

26 November 2024

Topps Tiles Plc Annual Financial Results

Topps Tiles Plc ("Topps Group", the "Company" or the "Group"), the UK's leading tile specialist, announces its unaudited consolidated annual financial results for the 52 weeks ended 28 September 2024.

Strategic and Operational Highlights

- Continuing to take market share in a difficult trading environment
- Market c. 20% down on pre-Covid levels, Group revenue +14.9% vs 2019
- New strategic goal, 'Mission 365' launched, to grow Group sales to £365 million, with an adjusted PBT margin of 8-10%
- Strong initial progress made with five key growth areas over last six months
 - Trade digital experience improved -trade website relaunched, simpler registration process and pricing visibility
 - B2B growth - CTD brand and certain assets acquired, further strengthening the Group's trade presence. Actively working with the CMA in respect of their review process
 - Category expansion continuing at pace with trial and roll out of new hard surface coverings offer
 - Pro Tiler, now fully owned, delivered excellent growth with revenue up over 30% and strong profit margins
 - Tile Warehouse sales run-rate trebled year on year
- New distribution centre acquired to facilitate further growth of Pro Tiler Tools and the wider Group

Financial Highlights

	52 weeks ended 28 September 2024	52 weeks ended 30 September 2023	YoY
Adjusted Measures			
Topps Tiles like-for-like revenue year on year ¹	(9.1)%	3.1%	n/a
Adjusted revenue ²	£248.5 million	£262.7 million	(5.4)%
Adjusted gross margin % ²	53.3%	53.0%	+0.3%pts
Adjusted operating profit ²	£11.0 million	£16.6 million	£(5.6) million
Adjusted profit before tax ²	£6.3 million	£12.5 million	£(6.2) million
Adjusted earnings per share ²	2.39 pence	4.49 pence	(46.8)%
Adjusted net cash at period end ³	£8.7 million	£23.4 million	£(14.7) million

Statutory Measures

Group revenue	£251.8 million	£262.7 million	(4.1)%
Gross profit	£134.3 million	£139.2 million	(3.5)%
(Loss)/Profit before tax	£(16.2) million	£6.8 million	n/a
Basic (loss)/earnings per share	(6.63) pence	1.63 pence	n/a
Final dividend per share	1.2 pence	2.4 pence	(50.0)%
Total dividend per share	2.4 pence	3.6 pence	(33.3)%

Financial Summary

- Adjusted revenue down 5.4% to £248.5 million
- Adjusted gross margin up 0.3%pts to 53.3%, driven by gains in Topps Tiles
- Adjusted operating costs down £1.1 million despite £4.9 million of inflationary costs
- Adjusted profit before tax down £6.2 million to £6.3 million due to operational gearing in the business
- Statutory loss before tax of £16.2 million as a result of £19.4 million non-cash impairment, primarily of right-of-use assets, and £3.1 million expense relating to purchase of remaining Pro Tiler shares
- Adjusted net cash outflow of £14.7 million, including outflows of £18.9 million relating to the acquisition of CTD Tiles and the remaining shares in Pro Tiler Limited, and a £6.4 million working capital benefit, driven by timing of year end
- Adjusted net cash of £8.7 million at year end, with £38.7 million cash headroom to banking facilities
- Full year dividend of 2.4 pence, at the top end of Group's dividend policy and 1x covered by EPS, reflecting weaker trading in 2024 but also the Board's confidence in the Group's medium term prospects

Current Trading and Outlook

- Group sales in the first eight weeks returned to growth, up 1.2% year on year excluding CTD
- Topps Tiles like-for-like sales down 0.4% year on year in the eight-week period

- Macroeconomic indicators are mixed, with consumer confidence weak but some housing metrics trending upwards
- Additional cost headwinds from increases in National Living Wage and National Insurance contributions from April 25
- Significant self-help initiatives in play to deliver Mission 365
- Strategy, core strengths and robust balance sheet leave Group well placed to deliver significant medium term growth

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

"2024 has been a challenging year for RMI and especially bigger ticket spend. In the tile market, volumes remain well below pre-pandemic levels. Whilst Topps Group is not immune to these pressures, our growth strategy has served us well and we have continued to outperform the wider tile market.

The start of the new financial year has seen a return to modest sales growth for the Group, helped by weaker prior year comparatives and the continued strength of our trade offer. Whilst pleasing, the forward macro indicators for our market remain mixed, in particular weaker consumer confidence, and we need to see a sustained improvement in these metrics before we can be confident of a consumer recovery.

'Mission 365', which sets ambitious revenue and profit medium-term goals, has focused the business around key areas of growth and we have delivered good progress against these over the second half - notably our trade digital offer, our plans to significantly expand our addressable market into hard surface coverings, trade business to business opportunities with the acquisition of CTD Tiles and the strong growth in online pureplay. The robust strategic progress being made now to position the business for the future leaves us well-placed for a recovery in market volumes and underpins our confidence in the medium term outlook."

Notes

1 Topps Tiles like-for-like revenue is defined as revenue from Topps Tiles stores that have been trading for more than 52 weeks and revenue transacted through Topps Tiles' digital channels.

2 Adjusted revenue, gross margin %, operating profit, profit before tax and earnings per share exclude 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 more details on each of these measures.

3 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 arising from IFRS 16.

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Summary of performance and progress

2024 has been a challenging year for the UK tile industry and many businesses facing into the wider RMI (repairs, maintenance and improvement) sector. Following a period of strong growth during the two years after the pandemic, market activity started to decline in 2023 and this momentum accelerated in 2024. We estimate that the tile market this year will be approximately 20% smaller than in the pre-pandemic period (2019), whereas Group revenue is up 14.9% since 2019.

Following three consecutive years of record sales between 2021 and 2023, Topps Group was inevitably impacted by the substantially weaker customer demand this year and saw adjusted revenue decline 5.4% year on year, a substantial out-performance of an overall market which we estimate was down 10-15% year on year. Due to the operational gearing of the Group, adjusted profit before tax was £6.2 million lower year on year at £6.3 million. On a statutory basis, the Group reported a loss before tax of £16.2 million, following a significant impairment of right of use assets.

In this difficult context, we believe that the strategic progress and financial results delivered by the Group this year represent a creditable outcome and position the business well for an upturn in the economy, as macroeconomic indicators improve. Highlights in the year include the acquisition of the CTD Tiles brand and selected assets, significant digital developments in Topps Tiles, the continuation of very strong performance in Pro Tiler (including the acquisition of the remaining share capital), moving Parkside into profit, progressing plans to strengthen our infrastructure and supply chain, and the launch of a major new goal for the Group - Mission 365. This exciting and ambitious new goal represents a material step up in sales and profits from this year's result over the medium term, supported by a number of key strategic initiatives.

CTD acquisition

In August 2024, CTD Tiles Limited fell into administration and Topps Group acquired all related intellectual property, CTD's Architectural and Housebuilder business, selected stock and a licence to occupy 30 stores for consideration of £9 million. The stores acquired by Topps Group had total sales of c. £20 million in the year to June 2024, and in addition CTD's commercial business reported revenues of £8 million from the Architect & Designer segment and £16 million from the volume housebuilder segment in the same period (where Topps Group has, respectively, limited or zero representation). CTD had been losing money and reporting declining sales levels before entering administration, and therefore required immediate support to stabilise the business, which was done in the first few weeks of ownership. Following the acquisition, the Competition and Markets Authority ('CMA') initiated a Phase 1 review of the transaction, including an Initial Enforcement Order which requires the businesses to be held separately until the review process is complete. The Group is supporting the CMA with its review and the process remains ongoing as of the date of this report. The Group believes that the acquisition has the potential to add £30 - £40 million of profitable sales to the Group over the medium term.

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Purpose, goal and strategy

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 who are. This purpose continues to unite the Group as it has grown into new sectors and added new complementary brands in recent years.

Following the achievement of the Group's '1 in 5 by 2025' goal last year (two years ahead of schedule), in 2024 Topps Group announced an exciting and ambitious new goal - to increase sales to £365 million in the medium term and deliver an adjusted profit before tax margin of 8-10%. This target implies that we believe that the Group is capable of delivering adjusted profit before tax of at least £30 million in the medium term, almost five times the level of profits this year. We are calling this new goal 'Mission 365 - grow sales, build profit'.

At the half year results, the Group identified five key areas of growth to deliver Mission 365. These are to modernise the trader digital experience in Topps Tiles, expand into new adjacent product categories, develop our business-to-business sales focus, continue to expand Pro Tiler, and develop Tile Warehouse to maturity. The performance objectives of Mission 365 are based on conservative market assumptions and assume only a modest recovery in tile volumes, with cumulative market and pricing growth over the medium term of c. 4-8% compared to current levels. Updates against these growth areas are given in the relevant sections below. The indicative sales uplifts we expect to deliver from the five growth areas, together with the modest level of market recovery and business as usual price growth are as follows:

	Revenue £m
Group adjusted sales in 2024	248
Market and BAU pricing	10 - 20
Modernise the trade digital experience	15 - 20
Expand into new coverings categories	25 - 30
Business-to-business (B2B) sales focus	15 - 25
Pro Tiler expansion	20 - 25
Tile Warehouse maturity	10 - 15
Mission 365 (medium term)	365

The acquisition of the CTD assets provides a strong boost to revenues of £30 - £40 million in the medium term, accelerating our progress towards Mission 365. Although CTD will contribute to a number of the growth areas, we believe it will play a particularly important role in the growth of B2B sales, specifically allowing the Group to enter the national housebuilder market for the first time, leveraging CTD's strong historic market position in this space.

As part of the launch of Mission 365, and expansion into new product categories, we have re-defined the Group's addressable market. Topps Group's core focus has historically been on tiles and closely associated products, a market valued at £1.2 billion in 2023. However, the Group already sells a wider selection of coverings products than just tiles, and the addition of new categories such as luxury vinyl tiles, wood and laminate, shower panels, splashbacks and XXL porcelain expands the Group's addressable market to c. £2.1 billion, a 75% increase. The Group is now focused on the wider market of all hard wall and floor surface coverings and related products.

In summary, we expect the Group to deliver the following financial outcomes in the medium term:

- Sales of £365 million, £117 million higher than adjusted sales in FY24
- Gross margins between 51% and 52%, depending on changes in business mix
- Adjusted profit before tax margin of 8-10%
- Substantial improvements in lease adjusted return on capital employed, given only relatively modest changes to the store network and some investments in supply chain and systems.

