

Pictured front cover: Capello™ Pictured this page: Onea Stone

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Five-Year Record

Store Locations

The Team

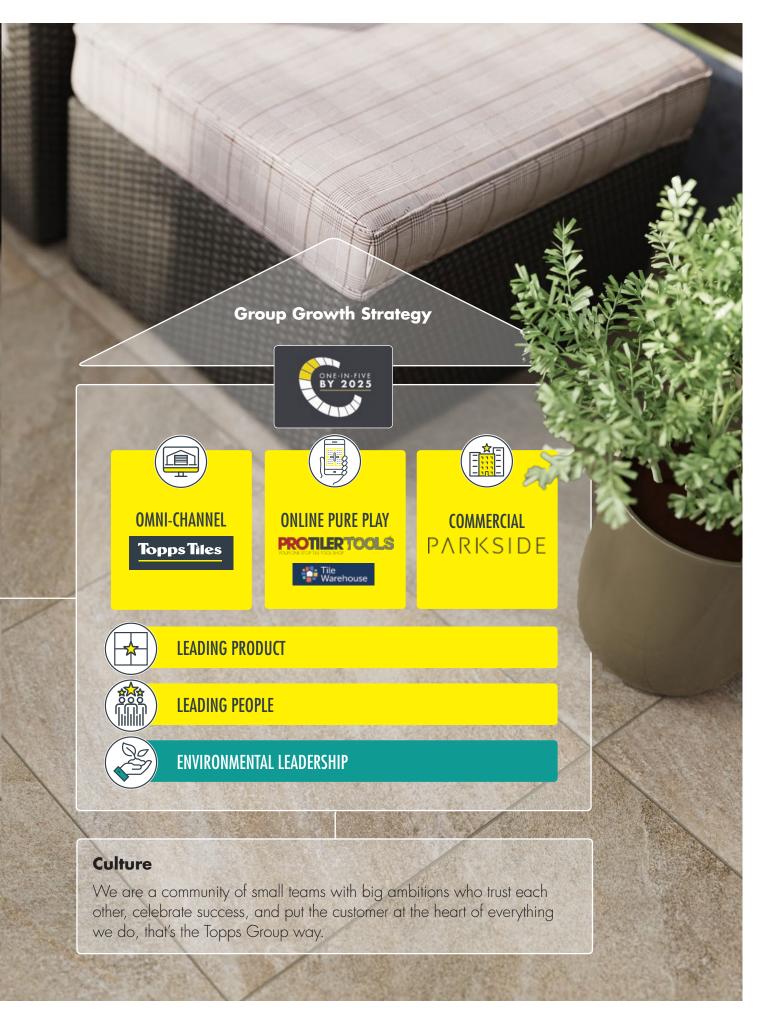
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182



overview 01



#### **HIGHLIGHTS**

Topps Tiles Plc ("Topps", "the Group", "Topps Group" or "the Company"), the UK's leading tile specialist, announces its annual financial results for the 52 weeks ended 1 October 2022.

#### STATUTORY MEASURES

#### GROUP REVENUE (£M)

Year-on-Year: +8.4%



#### GROSS Margin (%)

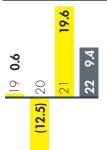
Year-on-Year: (2.5) ppts



#### **ADJUSTED MEASURES**

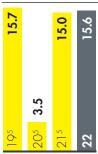
TOPPS TILES LIKE-FOR-LIKE REVENUE YEAR-ON-YEAR<sup>1</sup> (%)

Year-on-Year: (10.2)ppts



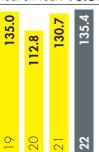
## ADJUSTED PROFIT BEFORE TAX<sup>2</sup> (£M)

Year-on-Year: **+4.0%** 



#### GROSS Profit (£M)

Year-on-Year: +3.6%



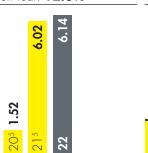
#### PROFIT BEFORE TAX (£M)

Year-on-Year: (22.1%)



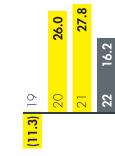
#### ADJUSTED EARNINGS PER SHARE<sup>3</sup> (P)

Year-on-Year: +2.0%



### ADJUSTED NET CASH/DEBT<sup>4</sup> (£M)

Year-on-Year: £(11.6)m



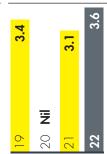
#### BASIC EARNINGS PER SHARE (P)

Year-on-Year: (15.9%)



#### TOTAL DIVIDEND DECLARED (P)

Year-on-Year: +16.1%



#### NOTES

- Topps Tiles like-for-like revenue is defined as sales from online and Topps Tiles stores that have been trading for more than 52 weeks. In 2022 like-for-like revenue was £225.6 million (2021: £216.6 million), with an average of 310 stores included in the weekly calculation.
- 2 Adjusted profit before tax excludes the impact of items which are either one-off in nature or fluctuate significantly from year to year.
- Adjusted earnings per share is adjusted for the items highlighted above, plus the impact of corporation tax, and a £1.2 million deferred tax credit in respect of previous periods which is not expected to repeat. See note 7 of the financial statements
- Adjusted net cash is defined as cash and cash equivalents, less bank loans, before unamortised issue costs as at the balance sheet date. It excludes lease liabilities under IFRS 16.
- Prior year values are restated following the adoption of the IFRIC agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements. See note 2(A) in the notes to the financial statements.

overview 03

## STRATEGIC AND OPERATIONAL HIGHLIGHTS

- Second consecutive record year of revenue for the Group
- Group market share increased to 19.0% from 17.6% last year well on track to achieve "1 in 5 by 2025" goal
- 62% of Group sales to professional trade customers, up 12ppts since 2015
- Record sales in the Topps Tiles brand, with right-sized estate and ongoing growth through format development, category expansion and world class customer service
- Average sales per Topps Tiles store up 25.3% compared to 2019 levels
- A record year of sales for Parkside now trading at breakeven and forecast to move into profit in 2023
- Pro Tiler Tools delivering strong sales and profits since acquisition in March and Tile Warehouse becoming established after starting trading in May 2022
- Strong Group recovery from Covid period trading ahead of 2019 levels with all businesses contributing to sales growth in a developed and diversified Group

#### **FINANCIAL SUMMARY**

- Group revenue up 8.4% to £247.2 million
- Group gross profit up 3.6% to £135.4 million with gross margin down due to business mix and inflation
- Costs well controlled, with increases due to inflation and normalisation of business rates expense offset by cost savings and reduction in store numbers
- Adjusted profit before tax up 4.0% to £15.6 million and adjusted EPS up 2.0% to 6.14 pence
- Strong operational cash flows closing net cash lower than last year largely due to one-off items
- Strong balance sheet with £16.2 million net cash and new £30.0 million revolving credit facility, committed to at least October 2025
- Proposed final dividend of 2.6 pence per share (2021: 3.1 pence per share), giving a full year dividend of 3.6 pence per share (2021: 3.1 pence per share), up 16.1% year on year.

#### **CURRENT TRADING AND OUTLOOK**

- Robust trading in the first eight weeks of the new financial year, with like-for-like sales in Topps Tiles up 3.4% year on year and other parts of the Group performing in line with our expectations.
- Our clear growth strategy, operational flexibility and strong balance sheet leave us well-positioned to respond to a more challenging macroeconomic environment and continued delivery of our '1 in 5 by 2025' goal.
- Read more about our Market on pages 12 and 13
- Read more about our **Group Strategy** on pages 16 to 33
- Read more about our Financial Performance on pages 34 to 43
- Read more about our **Environmental Leadership** on pages 24 and 25





Pictured above: Diamante White

# GROUP AT A GLANCE



# Topps Tiles

- Homeowners, traders and contractors
- Market leader
- · 300+ stores
- Award-winning website

#### **TOPPS TILES**

The clear omni-channel market leader in the UK Topps Tiles offers specialist product expertise and world-class customer service to trade and homeowner customers through an award-winning website and a nationwide store network.

#### **PRODUCT OFFERING:**

Topps Tiles offers an extensive range, with approximately 2,000 tiles available to order and a wide range of consumable products, including own-brand products. Topps Tiles offers design inspiration including unique, exclusive products, at a wide range of price points.

#### **CUSTOMER BASE:**

Topps Tiles is aimed at both professional fitters (c.60% of sales) and DIY customers (c.40% of sales).

#### **CUSTOMER CHANNELS:**

Topps Tiles trades from 304 stores around the country, the largest store network by far in the UK for tiles. In addition, toppstiles.co.uk is a multiple award-winning website and our new trade app allows even easier interaction with our regular trade customers. Our central support team based in Leicester provides telephone and digital support to our large customer base.

#### **KEY FACTS:**

c.160,000 98%

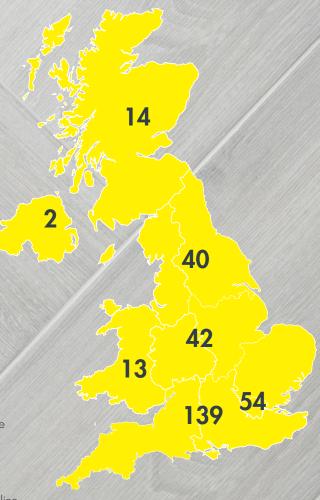
c.170,000 c.6-8%

of sales transacted online store visitors per week

- Read more about Omni-channel Strategy on pages 26 and 27
- Read more about our **Channels** on pages 30 to 33

#### **OUR STORES**

Topps Tiles has **304** stores across the UK with a broad geographic reach, which means most customers require less than a 20-minute drive time to reach their local store.



- Read more about our Leading Product Strategy on pages 20 to 21
- Read more about our **Group Strategy** on pages

OVERVIEW 05



**ONLINE PURE PLAY** 



#### PROTILERTOOLS

- Trade customers and contractors
- Digital specialists



- · Value-conscious homeowners
- Digital specialists

During 2022, we established a new sales channel, Online Pure Play, which currently consists of two businesses: Pro Tiler Tools and Tile Warehouse.

Pro Tiler Tools was acquired by the Group in March 2022<sup>1</sup> and Tile Warehouse was developed in-house and launched in May 2022.

**Pro Tiler Tools** is an online specialist supplier of tiling-related consumables and equipment to trade customers. Pro Tiler stocks a broad range of recognised trade brands which appeal to the professional fitter, backed up by extensive product knowledge which comes from decades of industry and tiling experience of the founders and their team.

**Tile Warehouse** is an online only brand which offers homeowners everyday low pricing on a focused range of approximately 400 tiles and associated products. The brand focuses on quality tiles at very competitive prices and offers a simple brand proposition which gives homeowners the confidence, value and choice to tackle their next tiling project.



Note 1: A controlling 60% shareholding in Pro Tiler Limited was acquired on 9 March 2022. The Group intends to acquire the remaining 40% of the issued share capital from March 2024.

## PARKSIDE

- Architects, designers and contractors
- · Works directly with clients

#### **PARKSIDE**

Parkside is a tile specialist, aimed at architects, designers and contractors in the commercial market. Parkside became part of the Group in 2017 and has now established itself as one of the fastest growing brands within this sector.

#### **PRODUCT OFFERING:**

With access to the Group's scale, tile expertise and relationships with all of the most important suppliers around the world, the Parkside product offering is extremely wide. A significant focus is on environmentally friendly products with high recycled content and innovative production techniques, always backed up by great design credentials.

#### **CUSTOMER BASE:**

Parkside is focused on designers, architects and contractors.

#### **CUSTOMER CHANNELS:**

In the commercial market, we serve the client through our team of high-quality salespeople. These friendly, creative experts will often have historical relationships with architects and designers based on high levels of mutual trust, established over a sustained period through successful delivery of projects together.

Our Commercial business is supported by a small physical presence in key markets, for example our Clerkenwell Sustainability and Design Studio, which is a creative hub for the design community, where designers, architects, clients, and our representatives can come together for innovative conversations on their latest projects. In addition, our Commercial business is very active in the digital space, with considerable social media engagement with the designer and architect community.

#### **INVESTMENT CASE**

# REASONS TO INVEST



# ATTRACTIVE MARKET DYNAMICS

We operate in a large market worth approximately £1.3 billion, with stable long-term demand and minimal disruption from alternative technologies. With a 19% share of a fragmented market, we are already the market leader by some distance, but still have lots of headroom to grow.

The UK housing market is older and more underinvested than in other European markets, suggesting a strong pipeline of future demand.



#### STRONG BALANCE SHEET

We have cash on the balance sheet, no debt and significant headroom against our banking facilities, which were renewed in October 2022 for another three years. This provides substantial resilience against any further economic shocks and allows the business to invest for growth.



## ENVIRONMENTAL LEADERSHIP

We have a goal to be carbon balanced by 2030\* and intend to lead the tile industry in environmental credentials. Our Commercial business, Parkside, is already carbon neutral (Scopes 1 & 2). We strongly believe that substantially reducing our impact on the environment is good for the planet and all of our stakeholders.



# AMBITIOUS GROWTH STRATEGY

Our goal is to deliver a 20% market share by 2025. In our omni-channel Topps Tiles brand, we will increase sales densities per store by continuing to offer innovative and inspirational products, largely exclusive to us, as well as expanding into new product areas, continually developing our digital presence, and delivering world class service. In our newer businesses, Online Pure Play and Commercial, we will continue to take share as we rapidly grow our scale. All of our businesses have significant growth potential.



#### GOOD CASH GENERATION AND RETURNS TO SHAREHOLDERS

We generate high-quality profits with strong cash conversions due to high gross margins, low working capital requirements and relatively modest levels of capital expenditure. Our updated capital allocation policy sees dividend payments increasing from 50% to 67% of adjusted EPS over the next two years, a strong sign of confidence.

- Read more about our Market on pages 12 to 13
- Read more about our Group Strategy on pages 16 to 33
- Read more about our **Financial Performance** on pages 34 to 43
- \* Read more about our Environmental Leadership and our Carbon Balanced strategy on page 24 and TCFD reporting on page 58

OVERVIEW 07

# OUR STRENGTHS





# MARKET-LEADING OMNI-CHANNEL CUSTOMER PROPOSITION

Our multi award-winning retail website has approximately three times the web traffic of our next largest competitor. Almost every homeowning customer who visits our stores uses our website in some way, and the majority of website sales involve a store at some stage in the process, giving us an advantage over online competitors.

2

## NATIONWIDE COVERAGE

We are the only tile retailer in the UK to offer full national coverage, trading from 304 locations to offer unrivalled convenience for trade customers and allowing the whole UK population to access our products and customer service in person.

(3)

# SPECIALIST EXPERTISE

As a Group we have a real specialism in tiles and associated products, and the scale to leverage it. We are able to buy from all over the world, have unrivalled relationships with suppliers, and work with our suppliers to develop differentiated products, 76% of which are exclusive to us.



# WORLD-CLASS CUSTOMER SERVICE

When homeowners shop with us, they are often buying a product which is unfamiliar to them, requiring a high level of support and design inspiration. Trade customers require specialist expertise, technical knowledge and stock availability. Across both customer groups, we are proud of our high service levels – our overall customer satisfaction scores of 90% are world class.



#### **DIVERSE MARKET EXPOSURE**

The Group has developed and diversified in recent years and now operates across three business areas – Omnichannel (Topps Tiles), Online Pure Play (Pro Tiler Tools and Tile Warehouse) and Commercial (Parkside). This allows the Group to sell into the residential market across all price points, to the specialist trade market, to the contractor market and to designers and architects in the commercial market, all while retaining its specialism in tiles and related products.

- Read more about **Omni-channel Strategy** on pages 26 to 27
- Read more about our **Channels** on pages 30 to 33
- Read more about our **Leading Product Strategy** on pages 20 to 21

#### CHAIRMAN'S STATEMENT

# A SECOND YEAR OF RECORD SALES



THE BUSINESS HAS COMBINED GOOD FINANCIAL PERFORMANCE WITH STRONG STRATEGIC PROGRESS OVER THE PAST YEAR."



**Darren Shapland**Non-Executive Chairman

#### INTRODUCTION

Welcome to the 2022 Annual Report for Topps Group. This year the Group has made good progress across a number of areas and delivered a strong financial performance, including a second consecutive year of record sales and a significant step forwards towards our "1 in 5 by 2025" market share goal. Strategically, in the last 12 months we have created a third area of the business, Online Pure Play, which offers the potential for fast growth, which will sit alongside our market-leading Topps Tiles brand and our Parkside business as we continue to develop and diversify the Group.

#### **PURPOSE, GOAL AND STRATEGY**

The core purpose for the business is to inspire customers through our love of tiles. This purpose gives the business strategic clarity in that opportunities we pursue leverage our specialism in tiles and associated products.

Two years ago, we announced our new goal which was to grow our share of the domestic and commercial market from 17% to 20% by 2025 – accounting for £1 in every £5 spend in the UK in our market. The market is substantial, worth approximately £1.3 billion, and the goal therefore challenges us to grow the business substantially. In 2021 we made good progress towards our goal as we moved to 17.6% market share, and I am pleased that our strong performance this year and the strategic actions taken by the management team have resulted in our market share increasing to 19.0% in 2022.

Our strategy to deliver this goal has evolved over recent years with the addition of new parts to the Group and new focus areas. The three trading elements of the Group – Topps Tiles, our market-leading omni-channel business, Parkside, our Commercial brand, and Online Pure Play, containing Pro Tiler Tools and Tile Warehouse – are supported by three key Group-level strategic levers – Leading Product, Leading People and Environmental Leadership. Please see the Strategic Review for an extensive discussion of our strategy, business model and progress.

#### **PERFORMANCE**

After two years of significant disruption resulting from Covid-19 trading restrictions, I am pleased to be able to report on a year where the business was able to trade freely. Revenues increased to £247.2 million, 8.4% higher than what was a record year in 2021. Adjusted profit before tax was 4.0% higher than in the prior year at £15.6 million (2021: £15.0 million), with net margins slightly lower as a result of the changing shape of the business and inflationary pressures. Net cash at year end was £16.2 million, down from £27.8 million last year, with strong operational cash flows offset with a number of one-off items, including the acquisition of Pro Tiler Limited. The health of our balance sheet remains a core strength of the Group, and I was pleased that we were able to agree a new £30.0 million banking facility soon after the year end, which is currently unused and provides great resilience to the business. A full discussion of our financial performance can be found in the Financial Review section of this report.

OVERVIEW 09

#### DIVIDEND

During the year we announced an updated capital allocation policy which prioritised business resilience and investment, but also recognised that we are able to increase our level of cash returns to our Shareholders. In line with that policy, we are currently moving from what was a 50% payment of adjusted post-tax profits to Shareholders last year, to a 67% payment from next year onwards. As such, this year we are recommending a final dividend of 2.6 pence per share, taking the total dividend for the year to 3.6 pence per share, representing 58% of 2022 adjusted post-tax profits, and 16.1% higher than last year.

#### THE BOARD AND MANAGEMENT TEAM

Following significant change to both the Executive and Non-Executive Directors in 2021, I am pleased that 2022 has been a period of stability in the Boardroom. We have already benefitted from significant contributions from Kari Daniels and Diana Breeze in their roles as Non-Executive Directors, and Stephen Hopson, our CFO, has provided strong leadership and support to Rob Parker since his appointment at the end of 2020. Overall, I am satisfied that all members of the Board are adding significant value, an opinion supported by our Board Evaluation process which is summarised on page 75. In line with best practice, all Directors will be standing for re-election at the 2023 AGM and I would invite the support of all Shareholders.

#### **CORPORATE GOVERNANCE**

As with last year, I am pleased to confirm that all Non-Executive Directors are independent, and the Board is fully compliant with the UK Corporate Governance Code. We have seen several changes in the composition of the Board during the last two years and I am pleased that the Board continues to function well and has made good progress in its development plan. The wide range of senior level experience with significant sector expertise contained on the Board has served us well through what continues to be a challenging business environment.

