniel Pimm
Daniel Poile
Daniel Rowlands
Daniel Settersfield
Daniel Sewell
Daniel Sheppard-Brown
Daniel Thomas
Daniel Thornley
Daniel Willows
Daniella Fusco
Daniella Winstone
Danielle Kirby
Danielle Noyes
Danielle O’Mara
Daniel-Paul Petrut
Damniqe Prince
Danny Oulton
Danny Wilson
Darcy Hodges
Darius Bright
Damelle Riley
Darran Haynes
Darren Allcock
Darren Barker
Darren Doughty
Darren Finnegan
Darren Harper
Darren Jones
Darren Mencarini
Darren Mitchell
Darren Morgan
Darren Mugiuyi
Darren Rose
Darren Shapland
Darren Square
Darren Wagg
Darren Young
Darroll Watts
Darren Kerr
Darron Soos
Darryl Ferry
Darryn Lawson Innes
David Augustus
David Bowler
David Carpenter
David Clare
David Clark
David Coupland
David Cressey
David Donaldson
David Fielder
David Fox Matthews
David Green
David Halpin
David Hatton
David Henderson
David Hicks
THE TEAM

Harjinder Aujla
Harneet Khaneja
Haroon Younas
Harriet Goodacre
Harrison Cartey
Harry Biggs
Harry Kay
Hayden Inman
Hayden Mason
Hayley Marney
Hayley Whittaker-Lomas
Hazel Millington
Heather Campbell
Helen Goslings
Helen Hughes
Helen Walker
Helen Washington
Helen Waterston
Henry Povey
Holly Bishop
Holly Dawson
Holly Meager
Holly Skerritt
Holly Vincent
Hope Armstrong
Hugo Lopes
Iain Arnott
Ian Aikman
Ian Ashton
Ian Bloomfield
Ian Craton
Ian Darcy
Ian Fraser
Ian Hughes
Ian Marshall
Ian Mattacola
Ian McNicholas
Ian Noon
Ian Paterson
Ian Smithson
Ian Sykes
Ibrahim Akhtar
Ibrahim Conteh
Igars Koselevs
Ilars Skabeikis
Ingrid Obernauer
Isaiah Khaoya
Ivan Paitoo

Jack Gallagher
Jack Hill-Jones
Jack Kelley
Jack Maddison
Jack Millman
Jack O’Neill
Jack Relfe
Jack Swain
Jack Thompson
Jack Veall
Jack Vickers
Jack Wheeler
Jacob Allan
Jacob Powell
Jacob Stuart
Jacob Tassaker
Jacqueline Badger
Jacqueline Desborough-Motehead
Jade Girjensons
Jaden Parry-Baines
Jagpal Sandu
Jailene Witterick Peake
Jake Bodycot
Jake Carter
Jake Shopland
Jake Woods
Jamal Khanum-Muhammad
James Barnett
James Beaumont
James Biesty
James Brophy
James Cameron
James Carpenter
James Carrington
James Cheung
James Clifford
James Fox
James Fritz
James Hawker
James Heard
James Henshaw
James Hollis
James Howard
James Hyland
James Kew
James King
James MacCallum
James McGuigan
James Morgan
James O’Driscoll
James Pannett
James Patston
James Pillold
James Robertson
James Rolfe
James Saunders
James Snuggs
James Taylor
James Tuvey
James Walker
James Watton
Jamie Calow
Jamie Kelly
Jamie Martin
Jamie Mears
Jamie Ormrod
Jamie Rose
Jamie Sia
Jamie Thornton
Jamie Wenborn
Jamie Whitear
Jamie Wilson
Jamie Lee McCann
Jamey Walker
Jan Reddi
Janaka Alahapperuma
Janet Lee
Janet Restrepo
Jasbir Singh
Jasmine Dagentz
Jason Barker
Jason Bloxham
Jason Coupland
Jason Darcy
JASON EADEN
JASON KNOX
JASON NELSON
JASON PRATT
JASON ROSE
Jaspreet Sandhu
Jasveer Singh
Jasvinder Pehal
Javeed Parkar
Jay Billings
Jay King
Jayaprakash Parajee
Jayesh Tank
Jayne Piper
Jayne Young
Jeannette Hastie
Jedrzej Politowski
Jeffrey Armstrong
Jeffrey Coleman
Jennie Kane
Jennifer Flowers
Jennifer Gregory
Jennifer Opoku
Jennifer Seabrook
Jennifer Wall
Jennifer Young
Jenny Inkinson
Jeremy Long
Jeremy Naphine
Jessica Fraser
Jessica Gurski
Jessica Maynard
Jessica McCarthy
Jessica Rowlands
Jessica Sawyer
Jessica Thierar
Jessica Wickham
Jethro Chappell
Jo Adamson
Joanna Britton
Joanne Cox
Joanne Elton
Joanne White
Jodie Jones
Jodie Richardson
Joe Dwyer
Joe Guymer
Joe Lamond
Joe Mathews
Joe Raynsford
Joe Smith
Joe Whalley
Joffe Barker
Joffe Bray
Jogendra Kalicharan
John Arkle
John Bourke
John Bryant
John Burton-Simm
John Conley
John Cook
John Ellis
John Fawkes
John Gardner
John Harris
John Harrison
John Hennessy
John Hesp
John Hughes
John McLaren
John Moat
John Murphy
John Page
John Scatchard
John Shaw
John Smith
John Stannard
John Thompson
Johnathan McCallum
Johnathon Humphries
Jon Davis
Jon O’Neill
Jon Thatcher
Jonathan Boxall
Jonathan Coombs
Jonathan East
Jonathan Hall

