Topps Tiles Plc

Annual Financial Report

Topps Tiles Plc ("Topps", "Topps Tiles" or "the Company"), the UK's largest tile specialist, announces its annual financial results for the 52 weeks ended 29 September 2018.

Highlights

	52 weeks ended 29 September 2018	52 weeks ended 30 September 2017	YoY
Statutory Measures			
Group revenue	£216.9 million	£211.8 million	+2.4%
Gross margin	61.1%	61.1%	nil
Profit before tax	£12.7 million	£17.0 million	(25.3)%
Basic earnings per share	5.00p	6.98p	(28.4)%
Final dividend per share	2.30p	2.30p	nil
Total dividend per share	3.40p	3.40p	nil
Adjusted Measures			
Adjusted Group revenue[1]	£214.8 million	£211.7 million	+1.5%
Like-for-like revenue year-on-year[2]	0.0%	(2.9)%	n/a
Adjusted gross margin[3]	61.3%	61.1%	+20bps
Adjusted profit before tax[4]	£16.0 million	£18.6 million	(14.0)%
Adjusted earnings per share[5]	6.64p	7.63p	(13.0)%
Net debt[6]	£16.2 million	£27.5 million	£11.3 million
Free cash flow[7]	£17.9 million	£4.2 million	£13.7 million

Adjusting items are detailed in the notes below and in the adjusted measures section of the financial review. These include trading losses from the Parkside business while we go through an initial two year phase of investing in growth plus other items which are either one off in nature or can fluctuate significantly from year to year (such as some property related items).

Financial Summary

- Strong free cash flow of £17.9 million (2017: £4.2 million) due to improved operational cash flow, and more targeted investments;
- Net debt reduced by £11.3 million year-on-year to £16.2 million with a £35.0 million loan facility now in place to June 2021;
- Final dividend maintained at 2.3 pence per share (2017: 2.3 pence per share), making a total for the year of 3.4 pence per share (2017: 3.4 pence per share);
- Like-for-like sales were flat for the year;
- The Group has continued to deliver industry leading adjusted gross margins of 61.3% (2017: 61.1%) primarily as a result of sourcing gains;
- Adjusted profit before tax of £16.0 million (2017: £18.6 million), the profit reduction being due to additional costs as a result of new stores and inflationary pressures;
- The Parkside commercial business generated £2.1 million of sales and, as expected, a £1.1 million trading loss;
- Statutory profit before tax of £12.7 million (2017: £17.0 million), reflecting £2.6 million fall in adjusted pre tax profit, £1.1 million investment in growth of the Parkside commercial business and a net increase in property based provisions.

Strategic & Operational Summary

Group

- The UK's leading tile specialist with a core purpose to *inspire customers through our love of tiles;*
- Competitive advantage as a result of specialist focus, buying scale and expertise across both retail and commercial businesses:
  - 25 new ranges launched and further 10 ranges relaunched over the year;
  - 90% of range is own brand or exclusive to the Group in the UK;
- Further investment in Group Learning and Development to enhance colleague capability and engagement;
- Focus on programme of simplifying business processes to improve colleague and customer experience.

Retail

- Strategy of "Out-specialising the Specialists" remains our key focus in the retail tile market, where consumer behaviour is changing;
- Digital experience continues to grow in importance as part of our multi-channel offering;
- Almost all of our customers come to store and experience the world class specialist service provided by colleagues in our 368 retail stores;
- We can also refer customers to a professional fitter and now have more than 85,000 active members (2017: 55,000) on our Trade Rewards+ loyalty programme;
- While a nationwide store presence remains critical we continue to review the efficiency of our portfolio and have a high degree of flexibility (average unexpired lease term of 3.4 years excluding strategically important stores) to respond to changing consumer needs over time.

Commercial

- Entry into commercial market through the Parkside acquisition has approximately doubled the size of the Group's addressable UK market whilst maintaining our specialism in tiles;
- Development of commercial infrastructure on track - good progress being made with recruitment of talented sales teams with over 275 years of combined experience and establishing central capability;
- Commercial customer response to Group's tile specialism has been very positive;
- Commercial showrooms opened in Chelsea and Leicester during the year, with a plan to open two more in the year ahead;
- Strategy is to disrupt the commercial tile market and construct a new market leader over the medium term.

Current Trading and Outlook

- In the first eight weeks of the new financial period, Group revenues, stated on a like-for-like basis, decreased by 1.9% (2017: increase of 3.2%).

Commenting on the results, Matthew Williams, Chief Executive said:
"This has been an important year of strategic progress for the Topps Tiles Group, in which our expansion into commercial has seen us double our addressable market while remaining firmly within our tile specialism, where our buying scale and expertise gives us a significant competitive advantage. Against a challenging market backdrop, the Group delivered a robust trading performance for the year with flat like-for-like sales and market-leading gross margins in retail, and the foundations laid for significant sales growth in commercial in the year ahead.

"At the start of the new financial year, trading conditions remain challenging and like-for-like sales in the first eight weeks have been negative against a strong prior year comparator. Whilst retaining a cautious view on the outlook, we remain confident that our expansion into the commercial tile market, coupled with our market-leading retail operation, gives us a solid platform for future growth."

Notes

[1] Adjusted revenues are defined as total Group revenues excluding Parkside.
[2] Like-for-like sales revenues are defined as sales from online and stores that have been trading for more than 52 weeks. In 2018 sales in like for like stores £208.9 million (2017: £208.9 million), with an average of 354 stores included in the weekly calculation.
[3] Adjusted gross margin is defined as Group gross margin excluding Parkside.
[4] Adjusted profit before tax excludes several items which are either one off in nature or fluctuate significantly from year to year (such as some property related items). These are set out as follows:

	2018 £m	***2017 £m***
Adjusted Pre Tax Profit	***16.0***	***18.6***
- Vacant property costs	*(0.2)*	*(0.4)*
- Costs related to acquisition during the period	*Nil*	*(0.2)*
- Impairment of property, plant, equipment and movement in onerous lease provision	*(2.2)*	*(1.2)*
- Gains on disposal of freehold or long leasehold properties	*0.7*	*0.2*
- Historic adjustment to refunds provision	*(0.5)*	*Nil*
- Parkside trading loss	*(1.1)*	*Nil*
Statutory Pre Tax Profit	***12.7***	***17.0***

[5] Adjusted earnings per share is adjusted for the items highlighted above plus the impacts of corporation tax.
[6] Net debt is defined as bank loans, before amortised issue costs (note 18) and less cash and cash equivalents.
[7] Free cash flow is defined as net cash from operating activities less net cash used in investing activities.

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STRATEGIC REPORT

The content of this Strategic Report meets the content requirements of the Strategic Report as set out in s414a of the Companies Act 2006. This Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

MARKETPLACE

The UK Tile Market and Performance of the Business

The UK tile market has an approximate value of £700 million at retail selling prices. The market splits into two broad sectors – domestic, accounting for around 55% of the market and commercial, accounting for the remaining 45%. The domestic market includes the renovation, maintenance and improvement of residential properties and the commercial market includes commercial building projects in their many and varied forms, as well as new build residential property.

The annual tile industry report published by MBD covers the whole of the UK tile market (domestic & commercial) and is based on manufacturer and supplier data. Growth of the entire market in 2017 was 1.3% on a value basis and -1.9% on a volume basis. MBD have estimated that volume growth in 2018 will be 1.1% and our view is that this growth will have been driven by the commercial side of the UK tile market, in particular new build residential housing (note - MBD do not provide a value forecast growth estimate).

The Board recognise that Brexit could have a number of implications for the Group – these would include disruption to the flow of imported goods resulting in supply issues, a reduction in consumer confidence resulting in lower sales and a reduced labour pool resulting in staffing issues. Our response to these concerns is detailed in the risks section of this report but will primarily focus on increasing stock levels of our key selling lines ahead of March 2019.

Domestic Tile Market

Due to the discretionary nature of domestic market spending, consumer confidence remains a key driver of its performance. During 2018 the average level of consumer confidence was -9.3, which compares to -7.3 in 2017. Whilst the index was negative across the year, there was a modest improvement from -10.2 in the first half to -8.5 in the second half (source: GFK). The consumer confidence index has remained negative since the EU referendum result in June 2016 and we will continue to monitor this measure closely, in particular as we progress through the UK's planned exit from the EU during 2019.

A further key driver of the customer decision to take on a home improvement project is buying a new home. Housing transactions are therefore a very useful indicator of likely future demand. During this financial year housing transactions have remained broadly flat at around 1.2m (Source: HMRC).

We also consider UK house price data to be a useful indicator of the relative health of our market. House prices are both a good reflection of the housing market itself and also tend to reflect consumer confidence, as home owners tend to feel more affluent in a rising market. During the year we saw an increase in house prices, with the average price of a house in the UK rising to £214,922, an increase of 2.0% on the previous year (Source: Nationwide).

Commercial Tile Market

The UK commercial tile market is quite fragmented with only a very small number of scale competitors. The smaller competitors tend to specialise in certain areas of the market – examples being casual dining, automotive, leisure, offices or high end residential. Customers in this market can be categorised into two general groups - those that require specialist advice and design input and those that require more commoditised products, generally in large quantities but also at low prices. The focus for our business is on commercial customers in the former category, where we can leverage our tile specialism and design credentials.

The business has an overarching goal to profitably grow sales. In 2017 we identified an opportunity to expand into the commercial tile market and as a result of this new focus, 2018 has been a year of transition for the Group. We have made great progress with both developing our understanding of the commercial market, growing our Parkside business and also continued to strengthen our Topps Tiles retail business. Both divisions are supported by our Group "Leading Range" initiative and by other Group functions through our "Great People, Great Company" strategy.

Leading Range

The Group's core purpose is to *inspire customers through our love of tiles* and this objective is reflected in our "Leading Range" initiative. Our specialism in tiles is our key source of competitive advantage. We are experts in the ranging, sourcing and procurement of tiles on a global basis and we work with carefully selected partners around the world to develop and produce differentiated products that are innovative, high quality and exclusive. We robustly protect the intellectual property and design assets we create through partner exclusivity and design registration and, if necessary, legal enforcement. Ultimately, it is this Group specialism that we leverage through our business divisions into the retail and commercial markets.

Progress and Outlook

Our pace and iterative cycle of product introduction continues to set us apart from our competitors. In the period we launched over 35 tile ranges, 80% of which were developed in-house. We have also more than doubled our portfolio of high impact branded exclusive accessories to meet the needs of our trade customers. Several resourcing initiatives have been completed, optimising cost, quality and lead times that will provide material gross profit improvements in 2019. 90% of the products we sell are now either own brand or exclusive and are sourced directly by our team of expert tile and accessory buyers from more than 20 countries around the world.

We have a relentless focus on product differentiation and it is our mission to lead on product design, quality and innovation. We are committed to investing in unique partner relationships with key influencers of tile design and technology that are increasingly upstream in the product development cycle. This enables us to utilise our deep manufacturer collaborations to maximum effect and this sets us apart from our competitors.

Great People, Great Company

This element of our strategy encompasses all of our Group support functions, including finance, property, logistics, HR, IT and legal.

The Group's success is underpinned by industry-leading levels of customer service and this applies equally to both our Retail and Commercial businesses. This means that we are very focussed on our colleagues that deliver this service, with their capability and engagement levels being absolutely key. We believe our people represent a major source of competitive advantage and through our great people we strive to continue to build a great company.

Progress and Outlook

In October 2018, our annual survey recorded our best all colleague engagement score from the last four years which we consider to be a real endorsement of the success of our people strategy. Of particular note was the highest score we have received in terms of colleague Wellbeing which has also been a key area of focus over the last 18 months.