#### SHAREHOLDER ENGAGEMENT

The Board values the opportunity to engage with Shareholders and we have devoted significant time to this over the last year. This engagement includes our Executive management team meeting with Shareholders to discuss performance on a regular basis, as well as providing opportunities for larger Shareholders to meet with me as well as Keith Down, our Senior Independent Director, and other Directors as required. In addition, this year we have engaged with Shareholders on a number of specific matters such as our revised capital allocation policy and our new remuneration policy, and we are grateful for the input we have received from holders on these matters. The detail is described more fully in the Corporate Governance Report on page 70.

Over the course of the last year, we have noted that the concentration of our shareholding base has increased, such that a significant percentage of the equity is owned by a smaller number of holders than historically has been the case. We will continue to ensure suitable opportunities for engagement with all Shareholders moving forward.

#### AGM

Following the results of the last two Annual General Meetings, this year the Board is not proposing certain special resolutions concerning share capital management. As described in the Notice of AGM, these resolutions are considered standard for UK listed companies, and are in line with the Investment Association's Share Capital Management guidelines. The Board regards these resolutions to be in the best interests of all Shareholders and has been grateful for the support of the majority of Shareholders in previous years. However, we understand that some non-UK resident investors take different views on these matters, and, following our programme of Shareholder engagement and noting the results in the previous two years, we are not proposing these resolutions at the 2023 AGM as we do not believe they will command sufficient Shareholder support to be approved.

#### **OUR PEOPLE**

Topps Group is a customer service-based business and, as a result, our people are at the heart of our organisation. We make a great deal of effort to engage with colleagues at all levels of the business; this process is described in the Leading People and Section 172 sections of this report, including a key role played by Kari Daniels as our Employee Engagement Director. The whole Board and Executive team are extremely grateful for the hard work, tenacity and commitment of all colleagues across the Group. We take great pride in listing the names of all colleagues in this Annual Report, starting on page 173, and once again my thanks go out to all of them.

#### **SUMMARY**

The business has combined good financial performance with strong strategic progress over the past year. We continue to develop and diversify the Group and are making good progress against our market share goal which will deliver significant value to Shareholders and other stakeholders. Although the outlook for the wider economy is challenging, we are well positioned as a business and I look forward to the next period with a sense of confidence. I hope you enjoy reading this report.

#### **Darren Shapland**

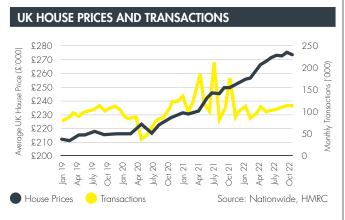
Non-Executive Chairman





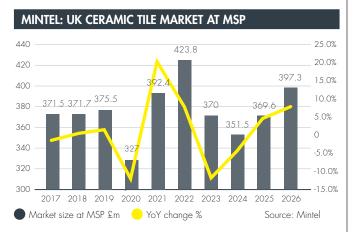
#### **MARKETPLACE**

#### **KEY STATISTICS**









#### THE UK TILE MARKET

The UK tile market splits into two broad sectors – domestic, accounting for around 55% of the market, and commercial, accounting for the remaining 45% (source: Mintel). The domestic market includes the renovation, maintenance and improvement of residential properties and the commercial market includes commercial building projects, as well as new build residential property, including housebuilding and apartment blocks. Within Topps Group, Topps Tiles and Tile Warehouse are largely focused on the domestic market, Parkside is focused on the commercial market, and Pro Tiler Tools serves trade customers and contractors who may be working across either market.

An external survey of the tile market is published by Mintel in September each year. It covers the whole of the UK tile market, based on manufacturer and supplier data. The October 2022 report estimates the total market in 2022 at £423.8 million at MSP (manufacturers' selling prices), which is significantly up from £392.4 million in 2021 and £327.0 million in 2020. The projection for 2023 is a 12.7% fall to £370 million as the economy shrinks, with a further fall in 2024, followed by growth that will be ahead of GDP development from 2025 onwards as market conditions improve.

At selling prices, we estimate the tile market across the domestic and commercial sectors to be in the region of \$800 million annually. When combined with adhesives, grouts and tools, the market is in excess of \$1 billion. Across all products sold in Topps Group, we estimate that our market is around \$1.3 billion.

#### **DOMESTIC TILE MARKET**

The domestic tile market is large and offers long-term potential – of the 23.5 million dwellings in England, the average age is around 70 years, giving a significant and growing need for repair, maintenance and improvement spend (source: English Housing Survey, DLUHC).

#### Pictured: Diamante White



STRATEGIC REPORT



Domestic demand in 2020 was very low due to the Covid-19 pandemic, which had a rapid and strong impact on both supply and demand. However, in the periods unaffected by lockdowns, and then from the later half of 2021 onwards, a number of factors have been particularly favourable for the domestic market, resulting in robust market demand. These factors include people spending more time in their home while at the same time having a restricted choice for their economic activity, a boost to housing prices and transactions through reduced stamp duty and low interest rates, and substantial excess savings built up through the lockdown period. As such, the market has been buoyant from the spring of 2021 through 2022.

However, throughout 2022, a number of negative market factors have started to weigh on sentiment.

Consumer confidence has been negative for all of 2022, averaging -15 in the first three months of the financial year before declining dramatically to end the year in September 2022 at -49, a record low, as a result of fears over the cost of living crisis and the impact of the war in Ukraine (source: GFK).

UK housing prices are often a useful indicator of our market. In a rising market, home owners tend to feel more affluent and are more confident in spending money on their homes. During the year, UK house prices once again grew rapidly, with the average price of a house in the UK at £264k (FY21: £238k) (source: Nationwide), an increase of 11.0%. There were signs of a slow down in house price growth towards the end of the year, with prices falling month on month in September 2022.

A further key driver of the customer decision to take on a home improvement project is buying or selling a home; housing transactions are therefore a useful indicator of likely future demand. Following a very strong 2021 driven by the cuts in stamp duty, transactions in 2022 fell 21% to 1.22 million (2021: 1.55 million) although this level remained higher than either 2020 or 2019 (source: HMRC).

Construction output for private housing repair, maintenance and improvement (RMI) increased by 27.7% across the period on a value, non-seasonally adjusted basis (FY21: increased by 0.8%) (source: ONS).

#### **COMMERCIAL TILE MARKET**

The UK commercial tile market is fragmented and regionalised with only a small number of scale competitors. The smaller competitors tend to specialise in certain sectors of the market – examples being transport, restaurants, automotive, leisure, offices or higher-end residential.

Our success in this market results from appealing to both designers and architects, with our quality and differentiated offer, and to contractors, who may require larger quantities of products, in short timescales. Our Parkside business is able to service both categories: we can leverage our access to differentiated product through our supplier relationships, as well as utilise the Group's buying advantage and stock-holding position to support volume sales.

The commercial tile market was hit hard by Covid-19 and, unlike the domestic sector, is still some way off recovering to prepandemic levels although it has shown modest growth in 2022. Market performance remains highly varied by sub-sector and by client within each sub-sector and we have seen differing activity levels across retailers, restaurant brands, hotel, construction and developer clients.

Construction output for the private commercial sector increased by 2.5% across the period on a value, non-seasonally adjusted basis (FY21: declined by 8.7%) (source: ONS).

Pictured: Bespoke floor tile

#### **BUSINESS MODEL**

#### WHAT WE DO

Topps Group is the largest specialist distributor of tiles and related products in the UK. The majority of our revenues are generated from the domestic market for the renovation, maintenance and improvement of UK homes, through our market-leading Topps Tiles brand. Over recent years, the business has diversified and expanded into the commercial tile market, which approximately doubled the size of our addressable market while staying within our core specialism of tiles. The commercial market includes tiles supplied for both new build and refurbishment of commercial premises across sectors such as leisure, transport, retail and office

buildings, and new build residential housing. In 2022, we have developed further, with the addition of the Pro Tiler Tools and Tile Warehouse brands to the Group, both focused on the online pure play market. All of the brands within the Group derive benefit from the scale of the business, the specialist focus of our business model and our passion for tiles. We enjoy a competitive advantage in sourcing differentiated products from around the world that we can access on an exclusive basis and deliver world-class customer service through our store network, award-winning digital platforms and Commercial sales teams.



STRATEGIC REPORT 15

#### **KEY RESOURCES**

#### **PEOPLE AND CULTURE**

At our heart we are a customer service-based business and as a result our team of people is one of our most important assets. We employ 1,700 talented colleagues who either serve our customers directly, or support those that do. We aim to provide our customers with high-quality advice and inspiration, as well as technical knowledge and a strong service ethic, and to do this successfully we need highly engaged specialist teams in store and in our direct sales force that can engage with our customers and clients. Our culture is one of small teams with big ambitions, who trust each other, celebrate success and put the customer at the heart of everything they do.

#### **BRANDS**

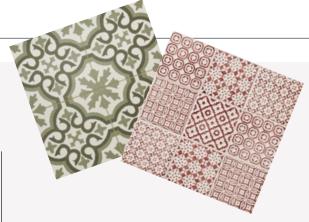
Our Topps Tiles brand was founded in 1963 and, with its rich history, has strong brand recognition across the UK. More recently, we have added the Parkside and Strata Tiles brands into our Commercial business, both of which have significant heritage in the commercial sector. This year we acquired Pro Tiler Tools which was founded in 2008 by a family of tilers and is extremely well regarded within the trader community, and in addition we launched Tile Warehouse as we continue to grow the business. There are relatively few consumer-facing product brands in tiles so the brand of the retailer or distributor is very important for customers and clients and our brands are some of our most important assets.

#### STORE NETWORK

For our omni-channel Topps Tiles business, stores remain our primary channel to market and almost all of our customers will visit a store at some point during their purchase. We operate from 304 stores across the UK with an average footprint of 6,000 sq ft; however, the inherent flexibility in our operating model enables us to trade successfully from 3,000 sq ft up to 10,000 sq ft. This flexibility means Topps Tiles stores can be found in a wide variety of locations including high streets, retail parks, trade parks and on main arterial roads on routes to larger shopping destinations. Our store portfolio operates predominantly on a leased basis with an average unexpired lease term of approximately three years, giving us flexibility to manage the portfolio.

#### **FLEXIBLE SUPPLY CHAIN**

We source our products directly from manufacturers on a global basis, with a focus on building long-term strategic relationships with our manufacturing partners, while allowing flexibility including the ability to resource products from around the world as we react to local conditions. Owning as much of the post-manufacture supply chain as possible is a key aspect of our business model and an important source of competitive advantage. Our buying scale and customer reach allow us to develop product ranges with leading tile manufacturers that are genuinely innovative and to source them on an exclusive basis. Our investment in our supply chain includes our 150,000 sq ft warehouse in Leicester and a fleet of 22 commercial vehicles, together with the standalone supply chain infrastructure acquired as part of Pro Tiler Tools. This gives us an unrivalled control over our inventory and delivery capability.



#### **VALUE FOR STAKEHOLDERS**

#### **CUSTOMERS**

We deliver value to our homeowner customers by combining differentiated products with excellence in customer service, the convenience of a nationwide store network and world-class websites. This is combined with competitive pricing to ensure that all of our customers receive areat value

We deliver value to our commercial clients by providing access to a wide range of manufacturers' products, often on an exclusive basis. We combine this with friendly, efficient and professional customer service, significant environmental credentials, and our Group scale, which allows us to offer advantaged pricing and often advantaged availability, to deliver value to our clients.

#### **COLLEAGUES**

We invest significant amounts of time, effort and money each in the recruitment, retention and development of our colleagues. In Topps Tiles stores, commission payments often form a substantial part of our remuneration and our overall reward package is designed to support and maintain our high standards of customer service.

#### **SUPPLIERS**

Our scale enables us to form long-term relationships with many of the world's largest manufacturers of tiles and related products and we often work collaboratively with them to develop new products, guaranteeing supply for them and securing exclusive products for us. Our strategic supplier base accounts for 73% of our purchases and many of our supplier relationships go back for decades.

#### **SHAREHOLDERS**

We aim to deliver sustainable growth in Shareholder value. A part of this is through dividend payments and our revised capital allocation policy sees our dividend payments increasing from 50% to 67% of adjusted EPS over the next two years.

#### **SOCIETY**

We are part of over 300 local communities around the country. We play a full part in these communities, from providing employment opportunities to engaging in charitable activity and sponsoring local sports teams.



OUR GROUP GROWTH STRATEGY
IS DELIVERING . . . LEAVING US WELL
ON TRACK TO ACHIEVE OUR 20%
MARKET SHARE GOAL."



**Rob Parker** Chief Executive



# STRONG SALES IN ALL AREAS

#### SUMMARY OF PERFORMANCE

2022 was a second consecutive record year of sales for Topps Group. Following a record-breaking 2021, with revenues rising to £228.0 million, 2022 saw the Group deliver a further increase of 8.4% to £247.2 million. Adjusted profits before tax rose 4.0% year on year despite significant inflationary headwinds across gross margins and operating costs, adjusted EPS was up 2.0% and the full year dividend has increased 16.1% to 3.6 pence.

The strength of the UK RMI market continued to support our financial performance, but we believe our Group growth strategy is delivering. We estimate our market share in the year has increased from 17.6% in 2021 to 19.0% this year, leaving us well on track to achieve our 20% market share goal of "1 in 5 by 2025".

Sales performance was strong over the course of the year. Like-for-like sales in the Topps Tiles brand were up 22.7% on a two-year basis in the first half. In the prior year, like-for-like sales in Topps Tiles in the second half had been up 17.4% on a two-year basis and we had expected that some of this performance would soften this year as consumer spending on other areas, particularly holidays, travel and leisure, began to recover.

In fact, like-for-like sales in Topps Tiles continued to grow slightly in the second half of 2022, up 0.8% on a one-year basis. Overall, like-for-like sales in Topps Tiles were up 9.4% in the year on a one-year basis, and, when compared to the last pre-pandemic period of 2019, average sales per store were up 25.3%.

Sales in the Group's other trading businesses were also strong. Over the year, Parkside, our commercial brand, saw sales growth of 26.7%¹. Pro Tiler Tools delivered year-on-year sales growth of 32.4% across the 12-month period and Tile Warehouse generated a small amount of sales in its first few months of trading.

Pictured: Flute Bright Skies and Cliq White

STRATEGIC REPORT

We have maintained good stock availability over the course of the year, despite a variety of external factors impacting the Group, including significant supply chain disruption which included a dramatic rise in global shipping costs, a national shortage of HGV drivers and major issues at the UK's ports.

The year also saw significant gas price inflation, which directly increases tile pricing because gas, which powers kilns, accounts for a very significant proportion of the cost of manufacturing a tile.

Our response across the year has been to increase the prices of tiles to pass on this inflation to our customers on a pound-for-pound basis, which has protected gross profits but impacted the gross margin percentage.

The war in Ukraine also impacted the tile industry, as Ukraine has traditionally been an important source of clay for tile manufacturers based in European markets, however we successfully managed this through our strong supplier relationships. Wider cost pressures impacted our overheads including our own gas bill rising substantially, although these cost pressures were well controlled.

Overall, our sales performance was strong across all our businesses, our action on pricing, sourcing and cost control was effective, and adjusted profits before tax were £15.6 million,

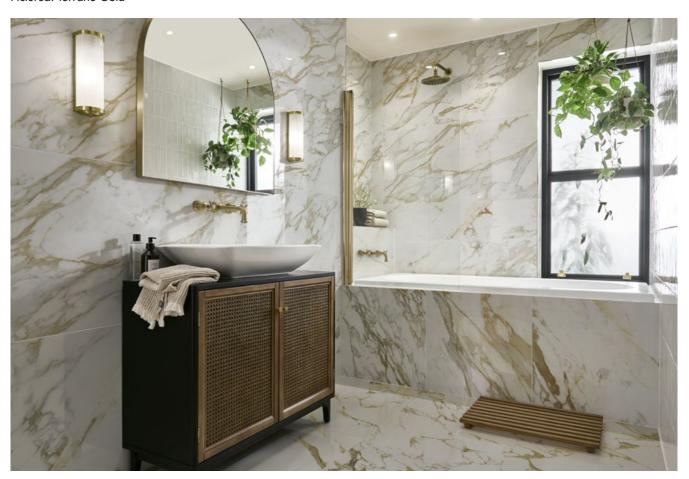
up 4.0% year on year  $^1$ . An important benchmark is to compare our performance in 2022 to our performance in 2019, the last financial year before the Covid pandemic. Relative to that trading period, Group sales in 2022 were £28.0 million higher (a 12.8% increase), adjusted profit before tax was up £1.9 million (a 14.1% increase) and market share has increased 2 percentage points.

Our balance sheet remains strong. Net cash at year end fell to £16.2 million (2021: £27.8 million) due to the acquisition of Pro Tiler Limited, the timing of dividend payments and a number of specific outflows, however, we have renegotiated our credit facilities and begin the new financial year with substantial financial strength. Given our profit performance and the strength of our balance sheet, we are proposing a final dividend of 2.6 pence per share, taking the full year dividend to 3.6 pence per share, 16.1% higher than last year.

Note 1: 2021 was a 53 week trading period, including 27 weeks in the second half. Year-on-year variances are therefore either comparing 52 weeks in 2022 against to 53 weeks in 2021 or, for H2 comparisons, 26 weeks in 2022 against 27 weeks in 2021.

Note 2: Adjusted profit before tax in 2019 has been restated in line with the IFRIC agenda decision on cloud computing (see the Financial Review) and includes the trading loss from the Parkside brand which was excluded from adjusted profit at the time.

#### Pictured: Torrano Gold



#### **PURPOSE, GOAL AND STRATEGY**

The core purpose of Topps Group is to inspire customers through our love of tiles. This gives us a very clear focus on our specialism in tiles and associated products, and encourages all our colleagues to be passionate about the products we sell. It also puts our customers at the heart of what we do and reminds us that all roles in the Group are either serving customers directly or supporting those colleagues that do.

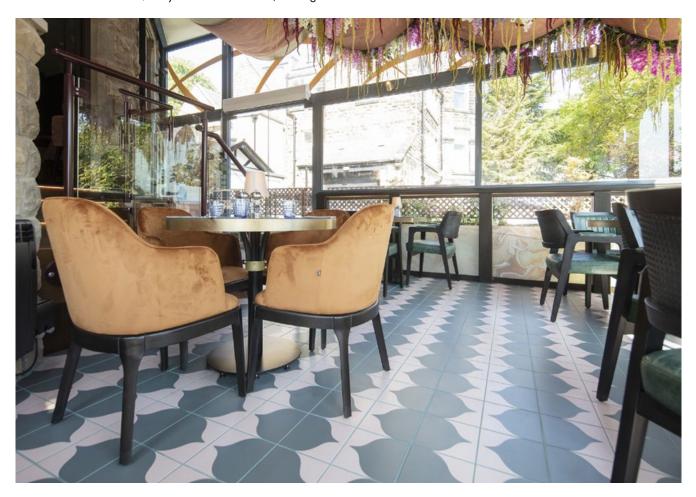
The value of the UK market for tiles, adhesives, grouts and tools is slightly over  $\mathfrak L1$  billion, and the market for all the products we sell is around  $\mathfrak L1.3$  billion, across the residential and commercial sectors.

In 2020, we announced a new goal for the business based on our market share, which was to account for  $\mathfrak L1$  in every  $\mathfrak L5$  spent on tiles and associated products in the UK by 2025: "1 in 5 by 2025". A 20% market share would represent a significant increase from our estimated 2019 market share of 17% and would require an out-performance of the market by around 3.5% per year between 2020 and 2025.

