30 November 2021

Topps Tiles Plc

Annual Financial Results

Topps Tiles Plc ("Topps", "Topps Tiles", "the Company" or the "Group"), the UK's largest tile specialist, announces its unaudited annual financial results for the 53 weeks ended 2 October 2021.

Strategic and Operational Highlights

- Record year of revenue for the Group
- Group market share goal of '1 in 5 by 2025' with good progress made in the year
- Success in strategic initiatives of expanding value offer, launch of innovative new products and further strengthening our award-winning digital offer
- Commercial revenue recovering with sales growth in H2 of 55%
- Launch of new environmental goal of being carbon balanced by 2030

Financial Highlights

	53 weeks ended 2 October 2021	52 weeks ended 26 September 2020	YoY
Statutory Measures			
Group revenue	£228.0 million	£192.8 million	+18.3%
Gross margin	57.3%	58.5%	(1.2)ppts
Profit / (Loss) before tax	£14.3 million	£(9.8) million	n/a
Basic earnings per share	5.59p	(4.11)p	n/a
Final dividend per share	3.1p	nil	n/a
Total dividend per share	3.1p	nil	n/a
Adjusted Measures			
Retail like-for-like revenue year-on-year[1]	19.6%	(12.5)%	n/a
Adjusted profit before tax[2]	£15.3 million	£3.6 million	+325.0%
Adjusted earnings per share[3]	6.13p	1.57p	+290.0%
Adjusted net cash[4]	£27.8 million	£26.0 million	+£1.8 million

Financial Summary

- Retail like-for-like sales up 19.6% despite trade restrictions throughout Q2
- Gross margins of 57.3% (FY20 58.5%), reflecting increased investment into value and higher shipping costs
- Strong recovery in adjusted profit before tax to £15.3 million (FY20 £3.6 million)
- Underlying net cash generation of £12.5 million including £(10.7) million of one-offs from 53rd week and deferred VAT repayment
- Business well capitalised with strong balance sheet - £27.8 million net cash at year end
- Strong returns on invested capital – Group ROCE has increased from 13.1% in FY19 to 17.5% in FY21
- Dividend reinstated based on 2x full year adjusted EPS cover

Current Trading and Outlook

- Trading remains robust with two-year Retail like-for-like sales growth of 18.4% in first eight weeks (one-year Retail like-for-like sales down 0.7% against strong comparative period last year)
- Continued trading headwinds from reduced consumer confidence, global supply chain challenges and cost inflation
- Growth strategy, flexible supply chain and balance sheet strength provide confidence and platform for growth

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

“Our full year results demonstrate the strength of our position as the UK’s leading tile specialist and the potential of the business when it has been able to trade without restriction. Despite significant disruption for a three month period, during which our stores were unable to welcome homeowners, we delivered record revenues for the year and made good progress towards our ‘1 in 5 by 2025’ market share goal.

“We believe this performance underlines the strength of our strategy and the success of new initiatives including the expansion of our value ranges and the introduction of innovative new products. The successful development of our digital offer during the year has been particularly pleasing and we have plans in place to expand this further in 2022.

“Trading in the initial weeks of the new financial year has been robust with two-year Retail like-for-like sales growth of 18.4%. While trading headwinds are likely to continue over the short term, we are confident in our strategy and our ability to deliver sustainable long term growth.”

Notes

[1]Retail like-for-like revenue is defined as sales from online and stores that have been trading for more than 52 weeks. In 2021 like-for-like revenue was £216.6 million (2020: £182.3 million), with an average of 331 stores included in the weekly calculation.

[2] Adjusted profit before tax excludes the impact of items which are either one-off in nature or fluctuate significantly from year to year.

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

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

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STRATEGY AND PROGRESS

Summary of performance

2021 was a record-breaking year for the Topps Tiles Group. Our revenue of £228.0 million, or £223.7 million on a 52-week basis, was the highest we have ever achieved and Retail like-for-like sales growth was 19.6%. This was an excellent result, particularly given that our stores were closed to our homeowner customers for just over three months between January and April due to Covid-related Government restrictions. Our performance was supported by a buoyant home improvement market during this period, however we believe this result also demonstrates the success of our growth strategy and is a good step towards the achievement of our goal of accounting for £1 in every £5 spent across the UK tile market by 2025 ('1 in 5 by 2025').

The year started very well, with like-for-like growth in our Retail business of 19.9% in the first quarter, building further on the strength of the final quarter of the previous financial year. Commercial sales were also strong and gross margins were in line with our targets. On 19 December 2020, the new 'Tier four' restrictions came into effect for large parts of England, which quickly turned into a new national lockdown early in the new year. As a result of further changes to regulations, from 5 January to 11 April 2021 all our stores in England were closed to homeowners, with registered traders allowed to enter the store to visit the trade counter only and no browsing permitted. Broadly the same restrictions were in place in Wales, Scotland and Northern Ireland.

This period of trading disruption had a substantial impact on sales, which were more than £20 million lower in Q2 than Q1. Retail like-for-like sales were down 17.3% in the second quarter and commercial projects once again slowed, particularly in the hospitality and leisure sectors. Adjusted profit before tax in the first half was £5.1 million (2020: £1.2 million; 2019: £7.0 million[1]) including c. £4.4 million of business rates relief.

Operationally, the business responded with great flexibility to the trading restrictions. Online sales were up 135% in the second quarter compared to last year, and our Retail website delivered record weekly performances for revenue, orders, website traffic and conversion. Our supply chain once again shifted from a focus on bulk picks for store replenishment to a focus on single picks for direct customer deliveries. Our Commercial business shifted its focus into sectors that were less impacted by the lockdown, which offset the majority of the decline in hospitality and leisure.

The trading period since re-opening on 12 April 2021 was extremely strong. In Q3, Retail like-for-like sales on a two-year basis were up 18.5% in the 11 weeks after re-opening, and that strengthened to 21.7% growth in the final quarter. On a one-year basis, Retail like-for-like sales were also in growth in Q4, up 3.0% against a comparative period last year which saw a strong bounce back in sales following the initial national lockdown. Commercial sales in the second half were up 55% year on year and forward indicators are encouraging as we move into the new financial year.

Profitability rebounded strongly in the second half. Adjusted profit before tax was £10.2 million (2020: £2.4 million; 2019: £7.0 million[1]), driven by the strong sales performance, with lower gross margins (2021: 57.1%, 2020: 57.7%, 2019: 62.0%) due to higher shipping costs, our investment into value and product mix changes, and well controlled operating costs. No government support was included in our second half adjusted profit before tax.

In aggregate, the business delivered £15.3 million of adjusted profit before tax (2020: £3.6 million, 2019: £14.0 million[1]).

