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Topps Tiles PLC
23 May 2023

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Topps Tiles Plc

Interim Financial Report

Record half year sales, profit in line with expectations

Topps Tiles Plc ("Topps Group", the "Company" or the "Group"), the UK's leading tile specialist, announces its unaudited consolidated interim financial results for the 26 weeks ended 1 April 2023.

Strategic and Operational Highlights

- Record six-month period for sales of £130.3 million, up 9.3% year on year
- Record first half for sales in the Topps Tiles brand, driven by nationwide store coverage, world class customer service, and strong omni-channel capability, with average sales per store up 30% compared to 2019
- Strong results in Online Pure Play brands, with exceptional sales growth in Pro Tiler Tools
- Group growth strategy on track to deliver market share goal of '1 in 5 by 2025' ahead of schedule
- Proud to be celebrating 60 years of trading since the first Topps Tiles store opened in Sale, Manchester in 1963, in a developed and diversified Group

Financial Highlights

	26 weeks ended 1 April 2023 (H1 2023)	**26 weeks ended 2 April 2022 (H1 2022) (restated[5])**	**YoY**
Adjusted Measures			
Topps Tiles like-for-like revenue year-on-year[1]	4.3%	19.7%	n/a
Adjusted profit before tax[2]	£4.4 million	£7.1 million	(38.0)%
Adjusted earnings per share[3]	1.57p	2.83p	(44.5)%
Adjusted net cash at period end[4]	£19.9 million	£13.4 million	£6.5 million
Statutory Measures			
Group revenue	£130.3 million	£119.2 million	9.3%
Gross profit	£68.7 million	£66.9 million	2.7%
Gross margin %	52.8%	56.1%	(3.3) ppts
Profit before tax	£1.7 million	£5.6 million	(69.6)%
Basic earnings per share	0.25p	2.14p	(88.3)%
Interim dividend per share	1.2p	1.0p	20.0%

Financial Summary

- Group revenue up 9.3% to £130.3 million
- Group gross profit up 2.7% to £68.7 million
- Group gross margin lower at 52.8%, due to rapid growth in Pro Tiler Tools, which operates at a lower gross margin, and adverse FX movements
- Gross margin percentage within the Topps Tiles brand starting to increase as shipping and gas prices normalise
- Adjusted profit before tax of £4.4 million, down 38.0% as previously guided, following adverse exchange rate movements and the impact of inflation on operating expenses
- H1 profits were also impacted by a non-cash holiday pay accrual of £0.9 million which will reverse in full in H2
- Cash increased £6.5 million against H1 2022, with strong operating cash flows and positive working capital movements
- Robust balance sheet with £19.9 million net cash and £49.9 million headroom within committed borrowing facilities
- Interim dividend of 1.2 pence declared (H1 2022: 1.0 pence)

Current Trading and Outlook

- Like-for-like sales in Topps Tiles over the first seven weeks of the second half were up 4.1% on an underlying basis, with a negative impact of about 1.3 percentage points due to the additional bank holiday, giving overall like-for-like sales growth of 2.8%
- Previous well-documented headwinds in supply chain, inflation and recruitment are now easing, strengthening our confidence in the gross margin and trading outlook for the second half
- Profit in second half expected to increase materially, driven by the growth of our new businesses, improving gross margins, as well as gas costs reducing and holiday pay accruals reversing, giving confidence that we will perform in line with current market expectations for the year as a whole[6]
- Our strategy is delivering, leaving us well-positioned to deliver our market share goal of '1 in 5 by 2025' ahead of schedule

Commenting on the results, Rob Parker, Chief Executive said:
"As we mark our 60th anniversary, we are pleased to be reporting record first half revenue for the Topps Group,

reflecting our successful development and diversification as we strengthen our position as the UK's leading tile specialist. Our Topps Tiles brand delivered a further period of robust like-for-like sales growth, with Pro Tiler Tools achieving another exceptional performance, to maintain its strong track record since acquisition in 2022.

"As expected, our first half profitability reflects the impact of inflation year on year, including significantly increased energy costs, and a number of other one offs. These effects are now reducing or will reverse in full in the second half, underpinning our confidence in a much stronger profit performance in the balance of the year. Our strong trading, when combined with our successful strategy, world class customer service, leading product offer and strong balance sheet, gives us increasing confidence in our outlook. We remain confident that we are on track to hit our 20% market share target ahead of schedule."

Notes

[1] Topps Tiles like-for-like revenue is defined as sales from online and Topps Tiles stores that have been trading for more than 52 weeks. In H1 2023 like-for-like revenue was £115.3 million (H1 2022: £111.9 million), with an average of 304 stores included in the weekly calculation.

[2] Adjusted profit before tax excludes the impact of items which are either one-off in nature or fluctuate significantly from year to year. See the financial review section of this document for a reconciliation to statutory profit before tax.

[3] Adjusted earnings per share is adjusted for the items highlighted above, plus the impact of corporation tax. See note 5 of the financial statements.

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

[5] Prior year values are restated throughout this document following the adoption of the IFRIC agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements. See note 1 to the accounts for more information. The impact on adjusted profit before tax in H1 2022 was £0.1 million and the impact on statutory profit before tax was £nil.

[6] Current market expectations as of 22 May 2023 are a range of £10.6 million to £12.3 million of adjusted profit before tax, with a consensus of £11.5 million.

For further information please contact:

Topps Tiles Plc	(23/5/23) 020 7638 9571
Rob Parker, CEO	(Thereafter) 0116 282 8000
Stephen Hopson, CFO	
Citigate Dewe Rogerson	020 7638 9571
Kevin Smith/Ellen Wilton	

INTERIM MANAGEMENT REPORT

Topps Group is the largest specialist distributor of tiles and related products in the UK. The majority of our revenues are generated from the domestic market for the renovation, maintenance and improvement (RMI) of UK homes, through our market-leading Topps Tiles brand. Over recent years, the business has diversified and expanded into the commercial tile market, which approximately doubled the size of our addressable market while staying within our core specialism of tiles. The commercial market includes tiles supplied for both new build and refurbishment of commercial premises across sectors such as leisure, transport, retail and office buildings, and new build residential housing. In 2022, the Group was developed further, with the addition of the Pro Tiler Tools and Tile Warehouse brands, both of which focus on the Online Pure Play market.

All of the brands within the Group derive benefit from the scale of the business, the specialist focus of our business model and our passion for tiles. We enjoy a competitive advantage in sourcing differentiated products from around the world that we can access on an exclusive basis and deliver world class customer service through our store network, award-winning digital platforms and commercial sales teams. We aim to lead the tile market in environmental matters, including our goal of being carbon neutral across scope 1 and 2 emissions by 2030, or earlier.