In 2021, we estimated that our market share in periods where we were allowed to trade without restrictions was approximately 17.6%, representing a good initial step towards our goal. This year, including the addition of Pro Tiler Tools into the Group, we have estimated our market share at 19.0%, leaving us well on track to deliver our goal by 2025. Given the growth in the market since 2020, our strategic moves into new areas and the recent success of the core business, our revenues are already almost at the level we set out for 2025 when the goal was launched, \$250 million, with three years to go.

In 2020, our strategy consisted of four elements – Retail, Commercial, Leading Product and Leading People. However, over the past two years, the Group has continued to develop and diversify. Our growth strategy to deliver our goal now consists of three business areas – Omni-channel (Topps Tiles), Commercial (Parkside) and Online Pure Play (Pro Tiler Tools and Tile Warehouse) – all of which are underpinned by our three Group strategies of Leading Product, Leading People and Environmental Leadership.

Pictured: Chandelier Pink/Grey at Lucia Restaurant, Harrogate



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#### **Group Growth Strategy**





**OMNI-CHANNEL** 

**Topps Tites** 



ONLINE PURE PLAY





COMMERCIAL PARKSIDE



**LEADING PRODUCT** 



**LEADING PEOPLE** 



**ENVIRONMENTAL LEADERSHIP** 

#### Culture

We are a community of small teams with big ambitions who trust each other, celebrate success, and put the customer at the heart of everything we do, that's the Topps Group way.



# LEADING PRODUCT





Topps Tiles is the UK's leading tile specialist, our expertise in the ranging, sourcing and procurement of tiles on a global basis is a core part of our competitive advantage. Over the last 18 months, the numerous pressures on the end-to-end supply chain for tiles has made this advantage more important than ever. Manufacturers have faced dramatic increases in the cost of production relating to gas prices and raw material inflation. Supply chains have been disrupted by HGV driver shortages, strikes in our ports and significant increases in global shipping costs.

Our ability to rely on long-term strategic relationships with our strategic supplier base, freight forwarding and logistics partners in this environment has been key. In the year, we sourced 73% of our supply from our strategic supplier base (2021: 70%). We have also responded by resourcing products towards suppliers or regions of the world which are less impacted by the factors above, as well as maintaining a strong inventory position.

As well as responding to the factors described above, we continued our iterative programme to develop and produce differentiated products that are innovative, of high quality and exclusive to Topps Group. During the year, we launched 34 new products into Topps Tiles (2021: 52 product introductions) and 76% of ranges within Topps Tiles are either exclusive or own brand (2021: 74%).

We also curated a new product range for Tile Warehouse, significantly extended our range of Everscape™ outdoor tiles, rolled out Luxury Vinyl Tiles to the majority of Topps Tiles stores, and are now trialling more category expansion in XXL tiles and shower panels

The role of product brands within the business has been an area of focus. First, we have created own brands which are portable across the Group, such as:

- Dex<sup>™</sup>, our tiling tools brand aimed at the general builder and DIY enthusiast;
- Regenr8<sup>™</sup>, our sustainable adhesive containing up to 53% recycled content;
- Excel Bond<sup>™</sup>, our core own brand of adhesive; and
- Rise<sup>TM</sup>, our new underfloor heating brand.

Secondly, we are increasing our understanding of the role of proprietary brands within non-tile products aimed at our trade customer base. Our acquisition of Pro Tiler Tools has increased our access to a very wide variety of trade-focused brands and we are currently working to understand the opportunity that these products may provide for trade customers within our Topps Tiles stores, where trade sales accounted for 59% of total sales in 2022, increasing to 60% in the final quarter.

Pictured: Elevo Oak Chevron and Revolution





Pictured: Matrix® Primrose Yellow Gloss Tile

# LEADING PEOPLE

The Group's success is underpinned by industry-leading levels of customer service. Our core product is both a building material, requiring technical knowledge, and a decorative item, requiring inspirational selling, and we need our colleagues to be able to work and communicate effectively across both areas, requiring high levels of capability and engagement.

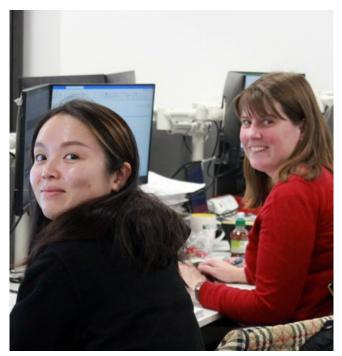
Our Leading People strategy is based around four key areas: recruitment and retention, colleague experience, capability and well-being.

Recruitment and retention has been a challenge for many companies over the last year. Given the tightness of the UK labour market, we have focused on improving our recruitment processes and better communicating our employer brand.

Our compensation strategy for service specialists within Topps Tiles includes an average of £2,500 per year in commission on top of basic salary, as well as pension contributions, an employee discount scheme and no evening, late night or Christmas working (which are common in equivalent jobs in retail and hospitality).

Our culture, based around small teams with big ambitions, who have high levels of trust and who celebrate success, is also a big part of the attraction of working for Topps Group.

Pictured: Support Office colleagues

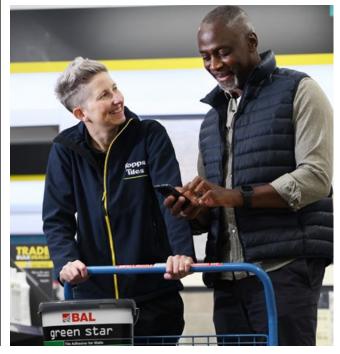


Other highlights in the year include the launch of our new charity relationship with Alzheimer's Society and an ongoing focus on colleague engagement through our Team-Talk employee forums. We also launched our new learning experience platform and extended our coaching programme across middle and senior managers. We aim to promote internally wherever possible, and we were pleased that last year, 65% of candidates appointed to management positions were internal promotions.

Our ongoing focus on well-being continues. A highlight last year was the launch of our new partnership with Bupa, which provides colleagues with occupational health support, an improved employee assistance programme and access to Bupa's wealth of resources on well-being. Much more information can be found on colleague experience, capability and well-being in the Sustainability section of the Annual Report.

The success of our Leading People strategy is evidenced by our customer satisfaction scores, and seen directly in our Employee Engagement scores which we measure through our annual MyVoice staff survey. Overall colleague engagement was at 80% in the last annual survey (FY 2021: 80%) compared with the UK average of 68%.

Pictured: In store



STRATEGIC REPORT 23



5. Topps Tiles managers6–10. Members of the Group logistics team

# ENVIRONMENTAL LEADERSHIP

Topps Group has a long history of considering its environmental impact. In 2004, we established our first environmentally focused working group; in 2010, we partnered with the Carbon Trust, implementing lighting energy efficiency upgrades which we have subsequently improved upon, year by year; and, in 2013, we began reporting carbon emissions in our Annual Report, providing a key metric for investors to evaluate the Group's environmental performance. However, the severity of the global climate crisis is growing and the requirements for all businesses to do much more to limit their environmental impact is clear. As such, in recent years, Topps Group has been accelerating its environmental agenda. In 2019, we established our Sustainability Council, a cross-functional committee now chaired by our Chief Executive, Rob Parker, which was tasked with aligning the business to a low carbon model. In 2021, we placed Environmental Leadership front and centre as part of the core strategy of Topps Group and we challenged ourselves with an ambitious goal of becoming carbon neutral across Scopes 1 and 2 by 2030, five years ahead of the BRC's equivalent target for the wider retail industry. This year we are delighted that our Commercial business has become carbon balanced – the first part of the Group to reach this milestone. Other improvements have included the addition of EV chargers at our Head Office and the renewal of our commercial fleet with more efficient, lower polluting vehicles, which, alongside improved driver training and the latest route planning software, led to our fleet using 6% less fuel than the previous year (despite covering 2.1% more miles). Carbon emissions per store are down 35.4% year on year as a result of the Group moving to a renewable source of electricity in 2022. We believe the Scope 3 emissions are far more significant than Scope 1 and 2 while being harder to monitor and influence. As such we will start to report the Group's Scope 3 emissions from 2024. In 2022, we have added a second pillar to our Environmental Leadership strategy: supporting circularity. As part of this, we have signed up to WRAP's Plastic Pact UK, obligating us to eliminate non-recyclable plastic packaging, and we have begun promoting recycled content in products at the point of sale, both online and in-store, to help customers make environmentally conscious choices. We have reformatted the five elements of our Environmental Leadership strategy from 2021 into two main pillars, governed by our Executive-led Sustainability Council. These are:

- 1. Achieving carbon balance (Scopes 1 and 2)
  - Reduce as much as possible our current carbon emissions
  - Use high quality, auditable carbon offsets to balance the remainder by 2030
- 2. Supporting circularity
  - Work with partners to minimise waste and manage the remainder responsibly, with a focus on recycling
  - Drive innovation to increase the use of recycled and recyclable materials in tiles, related products, and packaging (e.g. through the Plastic Pact UK)





Pictured: Diamante White

# CARBON BALANCED WITH WORLD LAND TRUST

arkside's partnership with World Land
Trust has become a key part of our Groupwide Environmental Leadership strategy,
which has already protected more than
335,000m² of biodiverse habitat through
the 40 for 40 programme.

This sees a donation of 40p donated to the Trust's Buy An Acre programmes, preserving natural habitats, for every square metre of tiles sold which contains more than 40 per cent of recycled content – currently available on more than 40 tile ranges.

Earlier this year Parkside also achieved carbon-balanced status with World Land Trust (WLT).

During an intensive phase of analysis, WLT investigated the emissions caused by Parkside daily operations. This included calculating energy use at our offices and design studios, the emissions of company fleet vehicles, the delivery of products, sampling and more. Thanks to work already taken to adopt better environmental practices, our total carbon greenhouse gas emissions were measured at 405 tonnes for the year.

These emissions are now being offset through the protection of carbon-rich habitat via World Land Trust's Carbon Balanced programme.

Carbon Balanced is a unique programme that leverages REDD+ (Reducing Emissions from Deforestation and Forest Degradation) projects to protect highly biodiverse areas under threat from human activity. Since its outset, supporters of Carbon Balanced have offset more than 610,000 tonnes of carbon and provided over £2.5 million of funding. With the planet warming up, the protection of standing forest not only encourages native species but also absorbs CO<sub>2</sub> emissions in the future. We're supporting biodiverse WLT projects in Ecuador, Mexico and Vietnam.

Parkside's Carbon Balanced status underlines our commitment to supporting a more sustainable future for tile specifications. We do this by contributing to a sustainable society through our partnerships with organisations such as WLT, and through continuous improvement and innovation in tile and installation solutions.



Pictured: Jaguar from Ecuador WLT project

# **OMNI-CHANNEL**



Topps Tiles is our well-established, market-leading, omni-channel specialist, serving the domestic RMI market, with significant opportunities for further profitable growth.

This year saw record sales in Topps Tiles of £227.0 million (2021: £219.4 million over 53 weeks), with like-for-like sales growth of 9.4%. Sales per store were 25.3% higher than in the pre-pandemic period of 2019 and total profit in Topps Tiles has increased despite having 15% fewer stores compared to that year. Our strategy for future growth focuses on three main areas: increasing customer numbers, online and in store, delivering world-class customer service, and management of our physical store portfolio. Our customer base continues to be a mix of professional trade customers and homeowners. Trade customers are key as they provide repeat custom and also form an important link to homeowners, both in terms of recommendation and also direct sales on behalf of homeowners who prefer to transact through their fitter rather than with us directly. We have been actively growing our sales to trade customers over recent years, as follows:

FY15	FY19	FY22	Q4 FY22
50%	56%	59%	60%
	1110	1113	

As such, the business is now more of a merchant than a retailer, with the majority of sales being made to professional tradespeople. This year, our sales of products other than tiles (such as adhesives and grouts) have been encouraging and we have maintained good levels of stock and offered particularly keen value to our trade customers across these product areas, including trade pricing, bulk deals and a trade loyalty scheme. We also provide a direct sales team, which offers contractors and larger trade customers an enhanced service. Growing customer numbers is a key function of our digital operations, as we know that many purchasing journeys start with research online. This year we have made various technical improvements to our multiple award-winning website, for example halving page load speeds and adding new payment methods. We have launched a new app for trade customers and extended our social media presence, including a launch on TikTok. At the end of the year, we launched a Topps Tiles range on Very.co.uk – this is Topps Tiles' first move into marketplaces and is a good fit given Very's core customer group is complementary to Topps Tiles' customer base.

The output of this work is that we enjoy high levels of brand awareness online. Our website, toppstiles.co.uk, has higher brand searches than any other flooring retailer in the UK, we have the second highest brand awareness (behind SCS) and the third highest visibility (behind SCS and Carpetright) (Source: "Flooring – Salience Index 2022"). We also maintained our

position as the leading tile specialist in Internet Retailing's annual "RetailX Top 500" report and were ranked in the top 100 websites across the whole of the UK retail sector in that report.

Our stores remain central to our omni-channel offer, particularly for our trade customers. Given the nationwide coverage of our store estate, almost every customer will visit a store at some point in their purchasing journey, and almost all customers will visit the website too. This year we have established three store formats within Topps Tiles. 33 of our largest stores are branded as "Topps Tiles' Superstores". These larger stores contain the widest breadth of Topps Tiles range of products as well as further amenities and are now, following modest investment, outperforming the rest of the estate. Our 14 "Topps Tiles Clearance" stores provide even greater value to customers, while allowing us to clear mixed batch and discontinued lines. The balance of 257 stores are core stores, which will continue to deliver excellent service and range for trade and homeowner customers

This year we completed our multi-year programme of store closures, and we believe our estate is now right-sized. During the year we closed ten stores and opened one. The Topps Tiles store estate has reduced from 372 stores at the end of 2017, to 304 stores at the end of 2022, a reduction of 18%, and this reduction in stores has helped drive incremental profits as we transitioned sales from closed stores to other local stores while reducing our cost base. Our estate management has been strong throughout the process, and we finished the year with 11 closed Topps Tiles sites (down from 21 at the start of the year, despite ten additional Topps Tiles store closures in the year), of which four more are expected to exit the business in the first half of 2023. We retain a flexible property portfolio, with an average unexpired lease term to the next break opportunity of 2.8 years (2021: 3.3 years), or 2.6 years excluding strategically important stores (2021: 3.0 years).

Through the quality of our digital operations, our store estate and our colleagues, we aim to deliver world-class service. Homeowners shop with us infrequently and require advice and expertise, whether in store or online, and trade customers value strong local relationships and technical knowledge. We were delighted that our customer satisfaction levels improved again in 2022, from 88% last year to 90% this year. That means that 90% of the c.17,000 customer surveys which we collect each year rated us as five out of five – we believe this is a genuinely world-class result.

Overall, Topps Tiles has had a very strong year both financially and strategically, with good growth in sales and profits, a right-sized estate with new formats in place, further developments in digital, a move into marketplaces in place with Very, growth in trade sales and even higher satisfaction scores from our customers.

# OUR OMNI-CHANNEL JOURNEY

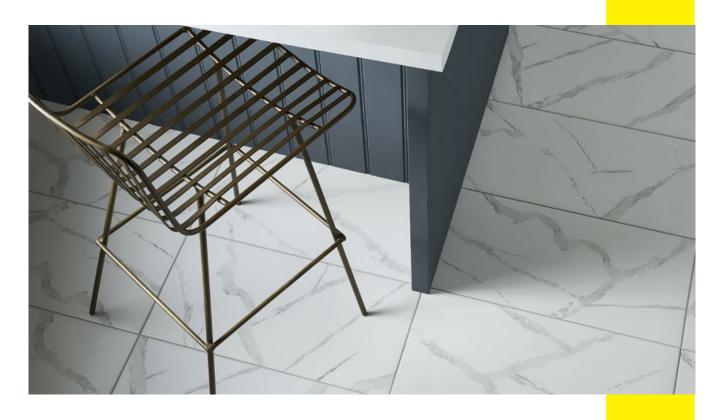
his year our Retail brand Topps Tiles truly moved into the world of omni-channel trading with increased focus on our digital offering to online customers and tradespeople. The ongoing development of our website and our continued focus on improving the online experience has been reflected in recognition from numerous awards from the likes of Adobe, The Tile Association and the Global eCommerce Awards. Our trade website also won in the best B2B website category at the UK eCommerce Awards and the Retail website was independently named by Salience as the best site (by some way) in the tiling industry for brand awareness, visibility, authority, social score and referring domains.

With a focus on continuous improvement of the online user experience, we complete around 50 pieces of website development every month, from a redesign of product pages to be more mobile-friendly to stronger calls to action for "add to basket" and "order a sample".

We also improved our delivery offering for customers online, providing pre-order options as well as a new and improved online search tool to aid customers in their search for their perfect product.

As well as creating a first-class digital experience for users, we have continued our efforts to maintain our already-outstanding search engine optimisation, and we appear on page one of Google for 99% of high volume tile-related keywords.

Social media continues to be of the utmost important for us as we launched our own TikTok channel in 2022, as well as investing in paid social activity across various platforms including video content on YouTube.



Pictured: Stacara



Our omni-channel brand Topps Tiles enjoyed a second successive year as the main sponsor of Leicester Tigers, which saw a record-breaking sales year for Topps Group, and the Premiership Championship win for the Tigers.

The partnership not only saw the Topps Tiles' brand displayed at the team's Leicester stadium, but also generated millions of pounds worth of media coverage, through televised games, social media, press coverage and sales of merchandise.

In addition, colleagues of Topps Group had access to match tickets, including the corporate box hospitality, competitions and raffles for signed balls and shirts, discounted merchandise, and the Premiership Trophy made a special stop at Leicester support office where colleagues had their photographs taken to mark the Championship win.

"We are delighted to extend our partnership early with Topps Tiles." said Mark Davies, Chief Revenue Officer. "Since they have arrived at the club, like all of our partners, Topps have fully immersed themselves into our culture, bought into our vision, and subsequently played a vital role in getting this club to the position it is today.

"The supporters have also been at the heart of the partnership; be it purchasing tiles themselves, taking part in the Topps Golden Tile on a matchday, voting on the Try-umph of the month competition through to securing the latest Tigers shirts.

"As such, we'd like to thank them for getting behind it along with everyone within Topps Tiles and we are now excited to take the next steps of our journey, together, over the coming years."

Topps Tiles Retail Managing Director, Richard Carter, said: "We share a lot of DNA with Leicester Tigers and our first two years as lead sponsor have been a huge commercial success. The partnership has flourished with good co-created social media content, excellent TV coverage, including the two most watched games of all time, fantastic press coverage and great player appearances. These have combined to improve our brand awareness.

"We have also been able to involve our colleagues with a chance for our team to be able to lift the trophy as well as a chance to meet the players and coaching team.

"We are proud to partner with the current Premiership champions and are excited about the opportunity in the seasons ahead."



- More than 350,000 tickets sold to matches at the Tigers' home stadium in Leicester, seeing the Topps Tiles' brand on shirts, programmes and perimeter advertising boards
- TV audience for matches of 6.7 million, including
   1.1 million for the Premiership Final
- Total duration of assets seen throughout the season was more than 161 hours
- Social media reach of more than 68 million, engagement of more than 5 million



# ONLINE PURE PLAY: PRO TILER TOOLS AND TILE WAREHOUSE

In 2021 we identified a significant opportunity to add complementary trading businesses which operate solely online, serving different customer groups with different needs, but always focused on our specialism of tiles and associated products, to Topps Group. These businesses can benefit from the Group's scale, flexible supply chain, financial resources and operational expertise, and in turn the rest of the business can benefit from the specialist knowledge and experience of new colleagues from these successful online businesses as they join the Group. In 2022, we added two new Online Pure Play trading businesses to the Group – Pro Tiler Tools and Tile Warehouse – and we see the potential for more in time.

