

Topps Tiles Plc Annual Report and Financial Statements 2002

We're with you every step you take...

We're with you...

At Topps Tiles we believe that our commitment to our customers, staff and shareholders is second to none.

It is our policy to provide customer service that is honest, helpful, knowledgeable, but never pushy. We pride ourselves on the warm welcome we extend to anyone who enters one of our many stores. Our staff are on hand to help our customers plan their projects, however large or small, and will advise on all aspects to help them achieve their goals. If they have any queries when they return home and start their job, we do our best to answer them.



We sponsor over 150 local football teams around the country and provide computer equipment to a number of schools as part of our initiative to build local brand awareness.

We value all of our friendly, hardworking employees and have set up incentive and profit-sharing schemes as a way of recognising the invaluable contribution they have made to our success story.

It is our intention to increase shareholder value through a combination of continuing strong financial performance and our ability to grow market share in an expanding market.

OUR STAFF CAN ADVISE ON ALL ASPECTS OF PREPARATION TO HELP OUR CUSTOMERS ACHIEVE THE **PERFECT RESULT**

...every step you

profits
up 22.3%

OUR COMBINATION OF BUYING POWER, KEEN PRICING AND LOW OVERHEADS MEANS
WE CAN **SQUEEZE EVERY LAST DROP** OF PROFITABILITY FROM OUR OPERATIONS



take...

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WE ARE DELIGHTED to report another year of significant growth, the fifth since flotation. The Group continues to grow strongly and enjoys a dominant position in an expanding market sector. More new stores, a growing brand awareness and a strong performance by staff have combined to drive the business forward.

SUMMARY OF RESULTS AND FINANCIAL HIGHLIGHTS

Turnover £m

| | | | | |
|------|------|------|------|-------------|
| | | | | 91.0 |
| | | | | +22% |
| | | | 74.6 | |
| | | 62.6 | | |
| | 43.0 | | | |
| 31.3 | | | | |
| 1998 | 1999 | 2000 | 2001 | 2002 |

Gross profit £m

| | | | | |
|------|------|------|------|-------------|
| | | | | 51.0 |
| | | | | +24% |
| | | | 41.1 | |
| | | 34.2 | | |
| | 23.9 | | | |
| 16.4 | | | | |
| 1998 | 1999 | 2000 | 2001 | 2002 |

Profit before tax £m

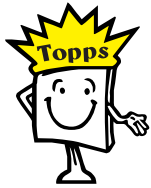
| | | | | |
|------|------|------|------|-------------|
| | | | | 11.5 |
| | | | | +22% |
| | | | 9.4 | |
| | | 8.0 | | |
| | 5.8 | | | |
| 4.1 | | | | |
| 1998 | 1999 | 2000 | 2001 | 2002 |

Basic earnings per share pence

| | | | | |
|------|------|------|------|-------------|
| | | | | 17.9 |
| | | | | +21% |
| | | | 14.8 | |
| | | 13.1 | | |
| | 9.9 | | | |
| 7.1 | | | | |
| 1998 | 1999 | 2000 | 2001 | 2002 |



the Group



TOPPS TILES

Topps Tiles sells ceramic wall and floor tiles and laminate and wood flooring for domestic and business use.

Operating from 139 stores nationwide Topps Tiles is by far the UK's biggest specialist ceramic tile group.

With our dedication to offering excellent value for money and customer service we believe we can continue to grow our dominance in the UK market.



TILE CLEARING HOUSE (TCH)

Tile Clearing House has become a tile brand in its own right, targeted at a different sector of the market to Topps. Its customers in the main are jobbing builders, small contractors and bulk purchasers. It offers a smaller separate product range including end of line, discontinued and job lots, but with greater stock levels.

Tile Clearing House stores operate from less prominent locations than Topps, mainly in trade areas, but where the two brands trade next to each other, both perform well. In 2002, the number of stores increased from 26 to 32.

OUR TWO BRANDS ARE DISTINCTLY DIFFERENT BUT **FIT PERFECTLY** TO PROVIDE A SEAMLESS SERVICE

at a glance...

Service has always been our top priority at Topps Tiles Plc - we're here to help our customers at every stage, the loyal staff who help make us the UK's largest ceramic tile retailer, the communities around our many stores, and the shareholders who invest in us.



SERVING OUR CUSTOMERS

Across both brands it is our policy to provide customer service that is honest, helpful, knowledgeable, but never pushy. We pride ourselves on the warm welcome we extend to all customers who enter our many stores.



SERVING OUR STAFF

We now employ over 1,100 staff across the Group. We encourage participation in the Group's success through employee share option schemes. We also incentivise staff through store bonus schemes, which this period has generated over £2.8 million in profit sharing for staff.



SERVING OUR SHAREHOLDERS

Since the Group was listed on the London Stock Exchange in 1997, Earnings per share has consistently grown from 4.2p in 1997 to 17.9p in 2002.

We continue to build on the proven appeal of the 'Topps Tiles' and 'Tile Clearing House' formats which provide a secure foundation for the successful future expansion of the Company.

We are delighted to report another excellent period of trading for Topps Tiles Plc. Profit before tax was £11.516 million (2001 - £9.414 million) from a turnover of £91.026 million (2001 - £74.642 million).

The Company has now achieved double digit growth in both sales and pre tax profits every period since its public listing in June 1997.

A growth of 11.3% in like for like sales was recorded for the 52 week period, demonstrating the underlying strength of the ceramic tile market and the enduring appeal to consumers of our product and service offer.

Our balance sheet remains robust with no net borrowings at the period end and cash balances of £5.142 million (2001 - £2.206 million).

The Company continues to be cash generative even with significant investment in new stores and refurbishment of older stores.

The board is committed to maintaining an efficient capital structure, and therefore, at the next Annual General Meeting we shall seek shareholder approval for authority to increase the authorised share capital and to buy back a proportion of our shares if appropriate.



OUR THOROUGH PLANNING AND RESEARCH HELPS ENSURE **CONSISTENT PROGRESS** AND **GOOD RESULTS**



Dividend

The board is recommending a final dividend of 5.80 pence per share, which together with the interim dividend of 1.35 pence per share, brings the total dividend for the period to 7.15 pence, an increase of 43.0% over the previous period. The dividend will be paid on 1 November 2002 to all shareholders on the register as at 4 October 2002.

The Board

We announced in September that Nicholas Ounstead was appointed Chief Operating Officer. Nicholas has made a smooth transition to this role whilst continuing to oversee customer services and marketing functions. We are confident that we have in place a strong and experienced management team to drive the business forward.

Outlook

We continue to build on the proven appeal of the 'Topp's Tiles' and 'Tile Clearing House' formats which provide a secure foundation for the successful future expansion of the Company.

We are confident, given the growth opportunities in our market, that we can continue to produce the strong financial performances of the past and grow our market share.

Barry Bester,
Chief Executive

Stuart Williams,
Chairman

This period has seen continued improvements to our core operations and new initiatives are developing well.



We started the period with 147 stores (121 Topps and 26 Tile Clearing House) trading and ended with 171 (139 Topps and 32 Tile Clearing House) a net increase of 24. During the period we actually opened 26 new outlets comprising, 19 Topps Tiles and 7 Tile Clearing Houses, refitted 23 stores including our Floorstore concept and closed 2 older stores. Whilst early sales figures within the MFI stores were encouraging, the venture did not perform to our expectations. We therefore withdrew our presence in November 2001. The trading losses and exit costs which were all incurred in the first half of the period totalled £0.156 million. During the year we opened a concession store within the Harris Carpet chain which has performed well, we will continue to explore similar opportunities in the forthcoming period.

Gross margin continued to improve and was up a full one percentage point on last period and has increased more than seven percentage points over the last five periods. With an increasing mix of products being supplied through our own warehouse, margin should continue to improve. New suppliers have been enlisted from lower cost sources outside of the EU to ensure a continued competitive supply.

The Tile Clearing House brand performed well, taking advantage of sites that are not suitable for the Topps Tiles brand. Its customers, in the main, are jobbing builders, small contractors and bulk purchasers and its product offer, which includes end of lines, discontinued tiles and job lots, is distinctive and does not overlap with that of the Topps Tiles stores. It acts as a complement to the Topps Tiles brand and appeals to a different sector of customers.

The Group recently entered a 50/50 joint venture with a Dutch Group. The venture comprises five well established laminate and wood flooring stores plus our pilot store. We plan to introduce laminate and wood flooring to the Sliderecht store and ceramic tiles to the five laminate and wood flooring stores. The management of the joint venture resides with our Dutch co-investor. The long experience of our Dutch co-investor in the laminate and wood market will enable us to benefit from buying synergies for these products in our UK operation.

Stock days have continued to fall as we roll out our new core range into the business and now stands at 175, compared with 187 last year. This reduction has been achieved through greater focus on the product range assisted by the new I.T. systems which are now fully operational.

The Market

Our market in the UK for tiles continues to grow and is estimated to increase in volume in 2002 to 30.1 million square metres*. This growth is forecast to continue, reaching 34.8 million by 2006*. The reason for the sustained growth can be attributed to the increased awareness of tiles as a major part of home decoration, not only as a functional product used in traditional wet areas such as kitchens and bathrooms, but also for their aesthetic value throughout the home. The areas where ceramic tiles are now used in increasing numbers has expanded to include conservatories, hallways and cloakrooms and has benefited from consumers extending their homes to have bigger kitchens as well as second bathrooms and shower-rooms. It is also being driven by the

introduction of under floor heating systems which are more commonplace in other EU countries where use of ceramic floor tiles is up to six times greater than the UK. Consumer interest is fuelled by the extensive media coverage of home improvement television programmes and by increased tourism to countries which have greater tile usage.

Current trading and prospects

Total sales in the first six weeks of 2002/2003 increased by 18.2%, compared with the corresponding period last year with like for like sales increasing by 8.1%. The outlook for the ceramic tiles and laminate and wood flooring market remains positive and is forecast to grow steadily over the next four years. We are now well on the way with our expansion plans for 2002/2003 with 24 new stores, planned advancing us towards our target of 350 stores across the UK.

Nicholas Ounstead Chief Operating Officer



*source MSI ceramic tiles UK, June 2002

The core of the business has shown even stronger growth...
..... an increase of 31.0%.



PROFIT AND LOSS ACCOUNT

Turnover

During the period, overall turnover increased by 22.0% to £91.026 million from £74.642 million last period. Like for like sales increased by 11.3%, with new stores contributing a further 10.7% increase.

Gross Margin

Overall gross margin was 56.0% compared to 55.0% last period and an interim figure of 55.6%. In the second half of the period gross margin increased to 56.5%, resulting in an increase of 1.0% for the full period.

Operating Expenses

Costs as a percentage of sales were 43.2% compared to 42.1% last period. However this period has included the pilot scheme costs for both MFI and Holland which represented £0.524 million (2001 - £Nil) whilst last period's costs were net of profits on disposal of fixed assets of £0.344 million. Taking these elements into account gives 2002 figures of 42.6% compared to 42.6% in 2001.

Profit Before Tax

We have achieved an overall increase of 22.3% to £11.516 million compared to a profit before tax of £9.414 million last period. The core of the business actually demonstrated even stronger growth after taking into account pilot schemes at MFI and Holland which showed a total loss of £0.369 million. Therefore, the comparable

operating core business showed £11.885 million compared to £9.070 million (excluding profit on disposal of fixed assets of £0.344 million) last period, an increase of 31.0%.

Taxation

We continue to fully provide for deferred taxation in line with FRS19. The effective rate of corporation tax is 30.2% (2001 - 30.5%).

Earnings and Dividends

Our Earnings per share has grown to 17.9 pence compared to 14.8 pence last period, an increase of 20.9%. The board is recommending a final dividend of 5.80 pence per share which will give a total dividend for the period of 7.15 pence compared to 5.00 pence last period, an increase of 43.0%. This gives a dividend cover of 2.5 times compared to 2.9 times in 2001. We are confident in reducing the cover, as the business has demonstrated over a number of periods its ability to generate cash and it has now matured to a stage where the board considers the change to be appropriate.

BALANCE SHEET

Fixed Assets

Capital expenditure in the period amounted to £3.9 million. This reflects the cost of acquiring two freehold/development sites for £0.6 million, the opening of 26 new stores costing £1.7 million and the refurbishment of a further 23 stores at a cost of £0.9 million. We have also continued to update our Electronic Point of

Sale system at a cost of £0.4 million and during the period five freehold properties were sold which resulted in gross proceeds of £2.8 million. The Group currently has seven freehold and two development sites with a net book value of £2.1 million.

Stock

Stock days have reduced to 175 days compared to 187 days last period. At the interim announcement stock days were 177 days and the trend of improvement reflects the continued efforts to achieve efficiencies in our stock management which is now benefiting from the investment in the I.T. systems.

Gearing

Cash reserves at the period end were £5.142 million and borrowings were £0.746 million giving the Group a net funds position at the period end of £4.396 million.

OTHER MATTERS

Joint venture in Holland

On the 10 June 2002 the Group entered a joint venture with a Dutch Flooring Company. The joint venture comprises five well established laminate and wood flooring stores and our pilot store. The Group owns 50% in the joint venture with the remaining 50% held by the Dutch Management team.

Accounting period end date change

The Group intends to change its accounting period end date, from the nearest Saturday to 31 May, to the nearest Saturday to

30 September. This change will take effect in the accounting period 2002/03 and therefore this period will report 16 months trading resulting in interim announcements to 30 November 2002 (6 months), 29 March 2003 (4 months) and the period end of 27 September 2003.