STRATEGIC AND OPERATIONAL UPDATE

The core purpose of Topps Group is to inspire customers through our love of tiles. This gives us a very clear focus on our specialism in tiles and associated products and encourages all our colleagues to be passionate about the products we sell. It also puts our customers at the heart of what we do and reminds us that all roles in the Group are either serving customers directly or supporting those colleagues that are. We are making good progress towards the achievement of our market share goal of '1 in 5 by 2025' and this is supported by our growth strategy, with each of our main business areas, Topps Tiles, Parkside and Online Pure Play, supported by our Group strategies of Leading Product, Leading People and Environmental Leadership.

2023 is the 60th anniversary of the first Topps Tiles store opening in Sale, Manchester in 1963 and we are pleased to have delivered a record six-month period for sales in this anniversary year.

Leading Product

As the UK's leading tile specialist, our expertise in the ranging, sourcing and procurement of tiles on a global basis is a core part of our competitive advantage. The last three years have seen us leverage this advantage significantly, as we have resourced multiple ranges from around the world in response to volatile conditions in the tile supply chain. As a result, we have continued to maintain competitive cost prices whilst securing good inventory availability to support the high levels of demand in the business. Supply chain pressures now appear to be reducing, with shipping and gas prices falling and availability of tile supply improving.

The ability of Topps Group to introduce new, exclusive products continues to be central to our Leading Product strategy. In the first half of the year, we introduced 32 new products into Topps Tiles (H1 2022: 13 new products), with over a third of these ranges developed by Topps Group, as well as new ranges across Tile Warehouse and Parkside. Within Pro Tiler Tools, the introduction of new trade-focused brands such as Kubala tools continues to drive growth and provide an unrivalled trade product offer. Trade brand authority continues to be a major focus for Topps Group, with over 50 proprietary and owned brands for tilers to choose from across the Group.

A highlight has been the continued success of new product categories in Topps Tiles, such as outdoor tiles, luxury vinyl tiles (LVT), and large format tiles, which have delivered significant growth year on year. Owned brands such as Excel Bond, Dex, Rise and Regenr8 now contribute over £30 million of sales and are portable across the Group's various trading entities.

Leading People
Our performance across all of our businesses is underpinned by world-class customer service, delivered through engaged and highly skilled colleagues. Vacancy rates fell across the first half and overall staff turnover is now 34.0% (H1 2022: 37.8%). Staff turnover across Topps Tiles store managers has fallen substantially, which is particularly important given the critical role that these colleagues play in delivering our customer experience across our store network. A significant driver of the improvement year on year has been our focus on recruiting the right people into the business through an improved recruitment and induction process, as well as lessening of pressure in the employment market more generally.

Our focus on wellbeing continues, with a particular emphasis on mental health. In the first half, in partnership with Mental Health First Aid England, our 64 mental health first aiders were trained or reaccredited, including colleagues from Pro Tiler Tools, and line manager training on mental health has been rolled out across the organisation. Our corporate partnership with Alzheimer's Society, which commenced in 2022, is gathering momentum and we have raised over £150k to date in support of this important cause. Both customers and colleagues continue to give generously through micro donations and fund raising.

Diversity and inclusion represents an ever increasing area of importance for our business and, following a focus on increasing the accuracy of our data in the first half, we are preparing to roll out our D&I strategy in the second half, which will include colleague engagement, recruitment processes and the creation of colleague resource groups.

Delivering great service depends on an ongoing investment into the capability of our people. In the first half, we have made good steps forward, including utilising the Apprentice Levy to support our training programmes, with 15 store managers and 15 deputy managers now enrolled on our Retail Management qualification, accredited by the Institute of Leadership and Management, to support their development through the organisation. We also retain our focus on sales training for colleagues in stores, as well as our senior management development programme.

Environmental Leadership
Our environmental leadership strategy is based around two pillars: carbon neutrality and supporting circularity. Our goal is to be carbon balanced across scope 1 and 2 emissions by 2030, or earlier, and we have partnered with the World Land Trust to support this objective. Parkside, our Commercial business, is already carbon neutral. The Group's total scope 1 and 2 emissions are currently approximately 4,800 tonnes per annum. Following the actions reported in last year's annual report, this year we have installed solar panels on the roof of our head office and main distribution centre, which should reduce electricity usage on these sites by approximately 70% and save approximately 340,000 kWh of electricity per annum. Our environmental focus is now switching to measuring our scope 3 emissions, which is a significant challenge due to the complexity of our global supply chain. Scope 3 will be an order of magnitude higher than scope 1 and 2 emissions, and we are currently selecting a partner to help us with this exercise. We have committed to report scope 3 emissions as part of our TCFD reporting by the end of 2024.

Supporting circularity is largely about minimising waste and recycling, as well as product and packaging innovation and sourcing. A major target this year, which forms part of the Group's strategic objectives and therefore executive remuneration, is to reduce tile waste by 10% and performance in the first half is in line with the delivery of this goal.

Omnichannel: Topps Tiles
Topps Tiles is our market leading, omni-channel specialist business, which serves the domestic RMI market and has significant opportunities for profitable growth.

Sales continue to perform well, with like-for-like sales growth in the first half of 4.3%. This resulted in a record first half year performance for the brand with revenue of £115.8 million. Average sales per store are now up 30% compared to the pre-pandemic period as a result of our successful store rationalisation programme which saw customers transfer from closed stores, as well as significant underlying sales growth. The rationalisation programme was completed at the end of the last financial year and we believe that the current store estate of 304 stores, offering nationwide coverage, is approximately the right size moving forward, meaning that like-for-like sales growth will broadly mirror total sales growth in future years.

Our customer mix continues to be a mix of professional trade customers and homeowners. The relationship between the two groups is very close - often a professional installer will use a Topps Tiles store as an extension of their own workspace, visiting the store with the customer or simply referring them to us. However, the way the professional trader and the homeowner use the various parts of the omni-channel Topps Tiles offer can be quite different.

Homeowners will almost always use both our award-winning website and the store as part of their purchasing journey. We know that 98% of customers will use a store at some point, either to see the product, engage with our teams for advice, inspiration, service or aftersales, or to collect their order at a time convenient for them. In addition, almost all customers will use the website for research, to order samples or to place their order. Online sales made up 18% of tile sales to homeowners in the period, up from 9% in 2015 and comparable to other retailers in our industry, and we continue to invest in incremental improvements to our digital platforms.

For professional trade customers, a dedicated website and trade app is available, as well as key digital services such as click and collect. However, trade customers retain a very strong preference for the physical store, with strong relationships built on trust and high levels of technical advice and service. Trade customers can offer high levels of repeat custom and we focus on offering price competitiveness, a loyalty scheme and excellent representation from key trade focused brands. Trade customers made up 59% of sales in Topps Tiles in the first half (H1 2022: 58%) and, as such, Topps Tiles is more of a merchant than a retail business. For trade customers and contractors, Topps Tiles offers a dedicated direct sales operation which continues to deliver excellent growth. Supported from a central team, this operation grew sales by 23% year on year to £7.0 million in the first half and we continue to believe this model offers further growth opportunities.