Following the launch of Mission 365 and the identification of the five key growth areas defined above, this year we have updated the way that we will present the Group's overall business strategy going forward. The Group's goal will be delivered across four main areas - 'First for Tiles', 'Famous for Hard Surfaces', 'First for Consumer' and 'First for Trade'. These will be supported by three core areas of strength and focus - 'Topp People, Topp Service', 'Environmental Leadership', and 'Operational Excellence'. These categories replace the previous brand-focused reporting disclosure, reflecting the more integrated approach, our greater scale and increasing complexity. Sales performance by business area is disclosed in the Financial Review.

First for Tiles

First for Tiles represents our core product strategy, focused on our specialism of tiles, which is reflected across all the brands in the Group: Topps Tiles, Pro Tiler Tools, Parkside Architectural Tiles, Tile Warehouse and CTD Tiles. Our expertise in the ranging, sourcing and procurement of tiles and associated products on a global basis has been a core specialism of the Group for 60 years and it remains a significant driver of our competitive advantage today. Our scale as the largest specialist in the country allows us to work directly with manufacturing partners from all around the world to develop and produce differentiated products that are innovative, of high quality and, often, exclusive to Topps Group. These direct relationships set us apart from many of our competitors who tend to be more reliant on importers, distributors or agents, and may not enjoy the cost advantage and creative input that direct supplier relationships give us.

Our strategic supplier base remains key for the Group, accounting for 63% of purchases in 2024 (2023 restated: 64%), with this metric now including Pro Tiler Tools. 71 new product launches were completed in Topps Tiles in 2024, up from 63 in 2023 and 34 in 2022, largely delivered through our strategic supplier base. When new products are launched, the Group protects the intellectual property and design assets that are created and, overall, 80% of tile ranges or closely associated products are either exclusive or own brand (2023: 70%) creating a compelling reason

ranges of closely associated products are either exclusive or own brand (2023: 19%), creating a compelling reason for customers to shop with Topps Tiles. This year we have also made progress towards a clearer 'good, better, best' pricing hierarchy in tiles, with reduced discounting. In addition, we maintained a strong pipeline of new product development across the Group with our strategic suppliers, including an outstanding new range of 6mm porcelain for use in domestic and commercial settings, new exclusive tile cutters, developed with the world's largest tiling tool manufacturer, new Premtool own brand preparation products in Pro Tiler, and bespoke terrazzo products for the hospitality sector through Parkside. These innovations, together with many more new ranges across the business, help to build differentiated offers for all the brands in the Group.

Own brands are increasingly important for Topps Group, including Excel Bond™, now one of the leading tile adhesive brands in the UK, Dex™, our tiling tools brand aimed at the general builder and DIY enthusiast, Rise™, our own brand underfloor heating range, and Everscape Solutions™, our outdoor tiling range, now including all the essentials required to do the job. Own brands now account for 20% of sales in Topps Tiles (2023: 17%).

Famous for Hard Surfaces

As described above, this year the Group has extended its addressable market to include categories outside tiles and directly associated products, increasing the addressable market from £1.2 billion to £2.1 billion based on 2023 market data. Given the Group's current very low market share in these adjacent categories, we believe that expansion into new product categories will be a key growth lever in the delivery of Mission 365. A 5% market share in the new categories of luxury vinyl tiles, shower panels, outdoor tiles, laminate and engineered wood, splashbacks and XXL tiles would represent a £25 - £30 million sales opportunity.

This year, the Group has rolled out its Pronto™ own brand luxury vinyl tile offer into all Topps Tiles stores, Parkside and Tile Warehouse. Everscape™ outdoor tiles are now available in all Topps Tiles stores and through Parkside. Shower panels and XXL tiles are currently being rolled out into the business, wood and laminate is currently in trial in 42 stores, and acoustic panels and splashbacks are available online. In the coming year, the Group intends to activate more marketing campaigns around these product groups and build market share.

First for Consumer

First for Consumer refers to the parts of the Group focused on the homeowner rather than the professional trade customer, led by Topps Tiles, and also including Tile Warehouse.

Topps Tiles remains the leading brand within the specialist tile sector. Unprompted awareness is at 33% (source: research commissioned from Two Ears One Mouth, November 2023), more than six times higher than the next tile specialist tile retailer and behind only B&Q in the generalist competitor set. The brand continues to perform very well online, generating high volumes of web traffic. This year, Topps Tiles launched 'platinum service', a new customer service platform which supports team members as they walk through the buying process with homeowner customers, who purchase tiles infrequently. Early feedback from customers and colleagues has been very positive. As we maintain our commitment to world class customer service, our store teams have been more focused on encouraging customers to share their positive experiences and this has resulted in a significant increase in the quantity of Google reviews. In 2023, just over 1,000 reviews were left with an average rating of 4.7 stars, whereas in 2024 over 13,000 reviews were posted, with an average rating of 5.0 stars out of 5.

Tile Warehouse, the Group's online only, value-oriented tile specialist, has made good progress this year, with the sales run rate trebling over the course of the year. We continue to make improvements to website functionality, the service model and the range offered and believe this business represents a £10 - £15 million sales opportunity for the Group, making it one of the key growth drivers referenced above.

First for Trade

The Group has a number of brands and initiatives aimed at the professional customer, whether a jobbing trader in Topps Tiles, a contractor buying from Pro Tiler Tools or Parkside, or a housebuilder purchasing from CTD.

Within Topps Tiles, there exists a substantial opportunity to drive additional sales by improving and modernising the digital experience. At the half year stage, the Group indicated that it would:

- Relaunch the trade website, making it much easier to complete registration and transact;
- Improve pricing clarity and reduce confusion with respect to trade prices when compared to homeowner prices;
- Modernise our trade loyalty scheme and embed this within our app;
- Substantially increase our trade credit offering;
- Launch a new Customer Engagement Platform which will allow us to communicate far more effectively with trade customers, tailoring our marketing messages and genuinely adding value for our customers; and
- Launch a modern trade app, with enhanced functionality, making this the default way of engaging with Topps Tiles for many of our trade customers

Substantial progress has been made in the last six months. The trade website has been relaunched, with clear and visible pricing available to all potential customers, even without registration. The process of registering as a trade customer through the website has been simplified and sped up. Topps have launched a Trade Club, involving advantageous pricing, instant rewards, a referral scheme, the opportunity to apply for trade credit and bulk deals. Since the relaunch of the website, online trader registrations have more than doubled compared to the pre-relaunch period, with web traffic up in excess of 300% and online spend c. 60% higher. A Customer Engagement Platform provider has been engaged and work on the trade app has begun, with a launch planned for 2025. Although it is early in this process, the Group estimates this to be an opportunity worth £15 - £20 million, one of the key growth drivers described above.

Pro Tiler continues to perform extremely well, with sales growth of over 30% this year and an increase in net profit margins, which remain well within the 8-10% net margin target range for all Group businesses. Supported by a substantial investment in its supply chain (as discussed in the Operational Excellence section below) and the development of new brands, the Group believes that Pro Tiler can add an additional £20 - £25 million of sales to current levels in the medium term. Topps Group was pleased to complete the acquisition of the remaining 40% of shares in Pro Tiler Limited in May 2024, becoming 100% owners of the business.

Parkside experienced a difficult market in 2024 with a decline in sales based on the deferral or cancellation of

Parkside experienced a difficult market in 2024, with a decline in sales based on the closure or cancellation of projects by key clients. Despite this backdrop, as a result of a restructure of the business in 2023, Parkside moved out of a loss-making position and into a marginal profit in the year for the first time.

Across the brands in the Group focused on Commercial Trade, which includes Parkside, the Topps Tiles contracts team, Pro Tiler's key accounts and now CTD, the Group believes there exists at least a £15 - £25 million sales opportunity. The assets which can be deployed by the Group, including a nationwide store network, c. 290,000 sq ft of central warehousing and a specialised distribution fleet, £38 million of stock, unrivalled breadth of product range and world class service will be attractive to both medium and large contractors. In addition, CTD has a strong heritage in sales to the national housebuilder market. The Group believes that there is a significant opportunity to build a market leadership position in this new market, following the CMA investigation.

Topp People, Topp Service

The provision of world class service has remained a key competitive advantage of the Group over its history and is a characteristic of all its brands. For a homeowner customer, buying tiles is a very infrequent activity and so being supported by teams which have the time to explain the variety of products on offer, their suitability for different jobs and the other products needed to complete the job is essential. For trade customers, technical knowledge and a trusted point of contact is key for maintaining strong relationships.

'Topp Service' can only be delivered by 'Topp People' and the Group is delighted to retain so many of the leading operators in the industry. This year, colleague turnover improved by 0.9 percentage points to 28.3% in Topps Tiles and by 2.3 percentage points to 26.3% at a Group level. Colleague retention (meaning the percentage of colleagues employed at the year-end that were employed at the start of the year) improved by 1.5 percentage points to 81.0%.

As a result of our strong teams, the business continued to deliver world class customer service. In Topps Tiles, overall satisfaction in the year was 92.1%, up again against last year's excellent result of 91.5%. That means that 92.1% of customers who fill in a survey rate the business as five stars. In Pro Tiler Tools, online reviews have an average score of 4.9 / 5 and in Tile Warehouse the average score is 4.5 / 5, showing the level of customer service offered across the Group.

Diversity, equity and inclusion remain central to our people strategy, and this year saw the launch of the 'One Topps' strategy into the business, focusing initially on listening groups, and then leading to recommendations to improve opportunities for everyone to forge a career within Topps Group.

Charity fundraising remains a core part of our engagement strategy and this year we were delighted to pass the £500,000 fundraising mark for Alzheimer's Society, as part of our pledge to raise £1 million over five years.

Environmental Leadership

Environmental Leadership remains a central part of the Group's strategy, with two key focus areas of carbon reduction and circularity. The Group's goal is to be carbon neutral by 2030 across Scope 1 and 2 emissions, which in 2024 were 4,886 tonnes (2023: 5,034 tonnes), showing a slight decrease due to efficiency upgrades and a 2% improvement in miles per gallon on our vehicle fleet. In 2024 we conducted a successful trial of Hydrotreated Vegetable Oil ('HVO') as a replacement for diesel fuel and are investigating the possibility of rolling this out further in 2026, after the installation of an HVO bunker at one of the Group's central supply chain facilities. In addition, new tractor units for the primary fleet will be delivered, which will increase fuel economy by approximately 5%. At the store level, we replaced 22 inefficient gas heaters with modern systems, with further upgrades planned. This year, we will establish science-based GHG reduction targets, aligned with limiting global warming to 1.5 degrees. These will be submitted to the Science Based Targets Initiative (SBTi) for validation within 24 months.