In the prior period we launched a new online Learning Management System, “theHub”. This continues to be a very popular method of learning for colleagues and we have prioritised investment and resource into developing materials for theHub and less into face to face training in order to drive efficiencies in this area.

When we recruit at a store management level 60% of these roles are filled internally which presents an excellent opportunity for internal progression and also allows us to retain strong technical skill sets.

We continue to invest in a programme of simplifying business processes to either improve the customer experience or the colleague experience, but ideally both. This is delivering significant results which we believe are helping to improve colleague engagement and customer satisfaction.

Retail – Topps Tiles

Our retail strategy for the domestic market of "Out-specialising the Specialists" continues to be very effective. This strategy is focused on providing both our retail and trade customers a truly inspirational experience – both online and in store.

Progress and Outlook

Our digital platforms continue to go from strength to strength. Our website is industry-leading and was ranked in the top 25 for retail websites in the UK (source: Internet Retailing). The majority of our customers will utilise our website as the first step of their shopping journey with us – often as part of the research phase. We have continued to grow our understanding of the relationship between web and store visits and as a result we have continued to increase our investment into digital marketing, resulting in a sustained increase in online traffic. Our visualiser continues to be a major source of inspiration for customers and a key tool for colleagues to utilise in stores.

Our colleagues offer our customers a world-class experience within store. We are continuing the roll-out of our all store improvement programme which includes new initiatives such as a design advice area. This provides a space in store for colleagues to interact with customers in a more consultative way, really understanding their needs and providing bespoke design solutions. The majority of our customers shop infrequently for tiles which means that when they do they need lots of advice and expertise. Our customer satisfaction scores are very important to us and in the year ahead we will launch a new ‘voice of the customer’ feedback program that will enable us to listen to our retail and trade customers’ feedback in real time, allowing us to learn and adapt to their needs.

The size of our store portfolio is also a key source of competitive advantage as this makes us very convenient for the majority of the UK population. At the period end we had 368 stores (2017: 372 stores) and we expect to see continued movement in the portfolio through active portfolio management based on openings, closures and relocations. The optimum size of the portfolio for the UK will continue to be reviewed based on changing customer needs over time. Critically, the average unexpired lease term to the next break opportunity is 4.1 years (2017: 4.3 years) and if we remove stores which are strategically important (where we have proactively taken longer terms to secure our tenure) the average unexpired lease term to break falls to 3.4 years (2017: 3.8 years) – the flexibility this provides is a key strength of the business.

Our trade customer base represents more than half of our sales. This provides a vital link to those homeowners who prefer to transact through their fitter rather than with us direct. In the UK there is a sustained trend away from “Do It Yourself” towards “Do It For Me” which means that this channel is increasingly important for us, is an area of the business we focus on very hard and is one which we believe provides us with a further source of competitive advantage. Sales through our trade channel account for 56% of total sales (2017: 55%). Our trade loyalty scheme leads our market place – with 85,000 traders registered and earning points (2017: 55,000). During the year we have refined this scheme to make it more relevant across our entire trade base which has been very positively received, with double the number of traders now collecting points.

Commercial - Parkside

As described in the market section of this report the commercial tile market represents approximately 45% of the overall UK tile market. Historically the Group had a very small representation in this part of the market through commercial sales made in its retail stores, but in 2017 we identified commercial as an opportunity for expansion and profitable growth and acquired the Parkside business.

<u>Progress and Outlook</u>
2018 has been a year of consolidation, learning and investment for Parkside. We have streamlined the business down from a mixed retail, distribution and commercial operation into a pure commercial player. We have been developing our strategic insight into this new market and have been pleased by how well the Group’s entry into commercial has been received by customers, with our access to exclusive and differentiated ranges seen as a particular strength. Our strategy of “disrupt and construct” means that we plan to disrupt the existing competitive landscape and, over time, construct a new market leader. Our size and scale as a Group is central to this plan – giving us the resources to recruit a talented sales team and invest in market leading pricing. During the period we expanded the commercial sales team and improved the infrastructure to give a base for future growth. Our current team of sales people has a combined 275 years of experience in the commercial tile market.

The commercial market works on lead times that can often extend to 12-24 months and building a pipeline of project leads is a vital first step. During 2018 we have been busy establishing our presence and growing our potential order book. As expected, trading losses for the period have been £1.1 million and we envisage this continuing into the following financial year at a similar level as we invest in future growth. These losses have been treated as a longer term investment and as such have been excluded from the adjusted financial position of the Group for this year; they will also be excluded next year. We remain open to further growth through acquisition and will continue to review such opportunities as they arise.

Key Performance Indicators ("KPIs")

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

	52 weeks to 29 September 2018	52 weeks to 30 September 2017	YoY
Financial KPIs			
Adjusted Group revenue growth year-on-year*	1.5%	(1.5)%	n/a
Like-for-like sales growth year-on-year*	0.0%	(2.9)%	n/a
Adjusted gross margin *	61.3%	61.1%	+20bps
Adjusted profit before tax *	£16.0m	£18.6m	(14.0)%
Adjusted earnings per share *	6.64 pence	7.63 pence	(13.0)%
Net debt*	£16.2m	£27.5m	£11.3m
Inventory days	130	132	(2)
Non-financial KPIs			
Net Promoter Score %	66.8%	68.6%	(1.8)%
Customer service score	80.6%	80.2%	+0.4%
Colleague turnover	37.2%	35.0%	+2.2%
Carbon emissions per store (tonnes per annum)	31.1	34.3	(9.3)%
Number of retail stores at year end	368	372	(4)

* as defined on page 3

Notes

- Net Promoter Score is calculated based on customer feedback to the question of how likely they are to recommend Topps Tiles to friends or colleagues. The scores are based on a numerical scale from 0-10 which allows customers to be split into promoters (9-10), passives (7-8) and detractors (0-6). The final score is based on the percentage of promoters minus the percentage of detractors.
- Customer service score is calculated based on the results of our mystery shopper programme. This programme sees a panel of independent shoppers visit each of our stores every month and scores them across six service lead categories, each category holds a varying weighting towards the overall score percentage.
- Energy carbon emissions have been compiled in conjunction with our electricity and gas suppliers. This is based on the actual energy consumed multiplied by Environment Agency approved emissions factors. Vehicle emissions have been calculated by our in-house transport team based on mileage covered multiplied by manufacturer quoted emission statistics.

FINANCIAL REVIEW

Adjusted Measures

The Group's management uses adjusted performance measures, to plan for, control and assess the performance of the Group. Adjusted Group Revenue and Gross Margin differ from statutory by the exclusion of the Parkside business to allow the Group to understand Topps Tiles retail performance on a more comparative basis.

Adjusted profit before tax differs from the statutory profit before tax as it excludes the effect of one off or fluctuating items, allowing the Group to understand results across years in a more consistent manner. For the current year the following items have been excluded:

- Losses relating to the Parkside business of £1.1 million (2017: £nil million) - recognising that 2018 and 2019 will be 2 years of investment in longer term growth;
- Losses related to movement in property related provisions (including onerous lease movements and provision against fixed assets in loss making stores) of £2.2 million (2017: £1.2 million);
- Gain from disposal of four freehold properties of £0.7 million (2017: £0.2 million);
- Losses from a one-off increase to the accrual for refunds following a review of provisions in advance of IFRS15 implementation of £0.5 million (2017: £nil); and
- Vacant property costs of £0.2 million (2017: £0.4 million) for buildings closed as part of Parkside reorganisation and the historic closure of Tile Clearing House business.
- In the prior year the Group also excluded costs relating to the acquisition of Parkside of £0.2 million.

PROFIT AND LOSS ACCOUNT

Revenue

Total revenue for the period ended 29 September 2018 increased by 2.4% to £216.9 million (2017: £211.8 million).

Adjusted revenue increased by 1.5% to £214.8 million (2017: £211.7 million). Like-for-like store sales were flat when compared to the prior year, which consisted of a 0.6% increase in the first half of the financial period and a 0.6% decrease in the second half. We believe that the sales performance represents an outperformance of our market and is an endorsement of our strategy.

Gross Margin

Total gross margin held flat at 61.1%, with the addition of Parkside providing a 20 bps dilution in overall margin.

Adjusted gross margin increased to 61.3% compared with 61.1% in the previous financial period. Over the first half of the period adjusted gross margin was 60.5%, and we delivered a gross margin of 62.1% in the second half of the period. Gross margin has benefited from sourcing gains and new ranges with improved margins. For the year ahead we anticipate delivering a small gross margin improvement which will be derived from similar activities to this year, assuming broadly stable sterling exchange rates.

Operating Expenses

Total operating costs increased from £111.5 million to £118.7 million, an increase of 6.5%. Costs as a percentage of sales were 54.7% compared to 52.6% in the prior period. When adjusting items (detailed on page 3) are excluded, operating costs were £114.6 million (2017: £109.9 million), an increase of 4.3%. Adjusted costs as a percentage of adjusted sales were 53.4% compared to 51.9% in the previous period.

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

- The average number of UK stores trading during the financial period was 372 (2017: 361), which generated an increase in costs of approximately £2.6 million;
- Inflation at an average of approximately 1.7% increased our cost base by around £1.8 million
- Regulatory costs impacts, including the National Living Wage, accounted for £0.5 million of additional costs;
- Depreciation increased by £0.3 million due to higher levels of investment in the store estate over recent years;
- Employee profit share costs increased by £1.3 million, with the prior year seeing a reversal of a number of long term incentive charges due to previous lower level of financial performance compared to plan; and
- Other savings across the business accounted for £1.8 million; these were primarily generated from store labour following a series of simplification initiatives.

For the year ahead we expect the adjusted operating costs for the business to be between £116 million and £117 million.

Other Gains and Losses

During the period we disposed of four properties and recognised a gain of £0.7 million.

During the year we purchased the freehold on a previously leased office building and have recognised a loss of £0.4 million. This purchase has allowed the group to exit an onerous lease, the freehold has been reported as an investment property, the purchase price of £2.9 million has been written down to £1.2 million (see note 13b), which results in a £0.4 million loss after transferring previously held onerous lease provision.

In the prior period we disposed of one long leasehold property and recognised a gain of £0.2 million.

Financing

The interest charge for the year was £1.0 million (2017: £0.9 million). There has been a small increase in the interest charge due to the write down of the remaining loan arrangement fee from 2014 which occurred as a result of commencing a new loan facility.

Net interest cover was 23.0 times (2017: 29.0 times) based on adjusted profit before interest and tax, depreciation and amortisation of £7.1 million (2017: £6.5 million) and adjusting items of £3.3 million (2017: £2.0 million).

Profit Before Tax

Profit Before Tax (PBT) was £12.7 million (2017: £17.0 million). The Group PBT margin was 5.9% (2017: 8.0%).

Excluding the adjusting items detailed on page 3 PBT was £16.0 million (2017: £18.6 million). The Group adjusted PBT margin was 7.4% (2017: 8.8%).

Tax

The effective rate of Corporation Tax for the period was 23.9% (2017: 21.0%).

The Group tax rate is higher than the prevailing UK corporation tax rate due to non-deductible expenditure and depreciation on assets not qualifying for capital allowances.

Earnings Per Share
Basic earnings per share were 5.00 pence (2017: 6.98 pence).

Diluted earnings per share were 4.93 pence (2017: 6.86 pence).

Excluding the adjusting items detailed on page 3 adjusted earnings per share were 6.64 pence (2017: 7.63 pence).

Dividend and Dividend Policy
The Board has previously indicated that it intended to pursue a dividend cover policy and that it would target approximately two times as a sustainable level. This has been achieved in the period with a cover of 1.95x the Adjusted Earnings Per Share.