As well as financial performance, our key measure of success is customer satisfaction, which we measure through our Tile Talk surveys. Overall satisfaction increased again in the first half, by 1.7 percentage points, meaning that 91.3% of the 8,500 surveys completed in the half year rated Topps Tiles as 5 star for overall satisfaction. In addition, 6.8% of the survey responses scored the business as 4-star, and just 1.9% of respondents rated the business as 3-star or lower. Our data suggests that this performance is genuinely world-class, and scores higher than a number of other leading consumer-facing brands (source: the United Kingdom Customer Service Institute, Jan 2023).

The Topps Tiles store estate has remained at 304 trading stores over the course of the first half year, with two relocations completed, at Guildford and Aintree. Our three store formats - superstores (37 stores), core stores (253 stores) and clearance (14 stores) continue to offer the most relevant offer for the local catchment and physical site. We retain a flexible property portfolio, with an average unexpired lease term to the next break opportunity of 2.9 years (H1 2022: 3.2 years), or 2.7 years excluding strategically important stores (H1 2022: 2.9 years). Following the conclusion of the store rationalisation programme, we had 8 closed Topps Tiles stores at the end of the trading period, reduced from 11 at the start of the financial year, and expect to exit a further 3 stores by year end.

Topps Tiles continues to perform very strongly, with world-class service and a leading product offer, an increasing trade mix, a right-sized store estate, and further opportunities for growth in the period ahead.

Commercial: Parkside
Parkside is a specialist tile distributor, aimed at architects, designers and contractors in the commercial market. Becoming part of Topps Group in 2017, Parkside is now a top-five competitor within the sector.

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After five consecutive years of sequential sales growth, Parkside has experienced a tougher period of trading. The market remains substantially smaller when compared to the pre-covid period. Sales were down £0.4 million year-on-year to £4.6 million in the first half year due to delays in projects from key clients. With performance below expectations, a business improvement plan has been launched.

The commercial market for tiles, which is almost the same size as the domestic RMI market, is an important part of our B2B operations and as such remains a strategic priority for Topps Group.

Online Pure Play: Pro Tiler brands and Tile Warehouse
Our Online Pure Play business now consists of five brands. Four of these (Pro Tiler Tools, Northants Tools, Premium Tile Trim and Warm Floor Store, collectively the 'Pro Tiler brands') are trade-focused, digital-only consumables and tools brands, operated by the Pro Tiler management team. Tile Warehouse is a homeowner-orientated, value-focused, digital-only tiles business, offering a complimentary positioning to Topps Tiles.

Performance has been exceptionally strong in the first half, with excellent sales growth and net margin in line with our expectations. The Pro Tiler brands have delivered year on year growth in excess of 40% (including the pre-acquisition period in the comparative period) as a result of exceptionally strong customer focus (average review score 4.8/5 as of May 2023), further extensions of trade brands, and investments in marketing and stock. In the first half, the newest brand launched, warmfloorstore.co.uk, specialising in wet and dry underfloor heating products, including industry-leading brands such as WarmUp, Schluter and Devi. Further opportunities for material growth exist within these brands and from further new brand launches. We believe the Pro Tiler brands collectively represent in excess of a £30 million sales opportunity for the Group.

Tile Warehouse provides an entry into the £100m online pure play tile market, with a range of quality tiles at very competitive price points, leveraging the Group's scale, supplier relationships, digital expertise and financial resources. In its first year, the focus has been on refining the technical proposition and building the digital strategy and customer offer. We believe that this business provides an opportunity to deliver sales of £15 million within a five-year time frame, but will require investment, primarily in digital marketing, in the initial stages.

Key Performance Indicators
As set out in our most recent Annual Report, we monitor our performance implementing our strategy with reference to a clearly defined set of financial and non-financial key performance indicators ("KPIs"). Our performance in the 26 weeks to 1 April 2023 is set out in the table below, together with the prior year performance data. The source of data and calculation methods are consistent with those used in the 2022 Annual Report. Further information on adjusted performance measures can be found on page 2.

	26 weeks to 1 April 2023	**26 weeks to 2 April 2022 (restated[5])**	**YoY**
Financial KPIs			
Group revenue growth year-on-year	9.3%	15.5%	n/a
Topps Tiles like-for-like sales growth year-on-year	4.3%	19.7%	n/a
Group gross margin	52.8%	56.1%	(3.3) ppts
Adjusted profit before tax	£4.4 million	£7.1 million	(38.0)%
Adjusted earnings per share	1.57 pence	2.83 pence	(44.5)%
Adjusted net cash	£19.9 million	£13.4 million	£6.5 million
Inventory days	117	127	(10) days
Non-financial KPIs			
Topps Tiles customer overall satisfaction score	91.3%	89.6%	1.7 ppts
Colleague turnover	34.0%	37.8%	(3.8) ppts
Number of Topps Tiles stores at year end	304	312	(8)

FINANCIAL REVIEW
Consolidated Statement of Profit or Loss
Sales growth in the period was strong, with total Group sales up 9.3% to £130.3 million in the first half, representing a record six-month trading period for the Group. Within this, the Topps Tiles brand delivered like-for-like sales growth of 4.3% against H1 2022, which was itself an extremely strong trading period with sales +22.7% on a two-year like-for-like basis. As a result, average sales per store in Topps Tiles were 30% higher in the first half of FY 2023 than the pre-pandemic period of 2019. Sales in Parkside were down £0.4 million, and sales in Online Pure Play were exceptionally strong, driven by the ongoing success of Pro Tiler Tools. Revenue consolidated into the Group accounts by business area was as follows:

Revenue by brand (£m)	**H1 2023**	**H1 2022**	**Variance**
Topps Tiles	115.8	113.1	+2.4%
Parkside	4.6	5.0	-8.0%
Online Pure Play*	9.9	1.1	+800%
Topps Group	**130.3**	**119.2**	**+9.3%**

*Online Pure Play includes Pro Tiler Tools and its associated brands, which were acquired in March 2022, and Tile Warehouse, which was launched in May 2022.

This strong sales growth, partly driven by the acquisition of Pro Tiler Tools last year, also reflects the success of our growth strategy, as we continue to progress towards the delivery of our goal of accounting for £1 in every £5 spend across the UK market for tiles and related products by 2025 ('1 in 5 by 2025'). With our market share increasing to 19.0% in 2022 (2021: 17.6%), we are confident that we will achieve our goal ahead of schedule. We will provide a further update on our progress towards our target in our 2023 full year results, following the publication of the latest independent market research reports.