Our balance sheet has remained strong throughout the year following the move into a net cash position in FY20, and we finished the year with £27.8 million of adjusted net cash, with headroom against our banking facilities of £66.8 million. The net cash inflow of £1.8 million includes £10.7 million of outflows relating to the timing of the 53rd week and deferred VAT repayments, meaning the underlying increase in cash was £12.5m in the year. With the strong performance in both profit and cash, we are proposing the resumption of dividend payments to shareholders with a final dividend payment of 3.1 pence per share.

Note 1 : The Group's adjusted profit before tax in 2019 excluded Commercial trading losses of £1 million in each half of the year. From 2020, Commercial trading was included in adjusted profit. The Commercial losses in 2019 have been included in the figures quoted above to aid comparability over the three year period.

Core purpose, goal and strategy

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

We operate in a large market. In 2019, the value of the UK market for tiles, adhesives and grouts was around £950 million, and the market for all the products we sell was significantly over £1 billion. Last year, we announced a new goal for the business based around our market share across both the domestic and commercial markets, and encompassing tiles, adhesives and grouts. The goal is to account for £1 in every £5 spent on tiles and associated products in the UK by 2025: '1 in 5 by 2025'. A 20% market share would represent a significant increase from our estimated 2019 market share of 17% and would require an out-performance of the market by around 3.5% per year between 2020 and 2025.

In 2021, we recognise that some competitors who did not face physical restrictions on trading are likely to have gained some share over the lockdown period, particularly generalist DIY stores and pure play online operators. We estimate that our market share in 2021 in periods where we were allowed to trade without restrictions was c. 17.6%, representing a good initial step towards our goal, although the circumstances of the year make it particularly difficult to measure. However, our sales performance in the period when we traded free of restrictions gives us confidence in the longer-term ambition of achieving our goal.

Our strategy to deliver our goal in our Retail and Commercial businesses has been underpinned by our Group strategies of “Leading Product” and “Leading People”, which are described in the following sections. However, this year has also seen an important expansion of our strategy, with the inclusion of a new element, “Environmental Leadership”. We aim to be ambitious and lead our market in this area, working with manufacturers to bring products to market which will help our customers reduce their environmental impact on the world. We will also reduce the direct impact of the Group on the environment, mainly through reductions in our carbon emissions.

Leading product

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

Progress and outlook

This has been an extremely testing year for all supply chains and we have had to rely on the strength and flexibility of our supplier relationships and our logistics teams more than ever. During the various periods of restrictions and releases, sales volumes have been volatile. In addition, securing supply has, at times, been challenging, with uncertainty around the availability of product and shipping capacity as well as significant increases in the costs of both shipping and transportation. We are well placed to deal with this uncertain environment due to our scale and expertise, including our global sourcing capability. We also leverage our relationships with key suppliers to secure stock. Our strategic supplier base accounts for c. 70% of our purchases (2020: 80%) reflecting sourcing changes as a result of supply chain disruption, and particularly our reduced exposure to the Far East.

Despite the challenges, we have been able to maintain a continuity of supply to our business. We took the decision to maintain a higher level of inventory than historical averages which, we believe, gives us a significant advantage over our competitors. We ended the year with £32.8 million of inventory across the stores and central warehouse, £3.4 million more than last year. Our 150,000 sq ft warehouse in Leicester forms a key part of the robustness of our supply chain.

We decided early in the year not to slow down the flow of new product into our Retail business, despite store trading being disrupted and delivered 52 new product introductions in the year. Of these new products, more than one third (38%) were design-led by us in collaboration with key supply partners. 74% of our Retail ranges are either own brand or exclusive to us and this remains key to our product differential. Highlights of the year included Everscape™, our 2cm porcelain outdoor range, which was doubled in size to 35 lines, including grouts, trims, pedestals and primers; the launch of luxury vinyl tiles into 50 stores and online; the development of new products with high recycled content and antibacterial properties; and entirely new brands, such as DEX™, our new tools range.

In our Commercial business, we continue to expand our product offering into different sectors, for example for use in swimming pools, dry fix products (largely suitable for transport hubs) and luxury vinyl tiles. Our Commercial business now has access to over 8,500 lines from over 160 suppliers globally.

Technical authority is a further key aspect of differential in our market and we are leaders in this field, working closely with our strategic supplier base to set exacting standards on quality and performance. We have our own in-house technical team to meet the demands of our broader customer base and offer key technical information and on-demand support across all channels through our dedicated in-house testing facilities and quality control.

Leading people

The Group’s success is underpinned by the quality and commitment of our colleagues. This ensures excellence in both service to our customers and clients, and in the support provided to store teams by our Leicester support office, supply chain and field teams. Our Leading People initiative is about having the best people, leading the best people, and is focused on three key areas of engagement, capability and wellbeing.

Progress and outlook

Our focus on colleague engagement has been more important than ever through the disruption of the last two years. Our annual MyVoice staff survey gives colleagues the chance to have their say about the company, its leadership, their work and wellbeing. We had an excellent response in what was a difficult period operationally and for the country, with 81% of colleagues responding in FY21 (up 11 ppts from last year), and 80% of colleagues positively engaged with the business (up 6 ppts from last year). We were also ranked 12th in the annual Retail Week and Glassdoor survey of best retailers to work for in the UK.

We invest in capability through formal training programmes and through the development opportunities we provide. 50% of vacancies across the Group are filled internally, enabling us to offer progression within the business as well as retain the technical skills of store colleagues.

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

The recruitment and retention of colleagues has become an ever more important priority for the Group, particularly with well-documented shortages of labour across the UK economy and many people re-evaluating their career and life choices following the pandemic. Drivers, especially heavy goods vehicle drivers, are in particularly short supply and at times this year we have relied more on contract drivers than we would like, which adds cost and can reduce the reliability of our service. We have increased our efforts to recruit directly in this area and emphasised the strength of our overall employment offer to current and future colleagues. As a result, we are starting the new financial year in a better position than we finished the last one. Recruitment and retention of high-quality staff remains one of the top priorities for the Group.

Environmental leadership

For many years Topps Tiles has been focused on its environmental impact and for the last two years we have had a cross-functional Sustainability Council, involving colleagues from all areas of the organisation, driving change through the business. Significant progress has already been made on the use of LED lighting in stores, waste reduction, recycling tiles and pioneering investments into greater recycled content in tiles and other products through manufacturing partnerships.

It has, however, become very clear that all businesses need to do much more and we have challenged ourselves to set a stretching ambition for our business. Our ambition is to lead our marketplace in environmental credentials and specifically we intend to become carbon balanced as a business by 2030. This will mean we will have measured, reduced and, where required, offset our carbon emissions to net zero by 2030, ten years ahead of the BRC retail industry ambition of being Net Zero by 2040.

We have a growing partnership with the World Land Trust and are working with them to understand our current status and build our plans to minimise our impact on the environment in the future.

The 2030 target is near enough to create personal ownership within our management team and is a realistic goal which will motivate our colleagues. The nine-year time horizon means Topps Tiles will lead our market in many aspects of sustainability.