This year, we completed the first measurement of scope 3 emissions, supported by Normative. Our Scope 3 emissions were reported as 176,718 tonnes, some 36 times greater than scope 1 and 2 emissions. The two main sources of emissions are from purchased goods (principally tiles and adhesives) and usage of purchased products (in particular underfloor heating). With the Government committed to 100% renewable energy generation by 2035, the usage aspect of our Scope 3 emissions should reduce to zero by that date. Please see the Sustainability and TCFD reports in the Annual Report for more information on this subject.

Circularity is the other key focus area in our Environmental Leadership strategy. Reduction of waste is a key focus and, over the last two years, the Group has targeted a reduction in tile waste in particular. This year, the Group decreased tile waste by 9%, following a 12% reduction in 2023, equivalent to 497 fewer tonnes of tile waste over the two-year period. Additionally, the group doubled its volume of recycled baled cardboard by improving the segregation of waste and recycled 112,000 pallets for reuse in the operation, return to suppliers or sale back to pallet suppliers.

Operational Excellence

Underpinning our successful businesses are strong operational disciplines. This area of the strategy covers support functions such as supply chain, property, IT, finance, legal, central operations, marketing and so on.

Despite the difficult economic environment, investing in the future growth of the business is key and the Group has agreed two significant steps in this area over the last year.

Pro Tiler Tools has been a remarkable growth story in the last two years, growing from £11.9 million of revenue in the 12-month period to January 2022 to £28.8 million in 2024. As such, the demands on the existing c. 56,000 sq ft Pro Tiler warehousing and supply chain operation in Northampton have become too great, with significant levels of operational inefficiency in recent months, as well as an inability to continue to grow the business past current levels. The Group therefore committed to a new warehouse in October 2024, agreeing a lease on a 140,000 sq ft facility at the Prologis Park Pineham, next to the M1, also in Northampton. This move will unlock operational efficiencies and, more importantly, additional growth opportunities for Pro Tiler and will be operational by January 2025. This new facility will also provide operational capacity for future Group growth initiatives, including the planned integration of CTD. The capital cost of fit out will be c. £2 - £2.5 million in 2025 and additional operational costs for Pro Tiler relating to the new property will be c. £0.4 million per year. The initial impact on the Group statement of profit or loss will be c. £0.7 million due to the front loading of lease costs under IFRS 16, reducing to £0.1 million by the end of the 15 year period. The operational costs for CTD will be similar to its existing site in Kings Norton.

The second investment into operational excellence is the replacement of the main Enterprise Resource Planning (ERP) software in the Group, which supports the Topps Tiles business and central functions. The business will move onto the latest Microsoft Dynamics 365 Business Central system, provided as a Software as a Service (SaaS) solution and hosted in the cloud. This will modernise the business's systems and future proof the operations, as well as enhance security and provide resilience and scalability. The project will start in January 2025 and go live in 2026. The cost of implementation is estimated at £1.2 million of additional operating costs, spread over 2025 and 2026 and the increased licencing costs at the conclusion of the project are expected to be offset through operating efficiencies.

In addition, new IT hardware for stores will be purchased to unlock operating efficiencies and further sales opportunities, at a capital cost of less than £1.0 million, spread across the next two financial years.

Through these two significant programmes, the business is investing in its core supply chain and systems infrastructure, providing a sound basis for future growth.

Summary

2024 has been a year of substantial strategic progress, including the launch of our new goal, 'Mission 365'. The Group has significantly outperformed a very tough market and outlined a pathway to increased sales and profit over the medium term with a focus on five key areas of future growth. In addition, we acquired the assets of CTD Tiles and the remaining shares in Pro Tiler, and made good strategic progress across the business. Although our financial performance has inevitably been impacted by the weak market backdrop, the hard work done this year to lay the foundations for our future growth has ensured that the Group remains well positioned for the recovery as a broader and more closely integrated business with a significantly expanded addressable market.

Key Performance Indicators ("KPIs")

The Board monitors a number of financial and non-financial metrics and KPIs both for the Group and by individual store. This information is reviewed and updated as the Directors feel appropriate. This year, the Board has reviewed the KPIs and updated them in line with the updated goal and strategy. The metrics have changed as follows:

- Group revenue growth year on year has been replaced with Group adjusted revenue growth year on year to exclude the small impact of CTD in the final weeks of the year, as discussed in the financial review;
- Group gross margin % has been replaced with Group adjusted gross margin % to exclude the small impact of CTD in the final weeks of the year, as discussed in the financial review;
- Group colleague turnover has been replaced by Group colleague retention, reflecting the Group's strategy of attempting to retain staff for longer periods to improve knowledge and customer service;
- Carbon emissions per store has been replaced with total scope 1 and 2 net carbon emissions to align with the Group goal of reducing that number to zero by 2030;
- Store numbers within Topps has been removed as the Board do not regard this to be a key indicator of performance.

	52 weeks to 28 September 2024	52 weeks to 30 September 2023	YoY
Financial KPIs			
Group adjusted revenue growth year on year*	(5.4)%	6.3%	n/a
Topps Tiles like-for-like sales growth year on year*	(9.1)%	3.1%	n/a
Group adjusted gross margin %*	53.3%	53.0%	+0.3 ppts
Adjusted profit before tax*	£6.3m	£12.5m	£(6.2)m
Adjusted earnings per share*	2.39 pence	4.49 pence	(46.8)%
Adjusted net cash*	£8.7m	£23.4m	£(14.7)m
Inventory days	118 days	107 days	+11 days
Non-financial KPIs			
Square metres of tiles sold in Topps Tiles (thousand)	4,222	4,569	(7.6)%
Topps Tiles customer overall satisfaction score	92.1%	91.5%	+0.6 ppts
Group colleague retention	81.0%	79.5%	+1.5 ppts
Total scope 1 and 2 net carbon emissions (tonnes per annum)	4,886	5,034	(2.9)%

* as defined in the Financial Review

Notes: Topps Tiles customer overall satisfaction scores are calculated from the responses we receive through our TileTalk customer feedback programme. Overall satisfaction (OSAT) is the percentage of customers that score us 5 in the scale of 1 - 5, where 1 is highly dissatisfied, and 5 is highly satisfied. Group colleague retention represents the percentage of employees employed by the Group at the end of the period that were also employed at the start of the period. Total scope 1 and 2 carbon emissions have been compiled in conjunction with our carbon consultancy partner, Normative. 2023 carbon emissions have been restated due to a change in the Normative methodology (GHG Protocol aligned).

FINANCIAL REVIEW

The 2024 financial year covers the 52 weeks to 28 September 2024. The previous financial year covers the 52 weeks to 30 September 2023. Following three consecutive record years for revenue, weaker market demand led to challenging financial performance over the most recent period, although the Group did outperform the market overall and saw strong performance in some of the newer business areas. In addition, the Group made two strategically important acquisitions, the purchase of the final 40% of shares in Pro Tiler Limited and the acquisition of the brand and certain assets from CTD Tiles Limited (in administration), bringing the CTD brand into the Group and establishing an opportunity to grow in new, complementary areas of the tile market in future.

Acquisition of CTD

On 19 August 2024, the Group acquired the brand and certain assets from CTD Tiles Limited (in administration) including the right to occupy 30 stores, selected stock, intellectual property and branding for consideration of £9.0 million. The Group recognised plant, property and equipment assets of £0.9 million, £2.2 million of net working

capital, £0.4 million of provisions and £6.3 million of goodwill on acquisition. These values are provisional and will be re-examined during the measurement period as defined in IFRS 3. The business's performance, transaction costs and costs of the ongoing CMA investigation have all been treated as an adjusting item within the consolidated statement of profit or loss, as detailed in the Adjusting Items section below.

Acquisition of remaining shares in Pro Tiler Limited

As previously reported, the Group acquired the remaining 40% of the shares in Pro Tiler Limited in May 2024, valuing the business at a previously agreed multiple of EBITDA. As a result, there was an £8.8 million cash outflow in May 2024 which is represented in the cash flow statement as a reduction in provisions, together with a £1.1 million dividend payment to the non-controlling interests, representing the relevant share of post-tax profits during the two-year earn out period. As a result of the transaction, the Group became the 100% owner of the business, meaning there is no longer a non-controlling interest relating to Pro Tiler Limited, with all profits attributable to the owners of Topps Tiles plc from the second half of 2024. As outlined in the Adjusting Items section below, there was a £3.2 million expense recognised in the first half year relating to the Pro Tiler share purchase.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

This section provides an analysis of the business's financial performance over the last year. Generally, adjusted measures are used, with a full description of adjusting items in the relevant section below. Alongside the usual adjustments, the financial performance of CTD has been excluded from adjusted measures this year, as explained in the Adjusting Items section below.

Revenue

Total Group revenue for the 52-week period decreased by 4.1% to £251.8 million (2023: £262.7 million). Excluding the £3.3 million revenue contribution from CTD in the six weeks of ownership, adjusted revenue decreased by 5.4% to £248.5 million. Revenue consolidated into the Group accounts by business area was as follows:

£m	2024	2023	Variance
Topps Tiles	210.4	230.9	(8.9)%
Parkside	7.6	9.4	(19.1)%
Online Pure Play*	30.5	22.4	+36.2%
Adjusted revenue	248.5	262.7	(5.4)%
CTD**	3.3	-	
Group revenue	251.8	262.7	(4.1)%

*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.

** CTD was acquired on 19 August 2024. Please see the relevant section below for further information.

Topps Tiles like-for-like sales were 9.1% lower than the prior year, with similar rates of decline in both halves of the year but with a slightly better trend in the fourth quarter (down 8.2%) improving further into the new financial year. Total revenue in Topps Tiles was 8.9% lower year on year at £210.4 million. Throughout the year, sales to trade customers have been significantly stronger than sales to homeowners and, as a result, trade mix in Topps Tiles increased notably from 59.6% of sales in 2023 to 62.8% of sales in 2024. Trade customers bring repeat purchases and high degrees of loyalty, and as a result benefit from advantaged pricing which therefore delivers lower gross margins than homeowner customers.

The commercial market continued to be very challenging with sales to our clients through Parkside down 19.1% year on year to £7.6 million. Sales in Online Pure Play continue to be extremely strong, led by Pro Tiler Tools, and in total grew 36.2% to £30.5 million (2023: £22.4 million), with £28.8 million from Pro Tiler and £1.7m from Tile Warehouse, which almost tripled its sales year on year.