Overall, we estimate that 63% of sales in the Group were made to trade or professional customers in the period (H1 2022: 60%), with 37% of sales made direct to homeowners (H1 2022: 40%), which is important given the high levels of repeat custom that trade and professional customers can offer.

The Group's gross margin of 52.8% was down 3.3 percentage points against H1 2022, with 2.1 percentage points of

The Group's gross margin of 52.8% was down 3.3 percentage points against H1 2022, with 2.1 percentage points of the decline due to business mix changes, specifically the rapid growth in Online Pure Play which operates at a structurally lower gross margin than the rest of the Group, 1.0 percentage point due to mark-to-market movements on foreign currency transactions and retranslation of monetary items, and 0.2 percentage points due to changes in the margins in individual brands. The mark-to-market and retranslation movements in the period were unusually large, caused by the revaluation of our forward currency contracts, under which we contract to buy foreign currency in advance of our requirements. As the pound recovered from its lows against the dollar and euro in late September 2022, these contracts are revalued, resulting in a significant non-cash charge in the first half. In addition, monetary items such as foreign currency and trade payables are revalued based on the exchange rates in place at the end of the trading period.

The gross margin within Topps Tiles, which has been impacted in recent years by inflationary pressures, product and customer mix movements and the introduction of new product categories, improved modestly over the period as inflationary pressures abated or in some cases reversed. We are confident that the gross margin within the Topps Tiles brand will increase sequentially in the second half year compared to the first half.

Operating costs were £64.9 million compared to £59.3 million in H1 2022. Excluding adjusting items which are explained below, operating expenses increased by £4.3 million compared to the prior year period to £62.1 million, explained by the following key items:

	£ million
HY 2022 adjusted operating expenses (restated)	**57.8**
Increased utilities expense (gas)	0.6
Other inflation	2.2
Reduced store space (304 stores on average vs 314 in HY 2022)	(1.1)
Online Pure Play including Pro Tiler Tools brand amortisation	2.6
	62.1
HY 2023 adjusted operating expenses	

In line with our expectations, the high levels of inflationary costs (approximately 5% operating cost inflation, across utilities costs, employment costs, property costs and other expenses) have impacted profit in the first half. As previously noted, we have been able to offset some but not all of these costs through our smaller store estate and efficiency programmes.

The first half contains a non-cash expense of £0.9 million relating to holiday pay accruals (H1 2022: £0.7 million expense), which will reverse in full over the second half of the financial year (resulting in a £1.8 million increase in half-on-half profits); and in addition, gas usage in the business will also reduce substantially in the second half, leading to a smaller adjusted cost base in the second half compared to the first half year. The Forward Guidance section below sets out in more detail some of the factors influencing operating costs in H2 compared to H1.

Adjusted net finance costs increased from £1.9 million in H1 2022 to £2.2 million in H1 2023 as a result of increased IFRS 16 lease interest costs and the unwind of various discounted balance sheet liabilities.
As a result of the above, and in line with our expectations, adjusted profit before tax for the period was £4.4 million (H1 2022 restated: £7.1 million), however profitability in the second half is expected to be substantially higher.

Looking further forward, we expect cost inflation to start to reduce, with the exception of our utilities expense, where at the end of this financial year the Group will exit its current fixed price contracts. Based on forward utilities contract pricing, we currently expect our energy costs across gas and electricity to increase by approximately £0.5 million in FY 2024 compared to the current financial year, with significant increases in electricity pricing compared to our current two-year contract more than offsetting the recent falls in the gas price.

Adjusting items
The Group's management uses adjusted performance measures, to plan for, control and assess the performance of the Group. Adjusted profit before tax differs from the statutory profit before tax as it excludes the effect of one-off or fluctuating items, allowing stakeholders to understand results across years in a more consistent manner. In line with prior years, we continue to adjust for any impairment charges or impairment reversals of right of use assets, derecognition of lease liabilities where we have exited a store, and one-off gains and losses through sub-lets. We have also excluded property costs in relation to store closures which formed part of the store rationalisation programme which ended in FY 2022. Property costs relating to store closures moving forward will form part of adjusted profit. In the period 2022 - 2024 we will exclude the cost relating to the 40% purchase of shares of Pro Tiler Limited which we expect to make from March 2024, which, under IFRS 3, is treated as a remuneration expense rather than an acquisition cost. Please see the 2022 Annual Financial Results statement for a full description of this transaction and its accounting treatment.

An analysis of movements from adjusted profit before tax to statutory profit before tax is given below:

	H1 2023 £m	**H1 2022 £m (restated[5])**
Adjusted profit before tax	**4.4**	**7.1**
Property		
Vacant property and closure costs	(0.7)	(1.0)
Impairment of property, plant and equipment	nil	(0.1)
Right-of-use asset impairment and lease exit gains and losses	0.1	0.2
	(0.6)	**(0.9)**
Business development		
Pro Tiler Limited share purchase provision	(1.7)	(0.2)
Tile Warehouse set up costs and Pro Tiler Limited acquisition expenses	nil	(0.4)
Restructuring and other one-off costs	(0.4)	nil
	(2.1)	**(0.6)**
Statutory profit before tax	**1.7**	**5.6**

The effective tax rate for the 26 weeks to 1 April 2023 was 58.1% (H1 2022: 25.4%). Tax rates are based on expectations for the full year and then adjusted for the impact of items which are not deductible for corporation tax purposes, notably in this half year by the Pro Tiler Limited share purchase provision increase. On an adjusted basis, the effective tax rate for the period was 24.7% (H1 2022: 22.1%), with the year-on-year increase reflecting the increase in the main rate of UK corporation tax from 19% to 25% as of 1 April 2023.

Basic earnings per share were 0.25 pence (H1 2022: 2.14 pence). Adjusting for the post-tax impact of the adjusting items detailed above, the adjusted basic earnings per share were 1.57 pence (H1 2022: 2.83 pence).

Dividend
The Group's capital allocation and dividend policy was updated as part of the Interim Results in 2022. Interim dividends will be set at one third of the full year dividend from the previous year, and as such, an interim dividend of 1.2 pence has been declared by the Board (H1 2022: 1.0 pence). The shares will trade ex-dividend on 8 June 2023 and the dividend will be paid on 14 July 2023.

Consolidated Statement of Financial Position
Capital Expenditure
Capital expenditure in the first half was £2.0 million (H1 2022: £1.0 million). The majority of this expenditure was on the Topps Tiles store estate, including two store relocations, conversions of four more of our larger stores to superstore status, and general refurbishment.

The Board expects capital expenditure in the full year to be between £5 million and £6 million, including further relocations and merchandising for new products in the core Topps Tiles stores, together with further investment into our superstores. Any acquisitions that the Group may consider as part of its growth plans would be additional to this guidance.