140  TOPPS TILES PLC ANNUAL REPORT AND ACCOUNTS FOR THE 52 WEEK PERIOD ENDED 28 SEPTEMBER 2019
Mohammed Jmale
Mohammed Khalid
Montana Mills
Mr Topps (Retired)
Mubahish Uddin
Murdo Martin
Mursalin Hussain
Murshed Ali

Mohammed Jimale
Mohammed Khalid
Montana Mills
Mr Topps (Retired)
Mubahish Uddin
Murdo Martin
Mursalin Hussain
Murshed Ali

Nancy Jacques
Naomi Baron
Naomi McHugh
Naomi McKenzie
Naomi McHugh
Naomi McKenzie
Narinder Chatha
Naseer Mir
Nasir Hussain

Natalia Zagrodnik
Natalie Howe
Natalie McCooag-Finlay
Natalie Paine
Natasha McLeod
Nathalie Mptiu
Nathan Austin
Nathan Coulthard
Nathan Harry
Nathan Hughes
Nathan Thorpe
Nathan Winterton
Nauris Vinkelis
Nazi Ali
Neely Stuart
Neha Shah
Neil Ammon
Neil Anderson
Neil Homan
Neil Jeremy
Neil Jones
Neil Lutterloch
Neil Oxenham-lane
Neil Southgate
Neil Topping
Neil Wardlaw
Neil Williams
Niall Haughton
Nichola Humble
Nicholas Culley
Nicholas Gadd
Nicholas Lodge
Nicholas Peedell
Nicholas Stone
Nicholas Stubbs
Nicholas Taylor
Nicholaus Buchanan
Nick Meese
Nick Watch
Nick Wardman
Nicky Glenister

Nicola Brownley
Nicola Fletcher
Nicola Greenaway
Nicola Hellett
Nicola Howlett
Nicola McWatt
Nicole Andrews
Nicole Colvin
Nigel Fleming
Nigel Slaughter
Nikita Sergejevs
Nikolay Georgiev
Nimisha Mistry
Nisha Sodha
Nish Shah
Norman Schwab
Numan Usman

Obeth Aloysius
Oliver Franks
Olivia Dettmer
Olivia Hughes
Omar El-Zeinab
Oscar Cork
Osman Sendar
Oumar Bah
Owen Marchant
Owen Tudor
Oz Masaya