The Board is recommending to shareholders a final dividend of 2.3 pence per share (2017: 2.3 pence per share). This will cost £4.4 million (2017: £4.4 million). The shares will trade ex-dividend on 20 December 2018 and, subject to approval at the Annual General Meeting, the dividend will be payable on 4 February 2019.

This will maintain the total dividend for the year at 3.4 pence per share (2017: 3.4 pence per share).

Moving forwards, the policy for the interim dividend will be to pay one third of the prior full year dividend.

BALANCE SHEET

Capital Expenditure
Capital expenditure on tangible fixed assets and investment properties in the period amounted to £7.9 million (2017: £10.2 million), a decrease of 22.5%.

Key investments are as follows:

- New stores £1.5 million - 9 new openings (2017: £4.9 million)
- All store improvement programme £1.8 million (2017: £0.3 million)
- Freehold and leasehold investments £0.2 million (2017: £0.8 million)
- Investment Property purchase £2.9 million (2017: £nil)
- Other expenditure of £1.5 million (2017: £1.7 million)
- In the prior period we also spent £2.5 million on store refits

The Board expects capital expenditure in the year ahead to be between £6 million and £7 million. This is based on a continuation of current levels of activity and does not include any strategic acquisitions that the Group may consider as part of its growth plans in the commercial tile market.

At the period end the Group held six freehold or long leasehold sites, including two warehouse and distribution facilities and an office building, with a total carrying value of £14.2 million (2017: nine freehold or long leasehold sites valued at £16.5 million). The carrying value is based on the historic purchase cost and capital expenditure less accumulated depreciation and in the case of the investment property a fair value adjustment.

Acquisitions & Disposals
During the period we acquired one freehold property for a consideration of £2.9 million (see above and see note 13b) and disposed of four freehold properties for a consideration of £3.9 million. In the

prior year we acquired one freehold for a consideration of £0.8 million and disposed of one long leasehold property for a consideration of £0.3 million.

Intangible Assets & Goodwill

During the year, and within the hindsight period, we noted additional provisions required of £0.4 million relating to the acquisition balance sheet of Parkside, increasing the previously recognised value of goodwill of the Parkside business to £1.2 million (2017: £0.8 million). In addition to Parkside we hold goodwill relating to historic acquisitions of £0.2 million (2017: £0.2 million). Intangible assets, relating to the Parkside business, were amortised by £0.1 million to a new holding value of £0.3 million (2017: £0.4 million).

Inventory

Inventory at the period end was £30.2 million (2017: £29.5 million) representing 130 days turnover (2017: 132 days turnover). The increase in the absolute level of inventory is driven by extended levels of overseas sourcing and a longer supply chain as a result, the majority of which is offset by increased creditor terms. Days cover has reduced as we have consolidated in the Parkside commercial business which typically holds less stock, days cover in the retail business has been maintained year on year.

Capital Structure and Treasury

Cash and cash equivalents at the period end were £13.8 million (2017: £7.5 million) with borrowings of £30.0 million (2017: £35.0 million).

This gives the Group a net debt position of £16.2 million (2017: £27.5 million).

Cash flow

Operational cash flow was £21.9 million, compared to £15.2 million in the prior year period, an increase of £6.7 million. The improvement in operational cash flow was due to improved working capital flows, reduced tax and interest (due to one off payments in FY17), which were partially offset by lower profits.

Free cash flow was £17.9 million (2017: £4.2 million), an increase of £13.7 million year on year. This increase was driven by the improved operational cash flow highlighted above plus reduced capital expenditure and the changes in freehold and investment properties.

Current Trading and Market Conditions for the Year Ahead

In the first eight weeks of the new financial year, the challenging trading conditions seen in the prior financial year are still in evidence and like-for-like sales in this initial period decreased by 1.9% against a strong prior year comparator. Whilst being watchful of market conditions in the year ahead, we remain confident that our expansion into the commercial tile market, coupled with the continued strength of our market-leading retail operations, gives us a solid platform for future growth.

Going Concern

When considering the going concern assertion the Board review several factors including a detailed review of risks and uncertainties, the Group's forecast covenant and cash headroom against lending facilities and management's current expectations. As a result of this review the Board believes that the Group will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. Therefore, the Board considers it appropriate to prepare the financial statements on the going concern basis.

Long Term Viability

The Board have also considered the Longer Term Viability ("LTV") of the business in light of updated Corporate Governance requirements. The fuller LTV statement can be found in our Annual Report.

Cautionary Statement

This Strategic & Operational Review, and Chairman's statement have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. These reports should not be relied on by any other party or for any other purpose.

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

The Directors, in preparing this Strategic and Operational Review, have complied with s414a of the Companies Act 2006. This Business Review has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Topps Tiles Plc and to its subsidiary undertakings when viewed as a whole.

Matthew Williams
Chief Executive Officer

Rob Parker
Chief Financial Officer

27 November 2018

Consolidated Statement of Financial Performance

FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

	Notes	**52 weeks ended 29 September 2018 £'000**	52 weeks ended 30 September 2017 £'000
Group revenue - continuing operations	3	**216,887**	211,848
Cost of sales		**(84,464)**	(82,473)
Gross profit		**132,423**	129,375
Employee profit sharing		**(6,268)**	(4,972)
Distribution and selling costs		**(82,572)**	(80,006)
Other operating expenses		**(9,480)**	(7,724)
Administrative costs		**(15,575)**	(14,254)
Sales and marketing costs		**(4,793)**	(4,530)
Group operating profit		**13,735**	17,889
Investment revenue	7	**25**	24
Finance costs	7	**(1,072)**	(914)
Profit before taxation	5	**12,688**	16,999
Taxation	8	**(3,029)**	(3,568)
Profit for the period attributable to equity holders of the Company	27	**9,659**	13,431
Earnings per ordinary share from continuing operations	10		
- Basic		**5.00p**	6.98p
- Diluted		**4.93p**	6.86p

Consolidated Statement of Comprehensive Income

FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

	52 weeks ended 29 September 2018 £'000	52 weeks ended 30 September 2017 £'000
Profit for the period and total comprehensive income	**9,659**	13,431
Total comprehensive income for the period attributable to equity holders of the Parent Company	**9,659**	13,431

Consolidated Statement of Financial Position

AS AT 29 SEPTEMBER 2018

	Notes	2018 £'000	Restated (see note 4) 2017 £'000
Non-current assets			
Goodwill	11	**1,461**	1,461
Intangible assets	12	**339**	429
Property, plant and equipment	13a	**47,953**	54,342
Investment properties	13b	**1,233**	-
		50,986	56,232
Current assets			
Inventories		**30,154**	29,502
Trade and other receivables	15	**8,712**	6,502
Cash and cash equivalents	16	**13,842**	7,501
		52,708	43,505
Total assets		**103,694**	99,737
Current liabilities			
Trade and other payables	17	**(38,648)**	(32,500)
Current tax liabilities		**(2,923)**	(2,375)
Provisions	20	**(1,197)**	(1,535)
		(42,768)	(36,410)
Net current assets		**9,940**	7,095
Non-current liabilities			
Bank loans	18	**(29,851)**	(34,923)
Deferred tax liabilities	20	**(1,017)**	(1,071)
Provisions	20	**(3,395)**	(3,780)
Total liabilities		**(77,031)**	(76,184)
Net assets		**26,663**	23,553
Equity			
Share capital	21	**6,548**	6,548
Share premium	22	**2,490**	2,487
Own shares	23	**(3,750)**	(4,411)
Merger reserve	24	**(399)**	(399)
Share-based payment reserve	25	**3,945**	3,921
Capital redemption reserve	26	**20,359**	20,359
Accumulated losses	27	**(2,530)**	(4,952)
Total equity		**26,663**	23,553

The accompanying notes are an integral part of these financial statements.

The financial statements of Topps Tiles Plc, registered number 3213782, were approved by the Board of Directors and authorised for issue on 27 November 2018. They were signed on its behalf by:

MATTHEW WILLIAMS
ROB PARKER
DIRECTORS

Consolidated Statement of Changes in Equity

FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

	Share capital £'000	Share premium £'000	Own shares £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 2 October 2016	6,539	2,473	(4,411)	(399)	4,280	20,359	(11,296)	17,545
Profit and total comprehensive income for the period	-	-	-	-	-	-	13,431	13,431
Issue of share capital	9	14	-	-	-	-	-	23
Dividends	-	-	-	-	-	-	(6,924)	(6,924)
Own shares purchased in the period	-	-	(8)	-	-	-	-	(8)
Own shares issued in the period	-	-	8	-	-	-	(8)	-
Debit to equity for equity-settled share-based payments	-	-	-	-	(359)	-	3	(356)
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(158)	(158)
Balance at 30 September 2017	6,548	2,487	(4,411)	(399)	3,921	20,359	(4,952)	23,553
Profit and total comprehensive income for the period	-	-	-	-	-	-	9,659	9,659
Issue of share capital	-	3	-	-	-	-	-	3
Dividends	-	-	-	-	-	-	(6,566)	(6,566)
Own shares issued in the period	-	-	661	-	-	-	(661)	-
Credit to equity for equity-settled share-based payments	-	-	-	-	24	-	11	35
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(21)	(21)
Balance at 29 September 2018	**6,548**	**2,490**	**(3,750)**	**(399)**	**3,945**	**20,359**	**(2,530)**	**26,663**

Consolidated Cash Flow Statement

FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

	52 weeks ended 29 September 2018 £'000	52 weeks ended 30 September 2017 £'000
Cash flow from operating activities		
Profit for the period	**9,659**	13,431
Taxation	**3,029**	3,568
Finance costs	**1,072**	914
Investment revenue	**(25)**	(24)
Group operating profit	**13,735**	17,889
Adjustments for:		
Depreciation of property, plant and equipment	**6,983**	6,544
Amortisation of intangible assets	**90**	-
(Gain)/loss on disposal of property, plant and equipment	**(421)**	151
Impairment of property, plant and equipment	**958**	438
Decrease in fair value of investment properties	**1,651**	-
Share option charge/(credit)	**24**	(359)
(Increase)/decrease in trade and other receivables	**(2,241)**	324
Increase in inventories	**(652)**	(3,587)
Increase in payables	**5,419**	752
Cash generated by operations	**25,546**	22,152
Interest paid	**(1,109)**	(1,985)
Taxation paid	**(2,543)**	(5,015)
Net cash from operating activities	**21,894**	15,152
Investing activities		
Interest received	**25**	24
Purchase of property, plant and equipment	**(5,052)**	(10,160)
Purchase of investment property	**(2,884)**	-
Proceeds on disposal of property, plant and equipment	**3,921**	303
Acquisition of subsidiary, net of cash acquired	**-**	(1,137)
Net cash used in investment activities	**(3,990)**	(10,970)
Financing activities		
Dividends paid	**(6,566)**	(6,924)
Proceeds from issue of share capital	**3**	15
Drawdown of bank loans	**-**	5,000
Repayment of bank loans	**(5,000)**	(5,000)
Net cash used in financing activities	**(11,563)**	(6,909)
Net increase/(decrease) in cash and cash equivalents	**6,341**	(2,727)
Cash and cash equivalents at beginning of period	**7,501**	10,228
Cash and cash equivalents at end of period	**13,842**	7,501

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

1 GENERAL INFORMATION

Topps Tiles Plc is a public company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in the Annual Report. The nature of the Group's operations and its principal activity are set out in the Directors' Report in the Annual Report.

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

ADOPTION OF NEW AND REVISED STANDARDS

In the current period, there were no new or revised standards and interpretations adopted that have a material impact on the financial statements.

