23 May 2017

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

UNAUDITED INTERIM REPORT FOR THE 26 WEEKS ENDED 1 APRIL 2017

Solid performance in a more challenging market, continued investment for growth

HIGHLIGHTS

Topps Tiles Plc, the UK’s largest tile specialist, announces its interim results for the 26 weeks ended 1 April 2017.

	26 weeks ended 1 April 2017	**26 weeks ended 2 April 2016**	**YoY**
Group revenue	£106.6 million	£108.0 million	(1.3)%
Like-for-like revenue growth year-on-year[1]	(1.9)%	+4.7%	
Gross margin	61.2%	61.5%	(30)bps
Adjusted operating profit[2]	£10.6 million	£10.9 million	(2.8)%
Adjusted profit before tax[3]	£10.1 million	£10.3 million	(1.9)%
Adjusted earnings per share[4]	4.11p	4.29p	(4.2)%
Interim dividend per share	1.1p	1.0p	+10%
Net debt[5]	£26.6 million	£28.4 million	(£1.8 million)
<u>Statutory Measures</u>			
Operating profit	£10.0 million	£10.4 million	(3.8)%
Profit before tax	£9.5 million	£10.1 million	(5.9)%
Basic earnings per share	3.86p	4.17p	(7.4)%

Financial Highlights

- Solid performance in a more challenging market and against strong comparatives from 2016 when sales benefited from changes to Stamp Duty, resulting in total sales decline of 1.3%, with like-for-like sales decline of 1.9%
- Gross margin of 61.2% (2016: 61.5%), underlying gross margin broadly in line with the prior year (excluding the impact of double running costs linked to the introduction of the new Rewards+ trade loyalty scheme)
- Adjusted profit before tax of £10.1 million (2016: £10.3 million)
- Cash generated by operations (excluding movements in working capital) of £13.7 million (2016: £13.8 million)
- Net debt reduced by £1.8 million year-on-year to £26.6 million
- Interim dividend increased by 10% to 1.1p (2016: 1.0p) reflecting the Board’s confidence in the longer term outlook

Operational Highlights

- Net eight new core stores opened during the period delivering strong performance and returns, with 359 stores trading at period end (2016: 342 stores)
- Further c.10 new stores planned for H2, with maturity target of 450 UK stores

- Continued new product development – 10.2% of tile revenues generated from ranges launched in the last 12 months (2016: 8.7%)
- Successful launch of new employer brand – job applications up 40% compared to prior year
- Trade sales increased to 53.6% of total (2016: 51.0%) driven by accelerating "do it for me" trend and growth of new Rewards+ trade loyalty scheme

Current Trading and Outlook

- Trading in the second half to date has, as expected, been more challenging as a result of a weaker macro environment this year and a continuation of the particularly strong comparatives from the prior year when sales were boosted by changes to Stamp Duty.
- Like for like sales over the 7 weeks to 20 May 2017 (adjusted for the impact of one less trading day resulting from the effect of the later Easter in 2017) decreased by 5.8%[6] (2016: increased by 8.4%).
- Taking a prudent view of the second half outlook, Management expect pre-tax profits for the full year are likely to be towards the lower end of the range of market expectations[7].

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

"Our results for the first half reflect the more challenging macro-economic environment we have traded through so far in 2017 and the strong performance we delivered in the corresponding period in 2016 when housing transactions were boosted ahead of the changes to Stamp Duty. While these tougher comparatives begin to ease from the end of June, the key macro indicators for our market are weaker year-on-year and we are taking a prudent view of the second half prospects.

"Against this background, we remain confident in the longer term outlook for the business, as evidenced by the 10% increase in the interim dividend. We will continue to focus on executing our proven strategy of "Out-Specialising The Specialists" and to invest in important sources of future growth. In particular, our recently completed analysis of the UK commercial tile market has confirmed it as attractive and we are now evaluating a number of small acquisition opportunities to increase our reach into this part of the market."