Annual General Meeting

The A.G.M. for the period to 1 June 2002 will be held on 8 October 2002. This is a month later than last period's A.G.M. due to the proposed period end date change to 30 September. The next A.G.M. will then be held in early January 2004, 15 months after this period's A.G.M.

Change of Auditors

In the UK, an agreement for the partners and personnel of Arthur Andersen to join Deloitte & Touche has recently been concluded. As a consequence of this, the board has concluded that it is now appropriate to propose a resolution at the Annual General Meeting to appoint Deloitte & Touche as auditors to the Group for the ensuing period.

Andrew Liggett Finance Director

Our success has been founded on four crucial cornerstones:

CUSTOMER SERVICE

STORE LOCATIONS

STOCK AVAILABILITY

STORE LAYOUT

1. CUSTOMER SERVICE

Customer service is a subject we take very seriously. All staff attend an induction course at our own training centre where they learn our friendly and helpful approach to customer service, along with product range and technical knowledge. Being able to offer correct advice and assistance is crucial to gaining customer confidence.

In-store, we have a wide range of services to help customers choose the right product and achieve the best results.

For our customers' convenience, most of our stores trade 7 days-a-week from 8.00am to 6.00pm with a number of larger stores open until 8.00pm.

2. STORE LOCATIONS

Our stores in the main are not located on traditional high streets or retail parks, but in less expensive yet highly visible locations on or close to busy roads. Our average store size is around 6,500 square feet and virtually all have on-site parking areas.



3. STOCK AVAILABILITY

Each store has a huge number of lines in stock, with replenishments arriving twice a week from our central warehouses. 80% of our products are imported directly from factories in Spain, Italy, Portugal and other countries around the world. Long-standing relationships with our suppliers, ensure we maintain excellent stock availability.

4. STORE LAYOUT

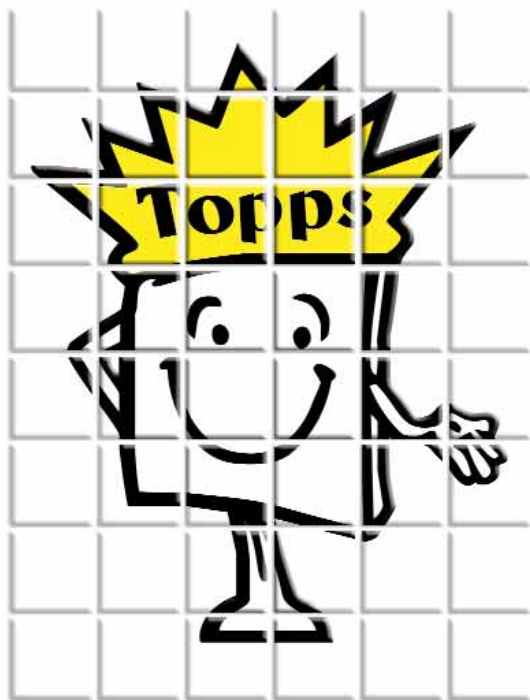
All stores are clearly identified with bright, eye-catching exterior signage bearing the Topps Tiles or Tile Clearing House branding. Store interiors are laid out in a mini-warehouse style with a huge choice of products merchandised with colourful displays and informative point-of-sale.

The stores are customer-friendly with product and pricing information clearly displayed.



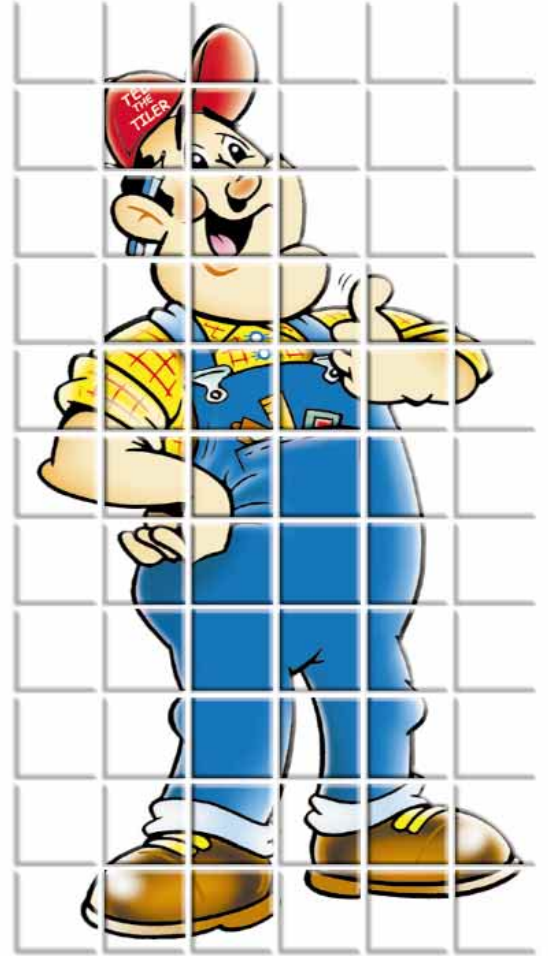
97.9% OF CUSTOMERS SURVEYED EXPRESSED OVERALL LEVELS OF SATISFACTION AS BEING **GOOD TO EXCELLENT**

Our two complementary brands have reported strong performances both in terms of increased turnover and market share.



The Group continues to grow its market share and is now estimated to have over 15% of the UK non-contract market for ceramic tiles. Consumers appetite for ceramic tiles has grown steadily over the past 20 years and is forecast to grow by a further 15% over the next four years*. The demand for laminate and wood flooring is growing quickly as consumer tastes change to reflect that of our European neighbours preference for hard floor surfaces. We believe that the health and hygiene characteristics of these products will have a direct benefit to future growth in sales and to take advantage of this move we have opened seven Floorstores using space already in the business. These stores have a separate entrance and are in effect a specialist mini warehouse offering a much larger range of laminate and wood flooring products than a standard Topps store, initial results are encouraging. The Group is well placed to take advantage of this growing market with many initiatives to improve merchandising and marketing activities. We are also piloting a Tile Studio concept within several Topps stores offering an extended up market range of tiles and natural stone to service this sector of the market.

*source MSI ceramic tiles UK, June 2002



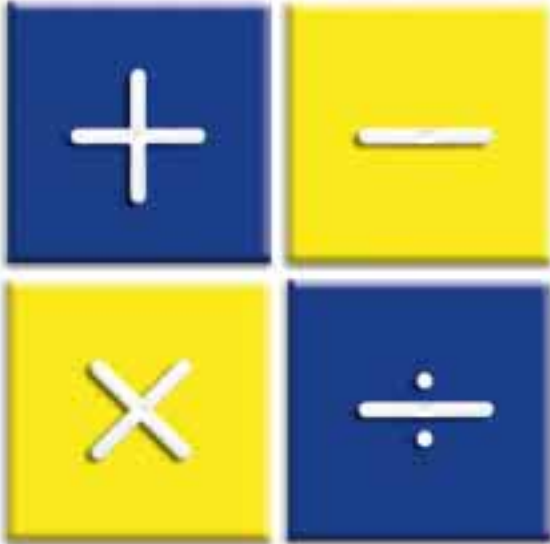
We have a policy of building local brand awareness of Topps Tiles and Tile Clearing House through involvement with young people.

Probably our most well-known community project is our youth sports sponsorship, providing new kits and equipment to juniors in each town where we have a presence. This has made Topps Tiles one of the biggest supporters of youth football in Britain.

As well as sport, there's education, via our product catalogue, schools can win valuable computer equipment. Since the scheme started, a number of schools have benefited nationwide.

Another worthy cause is the National Asthma Campaign (NAC). This is our third year of support for the charity, which aims to conquer this respiratory disorder affecting over one million children in the UK. The NAC was the natural choice of charity for Topps to adopt, as our products help to reduce the levels of house dust mites which are one of the triggers of asthma attacks. In addition to a cheque for £16,000 donated by Topps, our staff contributed greatly to the cause this year by holding sponsored events which raised a considerable sum.

TOPPS TILES **CONTRIBUTES EQUIPMENT** TO LOCAL SCHOOLS THROUGH COMPETITIONS IN OUR PRODUCT CATALOGUE





TOP LEFT:

Topps Tiles is one of the biggest supporters of youth football in Britain, providing new kits and equipment to junior teams local to every one of our stores.

TOP RIGHT:

Topps Tiles supports the National Asthma Campaign, a natural choice, as our products help to reduce levels of dust mites, one of the triggers of asthma attacks.

BOTTOM LEFT:

Area manager Neil Curtis, presenting a new computer to Annie Walton and her Head teacher, Tony Gill at Hadrian Primary School, South Shields.

BUSINESS OPPORTUNITIES

We are constantly looking for new ways to develop the business, without compromising on our principles of tight cost management and the ability to maintain strong margins.

The non contract ceramic tile market remains buoyant and is forecast to increase 15% to 34.8 million square metres in the next four years*. Home improvements are more popular than ever before with DIY forecast to be one of the fastest growing retail sectors.

Adding a second WC has become more popular for many homeowners, along with shower rooms and conservatories. This offers real opportunities to increase tile sales while demand for

wood flooring is also flourishing. The number of rooms where tiles are usually found has expanded from traditional 'wet' areas such as bathrooms and kitchens and now includes hallways, cloakrooms and dining rooms.

Fashionable, with a long design life, low maintenance and more hygienic than traditional floor coverings, ceramic tiles and wood flooring adds value to homes. As the demand for them grows, the Group is well placed to take advantage of this increased demand.



*source MSI ceramic tiles UK, June 2002



This year we have decided to conclude our business review by answering some questions frequently put to us by analysts and shareholders regarding the Group's business, financial position and strategy.



What would be the effect of a downturn in the housing market?

We have always maintained that the business is not directly linked to the 'ups' and 'downs' of the housing market. We are more the replacement market. Although people will decide not to move home they may instead improve their existing home and that is why historically the Company has not seen sharp increases in sales when the housing market is booming and vice versa.

How difficult is it to find suitable store locations?

Our ideal store location is on a busy main road with some parking available or a first generation retail park. Our store 'model' is flexible enough to accommodate anything from a 4,000sq ft unit to a 15,000sq ft unit. This flexibility coupled with the location requirement means that we are finding plenty of suitable sites at acceptable rent levels. We are planning to open a further 24 stores in 2002/2003.

How many stores can the business have in the UK?

Our previously stated objective was to have 250 stores in the UK. However we have seen two changes that have influenced our thinking. The first being the success of our second brand Tile Clearing House which can trade very well alongside Topps Tiles stores and secondly the success of our trials of Topps Tiles stores in smaller population areas. These two changes mean that we are restating our store target for the UK to over 350 stores, of which, 100 will be Tile Clearing House.



Why does the business carry so much stock?

We believe one of our key strengths and a barrier to entry of our business is stock availability. When customers order from our stores they are usually looking for a 'cash and carry' service as they will already have planned the 'project' before buying the tiles. To be told that they may take six weeks to arrive can be very disappointing. We therefore set out to provide a 'cash and carry' service and if this is not achievable we carry stocks at our central warehouse which means we can usually fulfil the order within days.

How sensitive is the business to currency changes?

80% of our product range is imported, therefore we are exposed to currency fluctuations. Our main currency requirement is the Euro, although by far the majority of our payments are actually made in Sterling. In order to manage this exposure we have adopted a policy of buying currency forward on a rolling 6 to 12 months, monthly contract basis which therefore gives us a known cost base for setting retail prices.

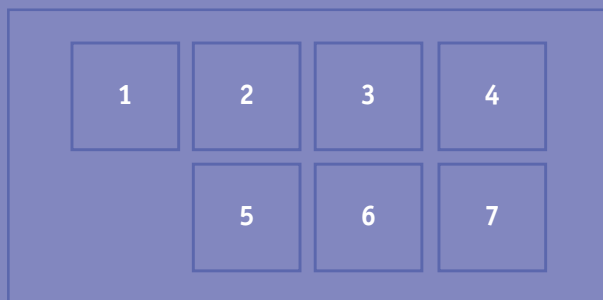
Will Earnings per share (EPS) continue to grow?

We have seen EPS grow from 4.2p per share in 1997 (when the business floated) to 17.9p per share this year; by any standards this is tremendous growth. However we do believe that the business can continue to develop and grow substantially from its current position and although nothing in business can be taken for granted, our continuous strive for improvement coupled with the future growth potential should see the business achieve its objectives.

Is the business cash generative?

99% of our sales are for cash or cash equivalents. With the business on such a fast growth rate it demands plenty of resources to maintain the momentum, from capital expenditure on new stores, existing stores and freehold purchases (this totalled £3.9 million in 2001/2002) to stock requirements for new stores (they have around £0.1 million of stock per store). In addition to this we have maintained our strong dividend policy. All of this is funded out of our cash generation from operating activities. The business is highly cash generative!