STANDARDS NOT AFFECTING THE REPORTED RESULTS NOR THE FINANCIAL POSITION

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements that may impact the accounting for future transactions and arrangements.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12 (Annual Improvements to IFRSs: 2014-16 Cycles)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 - Financial Instruments

IFRS 15 - Revenue from Contracts with Customers

Clarifications to IFRS 15 (Apr 2016) - Clarifications to IFRS 15 Revenue from Contracts with Customers

IFRS 16 - Leases

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

Amendments to IFRS 2 (Jun 2016) - Classification and Measurement of Share-based Payment Transactions

Amendments to IFRS 4 (Sept 2016) - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Amendments to IAS 40 (Dec 2016) - Transfers of Investment Property

Annual Improvements to IFRSs: 2014-16 Cycle (Dec 2016) - Annual Improvements to IFRSs: 2014-16 Cycle - IFRS 1 and IAS 28 Amendments

Annual Improvements to IFRSs: 2015-17 Cycle (Dec 2017) - Annual Improvements to IFRSs: 2015-17 Cycle - IFRS 3, IFRS 11, IAS 12 and IAS 23 Amendments

Amendments to IFRS 10 and IAS 28 (Sept 2014) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRIC 23 - Uncertainty over Income Tax Treatments

Amendments to IFRS 9 (Oct 2017) - Prepayment Features with Negative Compensation

Amendments to IAS 28 (Oct 2017) - Long-term Interests in Associates and Joint Ventures

IFRS 17 - Insurance Contracts

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

Amendments to IFRS 3 – Clarification of definition of a business

Amendments to IAS 1 – Amendments regarding the definition of material

Amendments to IAS 8 – Amendments regarding the definition of material

IFRS 9 "Financial Instruments" was issued in July 2014 to replace IAS 39 "Financial Instruments: Recognition and Measurement" and has been endorsed by the EU. The standard is effective for accounting periods beginning on or after 1 January 2018 and will be adopted by the Group in the period ended 28 September 2019. The standard is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities. The standard also revises the requirements for when hedge accounting can be applied and introduces a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and does not expect the new guidance to affect their classification and measurement. In addition, the Group does not account for derivatives under hedge accounting and therefore, the IFRS 9 requirements for hedge accounting are not applicable. IFRS 9 introduces an expected credit loss model when calculating impairment losses on its trade and other receivables. This will result in greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the Group must consider the probability of a default occurring over the life of its trade receivables on initial recognition of those assets.

The Group has completed an assessment of the impact of IFRS 9 and it is expected that adoption will not have a material impact on the Consolidated Statement of Financial Performance or Consolidated Statement of Financial Position.

IFRS 15 “Revenue from Contracts with Customers”, was issued in May 2014 and subsequent amendments, “Clarifications to IFRS 15” were issued in April 2016; both have been endorsed by the EU. IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018 and will be adopted by the Group in the period ended 28 September 2019. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for performance obligations only when they are satisfied and the control of goods or services is transferred. In doing so, the standard applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers, except those in the scope of other standards.

The Group has completed its assessment of the impact of IFRS 15 and based on the nature of the Group’s revenue streams with the recognition of revenue at the point of sale and the absence of significant judgement required in determining the timing of transfer of control, the adoption of IFRS 15 will not have a material impact on the timing or nature of the Group’s revenue recognition.

Under IFRS 15, the Group should recognise revenue net of estimated returns, whereby it recognises revenue for the sold products, reduced for estimated returns (with a corresponding refund liability) and an asset initially measured at the carrying amount of the inventory less costs of recovery (with a corresponding adjustment to cost of sales). Estimates are already made of anticipated returns, however the adoption of IFRS 15 will mean this amount is split into the amount relating to the sale of the returns and the associated cost of the goods being returned. The impact of this will not impact the Group’s profit or net assets.

IFRS 16 “Leases” was issued in January 2016 to replace IAS 17 “Leases” and has been endorsed by the EU. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group in the period ending 3 October 2020.

All of the Group’s operating leases, apart from those leases captured under the low value and short term lease exemptions, (note 28) will be recognised on the Statement of Financial Position, which will give rise to the recognition of an asset representing the right to use the leased item and an obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Consolidated Statement of Financial Performance over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases. Rental costs, currently included in distribution and selling costs in the Consolidated Statement of Financial Performance, will be replaced by interest and depreciation charges and therefore, IFRS 16 will impact the Group’s profit each period.

From the work performed to date it is anticipated that implementation of the new standard will have a significant impact on the reported assets and liabilities of the Group. In addition, the implementation of the standard will impact the Consolidated Statement of Financial Performance and classification of cash flows. Management have concluded that the most significant items that are currently classified as operating leases that will be recognised in the financial statements in accordance with the new standard are the Group’s property leases.

Material judgements are required in identifying and accounting for leases. The most significant judgement areas are expected to be around the determination of the lease term and discount rate. The lease term includes extension periods where it is reasonably certain that a lease extension option will be exercised or that a lease termination option will not be exercised. The discount rate should best represent the rate implicit in the lease or the incremental borrowing rate in order to determine the present value of future lease commitments.

The Group is continuing to assess the impact of the accounting changes on its existing lease portfolio of approximately 370 property leases and other contracts and cannot yet reasonably quantify the impact.

Work performed to date includes consideration of the transition approaches available under the accounting standard and collection of relevant data from different areas of the business. The Group has invested in a new property management system to prepare for the adoption of the new standard. The Group intends to apply the modified retrospective approach on transition and will not restate the comparative information. Under this transition route, any difference between asset and liability is recognised in opening retained earnings at the transition date. The lease liability is calculated using a discount rate at the date of transition, rather than at the lease commencement date.

Given the complexities of IFRS 16 and the material sensitivity to key assumptions, such as discount rates, it is not yet practicable to fully quantify the effect of IFRS 16 on the financial statements of the Group. The Group will continue to monitor the practical interpretation of the new leasing standard within the retail sector prior to full implementation.

The Directors anticipate that the adoption of the remaining standards and interpretations in future periods will have no material impact on the financial statements of the Group.

2 ACCOUNTING POLICIES

The principal accounting policies adopted are set out below.

A) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS regulation. The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments and investment property. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

B) GOING CONCERN

When considering the going concern assertion, the Board reviews several factors including a detailed review of the above risks and uncertainties, the Group's forecast covenant and cash headroom against lending facilities, and management's current expectations. Further details of the assumptions, sensitivities and procedures performed are given in the Strategic Report. As a result of this review the Board believes that the Group will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. Therefore, the Board considers it appropriate to prepare the financial statements on the going concern basis.

C) BUSINESS COMBINATIONS

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-on date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquisition and the equity interest issued by the Group in exchange for control of the acquisition. Acquisition-related costs are recognised in the profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Contingent consideration is recognised at fair value at the date of acquisition. Subsequent changes in contingent consideration which has been classified as an asset or liability which does not result from a measurement period adjustment is accounted for in accordance with IAS 39 where the asset or liability is a financial instrument, and in accordance with IAS 37 in all other cases.

D) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of financial performance from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

E) FINANCIAL PERIOD

The accounting period ends on the Saturday which falls closest to 30 September, resulting in financial periods of either 52 or 53 weeks.

Throughout the financial statements, Directors' Report and Business Review, references to 2018 mean "at 29 September 2018" or the 52 weeks then ended; references to 2017 mean "at 30 September 2017" or the 52 weeks then ended.

F) GOODWILL

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill of £15,080,000 written off to reserves under UK GAAP prior to 1998 has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

G) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from the sale of goods is recognised on the collection or delivery of goods, when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, being the date goods are collected from store or received by the customers;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The level of sales returns is closely monitored by management and management's best estimate is provided for.

Sales of goods that result in award credits for customers, under the Company's Trader Loyalty Scheme, are accounted for as multiple element revenue transactions and the fair value of the consideration received or receivable is allocated between the goods supplied and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value being the amount for which the award credits should be sold separately. Such consideration is not recognised as revenue at the time of the initial sale transaction, but is deferred and recognised as revenue when the award credits are redeemed and the Company's obligations have been fulfilled.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

H) INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at the fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation.

Separately identifiable intangible assets are amortised over their useful economic lives which are disclosed in note 12.

I) PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, less estimated residual value, over their estimated useful lives, on the following bases:

Freehold buildings	2% per annum on cost on a straight-line basis
Short leasehold land and buildings	over the period of the lease, up to 50 years on a straight-line basis
Fixtures and fittings	over 10 years, except for the following: four years for computer equipment or five years for display stands, as appropriate
Motor vehicles	25% per annum on a reducing balance basis

Freehold land is not depreciated.

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of financial performance.

J) IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

At each period end, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

K) INVENTORIES

Inventories are stated at the lower of cost and net realisable value and relate solely to finished goods for resale, net of supplier rebates. Cost comprises the average purchase price of materials and an attributable proportion of distribution overheads based on normal levels of activity and is valued at standard cost. Net realisable value represents the estimated selling price, less costs to be incurred in marketing, selling and distribution. Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. The net replacement value of inventories is not considered materially different from that stated in the consolidated statement of financial position.

L) TAXATION

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

M) FOREIGN CURRENCY

The individual financial statements of each Group company are presented in pounds sterling (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentational currency for the consolidated financial statements.

Transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each period end, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of financial performance for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of financial performance for the period.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments).

N) LEASES

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease even where payments are not made on such a basis, except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed or a provision has been made for an onerous lease. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group provides for the unavoidable costs prior to lease termination or sub-lease relating to onerous leases. Dilapidation costs are provided for against all leasehold properties across the entire estate.

O) RETIREMENT BENEFIT COSTS

For defined contribution schemes, the amount charged to the statement of financial performance in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

P) FINANCE COSTS

Finance costs of debt are recognised in the statement of financial performance over the term of the debt at a constant rate on the carrying amount.

Q) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to- maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

FINANCIAL ASSETS AT FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The Directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied, such as discounted cash flows and assumptions regarding market volatility.

LOANS AND RECEIVABLES

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at FVTPL.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash within three months and are subject to an insignificant risk of changes in value.

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or is designated as at FVTPL. The Group does not have any designated FVTPL liabilities.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

OTHER FINANCIAL LIABILITIES

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group’s activities expose it to the financial risks of changes in foreign currency exchange rates.

The Group uses foreign exchange forward contracts to manage its foreign currency risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group’s policies, approved by the Board of Directors, on the use of financial derivatives.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each period end date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

R) SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 October 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the share-based payment is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest. Fair value is measured by use of the Black-Scholes model.

The Group provides employees with the ability to purchase the Group's ordinary shares at 80% of the current market value through the operation of its Sharesave scheme. The Group records an expense, based on its estimate of the 20% discount related to shares expected to vest on a straight-line basis over the vesting period.

S) TRADE PAYABLES

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

T) OPERATING PROFIT

Operating profit is stated after charging/(crediting) restructuring costs but before investment income and finance costs.

U) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

V) SUPPLIER INCOME

Amounts receivable from suppliers are initially held on the balance sheet within the cost of inventory and recognised within the income statement once the contractual terms of the supplier agreements are met and the corresponding inventory has been sold.

Volume rebates and price discounts are recognised in the income statement as a reduction in cost of sales, in line with the recognition of the sale of a product.

W) INVESTMENT PROPERTIES

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Investment properties are not depreciated.