Notes

[1] *Like-for-like sales revenues are defined as sales from stores that have been trading for more than 52 weeks.*
[2] *Adjusted operating profit is adjusted for business restructuring costs of £0.2 million and loss on disposal of plant, property and equipment of £0.4 million. The prior interim operating profit was adjusted for business restructuring costs of £0.4 million, and loss on disposal of plant, property and equipment of £0.1 million.*
[3] *The prior year adjusted profit before tax was adjusted for the effect of the items above plus £0.2 million non-cash gain relating to forward currency contracts the Group (defined as Topps Tiles Plc and all its subsidiaries) has in place (per IAS 39).*
[4] *Adjusted for the post tax effect of the above items.*
[5] *Net debt is defined as bank loans, before amortised issue costs (note 6) and less cash and cash equivalents.*
[6] *Current trading LFL sales growth was impacted by one less trading day due to the later Easter in 2017. We estimate this decreased LFL sales growth in the seven week current trading period by c.1.0% and have adjusted accordingly.*
[7] *The range of market expectations for adjusted profit before tax for the year ended 30 September 2017 is £21.0m to £22.1m.*

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

UNAUDITED INTERIM REPORT

The Group's strategy of "Out Specialising the Specialists" remains at the heart of what we do. This is focussed on offering customers outstanding value for money through an industry-leading product range, world class customer service and multichannel convenience. Whilst market conditions have provided a more challenging backdrop over the first half we remain confident in the longer term outlook for the business as our competitive position continues to strengthen.

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

Income Statement

Overall, first half revenue decreased by 1.3% to £106.6 million (2016: £108.0 million), with sales on a like-for-like basis decreasing by 1.9%. We estimate the later Easter in 2017 had a small favourable impact on the first half trading results, increasing like-for-like sales growth by c. 0.3%. The key macro indicators for our market are consumer confidence, house prices and housing transactions. All of these measures were weaker in the first half than they were in 2016 when stamp duty changes were helping to accelerate housing transactions and we reported strong like-for-like sales growth.

Gross margin for the period was 61.2% (2016: 61.5%). The 30bps reduction over the interim period is in line with management's expectations for the year and includes a 20bps impact resulting from the launch of our new Trade Rewards+ loyalty programme. This impact resulted from a period of double running costs associated with the close out of the previous trade loyalty scheme and the launch of the new scheme and as such is a one off cost. The adverse impact of the devaluation of sterling has been a key area of focus and the business has been successful in offsetting the majority of this through supplier negotiations, improved sourcing, new product development and exclusivity.

Operating costs were £55.2 million, compared to £56.0 million over the same period in the prior year. On an adjusted basis (excluding one-off charges as defined in the highlights section) operating costs were £54.6 million, compared to £55.6 million in the prior year. The principal drivers of the decreased costs are as follows:

- Employee profit share decreased by £2.6 million as a result of the weaker sales performance, this covers a range of incentives from store commissions through to long term incentive plans;
- There was a reduction in sales and marketing costs of £0.6 million and a reduction in other costs of £0.4 million;
- These decreases were partly offset by an increase in the number of stores trading (an average of 355 stores vs 342 in the prior year) which generated an additional £1.5 million of costs;
- Inflation accounted for an increase of £0.9 million, and;
- There was also an increase in depreciation costs of £0.2 million resulting from greater levels of investment in the business.

Operating profit for the period was £10.0 million (2016: £10.4 million). On an adjusted basis operating profit was £10.6 million (2016: £10.9 million), a 2.8% decrease year-on-year.

The net interest charge for the Group was £0.5 million (2016: £0.4 million). In the prior period we adjusted for a £0.2 million non-cash gain relating to forward currency contracts the Group (defined as Topps Tiles Plc and all its subsidiaries) has in place. On an adjusted basis, the net interest charge was £0.5 million (2016: £0.6 million).

Adjusted profit before tax was £10.1 million (2016: £10.3 million), representing a decrease of 1.9% year-on-year.