Our strategy to drive environmental leadership and achieve our goal has five main elements:

- Ensure we have the right governance in place to deliver the goal, meet the legislative requirements and regulations. Also, we must ensure we are measuring our environmental impact and have a road map to the goal;
- Work with partners to minimise waste and drive recycling and the use of recycled materials;
- Eliminate as much as possible our current carbon emissions (our focus will be on scope 1 & 2, whilst working with our business partners to influence and reduce the scope 3 emissions);
- Drive product innovation to increase the use of recycled materials in tiles and related products and use strategic sourcing to minimise our environmental impacts; and
- Use high quality and auditable carbon offsets to balance our remaining emissions as part of the pathway to being carbon balanced by 2030.

Topps Tiles has established a new governance structure to support the carbon balanced goal. Rob Parker, Chief Executive, will lead the strategy at a Board level, chair our steering group, and work with the Audit Committee to ensure appropriate measures and KPI tracking is in place. Dan Little, Managing Director of our Commercial business, will continue to create the link between the steering group and the cross-functional Sustainability Council. The Sustainability Council will continue to work on reducing our environmental impact across all areas of the organisation.

Retail: Topps Tiles

Last year, we launched a new strategy in our omni-channel Retail business – "Great Experience, Great Product and Great Value" and we made substantial progress within the year, delivering an excellent overall result. We strive to ensure that the journey for all of our customers starts and ends with a great customer service experience – whether in-store, online or both – and we complement this with a range of market-leading products supported by our Leading Product initiative. Ultimately, these are combined to deliver great value to our customers.

Progress and outlook

The Retail business had an excellent year, delivering sales of £219.4 million over 53 weeks (£215.3 million on a 52-week basis; 2020: £185.3 million).

The experience we offer our customers is central to our offer. The majority of our customers shop infrequently for tiles which means that when they do, they value our advice and expertise, whether in a store or online. Overall, despite our stores being closed to homeowners for a quarter of the year, our customer satisfaction scores remained at world class levels. Our overall satisfaction score for the year was 88.4% (2020: 88.5%) and we were delighted to win The Tile Association's 2021 award for Excellence in National Retail.

Our digital offer also provides a great experience to our customers and this year, this was evidenced by a significant number of awards, recognising the quality of our offer, as follows:

- Winner of 'The Mastermind' award at the Adobe Experience Maker Awards
- B2C Ecommerce Website of the Year at the UK Digital Growth Awards
- Global DIY, Home, Furniture and Interior Design eCommerce Website of the Year at the Global eCommerce Awards 2021
- Best Use of Search B2C award at the European Search Awards
- Best Wholesale & Trade eCommerce and Best B2B eCommerce site at the Ecommerce Awards 2021
- We were also ranked as one of the Top 50 retailers in the UK in Internet Retailing's annual "RetailX Top 500" report, ranking retail websites across all sectors in the UK

Our performance online has continued to be very strong. Our Retail website had 12.3 million unique visitors in the year, up 31% against 2019, which we believe is approximately three times the level of our next biggest competitor. On social media, our Facebook and Instagram impressions were up 184% year on year. On Pinterest, we have an engaged audience of over 900 thousand people, up from 600 thousand at the half year. Across Facebook, Instagram, Pinterest and YouTube channels, social media continues to become an increasingly important area of focus.

Our customer base splits into two distinct but related groups – professional fitters (trade) and homeowners. Trade customers represent 57% of our total sales (2020: 55%) and provide a vital link to homeowners who prefer to transact through their fitter rather than with us directly. During the second quarter, this link was especially valuable as only registered traders were able to enter our stores due to lockdown restrictions.

Our stores remain central to our omni-channel offer and driving customer convenience, particularly for our trade customers. Almost every customer visits a store at some point in their purchase journey, and almost all customers use the web at some stage too. We offer the ability to collect online orders from stores, and approximately 30% of online sales are collected.

We have continued to review our store footprint, identifying areas of overlap and taking opportunities to consolidate stores where these exist, to enhance store profitability and returns. During the year we closed 31 stores, opened two new stores and relocated two stores, finishing the year with 313 Retail stores (2020 year end: 342 stores). We continue to target a core estate size of approximately 300 stores, having reduced the size of the estate from 372 units at the end of 2017. The reduction in store numbers has helped to drive incremental profits as we are able to transition sales from a closed store to other stores in the area.

We continue to actively manage our store estate, and our relatively short unexpired lease term to the next break opportunity of 3.3 years (2020: 3.4 years) provides us with good flexibility within our portfolio. Removing stores which are strategically important (where we have proactively taken longer terms to secure our tenure) from that calculation reduces the average unexpired lease term to break to 3.0 years (2020: 3.3 years). Of the 49 non-trading stores in the estate during 2021, 30 were disposed by year end, and 15 others have lease breaks in 2022.

This year we have also made substantial progress with our value offer. In our 2020 strategy review we identified an opportunity to take a greater share of the market for lower priced tiles, specifically one million square metres of tiles with a selling price of under £20 per square metre. As a result, we launched our 'Get the Look for Less' ranges, which we have extended further over time and from which we have seen good success in the year. We have also maintained keen pricing for essentials ranges, including bulk deals for trade customers, and delivered some compelling promotions, including 'up to 50%' off sales.

We are trialling a new 'Topps Tiles Clearance' concept, which gives us the opportunity to offer even better value to customers, whilst allowing us to clear discontinued lines and mixed batch stock, within the overall Topps Tiles brand. At the end of the year we had converted eight stores to this format with resulting like-for-like sales growth in excess of the overall estate.

Commercial: Parkside and Strata

The commercial tile market is significant, and fragmented – at around 45% of the overall UK tile market, in a normal year it is worth in excess of £400 million, with no company having a significant share – and with our entry into this market in 2017 we approximately doubled the size of our addressable market whilst maintaining our specialism in tiles and related products. Our entry started with the acquisition of the Parkside business in September 2017 and in April 2019 we purchased the Strata business which was complimentary to Parkside. Our strategy of "Disrupt and Construct" means that we plan to 'disrupt' the existing fragmented competitive landscape and put in place the building blocks to 'construct' a new market leader. Our tile expertise, supplier relationships, size and scale as a Group is central to this plan – giving us the resources to recruit a talented sales team, invest in market-leading pricing and access the broadest range of products, often on an exclusive basis.

<u>Progress and outlook</u>

We are continuing to build the capability and proposition of our Commercial business. There are now 59 colleagues in the business (2020: 52), including a sales force of 29 (2020: 26). We are establishing a strong reputation for quality and reliability with high levels of loyalty across different customer groups such as architects, designers and contractors.