The Group obtains independent valuations for its investment properties, and at the end of the reporting period, the fair value of each property is updated, taking into account the most recent independent valuation. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of de-recognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

X) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors have concluded that there are no critical areas of accounting judgement in the application of the Group's accounting policies in the current period.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the period end date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below:

ONEROUS LEASE PROVISION AND LOSS MAKING STORES / STORE IMPAIRMENT

During the period the Group has continued to review the performance of its store portfolio, which has resulted in six further stores being exited before its lease terms had expired (2017: one store). In respect of the leases in relation to stores exited before lease end dates in prior periods that are still vacant, the Group has provided for what it considers to be the unavoidable costs prior to lease termination or sub-lease. The Group has further reviewed any trading loss-making stores and provided for those leases considered to be onerous, and have considered whether the net book value of the assets in relation to those stores are impaired. The key estimates involved relate to the forecast future cash flows of the stores identified as potentially loss making. These estimates are based upon available information and knowledge of the property market and retail market. Given the commercial sensitivity in relation to potentially loss making stores a sensitivity of this estimation has not been provided. However it is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the related tangible fixed assets (note 13a) or the onerous lease provision (note 20).

DILAPIDATIONS PROVISION

The Group has estimated its likely dilapidation charges for its store portfolio and provided accordingly. The key estimate involves an assessment of the expected exit period for the current portfolio, and is based on management's best estimate, taking into account knowledge of the property market and historical trends. The ultimate costs to be incurred may vary from the estimates. A decrease or increase in the average expected exit period of 3 years would have a material impact on the provision.

3 REVENUE

An analysis of Group revenue is as follows:

	52 weeks ended 29 September 2018 £'000	52 weeks ended 30 September 2017 £'000
Revenue from the sale of goods	**216,887**	211,848
Total revenue	**216,887**	211,848

Investment revenue represents bank interest receivable. There are no other gains recognised in respect of loans and receivables.

The Group has one reportable segment in accordance with IFRS 8 - Operating Segments, which is the Topps Tiles stores and online business segment. The Group's Board is considered the chief operating decision maker. The Board receives monthly financial information at this level and uses this information to monitor the performance of the Topps Tiles stores and online business segment, allocate resources and make operational decisions. Internal reporting focuses on the Group as a whole and does not identify any further individual segments. All revenue is derived from sales in the UK and is from one class of business.

4 ACQUISITION OF SUBSIDIARIES

The Group acquired 100% of the issued share capital of Parkside Ceramics Limited on 31 August 2017. The acquisition of Parkside Ceramics Limited gives the Group greater coverage in the commercial tile market and allows the Group to utilise economies of scale to create additional value and further synergies.

The Group performed a purchase price allocation exercise on Parkside Ceramics Limited to restate assets and liabilities at their fair value. Intangible assets were recognised in relation to the Parkside Ceramics brand and customer relationships.

In line with IFRS 3, the Group made hindsight adjustments of £365,000 in the current period, in relation to onerous lease and dilapidation provisions (see note 20), with a corresponding increase in the value of goodwill (see note 11).

The contingent consideration was estimated based on performance conditions in place for Parkside Ceramics Limited over the 12 months post acquisition. During the year, Parkside Ceramics Limited did not meet the performance conditions and therefore, the contingent consideration was not paid. The release of this contingent consideration is included within administrative expenses and the Parkside loss within adjusted items. The amount is shown within the movements in payables within the reconciliation of operating profit to cash generated from operations within the cash flow statement.

The Group incurred £169,000 of cost in relation to acquisition activity during the year of acquisition.

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

	Restated Fair value of net assets required £'000
Property, plant and equipment	45
Inventories	248
Trade and other receivables	117
Trade and other payables	(347)
Other financial liabilities	(12)
Corporation tax	11
Deferred tax	(35)
Cash and cash equivalents	128
Brand valuation	229
Customer relationships valuation	200
Provisions	(365)
Fair value of assets acquired	219
Cash consideration	1,265
Contingent consideration*	170
Total consideration	1,435
Goodwill	1,216

* Contingent consideration was valued at fair value based on forecast attainment of performance conditions associated with the payment of the contingent consideration.

The above table has been restated to reflect the IFRS 3 hindsight adjustments.

The net cash outflow in the cash flow statement in the year of acquisition was as follows:

	£'000
Cash consideration	1,265
Cash acquired	(128)
Net cash outflow in the cash flow statement	**1,137**

Since the date of control, the following amounts have been included within the Group's financial statements for the prior period:

	£'000
Revenue	124
Loss before tax	38

Had the acquisition been included from the start of the prior period, £2,238,000 of revenue and £172,000 of loss before tax would have been included in the Group's financial statements in the prior period.

There were no contingent liabilities acquired as a result of the above transaction.

5 PROFIT BEFORE TAXATION

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

	52 weeks ended 29 September 2018 £'000	52 weeks ended 30 September 2017 £'000
Depreciation of property, plant and equipment	**6,983**	6,544
Impairment of property, plant and equipment	**958**	438
(Gain)/loss on disposal of property, plant and equipment	**(421)**	151
Decrease in fair value of investment properties recognised as an expense	**1,651**	-
Property related provisions (credited)/charged	**(723)**	349
Staff costs (see note 6)	**54,909**	50,548
Operating lease rentals	**25,489**	24,762
Write-down of inventories recognised as an expense	**3,031**	3,177
Cost of inventories recognised as an expense	**81,433**	79,296

During the year the business disposed of four freehold properties (2017: one freehold property disposal).

Analysis of the auditor's remuneration is provided below:

	52 weeks ended 29 September 2018 £'000	Restated 52 weeks ended 30 September 2017 £'000
Fees payable to the Company's auditor with respect to the Company's annual accounts	**40**	46
Fees payable to the Company's auditor and their associates for other audit services to the Group:		
Audit of the Company's subsidiaries pursuant to legislation	**90**	67
Total audit fees	**130**	113
Audit related assurance services	**30**	30
Total non-audit fees	**30**	30
Total fees payable to the Company's auditor	**160**	143

Audit related assurance services relate to the fee payable for the interim review performed.

The 2017 fee split has been restated to reflect the correct allocation of fee for the interim review performed. The total fees payable to the Company's auditor has not changed.

A description of the work of the Audit Committee is set out in the Annual Report and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

6 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 29 September 2018 Number employed	Restated 52 weeks ended 30 September 2017 Number employed
Selling	**1,900**	1,837
Administration	**214**	201
	2,114	2,038

The 2017 average monthly number of persons employed by the Group has been restated to reflect the correct comparative position.

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 29 September 2018 Number employed	52 weeks ended 30 September 2017 Number employed
Selling	**1,792**	1,734
Administration	**208**	195
	2,000	1,929

	2018 £'000	2017 £'000
Their aggregate remuneration comprised:		
Wages and salaries (including LTIP, see note 29)	**49,782**	45,967
Social security costs	**4,209**	3,719
Other pension costs (see note 28b)	**918**	862
	54,909	50,548

Details of Directors' emoluments are disclosed in the Annual Report. The Group considers key management to be the Directors only. Employee profit sharing of £6.3 million (2017: £5.0 million) is included in the above and comprises sales commission and bonuses.

7 INVESTMENT REVENUE AND FINANCE COSTS

	52 weeks ended 29 September 2018 £'000	52 weeks ended 30 September 2017 £'000
Investment revenue		
Bank interest receivable	**25**	24
	25	24
Finance costs		
Interest on bank loans and overdrafts	**(1,028)**	(868)
Other interest	**(44)**	(46)
	(1,072)	(914)

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

Interest on bank loans and overdrafts represents gains and losses on financial liabilities measured at amortised cost. There are no other gains or losses recognised in respect of financial liabilities measured at amortised cost.

8 TAXATION

	52 weeks ended 29 September 2018 £'000	52 weeks ended 30 September 2017 £'000
Current tax - charge for the period	**3,115**	3,504
Current tax - adjustment in respect of previous periods	**(11)**	(104)
Deferred tax – (credit)/charge for the period (note 20)	**(94)**	125
Deferred tax - adjustment in respect of previous periods (note 20)	**19**	43
	3,029	3,568

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

	52 weeks ended 29 September 2018 £'000	52 weeks ended 30 September 2017 £'000
Continuing operations:		
Profit before taxation	**12,688**	16,999
Tax at the UK corporation tax rate of 19.0% (2017: 19.5%)	**2,411**	3,315
Expenses that are not deductible in determining taxable profit	**55**	57
Chargeable gains	**77**	-
Difference between IFRS 2 and corporation tax relief	**48**	67
Reduction in UK corporation tax rate	**21**	8
Non-taxable income relating to goodwill revaluation	**(22)**	-
Tangible fixed assets which do not qualify for capital allowances	**431**	182
Adjustment in respect of prior periods	**8**	(61)
Tax expense for the period	**3,029**	3,568

In the period, the Group has recognised a corporation tax credit directly to equity of £11,899 (2017: £3,254) and a deferred tax debit to equity of £21,184 (2017: £157,921) in relation to the Group's share option schemes.

9 DIVIDENDS

Amounts recognised as distributions to equity holders in the period:

	52 weeks ended 29 September 2018 £'000	52 weeks ended 30 September 2017 £'000
Final dividend for the period ended 30 September 2017 of £0.023 (2016: £0.023) per share	**4,439**	4,808
Interim dividend for the period ended 29 September 2018 of £0.011 (2017: £0.011) per share	**2,127**	2,116
	6,566	6,924
Proposed final dividend for the period ended 29 September 2018 of £0.023 (2017: £0.023) per share	**4,447**	4,425

The proposed final dividend for the period ended 29 September 2018 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

10 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 ended 29 September 2018	52 weeks ended 30 September 2017
Weighted average number of issued shares for basic earnings per share	**196,439,403**	196,367,310
Weighted average impact of treasury shares for basic earnings per share	**(3,292,316)**	(4,038,495)
Total weighted average number of shares for basic earnings per share	**193,147,087**	192,328,815
Weighted average number of shares under option	**2,746,297**	3,487,211
For diluted earnings per share	**195,893,384**	195,816,026

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

11 GOODWILL

	Restated **£'000**
Cost	
At 2 October 2016	245
Acquisition of Parkside Ceramics Limited (note 4)	851
IFRS 3 hindsight adjustment (note 4)	365
At 30 September 2017 (restated)	1,461
At 29 September 2018	**1,461**
Accumulated impairment losses	
At 2 October 2016	-
Impairment losses in the period	-
At 30 September 2017	-
Impairment losses in the period	-
At 29 September 2018	**-**
Carrying amount	
At 29 September 2018	**1,461**
At 30 September 2017 (restated)	1,461

The balance of goodwill remaining is the carrying value that arose on the acquisition of Surface Coatings Limited in 1998 and Parkside Ceramics Limited in 2017. The balance relates to two (2017: two) Cash Generating Units (CGUs). Goodwill of £245,000 (Surface Coatings Limited) relates to one CGU, with the balance of £1,216,000 (Parkside Ceramics Limited) relating to another CGU.

In line with IFRS 3, the Group made hindsight adjustments of £365,000 in the current period, in relation to onerous lease and dilapidation provisions, with a corresponding increase in the value of goodwill, and as such prior year goodwill has been restated.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates based on the Group's weighted average cost of capital. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Discounted cash flows are calculated using a pre-tax rate of 14.3% (2017: 13.2%).

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following years. The growth rate applied does not exceed the average long-term growth rate for the relevant markets. There are no reasonable changes that would result in the carrying value of goodwill being reduced to its recoverable amount.

No impairment has been identified in the current period as a result of the annual test for impairment.

12 INTANGIBLE ASSETS

	Brand £'000	Customer relationships £'000	Total £'000
Cost			
At 2 October 2016	-	-	-
Additions	229	200	429
At 30 September 2017	229	200	429
Additions	-	-	-
At 29 September 2018	**229**	**200**	**429**
Accumulated amortisation and impairment			
At 2 October 2016	-	-	-
Amortisation charge for the period	-	-	-
At 30 September 2017	-	-	-
Amortisation charge for the period	23	67	90
At 29 September 2018	**23**	**67**	**90**
Carrying amount			
At 29 September 2018	**206**	**133**	**339**
At 30 September 2017	229	200	429

The intangible assets additions occurred on the acquisition of Parkside Ceramics Limited on 31 August 2017.