When adjusting items are included, the statutory measure of profit before tax for the Group was £9.5 million (2016: £10.1 million). Adjusting items are detailed through the interim report and in the notes to the highlights section and include charges against the impairment or loss on disposal of plant, property and equipment, business restructuring charges and onerous lease charges. In the prior year these also included the fair value (non-cash) movements in the mark to market valuation of forward currency contracts (as explained in net interest above). The Board consider the adjusted measure of pre tax profit is useful to investors to help them understand the underlying performance of the business when one off or non-repeating costs are removed.

The effective tax rate for the 26 weeks to 1 April 2017 was 21.9% (2016: 20.3%). The full year effective tax rate is expected to be similar to the interim tax rate (2016: full year 22.3%). The prior year tax rate was based on estimates which proved to be too low and were revised upwards, hence the increase to the full year rate in the prior year.

Basic earnings per share were 3.86p (2016: 4.17p). Adjusting for the post tax impact of the items detailed in notes 2-4 in the highlights section the adjusted basic earnings per share were 4.11p (2016: 4.29p), a decrease of 4.2%.

Financial Position

Capital expenditure (excluding freehold acquisitions) in the period amounted to £4.1 million (2016: £4.5 million). The majority of this expenditure in the period relates to new store openings and store refits. Our plans for the remainder of the year are to continue investing in these important sources of future growth at a similar rate.

The Group currently owns nine freehold or long leasehold sites (2016: eight), including one warehouse and distribution facility, with a total net book value of £15.9 million (2016: £16.3 million).

Net cash from operating activities over the period was £7.1 million, compared to £11.0 million in the prior year period, a decrease of £3.9 million. The cash generated from operations, excluding movements in working capital, was stable when compared to the prior period at £13.7 million (2016: £13.8 million). The reduction in cashflow was primarily driven by a £2.9 million payment to HRMC for the closure of legacy enquiries and a small increase in inventory over the period.

At the period end cash and cash equivalents for the Group were £13.4 million (2016: £11.6 million) and borrowings were £40.0 million (2016: £40.0 million), giving a net debt position of £26.6 million (2016: £28.4 million).

The Group has £50.0 million (2016: £50.0 million) of loan facilities in place which are non-amortising and committed to June 2019.

At the period end the Group had £26.9 million of inventories (2016: £27.2 million) which represented 121 days cover (2016: 121 days).

Key Performance Indicators

As set out in our most recent annual report, we monitor our performance in implementing our strategy with reference to a clearly defined set of key performance indicators (“KPIs”). These KPIs are applied on a Group-wide basis. Our performance in the 26 weeks ended 1 April 2017 is set out in the table below. The source of data and calculation methods are consistent with those used in the 2016 annual report.

Results for the 26 weeks ended 1 April 2017
Highlights

Financial KPIs	**26 weeks to 1 April 2017**	**26 weeks to 2 April 2016**
Like-for-like revenue year-on-year	**-1.9%**	**4.7%**
Total sales growth year-on-year	**-1.3%**	**3.8%**
Gross margin	**61.2%**	**61.5%**
Adjusted operating profit *	**£10.6m**	**£10.9m**
Adjusted profit before tax *	**£10.1m**	**£10.3m**
Net debt	**£26.6m**	**£28.4m**
Adjusted earnings per share *	**4.11p**	**4.24p**
Stock days	**121**	**121**

Non Financial KPIs	26 weeks to 1 April 2017	26 weeks to 2 April 2016
Net Promoter Score **	69%	69%
Colleague turnover	32.2%	29.5%
Number of stores at period end	359	342

Note – market share is calculated on an annual basis so there is no update at the interim stage. As at year end 1 October 2016 the share of the overall UK tile market (domestic & commercial sectors) was estimated at 17.7%.
* As explained on page 2 in notes 2-4
** Net Promoter Score is calculated based on customer feedback to the question of how likely they are to recommend Topps Tiles to friends or colleagues. The scores are based on a numerical scale from 0-10 which allows customer to be split into promoters (9 -10), passives (7-8) and detractors (0-6). The final score is based on the percentage of promoters minus the percentage of detractors.