Inventory
Inventory at the period end was £38.8 million (H1 2022: £37.0 million) including £2.7 million held within Pro Tiler Limited, representing 117 stock days (H1 2021: 127 stock days). At the last year end, inventory was £38.6 million, representing 126 days turnover, with the movement over the half year explained by a £0.4 million increase in the stock held at Pro Tiler and a £0.2 million decrease in stock held across the rest of the Group businesses.

Consolidated Cash Flow Statement
The Group's cash balance increased in the period by £3.7 million from £16.2 million at year end to £19.9 million at the half year end. The table below analyses the Group's adjusted cash flow:

	HY 2023	**HY 2022 (restated)[5]**
	£m	**£m**
Cash generated by operations, including interest and capital elements of leases, before WC movements	8.8	9.4
Changes in working capital	4.2	(10.1)
Capital expenditure	(2.0)	(1.0)
Disposals	-	0.1
Interest	-	(0.1)
Tax	(2.0)	(2.1)
Other	(0.2)	(0.1)
Free cash flow	**8.8**	**(3.9)**
Acquisition of Pro Tiler Limited, net of cash and debt acquired	-	(4.4)
Dividends	(5.1)	(6.1)
Change in adjusted net cash	**3.7**	**(14.4)**
Adjusted net cash at start of period	**16.2**	**27.8**
Adjusted net cash at end of period	**19.9**	**13.4**

The strong level of cash generated by operations, combined with a £4.2 million inflow from working capital movements, led to good free cash generation in the period, and ultimately to an increase in adjusted net cash of £3.7 million in the first six months of the year, after payment of the final dividend relating to 2022. The cash generated by operations excludes a number of non-cash items which reduced profit before tax in the first half, including a £0.9 million holiday pay accrual, non-cash movements on the value of foreign currency contracts, an increase in the share purchase provision in relation to the future purchase of the remaining shares in Pro Tiler Limited and share option charges. The working capital inflow largely related to increases in payables, including higher trade payables and a higher VAT creditor.

Return on Capital Employed
Lease adjusted returns on capital employed in the first half were 15.5% (H1 2022: 15.6%), based on the average capital employed over the half and the annualised profit delivered over the last twelve-month period.

Banking Facilities
The Group maintains a very robust balance sheet, providing resilience and allowing investment in growth opportunities. A £30.0 million revolving credit facility is in place which is committed to October 2025 with extension options for a further two years (H1 2022: £39.0 million facility, committed to June 2023). At the half year, none of this facility was drawn (H1 2022: £nil drawn). Based on net cash excluding lease liabilities of £19.9 million, the Group has £49.9 million of headroom to its banking facilities at the period end (H1 2022: £52.4 million).

Forward Guidance
The first half year was a period of record sales for the Group, however profits were impacted by a number of factors described above, principally inflationary pressure on operating expenses. We have confidence that profits in the second half will be materially stronger, as a result of the following factors:

- The Group's gas expense has increased from approximately £0.4 million in recent years to an estimated £2.4 million this year. Gas is primarily used for heating purposes and therefore disproportionately impacts the colder months which fall into the Group's first half. The gas expense in the first half was £1.7 million with an estimated expense in the second half of £0.7 million, resulting in a £1.0 million increase in half on half profits in the second half;
- The first half contained a £0.9 million expense relating to holiday pay accruals, which will reverse in

- The first half contained a £0.9 million expense relating to holiday pay accruals, which will reverse in the second half, resulting in a £1.8 million increase in half on half profits in the second half;
- Gross margins within Topps Tiles are starting to improve as the cost of shipping and production starts to fall and we expect margins within Topps Tiles to be sequentially higher in the second half compared to the first half;
- Newer parts of the Group are expected to contribute more profit in the second half compared to the first half.

As a result of these factors, we remain confident that the Group will perform in line with current market expectations for the year as a whole[6].

Current Trading and Outlook
The second half has started well with like-for-like sales in Topps Tiles in the first seven weeks up 4.1% on an underlying basis, in line with the first half. The additional bank holiday reduced like-for-like sales by an estimated 1.3 percentage points in the period, resulting in overall like-for-like sales growth in the first seven weeks of 2.8%.

Our key areas of focus in previous periods have been managing and reducing cost inflation, dealing with supply chain challenges and meeting staff recruitment targets. Whilst we are maintaining a keen focus on all of these areas moving forward, the near-term pressure from inflation appears to be abating, we have maintained good levels of inventory throughout the period, staff turnover is reducing and vacancy levels are slightly below the longer-term average. As explained in the section above, we expect profit in the second half to increase materially, and these factors, when combined with our successful strategy, world class customer service, leading product offer and strong balance sheet, give us increasing confidence as we look forward.

Risks and Uncertainties
The Board continues to monitor the key risks and uncertainties of the Group. The main risks considered by the Board remain as documented in the 2022 Annual Report and Accounts. These key risks and uncertainties include: macroeconomic changes and consumer confidence; inflationary cost increases of products for resale and not for resale; sustainability and climate change; attracting and retaining talent / loss of key personnel; cyber security; warehouse capacity; growth strategy through diversification; global pandemic including Covid-19; and global supply chain. Whilst all key risks remain, the Board considers that the scale of the risks associated with attracting and retaining talent / loss of key personnel, inflationary cost increases of products for resale and not for resale, and global supply chains have all reduced since the publication of that Report.

Going concern
When considering the going concern assertion, the Board reviews several factors including a review of risks and uncertainties, the ability of the Group to meet its banking covenants and operate within its banking facilities based on current financial plans, along with a detailed review of more pessimistic trading scenarios that are deemed severe but plausible. The two downside scenarios modelled include a moderate decline in sales and a more severe decline in sales, which result in much lower sales and gross profit than the base scenario, resulting in worse profit and cash outcomes. The more severe downside scenario modelled this year was based on a severe prolonged period of macroeconomic stress in the UK, lasting for more than two years, with sales falling substantially in each year in our main brand, Topps Tiles, as well as year-on-year declines in gross margins.

The Group has already taken a number of actions to strengthen its liquidity over the recent years, and the scenarios start from a position of relative strength. The going concern review also outlined a range of other mitigating actions that could be taken in a severe but plausible trading scenario. These included, but were not limited to, savings on store employee costs, savings on central support costs, reduced marketing activity, a reduction of capital expenditure, management of working capital and suspension of the dividend. The Group's cash headroom and covenant compliance was reviewed against current lending facilities in both the base case and the severe but plausible downside scenario. The current lending facility was refinanced in October 2022 and expires at the earliest in October 2025.