The brand is amortised over its estimated useful life of 10 years, and customer relationships are amortised over their estimated useful lives of 3 years. Amortisation is included within administrative costs within the Consolidated Statement of Financial Performance.

13a PROPERTY, PLANT AND EQUIPMENT

	Land and buildings				
	Freehold £'000	Short leasehold £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 2 October 2016	18,560	2,047	82,029	63	102,699
Additions	801	88	9,225	-	10,114
Disposals	(231)	-	(413)	-	(644)
Reclassification of assets*	(142)	(686)	779	49	-
Acquisition of subsidiary undertakings	-	-	31	14	45
At 30 September 2017	18,988	1,449	91,651	126	112,214
Additions	-	160	4,892	-	5,052
Disposals	(3,481)	(5)	(1,416)	(51)	(4,953)
At 29 September 2018	**15,507**	**1,604**	**95,127**	**75**	**112,313**
Accumulated depreciation					
At 2 October 2016	2,335	1,697	46,989	59	51,080
Charge for the period	293	53	6,188	10	6,544
Provision for impairment	-	-	438	-	438
Eliminated on disposals	(86)	-	(104)	-	(190)
Reclassification of assets*	(6)	(680)	671	15	-
At 30 September 2017	2,536	1,070	54,182	84	57,872
Charge for the period	267	62	6,644	10	6,983
Provision for impairment	-	-	958	-	958
Eliminated on disposals	(251)	(2)	(1,165)	(35)	(1,453)
At 29 September 2018	**2,552**	**1,130**	**60,619**	**59**	**64,360**
Carrying amount					
At 29 September 2018	**12,955**	**474**	**34,508**	**16**	**47,953**
At 30 September 2017	16,452	379	37,469	42	54,342

* During the prior period the Group undertook an asset reclassification exercise to reclassify some assets between asset categories.

Freehold land and buildings includes £4,104,000 of freehold land (2017: £4,104,000) on which no depreciation has been charged in the current period. There is no material difference between the carrying and market values.

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £nil (2017: £nil). Contractual commitments for the acquisition of property, plant and equipment are detailed in note 28.

During the period, the Group has continued to review the performance of its store portfolio and as the fixtures and fittings within these stores cannot be reused in other locations, the Group have provided for the net book value of the assets in relation to the 11 stores (2017: six) that are impaired. The carrying value of these assets has been fully provided for in the period, with the associated impairment of £958,000 (2017: £438,000) included within other operating expenses.

13b INVESTMENT PROPERTIES

At fair value	£'000
At 2 October 2016	-
Additions	-
At 30 September 2017	-
Additions	2,884
Fair value adjustment	(1,651)
At 29 September 2018	**1,233**

Investment properties relate to one freehold office building that is not occupied by the Group. The property was purchased to allow the Group to exit an onerous lease. The investment property is carried at fair value, and a fair value loss of £1,651,000 (2017: £nil) was recognised in the Consolidated Statement of Financial Performance in the period.

Since acquisition, the investment property has remained vacant, and as such there are no other amounts recognised in the Consolidated Statement of Financial Performance in relation to rental income or other direct operating expenses.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The Group obtains independent valuations for its investment properties, and at the end of the reporting period, the fair value of each property is updated, taking into account the most recent independent valuation. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

14 SUBSIDIARIES

A list of all subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 3 to the Company only financial statements.

15 TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Amounts receivable for the sale of goods	**899**	493
Allowance for doubtful debts	**(24)**	(37)
Other debtors and prepayments		
- Rent and rates	**4,530**	4,192
- Other	**3,307**	1,854
	8,712	6,502

The Directors consider that the carrying amount of trade and other receivables at 29 September 2018 and 30 September 2017 approximates to their fair value on the basis of discounted cash flow analysis.

CREDIT RISK

The Group's principal financial assets are bank balances and cash and trade receivables.

The Group considers that it has no significant concentration of credit risk. The majority of sales in the business are cash-based sales in the stores.

Total trade receivables (net of allowances) held by the Group at 29 September 2018 amounted to £0.9 million (2017: £0.5 million). These amounts mainly relate to sundry trade account generated sales. In relation to these sales, the average credit period taken is 48 days (2017: 49 days) and no interest is charged on the receivables.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

Included in the Group's trade receivable balance are debtors with a carrying amount of £nil (2017: £70,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired receivables:

	2018 £'000	2017 £'000
Greater than 60 days	**-**	70

The allowance for doubtful debts was £24,000 by the end of the period (2017: £37,000). Given the minimal receivable balance, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The allowance for doubtful debts includes £10,000 relating to individually impaired trade receivables (2017: £24,000) which are due from companies that have been placed into liquidation.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits (with associated right of set-off) net of bank overdrafts, 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:

	2018 £'000	2017 £'000
Sterling	**11,349**	5,232
US dollar	**1,819**	919
Euro	**674**	1,350
Total cash and cash equivalents	**13,842**	7,501

17 OTHER FINANCIAL LIABILITIES
TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Amounts falling due within one year		
Trade payables	**20,791**	18,330
Other payables	**4,172**	3,641
Accruals	**12,449**	9,636
Deferred income	**1,236**	893
	38,648	32,500

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 59 days (2017: 53 days). No interest is charged on these payables.

The Directors consider that the carrying amount of trade payables at 29 September 2018 and 30 September 2017 approximates to their fair value on the basis of discounted cash flow analysis.

18 BANK LOANS

	2018 £'000	2017 £'000
Bank loans (all sterling)	**29,766**	34,807

	2018 £'000	2017 £'000
The borrowings are repayable as follows:		
On demand or within one year	**-**	-
In the second year	**-**	35,000
In the third to fifth year	**30,000**	-
	30,000	35,000
Less: total unamortised issue costs	**(234)**	(193)
	29,766	34,807
Issue costs to be amortised within 12 months	**85**	116
Amount due for settlement after 12 months	**29,851**	34,923

The Directors consider that the carrying amount of the bank loan at 29 September 2018 and 30 September 2017 approximates to its fair value since the amounts relate to floating rate debt.

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

	2018 %	2017 %
Loans	**2.27**	1.78

The Group borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

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

	Long term borrowings £'000	**Unamortised issue costs £'000**
As at 2 October 2016	35,000	(309)
Drawdown of bank loan	5,000	-
Repayment of bank loan	(5,000)	-
Amortisation of issue costs	-	116
As at 30 September 2017	35,000	(193)
Repayment of bank loan	(5,000)	-
Issue costs incurred in the year	-	(255)
Amortisation of issue costs	-	214
As at 29 September 2018	**30,000**	**(234)**

During the year the Group renewed its revolving credit facility for £35.0 million expiring in 29 June 2021. The Group also negotiated an Accordion Option for £15.0 million. As at the financial period end, £30.0million of this was drawn (2017: £35.0 million). The loan facility contains financial covenants which are tested on a bi-annual basis. The Group did not breach any covenants in the period.

At 29 September 2018, the Group had available £5.0 million (2017: £15.0 million) of undrawn committed banking facilities.

19 FINANCIAL INSTRUMENTS

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, cash and cash equivalents disclosed in note 16 and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 21 to 27.

The Group is not subject to any externally imposed capital requirements.

SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 2Q to the financial statements.

CATEGORIES OF FINANCIAL INSTRUMENTS

	Carrying value and fair value	
	2018	2017
	£'000	£'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**14,717**	7,957
Fair value through profit and loss	**168**	-
Financial liabilities		
Fair value through profit and loss	**-**	124
Amortised cost	**50,642**	53,377

The Group considers itself to be exposed to risks on financial instruments, including market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to mitigate the effects of these risks by using derivative financial instruments to hedge these risk exposures economically. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

MARKET RISK

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the import of goods.

FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Euro	**686**	1,357	**3,891**	3,139
US dollar	**1,822**	927	**1,453**	866

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is mainly exposed to the currency of China and Brazil (US dollar currency) and to various European countries (euro) as a result of inventory purchases. The following table details the Group's sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. Ten per cent represents management's assessment of the reasonably possible change in foreign exchange rates, based on historic volatility. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where sterling strengthens 10% against the relevant currency.

	2018	2017	2016
	£'000	£'000	£'000
Profit or loss movement on a 10% strengthening in sterling against the euro	**291**	162	205
Profit or loss movement on a 10% strengthening in sterling against the US dollar	**34**	6	45
Profit or loss movement on a 10% weakening in sterling against the euro	**(356)**	(198)	(250)
Profit or loss movement on a 10% weakening in sterling against the US dollar	**(41)**	(7)	(55)

CURRENCY DERIVATIVES

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group uses foreign currency forward contracts in the management of its exchange rate exposures. The contracts are denominated in US dollars and euros.

At the balance sheet date, the total notional amounts of outstanding forward foreign exchange contracts that the Group has committed to are as below:

	2018 £'000	2017 £'000
Forward foreign exchange contracts	**10,582**	10,142

These arrangements are designed to address significant exchange exposures for the first half of 2019 and are renewed on a revolving basis as required.

At 29 September 2018 the fair value of the Group's currency derivatives is a gain of £167,699 within other debtors and prepayments (note 15) (2017: loss of £124,417 within accruals (note 17)). These amounts are based on the market value of equivalent instruments at the balance sheet date.

Gains of £291,845 are included in cost of sales (2017: £466,064 loss).

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. Due to the reduced level of floating rate borrowings and the current low level of interest rates, management have not deemed it necessary to implement measures that would mitigate this risk. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit would be impacted as follows:

	50 basis points increase in interest rates		**50 basis points decrease in interest rates**	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
(Loss) or profit	**(164)**	(181)	**164**	181

The Group's sensitivity to interest rates mainly relates to the revolving credit facility.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. Management have considered the counterparty risk associated with the cash and derivative balances and do not consider there to be a material risk. The Group has a policy of only dealing with creditworthy counterparties. The Group's exposure to its counterparties is reviewed periodically. Trade receivables are minimal, consisting of a number of sundry trade accounts; further information is provided in note 15.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

LIQUIDITY AND INTEREST RISK TABLES

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows (and on the assumption that the variable interest rate remains constant at the latest fixing level of 2.266031% (2017: 1.73681%) of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2018	**Less than 1 month £'000**	**1-3 months £'000**	**3 months to 1 year £'000**	**1-5 years £'000**	**Total £'000**
Non-interest bearing	**24,963**	**-**	**-**	**-**	**24,963**
Variable interest rate instruments	**74**	**151**	**30,377**	**-**	**30,602**

2017	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Total £'000
Non-interest bearing	21,971	-	-	-	21,971
Variable interest rate instruments	58	114	512	35,454	36,138

The Group is financed through a £35 million (2017: £50 million) revolving credit facility, of which £30 million (2017: £35 million) was utilised. At the balance sheet date the total unused amount of financing facilities was £5 million (2017: £15 million). The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest and foreign currency rates as illustrated by the yield curves existing at the reporting date.