Paige Adaway
Paige Makepeace
Paige Morgan
Pankaj Bhardwaj
Paolo Segagni
Paresh Nagar
Parminder Garcha
Patrick Howlett
Patrick Stoner
Patrick Tompsett
Patryk Trulowski
Paul Baker
Paul Baxter
Paul Brooks
Paul Burket
Paul Burrow
Paul Cartledge
Paul Cheetham
Paul Cowen
Paul Cox
Paul Dalby
Paul Fisk
Paul Galvin
Paul Gee

Paul Godefroy
Paul Haythorne
Paul Hill
Paul Hubbard
Paul Irving
Paul Jenkinson-Finn
Paul Kelling
Paul Kelly
Paul Keymer
Paul Lester
Paul Logue
Paul Miller
Paul Mills
Paul Nicholls
Paul Noyes
Paul Semple
Paul Smith
Paul Starkey
Paul Sumner
Paul Thomas
Paul Tregaskis
Paul Wallis
Paul West
Paul Whittington
Paul Whitworth
Paul Wilson
Paul Winter
Pauline Capp
Pauline Garrow
Pauline Harrison
Pauline Whitaker
Pawel Pudelko
Pawel Warych
Penny Davis
Perran Kelly
Perry Chey
Perry Hodges
Peter Ambrose
Peter Callan
Peter Carr
Peter Charles
Peter Charters
Peter Clements
Peter Faithfull
Peter Gilmore
Peter Goulding
Peter Hanley
Peter Jackson
Peter Knights
Peter Lees
Peter Little
Peter Turtle
Peter West
Peter White
Peter Wiles
Peter Young
Philip Cranston
Philip Dunn

Philip Gallop
Philip Green
Philip Speed
Philip Stocks
Philip Underhill
Phillipa Hill
Phillip Gilbert
Phillipa Hewitt
Polly McMahan
Poonam Patel
Poppy Turner
Portia Boehmer
Preline Martha
Priyanka Jutta

Quang Pham

Rachael Roseman
Rachel Caborn
Rachel Fletcher
Rachel Gray
Radoslaw Doktorski
Rahim Bens
Ramah Boulaighrasse
Rain Paterson
Raj Sadha
Raj Surani
Rajan Toora
Rajesh Thaik
Rajiv Vagdama
Rajneet Sahota
Rajnish Gaur
Raneer Ryat
Ratip Hassan
Ravi Kalyan
Rebecca Walls
Rebecca Cole
Rebecca Godfrey
Rebecca Linsley
Rebecca Love
Rebecca Mills
Rebecca Moore
Rebecca Oblein
Rebecca Taylor
 Reece Brewin
Reece Charlton
Reece Moss-Matthews
Rhiannon Holland
Rhyun Weekes
Rhys Hedges
Ricardo Paine
Richard Adamson
Richard Anciero
Richard Bleach
Richard Bourne
Richard Carter
Richard Clark
THE TEAM