Dividend

The Board is pleased to declare an increased interim dividend of 1.1 pence per share (2016: 1.0 pence per share). The shares will trade ex-dividend on 15 June 2017 and the dividend will be paid on 14 July 2017 to shareholders on the register at 16 June 2017. The company previously indicated a target of 2x dividend cover and expects to achieve this by the period ended September 2018.

Strategic & Operational Review

The primary goal for the business is to generate profitable sales growth and our strategy to achieve this is one of “Out Specialising the Specialists”. This recognises that the other specialist tile retailers in our market are often our strongest competitors and by ensuring we are more competitive than them we will continue to take market share from all competitors. As the UK’s leading tile specialist, our aim is to deliver outstanding value to our customers, across the following areas:

Range – as the leading specialist in its market Topps has the most comprehensive, on-trend range of quality tiles in the UK, with over 50 new tile ranges launched in the last year. Our focus on product innovation also enables us to keep one step ahead of our customers’ increasingly adventurous tastes as we bring exclusive ranges to the market that pick up on the latest design and colour trends. Highlights from the first half include:

- Further development of our own brand or exclusive ranges enabled through close supplier collaboration.
- Following the exit of the low gross margin wood flooring category we have continued to lead the trend for wood effect tiles. Our range covers various design themes, price points and includes exclusive products.
- The decision to exit wood flooring also freed up space in store to allow us to launch a new XL range of very large tiles (80cm x 80cm and larger) which is also a key design trend, helped by production technology advances. These ranges have been well received and we believe will be an important source of future growth.
- Performance of new tile ranges remains strong at 10.2% of overall sales (2016: 8.7%).

Convenience – convenience for a Topps customer means us delivering a seamlessly integrated shopping experience across all available channels - stores, online, mobile, telephone, and also the important integration with their tile fitter. More specifically:

- Digital - the homeowner’s customer journey often starts online and research tells us that around 90% of our customers will use our website at some stage during their purchase and that 75% will visit the website before coming to store. Our website is key in allowing our customers to research their projects, draw inspiration from our visualiser and showcase our market leading range.
- For customers that choose to shop with Topps, almost all of them come to one of our stores at some stage of their shopping journey with us. At the start of the current financial year we had a total of 351 stores. During the first half we opened 10 new core stores and closed two core stores. At the period end the Group was trading from a total of 359 stores (March 2016:

342 stores). We expect to open a further net 10 stores in the second half and have a longer term target of 450 stores across the UK.

- To enable us to get to this target, we have continued to evolve and develop our store formats so that we offer a range of options.
    - Our smallest format, Boutique, is c.1,000 sq ft and we currently have 15 stores trading (2016: 15). We have conducted customer research which confirms that Boutique stores create a material "halo" to surrounding core stores – customers who use Boutique as an introduction to Topps and for project research may then complete their purchase through a core store.
    - We have also developed a small core format store which requires 2,000-3,000 sq ft and is allowing us to further extend our store estate into locations where our traditional core format cannot fit.
- We have continued to invest in our store estate and over the period opened a net eight new stores and refitted four stores. We have been trialling a number of new store treatments such as sales counters and consultation desks in more mature stores and are evaluating these options ahead of a wider scale roll-out.
- Our trade channel remains a key focus and allows us to take advantage of the continued trend towards "do it for me". Trade sales represented over 53.6% of Group revenues in the first half (2016: 51.0%). Our store teams' relationships with local traders are the foundation of building a strong trade business. At the start of the period we launched our fully automated and digitised Rewards+ trade loyalty programme and the first six months have seen us register over 50,000 traders.