#### PRO TILER TOOLS

The Group acquired 60% of the issued share capital of Pro Tiler Limited in March 2022, with a contract to acquire the remaining 40% in 2024. Pro Tiler Tools is an online specialist supplier of tiling-related consumables and equipment to trade customers. Pro Tiler is highly complementary to the existing Group's operations, enabling us to serve trade customers both physically (through Topps Tiles) and online (through Pro Tiler Tools).



Pictured: Pro Tiler Tools at Futurescape 2022

Trading post-acquisition has been strong. On acquisition, we reported that Pro Tiler's sales in the 12 months to January 2022 were £11.9 million. Sales in the 12 months to September 2022 were £14.7 million and sales in the second half of the Group's financial year annualise at £16.5 million. Year-on-year sales growth across the full year was 32.4%. The business runs at a gross margin of approximately 30% meaning that continued growth will have a dilutive impact to the Group's percentage gross margins, but will provide incremental gross profits. We are targeting sales in excess of £25 million over time from Pro Tiler Tools.

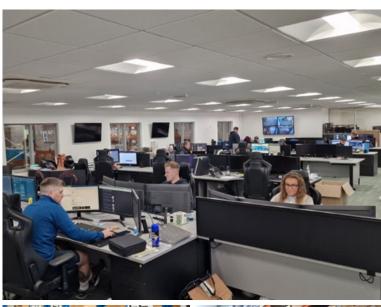
The Pro Tiler Tools platform, management and team also allow us the opportunity to grow in other areas of the online market and the Group is encouraging the team to deliver additional value where appropriate. Additionally, Pro Tiler Tools has access to a significant number of proprietary brands which we believe will present opportunities for further long-term value creation for the wider Group.

#### **TILE WAREHOUSE**

Tile Warehouse was launched in May 2022 as a new online-only brand built from the ground up to offer homeowners everyday low pricing on a focused range of tiles and associated products. Tile Warehouse focuses on quality tiles at very competitive price points and is complementary to Topps Tiles as it will target a different customer group, while leveraging the Group's scale, supplier relationships, digital expertise and financial resources. The market for online-only tiles in the UK is estimated to be worth more than  $\mathfrak{L}\,100$  million and we are targeting sales of approximately  $\mathfrak{L}\,15$  million from Tile Warehouse within the first five years. We expect to make small losses in the first few years as the brand is established but believe it will play a significant role in the Group as we move forward.

The first few months of trading have been focused on establishing the technical aspects of the offer including product range, samples, online functionality, search strategies, SEO content and supply chain solutions. The brand has been developed at a low cost however the investment in growth will start in 2023 as we start to invest in pay per click to drive traffic in a more meaningful way.

# ONLINE PURE PLAY BEHIND THE SCENES









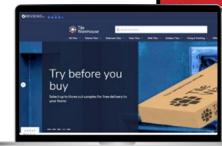












# COMMERCIAL: PARKSIDE



Parkside is a specialist tile distributor, aimed at architects, designers and contractors in the commercial market. Becoming part of Topps Group in 2017, Parkside is now a top-five competitor within the sector and is established as one of the fastest growing brands in this market.

This year, Parkside delivered a fifth consecutive year of record sales, up 26.7% to £10.9 million (2021: £8.6 million over 53 weeks). This represents a significant out-performance of the new build commercial market, which was up 2.5% in the year (across all product types) but remains 21.7% lower than its level before the Covid-19 pandemic (source: ONS). We estimate that the element of the commercial market for tiles and associated products which is attractive for us to address is worth approximately £200 million. On that basis, Parkside represents at least a £25 million sales opportunity for the Group.

In the year, Parkside acquired more than 120 new clients, ranging from one-off purchases to repeat business across multisite locations, and continued to push forward in its specialist sectors of retail and leisure, hotels, infrastructure and transport, and residential.

The business is building a strong sales culture and has further opportunity to leverage the Group's scale and infrastructure, in areas such as brands, supply chain and inventory.

Environmental credentials are particularly important to architects and designers focused on the commercial market, and we work with them to build sustainability into their projects. This year, Parkside became the first part of the Group to become carbon neutral across Scope 1 and 2 emissions, building on our ISO14001 accreditation, recycled and recyclable samples packaging, commitment to sustainable products, our various CPD sessions at our Clerkenwell Sustainability and Design Studio and many other initiatives.

Parkside's financial performance is improving at pace. Trading losses in the year halved to £0.8 million (2021: £1.6 million loss), however £0.7 million of that was from the first half year, and the business was trading at breakeven by the final quarter. We expect Parkside to deliver a positive contribution to the Group's profitability in 2023.

Pictured: Lucia Restaurant Harrogate



#### KEY PERFORMANCE INDICATORS

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:

#### **FINANCIAL KPIs**

Group Revenue Growth Year-on-Year

8.4%

2021: 18.3% YoY: n/a

**How We Calculate This** 

Total Group revenues.

Topps Tiles Like-for-Like Sales Growth Year-on-Year\*

9.4%

2021: 19.6% YoY: n/a

**How We Calculate This** 

Sales from Topps Tiles omni-channel (stores and online) where stores have been trading for more than 52 weeks.

**Group Gross Margin** 

54.8%

2021: 57.3% YoY: (2.5) ppts

How We Calculate This

Group gross profit divided by Group revenue.

Adjusted Profit Before Tax\*

£15.6M

2021 restated: £15.0m YoY: +4.0%

#### **How We Calculate This**

Group profit before tax, excluding items that are either one-off in nature or fluctuate significantly from year to year.

Adjusted Earnings
Per Share\*

6.14p

2021 restated: 6.02p YoY: +2.0%

#### **How We Calculate This**

Group earnings per share, adjusted for items that are either one-off in nature or fluctuate significantly from year to year, including the impact of corporation tax.

Adjusted Net Cash\*

£16.2M

2021: £27.8m YoY: £(11.6) million

#### How We Calculate This

Cash and cash equivalents less bank loans, before unamortised issue costs. It excludes lease liabilities under IFRS16.

**Inventory Days** 

126

2021: 123 YoY: +3 days

#### **How We Calculate This**

Inventory value divided by cost of sales multiplied by 365 days.



<sup>\*</sup> As defined in the Financial Review

#### **NON-FINANCIAL KPIs**

Topps Tiles Customer Overall Satisfaction Score

**89.9**%

2021: 88.4% YoY: +1.5 ppts

#### **How We Calculate This**

Calculated from responses we receive through our TileTalk customer feedback programme in Topps Tiles (omni-channel)<sup>1</sup>.

Carbon Emissions Per Store (tonnes per annum)

15.5

2021: 24.0 YoY: (35.4%)

#### **How We Calculate This**

Actual electricity, gas and transport fuel consumed<sup>2</sup>.

Colleague Turnover

36.5%

2021: 31.2% YoY: +5.3 ppts

#### **How We Calculate This**

Total number of leavers in a period divided by average number of colleagues in a period, as a percentage.

Number of Topps Tiles Stores at Year End\*

304

2021: 313 YoY: (9)

#### **How We Calculate This**

Number of Topps Tiles stores open at 1 October 2022.

#### Notes:

- Customer overall satisfaction scores are calculated from the responses we receive through our TileTalk customer feedback programme. Overall satisfaction (OSAT) is the percentage of customers that score us 5 in the scale of 1–5, where 1 is highly dissatisfied, and 5 is highly satisfied.
- <sup>2</sup> 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. Carbon emissions per store for FY21 have been restated to remove emissions connected with sub-contractors, which classify as Scope 3 emissions and do not form part of this metric.
- \* As defined in the Financial Review

Pictured left page: Diamante Lavender

Pictured below left: Sia Ivory

Pictured below right: Saplewood Grey





### FINANCIAL REVIEW

# INCREASE IN REVENUE AND PROFIT



I AM CONFIDENT THAT WE WILL CONTINUE TO DELIVER GROWTH AND CREATE VALUE OVER THE MEDIUM-TERM."



# CONFIGURATION COSTS IN A CLOUD COMPUTING ARRANGEMENT

Following the IFRS Interpretations Committee's agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements, including Software as a Service (SaaS), the Group has reviewed and revised its accounting policy relating to IAS 38 "Intangible Assets". This has resulted in reclassifying £0.8 million of expenditure that was previously capitalised as an intangible asset and expensing this to the Consolidated Statement of Profit and Loss as administrative costs. The impact on profit before tax for the 53-week period ended 2 October 2021 is a reduction in profit before tax and adjusted profit before tax of £0.3 million. The impact on the 52-week period ended 1 October 2022 is a reduction in profit before tax of £0.2 million. All 2021 comparatives in the Financial Review and the financial statements have been restated and further details are given in the notes to the accounts.

#### **ADJUSTED MEASURES**

The Group's management uses adjusted performance measures, to plan for, control and assess the performance of the Group.

Adjusted profit before tax differs from the statutory profit before tax as it excludes the effect of one-off or fluctuating items, allowing stakeholders to understand results across years in a more consistent manner. In line with the prior year, we have included the business-as-usual impact of IFRS 16 in adjusted profit but continue to adjust for any impairment charges or impairment reversals of right-of-use assets, derecognition of lease liabilities where we have exited a store, and one-off gains and losses through sub-lets.

In the period 2022–2024 we will also exclude the accrual relating to the 40% purchase of shares of Pro Tiler Limited which we expect to make from March 2024, which under IFRS 3 is treated as a remuneration expense rather than an acquisition cost, and this period we have excluded deal costs related to the Pro Tiler Limited acquisition and set-up costs relating to Tile Warehouse.

GROUP REVENUE (£)

Year-on-Year: +8.4%



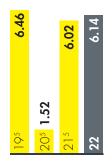
GROSS Margin (%)

Year-on-Year: (2.5) ppts



#### ADJUSTED EARNINGS PER SHARE (£)

Year-on-Year: 2.0%



5 Prior year values are restated following the adoption of the IFRIC agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements. See note 2(A) in the notes to the financial statements. Analysis of movements from adjusted profit before tax to statutory profit before tax are detailed below:

	2022	2021 £m
	£m	(restated)
Adjusted profit before tax	15.6	15.0
Property		
Impairment of property, plant and equipment	(0.5)	(1.0)
Vacant property and closure costs	(1.7)	(2.1)
Store closure impairments and lease gains and losses	(0.2)	(0.2)
	(2.4)	(3.3)
Business Development		
Pro Tiler Tools deal costs	(0.2)	nil
Pro Tiler Tools share purchase accrual	(1.6)	nil
Tile Warehouse set-up costs	(0.5)	nil
	(2.3)	nil
Other		
Business rates relief from April to September 2021*	nil	2.3
	nil	2.3
Statutory profit before tax	10.9	14.0

<sup>\*</sup> In the second half of the prior year we included a normal level of business rates within adjusted profit, despite business rates relief of £2.3 million over this period, to allow improved comparison with the future and prior years. The business traded without material restrictions in the second half of the prior year, and not including a business rates expense within adjusted profit for this period would be unrepresentative of our underlying performance. This contrasts with the first half of the prior year where we suffered material trading restrictions and so no adjustment for business rates relief was made.

Adjusted earnings per share is adjusted for the items listed above, as well as the impact of corporation tax. In addition, adjusted earnings per share excludes a non-repeating credit of £1.2 million relating to deferred tax adjustments in respect of previous periods.

#### **ACQUISITION OF PRO TILER LIMITED**

The Group acquired a controlling 60% shareholding of Pro Tiler Limited on 9 March 2022, for consideration of £5.3 million in cash, plus a closing adjustment of £0.2 million. The Group will acquire the remaining 40% of the issued share capital from March 2024, based on an agreed multiple of profits for the 12-month period to March 2024.

Following the completion of a purchase price allocation exercise over the second half year, the Group recognised the following amounts on acquisition: tangible assets of £1.6 million, including £0.9 million of net cash, £0.2 million of net working capital and £0.5 million of fixed assets, and intangible assets consisting of the brand value of £4.1 million net of deferred tax and goodwill of £2.1 million, together with a non-controlling interest of £2.3 million.

The brand asset will be amortised over ten years in line with it's estimated useful economic life.

The purchase of the remaining 40% of shares in Pro Tiler Limited will be accounted for as a remuneration expense over the earn out period, rather than contingent consideration, as required by IFRS 3, due to certain conditions placed on the selling shareholders to remain employed by the Group during this time. This expense will be treated as an adjusting item over the next two years and will therefore reduce the Group's statutory profit in forthcoming trading periods. This expense is not treated as a deductible expense for corporation tax purposes and therefore has increased the Group's effective rate of corporation tax in FY22 and over the next two financial years as a result of this accounting treatment.

The Group has consolidated the financial performance of Pro Tiler Limited from the date of acquisition, including revenue of  $\mathfrak{L}9.2$  million and profit before tax of  $\mathfrak{L}0.6$  million. Acquisition costs of  $\mathfrak{L}0.2$  million and remuneration costs of  $\mathfrak{L}1.6$  million in relation to the 40% share purchase were treated as adjusting items.

### FINANCIAL REVIEW

# STATEMENT OF FINANCIAL PERFORMANCE REVENUE

Total revenue for the 52-week period increased by 8.4% to £247.2 million (2021: £228.0 million). Revenue consolidated into the Group accounts by brand was as follows:

Revenue by brand (£m)	2022 (52 weeks)	2021 (53 weeks)	Variance
Topps Tiles	227.0	219.4	+3.5%
Parkside	10.9	8.6	+26.7%
Pro Tiler Tools	9.2	0.0	n/a
Tile Warehouse	0.1	0.0	n/a
Topps Group	247.2	228.0	+8.4%

Topps Tiles like-for-like sales were 9.4% higher than the prior year, which consisted of a 19.7% increase in the first half of the financial year and a 0.8% increase in the second half.

Total revenue in Topps Tiles was up 3.5% year on year to £227.0 million. There was a net closure of nine Topps Tiles stores in the year and the brand finished the trading period with 304 trading stores. Prior year revenue was impacted by trading restrictions related to the Covid-19 pandemic in the second quarter, when homeowners were unable to go inside our stores and registered traders were allowed to enter to visit the trade counter only.

In the commercial market sales to our clients through Parkside were up 26.7% year on year to £10.9 million. The Group consolidated sales of £9.2 million from the seven months of ownership of Pro Tiler Tools and recorded a further £0.1 million of sales in the start-up period of Tile Warehouse.

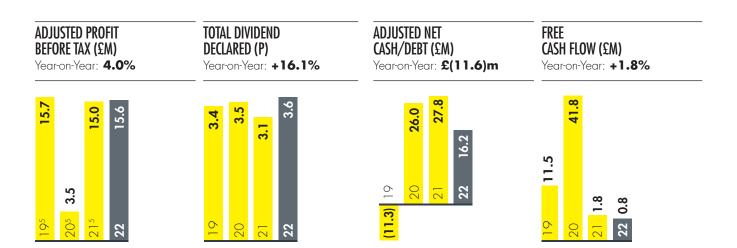
Overall, we estimate that 62% of sales in the Group are made to trade or professional customers, with 38% of sales direct to homeowners

#### GROSS MARGIN AND GROSS PROFIT

Group gross margin was 54.8%, a decrease from 57.3% in the prior year. Group gross profits increased £4.7 million to £135.4 million, including £3.2 million relating to Parkside, Pro Tiler Tools and Tile Warehouse.

The change in gross margin was due to three main factors. Within Topps Tiles, the impact of higher cost of goods following increases in gas prices, other raw materials and shipping costs in the year have been passed through to customers on a pound-for-pound basis. Our pricing response has protected gross profits but impacted the gross margin percentage by (0.9) percentage points. Secondly, there have been changes in customer and product mix, specifically improved sales to trade customers, more sales of products other than tiles, and new product areas including outdoor tiles and luxury vinyl tiles, which impacted gross margins by (0.5) percentage points. Finally, the growth in our other trading businesses, specifically the acquisition of Pro Tiler Tools and the growth in sales from Parkside, reduced Group gross margin by (1.3) percentage points. Other minor changes increased gross margins by the balance of 0.2 percentage points.

Gross profits increased across each of the three business areas due to the positive sales impact of the factors above.



<sup>5</sup> Prior year values are restated following the adoption of the IFRIC agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements. See note 2(A) in the notes to the financial statements.



# FINANCIAL REVIEW

#### OPERATING EXPENSES

Operating expenses were £120.6 million compared to £112.7 million in FY21 (restated), which included c.£6.7 million of business rates relief. On an adjusted basis, operating expenses increased from £111.7 million in FY21 to £116.0 million in FY22.

The £4.3 million increase in adjusted operating costs is explained by the following key items:

#### £ million

FY 2021 adjusted operating expenses	
(restated)	111.7
Reversal of H1 2021 business rates relief	4.4
Reverting to a 52-week accounting period	(2.0)
Holiday pay accrual normalisation	1.4
Increased utilities expense	1.0
Other regulatory and inflationary cost increases	3.5
Reduced store space (310 stores on average vs	
331 in 2021)	(4.3)
Other savings	(2.0)
Commercial and Online Pure Play	2.3
FY 2022 adjusted operating expenses	116.0

#### FINANCE INCOME AND COSTS

Interest on bank loans and overdrafts, net of bank interest receivable, was £0.3 million (2021: £0.4 million), relating to commitment fees payable on the revolving credit facility.

Net interest payable under IFRS 16 was £3.6 million, resulting in total net finance costs of £3.9 million (2021: £4.1 million).

#### PROFIT BEFORE TAX

Excluding the items detailed in the Adjusted Measures section above, adjusted profit before tax was £15.6 million (2021 restated: £15.0 million). The Group adjusted profit before tax margin was 6.3% (2021: 6.6%). Statutory profit before tax was £10.9 million (2021 restated: £14.0 million).

#### TAX

On an adjusted basis, the effective rate of corporation tax for the period was 21.8% (2021: 21.6%).

The effective rate of corporation tax for the period on a statutory basis was 16.0% (2021: 23.5%). The tax expense includes a one-off deferred tax credit in relation to previous periods of £1.2 million which is excluded from adjusted earnings per share metrics.

#### **EARNINGS PER SHARE**

Adjusted earnings per share were 6.14 pence (2021 restated: 6.02 pence). Basic earnings per share were 4.60 pence (2021 restated: 5.47 pence). Diluted earnings per share were 4.55 pence (2021 restated: 5.41 pence).

#### DIVIDEND AND DIVIDEND POLICY

In the 2022 Interim Results, the Group outlined a new Capital Allocation and Dividend Policy. We indicated that we would prioritise the following:

 Business resilience – we are an operationally geared business and our balance sheet and banking facilities must be strong enough to withstand cyclical economic downturns and unexpected shocks like Covid-19;

- Investment in the core business we operate a physical store estate which requires investment to remain attractive to customers, and we will support our strategy through merchandising, store refits and relocations;
- Value creative opportunities we believe it is beneficial
  to retain some cash to take advantage of value creation
  opportunities, such as bolt on M&A deals or other
  investments in growth;
- 4. **Dividends** we recognise that equity has a cost, and we understand the importance of regular dividend payments to our Shareholders.

The Board indicated that over the period from 2021 to 2023, it intended to increase the dividend payout ratio from around 50% of adjusted earnings per share to around 67%. As such, this year, the Board is proposing a final dividend of 2.6 pence per share, bringing the full year dividend to 3.6 pence per share, a year-on-year increase of 16.1%. This represents 59% of the adjusted earnings per share of 6.14 pence.

The shares will trade ex-dividend on 22 December 2022 and, subject to approval at the Annual General Meeting, the dividend will be payable on 3 February 2023.