BOARD OF DIRECTORS



EXECUTIVE DIRECTORS

1. **Stuart Williams** F.C.A. Chairman (aged 58)
Secretary of Audit Committee
Stuart Williams, a Chartered Accountant, was a founder shareholder and Director of Topps Tiles in 1984. He became Executive Deputy Chairman and shareholder of Multi-Tile in 1987 with responsibility for restructuring the Group and introducing turnover and profit-related incentive schemes. His principal responsibilities are those of Group Strategy, property and legal matters. In addition, he is editor of the Company's in-house magazine and is responsible for the suggestion scheme.
2. **Barry Bester** Chief Executive (aged 45)
Barry Bester was a founder shareholder and Director of Topps Tiles in 1984. As Chief Executive he has overall responsibility for the day-to-day operations of the business, with particular emphasis on sales and store management. He is also responsible for new business development.
3. **Nicholas Ounstead** Chief Operating Officer (aged 41)
Nicholas Ounstead joined Topps Tiles in April 1997. Prior to this he was Marketing Director at Bellegrave Ceramics Plc which is a major supplier to DIY chains and independent retailers. In September 2001 he was appointed Chief Operating Officer whilst continuing to oversee customer services and marketing. Nicholas is also Chairman of the Health and Safety Committee.
4. **Andrew Liggett** F.C.M.A. Finance Director (aged 40)
Andrew Liggett joined Topps Tiles in 1995 as Finance Director. Prior to joining the Group, he worked for Gold Crown Group Limited where he was employed for 10 years, initially as management accountant and then as Finance Director. He is responsible for the accounting, financial control, company secretarial matters, treasury and administration.

NON-EXECUTIVE DIRECTORS

5. **Alan McIntosh** C.A.
Senior Non-Executive Director (aged 34)
Chairman of Audit Committee
Alan McIntosh qualified as a Chartered Accountant with Deloitte & Touche and subsequently joined the corporate finance department of Hill Samuel. He is currently the Finance Director of Punch Group Ltd, the largest independent pub company in the UK. He is also a Director of Wellington Pub Company Plc and Chairman of the technology group, Capital Management and Investment Plc. He joined the board of Topps Tiles in 1997.
6. **Victor Watson** C.B.E.
Non-Executive Director (aged 73)
Member of Audit Committee
Victor Watson is Chairman of Black i Limited and Chairman of Business Link Leeds Ltd. He is also the former Chairman of Waddington Plc. He joined the board of Topps Tiles in 1997.
7. **Rt. Hon Michael Jack** Privy Councillor, MP
Non-Executive Director (aged 56)
Member of Audit Committee
Michael Jack's business career has seen him in management capacities with Proctor & Gamble and Marks & Spencer. In 1987 he became MP for Fylde and by 1990 had begun a ministerial career that saw him serve in the DSS, Home Office, MAFF and finally the Treasury as Financial Secretary. Since that time he has maintained strong business links via his consultancy work. He joined the board of Topps Tiles in 1999.

DIRECTORS & ADVISORS

DIRECTORS

S.K.M. Williams F.C.A.

B.F.J. Bester

A. Liggett F.C.M.A.

N.D. Ounstead

W.A. McIntosh C.A.

V.H. Watson C.B.E.

The RT. Hon. J.M. Jack, Privy Counsellor, MP

Chairman

Chief Executive

Finance Director

Chief Operating Officer

Senior Non-Executive Director

Non-Executive Director

Non-Executive Director

SECRETARY

A. Liggett F.C.M.A.

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Sinclair Abson Smith

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The directors present their report on the affairs of the Group, together with the financial statements and auditors' report for the period ended 1 June 2002.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Group comprises the retail and wholesale distribution of ceramic tiles, wood flooring and related products.

Details of the Group's performance during the period and expected future developments are contained in the Joint Statement by the Chairman and Chief Executive and the Operations and Financial Reviews on pages 4 to 9 of the report and financial statements.

RESULTS AND DIVIDENDS

The audited financial statements for the period ended 1 June 2002 are set out on pages 29 to 51. The Group's profit for the period, after taxation was £8,039,000 (2001 - £6,547,000).

An interim dividend of 1.35p per share, £606,000, was paid on 28 February 2002.

The directors recommend a final dividend of 5.80p per share, £2,609,000 making a total of 7.15p per share, £3,215,000 (2001 - total dividend 5.0p per share, £2,240,000). Subject to approval by the shareholders at the Annual General Meeting, to be held on 8 October 2002, the final dividend will be paid on 1 November 2002, to shareholders on the register at the close of business on 4 October 2002.

DIRECTORS

The directors of the Company are as follows:

| | |
|------------------------|-------------------------------|
| S.K.M. Williams | Chairman |
| B.F.J. Bester | Chief Executive |
| A. Liggett | Finance Director |
| N.D. Ounstead | Chief Operating Officer |
| W.A. McIntosh | Senior Non-Executive Director |
| V.H. Watson | Non-Executive Director |
| J.M. Jack | Non-Executive Director |

Their interests in the shares of the Company are set out in note 4(c) to the financial statements.

SHARE CAPITAL

Details of the Company's authorised and issued share capital are shown in note 18 to the financial statements.

SUPPLIER PAYMENT POLICY

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

The effect of the Group's negotiated payment policy is that trade creditors at the period end represented 50 days purchases (2001 - 66 days).

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the period the Group made charitable donations of £16,000 to "The National Asthma Campaign". The Group made no political contributions.

SUBSTANTIAL SHAREHOLDINGS

In addition to the directors' shareholdings noted on page 36, on 1 June 2002 the Company had been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests in 3% or more of its issued share capital.

| | Number | % held |
|--|---------------|---------------|
| Littledown Nominees Limited | 5,046,400 | 11.2% |
| HSBC Global Custody Nominee (UK) Limited | 4,417,441 | 9.8% |
| Chase Nominees Limited | 4,164,433 | 9.3% |
| Stanlife Nominees Limited | 3,012,964 | 6.7% |
| Arnold and S. Bleichroeder Inc. | 1,991,443 | 4.4% |
| Vidacos Nominees Limited | 1,774,349 | 3.9% |

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and the Company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

SHARE OPTION SCHEMES

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

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

During the year the Company issued 275,000 options to employees via further sharesave, share bonus, approved and unapproved share option schemes, bringing the total of options held by employees, excluding directors, to 1,625,000 (2001 - 1,526,000).

The directors will continue to incentivise employees through additional employee share option schemes in the forthcoming financial period.

AUDITORS

The directors will place a resolution before the Annual General Meeting to appoint Deloitte & Touche as auditors for the ensuing period.

Rushworth House By order of the Board,
Wilmslow Road
Handforth
Wilmslow
Cheshire
SK9 3HJ Secretary

22 July 2002 **A. Liggett**

In June 1998 the Hampel Committee and the London Stock Exchange published the Combined Code on corporate governance. This combines the Cadbury Code on corporate governance, the Greenbury Code on directors' remuneration and new requirements arising from the findings of the Hampel Committee.

STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the period with the Provisions of the Code of Best Practice set out in section 1 of the Combined Code except for code provisions A1.2, A1.3, A5.1 and A6.1. The board considers this non-compliance with the Combined Code to be justified in view of the size of the Group and in this respect supports the recommendations of the City Group for Smaller Companies. The Company complies with all other provisions of the code.

Code provision D.3.1 requires the members of the audit committee to be named in the report and financial statements. Mr. W.A. McIntosh (Chairman), Mr. V.H. Watson and Mr. J.M. Jack have served on the committee throughout the period.

STATEMENT ABOUT APPLYING THE PRINCIPLES OF GOOD GOVERNANCE

The Company has applied the Principles of Good Governance set out in section 1 of the Combined Code by complying with the Code of Best Practice as reported above. Further explanation of how the Principles have been applied in connection with directors' remuneration is set out in the Remuneration Report.

DIALOGUE WITH INSTITUTIONAL SHAREHOLDERS

The directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders by making annual presentations and communicating regularly throughout the year.

MAINTENANCE OF A SOUND SYSTEM OF INTERNAL CONTROL

The board has applied principle D.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces. The board regularly reviews the process, which has been put in place from the start of the period to the date of the approval of this report and which is in accordance with Internal Control: Guidance for Directors on the Combined Code published in September 1999. The board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

In compliance with provision D.2.1 of the Combined Code, the board continuously reviews the effectiveness of the Group's system of internal control. The board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The board has also performed a specific assessment for the purposes of this annual report. This assessment considers all significant aspects of internal control arising during the period covered by the report including the work of internal audit. The audit committee assists the board in discharging its review responsibilities.

REMUNERATION REPORT

for the period ended 1 June 2002

As well as complying with the provisions of the Code as disclosed in the Company's corporate governance statement, the Company has applied the Principles of Good Governance relating to directors' remuneration as described below.

REMUNERATION COMMITTEE

The remuneration committee is comprised solely of the three non-executive directors.

STATEMENT OF REMUNERATION POLICY AND DETAILS OF REMUNERATION

The Company's policy on executive director remuneration is as follows:

The remuneration of executive directors is determined by the remuneration committee, whose aim is to reward executive directors competitively. The emoluments of directors comprise a basic salary, executive share options and normal employment benefits including corporate contributions towards a pension entitlement.

The remuneration of non-executive directors is determined by the board as a whole, based on outside advice and review of current practices in other companies.

Pensions

The details of the corporate pension arrangements are explained in note 22(b).

Service contracts

New service contracts have been entered into by the executive directors on 1 June 2002 for a period of 16 months which will bring the contracts in line with the extended accounting period in 2003.

Share incentives

The share option scheme comprises two parts, the Topps Tiles Plc approved Executive Share Option Scheme and the Topps Tiles Plc unapproved Executive Share Option Scheme. The scheme is administered and the grant of options supervised by the remuneration committee. The exercise of options will normally be conditional on the achievement of a specified performance target determined by the remuneration committee, who will have regard to guidelines on share option schemes issued by institutional investors.

Options may normally only be granted within 42 days of the announcement by the Company of its interim or final results each period, with the exercise price being not less than the middle market quotation averaged over the three dealing days immediately preceding the date of the grant.

Full details of the remuneration packages of individual directors and information on share options are set out in notes 4(b) and 4(c) to the financial statements.

FINANCIAL STATEMENTS, INCLUDING ADOPTION OF GOING CONCERN BASIS

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

In preparing the financial statements the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

OTHER MATTERS

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF TOPPS TILES PLC

We have audited the financial statements of Topps Tiles Plc for the period ended 1 June 2002 which comprise the Profit and loss account, Balance sheets, Cash flow statement and the related notes numbered 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if they do not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Joint Statement by the Chairman and the Chief Executive, Operations and Financial Reviews, Directors' Report, Corporate Governance Statement, Remuneration Report, Statement of Directors' Responsibilities and Five Year Record. We consider the

implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 1 June 2002 and of the Group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

22 July 2002

CONSOLIDATED PROFIT & LOSS ACCOUNT

for the period ended 1 June 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|--|-------|-----------------|---------------|
| Turnover | 2 | 91,026 | 74,642 |
| Cost of sales | | (40,029) | (33,552) |
| <hr/> | | | |
| Gross profit | | 50,997 | 41,090 |
| Operating expenses | 3 | | |
| - employee profit sharing | | (2,859) | (2,266) |
| - other operating expenses | | (36,478) | (29,187) |
| <hr/> | | | |
| Operating profit | | 11,660 | 9,637 |
| Finance charges (net) | 5 | (144) | (223) |
| <hr/> | | | |
| Profit on ordinary activities before taxation | 6 | 11,516 | 9,414 |
| Tax on profit on ordinary activities | 7 | (3,477) | (2,867) |
| <hr/> | | | |
| Profit on ordinary activities after taxation | | 8,039 | 6,547 |
| Dividends | 8 | (3,208) | (2,245) |
| <hr/> | | | |
| Retained profit for the financial period | 19 | 4,831 | 4,302 |
| <hr/> | | | |
| Earnings per ordinary share | | | |
| - basic | 9 | 17.9p | 14.8p |
| - diluted | 9 | 17.8p | 14.6p |

All activity has arisen from continuing operations.

There are no recognised gains or losses in either period other than the profit for the financial period.

A statement of movements on reserves is given in note 19.

The accompanying notes are an integral part of this consolidated profit and loss account.

BALANCE SHEETS

1 June 2002

| | Notes | 2002 £'000 | Group 2001 £'000 | 2002 £'000 | Company 2001 £'000 |
|--|-------|-----------------|------------------------|----------------|--------------------------|
| Fixed assets | | | | | |
| Goodwill | 10 | 285 | 302 | - | - |
| Tangible assets | 11 | 15,044 | 16,236 | - | - |
| Investments | 12 | - | - | 14,640 | 14,652 |
| | | 15,329 | 16,538 | 14,640 | 14,652 |
| Current assets | | | | | |
| Stocks | | 19,019 | 17,293 | - | - |
| Debtors | 13 | 3,802 | 4,678 | 10,801 | 6,613 |
| Cash at bank and in hand | | 5,142 | 2,206 | 462 | 5,382 |
| | | 27,963 | 24,177 | 11,263 | 11,995 |
| Creditors: Amounts falling due within one year | 14 | (17,935) | (18,707) | (2,777) | (3,858) |
| Net current assets | | 10,028 | 5,470 | 8,486 | 8,137 |
| Total assets less current liabilities | | 25,357 | 22,008 | 23,126 | 22,789 |
| Creditors: Amounts falling due after more than one year | 15 | (526) | (2,446) | - | - |
| Provisions for liabilities and charges | 17 | (1,007) | (893) | - | - |
| Net assets | | 23,824 | 18,669 | 23,126 | 22,789 |
| Capital and reserves | | | | | |
| Called-up share capital | 18 | 5,623 | 5,601 | 5,623 | 5,601 |
| Share premium account | 19 | 1,307 | 1,005 | 1,307 | 1,005 |
| Merger reserve | 19 | (399) | (399) | - | - |
| Special reserve | 19 | - | - | 14,917 | 14,917 |
| Profit and loss account | 19 | 17,293 | 12,462 | 1,279 | 1,266 |
| Equity shareholders' funds | | 23,824 | 18,669 | 23,126 | 22,789 |

The financial statements on pages 29 to 51 were approved by the board of directors on 22 July 2002 and signed on its behalf by:

S.K.M Williams

B.F.J. Bester

Directors

22 July 2002

The accompanying notes are an integral part of these balance sheets.