Inspiration – we are fanatical about providing market leading levels of service in order that we can inspire our customers' home improvement projects, specifically:

- The Group's online strategy is focussed on making the online and in-store customer experience as inspirational and complementary as possible. Our online representation continues to evolve and improve with a focus on areas such as digital brochures, visualisation, mobile optimisation and integration of trade rewards. Our online visualisation tool, which enables customers to view a range of tiles in a variety of room settings, was completely relaunched 18 months ago and, more recently, further enhancements have been added including new roomsets and tile laying options to help ensure a compelling and inspirational digital experience. We believe the updated visualiser tool at Topps is the best in the market, with visuals created in our stores as part of a consultation often emailed to customers for use at home.
- Excellence in customer service is critical to our success because our customers continue to value it highly. At Topps service has always meant being honest, knowledgeable and helpful, but never ever pushy. Over the first half our Net Promoter Score ("NPS") was 69% (2016: 69%). This metric is measured by an independent third party and based on the data available we believe we perform within the top five of UK retailers.

People – as a service-based specialist retail business, our colleagues are critical to our success.
Over the period we have delivered key initiatives in the following areas:

- We have actively marketed our employer brand which is helping us attract external candidates by explaining five great reasons to work at Topps. These are: we're really good at what we do; our service gives our customers confidence to make important decisions; we're growing; we have a family feel; and we recognise and reward results. Over the first half applications for new roles have increased by around 40% and we consider this employer branding work to have been instrumental in driving that increase. While colleague turnover increased slightly over the period to 32.2% (2016: 29.5%), manager and senior manager turnover has remained very low.
- We have launched a new learning management system called "*the*HUB". The new system enables more flexible communications and learning experience for all colleagues, and is particularly important for our store colleagues who complete extensive technical product training to remain "specialist". The response has been very positive and 99% of our store colleagues have registered on the new system.
- We continue to be very focussed on colleague engagement levels. We see engagement as key in order to continue to ensure that our colleagues provide the very best service levels to our customers. We have a series of colleague engagement forums and department plans across the business to help us keep improving the engagement of our colleagues.

Risks and Uncertainties

The Board continues to monitor the key risks and uncertainties of the Group and does not consider that there has been any material change to those documented in the 2016 Annual Report and Accounts. The Board is mindful of the risks associated with the decision of the UK to leave the European Union and consider that this is likely to create periods of uncertainty for consumers at various stages through the process. Consumer confidence is a key driver of business performance and the Board is cautious about the potential impact that this uncertainty may create.

Board Composition

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

Going Concern

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

Current Trading & Outlook

As expected, trading in the second half to date has been more challenging as a result of a weaker macro environment this year and a continuation of the particularly strong comparatives from the prior year when sales were boosted by changes to Stamp Duty. In the first seven weeks of the second half Group revenues, which are on a like-for-like basis, decreased by 5.8% (2016: increased by 8.4%). This figure has been adjusted to take account of the later Easter in 2017 which we estimate decreased like-for-like sales growth over the period by 1.0% due to a reduction of one trading day.

While the tougher Stamp Duty assisted comparators begin easing from the end of June, the key macro indicators for our market remain weaker year-on-year and we are taking a prudent view of prospects for the remainder of this financial year. Against this background, management expect pre-tax profits for the full year are likely to be towards the lower end of the range of market expectations. The Board remains confident in the longer term outlook for the market and the business and we will continue to focus on executing our proven strategy of “Out Specialising The Specialists” and to invest in important sources of future growth. In particular, our recently completed analysis of the UK commercial tile market has confirmed it as attractive and we are now evaluating a number of small acquisition opportunities to increase our reach into this part of the market.

Matthew Williams
Chief Executive Officer
23 May 2017

Rob Parker
Chief Financial Officer

RESPONSIBILITY STATEMENT

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

By order of the Board,

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

23 May 2017

Cautionary statement

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

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

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

Condensed Consolidated Statement of Financial Performance
for the 26 weeks ended 1 April 2017