# **STATEMENT OF FINANCIAL POSITION**ACQUISITIONS & DISPOSALS

The most significant acquisition in the period was the purchase of 60% of the shares of Pro Tiler Limited, as described in the section above.

In the prior year we disposed of three freehold or long leasehold stores for £2.1 million. There were no freehold or long leasehold store disposal or acquisitions in the current year.

At the period end the Group held two freehold or long leasehold sites, with a total carrying value of  $\mathfrak L1.0$  million (2021: two freehold or long leasehold sites valued at  $\mathfrak L1.0$  million). The carrying value is based on the historic purchase cost and capital expenditure less accumulated depreciation.

#### **CAPITAL EXPENDITURE**

Capital expenditure in the period amounted to \$3.2\$ million (2020: \$4.4\$ million), a reduction of 27% year on year.

Key investments were as follows:

- Topps Tiles stores including one new opening, store improvements, merchandising and maintenance – £2.5 million
- LED store improvement programme £0.3 million
- Group IT developments £0.4 million.

The Board expects capital expenditure in the year ahead to be between \$6 million and \$7 million. This compares to an average of \$8.1 million in the four years before the pandemic (FY16 to FY19) and is broadly in line with depreciation on property, plant and equipment and intangible assets. This amount will cover our core investment plans — any acquisitions that the Group may consider as part of its growth plans would be additional to this guidance.

#### INVENTORY

Inventory at the period end was £38.6 million (2021: £32.8 million) representing 126 inventory days (2021: 123 inventory days). The £5.8 million year-on-year increase in stock includes £2.6 million of additional stock relating to Pro Tiler Tools and Tile Warehouse, an increase of £4.2 million due to higher cost prices and a slight reduction of £1.0 million relating to the volume of stock in Topps Tiles.

#### **CASH FLOW**

On a statutory basis, net cash from operating activities was £22.9 million, compared to £26.4 million in the prior year.

The table below analyses changes in adjusted net cash flow:

	2022 £m	2021 £m
Cash generated by operations		
including interest and capital elements, before WC movements	18.5	20.7
Payment of deferred VAT	(2.1)	(3.7)
Other changes in working capital	(8.9)	(10.9)
Capital Expenditure	(3.2)	(4.4)
Disposals	0.2	2.1
Interest	(0.3)	(0.5)
Tax	(3.5)	(1.5)
Other	0.1	0.0
Free cash flow	0.8	1.8
Acquisition of Pro Tiler Limited,		
net of cash and debt acquired	(4.4)	0.0
Dividends	(8.0)	0.0
Change in adjusted net cash	(11.6)	1.8
Adjusted net cash at end of		
period	16.2	27.8

Adjusted net cash reduced by £11.6 million (2021: £1.8 million increase). This reduction was driven by the following main factors: a £11.0 million outflow in working capital including a £4.4 million increase in inventory, the repayment of £2.1 million of deferred VAT, a decrease of £3.5 million in other payables and an increase of £1.0 million in receivables; the purchase of 60% shares of Pro Tiler Limited at a cash cost of £4.4 million net of cash acquired and including the repayment of a loan immediately following acquisition; and the payment of £8.0 million of dividends, which included the full year payment relating to FY21 as well as the interim dividend from FY22.

Cash and cash equivalents at the period end were £16.2 million (2021: £27.8 million) with nil borrowings (2021: nil).

#### RETURN ON CAPITAL EMPLOYED

The Group's return on capital employed, including the impact of leases, improved from 17.2% in 2021 to 17.3% in 2022 following a slight increase in adjusted profit. Lease adjusted capital employed increased £7.2 million over the financial year as a result of a £4.0 million increase in total equity and a £11.6 million reduction in adjusted net cash, partially offset by a £8.4 million reduction in lease liabilities year on year. The Group defines return on capital employed as the annual adjusted operating profit divided by the average capital employed (net assets plus net debt, including lease liabilities).

#### **BANKING FACILITIES**

On 21 October 2022, the Group entered a new syndicated  $\mathfrak S30.0$  million revolving credit facility with two banks, which is committed to October 2025 with extension options for a further two years available. The new facility contains a slightly favourable interest rate structure compared to our previous  $\mathfrak S39.0$  million banking facility, which was due to expire in June 2023, and provides continued balance sheet strength and financial resilience for the Group into the medium term. At the year end, no banking facilities were drawn (2021: nil). Based on our year end net cash of  $\mathfrak S16.2$  million we have  $\mathfrak S46.2$  million of headroom to our new banking facility at year end (2021: headroom of  $\mathfrak S66.8$  million against the  $\mathfrak S39.0$  million facility in place at that time).

#### FORWARD GUIDANCE

Increased cost pressures will impact the profitability of the business in 2023. Overall, we expect around  $\mathfrak{L}5.0$  million of inflationary pressures year on year across our overhead base, in utilities, employment costs, property costs and other expenses. We will be able to offset some but not all of this through efficiency savings and as a result believe our profitability may modestly fall next year, in line with current market expectations.

While the Group has not historically demonstrated much seasonality in sales or profits across the two halves of the financial year, in 2023 we expect Group profitability to be more weighted towards the second half. The key drivers of this are: a gas expense which we expect to be approximately £1.7 million in the first half and £0.8 million in the second half; a normalised holiday pay accrual, with a debit in the first half of £0.7 million and a credit in the second half of £0.7 million; continued growth in the newer parts of the Group across the course of the year; and some easing in elements of supply chain costs as the year progresses.

# CURRENT TRADING AND MARKET CONDITIONS FOR THE YEAR AHEAD

There are substantial macroeconomic headwinds impacting both UK consumers and businesses. Consumer confidence is currently near to record lows and Government forecasts suggest the country is entering a recession which will continue throughout 2023 and possibly into 2024, impacting real incomes for UK consumers. Against this backdrop, our trading performance has been robust, with like-for-like sales growth in Topps Tiles over the first eight weeks of the new financial year of 3.4% and other parts of the Group performing in line with our expectations. Our market share growth during 2022 and our progress towards our goal of "1 in 5 by 2025", combined with our clear strategy and strong balance sheet, give us confidence that we will continue to deliver growth and create value over the medium term.

### RISKS AND UNCERTAINTIES

Our risk management approach has been developed to enable the business to identify, assess and manage the key risks by the business at corporate, strategic and operational levels. These risks inherently incorporate the significant risks faced by the business, which are summarised in the following pages. The key steps of the Group's risk review framework are outlined below:

- an annual strategic risk workshop which is attended by the Chair of the Audit Committee, Head of Internal Audit, Executive Committee members and other key senior members of the management team;
- the production of a strategic risk register which analyses the likelihood and impact of risks on an inherent and net basis;
- the Board, supported by the Audit Committee, conducts a robust review of the strategic risk register; and
- a quarterly update in the Board pack which includes a summary of the key risks identified, combined with mitigants and agreed actions.

Mitigation

#### MACROECONOMIC CHANGES AND CONSUMER CONFIDENCE

The general economic climate, and specifically consumer confidence, are important to Topps Tiles and events that may affect these factors present a financial risk to the business. The current macroeconomic outlook may deteriorate due to a combination of factors, such as high inflation and rising interest rates, which may lead to a decline in the tile market.

Over the long-term, consumers need to feel confident and have access to funding to invest money into their homes. A reduction in consumer confidence or ability to fund home improvements as a result of deteriorating macroeconomic factors could result in a contraction of the tile market, impacting revenue and

The business is in a strong position to face any market contraction. We have a strong net cash position with no debt and retain a significant level of available funding via a £30 million banking facility committed until October 2025.

This strong financial foundation, combined with tight control of costs, allows the Group to greater withstand short-term trading pressures. Macroeconomic indicators are reviewed as part of monthly Board pack. Early signs of adverse trends would be responded to with revised business plans and reduced levels of investment.

#### STATUS 1



Several key factors, most notably inflation, have changed over the past year which could have a material impact on consumer confidence and their ability to fund home improvements. The future economic outlook is uncertain and is likely to deteriorate further, which has resulted in the increase in this risk.

#### INFLATIONARY COST INCREASES OF PRODUCTS FOR RESALE AND NOT FOR RESALE

The current level of inflation across the UK economy has led to CPI of 9.9% in September 2022 and there are inflationary pressures across much of the world.

Suppliers may look to pass on increases in their input prices and fluctuations in exchange rates may also have a detrimental impact on costs

Key areas of potential inflation across goods not for resale are utility bills, rent and staff wages, amongst other variable costs.

Inflationary pressures are likely to result in increased costs for the business, which may be difficult to fully offset or pass on to consumers, particularly in the current macroeconomic climate. This could result in reducing profit margins and absolute profits if revenue does not sufficiently increase to offset lower margins.

The business has experience in successfully managing cost pressures. Strategic sourcing plans incorporate alignment with key sourcing partners and those geographically well placed to minimise inflationary pressures.

We operate an effective foreign currency hedging policy and utility contracts are fixed until September 2023. The business is able to reduce certain variable costs. Sales prices may also be actively managed, recognising the limited ability of consumers to absorb price rises.

#### STATUS N



Inflation in the UK and in many parts of the world has increased significantly in 2022, and is forecast to continue at high levels for at least 12 months.

Risks **Impact** Mitigation

#### SUSTAINABILITY AND CLIMATE CHANGE

In line with all businesses we have a responsibility to focus on sustainability and climate change to minimise our impact on the environment and our communities.

If we do not do this successfully, there is a risk of further legislation, regulation or taxation.

Any additional legislation, regulation or taxation in relation to sustainability and climate change could increase compliance costs for the Group.

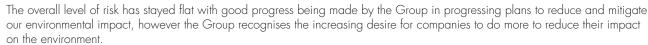
We wish to make consumers feel confident that the Group is a responsible corporate citizen and that we are doing all we can to minimise our environmental footprint. If we do not fulfil our responsibilities in this area, it could result in significant reputational damage and subsequent impact on future trade.

If we do not deliver against our climate targets, investors may choose to reallocate capital away from the Group, towards assets with lower impact on the environment.

The Group continues to focus on our "Environment Leadership" strategy with a goal of being carbon balanced by 2030. We are driving product innovation to increase the amount of recycled content in tiles and related products and we continue to assess new ways of reducing greenhouse gas emissions, minimising waste and increasing recycling. Our CEO, Rob Parker, takes responsibility for this element of the strategy with the support of our partners, the World Land Trust. We believe we are well placed to lead the thinking in this area across our industry. Stores are assessed for environmental risks, such as floods, and upgrades are assessed as required.

Please see the Environmental Leadership section of the Strategic Report and our TCFD disclosure for more information on this subject.

#### STATUS ↔



#### ATTRACTING AND RETAINING TALENT/LOSS OF KEY PERSONNEL

The exit of individuals key to the delivery of our strategy or the inability to find new talent to support the delivery of our growth agenda.

The failure to recruit or retain key individuals could impact on the ability of the business to deliver its strategic objectives.

Attracting talent is difficult due to the low levels of unemployment and higher wage inflation.

We focus hard on recruiting the right people, ensuring we have excellent on-boarding and training programmes to help us both attract and retain the right talent to the business. We provide a range of flexible benefits, both financial and non-financial, to provide a balanced employer brand which we believe is attractive to colleagues.

#### STATUS 1

The labour market has continued to tighten throughout 2022 and the challenges facing the Group in 2023 could make the loss of any key personnel more acute.

#### KEY:







↑ Risk has increased ↓ Risk has decreased ↔ No change N New risk





### RISKS AND UNCERTAINTIES

#### Risks Mitigation **CYBER SECURITY** The business may suffer a breach A temporary loss of systems would The Company uses modern systems and the of its IT systems security leading to be likely to result in an operational latest network and security protocols to protect either a loss of capability or a loss of impact which would adversely affect against attack or breaches of security. A customer and/or commercial data. sales and ultimately profits. disaster recovery server provision is in place and the majority of our servers now operate on The loss of commercial or customer virtualised technology. Access rights only allow data could result in reputational colleagues access to data that they need. Two damage to the Company and/ strategic cyber security partners are in place and or fines. additional active monitoring of security threats

#### STATUS $\leftrightarrow$

Cyber security continues to represent a significant risk for the Group. The underlying environment evolves at a significant pace which must be matched by continual improvements in our mitigation approach.

#### WAREHOUSE CAPACITY

The current warehouse capacity of the business may be unable to adequately accommodate the range and depth of stock required to support sales of the wider Group.

A failure to adequately invest in warehouse capacity could result in sales being lost or unfulfilled within promised timeframes.

Supply chain excellence projects have been defined and planned, covering improved utilisation of the current warehouse space, forecasting and management of product stock requirements and flexible options to increase warehouse capacity. In the short term, third-party storage may also be used.

is being implemented. Virus outbreak response

plans are in place.

#### STATUS N

The Group has diversified its businesses and product offerings in 2022, which, combined with higher stock holdings to support higher levels of revenue and mitigate supply chain risks, has placed additional pressure on warehouse capacity.

#### **GROWTH STRATEGY THROUGH DIVERSIFICATION**

The Group has sought to grow by diversifying offerings through organic initiatives and acquisitions. This requires investment of both capital and management time.

If targeted growth is not delivered by the diversification strategy, adequate Shareholder value may not be created by investments and the core business may suffer from a lack of management focus.

Management review the strategy in detail and consult external experts as appropriate. Any significant M&A activity is supported by thirdparty experts in due diligence. The strategy is refreshed and approved by the Board annually. Progress against strategic objectives is reviewed by the Board on a regular basis.

#### STATUS \leftrightarrow

The 2021 risk covering the successful delivery of the Commercial business strategy has been expanded to include the new businesses acquired and launched in 2022. The overall risk level has been maintained, with an increase in diversification being offset by the development of an appropriate management structure.

#### KEY:





↑ Risk has increased ↓ Risk has decreased ↔ No change № New risk





Risks Mitigation

#### GLOBAL PANDEMIC - INCLUDING COVID-19

Another global pandemic, including new strains of Covid-19, may result in trading restrictions being applied.

National lockdowns for Covid-19 included the closure of tile showrooms which had a material disruption to trading. A further risk would be a closure of our central warehouse facilities, and in particular, if store operations were restricted.

We remained agile throughout our supply chain during Covid-19 and traded reasonably successfully through the various lockdowns. We have well established pandemic protocols developed for Covid-19 which could be activated if needed.

In the event of a loss of the warehouse due to a new pandemic, we have contingency warehousing facilities available and could divert inbound stock from the port.

More generally, the strength of the Group's balance sheet provides resilience to help us withstand any periods of disruption.

#### STATUS **V**



The separate 2021 risks covering Covid-19 and another global pandemic have been combined in 2022 into this risk. The overall rating has decreased given the lower likelihood of further lockdowns being imposed to manage another Covid-19 outbreak.

#### **GLOBAL SUPPLY CHAIN**

Global supply chain pressures are restricting the availability of stock for sale, as well as adding additional cost pressure into cost of goods and shipping. In the longer term this may result in the consolidation of the supplier base, with global sourcing impacted by environmental factors.

Sales may be impacted by items being out of stock due to an inability to secure stock or capacity on ships and transport networks. Where resources can be secured, we may see material increases in supply chain costs, decreasing our profit margins.

Our buying scale helps ensure we secure factory capacity and appropriate supply chain resources. Our internal and partner logistics operations have proved sufficiently agile to deal with supply chain challenges. We will review the appropriateness of passing on additional cost pressures to consumers.

#### STATUS **V**



The overall level of this risk has reduced in 2022 following the successful implementation of the Group's sourcing strategy to secure supply and easing of logistical pressures, however, this remains a key area of focus for management.

The following items were included within the significant risks reported for 2021, but have now been removed for the reasons provided:

**Supply Chain:** This risk has been split in 2022 between the Warehouse Capacity and Global Supply Chain risks so that these key items can be assessed more effectively individually.

**Delivery Optimisation:** The overall level of this risk has reduced in 2022, given the continued resilience of the Group's product and service offerings following Covid-19.

**Appropriate Customer Offer:** The relative level of this risk has reduced in comparison to the other Group risks in 2022, so it has dropped outside of the top strategic risks included in the Annual Report.

Value erosion through M&A: This risk has been merged into the new Group Diversification risk above.

Major Reputational Damage: The relative level of this risk has reduced in comparison to the other Group risks in 2022, so it has dropped outside of the top strategic risks included in the Annual Report.

Store Portfolio: The level of risk has declined as we have added two Online Pure Play businesses in 2022 and also completed our store closure programme. Given these changes the relative level of this risk has reduced in comparison to the other Group risks in 2022 so it has dropped outside of the top strategic risks included in the Annual Report.

The Directors will continue to monitor all of the key risks and uncertainties and the Board will take appropriate actions to mitigate these risks and their potential outcomes.

# SECTION 172 STATEMENT

#### **SECTION 172 COMPANIES ACT 2006**

The purpose of the Strategic Report is to inform members of the Company and help them assess how the Directors have performed their duty under section 172 of the Companies Act 2006 ("s.172") which requires each Director to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this, the Director must have regard, amongst other matters, to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;

- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

The Board of Directors confirms that during the year under review it has acted in good faith to promote the long-term success of the Company for the benefit of its members as a whole, while having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. We define principal decisions as both those that are material to the Group, and that are significant to any of our key stakeholder groups, including our customers and suppliers, our people, Shareholders and our local communities and society in general. Details of significant decisions made during the year together with examples of matters discussed in the year by the Board, their impact on key stakeholders and how we have engaged with our stakeholders are included in the tables below and discussed throughout the Strategic Report.

#### Stakeholder

#### **OUR CUSTOMERS**

# Why it is important to engage with this stakeholder group

# In a competitive environment, our ongoing success depends on meeting customer needs and requirements more effectively than our competitors. We therefore recognise the benefits of consistent and continuous engagement with our customers to ensure that both our current products and those in development are suitable for their needs.

Customer service is a key competitive advantage for the Group. Only by engaging with, and understanding our customers, can we continue to meet their needs. We use this feedback to continuously improve our service offering.

#### How we engaged

# We receive c.25,000 customer survey responses every year, we also receive c.50,000 calls, live chats and emails into our customer services centre.

Customer satisfaction scores are a key metric for the business and are reported as a business KPI in this Annual Report.

To gain additional insight from our trade customers, we send out a trade survey every quarter and get around 1,200 responses on various subjects. We also have a closed Facebook group of around 1,000 traders which provides continuous direct feedback.

#### How we responded

We have a culture of seeking to celebrate success and will share positive customer feedback with specific colleagues where possible. We operate a Topps Tiles' superstar award scheme to reward colleagues with very strong customer feedback. We take negative customer experiences very seriously and operate a close the loop process for any negative review, where we will contact the customer and attempt to put matters right where we can. Customer-based feedback is an essential part of key decisions around range, price, channel to market and key investments.

Monthly Board reports cover customer service-based metrics, along with developments for product and customer service initiatives.

#### **OUR PEOPLE**

# Why it is important to engage with this stakeholder group

All strategic initiatives are delivered through our colleagues, they are fundamental to the successful delivery of our strategy, as we continue to work to enhance our reputation for providing excellent customer service.

#### How we engaged

We perform an annual Company-wide engagement survey (MyVoice) with 79% completion rate in the winter 2021 survey. We have a structure of routine team feedback via a forum called Team Talk.

We track colleague turnover closely and perform exit interviews to ensure we understand why colleagues choose to leave and have a whistleblowing procedure where colleagues can anonymously raise any concerns.

#### How we responded

A member of the Board, Kari Daniels, is a designated Employee Engagement Director and provides feedback directly to the Board on matters discussed at scheduled "Team Talk" meetings. Monthly Board reports cover matters concerning colleagues, including health and safety, and feedback from our (MyVoice) colleague engagement programme. In addition, the Board and management have direct contact with colleagues through frequent visits to stores.