Performance over the course of the year has varied, based on conditions in the various market sectors we service. Sales in the first half of £4.1 million were down 10% year on year, with a significant impact from the Covid-related disruption in key sectors such as hospitality and leisure during that time period. Sales in the second half were up 55% year on year, to finish the year at £8.6 million, 15% higher than 2020. This is a significant outperformance of the market, which was down 7.2% (source: ONS). Trading losses in the year were £1.6 million (2020: £1.9 million trading loss) however our Commercial business is scaled to construct a market leader and we continue to invest in people and resources to enable to grow significantly as key sectors fully re-open.

Environmental leadership is particularly important in the commercial market and we have made significant progress this year. Our Commercial business is now ISO14001 accredited, externally certifying that we have an effective environmental management system, we are leading the Group environmental engagement with the World Land Trust, we have launched new packaging for our samples made from 100% recycled and 100% recyclable material, we have worked with suppliers on launch of innovative new products such as Criaterra, a zero-waste tile made with 100% natural materials with a 90% energy saving over ceramic products, and we have relaunched our Clerkenwell showroom as a Sustainability and Design Studio, where we can showcase all of the innovative work we are doing in this area to our architect and designer client base.

At the end of the year, there are some positive signs for the recovery of key commercial market sectors such as travel and leisure, and our order bay is at its highest ever level. As a result, we are optimistic that next year our sales will materially move forward and trading losses will continue to narrow as we construct an industry-leading business.

Key Performance Indicators ("KPIs")

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

	53 weeks to 2 October 2021	52 weeks to 26 September 2020	YoY
Financial KPIs			
Group revenue growth year-on-year	18.3%	(12.0)%	n/a
Retail like-for-like sales growth year-on-year*	19.6%	(12.5)%	n/a
Group gross margin	57.3%	58.5%	(1.2)ppts
Adjusted profit before tax*	£15.3m	£3.6m	325.0%
Adjusted earnings per share*	6.13 pence	1.57 pence	290.4%
Adjusted net cash*	£27.8m	£26.0m	+£1.8m
Inventory days	123	134	(11)
Non-financial KPIs			
Retail customer overall satisfaction score	88.4%	88.5%	(0.1)ppts
Colleague turnover	31.2%	28.8%	2.4ppts
Carbon emissions per store (tonnes per annum)	27.2	24.7	10.1%
Number of retail stores at year end	313	342	(29)

* as defined in the Financial Review

Notes: Customer overall satisfaction scores are calculated from the responses we receive through our TileTalk customer feedback programme. Overall satisfaction (OSAT) is the percentage of customers that score us 5 in the scale of 1 – 5, where 1 is highly dissatisfied, and 5 is highly satisfied. Energy carbon emissions have been compiled in conjunction with our electricity and gas suppliers. This is based on the actual energy consumed multiplied by Environment Agency approved emissions factors. Vehicle emissions have been calculated by our in-house transport team based on mileage covered multiplied by manufacturer quoted emission statistics. The comparative period in 2020 includes a period of complete store closure due to Covid-19, resulting in lower emissions per store. Carbon emissions per store in 2019 were 32.0 tonnes per annum.

FINANCIAL REVIEW

Adjusted Measures

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

Adjusted profit before tax differs from the statutory profit before tax as it excludes the effect of one off or fluctuating items, allowing stakeholders to understand results across years in a more consistent manner. In the prior year we fully excluded the impact of IFRS 16 from adjusted profit. In 2021, we have included the business as usual impact of IFRS 16 in adjusted profit but continue to adjust for any impairment charges or impairment reversals of right of use assets, derecognition of lease liabilities where we have exited a store, significant transactions such as sale and lease backs and one-off gains and losses through sub-lets.

Analysis of movements from adjusted profit to statutory profit are detailed below, noting that we have updated the presentation of adjusting items to include the impact of IFRS16 in both periods, restating the 2020 comparative to be on a consistent basis:

	2021 £m	***2020 £m***
Adjusted profit before tax	***15.3***	***3.6***
Property		
- Impairment of property, plant, equipment	*(1.0)*	*(1.8)*
- Vacant property and closure costs	*(2.1)*	*(0.9)*
- Store closure impairments and lease gains and losses	*(0.2)*	*(5.0)*
*- IFRS16 BAU adjustments**	*nil*	*0.4*
	(3.3)	***(7.3)***
Commercial		
*- Commercial impairment of goodwill, intangibles and property, plant and equipment***	*nil*	*(5.6)*
	nil	***(5.6)***
Other		
- Costs related to business restructure	*nil*	*(0.5)*
*- Business rates relief from April to September 2021****	*2.3*	*nil*
	2.3	***(0.5)***
Statutory profit / (loss) before tax	***14.3***	***(9.8)***

** In the prior year we treated the total impact of IFRS16 as an adjusting item, in the current year we have taken the impact of IFRS16 business as usual into our adjusted profit.*

*** In the prior year, we impaired commercial goodwill, intangibles and property, plant and equipment, recognising the risk of a slower growth profile following the impact of Covid-19 on sectors that the Parkside and Strata businesses serve.*

**** In the second half year we have included a normal level of business rates expense within our adjusted profit to improve comparison with the prior year. Business rates relief of £6.7 million was received over the full year, including £2.3 million in the second half, which we estimate is significantly lower than the negative profit impact of trading restrictions during the year as a whole.*

STATEMENT OF FINANCIAL PERFORMANCE

Revenue

Total revenue for the period ended 2 October 2021 increased by 18.3% to £228.0 million (2020: £192.8 million). Revenue in the year was impacted by trading restrictions related to the Covid-19 pandemic in the second quarter, when homeowners were unable to go inside our stores and registered traders were only allowed to enter to visit the trade counter. The prior year was materially impacted by temporary store closures in the third quarter, also relating to the pandemic. In addition, there was a net closure of 29 Retail stores in the year.

Retail like-for-like sales were 19.6% higher than the prior year, which consisted of a 2.0% increase in the first half of the financial period and a 39.8% increase in the second half. The growth in the second half was comparing against a period which included a full store lockdown in 2020 during the first wave of the pandemic.

On a two-year basis, Retail like-for-like sales were up 6.3% against 2019, including a decline of 4.5% in the first half (which included the lockdown in the early part of 2021) and then very strong growth of 17.4% in the second half (which compares two periods without trading restrictions).

Sales to our Commercial customers were up 15% year on year to £8.6 million, with growth of 55% in the second half year as key sectors began to open up for business.

Gross Margin

Total gross margin was 57.3%, a decrease from 58.5% in the prior year.

Gross margin in the Retail business decreased from 59.2% in the prior year to 58.1% in the current year. This was driven by a continued focus on pricing competitiveness, changes in product mix, customer mix and NPD, and increased shipping costs, which became particularly significant in the second half year. Partially offsetting these downward pressures, there were lower expenses from stock provisions and delivery than in the prior year. The impact of foreign exchange movements on cost of goods sold this year was immaterial.