2018	**Less than 1 month £'000**	**1-3 months £'000**	**3 months to 1 year £'000**	**1-5 years £'000**	**5+ years £'000**	**Total £'000**
Foreign exchange forward contracts payments	**(1,885)**	**(3,945)**	**(4,753)**	**-**	**-**	**(10,582)**
Foreign exchange forward contracts receipts	**1,969**	**4,016**	**4,764**	**-**	**-**	**10,749**

2017	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
Foreign exchange forward contracts payments	(2,128)	(3,884)	(4,130)	-	-	(10,142)
Foreign exchange forward contracts receipts	2,141	3,837	4,040	-	-	10,018

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are determined as follows:

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The fair values are therefore categorised as Level 2 (2017: Level 2), based on the degree to which the fair value is observable. Level 2 fair value measurements are those derived from inputs other than unadjusted quoted prices in active markets (Level 1 categorisation) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

20 PROVISIONS

	2018 £'000	Restated 2017 £'000
Onerous lease provision	**1,777**	1,812
Business simplification provision	**128**	1,078
Dilapidations provision	**2,687**	2,425
	4,592	5,315
Current	**1,197**	1,535
Non-current	**3,395**	3,780
	4,592	5,315

	Business simplification provision £'000	Onerous lease provision £'000	Dilapidations provision £'000	Total £'000
At 1 October 2017 (restated)	1,078	1,812	2,425	5,315
Created in the year	9	1,367	295	1,671
Utilisation of provision	(279)	(402)	(33)	(714)
Release of provision in the period	(680)	(1,000)	-	(1,680)
At 29 September 2018	**128**	**1,777**	**2,687**	**4,592**

In line with IFRS 3, the Group made hindsight adjustments of £365,000 in the current period, in relation to onerous lease provision (£115,000) and dilapidation provisions (£250,000), with a corresponding increase in the value of goodwill, and as such prior year provisions numbers have been restated.

The onerous lease provision relates to estimated future unavoidable lease costs in respect of closed, non-trading and loss-making stores. The provision is expected to be utilised over the lease term of the various properties. The dilapidations provision represents management's best estimate of the Group's liability under its property lease arrangements based on past experience and is expected to be utilised over the lease term of the various properties. The business simplification provision relates to the decision to exit the Topps Clearance format and relocation of the finance function to Leicester, resulting in redundancies and the subsequent closure of nine store locations and one support office. The provision is expected to be utilised over the lease term of the remaining property. The discount rate used to calculate the present value of property provisions is 5% (2017: 7%). A 10% reduction in discount rate would lead to an increase in property provisions of £60,000 (2017: £75,000).

The movements in the business simplification provision and onerous lease provision are shown within "Impairment of property, plant and equipment and movement in onerous lease provision" in the Highlights section of these financial statements.

The following are the deferred tax liabilities/(assets) recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation £'000	**Share-based payments £'000**	**Stock provisions £'000**	**Intangible assets £'000**	**Total £'000**
As at 2 October 2016	1,493	(784)	-	-	709
(Credit)/charge to income	(55)	181	-	-	126
Charge in respect of previous periods	43	-	-	-	43
Charge to equity	-	158	-	-	158
Recognised on acquisition of subsidiary	-	-	(38)	73	35
As at 30 September 2017	1,481	(445)	(38)	73	1,071
(Credit)/charge to income	(242)	155	-	(7)	(94)
Charge in respect of previous periods	19	-	-	-	19
Charge to equity	-	21	-	-	21
As at 29 September 2018	**1,258**	**(269)**	**(38)**	**66**	**1,017**

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 29 September 2018 has been calculated based on these rates.

21 CALLED-UP SHARE CAPITAL

	2018 Shares	2017 Shares	**2018 £'000**	2017 £'000
Issued and fully paid ordinary shares of 3.33p (2017: 3.33p)				
At the start of the period	**196,437,298**	196,153,770	**6,548**	6,539
Issued in the period	**3,673**	283,528	**-**	9
At the end of the period	**196,440,971**	196,437,298	**6,548**	6,548

During the period the Group issued 3,673 (2017: 283,528) ordinary shares with a nominal value of £122 (2017: £9,441) under share option schemes for an aggregate cash consideration of £3,560 (2017: £15,631).

During the period £nil (2017: £8,468) of shares were purchased by Topps Tiles Employee Benefit Trust on behalf of the Group.

22 SHARE PREMIUM

	2018 £'000	2017 £'000
At start of the period	**2,487**	2,473
Premium on issue of new shares	**3**	14
At end of the period	**2,490**	2,487

23 OWN SHARES

	2018 £'000	2017 £'000
At start of the period	**(4,411)**	(4,411)
Acquired in the period	**-**	(8)
Disposed of on issue in the period	**661**	8
At end of the period	**(3,750)**	(4,411)

A subsidiary of the Group holds 3,090,030 (2017: 4,038,495) shares with a nominal value of £3,749,570 acquired for an average price of £1.21 per share (2017: £4,410,840 acquired for an average price of £1.09 per share) and therefore these have been classed as own shares.

24 MERGER RESERVE

	2018 £'000	2017 £'000
At start and end of the period	**(399)**	(399)

The merger reserve arose on pre-2006 acquisitions. The Directors do not consider this to be distributable as at 29 September 2018 (2017: same).

25 SHARE-BASED PAYMENT RESERVE

	2018 £'000	2017 £'000
At start of the period	**3,921**	4,280
Credit / (Debit) to equity for equity-settled share-based payments	**24**	(359)
At end of the period	**3,945**	3,921

The share-based payment reserve has arisen on the fair valuation of save-as-you-earn schemes and long-term incentive plans. The Directors consider this to be distributable as at 29 September 2018 (2017: same).

26 CAPITAL REDEMPTION RESERVE

	2018 £'000	2017 £'000
At start and end of the period	**20,359**	20,359

The capital redemption reserve arose on the cancellation of treasury shares and as a result of a share reorganisation in 2006. The Directors do not consider this to be distributable as at 29 September 2018 (2017: same).

27 ACCUMULATED LOSSES

	£'000
At 2 October 2016	(11,296)
Dividends	(6,924)
Deferred and current tax on Sharesave scheme taken directly to equity	(155)
Own shares issued in the period	(8)
Net profit for the period	13,431
At 30 September 2017	(4,952)
Dividends	(6,566)
Deferred and current tax on Sharesave scheme taken directly to equity	(10)
Own shares issued in the period	(661)
Net profit for the period	9,659
At 29 September 2018	**(2,530)**

28 FINANCIAL COMMITMENTS

A) CAPITAL COMMITMENTS

At the end of the period there were capital commitments contracted of £nil (2017: £nil).

B) PENSION ARRANGEMENTS

The Group operates a defined contribution pension scheme for employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £918,000 (2017: £862,000). At the period end, the Group holds outstanding contributions of £143,485 (2017: £142,669).

C) LEASE COMMITMENTS

The Group has entered into non-cancellable operating leases in respect of motor vehicles, equipment and land and buildings.

Minimum lease payments under operating leases recognised as an expense for the period were £25,489,488 (2017: £24,762,316) which includes property service charges of £911,000 (2017: £852,000).

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018		2017	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
- Within 1 year	**23,116**	**1,572**	22,793	1,319
- Within 2-5 years	**75,500**	**2,775**	76,434	2,093
- After 5 years	**44,756**	**15**	49,189	194
	143,372	**4,362**	148,416	3,606

Operating lease payments primarily represent rentals payable by the Group for certain of its office and store properties. Leases are negotiated for an average term of ten years (2017: ten) and rentals are fixed for an average of five years (2017: five).

Minimum future sub-lease payments expected to be received under non-cancellable sub-leases amount to £2,187,000 (2017: £2,509,000).

29 SHARE-BASED PAYMENTS

The Group operates six (2017: seven) share option schemes in relation to Group employees.

EMPLOYEE SHARE PURCHASE PLANS

Employee share purchase plans are open to almost all employees and provide for a purchase price equal to the average market price over the three days prior to the date of grant, less 20%. The shares can be purchased during a two-week period each financial period. The shares so purchased are generally placed in the employee share savings plan for a three or five year period.

Movements in share-based payment plan options are summarised as follows:

	2018		2017	
	Number of share options	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding at beginning of the period	**3,533,394**	**0.91**	3,080,615	1.14
Issued during the period	**2,130,588**	**0.64**	2,105,117	0.70
Expired during the period	**(1,784,001)**	**1.16**	(1,623,808)	1.07
Exercised during the period	**(3,673)**	**0.98**	(28,530)	0.54
Outstanding at end of the period	**3,876,308**	**0.78**	3,533,394	0.91
Exercisable at end of the period	**353,507**	**0.92**	378,847	0.98

The inputs to the Black-Scholes Model for the employee three-year Employee Share Purchase Plans issued in the year are as follows:

Three-year plan		
Weighted average share price	— pence	90.0
Weighted average exercise price	— pence	64.00
Expected volatility	— %	31.10
Expected life	— years	3.00
Risk-free rate of interest	— %	0.81
Dividend yield	— %	3.78

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years (2017: three years). The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

LONG TERM INCENTIVE PLAN

Long Term Incentive Plans have been granted to senior management and have a vesting period of three years. Vesting is subject to achievement of certain performance conditions.

Movements in Long Term Incentive Plan options are summarised as follows:

	2018 Number of share options	**2018** Weighted average exercise price £	2017 Number of share options	2017 Weighted average exercise price £
Outstanding at beginning of the period	**6,433,257**	**-**	5,064,089	-
Issued during the period	**3,099,142**	**-**	1,752,568	-
Expired during the period	**(610,085)**	**-**	(128,402)	-
Exercised during the period	**(948,465)**	**-**	(254,998)	-
Outstanding at end of the period	**7,973,849**	**-**	6,433,257	-
Exercisable at end of the period	**2,526,034**	**-**	2,228,385	-

During the financial period, the Group granted 36,762 share options under the existing share option scheme due to vest in December 2018. The Group granted 11,659 of these shares in December 2017 with a fair value of £8,902.

The inputs to the Black-Scholes model are as follows:

Weighted average share price	— pence	79.95
Weighted average exercise price	— pence	Nil
Expected volatility	— %	34.62
Expected life	— years	1.00
Risk-free rate of interest	— %	0.36
Dividend yield	— %	4.51

The Group granted 25,103 in July 2018 with a fair value of £16,858

The inputs to the Black-Scholes model are as follows:

Weighted average share price	— pence	68.5
Weighted average exercise price	— pence	Nil
Expected volatility	— %	33.74
Expected life	— years	0.4
Risk-free rate of interest	— %	0.52
Dividend yield	— %	4.96

During the financial period, the Group granted 181,141 share options under the existing share option scheme due to vest in December 2019. 34,055 of these shares were granted in December 2017 with a fair value of £24,814.

The inputs to the Black-Scholes model are as follows:

Weighted average share price	— pence	79.75
Weighted average exercise price	— pence	nil
Expected volatility	— %	32.22
Expected life	— years	2.00
Risk-free rate of interest	— %	0.43
Dividend yield	— %	4.51

The Group granted 147,086 in July 2018 with a fair value of £93,995.

The inputs to the Black-Scholes model are as follows:

Weighted average share price	— pence	68.5
Weighted average exercise price	— pence	Nil
Expected volatility	— %	33.71
Expected life	— years	1.4
Risk-free rate of interest	— %	0.62
Dividend yield	— %	4.96

During the financial period, the Group granted 2,881,329 share options under the existing share option scheme due to vest in December 2020.

The Group granted 224,839 of these shares in June 2018 with a fair value of £136,053.

The inputs to the Black-Scholes model are as follows:

Weighted average share price	— pence	68.50
Weighted average exercise price	— pence	nil
Expected volatility	— %	32.27
Expected life	— years	2.50
Risk-free rate of interest	— %	0.72
Dividend yield	— %	4.96

The Group granted 2,656,402 share options in December 2017 with a fair value of £1,850,167.