Gross Margin and Gross Profit

Group gross profits decreased by 3.5% from £139.2 million to £134.3 million, including a contribution of £1.8 million from CTD. Adjusted gross profit was therefore £132.5 million and adjusted gross margins as a percentage of sales were 53.3% (2023: 53.0%), an increase of 0.3 percentage points.

The change in adjusted gross margin on an annual basis was due to four main factors. Within Topps Tiles, there were net price, COGS and product mix benefits worth 1.4 percentage points to the Group margin, as shipping and product costs normalised when compared to last year, and with buying gains in some newer product categories. The strong growth in trade customers, buying higher levels of essentials products, reduced Group margin by 0.5 percentage points. The continuing growth in the Online Pure Play brands resulted in a 1.2 percentage point decline in Group gross margins, as these brands operate at a structurally lower gross margin than the rest of the Group. There was also a 0.6 percentage point gain from other factors, predominantly lower stock losses. The impact of mark-to-market movements on unrealised foreign currency transactions and retranslation of monetary items was a £0.7 million loss, similar to the prior year.

Adjusted gross margins in the Group fell from 53.9% in the first half year to 52.7% in the second half year as a result of the continued growth in Online Pure Play relative to the rest of the Group and some price investment in Topps Tiles.

Operating Expenses and Other Income

Operating expenses and other income were £145.7 million compared to £128.1 million in 2023, including the cost of right of use and fixed asset impairment (see the section on Store Impairment below). Excluding adjusting items, which are explained below, operating expenses decreased from £122.6 million in 2023 to £121.5 million in 2024.

The £1.1 million decrease in adjusted operating expenses is explained by the following key items:

	£ million
2023 adjusted operating expenses	122.6
Cost inflation	4.9
Online Pure Play	1.2
Parkside cost reduction	(1.2)
Profit share	(4.4)
Other savings	(1.6)
2024 adjusted operating expenses	121.5

Cost inflation was spread across a number of lines, include wage inflation (including the impact of the National Living Wage increase of 9.8% in April 2024), property, IT costs and insurance. The cost increase in Online Pure Play represents ongoing investment in that business to generate profitable growth, especially in Pro Tiler Tools. The year on year saving in Parkside includes the annualisation of actions taken last financial year to right size the business and follows a saving of £1.0 million reported in 2023, generating a total saving of £2.2 million over two years, and resulting in Parkside delivering a small profit, for the first time, in 2024. Profit share represents year on year savings from lower variable payments to colleagues across the Group as a result of the financial performance compared to targets. Other savings include savings in supply chain and stores due to lower volumes.

Finance Income and Costs

Total net finance costs were £4.8 million (2023: £4.3 million) and adjusted net finance costs (which exclude the interest expense representing the unwind of the discount applied to the Pro Tiler Limited earn out liability) were £4.7 million (2023: £4.1 million). The adjusted net finance costs consisted of interest payable on lease liabilities of £4.7 million (2023: £4.2 million) which have increased as a result of rising interest rates, amortisation of banking fees relating to the revolving credit facility and bank interest payable of £0.5 million (2023: £0.3 million) and interest receivable on credit balances and finance lease receivables of £0.5 million (2023: £0.4 million).

Profit or Loss Before Tax

Excluding the items detailed in the Adjusting Items section below, adjusted profit before tax was £6.3 million (2023: £12.5 million). The Group adjusted profit before tax margin was 2.5% (2023: 4.8%) as a result of the lower sales and operational gearing inherent in the Group.

On a statutory basis, the loss before tax was £16.2 million (2023: profit before tax of £6.8 million), with reported profits significantly impacted by the accounting requirement to treat the purchase of the remaining Pro Tiler Limited shares as an employment cost under IFRS 3, and the requirement under IAS 36 to review right of use assets and fixtures & fittings for impairment. More information is provided in the Adjusting Items and Store Impairment sections below.

Taxation

On an adjusted basis, the effective rate of corporation tax for the period was 22.3% (2023: 24.9%), slightly lower than the headline rate of corporation tax as a result of utilisation of prior year tax losses.

The effective rate of corporation tax for the period on a statutory basis was 21.0% (2023: 42.5%). The statutory rate of tax is substantially lower than the previous year due to the tax treatment of the Pro Tiler Limited share purchase expense. This is not treated as an allowable remuneration expense from a tax perspective, instead it is treated as an acquisition of shares. In the prior year this had the impact of increasing the effective rate on statutory profit considerably above the headline rate of Corporation Tax. In the current year it has the impact of reducing the tax credit on the statutory loss before tax. This position has now normalised following the completion of the purchase of remaining shares in Pro Tiler Limited in May 2024.

Earnings per share

Adjusted earnings per share were 2.39 pence (2023: 4.49 pence). Basic losses per share were 6.63 pence (2023: basic earnings per share of 1.63 pence). Diluted losses per share were 6.63 pence (2023: diluted earnings per share of 1.61 pence).

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 the prior year, we have included the business-as-usual impact of IFRS 16 in adjusted profit but continue to adjust for any impairment charges or impairment reversals of right of use assets (which were material this year and are further explained in the section below), derecognition of lease liabilities where we have exited a store, and one-off gains and losses through sub-lets. From this year, the Group has also decided to exclude impairment and impairment reversals of plant, property and equipment from adjusted profit, as the impairment of these assets is a result of the same impairment review process applied to right of use assets, implying the same accounting presentation. Please see the section below on store impairments for further details.

In the period 2022 - 2024 we excluded the cost relating to the purchase of the remaining 40% of shares in Pro Tiler Limited which was completed in May 2024, which under IFRS 3 is treated as a remuneration expense, rather than a cost relating to the acquisition of the relevant shares. We have also excluded the remaining costs relating to the store closure programme which ended in 2022, as well as restructuring costs.

Finally, this year, the CTD brand and certain assets were acquired from administration and the financial impact of this business, including trading performance, acquisition costs, and the initial costs of the CMA investigation, have been excluded from adjusted profit. CTD's trading in the six weeks of ownership was not representative of its ongoing position due to significant disruption and recovery from administration. It is expected that CTD's trading performance will be included in adjusted profit from 2025. but any remaining costs relating to the transaction or to the ongoing

will be included in adjusted profit before tax, but any remaining costs relating to the transaction or to the ongoing CMA investigation will be excluded until the conclusion of these processes.

An analysis of movements from adjusted profit before tax to statutory (loss)/profit before tax is presented below:

	2024 £m	2023 £m
Adjusted profit before tax	6.3	12.5
Property		
- Vacant property and closure costs	(0.3)	(1.1)
- Store impairments and lease exit gains and losses	(18.8)	0.2
	(19.1)	(0.9)
Business Development		
- Pro Tiler Limited share purchase expense	(3.2)	(4.1)
- CTD trading, transaction costs and CMA investigation costs	(0.2)	-
- Restructuring and other one-off costs	-	(0.7)
	(3.4)	(4.8)
Statutory (loss)/profit before tax	(16.2)	6.8

Adjusted earnings per share is adjusted for the items listed above, as well as the impact of corporation tax. Further information is given in the earnings per share note to the accounts.

Store Impairments

Store impairments have been particularly material this year, against the backdrop of the significant downturn in market conditions. The impairments relate to the notional 'right of use' (ROU) assets which are created as part of IFRS 16 accounting, representing the business's right to use assets it does not own (in this case physical stores which are leased by the Group), as well as the fixtures and fittings contained in them. Under IAS 36, the Group is required to assess these assets for indicators of impairment, such as the generally weak market environment, and then, where relevant, impair the value of the assets to the higher of the asset's value-in-use and its fair value less costs of disposal. Value-in-use calculations require estimates of future cash flows to be made, which are based on the current period of trading and then extrapolated forward using a series of assumptions. As a result of this review, a non-cash impairment of £17.1 million has been recognised against ROU assets and £2.3 million against fixtures and fittings. In future years, an assessment will be made to see if a reversal of this impairment is required. As explained in the section above, these impairments are treated as adjusting items and are included in the 'store impairments and lease exits gains and losses' line in the table above.

In addition, the impact of these impairments will be excluded from adjusted profit in future years. The impairments imply that these assets will not incur a depreciation charge moving forward in reported profits, and the impact of this is currently estimated at an increase in reported profits before tax of £5.2 million in 2025. However, the Group's adjusted profit before tax measure will carry a notional depreciation charge, as if the assets had not been impaired in 2024, meaning that adjusted profit before tax will continue to be comparable year on year, and is more reflective of the actual lease payments made by the Group. None of these changes has any cash impact, in 2024 or in future periods.

Dividend and Dividend Policy

In 2022, the Board outlined a new Capital Allocation and Dividend Policy. In the policy, the Board indicated that it expected to increase the dividend by 2023 to 67% of the adjusted earnings per share (EPS) generated in the year. The policy was designed to have some flexibility and, in particular, the Board indicated that it did not intend to reduce the dividend year on year due to short term performance or macroeconomic issues, even if that meant increasing the payout ratio in some years. A limit on this flexibility was applied, at 100% of adjusted EPS in any given year.

Adjusted EPS this year were 2.4 pence, materially lower than the 3.6 pence dividend which was paid last year. The Board has applied the dividend policy as stated above and proposed a full year dividend at the upper limit in the policy of 100% of adjusted EPS (2.4 pence per share), implying a final dividend payment of 1.2 pence per share. This reflects the weaker trading in 2024 but also the Board's confidence in the Group's medium-term prospects.

The shares will trade ex-dividend on 19 December 2024 and, subject to approval from shareholders at the Annual General Meeting in January 2025, the dividend will be paid on 30 January 2025.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND CONSOLIDATED CASH FLOW STATEMENT

Capital Expenditure and Fixed Assets

Capital expenditure in the period amounted to £4.5 million (2023: £4.2 million), an increase of £0.3 million year on year.

Key investments were as follows:

- £0.9 million on a new Topps Tiles store at Kingston Park, Newcastle and a relocation at Brentwood Hutton
- £3.0 million on store improvements, merchandising and maintenance, including 5 store refits
- £0.3 million on further LED lighting projects
- £0.3 million on IT projects.

The Board expects capital expenditure in the year ahead to be between £8 million and £9 million. This includes £2 - 2.5 million relating to the fit out of the new warehouse servicing Pro Tiler and CTD and compares to an average of £8.1 million in the four years before the pandemic (2016 to 2019).

Within the Topps Tiles brand, there was one new store opening, one relocation and three store closures in the year, and the brand finished the trading period with 301 trading stores (2023: 303 stores). On average, Topps Tiles traded

from 303 stores over the year (2023: 304 stores).