CONSOLIDATED CASH FLOW STATEMENT

for the period ended 1 June 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|--|-------|----------------|---------------|
| Net cash inflow from operating activities | 21(a) | 10,426 | 11,019 |
| Returns on investments and servicing of finance | 21(b) | (163) | (245) |
| Taxation | | (3,005) | (2,849) |
| Capital expenditure and financial investment | 21(c) | (163) | (4,820) |
| Equity dividends paid | | (2,323) | (1,934) |
| Cash inflow before financing | | 4,772 | 1,171 |
| Financing | 21(d) | (1,836) | 600 |
| Increase in cash in the period | 21(e) | 2,936 | 1,771 |

The accompanying notes are an integral part of this consolidated cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

1 June 2002

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding period:

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of Topps Tiles Plc and its subsidiary undertakings made up to 1 June 2002. The financial statements of Topalpha Limited have been consolidated using merger accounting principles. In all other cases, subsidiary undertakings have been accounted for using acquisition accounting principles.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. No profit and loss account is presented for Topps Tiles Plc, as permitted by s230 of the Companies Act 1985. The Company's profit after tax for the period, determined in accordance with the Act, was £3,221,000 (2001 - £3,194,000).

c) Financial period

The accounting period ends on the Saturday which falls closest to 31 May, resulting in financial periods of either 52 or 53 weeks.

d) Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is twenty years. Provision is made for any impairment.

Goodwill arising on acquisitions in the period ended 30 May 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated on the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

e) Turnover

Turnover comprises the net amount receivable in respect of sales during the period to third parties and excludes value added tax.

1 Accounting policies (continued)*f) Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Costs are only those costs that are directly attributable to bringing the asset into working condition for its intended use. Depreciation is provided to write off the cost of tangible assets, less estimated residual value, over their estimated useful lives as follows:

| | | |
|------------------------------------|---|--|
| Freehold buildings | - | 2% per annum on cost |
| Short leasehold land and buildings | - | over the period of the lease, up to 25 years |
| Fixtures and fittings | - | over 10 years or at 25% per annum on reducing balance basis as appropriate |
| Motor vehicles | - | 25% per annum on reducing balance |

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

g) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials and an attributable proportion of distribution overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

h) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

i) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date, or if appropriate at the forward contract rate.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

1 Accounting policies (continued)

j) Leases

Assets held under finance leases and hire purchase contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

k) Investments

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

l) Pension costs

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

m) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, only when the hedged transaction has itself been reflected in the Group's financial statements.

If an instrument ceases to be accounted for as a hedge, for example, because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

1 Accounting policies (continued)

n) Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of the debt at a constant rate on the carrying amount. Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

2 Turnover

Turnover and profit before taxation are attributable to one activity, the retail and wholesale distribution of ceramic tiles, wood flooring and related products, and arises predominantly within the UK.

3 Operating expenses

| | 2002 | 2001 |
|-------------------------|---------------|--------|
| | £'000 | £'000 |
| Distribution costs | 28,808 | 23,545 |
| Administrative expenses | 7,670 | 5,642 |
| Employee profit sharing | 2,859 | 2,266 |
| | 39,337 | 31,453 |

4 Staff costs

a) Staff costs

The average monthly number of employees (including executive directors) was:

| | 2002 | 2001 |
|----------------|---------------|--------|
| | Number | Number |
| Selling | 936 | 800 |
| Administration | 134 | 141 |
| | 1,070 | 941 |

Their aggregate remuneration comprised:

| | 2002 | 2001 |
|----------------------------------|---------------|--------|
| | £'000 | £'000 |
| Wages and salaries | 17,304 | 12,741 |
| Social security costs | 1,323 | 1,169 |
| Other pension costs (note 22(b)) | 169 | 129 |
| | 18,796 | 14,039 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 June 2002

4 Staff costs (continued)

b) Directors' emoluments

The emoluments of the directors of the Company are as follows:

| | Fees £'000 | Basic salary £'000 | Taxable benefits £'000 | Money purchase pension contributions £'000 | 2002 Total £'000 | 2001 Total £'000 |
|----------------------|---------------|--------------------------|------------------------------|--|------------------------|------------------------|
| Executive | | | | | | |
| S.K.M. Williams | - | 150 | 15 | - | 165 | 138 |
| B.F.J. Bester | - | 150 | 9 | 6 | 165 | 159 |
| A. Liggett | - | 150 | 14 | 5 | 169 | 138 |
| N.D. Ounstead | - | 140 | 12 | 4 | 156 | 104 |
| Non-executive | | | | | | |
| W.A. McIntosh | 15 | - | - | - | 15 | 15 |
| V.H. Watson | 15 | - | - | - | 15 | 15 |
| J.M. Jack | - | 15 | - | - | 15 | 15 |
| Aggregate emoluments | 30 | 605 | 50 | 15 | 700 | 584 |

c) Directors' interests

The directors had the following interests in the shares of the Company:

| | 1 June 2002 Ordinary shares of 12.5p each | 2 June 2001 Ordinary shares of 12.5p each | Share options: Ordinary shares of 12.5p each, start and end of period |
|-----------------|---|---|--|
| S.K.M. Williams | 5,775,720 | 5,827,720 | - |
| B.F.J. Bester | 5,757,720 | 5,757,720 | - |
| A. Liggett | 500,300 | 500,300 | 300,000 |
| N.D. Ounstead | 98,700 | 98,700 | 225,000 |
| W.A. McIntosh | 467,000 | 467,000 | - |
| V.H. Watson | 37,200 | 37,200 | - |
| J.M. Jack | 3,000 | 3,000 | - |

4 Staff costs (continued)*c) Directors' interests (continued)*

Unexercised options have an exercise price of 301p, are exercisable from 6 September 2003 and expire on 5 September 2007.

The market price of the Company's shares at the end of the period was 274.0p per share and ranged during the period from 178.5p to 328.5p per share.

There have been no changes in the directors' interests in share options subsequent to the end of the period.

5 Finance charges (net)

| <i>Investment income</i> | 2002 | 2001 |
|---|--------------|-------|
| | £'000 | £'000 |
| Interest receivable and similar income | 57 | 84 |
| <i>Interest payable and similar charges</i> | | |
| Bank loans and overdrafts | 213 | 307 |
| Hire purchase contracts | 7 | 14 |
| Less interest costs capitalised | (19) | (14) |
| | 201 | 307 |
| <i>Finance charges (net)</i> | 144 | 223 |

Finance costs have been capitalised based on a capitalisation rate of 5.5% which is the weighted average of rates applicable to the Group's general borrowings outstanding during the period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 June 2002

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

| | 2002 | 2001 |
|--|--------------|-------|
| | £'000 | £'000 |
| Depreciation and amounts written off tangible fixed assets | | |
| - owned | 1,826 | 1,435 |
| - held under finance leases and hire purchase contracts | 86 | 39 |
| Amortisation of goodwill | 17 | 18 |
| Profit on disposal of tangible fixed assets | - | (344) |
| Operating lease rentals | | |
| - plant and machinery | 366 | 391 |
| - other | 7,862 | 6,657 |
| Remuneration to auditors | | |
| - audit | 40 | 35 |
| - other | 24 | 20 |

7 Tax on profit on ordinary activities

The tax charge comprises:

| | 2002 | 2001 |
|--|--------------|-------|
| | £'000 | £'000 |
| Current tax | | |
| UK corporation tax | 3,396 | 2,639 |
| Adjustments in respect of prior periods | (33) | - |
| Total current tax | 3,363 | 2,639 |
| Deferred tax - Origination and reversal of timing differences (note 17) | 114 | 228 |
| Total tax on profit on ordinary activities | 3,477 | 2,867 |

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | 2002 | 2001 |
|--|---------------|-------|
| | £'000 | £'000 |
| Profit on ordinary activities before tax | 11,516 | 9,414 |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001 - 30%) | 3,455 | 2,824 |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | (85) | (77) |
| Capital allowances in excess of depreciation | (114) | (228) |
| Depreciation on tangible fixed assets which do not qualify for capital allowances | 149 | 130 |
| Accounting profit in excess of chargeable gains on sale of freehold property | (9) | (10) |
| Adjustments to tax charge in respect of prior periods | (33) | - |
| Current tax charge for period | 3,363 | 2,639 |

The Group earns its profits primarily in the UK, therefore the tax rate used on the profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 June 2002

8 Dividends

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| (Over) under provision in respect of prior period final dividend | (7) | 5 |
| Interim paid of 1.35p (2001 - 1.15p) per ordinary share | 606 | 515 |
| Final proposed of 5.80p (2001 - 3.85p) per ordinary share | 2,609 | 1,725 |
| Total 7.15p (2001 - 5.00p) per ordinary share | 3,208 | 2,245 |

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 as follows:

| | 2002 Number of shares | 2001 Number of shares |
|--|-----------------------------|-----------------------------|
| Weighted average number of shares: | | |
| For basic earnings per share | 44,865,992 | 44,218,175 |
| Weighted average number of shares under option | 691,761 | 2,802,600 |
| Number of shares that would have been issued at fair value | (466,524) | (2,219,604) |
| For diluted earnings per share | 45,091,229 | 44,801,171 |

10 Goodwill

| Group | Total £'000 |
|-----------------------------|----------------|
| Cost | |
| Beginning and end of period | 338 |
| Amortisation | |
| Beginning of period | 36 |
| Charge for the period | 17 |
| End of period | 53 |
| Net book value | |
| Beginning of period | 302 |
| End of period | 285 |

11 Tangible fixed assets

| Group | Land and buildings | | Fixtures and fittings £'000 | Motor vehicles £'000 | Total £'000 |
|-----------------------|--------------------|-----------------------------|--------------------------------------|----------------------------|------------------------|
| | Freehold £'000 | Short leasehold £'000 | | | |
| Cost | | | | | |
| Beginning of period | 4,402 | 1,093 | 13,462 | 317 | 19,274 |
| Additions | 578 | 5 | 3,031 | 359 | 3,973 |
| Disposals | (2,801) | - | (370) | (281) | (3,452) |
| End of period | 2,179 | 1,098 | 16,123 | 395 | 19,795 |
| Depreciation | | | | | |
| Beginning of period | 121 | 339 | 2,565 | 13 | 3,038 |
| Charge for the period | 59 | 140 | 1,628 | 85 | 1,912 |
| Disposals | (83) | - | (26) | (90) | (199) |
| End of period | 97 | 479 | 4,167 | 8 | 4,751 |
| Net book value | | | | | |
| Beginning of period | 4,281 | 754 | 10,897 | 304 | 16,236 |
| End of period | 2,082 | 619 | 11,956 | 387 | 15,044 |

The net book value of tangible fixed assets includes £Nil (2001 - £505,000) in respect of fixtures and fittings held under hire purchase contracts.

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £19,000 (2001 - £85,000) for the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 June 2002

12 Fixed asset investments

| | Company £'000 |
|-----------------------------|------------------|
| Cost | |
| Beginning and end of period | 14,652 |
| Amounts written off | |
| Beginning of period | - |
| Written off | 12 |
| End of period | 12 |
| Net book value | |
| Beginning of period | 14,652 |
| End of period | 14,640 |

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

| | % of issued ordinary shares held | Principal activity |
|--------------------|--|--|
| Topalpha Limited | 100% | Property management and investment |
| Multi-Tile Limited | 100% | Retail and wholesale distribution of ceramic tiles, wood flooring and related products |

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

13 Debtors

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2002 £'000 | 2001 £'000 | 2002 £'000 | 2001 £'000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 773 | 619 | - | - |
| Amounts owed by subsidiary undertakings | - | - | 10,542 | 6,586 |
| Other debtors | 1,515 | 2,473 | 244 | 12 |
| Prepayments and accrued income | 1,514 | 1,586 | 15 | 15 |
| | 3,802 | 4,678 | 10,801 | 6,613 |

14 Creditors: Amounts falling due within one year

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2002 £'000 | 2001 £'000 | 2002 £'000 | 2001 £'000 |
| Obligations under hire purchase contracts | - | 175 | - | - |
| Bank loans (note 16(c)) | 220 | 285 | - | - |
| Trade creditors | 9,912 | 10,799 | 25 | 19 |
| Other creditors | 1,555 | 3,235 | 6 | 2,083 |
| Corporation tax | 1,847 | 1,488 | 6 | 7 |
| Proposed dividend | 2,609 | 1,725 | 2,609 | 1,725 |
| Accruals and deferred income | 1,792 | 1,000 | 131 | 24 |
| | 17,935 | 18,707 | 2,777 | 3,858 |

15 Creditors: Amounts falling due after more than one year

| | Group | |
|---|---------------|---------------|
| | 2002 £'000 | 2001 £'000 |
| Obligations under hire purchase contracts | - | 9 |
| Bank loans (note 16(c)) | 526 | 2,437 |
| | 526 | 2,446 |

16 Derivatives and other financial instruments

The Group holds financial instruments to finance its operations, and to manage interest rate and currency risks arising from its operations.

Consequently the main risks arising from the Group's operations are liquidity risk, interest rate risk and currency risk.

Liquidity risk

The Group's objective is to maintain continuity of funding through the use of retained profits and medium to long term borrowings. The maturity profile of the Group's borrowings are detailed in section (c) of this note.

Interest rate risk

The Group's objective is to manage the exposure to interest rate fluctuations whilst trying to minimise the cost of capital of the Group. Given the recent underlying downward trend in long term interest rates, the board has chosen not to adopt any fixed rates, as it believes that interest rates will continue to fall in the foreseeable future.