Operating Expenses

Operating expenses were £112.4 million compared to £118.8 million in FY20 however the year on year change is distorted as a result of significant one-off expenses in the prior year relating to the adoption of IFRS 16 and the impairment of Commercial assets. On an adjusted basis, operating expenses increased from £108.4 million in FY20 to £111.4 million in FY21.

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

- Underlying cost increases of £1.5 million, consisting of increases in the National Living Wage (£0.6 million), supply chain increases due to higher volumes and subcontractor costs (£2.3 million), employee profit share (£4.0 million) and other costs (£0.2 million) offset by lower costs due to fewer stores (£3.7 million) and the annualisation of cost reductions implemented in the previous year (£1.9 million);
- The reversal of the majority of the holiday pay accrual from the end of the prior year had the impact of decreasing adjusted operating costs by £3.6 million year on year;
- The impact of including IFRS 16 in adjusted operating costs is a decrease in costs of £3.3 million year on year;
- Changes in Government support have increased adjusted operating costs by £6.3 million year on year;
- The 53rd week in this accounting period increased costs by £2.1 million.

In FY20 our adjusted profit included £10.7 million of government support (through the Coronavirus Job Retention Scheme (CJRS) £5.3 million, Business Rates Relief £4.7 million and local authority Covid-19 grants of £0.7 million). In FY21, adjusted profit included £4.4 million of government support from Business Rates Relief. The Company has repaid all CJRS support relating to FY21. Business rates relief of £6.7 million was received over the full year, including £2.3 million in the second half, which we estimate is significantly lower than the negative profit impact of trading restrictions during the year as a whole.

Financing

Interest on bank loans and overdrafts, net of bank interest receivable, was £0.4 million (2020: £0.8 million). In 2020 the business moved to a net cash position, in part due to the sale of and leaseback our head office and central warehouse buildings for £18.1 million, and interest costs have fallen as we have repaid all outstanding loans and facilities in the year.

IFRS 16 has had the impact of increasing finance costs by £3.7 million, resulting in total net finance costs of £4.1 million (2020: £3.8 million).

Profit Before Tax

Profit before tax was £14.3 million (2020: £9.8 million loss).

Excluding the adjusting items detailed above, profit before tax was £15.3 million (2020: £3.6 million). The Group adjusted profit before tax margin was 6.7% (2020: 1.9%).

Tax

The effective rate of corporation tax for the period was 23.6% (2020: 18.4%).

Earnings Per Share

Basic earnings per share were 5.59 pence (2020: loss of 4.11 pence). Diluted earnings per share were 5.52 pence (2020: loss of 4.11 pence). Excluding adjusting items, adjusted earnings per share were 6.13 pence (2020: 1.57 pence).

Dividend and Dividend Policy

Following consideration of the financial position and performance of the Group, the Board has decided to propose the resumption of dividend payments and to readopt the previous policy of paying approximately half of adjusted EPS as dividends. Moving forward, the interim dividend would be set at approximately one third of the prior full year dividend. The Group will evaluate its capital allocation policy in the coming year.

This year, the Board is recommending to shareholders a final dividend of 3.1 pence per share, which will cost £6.1 million. The shares will trade ex-dividend on 23 December 2021 and, subject to approval at the Annual General Meeting, the dividend will be paid on 31 January 2022.

STATEMENT OF FINANCIAL POSITION

Capital Expenditure

Capital expenditure in the period amounted to £4.7 million (2020: £4.4 million excluding freehold acquisition in the prior year), an increase of 7% year on year.

Key investments are as follows:

- New retail stores £1.0 million - four new openings (including two relocations) (2020: £1.3 million)
- Store improvements, merchandising and maintenance £0.8 million (2020: £0.9 million)
- LED store improvement programme £2.3 million (2020: £0.6 million)
- Central office refurbishment nil (2020: £1.3 million)
- Group IT developments (including web site) £0.3 million (2020: £0.3 million)
- Other expenditure £0.3 million (2020: nil)

In the prior year we also purchased two freehold properties for £2.3 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. Any acquisitions that the Group may consider as part of its growth plans would be additional to this guidance.

Acquisitions & Disposals

During the year we disposed of three freehold properties for £2.1 million, two of which that were held for sale at the end of 2020. In the prior year we entered into a sale and leaseback arrangement for our head office and central warehouse buildings for a price of £18.1 million before costs (£17.9 million net of costs).

At the period end the Group held two freehold or long leasehold sites, with a total carrying value of £1.0 million (2020: five freehold or long leasehold sites valued at £3.1 million). The carrying value is based on the historic purchase cost and capital expenditure less accumulated depreciation.

Inventory

Inventory at the period end was £32.8 million (2020: £29.3 million) representing 123 days turnover (2020: 134 days turnover). The higher levels of stock at year end reflect a decision to hold additional stock in light of supply chain challenges. Stock days in 2020 were higher than normal due to lower sales following lockdown restrictions.

Cash flow

On a statutory basis, net cash from operating activities was £26.7 million, compared to £51.0 million in the prior year period.

The table below analyses changes in adjusted net cash flow and has been prepared on a post IFRS16 basis, with 2020 values restated to aid comparability:

	2021	2020
	£m	£m
Cash generated by operations before WC movements	47.0	35.1
Changes in working capital	(14.6)	20.8
Interest including interest element of lease liabilities	(4.2)	(3.9)

Tax	(1.5)	(1.0)
Net cash from operating activities	26.7	51.0
Capital expenditure excluding investments	(4.7)	(4.4)
Freehold and leasehold investments	-	(2.3)
Disposals	2.1	18.6
Payment of capital element of lease liabilities	(23.0)	(21.5)
Other	0.7	0.4
Free cash flow	1.8	41.8
Dividends	0.0	(4.5)
Change in adjusted net cash	1.8	37.3
Adjusted net cash at end of period	27.8	26.0

Adjusted net cash increased by £1.8 million (2020: £37.3 million). This increase included a £10.7 million negative impact within working capital caused by two specific factors which are not representative of the underlying cash performance of the period:

- the change of the financial year end due to the 53rd trading week, resulted in a £7 million cash outflow in the final days of the period as a result of the timing of supplier payment runs and our payroll; and
- we repaid VAT of £3.7 million deferred from 2020 as part of the Government's Covid-19 support package.

Working capital also includes an outflow due to stock movements of £3.4 million as we chose to hold higher levels of key stock lines as part of our response to the global supply chain challenges.

Cash and cash equivalents at the period end were £27.8 million (2020: £31.0 million) with nil borrowings (2020: £5.0 million), resulting in adjusted net cash of £27.8 million (2020: £26.0 million).

Return on Capital Employed

As a result of strong cash generation as well as the store consolidation programme, over the two year period from 2019 to 2021, the Group's lease adjusted return on capital employed (LAROCE) has improved from 13.1% to 17.5%, whilst lease adjusted capital employed has reduced by £43 million.