#### Stakeholder

#### **OUR SHAREHOLDERS**

# Why it is important to engage with this stakeholder group

# We rely on our Shareholders as providers of capital funding to support our strategic objectives.

Investors need us to protect and manage their investments in a responsible and sustainable way that generates value for them.

#### How we engaged

The Executive Directors regularly engage with larger and institutional Shareholders through a combination of personal contact and formal presentations and roadshows including six investor performance updates per year. The Chairman interacts with holders through a regular annual engagement programme. Our Annual General Meeting provides an important opportunity for Shareholders to interact with all of our Directors, raise matters and vote on resolutions.

We work with the sell-side analysts connected to our industry to provide the wider market with information about the Company's performance, position and strategy.

#### How we responded

Shareholder feedback along with details of movements in our Shareholder base is regularly reported to and discussed by the Board, to ensure that decisions are made with an understanding of the views of our Shareholders.

This year we have engaged with Shareholders concerning our updated capital allocation policy (see below) and our revised remuneration policy which will be proposed for approval at the 2023 AGM.

#### **OUR SUPPLIERS**

# Why it is important to engage with this stakeholder group

Our expertise in the ranging, sourcing and procurement of tiles on a global basis is a core part of our competitive advantage. We work directly with carefully selected manufacturing partners to develop and produce differentiated, innovative, quality products that are often exclusive to the Group and therefore maintaining and enhancing our relationships with those suppliers is key to our success.

High standards of business conduct working with our suppliers are fundamental to the delivery of this strategy.

#### How we engaged

The past year has been one of significant turbulence for suppliers, with challenges around sourcing raw materials, significant input cost inflation including energy, movements in exchange rates, and production challenges. During this period, we have worked closely with our suppliers to overcome challenges in the supply chain and maintain stock availability for our customers.

#### How we responded

The Board receives regular product and supplier-based updates, including cost inflation updates and how these are managed in terms of consumer pricing.

The business has undertaken a number of supplier transitions to build the strongest supplier base to support the longer-term aims of the expanding Group, while continuing to work collaboratively with our core group of "Tier 1" suppliers.

# SECTION 172 STATEMENT

Stakeholder SOCIETY		
Why it is important to engage	How we engaged	How we responded
with this stakeholder group		
community and minimising our impact on the environment is increasingly valued by our customers and society at large.  We believe that a positive response to these challenges can be a source of competitive advantage while also being the right thing to do.  Colleagues and customers have always been generous supporters of our chosen charity and we continue to value the impact we can have in the communities	We have a range of initiatives focused on the environment and the Board receives regular updates and is regularly consulted, see pages 50 to 53 of the Strategic Report.  We have a rotation policy for charity support partners and have completed our seven years' support period for Macmillan, our new charity partner Alzheimer's Society was chosen by a	In 2021 the Board placed Environmental Leadership at the centre of our future strategy, we also announced our goal of becoming carbon balanced by 2030 as a Group. This year, our Commercial business became carbon balanced, the first part of the Group to do so. See pages 24 to 25 of the Strategic Report and our TCFD statement for further information on this.
	vote from colleagues with nearly 1,000 colleagues registering their vote.	The Board is regularly consulted on our social agenda.
in which we operate.		The Company's social and charity agenda is discussed on pages 54 to 57 of the Strategic Report.

While it is acknowledged that it is not possible for all the Board's decisions to result in a positive outcome for every stakeholder group, when making decisions the Board considers the Company's purpose, vision and values together with its strategic priorities and takes account of its role as a responsible business. By doing this, we aim to make more robust and sustainable decisions which will add value for all stakeholders over the longer term.

#### PRINCIPAL DECISIONS DURING 2022

Areas of Board activity and the issues and matters that it has considered can be found throughout the Strategic Report. Detailed below are three case studies of decisions taken by the Board in the year, which required the Board to carefully consider different stakeholder groups and how they impacted the success of the Group, and their long-term (financial and non-financial) impact while having due regard to the matters set out in \$172(1)(a) to (f) of the Companies Act 2006.

Case Study Topic – Matter Dis	cussed	
Development of On	line Pure Play – acquisition of Pro Tiler and in	ternal development of Tile Warehouse
Stakeholders considered	How we engaged and what we did to consider stakeholders	Decision
CUSTOMERS	Customer analysis identified specific customer groups that were less well served by the Group's core omni-channel retail business (Topps Tiles). We researched customer trends with a view to developing a new offer to reach customers that we do not currently serve.	The Board decided to approve the acquisition of Pro Tiler Limited, and also to finance the internal development of the Tile Warehouse business.  Taken together, these decisions represent a meaningful step into the Online Pure Play
SHAREHOLDERS	We carefully considered if and how the investment/development would generate value and the risks of it destroying value through sensitivity analysis and a general consideration of the Group's risk appetite.	market, a major strategic move for the Group.
SUPPLIERS	We considered whether we could either work with existing suppliers to the Group and add additional volume, or provide opportunities for new suppliers.	
COLLEAGUES	The Board considered whether the investment would increase employment opportunities for existing or new colleagues, or increase job security across the Group.	

Carles haldons	Have we annumed and value we did		
Stakeholders considered	How we engaged and what we did to consider stakeholders	Decision	
SHAREHOLDERS	We engaged with key Shareholders in the early stages of defining our new capital allocation policy. Their perspectives were therefore taken into account in our decision-making process.	The Board approved plans to increase dividend payments to a moderate degree a reduce dividend cover from 2x adjusted EPs to 1.5x adjusted EPs over a two-year perio	
BANKING PARTNERS	We considered our partner banks' current attitude to our financial strength and stability, and the likely impact on their appetite to support us moving forward as a result of any change in our policy.	as announced in the Interim Results announcement.	
Case Study Topic – Matter Discuss	sed		
Change of Charity Par	rtner		
Stakeholders considered	How we engaged and what we did to consider stakeholders	Decision	
SOCIETY/CHARITY GROUPS	We have a rotation policy for charity support partners and completed our seven-year support period for Macmillan during 2022. We therefore reviewed potential charity partners in the year, and developed a shortlist of four potential partners.	The management team approved the move to our new charity partner, Alzheimer's Society, as voted for by our colleagues.	
COLLEAGUES	We conducted a colleague vote to determine our new partner from the shortlist – the vote		



### SUSTAINABILITY

# **ENVIRONMENT**

In 2021, Topps Group incorporated Environmental Leadership into our overall strategy, setting a core target of net zero carbon emissions by 2030. In 2022, we have defined a second core pillar, to support the development of a circular economy through recycling, reuse, and innovation.

Core target What Link to SI

#### 1. CARBON NEUTRAL BY 2030

- Partnership with World Land Trust to measure, reduce and offset
- Renewable electricity
- Phased replacement of ICE vehicles with HEVs and EVs; introduction of EV charging points at Head Office
- Rolling LED lighting upgrades throughout stores network
- Utilising strong supplier relationships to influence Scope 3 reductions





# 2. SUPPORTING A CIRCULAR ECONOMY

- Responsible waste management to facilitate reuse and recycling
- Membership of the Plastic Pact UK to eliminate unnecessary single-use plastics and improve packaging recyclability
- Promoting recycled content use and signposting this at the point of sale to support customer environmental considerations

### 1. CARBON BALANCED BY 2030 (SCOPES 1 AND 2)

#### **CALCULATING OUR CARBON EMISSIONS**

Thanks to ongoing collaborations with the World Land Trust, we are improving understanding of our carbon emissions across Scopes 1 and 2 and where these can be reduced. This will help us better prioritise and plan our carbon reduction and offsetting journey. Over the coming year, a roadmap of specific reduction and offsetting targets to guide the Group towards achieving its 2030 net balanced goal will be published. In the meantime, initiatives across property, transport, and finance will continue our push towards reducing Scopes 1 and 2 emissions.

# SCOPES 1 AND 2 EMISSIONS TOTAL EMISSIONS<sup>1</sup>

	2022		20	21
	CO <sub>2</sub> (Tonnes)	CO <sub>2</sub> (Tonnes)/ Store	$CO_2$	CO <sub>2</sub> (Tonnes)/ Store
Electricity	4	0.0	2,669	8.1
Gas and oil	2,555	8.3	2,928	8.8
Commercial fleet	2,079	6.7	2,210	6.7
Company cars	162	0.5	133	0.4
Total	4,800	15.5	7,940	24.0

Data provided by our energy suppliers (based on consumption multiplied by Environmental Agency approved emissions factors) and for vehicle emissions, from our inhouse transport team (based on mileage multiplied by manufacturer published emissions data). 2021 figures for Commercial Fleet have been amended to exclude Scope 3 (Commercial vehicles previously stated as 3,282 tonnes for 2021).

Scopes 1 and 2 carbon emissions have decreased by 3,100 tonnes for 2022 to just 4,800 tonnes. This is comparative to the 2021 total of 7,940 tonnes.

Our primary energy consumption is electricity and gas used across our store estate. Electricity is primarily required for instore lighting and the significant reduction on 2021 reflects our switch to 100% renewable electricity, as well as the impact of our ongoing LED lighting upgrades. Gas is primarily used for heating across our store estate and the decrease on 2021 relates to the reduction of the store chain over this period. Details of Commercial Fleet and Company cars emissions data are included on the Transport and Company Vehicles section below.

#### **PROPERTY**

We are continuously reviewing new ways to reduce the carbon footprint of our property estate, by focusing on energy efficiency and targeted reuse of display fixturing.

We completed the installation of LED lighting in all stores in 2022 (excluding strategic stores) and are continuing to explore further lighting options to reduce overall consumption.

Most of our store estate have automatic smart energy meters installed which allows us to closely monitor and analyse gas and electricity use and we are now planning data driven initiatives to support stores with reducing energy through smarter operation of systems.

In supporting the Group's commitment to a greener vehicle fleet, we have installed "super-fast electric vehicle chargers" at our Grove Park site.

The new financial year will see our first solar powered store open in Guildford and we have also committed to installing solar power systems on both warehouses at our Distribution Site at Grove Park which is estimated to generate a combined 340,000 kWh of electricity per annum, reducing our reliance on grid-supplied electricity.

Any fixtures and fittings from recent store closures have been reused in existing store display projects and this now forms part of all new store projects at planning stage.

#### TRANSPORT AND COMPANY VEHICLES

During 2022, our transport fleet (including the use of sub-contractors) has covered a total of 3.80 million kilometres using 1.17 million litres of fuel, corresponding to a distance travelled increase of 22.8% with a fuel consumption decrease of 6.4%.

This can be attributed to new, more fuel-efficient vehicles introduced halfway through the year, driver training, and the implementation of modern route planning systems at the end of 2021. Most of our vehicle fleet have the latest Euro 6 engines which are returning excellent fuel economy statistics and reducing the amount of fuel required for our fleet.

We have also introduced a liquified natural gas (LNG) vehicle to our fleet this year which will also contribute to a reduction in emissions. Around half of our Drivers have been recruited in the past 12 months – each Driver enjoying a comprehensive induction period which includes lots of driving time with our Driver Trainer. This means they are in the best place to drive our vehicles in the most efficient manner by the time they start driving on their own.

Our plans for the coming year include extending the skills of our Driver Trainer to our existing Drivers – using our telematics to identify areas where Drivers require additional training. Our new route planning system has enabled us to reduce the distance travelled through the optimisation of routes resulting in reduced fuel usage.

We recognise that the potential for reducing emissions is, in some areas, limited by the pace of technological progress. For example, there remains uncertainty regarding a viable fossil fuel alternative for heavy goods vehicles, at present. Our long-term strategy in such cases is to continue investing in the newest technology, and to look at auditable offsetting where reduction is not possible.

As part of our supply chain strategy, we are looking to trial a delivery hub, which will reduce final mile distance and open up the opportunity to explore alternative fuels such as electric.

Also contributing to our Scope 1 emissions are company cars leased across the organisation for sales and support staff. Of these, 10% are hybrid electric vehicles (HEVs), with an additional 5% being electric vehicles (EVs). We are encouraging the gradual replacement of remaining internal combustion engine vehicles with EVs via the introduction of a new fleet operator with a greater specialism in and selection of EVs, as well as by installing EV charging points at our Leicester Head Office. This, coupled with continued fuel efficiency improvements, will serve to reduce Scope 1 emissions over the coming years. We are pleased to report that, at the time of writing, an additional 5% of our Company vehicles that are on order are to be replaced with EVs.

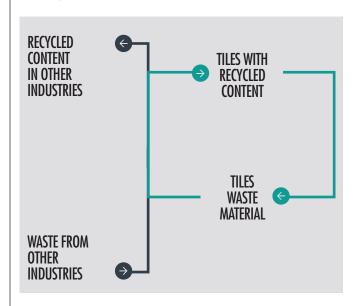
#### **SCOPE 3 EMISSIONS**

Although Scope 3 emissions lie outside the Group's direct remit, we can support supply chain emissions reductions using our buying scale, supplier relationships, and consumer market share. Our buying teams understand the importance of supporting sustainable innovation, utilising their wide network of suppliers to ensure we can offer customers a greater choice of environmentally conscious products. This will help incentivise additional industry investment into such products.

#### 2. SUPPORTING CIRCULARITY

#### **OUR VISION**

The aim of our second Environmental Leadership core pillar, supporting circularity, is to minimise depletion of natural resources while, hand in hand, diverting waste streams away from environmentally high-risk end points such as landfill. This can be achieved by working towards closed loop circularity – repurposing waste from the tile industry into new materials for use in the industry. Where this is not possible, we can support open loop circularity – repurposing waste from other industries into tile products and vice versa.



Envisioned closed loop (turquoise arrows) and open loop (navy arrows) circularity within tile manufacturing.

#### **RESPONSIBLE WASTE MANAGEMENT**

To drive our vision of circularity, we are taking steps to reduce waste and ensure that waste which cannot be reduced is reused or recycled.

#### REDUCING WASTE

As part of our partnership with Commercial, we have launched a new range of cleaning products into our Retail stores in August 2022. This includes five refillable bottles (glass, bathroom, kitchen cleaners etc), which can be refilled using dissolvable sachets. This change will mean that our store teams no longer order replacement bottles, but will instead order sachets only, saving a total of 3600 plastic bottles (0.5 tonnes of plastic), across our store estate.

# SUSTAINABILITY

#### **RECYCLING**

We are collaborating with Acorn Recyclers to manage recycling of our packaging waste. Packaging waste is collected from the store network by our own transport fleet and centrally sorted at our Leicester warehouse. We are then able to pass this onto Acorn, based within 25 miles of our warehouse, for reprocessing with minimal associated transport emissions. Across 2022 to date, we have recycled 40 tonnes of cardboard, 36 tonnes of polythene, and, in a recently started initiative, 5 tonnes of plastic pallets. Once with Acorn, this material is sorted by hand to remove any contaminates, washed, dried, and then palletised (or baled) for use within both open and closed loop examples of circularity, being reprocessed into end products such as refuse sacks and paper board.

We also centrally collate tile, adhesive and grout waste from our stores to be sent for specialised end-of-life reprocessing. We work in partnership with Green4Life to recycle damaged tiles into aggregate for use in the construction industry. We are proud to have recycled 97% of this waste stream during 2022, corresponding to a more-than threefold increase on the preceding year.

# THE UK WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT (WEEE) REGULATIONS

The WEEE Regulations were introduced in 2007 with the aim of reducing the amount of electrical and electronic equipment ending up in landfill. Our stores offer a like-for-like take back service, whereby customers can return their old product,

irrespective of its original vendor or purchase date, to any store when purchasing a new one. These electrical products are then collated at our distribution centre and sent for recycling.

#### **CIRCULAR PACKAGING**

For materials to be recycled, they must first be recyclable. As such, to achieve our core target of supporting circularity, an important step is to ensure the total recyclability of our packaging.



#### THE PLASTIC PACT UK (WRAP)

We are collaborating with climate non-governmental organisation WRAP as a member of their Plastic Pact UK. The Plastic Pact, initiated in 2018, aims to "tackle the scourge of plastic waste" by implementing the following targets by 2025:

- 1. Eliminate problematic or unnecessary single use packaging;
- 2. 100% of plastic packaging to be reusable, recyclable or compostable;
- 3. 70% of plastic packaging to effectively be recycled or composted; and
- 4. 30% average recycled content across plastic packaging.

CASE STUI

# **LAMPAS**

opps Group continues to invest in working with manufacturing partners to bring more recycled content onto the UK marketplace.

An example of this is our Lampas range of gloss tiles – aesthetically stunning, durable, and containing 60% recycled content. With strong sales, such products embrace circularity without any compromise on quality or customer satisfaction and drive further demand for recycled content.



Pictured: Lampas Peacock Tile, with 60% recycled content

In 2022, we became the first company in the tiling industry to sign the Plastic Pact UK, demonstrating our commitment to environmental leadership. Each July, we now report our annual packaging tonnage, by material type, to WRAP, who measure our performance against the recyclability targets and advise on how we can make further progress towards them.



#### THE ON-PACK RECYCLING LABEL (OPRL) SCHEME

Topps Tiles is a proud member of the On-Pack Recycling Label (OPRL) Scheme. With over 750 members, this scheme aims to deliver a simple and consistent on-packaging recycling message to help consumers correctly recycle waste. This is an important step in closing the circularity loop in packaging, as material recovery is considerably detrimented by the contamination which results from incorrect recycling. All Topps Tiles branded packaging displays the appropriate OPRL labelling in accordance with the guidelines of the scheme.

#### CHAMPIONING RECYCLED CONTENT

Beyond improving recyclability, we also understand the importance of incorporating recycled content into our products; namely – increased investment in techniques which enable greater proportions of recycled content, increased demand for recycled materials, and decreased demand for natural resources. Indeed, actually utilising recycled content is vital for supporting the development of a circular economy.

Currently, more than 50% of our tile products contain recycled content. This information is, for the first time, displayed at the point of sale in stores and online, improving transparency and helping sustainability-conscious customers make informed decisions with respect to the environmental impact of their purchase.

#### SUPPLY CHAIN AND PRODUCT SOURCING

At Topps Tiles, we focus on creating and building long-term strategic relationships with manufacturing partners, enabling us to develop product ranges which are truly innovative and supplied on an exclusive basis. The scale of our business means we maintain these relationships and now source directly from more than 180 factories throughout the world.

As a trusted retailer and supplier to commercial projects, our clients expect our products to be ethically sourced and therefore we look beyond our internal operation and ask for complete transparency across our supply base. Our supply chain can be complex, but we are committed to ensuring all our suppliers adhere to the highest standards of ethics, can demonstrate safe working conditions and are treating workers with dignity and respect. As a Group we have a commitment to respecting human rights and identifying, investigating, engaging and remediating any issues uncovered. Our suppliers are required to comply with the Topps Responsible Sourcing Code and confirm their acceptance of its provisions. This code has been designed to be ethical, auditable, and achievable and is in place to promote good working practices. The Code represents our fundamental expectations of our supply partners in relation to responsible sourcing. Compliance is underpinned by way of contractual obligation and audit process. Suppliers applying this code are expected as a minimum to comply with national and other applicable local laws.

We work proactively with our all our suppliers to ensure that they take into consideration the principles of sustainable development, in particular, the optimum use of raw materials, water, the efficient use of energy and also minimising the amount of waste as a result of the supply chain and manufacturing process. This is now a key part of the supplier evaluation and audit process.

We are working closely with Intertek, the leading Quality Assurance Experts who have carried out independent third-party auditing on production facilities where there is any product or geographical risks. These Workplace Conditions Assessment audits demonstrate compliance in relation to health and safety, labour, wages and hours and environmental standards. Some 31 facilities have now been audited in geographical risk areas and we are working closely with suppliers to ensure that all non-compliances are being addressed within the agreed timescales. Our fundamental aim is to work with our suppliers on any issues using a continuous improvement model and we will not work with suppliers that fail to engage with us in this process. Intertek are providing additional compliance training to suppliers where it has been identified that more support is required. This partnership with Intertek is imperative as we look to operate in different countries across the world due to the current price pressures on shipping.