Currency risk

The Group has transactional currency exposures which arise from purchases by subsidiary undertakings in currencies other than the functional currency of the Group. The Group's policy is to periodically use forward contracts to hedge those transactions to eliminate any significant currency exposure. The frequency and amount hedged is decided by the board and depends upon the magnitude of the exposure and volatility of the currency involved.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" (FRS 13). Certain financial assets such as investments in subsidiary and associated companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

a) Interest rate profile

The Group has no financial assets other than sterling cash deposits of £5,142,000 (2001 - £2,206,000) which are part of the financing arrangements of the Group. The sterling cash deposits comprise deposits placed on money market at call.

16 Derivatives and other financial instruments (continued)

a) Interest rate profile (continued)

The interest rate profile of the Group's financial liabilities is as follows:

| | Floating rate | | | |
|-----------------------|---------------|-----|--------------|-----|
| | 2002 | | 2001 | |
| | £'000 | % | £'000 | % |
| Sterling - Borrowings | | | | |
| Loan 1 | 488 | 1.0 | 627 | 1.0 |
| Loan 2 | 258 | 1.0 | 324 | 1.0 |
| Loan 3 | - | - | 1,771 | 1.5 |
| Total | 746 | | 2,722 | |

The interest rate on floating rate financial liabilities indicates the excess over bank base rate.

Loans 1 and 2 are secured by fixed charges over the Group's freehold property and by floating charges over all other assets of the Group.

b) Currency exposures

The table below shows the Group's currency exposures; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise monetary liabilities of the Group that are not denominated in the functional currency of the Group. As at 1 June 2002 these exposures were as follows:

| | Net foreign currency monetary liabilities | |
|-----------------------------------|--|---------------|
| | 2002 | 2001 |
| | Euro £'000 | Euro £'000 |
| Functional currency of the Group: | | |
| Sterling | - | 104 |

The amounts shown in the tables above take into account the effect of forward contracts entered into to manage these currency exposures.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 June 2002

16 Derivatives and other financial instruments (continued)

c) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities was as follows:

| | Loans 2002 £'000 | Hire purchase contracts 2001 £'000 | Loans 2001 £'000 | Total 2001 £'000 |
|---|---------------------------------|--|------------------------|------------------------|
| In one year or less | 220 | 175 | 285 | 460 |
| In more than one year but not more than two years | 220 | 9 | 292 | 301 |
| In more than two years but not more than five years | 306 | - | 849 | 849 |
| In more than five years | - | - | 1,296 | 1,296 |
| Total | 746 | 184 | 2,722 | 2,906 |

d) Borrowing facilities

The Group had undrawn committed borrowing facilities, in respect of which all conditions precedent had been met, as follows:

| | 2002 £'000 | 2001 £'000 |
|---------------------------------|-----------------------|---------------|
| Expiring in one year or less | 2,000 | 2,000 |
| Expiring in more than two years | 7,100 | 8,061 |
| End of period | 9,100 | 10,061 |

e) Fair values

There is no material difference between the fair value and book value of the Group's financial assets and liabilities at either period end.

17 Provisions for liabilities and charges

| | 2002 £'000 | Group 2001 £'000 |
|------------------------------------|-----------------------|------------------------|
| <i>Deferred taxation</i> | | |
| Beginning of period | 893 | 665 |
| Charged to profit and loss account | 114 | 228 |
| End of period | 1,007 | 893 |

The deferred taxation represents a full provision for the excess of capital allowances over book depreciation of fixed assets.

18 Called-up share capital

| | Number of shares | 2002 £'000 | Number of Shares | 2001 £'000 |
|---|---------------------|---------------|---------------------|---------------|
| Ordinary shares of 12.5p each: | | | | |
| <i>Authorised</i> | | | | |
| Beginning and end of period | 56,600,000 | 7,075 | 56,600,000 | 7,075 |
| <i>Allotted, called-up and fully-paid</i> | | | | |
| Beginning of period | 44,805,018 | 5,601 | 42,476,258 | 5,309 |
| Issued in the period | 175,747 | 22 | 2,328,760 | 292 |
| End of period | 44,980,765 | 5,623 | 44,805,018 | 5,601 |

During the period, the Company allotted 175,747 (2001 - 2,328,760) ordinary shares with a nominal value of £22,000 (2001 - £292,000) under share option schemes for an aggregate cash consideration of £324,000 (2001 - £1,196,000).

**19 Reserves
Group**

| | Merger reserve £'000 | Share premium account £'000 | Profit and loss account £'000 |
|--------------------------------|----------------------------|--------------------------------------|--|
| Beginning of period | (399) | 1,005 | 12,462 |
| Premium on issue of new shares | - | 302 | - |
| Retained profit for the period | - | - | 4,831 |
| End of period | (399) | 1,307 | 17,293 |

Company

| | Special reserve £'000 | Share premium account £'000 | Profit and loss account £'000 |
|--------------------------------|-----------------------------|--------------------------------------|--|
| Beginning of period | 14,917 | 1,005 | 1,266 |
| Premium on issue of new shares | - | 302 | - |
| Retained profit for the period | - | - | 13 |
| End of period | 14,917 | 1,307 | 1,279 |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 June 2002

20 Reconciliation of movements in Group equity shareholders' funds

| | 2002 | 2001 |
|--------------------------------------|----------------|---------|
| | £'000 | £'000 |
| Profit for the period | 8,039 | 6,547 |
| Dividends paid and proposed | (3,208) | (2,245) |
| Issue of shares (net of expenses) | 324 | 1,185 |
| Net additions to shareholders' funds | 5,155 | 5,487 |
| Opening equity shareholders' funds | 18,669 | 13,182 |
| Closing equity shareholders' funds | 23,824 | 18,669 |

21a) Reconciliation of operating profit to operating cash flows

| | 2002 | 2001 |
|---|----------------|---------|
| | £'000 | £'000 |
| Operating profit | 11,660 | 9,637 |
| Depreciation | 1,912 | 1,474 |
| Profit on disposal of fixed assets | - | (344) |
| Goodwill amortisation | 17 | 18 |
| Increase in stocks | (1,726) | (1,345) |
| Decrease (increase) in debtors | 338 | (1,113) |
| (Decrease) increase in creditors | (1,775) | 2,692 |
| Net cash inflow from operating activities | 10,426 | 11,019 |

21b) Returns on investments and servicing of finance

| | 2002 | 2001 |
|---|--------------|-------|
| | £'000 | £'000 |
| Interest received | 57 | 84 |
| Interest paid | (213) | (315) |
| Interest element of hire purchase rentals | (7) | (14) |
| Net cash outflow from returns on investments and servicing of finance | (163) | (245) |

21c) Capital expenditure and financial investment

| | 2002 | 2001 |
|---|---------------------|----------------|
| | £'000 | £'000 |
| Purchase of tangible fixed assets | (3,954) | (5,143) |
| Sale proceeds of tangible fixed assets | 3,791 | 323 |
| <u>Net cash outflow from capital expenditure and financial investment</u> | <u>(163)</u> | <u>(4,820)</u> |

21d) Financing

| | 2002 | 2001 |
|--|-----------------------|------------|
| | £'000 | £'000 |
| Proceeds from issue of ordinary share capital | 324 | 1,196 |
| Expenses in connection with issue of share capital | - | (11) |
| New loans | - | 603 |
| Repayment of loans | (1,976) | (863) |
| Capital element of hire purchase rentals | (184) | (325) |
| <u>Net cash (outflow) inflow from financing</u> | <u>(1,836)</u> | <u>600</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 June 2002

21e) Analysis and reconciliation of net funds

| | 2001 £'000 | Cashflow £'000 | 2002 £'000 |
|--|---------------|-------------------|---------------|
| Cash at bank and in hand | 2,206 | 2,936 | 5,142 |
| Debt due within one year | (285) | 65 | (220) |
| Debt due after one year | (2,437) | 1,911 | (526) |
| Obligations under hire purchase contracts | (184) | 184 | - |
| Net (debt) funds | (700) | 5,096 | 4,396 |
| | | 2002 | 2001 |
| | | £'000 | £'000 |
| Increase in cash in the period | | 2,936 | 1,771 |
| Cash outflow from decrease in debt and hire purchase contracts | | 2,160 | 585 |
| Change in net funds from cash flows | | 5,096 | 2,356 |
| New hire purchase contracts | | - | (234) |
| Movement in net funds in the period | | 5,096 | 2,122 |
| Net debt start of period | | (700) | (2,822) |
| Net funds (debt) end of period | | 4,396 | (700) |

22 Financial commitments*a) Capital commitments*

At the end of the period there were no capital commitments contracted but not provided for (2001 - £Nil).

b) Pension arrangements

The Group operates separate defined contribution pension schemes for employees and directors. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £169,000 (2001 - £129,000).

c) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

| Group | 2002 | | 2001 | |
|--------------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | Land and buildings £'000 | Other £'000 | Land and buildings £'000 | Other £'000 |
| Operating leases which expire: | | | | |
| - within one year | 837 | 103 | 779 | 92 |
| - between two and five years | 1,389 | 287 | 1,478 | 303 |
| - after five years | 5,913 | 22 | 4,599 | 16 |
| | 8,139 | 412 | 6,856 | 411 |

23 Post balance sheet events

On 10 June 2002 the Company acquired 50% of the ordinary shares in Topps Holding BV for a cash consideration of £493,000.

FIVE YEAR RECORD

1 June 2002

| | 1998 | 1999 | 2000 | 2001 | 2002 |
|---------------------------------------|--------|--------|--------|--------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Turnover | 31,274 | 42,996 | 62,614 | 74,642 | 91,026 |
| Operating profit | 4,282 | 6,091 | 8,249 | 9,637 | 11,660 |
| Profit before taxation | 4,127 | 5,828 | 8,018 | 9,414 | 11,516 |
| Shareholders' funds | 4,166 | 9,338 | 13,182 | 18,669 | 23,824 |
| Basic earnings per share ¹ | 7.1p | 9.9p | 13.1p | 14.8p | 17.9p |
| Dividend per share ¹ | 2.40p | 3.20p | 4.30p | 5.00p | 7.15p |
| Dividend cover | 3.0 | 3.0 | 3.0 | 2.9 | 2.5 |
| Average number of employees | 397 | 585 | 779 | 941 | 1,070 |
| Share price (period end) ¹ | 193p | 212p | 271p | 330p | 274p |

Notes

1. Adjusted for subdivision of share capital.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Topps Tiles Plc (the "Company") will be held at Unit D, Mortimer Road Industrial Estate, Narborough, Leicester, LE9 5GA on 8 October 2002 at 10.30am for the following purposes:

Ordinary Business

1. to receive and adopt the report of the directors and the financial statements for the period ended 1 June 2002 and the report of the auditors thereon;
2. to declare a final dividend of 5.80 pence per ordinary share on the ordinary shares for the period;
3. to re-elect Barry Bester as a director of the Company;
4. to re-elect Andrew Liggett as a director of the Company;
5. to re-elect Rt. Hon Michael Jack as a director of the Company;
6. to re-elect Victor Watson as a director of the Company;
7. to appoint Deloitte & Touche as auditors and to authorise the directors to fix their remuneration;

Special Business

To consider and, if thought fit, pass the resolutions set out below which, in the case of Resolutions 8 and 9 will be proposed as Ordinary Resolutions and, in the case of Resolutions 10 and 11, will be proposed as Special Resolutions:

8. THAT the authorised share capital of the Company be increased from £7,075,000 to £8,000,000 by the creation of 7,400,000 new ordinary shares of 12.5 pence each, such shares having the rights and privileges and being subject to the restrictions as set out in the Articles of Association of the Company.
9. THAT the directors be and they are generally and unconditionally authorised for the purposes of and pursuant to section 80(1) of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £1,874,198.50 provided that this authority shall expire 5 years from the date of the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting) save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired and so that this authority shall be in substitution for all previous authorities conferred upon the directors pursuant to section 80 of the Act but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

10. THAT subject to and conditional on the passing of Resolution 9 set out above, the directors be and they are empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by Resolution 9 above (as varied from time to time by the Company in general meeting) as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

- a) the allotment of equity securities in connection with a rights issue; and
- b) the allotment (otherwise pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £281,130,

and shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date falling 15 months after the date of the passing of this resolution (unless previously revoked, varied or extended by the Company in general meeting), except that the Company may before the expiry of any power contained in this resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired.

In this resolution 9

- (a) “rights issue” means an offer of equity securities open for acceptance for a period fixed by the directors to holders of ordinary shares on the register on a fixed record date in proportion to their respective holdings of such shares or in accordance with the rights attached to them (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or in relation to legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in any territory);
- (b) the nominal amount of any securities should be taken to be, in the case of a right to subscribe for or convert any securities into shares of the Company, the nominal amount of the shares which may be allotted pursuant to such right; and
- (c) words of expressions defined in or for the purposes of sections 89-96 inclusive of the Act shall bear the same meanings.

11. THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of its own ordinary shares of 12.5p each in the capital of the Company (“ordinary shares”) provided that:

- (a) the maximum number of ordinary shares hereby authorised to be purchased is 4,947,884;
- (b) the minimum price, exclusive of any expenses, which may be paid for an ordinary share is 12.5p;
- (c) the maximum price, exclusive of any expenses, which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which such ordinary share is contracted to be purchased;

- (d) the authority hereby conferred shall expire on the earlier of 7 April 2004 and the close of the next Annual General Meeting of the Company;
- (e) the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might require to be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired.