	Note	26 weeks ended 1 April 2017 £'000 (Unaudited)	26 weeks ended 2 April 2016 £'000 (Unaudited)	52 weeks ended 1 October 2016 £'000 (Audited)
Group revenue - continuing operations		**106,612**	**108,041**	214,994
Cost of sales		**(41,416)**	**(41,576)**	(81,825)
Gross profit		**65,196**	**66,465**	133,169
Employee profit sharing		**(3,103)**	**(5,713)**	(10,046)
Distribution costs		**(39,719)**	**(37,944)**	(77,113)
Other operating expenses		**(3,563)**	**(3,024)**	(6,489)
Administrative costs		**(6,787)**	**(6,761)**	(13,887)
Sales and marketing costs		**(2,054)**	**(2,606)**	(4,561)
Group operating profit		**9,970**	**10,417**	21,073
Investment revenue		**16**	**233**	85
Finance costs		**(475)**	**(597)**	(1,176)
Profit before taxation		**9,511**	**10,053**	19,982
Taxation	3	**(2,081)**	**(2,044)**	(4,451)
Profit for the period attributable to equity holders of the parent company		**7,430**	**8,009**	15,531
Earnings per ordinary share				
-basic	5	**3.86p**	**4.17p**	8.05p
-diluted	5	**3.80p**	**4.15p**	7.82p

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

Condensed Consolidated Statement of Financial Position
as at 1 April 2017

	Note	**1 April 2017 £'000 (Unaudited)**	2 April 2016 £'000 (Unaudited)	1 October 2016 £'000 (Audited)
Non-current assets				
Goodwill		**245**	245	245
Property, plant and equipment		**52,258**	48,821	51,619
		52,503	49,066	51,864
Current assets				
Inventories		**26,926**	27,231	25,667
Trade and other receivables		**6,157**	6,202	6,708
Cash and cash equivalents		**13,443**	11,558	10,228
		46,526	44,991	42,603
Total assets		**99,029**	94,057	94,467
Current liabilities				
Trade and other payables		**(30,443)**	(32,362)	(33,108)
Current tax liabilities		**(3,168)**	(4,845)	(4,004)
Provisions for liabilities and charges		**(1,156)**	(469)	(1,448)
Total current liabilities		**(34,767)**	(37,676)	(38,560)
Net current assets		**11,759**	7,315	4,043
Non-current liabilities				
Bank loans	6	**(39,865)**	(39,738)	(34,807)
Deferred tax liabilities		**(829)**	(75)	(709)
Provisions for liabilities and charges		**(3,275)**	(3,674)	(2,846)
Total liabilities		**(78,736)**	(81,163)	(76,922)
Net assets		**20,293**	12,894	17,545
Equity				
Share capital	9	**6,547**	6,487	6,539
Share premium		**2,482**	1,914	2,473
Own shares		**(4,411)**	(2,637)	(4,411)
Merger reserve		**(399)**	(399)	(399)
Share-based payment reserve		**4,531**	3,299	4,280
Capital redemption reserve		**20,359**	20,359	20,359
Retained earnings		**(8,816)**	(16,129)	(11,296)
Total funds attributable to equity holders of the parent		**20,293**	12,894	17,545

Condensed Consolidated Statement of Changes in Equity
For the 26 weeks ended 1 April 2017

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

For the 26 weeks ended 2 April 2016

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 3 October 2015 (Audited)	6,457	1,906	(630)	(399)	2,820	20,359	(19,715)	10,798
Total comprehensive income for the period	-	-	-	-	-	-	8,009	8,009
Issue of share capital	30	8	-	-	(29)	-	-	9
Dividends	-	-	-	-	-	-	(4,366)	(4,366)
Own shares purchased in the period	-	-	(2,007)	-	-	-	-	(2,007)
Credit to equity for equity-settled share based payments	-	-	-	-	508	-	-	508
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(57)	(57)
Balance at 2 April 2016 (Unaudited)	**6,487**	**1,914**	**(2,637)**	**(399)**	**3,299**	**20,359**	**(16,129)**	**12,894**

Condensed Consolidated Statement of Changes in Equity (continued)