Richard Davies
Richard Eagland
Richard France
Richard Geare
Richard Greenwood
Richard Joll
Richard Keane
Richard Mann
Richard Oates
Richard Oldale
Richard Palfrey
Richard Piskorz
Richard Prescott
Richard Senior
Richard Small
Richard Sumner
Richie Stephen
Rickie Byrne
Riley Hayward
Rob Moody
Robbie Perry
Robert Adams
Robert Black
Robert Buckley
Robert Chawner
Robert Collins
Robert Dennis
Robert Dunn
Robert George
Robert Hardie
Robert Howker
Robert Kechnoe
Robert Kweli
Robert Mitchell
Robert Moss
Robert Myers
Robert Parker
Robert Prince
Robert Spencer
Robert Tillatson
Robert Tsui
Robert Twiner
Roberto Gaspar
Robin Stagg
Robin Williams
Robyn Bell
Rocky Bryan
Roger Gridley
Roger Knowles
Roger Lazenby
Rosin Smith
Rolandson Thomas
Romal Williams
Romans Petuhovs
Romany Andrew
Romualdas Maciulevicius
Ron Woolgar
Ronnie-Leigh Pews
Rory Reeves
Rosario Di Rosa
Rose Atherton
Ross Ashbrook
Ross Farrell
Ross Langford
Ross Leitch
Ross Matthews
Ross Wilkins-Heath
 Roxanne Daly
Roxanne Morris
Roxanne Seurre
Russell Sell
Russell Shafer
Ryan Apark
Ryan Busto
Ryan Clark
Ryan Coleman
Ryan Craig
Ryan Dunn
Ryan Farquhar
Ryan French
Ryan Izard
Ryan Lundberg
Ryan Needham
Ryan Patterson
Ryan Randall
Rytis Martinkenas
S
Sabba Akram
Sachin Gokani
Sahibjit Samra
Sally Broome
Sally Cook
Sam Davis
Sam Groves
Sam Randle
Sam Thomas
Samantha Davies
Samantha Gray
Samantha Leavis
Samantha Makrygiannis
Samantha Peters
Samantha Stewart
Sameer Jamadar
Samir Mafi
Samuel Blaylock
Samuel Egerton
Samuel Fisher
Samuel Gibson
Samuel Hughes
Samuel Knowles
Samuel Taylor
Sandra Ramsay
Sandra Van Spronsen
Sanjeev Pal
Sapphire Martin
Sara Lloyd
Sara Watkins
Sarah Bowles
Sarah Cassam
Sarah Darby
Sarah Dobson Da Silva
Sarah Garwood
Sarah Holey
Sarah Jordan
Sarah Kite
Sarah Mcure
Sarah Peters
Sarah Phipps
Sarah Rose
Sasha Thorrett
Satvinder Sandhu
Satvir Sadra
Savannah Azzopardi
Savio Coutinho
Scott Ahmad
Scott Birdsey
Scott Bond
Scott Carter
Scott Gibson
Scott Hopwood
Scott Johnston
Scott Mccartney
Scott Morrison
Scott Ottaway
Scott Thiraway
Sean Brandist
Sean Cahill
Sean Campbell
Sean Dore
Sean Gee
Sean Hull
Sean McClafferty
Sean Mclean
Sean Taylor
Seaneen Ahmed
Shabbir bandali
Shateek Mohamed
Shah Hussain
Shahid Mahmood
Shamara Mckenzie-rochester
Shanya Eseworthy
Shane Bryan
Shane Lindsay
Shane Malone
Shane Mason
Shane Till
Shane Trim
Shanee Gately
Shannon Call
Shannon Dewdney
Shannon Seymour
Sharif Islam
Sharnah Brady
Sharon Buckley
Sharon Papantoniou-barrett
Shaun Gordon
Shaun Owens
Shaun Pawsey
Shaun Sargeant
Shazan Syed
Sheena Smith
Sheikh Scidy
Sheldon Smith
Shelley Burton
Shelley Carey
Shelley Francis
Shelley Rutter
Sheralyn Tidball
Shoshana Rogers
Shrina Shah
Shylo Brookes
Sian Austen
Sian Morrigan
Silje Tendenes
Silvi Ananasova
Silviu Oltean
Simon Badhams
Simon Beare
Simon Badell
Simon Briggs
Simon Brookfield
Simon Chapman
Simon Chappell
Simon Dugdale
Simon Felix
Simon Green
Simon Grimmet
Simon Lasham
Simon Leslie
Simon Marks
Simon Morgan
Simon Neal
Simon Pitt
Simon Roberts
Simon Webb
Simon Witham
Sinan Demir
Sinead Fisher
Siobhan Ashman
Siobhan King
Skye Antoniou
Slavka Georgieva
Sophie Davies
Sophie Fallon
Sophie McCluskey
Sophie Pavey
Sophie Swann
Sophie-ane Farnworth
Stacey Webb
**STORE LOCATIONS**