Notes

- (i) This notice has been sent to all ordinary shareholders who are entitled to attend or be represented at the meeting.
- (ii) A member entitled to attend and vote at the AGM may appoint a proxy or proxies to attend on a poll vote and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company. To be valid, a form of proxy and any power or authority under which it is signed, must be lodged with the Company's Registrars, Capita IRG Plc, Balfour House, 390/398 High Road, Ilford, Essex, IG1 1BR, no later than 48 hours before the time of the AGM.
- (iii) A proxy is not entitled to speak at the meeting except to demand a poll, and may vote only when a poll is taken.
- (iv) A form of proxy is enclosed and instructions for use are shown on the form. The fact that shareholders may have completed forms of proxy will not prevent them from attending and voting in person should they afterwards decide to do so.
- (v) As permitted by Regulation 41 of the Uncertified Securities Regulations 2001, only those shareholders who are registered on the Company's share register at 8.00am on 7 October 2002 shall be entitled to attend the AGM and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 8.00am on 7 October 2002 shall be disregarded in determining the rights of any person to attend and/or vote at the AGM.
- (vi) The following documents are available for inspection by members of the registered office of the Company on weekdays (except Bank Holidays) during the normal business hours and at the place of the meeting but not less than 15 minutes prior to and during the meeting:-
 - (a) the register of directors' interests required to be kept under section 325 of the Act; and
 - (b) copies of the directors' service contracts.

Andrew Liggett
Secretary
22 July 2002

Registered Office:
Rushworth House
Wilmslow Road
Handforth
Wilmslow
Cheshire SK9 3HJ
Registered No. 3213782

EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company this year will be held at the Company's premises at Unit D, Mortimer Road Industrial Estate, Narborough, Leicester, LE9 5GA, on 8 October 2002 at 10.30am.

Four of the resolutions are to be taken at this year's AGM as special business. By way of explanation of these and certain of the other resolutions:-

Resolution 2 – Final Dividend

A final dividend of 5.80p per ordinary share is recommended by the directors for payment to shareholders on the register of members of the Company at the close of business on 4 October 2002. Subject to approval by the ordinary shareholders at the AGM, the dividend will be paid on 1st November 2002. An interim dividend of 1.35p per ordinary share was paid on 28th February 2002.

Resolutions 3, 4, 5 and 6 – Re-election of Directors

Barry Bester, Andrew Liggett, Rt. Hon Michael Jack and Victor Watson are the directors retiring by rotation this year and they offer themselves for re-election. All members of the board of directors submit themselves for re-election at least every 3 years with the exception of Victor Watson who at the age of 73 retires and offers himself for re-election annually. Brief biographical details about the directors standing for re-election appear on page 21 of the annual report and financial statements.

Resolution 7 – Appointment of Auditors

In the UK, an agreement for the partners and personnel of the Company's existing auditor, Arthur Andersen, to join Deloitte & Touche has recently been concluded. As a consequence of this, the board has concluded that it is now appropriate to propose a resolution at the AGM to appoint Deloitte & Touche as auditors to the Group for the ensuing year in place of Arthur Andersen and to authorise the directors to fix their remuneration.

Resolutions 8, 9 and 10 – Increase of Authorised Share Capital, Appointment of Authority to Issue Shares and the Dis-application of Statutory Rights of Pre-emption

In order to ensure that the authorised share capital of the Company is sufficient to cover the number of shares it is proposed by resolution 9 to authorise the directors to allot, it will be necessary to increase the current authorised share capital of £7,075,000 to £8,000,000 by the creation of 7,400,000 new ordinary shares. The increase in authorised share capital of the Company proposed by Resolution 8 presents an increase of just over 13%.

The right of the directors to allot further shares in the capital of the Company requires in most cases the prior authorisation of the shareholders in general meeting under section 80 of the Companies Act 1985 ("the Act"). Resolution 9 will be put to members as special business to authorise the directors to allot ordinary shares with a nominal value of £1,874,198.50 out of the Company's unissued share capital representing approximately 33.3% of the Company's current issued share capital.

The current issued share capital of the Company, is 44,980,765 ordinary shares which differs from that set out in the Annual Report for 2001 by the amount of 175,747 ordinary shares. This is a result of the issue of shares pursuant to options exercised under the Company's share option schemes during the course of the year. The authority shall expire five years from the date of passing this resolution.

Resolution 10 will seek to obtain power under section 95 of the Act to enable the directors to allot, for cash, shares with an aggregate nominal value of £281,130 equal to approximately 5% of the Company's current issued share capital without being required first to offer such securities to existing shareholders. The Company will thereby be given greater flexibility when considering future opportunities but the interests of existing shareholders will be protected as, except in the case of a rights issue or the allotment of shares under the Company's share option schemes, the proportionate interests of shareholders cannot, without their consent, be reduced by the issue for cash of new shares representing more than 5% of the current issued share capital. Save for the issue of shares pursuant to options granted under the Company's share option schemes, the directors have no present intention to allot any part of the unissued share capital of the Company or, without the prior approval of the Company in general meeting, to make any issue which would effectively alter the control of the Company or the nature of its business. This authority will expire immediately following the AGM next following the resolution or, if earlier, 15 months following the resolution being passed.

Resolution 11 – Authority to Purchase Ordinary Shares

At the AGM, ordinary shareholders are being invited under resolution 11 to grant authority to the Company to make market purchases of its ordinary shares. It is proposed such authority shall expire on 7 April 2004 or if earlier the conclusion of the AGM to be held in 2004.

This authority will be limited to the purchase of not more than 11% of the ordinary shares currently in issue. This is less than the maximum of 14.9% of the ordinary share capital currently in issue which is permitted before a tender or partial offer to all shareholders is required to be made to perform any share buy-back. The maximum price payable under this authority will be 105% of the average of the middle market quotations of an ordinary share for the five business days before the relevant purchase and the minimum price will be 12.5p per ordinary share.

The directors have no current intention of exercising the authority to purchase the Company's own shares. In considering whether or not to purchase ordinary shares under the market purchase authority, the directors will take into account cash resources, the effect on gearing and other investment opportunities before exercising the authority. In addition, the Company will only exercise the authority to make such a purchase in the market when the directors consider it is in the best interests of the shareholders generally to do so and it should result in an increase in earnings per ordinary share.

As at 22 July 2002, there were options to subscribe for 2,150,228 equity shares outstanding under various schemes representing approximately 4.78% of the current issued share capital of the Company. If the authority sought by resolution 11 was exercised in full, the number of outstanding options would represent approximately 5.37% of the issued share capital following the repurchase of shares.

THE TEAM



AAMER HAMEED



Aamer Hameed
 Aaron Bloomfield
 Abdulkadir Kulmie
 Adam Coates
 Adam Elden
 Adam Hughes
 Adam Laidlaw
 Adam Lucas
 Adam McVinnie
 Adam Mills
 Adam Osborn
 Adam Shewan
 Adam Taylor
 Adam Thompson
 Adrian McCourt
 Adrian McGothigan
 Adrian Munday
 Adrian Pickup
 Adrian Wild
 Aidan Ward
 Aileen Crossley
 Ajit Ashani
 Akommil Ali
 Alan Abbott
 Alan Allsopp
 Alan Clark

Alan Donaghy
 Alan Faulkner
 Alan Feighan
 Alan Harding
 Alan McIntosh
 Alan Metcalfe
 Alan Monk
 Alan Parker
 Alan Saunders
 Alan Seall
 Alan Sproston
 Albert Neil
 Alex Bott
 Alex Large
 Alex Paterson
 Alexander Pearl
 Alfred Asare
 Alistair Fleming
 Allan Chigariro
 Allan Harper
 Alpesh Patel
 Alun Jones
 Amanda Green
 Amanda Hardy
 Amanda Hullett
 Amanda Tucker
 Amin Ladhu
 Amrish Bhimjiyani
 Alan Howard
 Amy Gray
 Andreas Moustakas

People are our business...

Our aim is to achieve consistent high levels of customer service and this is reflected by the commitment shown by all our employees.



INVESTOR IN PEOPLE

Andrew Anthony
 Andrew Bosley
 Andrew Bradshaw
 Andrew Carlisle
 Andrew Clay
 Andrew Collins
 Andrew Curtis
 Andrew Endersby
 Andrew Faulkner
 Andrew Hampshire-Bird
 Andrew Hanson
 Andrew Hill
 Andrew Jones
 Andrew Keirle
 Andrew Liggett
 Andrew McLaurin
 Andrew Monks
 Andrew Moore
 Andrew Moore
 Andrew Parnell
 Andrew Press
 Andrew Smith
 Andrew Thomas
 Andrew Ward
 Andrew Waterfield
 Andrew Williams
 Andrew Willis
 Andrew Willis
 Andrew Withers
 Angela Harrison
 Angela Tremelling
 Anita Parsfield
 Ankur Jindal
 Anna Timney
 Anne Day
 Amy Lloyd
 Anne McCabe
 Anne Stevens



Annette Harris
 Anthony Christopher
 Anthony Cottrell
 Anthony Cox
 Anthony Eaton
 Anthony Gilbert
 Anthony Grimshaw
 Anthony Houghton
 Anthony Kerr
 Anthony Linsell
 Anthony Matthews
 Anthony Molyneux
 Anthony Moulds
 Anthony Warner
 Antony Beazer
 Antony Plant
 Antony Zawadski
 Arnold Harrison
 Ashley Flint
 Ashley Jordan
 Ashley O'Loughlin
 Asvin Shah
 Augustus Slater
 Barbara Dormer
 Barbara Edge
 Barrie Taylor
 Barry Bester
 Barry Price
 Barry Squires
 Ben Armitage
 Ben English
 Ben Fielding
 Ben Fitzgerald
 Ben Henfrey
 Ben Whiting
 Ben Woollins
 Benjamin Andrews



Benjamin Cripps
 Benjamin Hammond
 Benjamin Marland
 Benjamin Mills
 Benjamin Rowlands
 Bernard Cope
 Bertil Boyles
 Brad Crosthwaite
 Brant Wells
 Brenda Bowles
 Brendan Lumb
 Brendan Roberts
 Brendon Williams
 Brett Hall
 Brian Adams
 Brian Dewey
 Brian Fisher
 Brian Glover
 Brian Henderson
 Brian Richards
 Brian Young
 Bruce Fielding
 Bryan Hartley
 Byron Coles
 Carina Lowe
 Carl Bebbington
 Carl Bradbury
 Carl Dicks
 Carl Dyke
 Carl Fraser
 Carl Kerr
 Carl Sheppard
 Carl Towey
 Carol Lakin
 Carol Sudlow
 Caroline Bennett
 Caroline Gordon

Caroline May
Cassandra Huitson
Catherine Grobler
Catherine Hinde
Catherine Simmons
Chan Gokani
Charlene Saunders
Charles Williams
Cheryl Holmes
Chetna Shah
Chris Bain
Chris Cartey
Chris Crulkshank
Chris Evans
Chris McGill
Chris Rumble
Chris Tupper
Christina Langridge
Christine Glover
Christine Hendry
Christine Pyne
Christine Rea
Christine Wadsworth
Christine Whiteman
Christopher Cooper
Christopher Davis
Christopher French
Christopher Goodwin
Christopher Hunter
Christopher Lount
Christopher Metcalf
Christopher Newman
Christopher Read
Christopher Turley
Christopher Warner
Christopher Wenlock
Cindy Dickens
Claire Sutcliffe
Clinton Quinn
Colin Butler
Colin Dixon
Colin Hampson
Colin Hoban
Colin Markham
Colin Probert



Colin Rymer
Colin Watkins
Constantinos Pedhiou
Craig Neilson
Craig Ollard
Craig Tetlow
Craig Thornton
Craig White
Crescent Baron
Dale Hoy
Damian Hassall
Damien Cramp
Dan Fawcitt
Daniel Beaven
Daniel Brooks
Daniel Carroll
Daniel Cole
Daniel Endors
Daniel Fallows
Daniel France
Daniel Gibbs
Daniel Jones
Daniel Little
Daniel McAllister
Daniel Moores
Daniel Musguin
Daniel Platt
Daniel Saunders
Daniel Savva
Daniel Scott Francis
Daniel Smith
Daniel Whitehand
Danielle Smythe
Danny Campling
Danny Eastwood
Danny Taylor
Darran Wood
Darrel Bester
Darrel Driver
Darrell Morgan
Darren Cawkwell
Darren Connor
Darren Cooper
Darren Doherty
Darren Hall

Darren Palmer
Darren Ryn
Darren Saker
Darren Simm
Darryl Ashbolt
Darryn Walker
Dave Hampson
David Asquith
David Bailey
David Bourne
David Broadbent
David Canning
David Carpenter
David Chapman
David Colwell
David Daulton
David Dewey
David Edwards
David Evans
David Fitzgerald
David French
David Gridley
David Harper
David Hatton
David Henderson
David Hirst
David Hulme
David Kilgour
David Lalley
David Linwood
David Lott
David Macartney
David Mallyon
David Marshall
David Mitchell
David Needham
David Nelson
David Oliver
David Parr
David Price
David Rogers
David Ruddick
David Savage
David Steel
David Stott



David Stoughton
David Strain
David Thomasson
David Turner
David Walker
David Warrilow
David Williams
David Williams
Dean Bennett
Dean Brown
Dean Holder
Dean Johnson
Dean Marshall
Debbie Hynd
Deborah White
Deborah Williams
Debra Davies
Denis O'Brien
Denise Nash
Dennis Cragen
Derek Browne
Derek Lambourn
Derek Parsons
Derek Reynolds
Derek Sim
Derek Smith
Diane Shatford - Butcher
Dilwar Ali
Dinesh Hirani
Dion Van Der Murwe
Dolores O'Malley
Donna Shirley
Donna Spence
Dorren Hyatt
Duncan Bull
Dwayne Howard
Dylan Lloyd-Hughes
Dylan Roberts
Edmund Smith
Edward Derbyshire
Edward Dove
Edward Sellors
Edward Walker
Elaine Aitken
Elizabeth Donovan