CTD ended the trading period with 30 trading stores as well as a trade counter retained at the Kings Norton distribution centre.

Right of Use Assets and Leases

As described in the sections above, following an impairment review under the IAS 36 accounting standard, an impairment of £17.1 million was recognised against the Group's ROU assets in the period, as a result of the projected cash flows of each cash generating unit not being sufficient to support the ROU asset. ROU assets reduced from £80.9 million at the start of the year to £55.3 million at the period end as a result of this impairment, £17.6 million of depreciation, £3.5 million of disposals and £12.6 million of additions in the period.

Lease liabilities, representing the discounted lease liabilities the Group holds within the scope of IFRS 16, decreased from £94.5 million at the start of the year to £86.0 million at the period end, as a result of £21.8 million of lease repayments, £3.8 million of disposals, £12.4 million of additions (i.e. new leases) and £4.7 million of interest.

Topps retains significant flexibility within its store estate, with an average unexpired lease term until the next break of 2.8 years (2023: 2.9 years), or 2.6 years excluding strategically important stores (2023: 2.8 years). At the period end, there were two closed stores (2023: five closed stores), all of which have lease exits in 2025.

Inventory

Inventory at the period end was £37.9 million (2023: £36.4 million). Inventory recognised after stock provisions relating to CTD was £2.9 million, with inventory across the rest of the Group of £35.0 million, a decrease of £1.4 million on a like-for-like basis. Inventory days excluding CTD were 110 (2023: 107 inventory days) but were 118 days on a reported basis, distorted by the short period of CTD trading included in the results.

Net Cash Flow

The Group's cash balance increased in the period by £0.3 million from £23.4 million at the start of the financial year to £23.7 million at the year end. Adjusted net cash, defined as cash and cash equivalents, less bank loans before unamortised costs, decreased by £14.7 million from £23.4 million to £8.7 million.

The table below analyses the Group's adjusted net cash flow:

	2024	2023
	£m	£m
Cash generated from operations, before movements in working capital, tax, interest and CTD cash flows	34.9	41.1
Changes in working capital (excluding CTD)	6.4	4.1
Outflow for leases in scope of IFRS 16	(21.8)	(23.0)
CTD cash generated by operations	(1.5)	-
Capital expenditure	(4.5)	(4.2)
Net bank interest	(0.1)	0.1
Tax	(2.3)	(3.3)
Other	<u>0.2</u>	<u>(0.1)</u>
Free cash flow	11.3	14.7
Dividends paid to owners of Topps Tiles plc	<u>(7.1)</u>	<u>(7.5)</u>
Change in adjusted net cash before acquisitions	4.2	7.2
Acquisition of CTD	(9.0)	-
Acquisition of remaining 40% of shares in Pro Tiler Limited including dividends paid to non-controlling interest	(9.9)	-
Change in adjusted net cash	(14.7)	7.2
Adjusted net cash at start of period	23.4	16.2
Adjusted net cash at end of period	8.7	23.4

The business's underlying cash flows were representative of the changes in adjusted profits. Working capital (excluding the impact of CTD) showed an inflow of £6.4 million, including the impact of the timing of the year end (which increased the closing trade payables balance by c. £9 million due to payroll, VAT and supplier payment runs falling due on 30 September, just after the year end date), lower performance-based pay accruals, lower stock and a higher trade debtor balance. The CTD cash outflow generated by operations includes trading losses, a working capital investment related to trade debtors and a delay in cash receipts due to banking changes following the acquisition. As described above, the Group conducted two transactions in the year: the purchase of the remainder of the shares in Pro Tiler Limited and the acquisition of certain assets from CTD Tiles Limited. Total dividend payments of £8.2 million consisted of £7.1 million paid to shareholders of Topps Tiles plc and £1.1 million to the previous owners of the 40% shareholding in Pro Tiler Limited, representing 40% of the post-tax profits of that business during the earn out period.

Return on Capital Employed

The Group's return on capital employed, including the impact of leases, decreased from 15.7% in 2023 to 12.2% in 2024, due to a 33.7% year on year reduction in adjusted operating profit to £11.0 million (2023: £16.6 million). Closing capital employed was 15.0% lower than opening capital employed as a result of lower lease liabilities and net assets, however net cash was also lower. The Group defines return on capital employed as the annual adjusted operating profit divided by the average capital employed (net assets plus net debt, including lease liabilities). At the balance sheet date, lease adjusted capital employed consisted of £5.6 million of net assets, £86.0 million of lease liabilities, offset by £8.7 million of net cash, giving total capital employed of £82.9 million (2023: £97.5 million).

Banking Facilities

The Group retains modest adjusted net cash on its balance sheet (i.e. cash net of bank loans), with the reduction compared to last year as a result of the two acquisitions and the weaker trading environment. A £30.0 million revolving credit facility is in place which has now been extended to October 2027 (2023: £30.0 million facility committed to October 2026), providing resilience and allowing investment in growth opportunities. At the year end, £15.0 million of this facility was drawn (2023: £nil drawn). Based on net cash excluding lease liabilities of £8.7 million, the Group has £38.7 million of headroom to its banking facilities at the period end (2023: £53.4 million headroom to the facility).

Forward Guidance

Despite the return of CPI inflation to around 2%, there remain significant inflationary challenges facing the business in FY25. Specifically, the recently announced changes in the National Living Wage (up 6.7% from April 2025) and the changes in both the secondary threshold and the rate of employers' national insurance contributions will drive almost £4 million of additional costs into the business on an annual basis from April 2025, of which c. £2 million will impact the FY25 financial year. Given these cost increases represent a high proportion of the current level of profitability in the Group, they will need to be managed very carefully, and the business is currently formulating plans to mitigate these costs as far as possible. When combined with other general inflation in the market, the Group is expecting around £5 million of inflationary costs in FY25 compared to FY24. In addition, it is expected that FY25 will see a return to normal levels of performance related pay across the Group, subject to the relevant targets being met.

The Group's profits in 2025 will continue to show a degree of seasonality based on a number of factors including the impact of the holiday pay accrual together with higher energy costs in the autumn and winter months, which will reduce the proportion of annual profits made in the first half of the financial year.

As described above, the Board expects capital expenditure of between £8 million and £9 million in FY25, including £2 - £2.5 million relating to the fit out of the new warehouse.

Current Trading and Outlook

Trading in the first eight weeks of the new financial year has seen the Group return to modest levels of sales growth. Group sales were up 1.2% year on year excluding CTD, with like-for-like sales in Topps Tiles down 0.4%. This performance has been supported by the continued strength of sales made to trade customers, as well as the weaker prior year comparative performance. Whilst some macroeconomic indicators suggest a more favourable outlook into FY25, including mortgage approvals up substantially year on year, overall there remains significant uncertainty around the timing of any recovery, particularly whilst consumer confidence remains weak and interest rates relatively high.

The Group is focused on significant self-help measures, in particular the five key areas of growth supporting Mission 365 which will drive material upside to both revenue and profit in the medium term. Therefore, despite our caution with respect to the short term outlook, the Group's strategy, together with its robust balance sheet, gives us confidence that the Group remains well placed for a recovery in market volumes.

Rob Parker

Chief Executive Officer

26 November 2024

Stephen Hopson

Chief Financial Officer

Unaudited Consolidated Statement of Profit or Loss

FOR THE 52 WEEKS ENDED 28 SEPTEMBER 2024

	Notes	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Group revenue	2	251,756	262,714
Cost of sales		(117,434)	(123,466)
Gross profit		134,322	139,248
Distribution and selling costs		(93,426)	(93,573)
Other operating expenses		(5,918)	(6,846)
Administrative costs		(19,492)	(21,493)
Marketing and online costs		(7,944)	(6,582)
Property related impairments*	11, 12	(19,360)	(227)
Other income	12	401	579
Group operating (loss)/profit		(11,417)	11,106
Finance income	5	665	408
Finance costs	5	(5,480)	(4,699)
(Loss)/profit before taxation	3	(16,232)	6,815
Taxation	6	3,412	(2,896)
(Loss)/profit for the period		(12,820)	3,919

(Loss)/profit is attributable to:

Owner of Topps Tiles Plc

(12,820)

3,919

Owners of Topps Tiles Plc	(13,033)	3,206
Non-controlling interests	213	713
	(12,820)	3,919

All results relate to continuing operations of the Group.

*In the prior period, Property related impairments were included within Distribution and selling costs.

		52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Earnings per ordinary share:	Notes		
- Basic	8	(6.63p)	1.63p
- Diluted	8	(6.63p)	1.61p

Unaudited Consolidated Statement of Comprehensive Income

FOR THE 52 WEEKS ENDED 28 SEPTEMBER 2024

		52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
(Loss)/profit for the period		(12,820)	3,919
Total comprehensive (loss)/income for the period is attributable to:			
Owners of Topps Tiles Plc		(13,033)	3,206
Non-controlling interests		213	713
		(12,820)	3,919

Unaudited Consolidated Statement of Financial Position

AS AT 28 SEPTEMBER 2024

	Notes	2024 £'000	2023 £'000
Non-current assets			
Goodwill	9	8,365	2,101
Intangible assets	10	4,161	4,755
Property, plant and equipment	11	17,328	19,306
Deferred tax assets		4,461	68
Right-of-use assets	12	55,325	80,921
Other financial assets	12	1,653	1,847
		91,293	108,998
Current assets			
Inventories		37,850	36,351
Other financial assets	12	210	327
Trade and other receivables		13,350	5,284
Current tax debtors		1,015	-
Derivative financial instruments		-	74
Cash and cash equivalents	13	23,682	23,368
		76,107	65,404
Total assets		167,402	174,402
Current liabilities			
Trade and other payables		(57,463)	(45,066)
Lease liabilities	12	(14,584)	(15,649)
Derivative financial instruments		(378)	-
Current tax liabilities		-	(368)
Provisions		(714)	(5,865)
		(73,139)	(66,948)
Net current assets/(liabilities)		2,968	(1,544)
Non-current liabilities			
Lease liabilities	12	(71,381)	(78,853)
Provisions		(2,299)	(2,213)
Bank loans	14	(14,996)	-
Total liabilities		(161,815)	(148,014)
Net assets		5,585	26,388
Equity			
Share capital		6,556	6,556
Share premium		2,636	2,636
Own shares		(7)	(112)
Merger reserve		(399)	(399)
Share-based payment reserve		6,349	6,035
Capital redemption reserve		20,359	20,359
Accumulated losses		(29,909)	(11,869)
Capital and reserves attributable to owners of Topps Tiles Plc		5,585	26,388