Banking Facilities

The Group has a £39.0 million revolving credit facility in place which is committed to July 2023 (2020: £39.0 million). At the year end, none of this was drawn (2020: nil). During 2021, we repaid £5.0 million and cancelled a further £5.0 million of credit facilities through the Coronavirus Large Business Interruption Loan Scheme and none of these facilities remain active at the end of the period (2020: £5.0 million drawn). As a result, the Group had £39.0 million of undrawn committed banking facilities at the end of the financial year.

Current Trading and Outlook

In the first eight weeks of the new financial year, trading has remained robust. However, macroeconomic indicators such as consumer confidence have softened and global supply chain challenges and cost inflation will continue to provide trading headwinds. Against this backdrop, Retail like-for-like sales have increased by 18.4% on a two-year basis and decreased by 0.7% on a one-year basis. We remain confident that our market-leading Retail offer and Commercial growth strategy, along with our flexible supply chain and balance sheet strength, give us a solid platform from which to deliver sustainable long-term growth.

Going concern

When considering the going concern assertion, the Board reviews several factors including a review of risks and uncertainties, the ability of the Group to meet its banking covenants and operate within its banking facilities based on current financial plans, along with a detailed review of a more pessimistic trading scenario that was deemed severe but plausible. The more pessimistic trading scenario was based on a further national lockdown related to the Covid-19 pandemic during quarter 2 of FY22 that would see our Retail stores closed to homeowners for a further three months.

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

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

Long Term Viability

The Board have also considered the Longer Term Viability (“LTV”) of the business. Based on this review, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next four years. The full LTV statement can be found in our Annual Report.

Rob Parker

Chief Executive Officer

30 November 2021

Stephen Hopson

Chief Financial Officer

Unaudited Consolidated Statement of Financial Performance

FOR THE 53 WEEKS ENDED 2 OCTOBER 2021

	Notes	**53 weeks ended 2 October 2021 £'000**	52 weeks ended 26 September 2020 £'000
Group revenue	3	**227,997**	192,813
Cost of sales		**(97,297)**	(80,001)
Gross profit		**130,700**	112,812
Distribution and selling costs		**(83,591)**	(80,971)
Other operating expenses		**(6,100)**	(10,105)
Administrative costs		**(18,100)**	(23,178)
Sales and marketing costs		**(4,564)**	(4,587)
Group operating profit/(loss)		**18,345**	(6,029)
Finance income	6	**87**	101
Finance costs	6	**(4,158)**	(3,901)
Profit/(loss) before taxation	4	**14,274**	(9,829)
Taxation	7	**(3,370)**	1,811
Profit/(loss) for the period		**10,904**	(8,018)
Profit/(loss) is attributable to:			
Owners of Topps Tiles Plc		**10,876**	(7,966)
Non-controlling interests		**28**	(52)
		10,904	(8,018)

All results relate to continuing operations of the Group.

	Notes	**53 weeks ended 2 October 2021**	52 weeks ended 26 September 2020
Earnings per ordinary share:			
- Basic	9	**5.59p**	(4.11)p
- Diluted	9	**5.52p**	(4.11)p

Unaudited Consolidated Statement of Comprehensive Income

FOR THE 53 WEEKS ENDED 2 OCTOBER 2021

	53 weeks ended 2 October 2021 £'000	52 weeks ended 26 September 2020 £'000
Profit/(loss) for the period	**10,904**	(8,018)
Total comprehensive income/(expense) for the period is attributable to:		
Owners of Topps Tiles Plc	**10,876**	(7,966)
Non-controlling interests	**28**	(52)
	10,904	(8,018)

Unaudited Consolidated Statement of Financial Position

AS AT 2 OCTOBER 2021

	Notes	**2021 £'000**	2020 £'000
Non-current assets			
Goodwill		**-**	-
Intangible assets		**1,243**	916
Property, plant and equipment		**23,680**	27,170
Investment properties		**-**	-
Other financial assets		**2,335**	2,749
Deferred tax assets		**407**	1,406
Right-of-use assets		**95,418**	106,258
		123,083	138,499
Current assets			
Assets classified as held for sale		**-**	1,786
Inventories		**32,758**	29,337
Other financial assets		**518**	873
Trade and other receivables		**4,538**	3,567
Cash and cash equivalents	10	**27,789**	31,018
		65,603	66,581
Total assets		**188,686**	205,080
Current liabilities			
Bank loans	11	**-**	(4,981)
Trade and other payables		**(47,425)**	(58,446)
Lease liabilities		**(19,521)**	(25,520)
Current tax liabilities		**(2,027)**	(1,114)
Provisions		**(353)**	(462)
		(69,326)	(90,523)
Net current liabilities		**(3,723)**	(23,942)
Non-current liabilities			
Lease liabilities		**(91,817)**	(98,636)
Provisions		**(1,969)**	(1,867)
Total liabilities		**(163,112)**	(191,026)
Net assets		**25,574**	14,054
Equity			
Share capital		**6,555**	6,548
Share premium		**2,625**	2,492
Own shares		**(1,216)**	(1,483)
Merger reserve		**(399)**	(399)
Share-based payment reserve		**4,642**	3,965
Capital redemption reserve		**20,359**	20,359
Accumulated losses		**(6,992)**	(17,400)
Capital and reserves attributable to owners of Topps Tiles Plc		**25,574**	14,082
Non-controlling interests		**-**	(28)
Total equity		**25,574**	14,054

Unaudited Consolidated Statement of Changes in Equity

FOR THE 53 WEEKS ENDED 2 OCTOBER 2021

	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Accumulated losses £'000	Non-controlling interest £'000	Total equity £'000
Balance at 29 September 2019	**6,548**	**2,490**	**(1,548)**	**(399)**	**3,962**	**20,359**	**(4,783)**	**(2)**	**26,627**
Loss and total comprehensive expense for the period	-	-	-	-	-	-	(7,966)	(52)	(8,018)
Dividends	-	-	-	-	-	-	(4,484)	-	(4,484)
Issue of share capital	-	2	-	-	-	-	-	-	2
Own shares issued in the period	-	-	65	-	-	-	(65)	-	-
Credit to equity for equity-settled share-based payments	-	-	-	-	3	-	-	-	3
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(2)	-	(2)
Acquisition of non-controlling interest on business combination	-	-	-	-	-	-	(100)	26	(74)
Balance at 26 September 2020	**6,548**	**2,492**	**(1,483)**	**(399)**	**3,965**	**20,359**	**(17,400)**	**(28)**	**14,054**
Profit and total comprehensive income for the period	-	-	-	-	-	-	10,876	28	10,904
Dividends	-	-	-	-	-	-	-	-	-
Issue of share capital	7	133	-	-	-	-	-	-	140
Own shares issued in the period	-	-	267	-	-	-	(267)	-	-
Credit to equity for equity-settled share-based payments	-	-	-	-	677	-	-	-	677
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(47)	-	(47)
Acquisition of non-controlling interest on business combination	-	-	-	-	-	-	(154)	-	(154)
Balance at 2 October 2021	**6,555**	**2,625**	**(1,216)**	**(399)**	**4,642**	**20,359**	**(6,992)**	**-**	**25,574**