Elizabeth Narciso
Elizabeth Stonard
Ella Horswell
Elton Thomas
Emily Borderick
Emin Demirkaya
Emma Brookes
Emma Casey
Emma Cunliffe
Emma Jarram
Emma Parker
Emma Whatson
Enid Lamb
Enrico Grimm
Ewan McNicholl
Farooq Younis
Filip Taelman
Flora Tuitt
Frances Stevens
Francis McMillan



Gareth Ward
Gareth Wilson
Gary Asher
Gary Curtis
Gary Firth
Gary Gaughan
Gary Glasgow
Gary Grier
Gary Procter
Gary Watson
Gary Wilcox
Gavin Dwyer
Gavin Bennett
Gavin Greeno
Gavin McGregor
Gavin Mitchell
Gavin Ramsey
Gay Stephens
Geoff Sutters
Geoffrey Gordon

THE TEAM (CONTINUED)



Geoffrey Toms
 Geoffrey Webster
 George Wilson
 Geraldine Plumtree
 Gerard Duffy
 Gerard Mallon
 Gerry Lazaro
 Gerry West
 Gillian Grace
 Gillian Gray
 Glen Claridge
 Glenis Shirley
 Glenn Fordyce
 Glenn Jessop
 Glenn Madgin
 Glenys Ogden
 Glyn Draycott
 Glyn Rogers
 Gordon Dwyer
 Gordon Kerr
 Graham Brophy
 Graham Chapman
 Graham White
 Gregg Wall
 Gurjinder Rai

Ian Bloomfield
 Ian Chance
 Ian Fairfield
 Ian Hobson
 Ian Jones
 Ian Jones
 Ian Lightowers
 Ian Marshall
 Ian Mathers
 Ian McInteer
 Ian McLean
 Ian McNamara
 Ian Mathers
 Ian McInteer
 Ian McLean
 Ian McNamara
 Ian Pennington
 Ian Reavely
 Ian Smith
 Ian Wintertburn
 Imran Ashraf
 Imran Khan
 Inderjeet Jutlay
 Irfan Razaq
 Ivan Frampton
 Ivar Jensen
 Jacqueline Byrne
 Jacqueline MacGillivrah
 Jagdesh Varsani
 Jaimie Evans
 James Allington
 James Bott
 James Carpenter
 James Coles
 James Eastham
 James Edge
 James Edwards
 James Gaving
 James Gentleman
 James Hardy
 James Hazeltine
 James Koroma
 James Maggs
 James Manders
 James McGuigan

James Mercer
 James Metcalf
 James Moores
 James Myatt
 James Paterson
 James Patston
 James Phipps
 James Richards
 James Robertson
 James Ryder
 James Sawyer
 Jamie Bannister
 Jamie Brewer
 Jamie Turner
 Jamie Wilkie
 Jane Ladlow
 Janet Burgess
 Janet Lockyer
 Janet Riley
 Janice Millett
 Jasbinder Pal
 Jason Collins
 Jason Doe
 Jason Evans
 Jason Hewan
 Jason Marlow
 Jason Martin
 Jason Meadows
 Jason Moore
 Jason Morley
 Jason Pratt
 Jason Schofeild
 Jason Smith
 Javeed Parkar
 Jawed Iqbal
 Jayantilal Patel
 Jayawthe Weerasinge
 Jayesh Dhokia
 Jayesh Kalidas
 Jayson Warden
 Jennifer Donlan
 Jenny Seabrook
 Jeremy Harris
 Jessica Merryweather
 Jeten Varsani

Jethu Miah
 Jitinder Bhatowa
 Joanne Smith
 Jodie Robb
 Jody Donald
 Joe Cox
 Joe Lucas
 Johanna Asher
 John Anderson
 John Coles
 John Collier
 John Darcey
 John Daulton
 John Davidson
 John Davies
 John Doodson
 John Douglas
 John Forden
 John Gallagher
 John Herr
 John Hickey
 John Kelleher
 John Kent
 John Killicoat
 John MacRae
 John McKenna
 John Moat
 John Reilly
 John Russell
 John Smith
 John Smith
 John Stanton
 John Sutton
 John Thompson
 John Tyrrell
 Johnathon Cox
 Jon Oliver
 Jon Potts
 Jon Utah
 Jonathan Coombs
 Jonathan Hargreaves
 Jonathan Kirtley
 Jonathan Pilling
 Jonathan Whitehead



Jonathon Clapton
 Jonathon Parmenter
 Jonathon Perkins
 Jonathon Sheerin
 Joseph Bentley
 Joseph Quinn
 Josephine Hilldrup
 Joyce Davies
 Judy Prescott
 Juginder Gill
 Juile Moorhead
 Julian Lloyd
 Julian Tulk
 Julie Cox
 Julieanne Addinall
 Justin Roberts
 Kalpesh Shah
 Karen Lakin
 Karen March
 Karen Nicholson
 Karen Pritchard
 Karen Ross
 Karen Sutcliffe
 Karl Brooks
 Karl Creese
 Karl Cumberbatch
 Karl Jackson
 Karl Madge
 Karl Robbins-Sones
 Karl Sisson
 Karl Vallance
 Karl Winship
 Kate Harvey
 Kathryn Bell
 Kathryn Robinson
 Kathryn Rowley
 Katie Howe
 Katrina Pennington
 Keiron Birch
 Keith Dooley
 Keith Earl
 Keith Rudkin
 Kelly Ellison
 Kelly Evans



Harry Broadbent
 Harry Morris
 Hayley Doughty
 Hayley Reeves
 Heath Maryson
 Heather Blore
 Heather Holmes
 Helen Greatbatch
 Helen McDermott
 Heriberto Quintero
 Howard Farmer
 Huw Owens

Kelly Thompson
Kelly Whyte
Kelly Wrenn
Kelvin Britton - Miles
Ken Bragger
Kenneth Frankland
Kenneth Oldham
Kenneth Owen
Kenneth Timms
Kenneth Turner
Kerri Bester
Kerri Wood
Kerry Atkinson
Kerry Blatch
Kerry Hume
Kerry McAulay
Kevan Richardson
Kevin Bowtle
Kevin Croft
Kevin Dodson
Kevin Dowling
Kevin Gallagher
Kevin Hayes
Kevin Mottram
Kevin Nelson
Kevin Sherriff
Kevin Williams
Kieran Barnes Warden
Kieran Park
Kievin Bennett
Kimberley Haines
Kris Kingsley
Kulwinder Kaur
Kwame Yamo
Larissa Gurney
Laura Johnson
Laura Kershaw
Laura Shephard
Laurence Davies
Laurence Loxam
Lee Bowderly
Lee Brockwell
Lee Brougham
Lee Cotterill

Lee Culley
Lee Dover
Lee Galloway
Lee Harris
Lee Harrison
Lee Johnston
Lee Langmaid
Lee Markwell
Lee Marron
Lee Maxey
Lee Morris
Lee Payne
Lee Pinder
Lee Reeves
Lee Riches
Lee Street
Lee Wright
Lee Yerex
Leigh Holden
Leigh Morris
Leighton Townsend
Leo O'Doherty
Leonard Denton
Leonard Sheldrick
Leonard Wilson
Leslie Baker
Leslie Maher
Leslie Thomson
Lewis Kerton
Lewis Welsh
Liam Hollinrake
Liam Johnson
Liam Taylor
Linda Hadley
Lisa Kourousou
Lisa Sheppard
Lisa Walker
Llewellyn Gordon
Loretta Daley
Lorna Ballantyne
Lorraine Gibbons
Louis McEilly
Louise Ashley
Louise McGough



Luke Jones
Luke Robinson
Lynda Prescott
Lyndsey Martin
Lynette Grimes
Lynn Davey
Lynn Domsalla
Magnus White
Mandy Aidney
Manjeet Thathal
Manoj Patel
Marc Bartlett
Marc Moules
Margaret Clapham
Margaret Lawrie
Margaret Rayner
Margaret Seaton
Marianne Pettengell
Marianne Stevens
Mark Allen
Mark Balcombe
Mark Bentley
Mark Bradbury
Mark Cash
Mark Curwen
Mark Dawson
Mark Farquhar
Mark Garrity
Mark Gasson
Mark Hadfield
Mark Hawney
Mark Hilton
Mark Hirst
Mark Hodgkinson
Mark Holman
Mark Jepson
Mark Johnson
Mark Johnson
Mark Jones
Mark Lever
Mark Moore
Mark Mottershead
Mark Pearce
Mark Riley
Mark Roberts

Mark Robinson
Mark Stephenson
Mark Strong
Mark Thompson
Mark Tokley
Mark Traynor
Mark Walmsley
Martin Baker
Martin Ball
Martin Derricott
Martin Flynn
Martin Pye
Martin Ridgway
Martin Shenton
Martin Sinnott
Martin Van Der Werf
Martin Winterburn
Marvin Cyrus
Mathew Dunn
Mathew Howell
Mathew Merrick
Mathew Penny
Matthew Askew
Matthew Ball
Matthew Beddow
Matthew Dobson
Matthew Foster
Matthew Hawley
Matthew Kelher
Matthew McGarry
Matthew McKune
Matthew Pickley
Matthew Williams
Mehmet Asdoyuran
Melanie Gardiner
Melton Thompson
Melvin Young
Michael Bateman
Michael Bolden
Michael Boughton
Michael Bridgwater
Michael Coward
Michael Cumberbatch
Michael Dunn

Michael Earls
Michael Finn
Michael Foster
Michael Gay
Michael Griffiths
Michael Hickson
Michael Holland
Michael Humpage
Michael Jack
Michael Kench
Michael Litster
Michael Lock
Michael O'Gorman
Michael Passmore
Michael Pow
Michael Roddy
Michael Skinner
Michael Stephenson
Michael Williams
Micheal Harrison
Micheal Millin
Michele Calver
Michelle Bovey
Michelle Doran
Michelle Kempson
Michelle Sutherland
Mike Booth
Mitul Amin
Mohamed Iqbal
Mohamed Patel
Mohammad Waheed
Mohammed Amreaz
Mohammed Parvaz
Monica Corley
Naomi Cullen
Naomi Mildenhall
Nasser Mpoza
Natasha Maganlal
Nathan Collins
Nathan Jander
Nathan Seigneur
Nathan Westland
Nazia Bibi
Neil Cattroll



THE TEAM (CONTINUED)

Neil Curtis
 Neil Hendy
 Neil Homan
 Neil Kelly
 Neil Ketnor
 Neil McQuire
 Neil Potkin
 Neil Worthington
 Neville Howgate
 Nicholas Bradshaw
 Nicholas Carter
 Nicholas Deary
 Nicholas Lawrence
 Nicholas Ounstead
 Nicholas Salisbury-Jones
 Nicholas Withers
 Nicola Acres
 Nicola Dearden
 Nicola West
 Nicolas Wassell
 Nigel Barugh
 Nigel Bayliss
 Nigel Fleming
 Nigel Slaughter
 Nikki Brown
 Nikolai Nikoloff
 Nilesh Dahya
 Nina Abbotts
 Nita Blackwell
 Nitesh Dhokia



Okan Ozgu
 Owen Rawlinson



Pamela Brydon
 Patricia Croft
 Patricia Squires

Patricia Walker
 Patrick McLaughlin
 Paul Anderson
 Paul Bainbridge
 Paul Bourne
 Paul Burkett
 Paul Carter
 Paul Chapman
 Paul Coffey
 Paul Collins
 Paul Copeland
 Paul Cunliffe
 Paul Danbury
 Paul Daubney
 Paul Davies
 Paul Davis
 Paul Ferguson
 Paul Gatehouse
 Paul Gill
 Paul Glover
 Paul Griffiths
 Paul Groombridge
 Paul Halliwell
 Paul Hammond
 Paul Irving
 Paul Kemp
 Paul Lathrope
 Paul Laverty
 Paul Leaford
 Paul Liggett
 Paul Marlow
 Paul Martin
 Paul McCulloch
 Paul Nicholls
 Paul Peacock
 Paul Pratley
 Paul Revell
 Paul Robinson
 Paul Ruddle
 Paul Savage
 Paul Sutton
 Paul Thornecroft
 Paul Williams
 Paul Williams
 Paul Woolnough



Paul Wright
 Paula Budsworth
 Pauline Grenfell
 Penny Hook
 Peter Byrne
 Peter Charters
 Peter Davey
 Peter Davidson
 Peter Fallows
 Peter Johnson
 Peter Manning
 Peter Smith
 Peter Sumner
 Peter Wright
 Phil Peacock
 Philip Hawkeswood
 Philip Kelly
 Philip Maher
 Philip McCarney
 Philip Meakin
 Philip Tomlin
 Phillip Dunn
 Phillip Fitzgibbons
 Phillip Hunt
 Phillip Johnstone
 Pratik Narayan
 Pratik Parekh
 Pritum Assani
 Raj Surani
 Rajan Mehta
 Rajiv Vadgama
 Rebecca Bailey
 Rebecca Jacques
 Rebecca Oblein
 Reedwan Desai
 Rex Ogden
 Rhonda Partridge
 Richard Ball
 Richard Barnes
 Richard Beckham
 Richard Bickers
 Richard Brookfield
 Richard Carter
 Richard Clark
 Richard Diedrick