The inputs to the Black-Scholes model are as follows:

Weighted average share price	— pence	79.75
Weighted average exercise price	— pence	nil
Expected volatility	— %	30.19
Expected life	— years	3.0
Risk-free rate of interest	— %	0.52
Dividend yield	— %	4.51

Expected volatility for the additional share options was determined by calculating the historical volatility of the Group's share price over the previous one, two and three years (2017: three and five years).

The expected risk used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural forces.

2020 LONG TERM INCENTIVE PLAN

Under the plan a number of share options were granted to management level employees across the Group. These options will vest in December 2020 subject to the achievement of certain performance criteria.

Movements in 2020 Long Term Incentive Plan options are summarised as follows:

	2018		2017	
	Number of share options	**Weighted average exercise price £**	Number of share options	Weighted average exercise price £
Outstanding at beginning of the period	**3,061,262**	**-**	2,603,747	-
Issued during the period		**-**	955,217	-
Expired during the period	**(404,432)**	**-**	(497,702)	-
Exercised during the period	**-**	**-**	-	-
Outstanding at end of the period	**2,656,830**	**-**	3,061,262	-
Exercisable at end of the period	**-**	**-**	-	-

In total, the Group recognised a total expense of £23,531 (2017: £358,502 revenue) relating to share-based payments.

30 RELATED PARTY TRANSACTIONS

S.K.M. Williams is a related party by virtue of his 10.5% shareholding (20,593,950 ordinary shares) in the Group's issued share capital (2017: 10.5% shareholding of 20,593,950 ordinary shares).

At 29 September 2018, S.K.M. Williams was the landlord of two properties leased to Multi Tile Limited, a trading subsidiary of Topps Tiles Plc, for £119,000 (2017: two properties for £114,000) per annum.

No amounts were outstanding with S.K.M. Williams at 29 September 2018 (2017: £nil). The lease agreements on all properties are operated on commercial arm's length terms.

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

The remuneration of the Board of Directors, who are considered key management personnel of the Group, was £1.1 million (2017: £1.5 million) including share-based payments of £nil (2017: £0.4 million). Further information about the remuneration of the individual Directors is provided in the Remuneration Report in the Annual Report.

The Group's defined contribution pension scheme is administered by Legal and General. During the year the Group made contributions of £918,000 (2017: £862,000) and at year end the Group has outstanding contributions of £143,485 (2017: £142,669).

Company Balance Sheet

AS AT 29 SEPTEMBER 2018

	Notes	**52 weeks ended 29 September 2018 £'000**	52 weeks ended 30 September 2017 £'000
Fixed assets			
Investments	4	**3,420**	3,396
Current assets			
Debtors due within one year	5	**75,954**	51,106
Cash at bank and in hand		**-**	1,083
Creditors: amounts falling due within one year	6	**(15,804)**	(1,268)
Net current assets		**60,150**	50,921
Net assets		**63,570**	54,317
Capital and reserves			
Called-up share capital	7	**6,548**	6,548
Share premium		**2,490**	2,487
Share-based payment reserve		**4,479**	4,455
Capital redemption reserve		**20,359**	20,359
Other reserve		**6,200**	6,200
Profit and loss account		**23,494**	14,268
Equity shareholders' funds		**63,570**	54,317

The Company made a profit after tax for the financial period ended 29 September 2018 of £15,792,000 (2017: £15,447,000).

The financial statements of Topps Tiles Plc, Companies House number 3213782, were approved by the Board of Directors on 27 November 2018 and signed on its behalf by:

MATTHEW WILLIAMS
ROB PARKER
DIRECTORS

Company Statement of Changes in Equity

FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

Company	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Balance at 2 October 2016	6,539	2,473	4,814	20,359	6,200	5,745	46,130
Profit for the period	-	-	-	-	-	15,447	15,447
Dividend paid to equity shareholders	-	-	-	-	-	(6,924)	(6,924)
Issue of new shares	9	14	-	-	-	-	23
Debit to equity for equity-settled share-based payments	-	-	(359)	-	-	-	(359)
Balance at 30 September 2017	6,548	2,487	4,455	20,359	6,200	14,268	54,317
Profit for the period	-	-	-	-	-	15,792	15,792
Dividend paid to equity shareholders	-	-	-	-	-	(6,566)	(6,566)
Issue of new shares	-	3	-	-	-	-	3
Credit to equity for equity-settled share-based payments	-	-	24	-	-	-	24
Balance at 29 September 2018	**6,548**	**2,490**	**4,479**	**20,359**	**6,200**	**23,494**	**63,570**

At 29 September 2018, the Directors consider the other reserve of £6,200,000 to remain non-distributable.

The Directors consider £nil (2017: £nil) of profit and loss account reserves to be not distributable at 29 September 2018.

Notes to the Company Financial Statements

FOR THE 52 WEEKS ENDED 29 SEPTEMBER 2018

1 BASIS OF ACCOUNTING

The Company meets the definition of a qualifying entity under FRS 100 Application of Financial Reporting Requirements issued by the FRC. Accordingly, in the period ended 3 October 2015, the Company has changed its accounting framework from the previous UK GAAP to Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) issued by the Financial Reporting Council (FRC) and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements have therefore been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions available under that Standard:

i) The requirements of IFRS 7 Financial Instruments: Disclosures

ii) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:

 a) Paragraph 79(a)(iv) of IAS 1

 b) Paragraph 73(e) of IAS 16 Property, Plant and Equipment

 c) Paragraph 118(e) of IAS 38 Intangible Assets

iii) The requirements of IAS 7 Statement of Cash Flows

iv) The requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

v) The requirements of paragraphs 10(d), 10(f), and 134 to 136 of IAS 1 Presentation of Financial Statements

vi) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Where relevant, equivalent disclosures have been given in the Group accounts of which the Company's results are included.

The financial statements have been prepared under the historical cost convention. Comparative data is for the period ended 30 September 2017.

2 ACCOUNTING POLICIES

The principal accounting policies adopted are set out below.

A) GOING CONCERN

When considering the going concern assertion, the Board reviews several factors including a detailed review of the above risks and uncertainties, and management's current expectations. Further details of the assumptions, sensitivities and procedures performed are given in the Strategic Report. As a result of this review the Board believes that the Company will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. Therefore, the Board considers it appropriate to prepare the financial statements on the going concern basis.

B) FINANCIAL PERIOD

The accounting period ends on the Saturday which falls closest to 30 September, resulting in financial periods of either 52 or 53 weeks.

Throughout the financial statements, Directors' Report and Business Review, references to 2018 mean "at 29 September 2018" or the 52 weeks then ended; references to 2017 mean "at 30 September 2017" or the 52 weeks then ended.

C) TAXATION

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

D) FOREIGN CURRENCY

The financial statements are presented in pounds sterling (its functional currency). For the purpose of the financial statements, the results and financial position are expressed in pounds sterling, which is the functional currency of the Company, and the presentational currency for the financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of transactions. At each period end, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of financial performance for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statement of financial performance for the period.

E) INVESTMENTS

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

F) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to- maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

LOANS AND RECEIVABLES

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets and liabilities classified as at FVTPL.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash within three months and are subject to an insignificant risk of changes in value.

DERECOGNITION OF FINANCIAL ASSETS

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or is designated as at FVTPL. The Company does not have any designated FVTPL liabilities.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

OTHER FINANCIAL LIABILITIES

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

DERECOGNITION OF FINANCIAL LIABILITIES

The Company derecognises financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

G) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company’s accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors have concluded that there are no critical areas of accounting judgement or key sources of estimation uncertainty in the application of the Company’s accounting policies in the current period.

3 PROFIT FOR THE PERIOD

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period. Topps Tiles Plc reported a profit for the financial period ended 29 September 2018 of £15,792,000 (2017: £15,447,000).

The auditor's remuneration for services to the Company was £46,000 for audit-related work (2017: £46,000 for audit-related work). Fees relating to non-audit work totalled £nil (2017: £nil); see note 5 to the Group financial statements for further details.

The Company had no employees other than the Directors (2017: same), whose remuneration is detailed in the Annual Report.

4 FIXED ASSET INVESTMENTS

	£'000
Cost and carrying amount at 1 October 2017	3,396
Movement in share options granted to employees	24
Cost and carrying amount at 29 September 2018	**3,420**

The following were subsidiaries that the Company has investments in, both as at 29 September 2018 and 30 September 2017:

Subsidiary undertaking	**% of issued shares held**	**Principal activity**
Topalpha Limited*	100%	Property management and investment
Topalpha (Warehouse) Limited	100%	Property management and investment and provision of warehousing services
Topalpha (Stoke) Limited	100%	Property management and investment
Tiles4less Limited*	100%	Intermediate holding company
Topps Tiles (UK) Limited	100%	Retail and wholesale of ceramic tiles, wood flooring and related products
Topps Tiles Holdings Limited*	100%	Intermediate holding company
Topps Tile Kingdom Limited	100%	Intermediate holding company
Multi Tile Limited	100%	Retail and wholesale of ceramic tiles, wood flooring and related products
Topps Tiles Distribution Ltd	100%	Wholesale and distribution of ceramic tiles, wood flooring and related products
Multi-Tile Distribution Limited	100%	Intermediate holding company
Topps Tiles I.P Company Limited	100%	Ownership and management of Group intellectual property
Topps Tiles Employee Benefit Trust*	100%	Employee benefit trust
Parkside Ceramics Limited*	100%	Retail and wholesale of ceramic tiles, wood flooring and related products

* Held directly by Topps Tiles Plc

The investments are represented by ordinary shares.

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

The registered address of all of the above entities (excluding Parkside Ceramics Limited) is Thorpe Way, Grove Park, Enderby, Leicestershire, LE19 1SU, United Kingdom.

The registered address of Parkside Ceramics Limited is 51 Highmeres Road, Thurmaston, Leicester, LE4 9LZ.

5 DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**75,677**	51,080
Prepayments and accrued income	**277**	26
	75,954	51,106

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Bank loans and overdrafts	**14,706**	-
Trade and other creditors	**-**	106
Amounts owed to subsidiary undertakings	**64**	65
Accruals and deferred income	**1,034**	1,097
	15,804	1,268

7 CALLED-UP SHARE CAPITAL

	2018 £'000	2017 £'000
Issued and fully paid 196,440,971 (2017: 196,437,298) ordinary shares of 3.33p each (2017: 3.33p)	**6,548**	6,548

During the period nil shares were purchased by Topps Tiles Employee Benefit Trust on behalf of the Group (2017: 254,998 shares - £8,491).

During the period the Group issued and allotted 3,673 (2017: 283,528) ordinary shares with a nominal value of £122 (2017: £9,441) under share option schemes for an aggregate cash consideration of £3,560 (2017: £15,631).

Five Year Record

UNAUDITED

	52 weeks ended 27 September 2014 £'000	53 weeks ended 3 October 2015 £'000	52 weeks ended 1 October 2016 £'000	52 weeks ended 30 September 2017 £'000	**52 weeks ended 29 September 2018 £'000**
Group revenue	195,237	212,221	214,994	211,848	**216,887**
Group operating profit	18,186	18,883	21,073	17,889	**13,735**
Profit before taxation	16,691	17,019	19,982	16,999	**12,688**
Shareholders' funds	843	10,798	17,545	23,553	**26,663**
Basic earnings per share	6.49p	6.75p	8.05p	6.98p	**5.00p**
Dividend per share	1.65p	2.34p	3.50p	3.40p	**3.40p**
Dividend cover	3.93x	2.88x	2.30x	2.05x	**1.47x**
Average number of employees	1,794	1,915	1,977	2,030	**2,114**
Share price (period end)	105.0p	148.75p	112.25p	75.50p	**62.90p**

All figures quoted are inclusive of continued and discontinued operations.