Capital and reserves attributable to owners of Topps Tiles Plc	3,365	23,200
Non-controlling interests	-	3,182
Total equity	5,585	26,388

Unaudited Consolidated Statement of Changes in Equity

FOR THE 52 WEEKS ENDED 28 SEPTEMBER 2024

	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Share-based Payment reserve £'000	Capital Redemption reserve £'000	Accumulated losses £'000	Non-controlling interest £'000	1 £
Balance at 1 October 2022	6,556	2,636	(415)	(399)	5,162	20,359	(7,319)	2,469	26,388
Profit and total comprehensive income for the period	-	-	-	-	-	-	3,206	713	3,919
Dividends	-	-	-	-	-	-	(7,462)	-	(7,462)
Own shares issued in the period	-	-	303	-	-	-	(303)	-	-
Credit to equity for equity-settled share-based payments	-	-	-	-	873	-	-	-	873
Current tax on share-based payment transactions	-	-	-	-	-	-	1	-	1
Deferred tax on share-based payment transactions	-	-	-	-	-	-	8	-	8
Balance at 30 September 2023	6,556	2,636	(112)	(399)	6,035	20,359	(11,869)	3,182	26,388
(Loss)/profit and total comprehensive loss for the period	-	-	-	-	-	-	(13,033)	213	(12,820)
Dividends	-	-	-	-	-	-	(7,077)	(1,111)	(8,188)
Transfer on acquisition of non-controlling interest	-	-	-	-	-	-	2,284	(2,284)	-
Own shares purchased in the period	-	-	(105)	-	-	-	-	-	(105)
Own shares disposed of on issue in the period	-	-	210	-	-	-	(210)	-	-
Credit to equity for equity-settled share-based payments	-	-	-	-	314	-	-	-	314
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(4)	-	(4)
Balance at 28 September 2024	6,556	2,636	(7)	(399)	6,349	20,359	(29,909)	-	5,994

Unaudited Consolidated Cash Flow Statement

FOR THE 52 WEEKS ENDED 28 SEPTEMBER 2024

	Notes	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Cash flow from operating activities			
(Loss)/profit for the period		(12,820)	3,919
Taxation	6	(3,412)	2,896
Finance costs	5	5,480	4,699
Finance income	5	(665)	(408)
Group operating (loss)/profit		(11,417)	11,106
Adjustments for:			
Depreciation of property, plant and equipment	11	4,667	5,024
Depreciation of right-of-use assets	12	17,630	18,157
Amortisation of intangible assets	10	683	767
Loss on disposal of property, plant and equipment		160	224
Loss/(gain) on sublease		20	(240)
Impairment of property, plant and equipment	11	2,290	91
Impairment of right-of-use assets	12	17,094	346
Gain on lease disposal		(526)	(100)
Share option charge		314	873
Increase in earn out liability and other provisions (excluding CTD acquired balances)		3,394	4,264
Non-cash loss on derivative contracts		452	444
Cash generated from operations before movements in working capital, tax and interest		34,761	40,956
(Increase)/decrease in trade and other receivables		(8,066)	761

Decrease in inventories (excluding CTD acquired balances)		670	2,255
Increase in payables		12,344	1,079
Cash generated from operations before tax and interest		39,709	45,051
Interest paid on borrowings		(666)	(161)
Interest received on operational cash balances		610	305
Interest element of lease liabilities paid	12	(4,731)	(4,176)
Settlement of earn out liability and other provisions		(8,838)	(484)
Taxation paid		(2,314)	(3,301)
Net cash generated from operating activities		23,770	37,234
Investing activities			
Interest received on sublease assets	12	55	58
Receipt of capital element of sublease assets		467	555
Purchase of property, plant and equipment (excluding CTD acquired balances)	11	(4,193)	(4,017)
Direct costs relating to right-of-use assets		(188)	(133)
Purchase of intangibles	10	(89)	(99)
Purchase of business	15	(9,000)	-
Proceeds on disposal of property, plant and equipment		-	25
Net cash used in investment activities		(12,948)	(3,611)
Financing activities			
Payment of capital element of lease liabilities		(17,059)	(18,841)
Dividends paid	7	(8,188)	(7,462)
Financing arrangement fees		(152)	(200)
Purchase of own shares		(105)	-
Receipt on disposal of own shares		-	7
Proceeds from borrowings	15	23,500	-
Repayment of bank loans	15	(8,504)	-
Net cash used in financing activities		(10,508)	(26,496)
Net increase in cash and cash equivalents		314	7,127
Cash and cash equivalents at beginning of period		23,368	16,241
Cash and cash equivalents at end of period	14	23,682	23,368

Notes to the Unaudited Financial Statements

FOR THE 52 WEEKS ENDED 28 SEPTEMBER 2024

1 GENERAL INFORMATION

Topps Tiles Plc is a public limited company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England under the Companies Act 2006.

The consolidated financial statements are unaudited and do not constitute statutory accounts of the Company within the meaning of Section 434(3) of the companies Act 2006. Statutory accounts for the year ended 30 September 2023 have been delivered to the Registrar of Companies. The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) or (3) of the Companies Act 2006.

Statutory accounts for the 52-week period ended 28 September 2024 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

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

ADOPTION OF NEW AND REVISED STANDARDS

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

STANDARDS ADOPTED IN CURRENT PERIOD

The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

- Amendments to IAS 1 Presentation of Financial Statements; disclosure of accounting policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; definition of accounting estimates;
- Amendments to IAS 12 Income Taxes; deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IAS 12 International Tax Reform Pillar Two Model Rules;
- IFRS 17 Insurance Contracts; original issue;
- IFRS 17 Insurance Contracts (Amendment); Initial Application of IFRS 17;
- IFRS 9 Financial Instruments; Comparative Information.

2 GROUP REVENUE

An analysis of Group revenue is as follows:

	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Revenue from the sale of goods	251,756	262,714
Total revenue	251,756	262,714

The Group trades in four related sectors which are Topps Tiles, Parkside, CTD and Online Pure Play. The Board receives monthly financial information at this level and uses this information to monitor performance, allocate resources and make operational decisions. These sectors are considered to meet the aggregation criteria as set out in IFRS 8 since the nature of the products, customer base and distribution methods are consistent with each other and they have similar economic characteristics. The Group sells Tiles and Tile associated products in each of these sectors, predominantly to UK-based retail, trade and commercial customers and offers a range of delivery and collection options for orders.

Revenue can be split by the following geographical regions:

	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
UK	251,511	262,315
EU	176	267
Rest of World	69	132
Total	251,756	262,714

Revenue can be split into the following business areas:

	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Topps Tiles	210,367	230,905
Parkside	7,592	9,369
CTD	3,303	-
Online Pure Play	30,494	22,440
Total	251,756	262,714

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

3 LOSS/PROFIT BEFORE TAXATION

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

		52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
	Notes		
Depreciation of property, plant and equipment	11	4,667	5,024
Depreciation of right-of-use assets	12	17,630	18,157
Operating lease costs accounted for per IFRS 16 para 6 - low value and short term rentals		2,917	3,235
Gain on lease disposal		(506)	124
Impairment charge of property, plant and equipment	11	2,290	91
Impairment charge of right-of-use assets	12	17,094	346
Loss on disposal of property, plant and equipment and intangibles		160	224
Amortisation of intangibles	10	683	767
Staff costs	4	60,173	61,052
Exchange losses recognised in profit or loss		746	970
Cost of inventories recognised as an expense		113,996	119,103
Write-down of inventories to net realisable value		2,693	3,393

In the reporting of financial information the Group uses certain measures that are not required under IFRS, the generally accepted accounting principles ('GAAP') under which the Group reports.

Adjusted profit before tax excludes the effect of one-off or fluctuating items, allowing stakeholders to understand results across years in a more consistent manner. The Group's management includes an adjusted profit before tax as a key performance indicator within the Strategic Report as one of the measures by which investors can assess the performance of the Group.

The reconciliation of Adjusted Profit Before Tax to Statutory (Loss)/Profit Before Tax is as follows:

	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Adjusted Profit Before Tax	6,319	12,514
Property		
Vacant property and closure costs	(333)	(1,098)

Store impairments and lease exit gains and losses	(18,854)	192
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Business development

Pro Tiler Tools deal costs	-	(5)
Pro Tiler Tools share purchase expense	(3,166)	(4,054)
Tile Warehouse set up costs	-	(11)
Restructuring and other one-off costs	-	(723)
CTD trading, transaction costs and CMA investigation costs	15	(198)

Statutory (Loss)/Profit Before Tax	(16,232)	6,815
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Property related costs includes impairment charges or impairment reversals of right of use assets, derecognition of lease liabilities where we have exited a store, one-off gains and losses through sub-lets as well as costs relating to the store closure programme which ended in 2022.

Business development costs include charges relating to the acquisition of Pro Tiler, including the cost associated with the purchase of the remaining 40% of shares which completed in March 2024, and the financial impact of CTD, including trading performance, acquisition and integration costs, and the initial costs of the CMA investigation. Restructuring costs relate to board approved decisions such as business closures or major organisational changes.

Analysis of the auditors' remuneration is provided below:

	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Fees payable to the Company's auditors with respect to the Company's annual accounts	486	155
Fees payable to the Company's auditors and their associates for other audit services to the Group:		
Audit of the Company's subsidiaries pursuant to legislation	-	221
Total audit fees	486	376
Total non-audit fees	-	-
Total fees payable to the Company's auditors	486	376

Additional fees of £125,000 were incurred as part of the finalisation of the audit in 2023.

4 STAFF COSTS

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

	52 weeks ended 28 September 2024 Number employed	52 weeks ended 30 September 2023 Number employed
Selling and distribution	1,385	1,388
Administration	381	360
	1,766	1,748

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

	52 weeks ended 28 September 2024 Number employed	52 weeks ended 30 September 2023 Number employed
Selling and distribution	1,297	1,303
Administration	377	354
	1,674	1,657

	2024 £'000	2023 £'000
Their aggregate remuneration comprised:		
Wages and salaries (including LTIP)	54,191	55,261
Social security costs	4,736	4,654
Other pension costs	1,246	1,137
	60,173	61,052

Employee profit sharing of £4.1 million (2023: £8.5 million) is included in the above and comprises sales commission and bonuses.

The total charge for share based payments recognised during the year was £0.3 million (2023: £0.9 million)

5 FINANCE INCOME AND FINANCE COSTS

52 weeks ended	52 weeks ended
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	ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Finance income		
Bank interest receivable	610	350
Interest income from finance lease receivables	55	58
	665	408
Finance costs		
Interest on bank loans and overdrafts	(749)	(523)
Interest payable on lease liabilities	(4,731)	(4,176)
	(5,480)	(4,699)

No finance costs have been capitalised in the period, or the prior period.