In all scenarios, the Board has concluded that there is sufficient available liquidity and covenant headroom for the Group to continue to meet all of its financial commitments as they fall due for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

Responsibility Statement
We confirm that to the best of our knowledge:
(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as contained in UK-adopted IFRS;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

Rob Parker	**Stephen Hopson**
Chief Executive Officer	Chief Financial Officer
23 May 2023	

Condensed Consolidated Statement of Profit or Loss
for the 26 weeks ended 1 April 2023

	26 weeks ended 1 April 2023	Restated* 26 weeks ended 2 April 2022	52 weeks ended 1 October 2022
	£'000	£'000	£'000

	Note	**(Unaudited)**	(Unaudited)	(Audited)
Group revenue		**130,310**	119,222	247,241
Cost of sales		**(61,569)**	(52,366)	(111,818)
Gross profit		**68,741**	66,856	135,423
Distribution and selling costs		**(46,147)**	(44,929)	(89,316)
Other operating expenses		**(3,634)**	(1,549)	(5,953)
Administrative costs		**(11,610)**	(10,291)	(19,827)
Sales and marketing costs		**(3,463)**	(2,579)	(5,495)
Group operating profit		**3,887**	7,508	14,832
Net finance costs		**(2,203)**	(1,908)	(3,887)
Profit before taxation		**1,684**	5,600	10,945
Taxation	3	**(978)**	(1,422)	(1,754)
Profit for the period		**706**	4,178	9,191
Profit is attributable to:				
Owners of Topps Tiles Plc		**482**	4,174	9,005
Non-controlling interests		**224**	4	186
		706	4,178	9,191

All results relate to continuing operations of the Group.

	Note			
Earnings per ordinary share				
- Basic	5	**0.25p**	2.14p	4.60p
- Diluted	5	**0.24p**	2.10p	4.55p

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

* See note 1 for an explanation of the prior period restatement.

Condensed Consolidated Statement of Financial Position

as at 1 April 2023

	Note	**1 April 2023**	Restated* 2 April 2022	1 October 2022
		£'000	£'000	£'000
	Note	**(Unaudited)**	(Unaudited)	(Audited)
Non-current assets				
Goodwill		**2,101**	2,118	2,101
Intangible assets		**5,087**	5,825	5,423
Property, plant and equipment		**19,998**	21,755	20,888
Other financial assets		**1,700**	2,104	1,947
Deferred tax assets		**152**	401	114
Right-of-use assets		**86,329**	91,817	88,545
		115,367	124,020	119,018
Current assets				
Inventories		**38,842**	36,989	38,605
Other financial assets		**487**	458	542
Trade and other receivables		**6,002**	5,618	6,419
Current tax asset		**122**	-	-
Cash and cash equivalents		**19,911**	13,415	16,241
		65,364	56,480	61,807

Total assets		**180,731**	180,500	180,825
Current liabilities				
Bank loans	6	**-**	(4)	-
Trade and other payables		**(50,047)**	(43,245)	(43,650)
Lease liabilities		**(17,420)**	(19,641)	(18,187)
Current tax liabilities		**-**	(2,461)	(1,152)
Provisions		**(346)**	(346)	(352)
Total current liabilities		**(67,813)**	(65,697)	(63,341)
Net current liabilities		**(2,449)**	(9,217)	(1,534)
Non-current liabilities				
Bank loans	6	**-**	-	-
Lease liabilities		**(82,096)**	(86,965)	(84,741)
Provisions		**(5,483)**	(2,027)	(3,694)
Total liabilities		**(155,392)**	(154,689)	(151,776)
Net assets		**25,339**	25,811	29,049
Equity				
Share capital	8	**6,556**	6,556	6,556
Share premium		**2,636**	2,636	2,636
Own shares		**(192)**	(1,216)	(415)
Merger reserve		**(399)**	(399)	(399)
Share-based payment reserve		**5,837**	5,053	5,162
Capital redemption reserve		**20,359**	20,359	20,359
Accumulated losses		**(12,151)**	(9,494)	(7,319)
Capital and reserves attributable to owners of Topps Tiles Plc		**22,646**	23,495	26,580
Non-controlling interests		**2,693**	2,316	2,469
Total equity		**25,339**	25,811	29,049

* See note 1 for an explanation of the prior period restatement.

Condensed Consolidated Statement of Changes in Equity
For the 26 weeks ended 1 April 2023

	Equity attributable to equity holders of the parent								
	Share capital	**Share premium**	**Own shares**	**Merger reserve**	**Share-based payment reserve**	**Capital redemption reserve**	**Accum-ulated losses**	**Non-controlling interest**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 October 2022 (Audited)	6,556	2,636	(415)	(399)	5,162	20,359	(7,319)	2,469	29,049
Profit and total comprehensive income for the period	-	-	-	-	-	-	482	224	706
Issue of share capital	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(5,104)	-	(5,104)
Own shares disposed of in the period	-	-	223	-	-	-	(216)	-	7
Credit to equity for equity-settled share based									

payments	-	-	-	-	675	-	-	-	675
Deferred tax on share-based payment transactions	-	-	-	-	-	-	6	-	6
Non-controlling interest on business combination	-	-	-	-	-	-	-	-	-
Balance at 1 April 2023 (Unaudited)	**6,556**	**2,636**	**(192)**	**(399)**	**5,837**	**20,359**	**(12,151)**	**2,693**	**25,339**

Condensed Consolidated Statement of Changes in Equity (continued)
For the 26 weeks ended 2 April 2022

	Equity attributable to equity holders of the parent								
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Accum-ulated losses £'000**	**Non-controlling interest £'000**	**Total equity £'000**
Restated* balance at 2 October 2021 (Audited)	6,555	2,625	(1,216)	(399)	4,642	20,359	(7,610)	-	24,956
Profit and total comprehensive income (restated)* for the period	-	-	-	-	-	-	4,174	4	4,178
Issue of share capital	1	11	-	-	-	-	-	-	12
Dividends	-	-	-	-	-	-	(6,058)	-	(6,058)
Credit to equity for equity-settled share based payments	-	-	-	-	411	-	-	-	411
Non-controlling interest on business combination	-	-	-	-	-	-	-	2,312	2,312
Restated* balance at 2 April 2022 (Unaudited)	**6,556**	**2,636**	**(1,216)**	**(399)**	**5,053**	**20,359**	**(9,494)**	**2,316**	**25,811**

Condensed Consolidated Statement of Changes in Equity (continued)
For the 52 weeks ended 1 October 2022

	Equity attributable to equity holders of the parent								
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Accum-ulated losses £'000**	**Non-controlling interest £'000**	**Total equity £'000**
Restated* balance at 2 October 2021 (Audited)	6,555	2,625	(1,216)	(399)	4,642	20,359	(7,610)	-	24,956
Profit and total comprehensive expense for the period	-	-	-	-	-	-	9,005	186	9,191

Dividends	-	-	-	-	-	-	(8,015)	-	(8,015)
Issue of share capital	1	11	-	-	-	-	-	-	12
Own shares purchased in the period	-	-	(207)	-	-	-	-	-	(207)
Own shares issued in the period	-	-	1,008	-	-	-	(699)	-	309
Credit to equity for equity-settled share based payments	-	-	-	-	520	-	-	-	520
Acquisition of non-controlling interest on business combination	-	-	-	-	-	-	-	2,283	2,283
Balance at 1 October 2022 (Audited)	**6,556**	**2,636**	**(415)**	**(399)**	**5,162**	**20,359**	**(7,319)**	**2,469**	**29,049**

* See note 1 for an explanation of the prior period restatement.