For the 52 weeks ended 1 October 2016

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 3 October 2015 (Audited)	6,457	1,906	(630)	(399)	2,820	20,359	(19,715)	10,798
Total comprehensive income for the period	-	-	-	-	-	-	15,531	15,531
Issue of share capital	82	567	-	-	(7)	-	-	642
Dividends	-	-	-	-	-	-	(6,296)	(6,296)
Own shares purchased in the period	-	-	(4,415)	-	-	-	-	(4,415)
Own shares issued in the period	-	-	634	-	-	-	(634)	-
Credit to equity for equity-settled share based payments	-	-	-	-	1,467	-	448	1,915
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(630)	(630)
Balance at 1 October 2016 (Audited)	**6,539**	**2,473**	**(4,411)**	**(399)**	**4,280**	**20,359**	**(11,296)**	**17,545**

Condensed Statement of Cash Flows

for the 26 weeks ended 1 April 2017

	26 weeks ended 1 April 2017 £'000 (Unaudited)	26 weeks ended 2 April 2016 £'000 (Unaudited)	52 weeks ended 1 October 2016 £'000 (Audited)
Cash flow from operating activities			
Profit for the period	**7,430**	8,009	15,531
Taxation	**2,081**	2,044	4,451
Finance costs	**475**	597	1,176
Investment revenue	**(16)**	(233)	(85)
Group operating profit	**9,970**	10,417	21,073
Adjustments for:			
Depreciation of property, plant and equipment	**3,174**	2,812	5,832
Impairment of property, plant and equipment	**263**	77	152
Share option charge	**251**	508	1,701
Decrease in trade and other receivables	**552**	1,841	1,334
(Increase)/decrease in inventories	**(1,259)**	177	1,740
Decrease in payables	**(1,315)**	(2,437)	(1,916)
Cash generated by operations	**11,636**	13,395	29,916
Interest paid	**(1,585)**	(440)	(1,045)
Taxation paid	**(2,933)**	(1,910)	(4,648)
Net cash from operating activities	**7,118**	11,045	24,223
Investing activities			
Interest received	**16**	43	84
Purchase of property, plant and equipment	**(4,121)**	(4,730)	(10,577)
Purchase of own shares	**-**	(2,007)	(4,383)
Net cash used in investment activities	**(4,105)**	(6,694)	(14,876)
Financing activities			
Dividends paid	**(4,808)**	(4,366)	(6,296)
Proceeds from issue of share capital	**10**	9	613
Drawdown/(Repayment) of bank loans	**5,000**	(5,000)	(10,000)
Net cash generated from /(used in) financing activities	**202**	(9,357)	(15,683)
Net increase/(decrease) in cash and cash equivalents	**3,215**	(5,006)	(6,336)
Cash and cash equivalents at beginning of period	**10,228**	16,564	16,564
Cash and cash equivalents at end of period	**13,443**	11,558	10,228

1. General information

The interim report was approved by the Board on 23 May 2017. The financial information for the 26 weeks ended 1 April 2017 has been reviewed by the company's auditor. Their report is included within this announcement. The financial information for the 52 week period ended 1 October 2016 has been based on information in the audited financial statements for that period.

The comparative figures for the 52 week period ended 1 October 2016 are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that 52 week period has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

This condensed set of consolidated financial statements has been prepared for the 26 weeks ended 1 April 2017 and the comparative period has been prepared for the 26 weeks ended 2 April 2016.

Basis of preparation and accounting policies

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

Going concern

Based on a detailed review of the risks and uncertainties contained within the risks and uncertainties section above, the financial facilities available to the Group, management's latest revised forecasts and a range of sensitised scenarios the Board believe the Group will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. The Board, therefore, consider it appropriate to prepare the financial statements on a going concern basis.

2. Business segments

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

3. Taxation

	26 weeks ended 1 April 2017 £'000 (Unaudited)	26 weeks ended 2 April 2016 £'000 (Unaudited)	52 weeks Ended 1 October 2016 £'000 (Audited)
Current tax - charge for the period	**2,135**	1,706	3,906
Current tax - adjustment in respect of previous periods	**-**	-	148
Deferred tax – effect of reduction in UK corporation tax rate	**-**	(76)	-
Deferred tax – (credit) /charge for the period	**(54)**	414	302
Deferred tax - adjustment in respect of previous periods	**-**	-	95
	2,081	2,044	4,451

4. Interim dividend

An interim dividend of 1.10p (2016: 1.00p) per ordinary share has been declared payable on 14 July 2017 to shareholders on the register at 15 June 2017; in accordance with IFRS the dividend will be recorded in the financial statements in the second half of the period. A final dividend of 2.50p per ordinary share was approved and paid in the period, in relation to the 52 week period ended 1 October 2016.