6 TAXATION

	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Current tax - charge for the period	265	2,768
Current tax - adjustment in respect of prior periods	720	74
Deferred tax - credit for the period	(3,201)	(64)
Deferred tax - adjustment in respect of prior periods	(1,196)	118
Total tax (credit)/charge	(3,412)	2,896

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

	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Continuing operations:		
(Loss)/profit before taxation	(16,232)	6,815
Tax at the UK corporation tax rate of 25.0% (2023: 22.0%)	(4,052)	1,499
Expenses that are not deductible in determining taxable profit	896	1,165
Fixed asset differences (non-deductible expenses)	220	24
Remeasurement of deferred tax for changes in tax rates	-	16
Adjustment in respect of prior periods	720	74
Adjustments to tax charge in respect of prior periods - deferred tax	(1,196)	118
Tax (credit)/expense for the period	(3,412)	2,896

In the period, the Group has recognised a corporation tax credit directly to equity of £nil (2023: £1,000) and a deferred tax charge to equity of £4,000 (2023: £8,000) in relation to the Group's share option schemes.

The Group continue to fully provide within current tax liabilities and other creditors for a historic tax claim relating to EU loss relief in relation to the closed Dutch business of £1,071,000 (2023: £1,017,000).

The applicable UK Corporation tax rate to end of March 2023 was 19%, with 25% being applicable from 1st April 2023. The blended statutory rate in the prior period was 22%.

7 DIVIDENDS

Amounts recognised as distributions to equity holders in the period:

	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
Final dividend for the period ended 30 September 2023 of £0.024 (2022: £0.026) per share	4,717	5,104
Interim dividend for the period ended 28 September 2024 of £0.012 (2023: £0.012) per share	2,360	2,358
Total dividend paid in the period	7,077	7,462
Proposed final dividend for the period ended 28 September 2024 of £0.012 (2023: £0.024) per share	2,360	4,716

The proposed final dividend for the period ended 28 September 2024 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Dividends of £1.1 million were paid to non-controlling interests in the period ended 28 September 2024.

8 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.

52 weeks 52 weeks

	ended 28 September 2024	ended 30 September 2023
Weighted average number of issued shares for basic earnings per share	196,681,818	196,681,818
Weighted average impact of treasury shares for basic earnings per share	(64,344)	(381,300)
Total weighted average number of shares for basic earnings per share	196,617,474	196,300,518
Weighted average number of shares under option	2,116,731	2,973,070
For diluted earnings per share	198,734,205	199,273,588

	52 weeks ended 28 September 2024 £'000	52 weeks ended 30 September 2023 £'000
(Loss)/profit after tax for the period attributable to the parent	(13,033)	3,206
Adjusting items	17,730	5,599
Adjusted profit after tax for the period attributable to the parent	4,697	8,805
Earnings per ordinary share - basic	(6.63p)	1.63p
Earnings per ordinary share - diluted	(6.63p)	1.61p
Earnings per ordinary share - adjusted*	2.39p	4.49p

* Adjusted earnings per share is an adjusted performance measure used by the Group's management to plan for, control and assess the performance of the Group.

Diluted earnings per share for the period is not adjusted for the impact of the potential future conversion of preferred equity due to this instrument having an anti-dilutive effect, whereby the positive impact of adding back the associated financial costs to earnings outweighs the dilutive impact of conversion/exercise. Diluted adjusted earnings per share does take into account the impact of this instrument as shown in the table above setting out the weighted average number of shares. Due to the loss incurred in the year, in calculating the diluted loss per share, the share options, warrants and preferred equity are considered to be non-dilutive.

Adjusted earnings per share were calculated after adjusting for the post-tax impact of the following items: vacant property and closure costs of £273,000 (2023: £943,000), store impairments and lease exit gains and losses of £14,140,000 loss (2023: £150,000 gain), Pro Tiler Tools deal costs of £nil (2023: £5,000), Pro Tiler Tools share purchase expense of £3,166,000 (2023: £4,053,000), Tile Warehouse set up costs of £nil (2023: £11,000), CTD trading, transaction costs and CMA investigation costs of £151,500 (2023: £nil), restructuring and other one-off costs of £nil (2023: £618,000) and a deferred tax charge in respect of previous periods of £nil (2023: £119,000).

9 GOODWILL

	Notes	£'000
Cost		
At 30 September 2023		5,450
Acquisition of business	15	6,264
At 28 September 2024		11,714
Accumulated impairment losses		
At 30 September 2023		3,349
At 28 September 2024		3,349
Carrying amount		
At 28 September 2024		8,365
At 30 September 2023		2,101

On 19 August 2024, the Group acquired certain trade and assets from CTD Tiles Limited. This included property, tangible assets and inventory. The excess of consideration paid against the fair value of assets and liabilities acquired was recognised as goodwill. Whilst the Group is recognising the fair values of assets acquired on a provisional basis in accordance with IFRS 3, the goodwill and related assets are being allocated as one single cash-generating unit. This may be revisited in the subsequent period. Further information in relation to the acquired assets is described within Note 15. The remaining carrying value of goodwill relates to the acquisition of Pro Tiler Limited.

The accumulated impairment losses relate to the goodwill recognised on the acquisition of Parkside Ceramics Limited in 2017 and Strata Tiles Limited in 2019, that were written down to £nil in a prior year.

10 INTANGIBLE ASSETS

	Brand £'000	Customer relationships £'000	Software £'000	Total £'000
Cost				
At 1 October 2022	6,405	1,042	1,285	8,732
Additions	-	-	99	99
At 30 September 2023	6,405	1,042	1,384	8,831
Additions	-	-	89	89
Disposals	-	-	(156)	(156)
At 28 September 2024	6,405	1,042	1,317	8,764
Accumulated amortisation				
At 1 October 2022	1,356	1,042	911	3,309
Amortisation charge for the period	542	-	225	767
At 30 September 2023	1,898	1,042	1,136	4,076
Amortisation charge for the period	532	-	151	683
Elimination on disposal	-	-	(156)	(156)

Elimination on disposal	-	-	(100)	(100)
At 28 September 2024	2,430	1,042	1,131	4,603
Carrying amount				
At 28 September 2024	3,975	-	186	4,161
At 30 September 2023	4,507	-	248	4,755

The carrying value of the brand assets were recognised on the acquisition of Pro Tiler Limited in 2022. Other brand and customer relationships assets relating to the acquisition of Parkside Ceramics Limited in 2017 and Strata Tiles Limited in 2019 were written down to £nil in a prior year.

Software is amortised on a straight-line basis over its estimated useful life of four years.

The Pro Tiler brand is amortised over a period of ten years on a straight-line basis.

Amortisation is included within Other Operating Expenses within the Consolidated Statement of Profit or Loss.

11 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Short leasehold improvements £'000	Fixtures and fittings £'000	Motor vehicles £'000	Plant and Machinery £'000	Total £'000
Cost						
At 1 October 2022	1,304	1,675	86,975	109	301	90,364
Reclassification ¹	-	(114)	114	-	-	-
Additions	-	-	4,005	-	12	4,017
Disposals	-	-	(5,770)	(35)	-	(5,805)
Transfer to right-of-use-asset	-	(297)	-	-	-	(297)
At 30 September 2023	1,304	1,264	85,324	74	313	88,279
Additions	-	42	4,101	50	-	4,193
Additions from business combinations	390	475	81	-	-	946
Disposals	-	(81)	(2,440)	-	(44)	(2,565)
At 28 September 2024	1,694	1,700	87,066	124	269	90,853
Accumulated depreciation						
At 1 October 2022	315	1,005	68,118	25	13	69,476
Reclassification ¹	-	6	(6)	-	-	-
Charge for the period	26	23	4,920	18	37	5,024
Impairment charge	-	-	91	-	-	91
Eliminated on disposals	-	-	(5,548)	(8)	-	(5,556)
Transfer to right-of-use-asset	-	(62)	-	-	-	(62)
At 30 September 2023	341	972	67,575	35	50	68,973
Charge for the period	32	77	4,505	15	38	4,667
Impairment charge	-	-	2,290	-	-	2,290
Eliminated on disposals	-	(81)	(2,287)	-	(37)	(2,405)
At 28 September 2024	373	968	72,083	50	51	73,525
Carrying amount						
At 28 September 2024	1,321	732	14,983	74	218	17,328
At 30 September 2023	963	292	17,749	39	263	19,306

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £nil (2023: £nil). At the end of the period there were capital commitments contracted of £nil (2023: £62,972). Details of the impairment recognised are included in note 12.

All assets classified as property, plant and equipment are UK based.

¹In the prior period, £114,000 of cost and £6,000 of accumulated depreciation has been reclassified from Short leasehold improvements to Fixtures & fittings for presentational purposes.

12 LEASES

As a lessee

Right-of-use assets included in the Consolidated Statement of Financial Position were as follows:

	Land and buildings £'000	Equipment £'000	Total £'000
At 1 October 2022	86,207	2,338	88,545
Additions	9,113	1,950	11,063
Disposals	(416)	(3)	(419)
Transfer from property, plant and equipment	235	-	235
Depreciation	(16,811)	(1,346)	(18,157)
Impairment	(346)	-	(346)
At 30 September 2023	77,982	2,939	80,921
Additions	10,947	1,624	12,571
Disposals	(3,419)	(24)	(3,443)
Depreciation	(16,006)	(1,624)	(17,630)
Impairment	(17,094)	-	(17,094)
At 28 September 2024	52,410	2,915	55,325

During the period, the Group has continued to review the performance of its store portfolio and the Group has provided for the net book value of right-of-use assets in relation to 159 stores (2023: 4 stores) and property, plant and equipment in relation to 63 stores (2023: 3 stores) that are impaired. The carrying value of these assets that has been impaired, including both property, plant and equipment and right-of-use assets, is £68.1 million (2023: £96.9 million).

impaired, including both property, plant and equipment and right-of-use assets, is £200.1 million (2023: £200.3 million). Due to forecast sales performance being inadequate to ensure that future expected cashflows support the carrying values of their assets, impairments have been recognised to the right-of-use assets of £17.1 million (2023: £0.3 million) and to the property, plant and equipment of £2.3 million (2023: £0.1 million). There are other assets that are not linked to the store portfolio.