Condensed Consolidated Cash Flow Statement
for the 26 weeks ended 1 April 2023

	26 weeks ended 1 April 2023	Restated* 26 weeks ended 2 April 2022	52 weeks ended 1 October 2022
	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)
Cash flow from operating activities			
Profit for the period	**706**	4,178	9,191
Taxation	**978**	1,422	1,754
Finance costs	**2,301**	1,945	4,010
Finance income	**(98)**	(37)	(123)
Group operating profit	**3,887**	7,508	14,832
Adjustments for:			
Depreciation of property, plant and equipment	**2,686**	2,830	5,609
Depreciation of right-of-use assets	**9,012**	9,181	18,212
Amortisation of intangible assets	**386**	101	500
Loss on disposal of property, plant and equipment and intangibles	**69**	-	394
Loss/(gain) on sublease	**101**	36	(88)
Impairment charge of property, plant and equipment	**54**	427	240
Impairment of right-of-use assets	**5**	1,771	1,473
Gain on lease disposal	**(240)**	(2,265)	(1,544)
Share option charge	**675**	411	520
Increase in earn out liability provision	**1,589**	-	1,581
Increase in provisions and accruals	**1,595**	693	-
Non-cash loss/(gain) on derivative contracts	**676**	-	(455)
(Increase)/decrease in receivables	**(139)**	456	(1,080)
Increase in inventories	**(848)**	(2,794)	(4,362)
Increase/(decrease) in payables	**5,145**	(7,810)	(5,603)
Cash generated by operations	**24,653**	10,545	30,229
Interest paid	**(82)**	(138)	(354)
Interest received on operational cash balances	**50**	-	58
Interest element of lease liabilities paid	**(1,997)**	(1,777)	(3,626)
Taxation paid	**(1,991)**	(2,085)	(3,453)
Net cash generated from operating activities	**20,633**	6,545	22,854
Investing activities			
Interest received	**-**	4	-
Interest received on sublease assets	**29**	34	65
Receipt of capital element of sublease assets	**213**	247	493
Purchase of property, plant, equipment	**(1,931)**	(938)	(3,090)
Purchase of intangibles	**(50)**	(92)	(115)
Proceeds on disposal of property, plant and equipment	**-**	131	183
Acquisition of subsidiary, net of cash acquired	**-**	(4,436)	(3,968)
Net cash used in investment activities	**(1,739)**	(5,050)	(6,432)
Financing activities			

Payment of capital element of lease liabilities	**(9,977)**	(9,822)	(19,601)
Dividends paid	**(5,104)**	(6,058)	(8,015)
Financing arrangement fees	**(150)**	-	-
Proceeds from issue of share capital	**-**	11	12
Purchase of own shares	**-**	-	(207)
Receipt on disposal of own shares	**7**	-	309
Repayment of bank loans	**-**	-	(468)
Net cash used in financing activities	**(15,224)**	(15,869)	(27,970)
Net increase/(decrease) in cash and cash equivalents	**3,670**	(14,374)	(11,548)
Cash and cash equivalents at beginning of period	**16,241**	27,789	27,789
Cash and cash equivalents at end of period	**19,911**	13,415	16,241

* See note 1 for an explanation of the prior period restatement.

1. General information
The interim report was approved by the Board on 23 May 2023. The financial information for the 52 week period ended 1 October 2022 has been based on information in the audited financial statements for that period.

The comparative figures for the 52 week period ended 1 October 2022 are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that 52 week period has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

This condensed set of consolidated financial statements has been prepared for the 26 weeks ended 1 April 2023 (H1 2023) and the comparative period has been prepared for the 26 weeks ended 2 April 2022 (H1 2022).
The interim financial statements have not been audited or reviewed by auditors pursuant to the Auditing Practices Board guidance on "Review of interim financial information" and do not include all of the information required for full annual financial statements.

Basis of preparation and accounting policies
The annual financial statements of Topps Tiles Plc are prepared in accordance with IFRSs as adopted by the European Union. The unaudited condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union and in conformity with the requirements of the Companies Act 2006. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

New and amended standards adopted by the Group
The Group continues to monitor the potential impact of other new standards and interpretations which have been or may be endorsed and require adoption by the Group in future reporting periods.

Going concern
When considering the going concern assertion, the Board reviews several factors including a review of risks and uncertainties, the ability of the Group to meet its banking covenants and operate within its banking facilities based on current financial plans, along with a detailed review of more pessimistic trading scenarios that are deemed severe but plausible. The two downside scenarios modelled include a moderate decline in sales and a more severe decline in sales, which result in much lower sales and gross profit than the base scenario, resulting in worse profit and cash outcomes. The more severe downside scenario modelled this year was based on a severe prolonged period of macroeconomic stress in the UK, lasting for more than two years, with sales falling substantially in each year in our main brand, Topps Tiles, as well as year-on-year declines in gross margins.

The Group has already taken a number of actions to strengthen its liquidity over the recent years, and the scenarios start from a position of relative strength. The going concern review also outlined a range of other mitigating actions that could be taken in a severe but plausible trading scenario. These included, but were not limited to, savings on store employee costs, savings on central support costs, reduced marketing activity, a reduction of capital expenditure, management of working capital and suspension of the dividend. The Group's cash headroom and covenant compliance was reviewed against current lending facilities in both the base case and the severe but plausible downside scenario. The current lending facility was refinanced in October 2022 and expires at the earliest in October 2025.

In all scenarios, the Board has concluded that there is sufficient available liquidity and covenant headroom for the Group to continue to meet all of its financial commitments as they fall due for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

IFRIC: Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS38 Intangible Assets)
During the prior year, management re-evaluated the impact of the IFRIC guidance released during 2021 relating to accounting for cloud-based SaaS arrangements. Further details of the impact of this re-evaluation can be found in the 2022 Annual Report and Accounts.

During the first half of 2022, £100k was capitalised in relation to cloud-based SaaS with £98k amortisation being charged. The H1 2022 Consolidated Statement of Profit or Loss and the Consolidated Cash Flow Statement have been restated to recognise the post-tax impact of £100k SaaS costs being recognised as an operating expense and the reversal of £98k amortisation.

The H1 2022 Consolidated Statement of Financial Position has been restated to de-recognise the post-tax impact of previously capitalised SaaS costs.