5. Earnings per share

Basic earnings per share for the 26 weeks ended 1 April 2017 were 3.86p (2016: 4.17p) having been calculated on earnings (after deducting taxation) of £7,430,000 (2016: £8,009,000) and on ordinary shares of 192,264,018 (2016: 192,055,438), being the weighted average of ordinary shares in issue during the period.

Diluted earnings per share for the 26 weeks ended 1 April 2017 were 3.80p (2016: 4.15p) having been calculated on earnings (after deducting taxation) of £7,430,000 (2016: £8,009,000) and on ordinary shares of 195,742,070 (2016: 193,057,423), being the weighted average of ordinary shares in issue during the period.

Adjusted earnings per share for the 26 weeks ended 1 April 2017 were 4.11p (2016: 4.29p) having been calculated on adjusted earnings after tax of £7,898,000 (2016: £8,235,000) being earnings (after deducting taxation) of £7,430,000 adjusted for the post-tax impact of the following items; forward currency contracts fair value gain of £nil (2016: £150,000), impairment of property, plant and equipment of £206,000 (2016: £61,000), a net charge impact of onerous lease provision reductions and restructuring costs of £262,000 (2016: £315,000).

6. Bank loans

	26 weeks ended 1 April 2017 £'000 (Unaudited)	26 weeks ended 2 April 2016 £'000 (Unaudited)	52 weeks ended 1 October 2016 £'000 (Audited)
Bank loans (all sterling)	**39,749**	39,622	34,691
The borrowings are repayable as follows:			
On demand or within one year	**-**	-	-
In the second to fifth year	**40,000**	40,000	35,000
	40,000	40,000	35,000
Less: total unamortised issue costs	**(251)**	(378)	(309)
	39,749	39,622	34,691
Issue costs to be amortised within 12 months	**116**	116	116
Amount due for settlement after 12 months	**39,865**	39,738	34,807

The Group has in place a £50.0 million committed revolving credit facility, expiring 31 May 2019. As at 1 April 2017, £40.0 million of this facility was drawn (2016: £40.0 million), with a further £10.0 million of undrawn financing available (2016: £10.0 million). The loan facility contains financial covenants which are tested on a biannual basis.

7. Contingent liabilities

The directors are not aware of any contingent liabilities faced by the Group as at 1 April 2017.

8. Events after the balance sheet date

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

9. Share capital

The issued share capital of the Group as at 1 April 2017 amounted to £6,547,000 (2 April 2016: £6,487,000). The Group issued 268,019 shares during the period increasing the number of shares from 196,153,770 to 196,421,789.

10. Seasonality of sales

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

11. Related party transactions

S.K.M Williams is a related party by virtue of his 10.5% shareholding (20,593,950 ordinary shares) in the Group's issued share capital (2016: 9.9% shareholding of 19,343,950 ordinary shares).

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

No amounts were outstanding with S.K.M. Williams at 1 April 2017 (2016: £nil). The lease agreements on all properties are operated on commercial arm's length terms.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note, in accordance with the exemption available under IAS24.

INDEPENDENT REVIEW REPORT TO TOPPS TILES PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 1 April 2017 which comprises the Consolidated Statement of Financial Performance, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Statement of Cash Flows and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

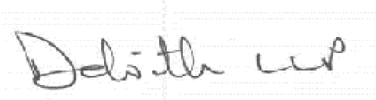
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 1 April 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.



Deloitte LLP

Chartered Accountants and Statutory Auditor

Manchester, United Kingdom

23 May 2017