**London**
- Acton
- Battersea
- Bayswater Boutique
- Beckenham Topp's
- Beckton
- Blackheath Boutique
- Bow
- Brentford
- Brixton
- Bromley Common
- Cafford Bromley Rd
- Charlton
- Cheam
- Chingford
- Clapham Boutique
- Colindale
- Croydon
- Croydon Purley
- Dagenham
- Dartford
- Denham
- Dorking
- Dulwich Boutique
- East Sheen
- Eltham
- Enfield
- Feltham
- Forest Hill
- Fulham Brewery
- Fulham Topp’s
- Golders Green
- Hampstead Heath Boutique
- Harrow
- Hayes Topp’s
- Hemel Hempstead
- Highgate
- Hounslow
- Ilford
- Ilford Seven Kings
- Islington Boutique
- Kingston
- Kings Cross
- Leyton
- Muswell Hill Boutique
- New Southgate
- North Finchley
- Old Kent Road
- Orpington
- Park Royal Topp’s
- Penge
- Raynes Park
- Redhill
- Romford
- Rustlip
- Seven Sisters
- Sevenoaks

**Shoreditch**
- South Bermondsey
- Southall
- St Albans
- Staples Corner
- Streatham
- Sunbury upon Thames
- Surbiton
- Sydenham
- Toling
- Uxbridge
- Vauxhall
- Waltham Cross
- Walton on Thames Boutique
- Wandsworth
- Wembley
- West Drayton
- Willesden
- Wimbledon
- Wood Green

**Midlands**
- Barnsley
- Birstwith
- Boston
- Burton upon Trent
- Cannock
- Chesterfield
- Coventry Tile Hill
- Derby
- Derby Osmaston
- Doncaster
- Enderby
- Erdington
- Fenton
- Grantham
- Great Barr
- Grimsby
- Ketton
- Kidderminster
- Kings Heath
- Kings Norton
- Leicester
- Lichfield
- Lincoln Outer Circle
- Long Eaton
- Loughborough
- Mansfield
- Nantwich
- Newark
- Newcastle-under-Lyme
- Northwich
- Nottingham Arnold
- Nottingham Poulton
- Nunaton
- Redditch
- Rotherham
- Sheffield Hillsborough

**Sheldon**
- Shrewsbury
- Solihull
- Spalding
- Stoke
- Stourbridge
- Stratford upon Avon
- Tamworth
- Telford
- Thuraston
- West Bromwich
- Wolverhampton
- Worksop

**North**
- Aintree
- Alnwick
- Anfield
- Barrow
- Blackley
- Blackpool
- Bolton
- Burnley
- Carlisle
- Chester
- Chorley
- Darlington
- Durham Dragonville
- Failsworth
- Gateshead
- Halifax
- Harrogate
- Huddersfield
- Hull
- Hyde
- Leeds
- Leeds Sheppscar
- Macclesfield
- Morecambe
- Northallerton
- Oldham
- Ormskirk
- Preston
- Sale
- Salford
- Scarborough
- Scunthorpe
- Shipley
- Skegness
- Snipe (Audenshaw)
- Southport
- St Helens
- Stockport
- Stockton
- Sunderland

**Tyneside**
- Wakefield Ings Road
- Warrington
- Widnes
- Wigan
- Workington
- York Clifton Moor

**Scotland and Northern Ireland**
- Aberdeen Bridge of Don
- Aberdeen Wellington
- Ayr
- Belfast Boucher Road
- Belfast Newtownabbey
- Dundee
- Edinburgh
- Fort Kinnaird
- Glasgow
- Govan Topp’s
- Greenock
- Hillington
- Inverness
- Irvine
- Kirkcaldy
- Perth
- Shawfield
- Sighthill
- Stirling
- Wishaw

**South**
- Abingdon
- Andover
- Amesham
- Ashford
- Aylesbury
- Banbury
- Barnstaple
- Basingstoke
- Bath
- Bedford Elms
- Bexhill
- Bicester
- Bishops Stortford
- Bodmin
- Bognor Regis
- Borehamwood
- Bounds Green
- Bournemouth
- Bracknell
- Braintree
- Brentwood
- Bridgewater
- Brighton
- Bristol
- Broadstairs
- Buckingham
OUR RETAIL STORES

Topps Tiles has 362 retail stores across the UK with a broad geographic reach which means most customers require less than a 20-minute drive time to reach their local store.
Everscape Limestone and Splitface Rustic