Richard Gallagher
 Richard Hamblen
 Richard Harris
 Richard Homan
 Richard Hutcheson
 Richard Lee
 Richard Mauto
 Richard Scott
 Richard Smallman
 Richard Smith
 Richard Whitmore
 Ricky Ship
 Ricky Stevens
 Robert Bellenie
 Robert Cairns
 Robert Carvey
 Robert Cruickshank
 Robert Davis
 Robert Docker
 Robert Exley
 Robert Hadley
 Robert Hodgson
 Robert Moss
 Robert Myers
 Robert Rayner
 Robert Tenn
 Robert Trigg
 Robert Waldon
 Robert Wright
 Roberto Di-Leva
 Robin Holt
 Rodney Sanders
 Roger Bailey
 Ronald Daniels
 Ronald Emmanuel
 Ronald George
 Ronald Perrott
 Rory McGoldrick
 Rosina Taylor
 Roy Haddon
 Roy Harlow
 Roy Peasland
 Russell Adgey
 Ryan Mark
 Ryan Mason



Sagren Naidoo
 Sam Jandu
 Samantha Cato
 Samantha Sayer
 Samuel Wray
 Sandra Lloyd - Hughes
 Sandra Robinson
 Sanel Sahbaz
 Sarah Earthey
 Sarah Jones
 Sarah Pimm
 Sarah Ratcliffe
 Satyan Meisuria
 Schumone Groener
 Scott Arundell
 Scott Cockle
 Scott Hickman
 Scott Humpston
 Scott Meadows
 Scott Picken
 Scott Porter
 Scott Slaughter
 Scott Smith
 Scott Walker
 Scott Williams
 Sean McClafferty
 Sean Wixen
 Sebasteon Fender
 Shahid Mahmood
 Shane Billson
 Shane Malone
 Shane Wood
 Shanor Ali
 Sharon Muir
 Shaun Butcher
 Shaun Hayes
 Sheila Robertson
 Sheila Whetton
 Sherief Madkour Aly
 Shirley Girdler
 Simon Benn
 Simon Dover
 Simon Farr
 Simon Fullaway
 Simon Green

Simon Jones
Simon Powell
Simon Rayner
Simon Reed
Simon Tunnicliffe
Simon Walker
Sion Jackson
Socrates Pantelides
Sophia Tourache
Stacey Hemington
Stacey Wilson
Stanley Crowther
Stephanie Neveitt
Stephen Ainsworth
Stephen Clarke
Stephen Collins
Stephen Dempster
Stephen Grange
Stephen Hunter
Stephen Jones
Stephen Lewis
Stephen May
Stephen McLeod
Stephen Melia
Stephen Nunn
Stephen O'Callaghan
Stephen Parry
Stephen Price
Stephen Reed
Stephen Ridout
Stephen Smith
Stephen Unsworth
Stephen Unuth
Stephen Wilson
Stephenie Bispham
Steve Budd
Steve Gaylor
Steve Ho
Steve Nicholson
Steven Bowden
Steven Coombs
Steven Firth
Steven Godwin
Steven Gregory
Steven Jacobs

Steven Kaye
Steven Long
Steven Nelson
Steven Powner
Steven Pratt
Steven Rimes
Steven Tinkler
Steven Whittle
Steven Wright
Stewart Solomons
Stewart Trace
Stuart Argyle
Stuart Clark
Stuart Fox
Stuart Goodbun
Stuart Hood
Stuart Hopwood
Stuart Kitching
Stuart Leatherland
Stuart Massey
Stuart Pemberton
Stuart Perrins
Stuart Rixon
Stuart Thompson
Stuart Williams
Suriya Stone
Susan Attwell
Susan Fairweather
Susan Henshall
Susan Hunt
Susan Wright
Suzanne Buckley



Terence Dooley
Terence Melia
Teresa McDonald
Terry Harrod
Thamir Abdul Hameed
Theresa Baker
Thomas Cunningham
Thomas Fry

Thomas Jones
Thomas Lewis
Thomas Porter
Tim Coleman
Timothy Boardman
Toby Bateson
Tom Cook
Tom Mallion
Toni Dowley
Tony Alliband
Tony Bennington
Tony Chapman
Tony Davies
Tony Watson
Tracey Gallagher
Tracey Kenny
Tracey Kenrick
Tracy Ryan
Tracy Stevens
Trevor Discombe
Trevor Muckett



Warren Bull
Warren Smith
Wayne Bennett
Wayne Farini
Wayne Hardy
Wayne Hughes
Wayne Quaintance
Wayne Randell
Wayne Sponneck
Wendy Altimas
Wesley Atack
Wetengere Kitojo
William Bailey
William Bowers
William Gunshon
William Harvey
William Russon
William Watkins
Wyn Hopkins



Yvonne Archer
Yvonne Burgess



Zafer Cetinel
Zaid Tufail
Zoe Buckley
Zoe Capener
Zoe Cope
Zoe Langridge



Usman Anwar



Valerie McKenna
Valerie Vernon
Vicky Edge
Vicky Evans
Victor Watson
Victoria Bachell
Victoria Bryant
Victoria Tarn
Vikram Talati
Vinesh Jilka
Vivienne Johns



INVESTOR IN PEOPLE



STORE LOCATIONS



CENTRAL REGION

Aston
Banbury
Bedford
Burton
Bury St Edmunds*
Cannock*
Colchester*
Coventry
Derby
Derby Floor Store*
Great Yarmouth
Hereford*
Ipswich
Kidderminster
Kings Heath
Kings Lynn
Leicester
Lincoln
Luton
Milton Keynes
Narborough
Newcastle-U-Lyne
Northampton
Norwich
Nottingham
Oldbury
Peterborough
Sheldon
Shrewsbury
Solihull
Stafford
Stoke on Trent
Tamworth
West Bromwich*
Wolverhampton

Croydon
Dagenham
Edmonton
Fulham*
Gatwick
Gunnersbury
Harlow
Ilford
Maidstone
Mitcham
New Southgate
Newbury
Old Kent Road
Orpington*
Penge
Raynes Park
Reading
Romford
Southall
Southampton
Southend
Stamford Hill
Swindon
Tonbridge
Tunbridge Wells
Twickenham*
Uxbridge
Vauxhall
Watford
Wembley

NORTH WEST

Aintree
Blackburn
Blackpool
Bolton
Cheadle
Chester
Chester 2
Cleveleys
Crewe
Failsworth
Liverpool*
Macclesfield
Morecambe
Oldham
Preston
Sale

LONDON AND THAMES SOUTH

Basildon
Beckton
Brighton
Broadstairs
Canterbury*
Catford
Charlton
Chingford
Colindale
Crayford

Salford
Snipe (Audenshaw)
St Helens
Stockport
Warrington
Widnes
Wigan

NORTH

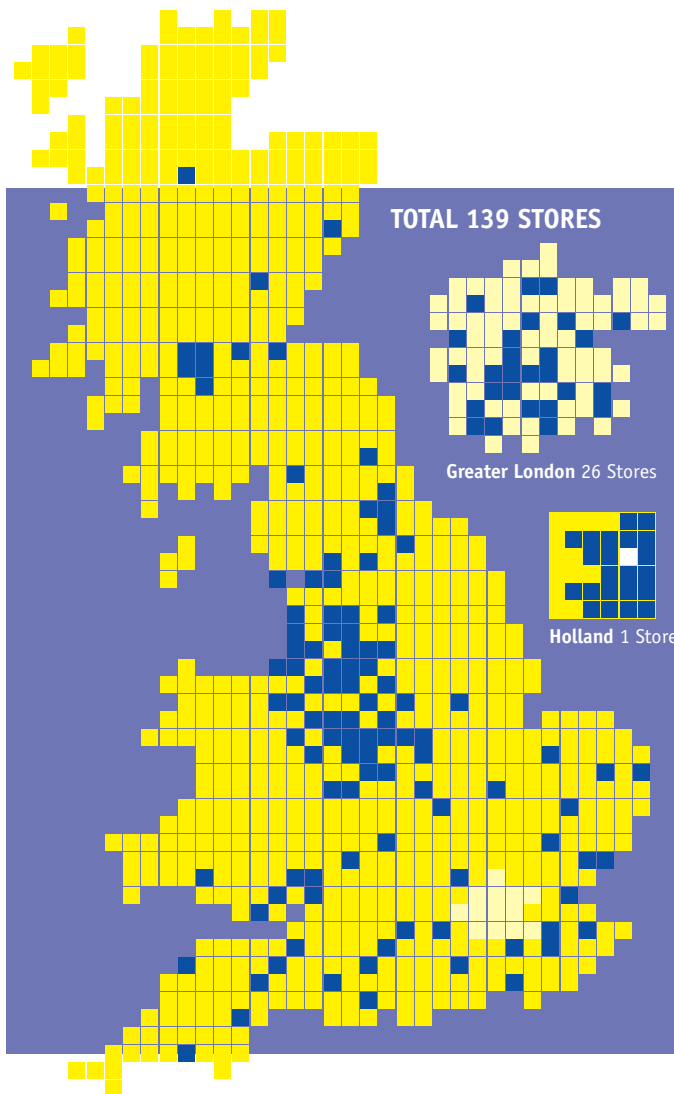
Barrow in Furness
Carlisle
Chesterfield
Durham*
Gateshead
Harrogate
Huddersfield
Leeds
Stockton
Sunderland
Tyneside
Wakefield
York

SCOTLAND

Aberdeen
Edinburgh
Falkirk*
Greenock
Hillington
Inverness
Linwood
Perth
Rutherglen
Wishaw

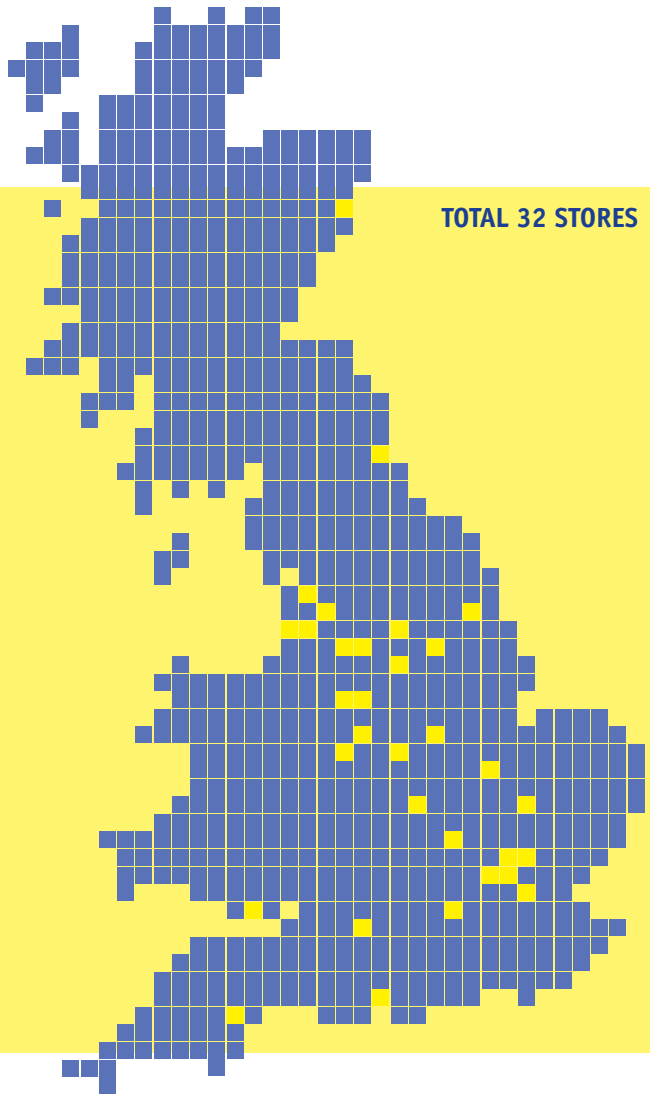
SOUTH WEST

Barnstaple
Basingstoke*
Bristol
Cardiff
Cheltenham
Christchurch
Cribbs Causeway*
Exeter
Gloucester
Newport
Plymouth*
Poole
Swansea



| | | |
|-------------------|--------------------------------|------------|
| Taunton | Stores at beginning of period | 121 |
| Weston Super Mare | New stores | 19 |
| Winchester* | Total | 140 |
| Yeovil* | Closures | (1) |
| OVERSEAS | Stores at end of period | 139 |
| Holland* | | |

*New store 2001/2002



TOTAL 32 STORES



CENTRAL REGION

Cambridge
Coventry
Fenton
Great Barr
Leicester
Milton Keynes*
Nottingham
Peterborough
Stoke on Trent
Worcester

LONDON AND THAMES SOUTH

Charlton
Farnborough*
New Southgate
Orpington
Swindon
Waltham Cross*
Wembley

NORTH WEST

Bolton*
Crosby
Oldham
Preston
Stockport
Wigan*

NORTH

Darlington
Doncaster
Hull
Leeds
Sheffield

SOUTH WEST

Bournemouth*
Bridgend
Exeter

SCOTLAND

Aberdeen*

| | |
|--------------------------------|-----------|
| Stores at beginning of period | 26 |
| New stores | 7 |
| <hr/> | |
| Total | 33 |
| Closures | (1) |
| <hr/> | |
| Stores at end of period | 32 |

*New store 2001/2002



Topps Tiles Plc

Rushworth House,
Wilmslow Road,
Handforth,
Wilmslow,
Cheshire SK9 3HJ

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F 01625 446 800

www.ToppsTiles.co.uk