Unaudited Consolidated Cash Flow Statement

FOR THE 53 WEEKS ENDED 2 OCTOBER 2021

	53 weeks ended 2 October 2021 £'000	52 weeks ended 26 September 2020 £'000
Cash flow from operating activities		
Profit/(loss) for the period	**10,904**	(8,018)
Taxation	**3,370**	(1,811)
Finance costs	**4,158**	3,901
Finance income	**(87)**	(101)
Group operating profit/(loss)	**18,345**	(6,029)
Adjustments for:		
Depreciation of property, plant and equipment	**6,268**	7,145
Depreciation of right-of-use assets	**20,508**	21,080
Amortisation of intangible assets	**186**	477
Loss on disposal of property, plant and equipment	**1,736**	338
Loss/(gain) on sublease	**134**	(150)
Impairment (reversal)/charge of property, plant and equipment	**(604)**	1,155
Fair value adjustment for asset held for sale	**-**	558
Impairment of right-of-use assets	**2,402**	5,411
Impairment of goodwill	**-**	3,104
Impairment of intangible assets	**-**	1,687
Gain on lease disposal	**(2,563)**	(388)
Receipt of lease incentives	**-**	173
Loss on disposal of investment properties	**-**	483
Share option charge	**677**	3
Decrease in trade and other receivables	**7**	252
(Increase)/decrease in inventories	**(3,421)**	1,589
(Decrease)/increase in payables	**(11,209)**	18,990
Cash generated by operations	**32,466**	55,878
Interest paid	**(468)**	(856)
Interest element of lease liabilities paid	**(3,728)**	(3,033)
Taxation paid	**(1,535)**	(999)
Net cash from operating activities	**26,735**	50,990
Investing activities		
Interest received	**11**	20
Interest received on sublease assets	**76**	81
Receipt of capital element of sublease assets	**629**	343
Purchase of property, plant and equipment	**(4,221)**	(6,290)
Purchase of intangibles	**(513)**	(417)
Proceeds on disposal of property, plant and equipment	**2,096**	18,552
Acquisition of subsidiary, net of cash acquired	**(154)**	(74)
Net cash (used in)/generated from investment activities	**(2,076)**	12,215
Financing activities		
Payment of capital element of lease liabilities	**(23,026)**	(21,452)
Dividends paid	**-**	(4,484)
Proceeds from issue of share capital	**133**	2
Drawdown of bank loans	**-**	20,000
Repayment of bank loans	**(4,995)**	(45,000)
Net cash used in financing activities	**(27,888)**	(50,934)
Net (decrease)/increase in cash and cash equivalents	**(3,229)**	12,271
Cash and cash equivalents at beginning of period	**31,018**	18,747
Cash and cash equivalents at end of period	**27,789**	31,018

Notes to the Unaudited Financial Statements

FOR THE 53 WEEKS ENDED 2 OCTOBER 2021

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 consolidated financial statements are unaudited and do not constitute statutory accounts of the Company within the meaning of Section 434(3) of the companies Act 2006. Statutory accounts for the year ended 26 September 2020 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

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

ADOPTION OF NEW AND REVISED STANDARDS

In the current period, there were no new or revised standards and interpretations adopted that have a material impact on the financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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.

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

Amendments to IFRS 16 – COVID-19 concessions

2 ACCOUNTING POLICIES

The principal accounting policies adopted are set out below.

A) BASIS OF ACCOUNTING

These condensed financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (‘IFRS’) and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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.

B) GOING CONCERN

When considering the going concern assertion, the Board reviews several factors including a review of risks and uncertainties, the ability of the Group to meet its banking covenants and operate within its banking facilities based on current financial plans, along with a detailed review of a more pessimistic trading scenario that was deemed severe but plausible. The more pessimistic trading scenario was based on a further national lockdown related to the Covid-19 pandemic during quarter 2 of FY22 that would see our Retail stores closed to homeowners for a further three months.

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

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

C) 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 control 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 could 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.

D) TAXATION

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of financial performance because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

E) 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.

Employee profit sharing costs are classified as distribution and selling costs and administrative costs.

3 REVENUE

An analysis of Group revenue is as follows:

	53 weeks ended 2 October 2021 £'000	52 weeks ended 26 September 2020 £'000
Revenue from the sale of goods	**227,997**	192,813
Total revenue	**227,997**	192,813

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

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 PROFIT/(LOSS) BEFORE TAXATION

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

	53 weeks ended 2 October 2021 £'000	52 weeks ended 26 September 2020 £'000
Depreciation of property, plant and equipment	**6,268**	7,145
Depreciation of right-of-use assets	**20,508**	21,080
Impairment (reversal)/charge of property, plant and equipment	**(604)**	1,155
Fair value adjustment for asset held for sale	**-**	558
Impairment of right-of-use assets	**2,402**	5,411
Loss on disposal of property, plant and equipment	**1,736**	338
Amortisation of intangibles	**186**	477
Impairment of intangibles	**-**	1,687
Impairment of goodwill	**-**	3,104
Loss on disposal of investment properties	**-**	483
Staff costs (see note 5)	**57,955**	49,638
Furlough income received	**-**	(5,228)
Government grants received	**-**	(700)
Exchange losses recognised in profit or loss	**145**	94
Write-down of inventories recognised as an expense	**4,598**	4,331
Cost of inventories recognised as an expense	**92,554**	75,573

During the year the business disposed of three freehold properties (2020: three freehold properties).

Analysis of the auditors' remuneration is provided below:

	53 weeks ended 2 October 2021 £'000	52 weeks ended 26 September 2020 £'000
Fees payable to the Company's auditors with respect to the Company's annual accounts	**74**	49
Fees payable to the Company's auditors and their associates for other audit services to the Group:		
Audit of the Company's subsidiaries pursuant to legislation	**229**	184
Total audit fees	**303**	233
Total non-audit fees	**0**	0
Total fees payable to the Company's auditors	**303**	233

5 STAFF COSTS

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

	53 weeks ended 2 October 2021 Number employed	52 weeks ended 26 September 2020 Number employed
Selling	**1,533**	1,661
Administration	**314**	340
	1,847	2,001

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

	53 weeks ended 2 October 2021 Number employed	52 weeks ended 26 September 2020 Number employed
Selling	**1,455**	1,573
Administration	**283**	332
	1,738	1,905

	2021 £'000	2020 £'000
Their aggregate remuneration comprised:		
Wages and salaries (including LTIP)	**52,348**	44,865
Social security costs	**4,498**	3,779
Other pension costs	**1,109**	994
	57,955	49,638

6 FINANCE INCOME AND FINANCE COSTS

	53 weeks ended 2 October 2021 £'000	52 weeks ended 26 September 2020 £'000
Finance Income		
Bank interest receivable	**11**	20
Interest income from finance lease receivables	**76**	81
	87	101
Finance costs		
Interest on bank loans and overdrafts	**(430)**	(868)
Interest payable on lease liabilities	**(3,728)**	(3,033)
	(4,158)	(3,901)

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.