Lease liabilities included in the Consolidated Statement of Financial Position were as follows:

	Land and buildings £'000	Equipment £'000	Total £'000
At 1 October 2022	(100,698)	(2,230)	(102,928)
Additions	(9,278)	(1,904)	(11,182)
Disposals	764	3	767
Interest	(4,043)	(133)	(4,176)
Repayment of lease liabilities	21,848	1,169	23,017
At 30 September 2023	(91,407)	(3,095)	(94,502)
Additions	(10,729)	(1,624)	(12,353)
Disposals	3,807	24	3,831
Interest	(4,492)	(239)	(4,731)
Repayment of lease liabilities	19,889	1,901	21,790
At 28 September 2024	(82,932)	(3,033)	(85,965)

The maturity analysis of the lease liabilities is as follows:

	2024 £'000	2023 £'000
Current	(14,584)	(15,649)
Non-current	(71,381)	(78,853)
	(85,965)	(94,502)

The remaining contractual maturities of the lease liabilities, which are gross and undiscounted, are as follows:

	2024 £'000	2023 £'000
Less than one year	21,890	21,339
One to five years	54,737	59,554
More than five years	34,524	38,269
Total undiscounted lease liability	111,151	119,162

The following amounts have been recognised in the Consolidated Statement of Profit or Loss:

	Land and buildings 2024 £'000	Equipment 2024 £'000	Total 2024 £'000
Depreciation of right-of-use assets	16,006	1,624	17,630
Impairment of right-of-use assets	17,094	-	17,094
Interest expense	4,492	239	4,731
Expenses relating to short-term leases	-	27	27
Holdover lease expense	2,736	154	2,890

	Land and buildings 2023 £'000	Equipment 2023 £'000	Total 2023 £'000
Depreciation of right-of-use assets	16,811	1,346	18,157
Impairment of right-of-use assets	346	-	346
Interest expense	4,043	133	4,176
Expenses relating to short-term leases	-	104	104
Holdover lease expense	2,660	471	3,131

The total cash outflow for leases in scope of IFRS 16 during the financial period was £21.8 million (2023: £23.0 million). Cash outflow for leases outside the scope of IFRS 16 was £2.9 million (2023: £3.2 million).

As a lessor

Lease income from lease contracts in which the Group acts as a lessor is as below:

	2024 £'000	2023 £'000
Lease income (from operating leases)	401	579
Finance income (from finance leases)	55	58

The Group leases out a small number of properties, some of which are classified as operating leases, as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

In order to manage the risk associated with any rights retained in the underlying leased assets, the Group ensures that appropriate due diligence is undertaken in advance of formalising a lease arrangement with a lessee.

The carrying value of lease receivables is considered to be materially reflective of their fair value.

The following table sets out a maturity analysis of operating lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2024 £'000	2023 £'000
--	---------------	---------------

Less than one year	-	87
Total undiscounted lease payments receivable	-	87

Some of the properties that the Group leases out are classified as finance leases. These are shown as other financial assets on the Consolidated Statement of Financial Position.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted finance lease payments to be received after the reporting date:

	2024 £'000	2023 £'000
Less than one year	317	391
One to five years	1,323	1,594
More than five years	452	401
Total undiscounted lease payments receivable	2,092	2,386
Less: unearned finance income	(226)	(205)
Less: expected credit loss provision	(3)	(7)
Present value of minimum lease payments receivable	1,863	2,174
Current	210	327
Non-current	1,653	1,847
	1,863	2,174

Impairment

At the end of the financial year the carrying value of assets, including right-of-use lease assets, was assessed against their recoverable amount determined by reference to their value-in-use. Assets and expected cashflows were assessed at the lowest identifiable level of Cash Generating Unit ("CGU") where the expected cash inflows of each CGU were expected to be independent of those incurred by other CGUs. Individual retail stores are considered to be separate CGUs, which includes income from online orders that are click-and-collect. Pro Tiler Limited and the CTD trade and assets acquired are treated as separate CGUs as described in Note 9 and no impairment has been recognised.

The Group has determined that the macro-economic challenges in the current financial year are an indicator for potential impairment across the store estate. As a consequence, all stores have been assessed for impairment, leading to an impairment to the value of Right-Of-Use Assets of £17,094,000 in the current year. The impairment reviews include management's assessment of current economic factors, such as rises in inflation, interest rates and macro-economic challenges. For stores that have been opened less than two years prior to the balance sheet date, a separate indicator assessment is performed whereby the actual cash inflows are compared against investment appraisals. Impairments are recognised if there are significant variances against expected cash flow profiles.

The value-in-use calculations require the application of a number of assumptions. The key assumptions used in the estimation of recoverable amounts are set out below:

Assumption	Description	Sensitivity
Pre-tax discount rate	This is calculated by reference to the weighted average cost of capital of the Group. At the year-end, the pre-tax discount rate applied to forecast cashflows was 29.1% (2023: 17.6%).	An increase in pre-tax discount rate of 100bps at year-end would lead to an additional £0.3 million (2023: £0.1 million) impairment in the year.
Cashflow forecasts	Cashflows are derived from extrapolation of trading performance of identified CGUs. Management prepares growth rates applicable in the first five forecasted years based on expected year-on-year growth in cash contributions for stores. The long-term growth rate is applied to future years where relevant, however given the period of assessment does not always exceed five years, this is not considered to be a key assumption.	A decrease in short-term/ budgeted growth rates of 100bps (2023: no reasonable decrease) at year-end would lead to an additional £0.5 million impairment in the year.

13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits net of bank overdrafts, where there is a right of offset, with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. A breakdown of significant bank and cash balances by currency is as follows:

	2024 £'000	2023 £'000
Sterling	22,814	23,028
US dollar	735	327
Euro	133	13
Total cash and cash equivalents	23,682	23,368

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

14 BANK LOANS

	2024 £'000	2023 £'000
Revolving credit facility (all sterling)	14,996	-
	2024 £'000	2023 £'000

The borrowings are repayable as follows:

Greater than one year	15,000	-
	-	-
Less: total unamortised issue costs	(4)	(200)
	14,996	(200)

The Directors consider that the carrying amount of the revolving credit facility at 28 September 2024 and 30 September 2023 approximates to its fair value since the amounts relate to floating rate debt.

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

	Lease liabilities £'000	Current borrowings £'000	Non-current borrowings £'000	Unamortised issue costs £'000
As at 1 October 2022	102,928	-	-	-
Repayment of lease liabilities	(23,017)	-	-	-
Non-cash movement - Lease additions and disposals	10,415	-	-	-
Interest accrued on lease liabilities	4,176	-	-	-
Amortisation of issue costs	-	-	-	100
As at 30 September 2023	94,502	-	-	100
Repayment of lease liabilities	(21,790)	-	-	-
Non-cash movement - Lease additions and disposals	8,522	-	-	-
Interest accrued on lease liabilities	4,731	-	-	-
Proceeds from revolving credit facility	-	-	23,500	-
Repayment of revolving credit facility	-	-	(8,500)	-
Unamortised issue costs	-	-	(4)	-
Issue costs incurred in the year	-	-	-	(100)
Amortisation of issue costs	-	-	-	150
As at 28 September 2024	85,965	-	14,996	150

At 28 September 2024, the Group had a revolving credit facility of £30.0 million, expiring in October 2026 with an option to extend for a further one year. On 9 October 2024, the Group extended the facility by one year, with this expiring in October 2027. As at the financial period end, £15.0 million of this was drawn (2023: £nil), leaving £15.0 million of undrawn committed banking facilities. The loan facility contains financial covenants which are tested on a bi-annual basis. The Group did not breach any covenants in the period.

15 ACQUISITIONS

On 19 August 2024, the Group acquired certain intellectual property, tangible assets and inventory of CTD Tiles Limited (in administration), for cash consideration of £9 million which is deemed to be the fair value of the consideration. The business was acquired to add to the existing store portfolio of the Group, in addition to the commercial business and to enter into the housebuilder segment where the Group has limited or zero representation.

On acquisition, the Group recognised property, plant and equipment of £0.9 million, £2.2 million of inventory, £0.4 million of provisions, and intangible assets consisting of the goodwill of £6.3 million. The goodwill generated on acquisition reflects the expected synergies from combining operations between the Group and the existing CTD trading operations as a result of leveraging the Group's supply chain and operations.

Inventories were subject to a small fair value adjustment of a £8,000 decrease, which relates to management's assessment of the price that would be paid for the acquired assets in an orderly transaction between market participants at the acquisition date. The fair value was calculated as the estimated selling price less the estimated costs necessary to make the sale and a reasonable profit allowance for the selling effort. At 28 September 2024, the fair values assigned to all of the acquired assets has been determined on a provisional basis in accordance with IFRS 3 'Business Combinations' given the ongoing CMA enquiries discussed elsewhere in the Annual Report. The fair values together with an assessment of goodwill and intangible assets acquired will be completed within the 12 month fair value period, as permitted by IFRS 3.

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

	Notes	Provisional Fair Value £'000
Property, Plant and Equipment	11	946
Inventories		2,169
Provisions		(379)
Fair value of assets acquired		2,736
Total consideration		9,000
Goodwill		6,264

Transaction costs of the acquisition of the assets totalled £0.1m and these were recognised within administrative costs in the period. Since the date of control, the following amounts have been included within the Group's financial statements for the period:

	£'000
Revenue	3,303
Loss before tax	68

Given the limited trading period since acquisition, the nature of the transaction and significant differences between current and previous operations, it is impracticable to determine the revenue and profit or loss had the acquisition been included from the start of the period.

16 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 issued share capital (2023: 29.8% shareholding of 58,569,649 ordinary shares).

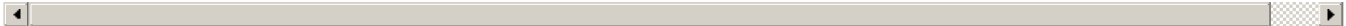
At 28 September 2024 MS Galleon AG is the owner of Cersanit, a supplier of ceramic tiles with whom the Group made purchases of £786,732 during the year which is 0.7% of cost of goods sold (2023: purchases of £1,303,861 during year which is 1.1% of cost of goods sold).

An amount of £145,008 was outstanding with Cersanit at 28 September 2024 (2023: £278,815).

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.

17 POST BALANCE SHEET EVENTS

On 30 September 2024, the Group agreed a lease for a new 140,000 sq ft facility at the Prologis Park Pineham. This will be operational by January 2025 will provide operational capacity for Pro Tiler and future growth in the Group. The capital cost of fit out will be £2 - £2.5 million in 2025 and additional operational costs for Pro Tiler relating to the new property will be £0.4 million per year. The initial impact on the Group statement of profit or loss will be £0.7 million, reducing to £0.1 million by the end of the 15 year period.



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