In 2015, the Modern Slavery Act came into force and Topps Tiles is committed to this act ensuring that no forms of modern-day slavery enter the Group business and its supply chains. We believe that training in this area is important, and there is heightened awareness across the organisation on being able to identify the risks of modern-day slavery.

\* Our Responsible Sourcing Code of Conduct and Modern Slavery Statement can be found on our website at www.toppstilesplc.com under Corporate Responsibility.

# SUSTAINABILITY

# **SOCIAL**

Core target	What	Link to SDGs
COLLEAGUE EXPERIENCE	<ul> <li>MyVoice – annual engagement survey</li> <li>Diversity and Inclusion – increased focus on data collection and action; International Women's Day initiative</li> <li>Recognition – Topps Superstars, Store of the Year, Outstanding Contribution Awards</li> <li>TeamTALK – colleague and manager forum at regional and national levels</li> <li>Communications platform – new interactive two-way intranet in social media style</li> </ul>	5 COMPT COMMITTEE OF COMMITTEE
COLLEAGUE CAPABILITY	<ul> <li>Thrive LXP – new learning management platform with video content covers training, well-being and communications</li> <li>Leadership development – coaching in the workplace, high potential performance development</li> <li>Career pathways – formal development plans for service specialists in retail</li> <li>Apprenticeships – formal qualifications available to all colleagues provided by our dedicated partners via the Apprenticeship Levy.</li> <li>Improve inductions – online and in-person training modules designed for better new starter experiences and improved retention</li> </ul>	4 court michan
COLLEAGUE WELL-BEING	<ul> <li>Well-being wheel – ongoing rotational plan considering physical, mental, financial, social and career well-being</li> <li>BUPA – launch of employee assistance programme via leading provider, includes assistance for immediate family for advice lines</li> <li>Mental Health First Aiders – Group-wide groups of colleagues to provide mental health support signposting</li> <li>Event days – information provided with signposting for World Mental Health Day, Mental Health Awareness Week, Dementia Action Week, World Menopause Day</li> <li>Benefits – relaunch of Hapi Benefits providing everyday discounts, offers and rewards to aid with financial well-being</li> </ul>	3 COMPANIES 1 WOLLDON

This year work has focused on specific areas of development in our Leading People strategy under the pillars of Colleague Experience, Colleague Capability and Colleague Well-being.

We recognise that the best colleagues, our "leading people" are those who are highly engaged, highly skilled, and have a strong sense of the well-being of themselves and those around them, which in turn creates a sense of belonging with the Group and focus on delivering results.

#### **COLLEAGUE EXPERIENCE**

We monitor our colleagues' views and feelings about the Group, their managers, teams and work-life balance via our annual engagement survey. Our winter 2021 survey enjoyed continued high levels of participation at 80%, as well as an increase in participation from 20% to 55% for our logistics team.

Overall engagement remained high at nearly 80% (2019 prepandemic 75%), with 88% of all colleagues saying they were committed to the success of the business. One area highlighted by the survey was the need for additional training resources, which has been provided by our new LX platform Thrive (see below on Colleague Capability).

Another area highlighted by the 2021 survey was a requirement for additional recognition, which has now increased to include monthly Topps Superstars awards, announced by the Chief Executive Rob Parker in his video Huddles (15 awards in FY2021), as well as a Store of the Year Award, and awards for Outstanding Contribution throughout the year, presented to individuals at our annual conferences.

In addition, we consult with colleagues via our TeamTALK forums, which have regional, departmental and national groups, comprising elected colleagues who meet regularly to raise items of concern or interest with Executive team leaders as well as undergo consultation on relevant business matters. During the year we also launched a new interactive communications platform which has a social media look and feel, and enables colleagues to comment or take part in two-way conversation on content which interests them.

Our work on diversity and inclusion continues to develop with gathering of demographic data and various initiatives to support equality, and for the year, 37% of applications for roles came from females. At the end of the year, we had 27.0% female colleagues in the Group, and our median Gender Pay Gap at April 2021 was 2.7%, significantly lower than the UK average of 15.4%.

We also celebrated International Women's Day for the second consecutive year and its theme of Break The Bias. Our D&I work continues with leadership awareness training on representation, store training on bias in recruitment, and the introduction of mandatory training for all colleagues on equality and inclusion, called Working Well With Everyone.

#### **COLLEAGUE CAPABILITY**

A large part of this year's focus on capability has been via the Thrive learning and development (L&D) platform (referenced above) to give colleagues a focus on continuous improvement and potential for development.

The platform includes more than 1,800 pieces of learning content, of which approximately two thirds are related to product and process training. The remaining are related to personal development and well-being. More than 73% of the content has been developed in-house, specifically for colleagues.

1,837

249,500

Pieces of L&D content

Number of content views

By the end of the year, all Topps Tiles Retail and Commercial colleagues had access to Thrive. It is planned that during Q2 of the new financial year, all remaining Group colleauges will have access.

Our focus on continuous improvement is realised in our career development opportunities. By the end of the year, 40% of store managers and 58% of deputy managers had stepped into their role via internal promotions, and a new Career Pathways framework was established to show Service Specialists how they can progress their development.

#### **APPRENTICESHIPS**

We pay an Apprenticeship Levy and in the last financial year have seen six colleagues in our Leicester support office complete their qualification via this route.

This included payroll, project management and management and leadership qualifications.

In the coming year we are working with our learning partners including Kube, Babington and MBKB Limited to roll out the apprenticeships scheme further across the Group, including a Changing Lanes programme to assist warehouse colleagues to attain an HGV driving licence.

#### **COLLEAGUE WELL-BEING**

The physical and mental health of our colleagues has long been a priority for the Group and we have many initiatives in place to assist those who request it.

In our 2021 colleague engagement survey, only 8% of colleagues said they were not aware of mental health resources provided to them by the Group, while 62% agreed the Company cared about their well-being and 61% said they were comfortable talking about their mental health.

This year we launched a new Employee Assistance Programme with Bupa, which was accessed by 5.4% of colleagues from June 21 to July 22, (national benchmark 6.3% annually), on topics including mental well-being, legal and family issues.

We also have a cohort of mental health first-aiders across the Group who have been trained in identifying mental health issues, providing high-level support and signposting colleagues to appropriate levels of help, should they require it.

In addition, we release information and advice, including appropriate signposting pathways, for World Mental Health Day, Mental Health Awareness Week, Dementia Action Week (working with our charity partner Alzheimer's Society) and World Menopause Day.

Our Hapi benefits app was also relaunched during the year, which features financial advice and everyday discounts on well-known brands and stores. It was used more than 1,600 times in the year, with a total saving of almost  $\mathfrak{L}10,000$  on a total spend of more than  $\mathfrak{L}161,000$ , with the average user saving at least  $\mathfrak{L}20$  on their purchases.

### SUSTAINABILITY

# **SOCIAL**









opps Group was delighted to join forces with a new charity partner this year after raising more than £1 million for Macmillan Cancer Support across a seven-year association.

Colleagues and customers have always been generous supporters of our chosen charity, and in January 2022, a colleague vote saw leading dementia charity Alzheimer's Society selected to be the Group's new partner for a five-year term.

Group colleagues quickly took the new charity to heart, taking part in a series of fund-raising events as well as discovering more about dementia as a condition and its impact on those who live with it, and their families and carers.

The annual Tour de Topps cycle ride expanded to include running and walking, and had its most successful year to date, with 108 colleagues across the country raising more than  $\mathfrak{L}10,000$  in just two weeks.

Several smaller groups of colleagues pushed themselves to take on intrepid challenges: a group from our buying, stock and finance teams, based in our Leicester support office, undertook a 26-mile trek in the Peak District in a day, raising more than  $\pounds6,000$ ; a team from the northeast stores took to the air and held a charity skydive, adding another  $\pounds4,000$  to the charity funds; while five colleagues from the Greater London area took on 4,413 feet of Ben Nevis and raised more than £1,300. Smaller events including the raffle of a Leicester Tiger's shirt and a signed rugby ball, as well as a bake-off event, raised hundreds more pounds.

Alzheimer's Society also benefitted from the generosity of customers who opted to donate their small change to charity by rounding up their purchase to the nearest whole pound, via the Pennies Digital Charity Box. This raised more than  $\pounds60,000$  by the end of the year, bringing the total from mid-January to the year end, to more than £90,000.

Outside of fundraising, colleagues took part in "lunch and learn" sessions, signing up to become Dementia Friends and learn more about the condition and ways they can help. We were also delighted to welcome charity fundraisers, carers and people with dementia into our hospitality box at Leicester Tigers.

#### LEICESTERSHIRE CARES

We are proud to continue our membership with Leicestershire Cares, a charity which works with local businesses and charitable groups to provide as much aid as possible.

Colleagues contribute time, money and items for activity including toiletry collections for those affected by homelessness and toy collections for children at a disadvantage at Christmas.

#### **WORDS FROM OUR PARTNERS**

#### **PENNIES:**

"This year marks seven years of Pennies' partnership with Topps Tiles, and together we have hit some majo

At the end of 2021, after great dedication and diligence from both teams, we rolled out Pennies micro-donations in Topps Tiles e-commerce journey for the first time. This is in addition to our original offering, which has seen customers shopping in Topps stores given the option to round-up their orders when paying by card since 2015.

We've been delighted to help Topps Tiles grow their micro-donation offering, now providing customers with an omni-channel donation experience whichever way they shop, and critically boosting the potential funds raised for charity too.

This has been an especially important development in 2022 as Topps Tiles' launched their new charity partnership with Alzheimer's Society. Since January, customers have made more than 125,000 donations vic Pennies to support more people living with dementia.

Topps Tiles colleagues have remained a huge reason for the continued success of this partnership, embracing Pennies and engaging customers in conversations around the impact of micro-donations – helping us edge ever closer to the next major milestone.

We are proud of how our partnership continues to grow, year after year, and we're hugely grateful for the continued support of Topps Tiles too – as a charity ourselves, Pennies is able to thrive with the brilliant support of partners like you."

Alison Hutchinson CBE, CEO, Pennies

#### **ALZHEIMER'S SOCIETY**

"We are delighted to have been chosen as Topps Tiles charity partner and it has been fantastic to see their amazing commitment to supporting our work. Already colleagues and customers have raised over £60,000 through various activities including Tour de Topps, trekking 26 miles around the peak district during one of the summer heat waves and taking on a skydive (rather them than me!).

By 2025, one million people will be living with dementia in the UK. With Topps Tiles support we can continue to support people affected by dementia through some of the hardest and most frightening times, to improve their lives and help to avoid crisis. We are, and we empower people affected by dementia to be, a leading force for change – using cutting edge research and influencing to push for breakthroughs that'll change the lives of people affected by dementia, now and in the future.

Facing dementia we are always better together

On behalf of Alzheimer's Society I would like to say a huge thank you to Topps Tiles, it's wonderful to be working in partnership and we can't wait to see what we achieve over the coming years."

Kate Lee, Alzheimer's Society Chief Executive

#### **LEICESTERSHIRE CARES**

"The past year has been very challenging for communities, families, young people and businesses across our city and county. We went in and out of lockdown, and saw prices soar as the impact of the war in Ukraine hit energy prices. So, it is very much to the credit of the staff from Topps Tiles that they did not give up hope but continued to strive to support our work with community groups and young people. By donating treats and gifts for families on the breadline or offering practical support to community projects through team challenges, they helped to inspire people and replaced despair with hope.

Time and time again, the staff of Topps Tiles step up and show they really are committed to giving back to the community and making a difference.

At a time when they have taced challenges with their own operations it has been inspiring to see them, continuing to give back and really putting effort into tackling poverty and exclusion. A real shining example of a 'Together We Can' attitude.

We are looking forward to continuing our partnership with Topps Tiles and are currently developing a range of community challenges with them and partnering with them again on our 'Bags of Hope' campaign, where their staff will contribute essential items to families and young people in danger of being left behind."

Kieran Breen, Chief Executive Officer

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

This year is the first year that the Group has reported under TCFD requirements. We are committed to implementing the recommendations of the TCFD which aim to provide investors and other stakeholders with useful information on climate-related risks and opportunities that are relevant to our business. We set out below more detail on how we are seeking to align with these recommendations, recognising that this will form an ongoing workstream as we further develop our policies, processes, and disclosures over the medium and long term.

In this context, we have considered our "comply or explain" obligation under the Financial Conduct Authority's Listing Rule 9.8.6R (8) and confirm that we have made disclosures consistent with the TCFD Recommendations and Recommended Disclosures in this Annual Report and Accounts, except in the following areas:

 Scope 3 emissions reporting. This is a complex area with information not readily available. We will work towards

- increasing our disclosure in this area moving forward, where possible.
- Climate scenarios. We have not yet prepared climate scenarios to examine the resilience of the organisation in different climate outcomes. This is due to the complexity of this task and availability of suitable analytical capabilities within the organisation.
- Defining targets to be used to manage climate-related risks. We have recently brought in additional resource in this area and will define targets over the coming year, in line with our strategy.

We report below for the first time against the 11 recommended disclosures under four thematic pillars set out in the TCFD's recommendations: these being governance, strategy, risk management, and metrics and targets.

#### TCFD RECOMMENDATIONS



#### DISCLOSE THE ORGANISATION'S GOVERNANCE AROUND CLIMATE-RELATED RISKS AND OPPORTUNITIES

Recommended disclosures

- a. Describe the Board's oversight of climate-related risks and opportunities
- b. Describe Management's role in assessing and managing climate-related risks and opportunities

The Chief Executive, Rob Parker, has executive responsibility for climate-related risks and opportunities and is designated as the Director responsible at a Board-level, chairing the Executive Leadership steering group. He leads on the Group's Environmental Leadership strategy, sustainability, and climate-related issues. As a standard agenda item, the Board receives updates from Rob as part of his CEO report and it has overall responsibility for oversight of climate-related risks and opportunities. The Audit Committee reviews, in line with the Group's risk review framework, the Group's key risks and uncertainties which are set out on pages 42 to 45 and which include the potential impact of and mitigation for climate-related issues.

Cross-functional dialogue on climate-related risks and opportunities is maintained through the Sustainability Council, established in 2019, which meets every quarter. This is a panel of representatives from across the business with a considerable stake in climate-related issues. This includes representatives responsible for property, transport, and waste management. As such, the Council can identify specific risks and opportunities and assign departmental responsibility for resultant actions. The Council is chaired by Rob Parker, providing a link between the Council's agenda and the Board-level strategy.

The newly formed Sustainability Team, led by Technical and Sustainability Manager Kevin Bingham, coordinates cross-functional engagement with climate-related risks and opportunities. With technical expertise and environmental compliance experience, this team will ensure strategy implementation is synchronised throughout the business. This includes managing relevant projects between departments, between suppliers, and between external partners. Additionally, sitting within the Buying team, the Sustainability Team is ideally positioned to drive progress in Scope 3, an area in which we have historically lacked resource.

#### **TCFD RECOMMENDATIONS**



# DISCLOSE THE ACTUAL AND POTENTIAL IMPACTS OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON THE ORGANISATION'S BUSINESSES, STRATEGY AND FINANCIAL PLANNING WHERE SUCH INFORMATION IS MATERIAL

#### Recommended disclosures

- a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term
- b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning
- c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

#### **CLIMATE-RELATED RISKS:**

**Transition risk** – Governments may implement new taxes, regulations or legislation which may be designed to penalise companies which do not effectively minimise their impact on the environment and communities. This may increase compliance costs for the Group, which would need to be shouldered by the Group or passed onto the customer. The former would lead to reduced margin, while the latter would lead to reduced demand.

**Response** – Delivering our goal of being carbon balanced by 2030 should minimise the extent to which the Group is exposed to any such punitive taxes or legislation.

**Transition risk** – If customers do not feel as though we are sufficiently focused on reducing our impact on the environment, there is a risk they may choose to shop elsewhere and possibly cause reputational damage to the Group, especially if accompanied by social media campaigns to boycott the Group.

**Response** – Our Group strategy includes the priority area of Environmental Leadership, which requires us to clearly demonstrate that our business is leading the sustainability agenda within our sector. We are represented on industry bodies attempting to drive best practice, and we have the strategy and governance in place to ensure we deliver against it. We plan to increase our customer facing communication over time – for example, we now show the percentage of recycled content in all of our tiles in store and online.

**Physical risk** – Climate change means increased likelihood of extreme weather events such as flooding. Such events could affect stores, causing temporary closures and increased estate maintenance costs. These events could also impact our supply chain; for example, a flooded factory would temporarily reduce our supply of particular products.

**Response** – Very few of our stores are at substantial risk of flooding. In the short term, we are regularly assessing them for upgrades and, in the medium and long terms, we would be able to relocate, if necessary, as they are leased. Our supplier base is wide so, even if some suppliers became unable to function in the medium term, our buying teams would be able to source affected products from alternative suppliers.

#### **CLIMATE-RELATED OPPORTUNITIES:**

**Product opportunity** – Tiles and associated products can be manufactured with a variety of source materials. We are selling an increasingly large amount of tiles with a degree of recycled content, and utilising recycled content is vital for supporting the development of a circular economy. We now publish the percentage of recycled content on all tiles in store and online. Other considerations are the amount of energy used to make a tile, the amount of water used, where it is sourced from, its life span as a building material and its recyclability at end of life. Our ability to work with innovative suppliers from around the world presents an opportunity to offer customers unique products designed for a circular, low carbon economy. Other products such as adhesives can also be reformulated to use recycled content, for example, our Regent8 adhesive which contains up to 53% recycled materials (Ecosand), replacing the need for natural extracted sand.

We believe our strategy is reasonably resilient but have not yet considered different climate-related scenarios. We recognise the importance of developing our assessment of scenarios and are considering our approach to this.

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

#### **TCFD RECOMMENDATIONS**

# RISK MANAGEMENT

#### DISCLOSE HOW THE ORGANISATION IDENTIFIES, ASSESSES, AND MANAGES CLIMATE-RELATED RISKS

#### Recommended disclosures

- a. Describe the organisation's processes for identifying and assessing climate-related risk
- b. Describe the organisation's processes for managing climate-related risks
- c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management

We have established a "Three Lines of Defence" risk management model to identify, monitor and manage all risks, including those that are climate-related. The first line of defence is our Executive management team who have day-to-day responsibility for business operational supervision and, hence, are required to consider current and developing risks that could impact on the achievement of our strategic objectives, including ESG and climate-related risks. Executive management is ultimately responsible for the implementation and maintenance of the agreed processes and controls to mitigate the assessed risks.

Climate and ESG risks have been integrated into our strategic risk process, including consideration of all key items, such as regulatory, reputational and physical risks. The identification and assessment of climate and ESG risks uses the same likelihood and impact criteria as all Group risks on both an inherent and residual basis. A detailed risk assessment is conducted annually to identify emerging risks and to ensure that the focus and management of all risks is appropriate. This assessment includes input from the key internal and external stakeholders. The Audit Committee reviews the results of the annual strategic risk assessment and the Board reviews Executive management updates to the risks and mitigations on a quarterly basis.

The Environmental Leadership steering group serves as another key part of the second line of defence and evaluates material ESG risks and corresponding mitigation activities. This also provides a forum to receive and consider new ideas and feedback from colleagues representing all areas of the business on environmental issues. This ground-up approach helps to ensure that all levels of the business are engaged in our Environmental Leadership strategy.