A summary of the impact, including taxation, is included in the following table:

	H1 2022 (previously reported) £'000	Restatement £'000	H1 2022 Restated £'000
Consolidated Statement of Profit or Loss impact			
Administrative costs	(10,288)	(3)	(10,291)
Profit before taxation	5,603	(3)	5,600
Tax charge	(1,423)	1	(1,422)
Adjusted earnings per ordinary share (pence)	2.79	0.04	2.83

Adjusted earnings per ordinary share (pence)	[illegible]	[illegible]	[illegible]
Consolidated Statement of Financial Position impact			
Intangible assets	6,603	(778)	5,825
Deferred tax asset	243	158	401
Total assets	181,120	(620)	180,500
Net assets	26,431	(620)	25,811
Accumulated losses	(8,874)	(620)	(9,494)
Total equity	26,431	(620)	25,811
Consolidated Cash Flow Statement impact			
Profit for the period	4,180	(2)	4,178
Taxation	(1,423)	1	(1,422)
Amortisation of intangible assets	199	(98)	101
Cash generated by operations	10,645	(100)	10,545
Net cash from operating activities	6,645	(100)	6,545
Purchase of intangibles	(192)	100	(92)
Net cash used in investing activities	(5,150)	100	(5,050)

In addition to the above, the prior period Consolidated Cash Flow Statement has been restated by £693k to reflect a recategorisation of movements from Payables to Provisions and Accruals.

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

Revenue can be split by the following geographical regions:

	26 weeks ended 1 April 2023 £'000	26 weeks ended 2 April 2022 £'000
UK	**130,003**	119,222
EU	**255**	-
Rest of World	**52**	-
Total	**130,310**	**119,222**

3. Taxation

	26 weeks ended 1 April 2023 £'000 (Unaudited)	Restated 26 weeks ended 2 April 2022 £'000 (Unaudited)	52 weeks ended 1 October 2022 £'000 (Audited)
Current tax - debit for the period	**1,010**	1,520	2,577
Deferred tax - (credit) / debit for the period	**(32)**	(98)	360
Deferred tax - adjustment in respect of previous periods	**-**	-	(1,183)
	978	1,422	1,754

4. Interim dividend
An interim dividend of 1.20p (2022: 1.00p) per ordinary share has been declared. A final dividend of 2.60p per ordinary share was approved and paid in the period, in relation to the 52-week period ended 1 October 2022.

5. 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.

	26 weeks ended 1 April 2023 (Unaudited)	26 weeks ended 2 April 2022 (Unaudited)	52 weeks ended 1 October 2022 (Audited)
Weighted average number of issued shares for basic earnings per share	**196,681,818**	196,680,195	196,681,007
Weighted average impact of treasury shares for basic earnings per share	**(525,062)**	(1,259,275)	(1,099,370)
Total weighted average number of shares for basic earnings per share	**196,156,756**	195,420,920	195,581,637

Weighted average number of shares under option	**1,025,157**	3,171,408	2,165,790
For diluted earnings per share	**197,181,913**	198,592,328	197,747,427

		Restated	
	£'000	£'000	£'000
Profit for the period	**482**	4,174	9,005
Adjusting items	**2,605**	1,348	3,005
Adjusted profit for the period	**3,087**	5,522	12,010
Earnings per ordinary share - basic	**0.25p**	2.14p	4.60p
Earnings per ordinary share - diluted	**0.24p**	2.10p	4.55p
Earnings per ordinary share - adjusted	**1.57p**	2.83p	6.14p

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

Adjusted earnings per share for the 26 weeks ended 1 April 2023 were calculated after adjusting for the post-tax impact of the following items: vacant property and closure costs of £0.6m (2022: £0.8m), impairment of property, plant and equipment of nil (2022: £0.1m), impairment of right-of-use assets and lease exit gains and losses of £0.1m gain (2022: £0.2m gain), Pro Tiler Limited earn out provision increase of £1.7m (2022: £0.2m), Tile Warehouse set up costs and Pro Tiler Limited acquisition expenses of nil (2022: £0.4m), and restructuring and other one-off costs of £0.4m (2022: nil).

6. Bank loans

	26 weeks ended 1 April 2023 £'000	26 weeks ended 2 April 2022 £'000	52 weeks ended 1 October 2022 £'000
	(Unaudited)	(Unaudited)	(Audited)
Bank loans (all sterling)	-	(4)	-
The borrowings are repayable as follows:			
On demand or within one year	-	(4)	-
In the second year	-	-	-
In the third to fifth year	-	-	-
	-	-	-
Less: total unamortised issue costs	**(250)**	(76)	-
	(250)	(76)	-
Issue costs to be amortised within 12 months	**100**	64	-

The Group has a revolving credit facility to October 2025 of £30.0 million. As at 1 April 2023, £nil of this facility was drawn (2022: £nil). The loan facility contains financial covenants, which are tested on a bi-annual basis. The Group did not breach any covenants in the period.

7. Financial instruments

The Group has the following financials instruments which are categorised as fair value through profit and loss:

	Carrying value and fair value		
	26 weeks ended 1 April 2023 £'000	26 weeks ended 2 April 2022 £'000	52 weeks ended 1 October 2022 £'000
	(Unaudited)	(Unaudited)	(Audited)
Financial assets			
Fair value through profit and loss	**(158)**	54	518
Financial liabilities			
Fair value through profit and loss	-	-	-

The fair values of financial assets and financial liabilities are determined as follows:
Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair values are therefore categorised as Level 2 (2022: Level 2), based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

At 1 April 2023 the fair value of the Group's currency derivatives is a loss of £158,000 within trade and other receivables (2022: £54,000 gain). These amounts are based on the market value of equivalent instruments at the Statement of Financial Position date.

Losses of £676,000 are included in cost of sales in the 26 weeks ended 1 April 2023 (2022: £9,000 loss).

8. Share capital
The issued share capital of the Group as at 1 April 2023 amounted to £6,556,000 (2 April 2022: £6,556,000). During the period the Group issued nil shares (2 April 2022: 19,687 shares), and therefore the number of shares at 1 April 2023 were 196,681,818 (2 April 2022: 196,681,818).

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

10. Related party transactions
MS Galleon AG is a related party by virtue of their 29.8% shareholding (58,569,649 ordinary shares) in the Group's total voting rights (2 April 2022: 20.1% shareholding).

MS Galleon AG is the owner of Cersanit, a supplier of ceramic tiles with whom the Group made purchases of £659,000 during the first half of the year which is 1.1% of cost of goods sold (2022: purchases of £424,000 during the first half of the year which is 0.8% of cost of goods sold).

An amount of £303,000 was outstanding with Cersanit at 1 April 2023 (2 April 2022: £205,000). All transactions were conducted on commercial arm's length terms.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note, in accordance with the exemption available under IAS 24.

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