7 TAXATION

	53 weeks ended 2 October 2021 £'000	52 weeks ended 26 September 2020 £'000
Current tax – debit/(credit) for the period	**2,418**	(48)
Current tax - adjustment in respect of previous periods	**-**	134
Deferred tax – debit/(credit) for the period	**1,234**	(2,028)
Deferred tax - adjustment in respect of previous periods	**145**	42
Effect of tax rate change on opening balance	**(427)**	89
	3,370	(1,811)

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

	53 weeks ended 2 October 2021 £'000	52 weeks ended 26 September 2020 £'000
Continuing operations:		
Profit/(loss) before taxation	**14,274**	(9,829)
Tax at the UK corporation tax rate of 19.0% (2020: 19.0%)	**2,712**	(1,868)
Expenses that are not deductible in determining taxable profit	**11**	966
Other movements	**(36)**	(49)
Fixed asset timing differences	**739**	(1,104)
Difference between IFRS 2 and corporation tax relief	**-**	(7)
(Reduction)/increase in UK corporation tax rate	**(29)**	91
Non-taxable income	**(172)**	(17)
Tax effect of adjustment in respect of prior periods	**145**	177
Tax expense for the period	**3,370**	(1,811)

In the period, the Group has recognised a corporation tax credit directly to equity of £nil (2020: £nil) and a deferred tax charge to equity of £46,701 (2020: £1,622) in relation to the Group's share option schemes.

The Group continue to fully provide within current tax liabilities for a historic tax claim relating to EU loss relief in relation to the closed Dutch business of £988,000 (2020: £957,000).

8 DIVIDENDS

Amounts recognised as distributions to equity holders in the period:

	53 weeks ended 2 October 2021 £'000	52 weeks ended 26 September 2020 £'000
Final dividend for the period ended 26 September 2020 of £0.000 (2019: £0.023) per share	**-**	4,484
Interim dividend for the period ended 2 October 2021 of £0.000 (2020: £0.000) per share	**-**	-
	-	4,484

Proposed final dividend for the period ended 2 October 2021 of £0.031 (2020: £0.000) per share	**6,057**	-

The proposed final dividend for the period ended 2 October 2021 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

9 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.

	53 weeks ended 2 October 2021	52 weeks ended 26 September 2020
Weighted average number of issued shares for basic earnings per share	**196,508,867**	196,443,323
Weighted average impact of treasury shares for basic earnings per share	**(1,344,844)**	(1,472,264)
Total weighted average number of shares for basic earnings per share	**195,164,023**	194,971,059
Weighted average number of shares under option	**2,274,713**	-
For diluted earnings per share	**197,438,736**	194,971,059

	53 weeks ended 2 October 2021 £'000	52 weeks ended 26 September 2020 £'000
Profit/(loss) for the period	**10,904**	(8,018)
Adjusting items	**1,067**	11,076
Adjusted profit for the period	**11,971**	3,058
Earnings per ordinary share - basic	**5.59p**	(4.11)p
Earnings per ordinary share – diluted	**5.52p**	(4.11)p
Earnings per ordinary share - adjusted	**6.13p**	1.57p

The calculation of the basic and diluted earnings per share used the denominators as shown above for both basic and diluted earnings per share. The number of potentially exercisable shares is 2,274,713 (2020: 1,758,101 anti-dilutive shares).

Adjusted earnings per share were calculated after adjusting for the post-tax impact of the following items: rates relief from April 2020 to September 2021 £1,839,000 benefit (2020: £nil), impairment of property, plant, equipment and movement in onerous lease provision of £1,202,000 (2020: £1,781,000), vacant property costs for stores closed as part of store reduction programme of £1,704,000 (2020: £771,000), IFRS 16 one off changes including the impairment of closure programme stores of £nil (2020: £2,474,000), commercial impairment £nil (2020:£5,618,000) and restructuring costs £nil (2020:£432,000).

10 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:

	2021 £'000	2020 £'000
Sterling	**27,064**	28,862
US dollar	**495**	1,701
Euro	**230**	456
Total cash and cash equivalents	**27,789**	31,018

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.

11 BANK LOANS

	2021 £'000	2020 £'000
Bank loans (all sterling)	**(106)**	4,866

	2021 £'000	2020 £'000
The borrowings are repayable as follows:		
On demand or within one year	**-**	5,000
Less: total unamortised issue costs	**(106)**	(134)
	(106)	4,866
Issue costs to be amortised within 12 months	**36**	115
Amount due for settlement within 12 months	**-**	4,981

The Directors consider that the carrying amount of the bank loan at 2 October 2021 and 26 September 2020 approximates to its fair value since the amounts relate to floating rate debt.

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

	2021 %	2020 %
Loans	**-**	2.11

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:

	Lease liabilities £'000	Current borrowings £'000	Non-current borrowings £'000	Unamortised issue costs £'000
As at 29 September 2019	128,245	-	30,000	(238)
Repayment of bank loan	-	(1,000)	(44,000)	-
Drawdown of bank loan	-	6,000	14,000	-
Repayment of lease liabilities	(24,484)	-	-	-
Additions/disposals of lease liabilities	17,362	-	-	-
Interest accrued on lease liabilities	3,033	-	-	-
Issue costs incurred in the year	-	-	-	(22)
Amortisation of issue costs	-	-	-	126
As at 26 September 2020	**124,156**	**5,000**	**-**	**(134)**
Repayment of bank loan	-	(5,000)	-	-
Drawdown of bank loan	-	-	-	-
Repayment of lease liabilities	(26,754)	-	-	-
Additions/disposals of lease liabilities	10,208	-	-	-
Interest accrued on lease liabilities	3,728	-	-	-
Issue costs incurred in the year	-	-	-	(98)
Amortisation of issue costs	-	-	-	126
As at 2 October 2021	**111,338**	**-**	**-**	**(106)**

The Group has a revolving credit facility to June 2023 of £39.0 million. As at the financial period end, £nil of this was drawn (2020: £nil). The loan facility contains financial covenants which are tested on a bi-annual basis. The Group did not breach any covenants in the period.

During the year the Group repaid the remaining £5.0 million loan relating to the Coronavirus Large Business Interruption Loan Scheme ("CLBILS"), which facilitated access to finance for medium-sized and larger businesses affected by the coronavirus outbreak. The Group had a credit facility to June 2021 of £10.0 million, which has now expired.

At 2 October 2021, the Group had available £39.0 million (2020: £44.0 million) of undrawn committed banking facilities.