The third line of defence is our Internal Audit function, which provides an independent and objective view on the effectiveness of the internal control environment, which is reported to the Audit Committee.

In addition to the above, our partnerships with the World Land Trust and Wrap provide us with independent and invaluable insight and advice.

#### **TCFD RECOMMENDATIONS**

# METRICS AND TARGETS **6**

# DISCLOSE THE METRICS AND TARGETS USED TO ASSESS AND MANAGE RELEVANT CLIMATE-RELATED RISKS AND OPPORTUNITIES WHERE SUCH INFORMATION IS MATERIAL:

#### Recommended disclosures

- a. Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks
- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

#### **METRICS**

Herein, we disclose the metrics to be used to assess our climate-related risks and opportunities. These are split into direct and indirect operations, the former comprising Scopes 1 & 2, and the latter Scope 3. In future years, we will disclose year-on-year progress for each metric.

	Metric	Reported value 2022	Unit of measure
Direct operations	Scopes 1 & 2 carbon emissions	4,800	tCO <sub>2</sub>
	Scopes 1 & 2 carbon intensity (by revenue)	19.41	tCO <sub>2</sub> /£1 mil revenue
	Scopes 1 & 2 carbon intensity (by floorspace)	25.02	$kgCO_2/m^2$
	Electricity consumption	11,262,360	kWh
	Gas consumption	14,025,914	kWh
	Proportion renewable electricity	99.8%	%
	Recycling rate	N.R.*	%
Indirect operations	Scope 3 carbon emissions	N.R.*	tCO <sub>2</sub>
	Scope 3 carbon intensity (by Group revenue)	N.R.*	tCO <sub>2</sub> /£1 mil revenue
	Proportion recyclable, reusable, or compostable own- label plastic packaging	70%	%

<sup>\*</sup>N.R. – not reported at present

The Group has not yet attained operational capacity to report against all planned metrics. Reporting for these will commence as detailed below.

Recycling rate	By end of 2024
Scope 3 carbon emissions	By end of 2024
Scope 3 carbon intensity (by Group revenue)	By end of 2024

#### **TARGETS**

Thus far, our Environmental Leadership strategy has committed us to the following targets:

- Carbon neutral (Scopes 1 & 2) by 2030
- 100% reusable, recyclable, or compostable plastic packaging on own-label and exclusive products by 2025 (a commitment made as part of our membership of the Plastic Pact UK)

Over the year ahead, our Sustainability Team will work with Executive Leadership, the Sustainability Council, and other key stakeholders to set additional targets to correspond to our reported metrics. These will be carefully considered in order to minimise climate-related risk and maximise opportunity. These targets will be published in our report for the 2023/24 financial year.

# GOING CONCERN AND VIABILITY STATEMENT

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

The Group has already taken a number of actions to strengthen its liquidity over the recent years, and the scenarios start from a position of relative strength. The going concern review also outlined a range of other mitigating actions that could be taken in a severe but plausible trading scenario. These included, but were not limited to, savings on store employee costs, savings on central support costs, reduced marketing activity, a reduction of capital expenditure, management of working capital and suspension of the dividend.

The Group's cash headroom and covenant compliance was reviewed against current lending facilities in both the base case and the severe but plausible downside scenario. The current lending facility was refinanced in October 2022 and expires at the earliest in October 2025. In all scenarios, the Board has concluded that there is sufficient available liquidity and covenant headroom for the Group to continue to meet all of its financial commitments as they fall due for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

#### LONG-TERM VIABILITY STATEMENT

In addition to the Going Concern statement the Directors have also assessed the prospects of the Group over a longer period. This assessment has been done over a period of three years for the following reasons:

- Our Group goal is to account for £1 in every £5 spent on tiles and associated products in the UK by 2025: "1 in 5 by 2025"; and
- The business is largely dependent on UK consumer confidence and discretionary spending which is difficult to project beyond this period.

The Directors' assessment of the Group's prospects has been made with reference to the Group's current position, which has been strengthened by the refinance of loan facilities concluded in October 2022 and the principal risks facing the Group, as detailed in the Strategic Report.

In assessing the viability of the Group, the Board considers the key risks to the delivery of its financial plans relate to macroeconomic changes, global supply chain pressure, reduction in consumer confidence and major reputational damage from cyber security attacks, all of which would be expected to lead to a reduction in sales. In addition, there are key risks such as supply

chain cost inflation, sustainability-led cost pressures and currency fluctuations which could lead to a weakening in the Group's gross margin.

As a result the Board has reviewed a number of sensitivities based on a reduction in sales and gross margin over the viability period of three years. It should also be noted that the Group is operationally geared which means that there is a relatively high level of impact from any increases or decreases in levels of turnover. A sustained decrease in levels of turnover would be managed by a reduction in operational expenditure, reductions in capital expenditure, tighter working capital controls and possible restriction of Company dividends.

The conclusion of these sensitivities is that the Group has a good level of financial flexibility and is well positioned to withstand a number of risks occurring and the sustained reduction in levels of consumer spending and rising margin costs through the next three years.

Based on this review the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meets its liabilities, as they fall due, for the next three years.

#### **DIRECTORS' CONFIRMATION**

We confirm to the best of our knowledge:

- The Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face and a fair, balanced and understandable view of the business.

#### NON-FINANCIAL INFORMATION STATEMENT

Topps Tiles Plc has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the Strategic Report. This can be found as follows:

- Group's business model is on page 14.
- Information regarding the following matters, including policies, the due diligence process implemented in pursuance of the policies and outcomes of those policies, can be found on the following pages:
  - Environmental matters on page 24 and pages 50 to 53;
     Colleagues on pages 22 and 54;
  - Gender diversity on pages 87 and 88;
  - Social matters on pages 56 and 57;
  - Respect for human rights on page 87; and
  - Anti-corruption and anti-bribery matters on page 76.

- Where principal risks have been identified in relation to any
  of the matters listed above, these can be found on pages 42
  to 45, including a description of the business relationships,
  products and services that are likely to cause adverse
  impacts in those areas of risk, and a description of how the
  principal risks are managed.
- All key performance indicators of the Group, including those non-financial indicators, are on pages 34 and 35.
- The Financial Review section on pages 36 to 41 includes, where appropriate, references to, and additional explanations of, amounts included in the entity's annual accounts.

#### **CAUTIONARY STATEMENT**

This Strategic and 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 contain 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 that are significant to Topps Tiles Plc and to its subsidiary undertakings when viewed as a whole.

#### **ANNUAL GENERAL MEETING**

The Annual General Meeting for the period to 1 October 2022 will be held on 18 January 2023. Please see the Notice of Annual General Meeting for more details. The Strategic Report was approved by the Board of Directors and signed on its behalf by:

#### **Rob Parker**

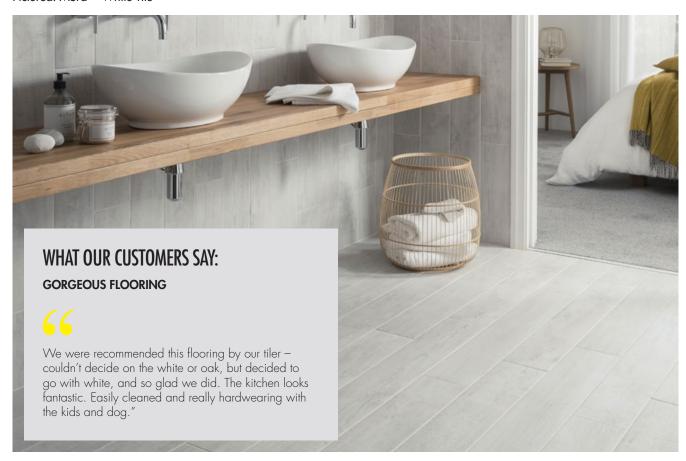
Chief Executive

#### **Stephen Hopson**

Chief Financial Officer

30 November 2022

Pictured: Mora™ White Tile





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Pictured: Saplewood Grey



### **BOARD OF DIRECTORS**







**ROB PARKER CHIEF EXECUTIVE** 



STEPHEN HOPSON CHIEF FINANCIAL OFFICER



**KEITH DOWN** SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE AUDIT COMMITTEE







COMMITTEE MEMBERSHIP

A N R I

COMMITTEE MEMBERSHIP

Darren joined the Board in March 2015. He has over 35 years of retail and consumer experience, having held senior financial and operational positions within the Burton Group, Arcadia and Kingfisher. Darren was Chief Financial Officer at J Sainsbury Plc between 2005 and 2010. He was also Non-Executive Chairman of Sainsbury's Bank from 2006 to 2013 and Chief Executive of Carpetright Plc for two years to 2013.

Rob joined the Board in 2007, serving as Chief Financial Officer until 2019 when he was appointed to the role of Chief Executive. Rob's previous roles before joining the Group included senior finance roles with the Boots Group and Savers Health & Beauty Ltd. Rob is accountable for Group Strategy, leadership of the Executive team, and Chairs the Group Health and Safety and Environmental Committees.

Stephen joined the Board in November 2020 from Molson Coors Beverage Company, where he was Director of Central Finance for Western Europe. Before this, Stephen spent five years at Travis Perkins Plc, including three years as Finance Director for BSS, and has also held senior finance roles at Mitchells & Butlers Plc where he was responsible for Investor Relations among other functions. Stephen is a CIMA-qualified management accountant and holds an MBA. He is accountable for all areas of finance, IT and Group legal matters.

Keith joined the Board in February 2015. A chartered accountant, Keith is currently the group finance director of Selfridges Group, having held this post since July 2018. He was previously the Chief Financial Officer of Dunelm Group Plc, Go-Ahead Group Plc and JD Wetherspoons Plc.











OUR GOVERNANCE 6/



DIANA BREEZE
NON-EXECUTIVE DIRECTOR,
CHAIR OF THE
REMUNERATION
COMMITTEE





Diana joined the Board in February 2021. An experienced HR Director, Diana has broad experience across the retail and consumer, logistics and property sectors. Since 2019, Diana has been Group HR Director at Bunzl plc and has previously held senior management positions with Land Securities, J Sainsbury and Accenture.



KARI DANIELS
NON-EXECUTIVE DIRECTOR,
EMPLOYEE ENGAGEMENT
DIRECTOR

#### COMMITTEE MEMBERSHIP



Kari joined the Board in April 2021. An experienced retail and consumer sector Chief Executive, latterly Chief Executive Officer of Tesco Ireland. Prior to Ireland Kari held senior directorship positions across the Tesco Group in Europe and the UK. Prior to Tesco she was a senior executive at Superdrug, Wella and S C Johnson.

Helen was appointed General Counsel and Company Secretary with effect from November 2022 having led the client contracting function at Clipper Logistics prior to joining Topps Tiles. She qualified as a solicitor in 2012 and has gained extensive legal and compliance expertise from both private practice and in-house roles. Helen holds an MBA from the triple accredited Sheffield University Management School.



HELEN EVANS
COMPANY SECRETARY

#### THE COMPANY TOPPS TILES PLC REGISTRATION NUMBER 3213782

# **REGISTERED OFFICE**Topps Tiles, Thorpe Way, Grove Park, Enderby, Leicestershire LE19 1SU

# **COMPANY SECRETARY**Helen Evans

# LONDON STOCK EXCHANGE SYMBOL

TPT

#### THE GROUP

Comprises Topps Tiles Plc and all subsidiary companies.

#### **OUR ADVISERS**

#### INDEPENDENT AUDITOR

Pricewaterhouse Coopers LLP Donington Court Pegasus Business Park Castle Donington, DE74 2UZ United Kingdom

#### **BANKERS**

Barclays Bank PLC 3 Hardman Street, Spinningfields, Manchester M3 3HF

#### **REGISTRARS**

Link Group Central Square 10th Floor, 29 Wellington Street Leeds LS1 4DL

#### **SOLICITORS**

Osborne Clarke LLP One London Wall London, EC2Y 5EB

#### **FINANCIAL PR ADVISERS**

Citigate Dewe Rogerson 8th Floor, Holborn Gate 26 Southampton Buildings London, WC2A 1AN

#### **BROKERS**

Peel Hunt LLP 100 Liverpool Street London EC2M 2AT

Liberum Capital Limited Ropemaker Place Level 12 25 Ropemaker Street London, EC2Y 9LY

# **EXECUTIVE COMMITTEE**



ROB PARKER CHIEF EXECUTIVE

Read the biography on page 66



STEPHEN HOPSON CHIEF FINANCIAL OFFICER

Read the **biography** on page 66



RICHARD CARTER MANAGING DIRECTOR OF RETAIL

Appointed Managing Director of Retail in April 2018. An experienced retailer who has worked for both blue chip retailers and smaller, more entrepreneurial businesses. Before joining Topps Tiles in 2010 to take responsibility for retail operations and the trade division, Richard had previously held senior operations roles with the Spirit Group (Punch Taverns), Virgin Retail, Dixons and Office World (Staples). Richard started his career with Asda on their retail operations graduate recruitment programme.



**DAN LITTLE**MANAGING DIRECTOR
OF COMMERCIAL

Appointed Managing Director of Commercial in October 2021. An LLM graduate holding an MSc in Property, Dan has more than 20 years of retail, property, health and safety, and sales business experience, having held the roles of Surveyor, Head of Estates and Property Director before joining the Commercial Division in 2020 as Deputy Managing Director.



LINDA SLEATH HR DIRECTOR

Appointed HR Director in December 2019 and responsible for leading the People agenda across the Group. Before joining the business, Linda was HR Director for Brakes UK, part of the Sysco Organisation. Linda has worked in operational and HR leadership roles across FMCG and retail for such organisations as Boots International, Molson Coors and United Biscuits. Linda is a qualified Executive Coach and holds a post-graduate qualification in psychology and neuroscience from Henley Business School. She is a Fellow of the Chartered Institute of Personnel and Development and a Fellow of the Chartered Management Institute.



TIM TATLOCK
BUYING DIRECTOR

Appointed Buying Director in April 2018. Responsible for all product assets and leads creative, sourcing, technical, supply chain and inventory. Tim has over 20 years of tile industry experience and before joining Topps Tiles held senior leadership positions with UK tile distributors and multinational tile manufacturers. His expert knowledge and innovative approach have seen progress to the position of Buying Director, after joining Topps Tiles as a Buyer in 2005.

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# CORPORATE GOVERNANCE REPORT

# COMMITTED TO THE HIGHEST STANDARDS



GOOD GOVERNANCE IS ESSENTIAL TO THE SUCCESSFUL DELIVERY OF OUR STRATEGY AND SUSTAINABLE SUCCESS OVER THE LONG TERM."

#### **Darren Shapland**



#### DEAR SHAREHOLDER,

I am pleased to present our Corporate Governance Report for the period ending 1 October 2022 (the "Period").

The role of the Board is to provide effective leadership that promotes the long-term sustainable success of the Group, generating value for Shareholders and contributing to the communities in which we operate.

Although the impact of the Covid-19 pandemic has receded it nonetheless continued to provide a challenge during the Period, notwithstanding which, we have maintained focus on delivery of our strategic agenda and remain confident in the Group's ability to successfully manage any further short-term uncertainty that might arise from the re-emergence of Covid-19, or from current economic headwinds, and deliver our strategy over the long term. I am pleased to report that, having held some meetings in the Period remotely, we have now returned to holding inperson meetings.

We are clear that good governance is essential to the successful delivery of our strategy and sustainable success over the long term, and the Board is committed to meeting the highest standards for all stakeholders.

# STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company complied fully with the principles and provisions of the UK Corporate Governance Code 2018 (the "Code") throughout the year ended 1 October 2022. Details of how the main principles of the Code have been applied are both set out below and found in the Strategic Report, Directors' Remuneration Report and Audit Committee Report.

#### **ANNUAL GENERAL MEETING**

Shareholders receive more than 20 working days' notice of the Annual General Meeting ("AGM") and ordinarily, all Directors will be present at the meeting. The Board would like to thank Shareholders for their engagement and support throughout the year.

#### **2022 ANNUAL GENERAL MEETING**

Covid-19 restrictions continued to impact how we conducted our AGM, as a result of the Omicron variant. With the safety of our colleagues, Shareholders and other attendees being of paramount importance, we followed best practice guidance at the time and held a closed meeting at our Head Office in Leicester. We provided a facility for Shareholders to submit questions in advance and voting was by proxy.

#### 2023 ANNUAL GENERAL MEETING

For our next Annual General Meeting in January 2023, we are keen to welcome Shareholders in person. We are, therefore, proposing to hold the Annual General Meeting at the Marriott Hotel, Smith Way, Grove Park, Leicester LE19 1SW and to help manage proceedings, are asking Shareholders who wish to attend to register their intention to do so in advance. In the event that there is a re-emergence of Covid-19 restrictions, or for any other reason, such that we consider it is no longer possible or practical for Shareholders to attend the meeting, we will notify Shareholders of any changes to the arrangements on our website and make a public announcement via a Regulatory Information Service.

# CORPORATE GOVERNANCE REPORT

The Annual General Meeting provides Shareholders with a good opportunity to meet with and ask questions of the Directors and, to ensure we are in a position to respond and engage in detail at the meeting we would ask that these are, if possible, proposed in advance of the Meeting.

Each substantive issue considered at the Annual General Meeting is the subject of a separate resolution. This year, the Board is again encouraging Shareholders to vote in advance online by proxy. Voting on all resolutions will be conducted by way of a poll rather than a show of hands which is a more transparent method of voting with Shareholders' votes counted according to the number of shares registered in their names, rather than according to the number of Shareholders who attend the Annual General Meeting. The results will be published on our website www.toppstilesplc.com, and also released to the London Stock Exchange via a Regulatory Information Service.

Please see the Notice of Annual General Meeting, and accompanying notes, for details of the resolutions, when and how to vote and how to ask a question in advance.

#### **RESOLUTIONS AT 2022 AGM**

At the 2022 Annual General Meeting, resolutions 4 (to Re-elect Darren Shapland as a Director), 12 (Directors' Authority to Allot Shares), 13 (Disapplication of Pre-emption Rights – General), 14 (Disapplication of Pre-emption Rights - Specific) and 15 (Authority to Make Market Purchases of Shares) each passed with less than 80% of votes cast in favour.

In accordance with provision 4 of the Code, the Board consulted and engaged with Shareholders to understand and discuss their views with respect to these resolutions. It considers that Darren Shapland, who was appointed to the Board in March 2015, continues to discharge his role as Chairman effectively and that his contribution is important to the Company's long-term sustainable success. Resolutions 12–15, which also appeared on the Investment Association's Public Register in 2021, are considered routine practice for UK listed companies and within the Investment Association's Share Capital Management Guidelines. The Board is aware, however, that some non-UK resident investors may have a policy of not supporting resolutions of this nature which, when passed, grant the Board specific authorities without the need to seek further Shareholder approval.

While the Board continues to consider that the flexibility afforded by these authorities is in the best interests of the Company and its Shareholders, it, nonetheless recognises, following Shareholder engagement, that certain special resolutions concerning share capital management will not command sufficient Shareholder support to be approved and, hence, will not be seeking their renewal at the forthcoming AGM.

The views of all Shareholders are important to the Company and the Board is committed to maintaining ongoing engagement with its Shareholders.

#### DIALOGUE AND BEING AVAILABLE TO SHAREHOLDERS

The Board maintains ongoing dialogue with its Shareholders and Rob Parker, our Chief Executive, and Stephen Hopson, our Chief Financial Officer, meet regularly with investors and analysts to discuss the Company's performance. All Shareholders have access to the Chairman and Senior Independent Director, as well as the Company Secretary, who are available to discuss any questions regarding the running of the Company.



The Directors build on a mutual understanding of objectives between the Company and its Shareholders, with annual presentations and regular communications over the year. There has been extensive engagement with the Company's major Shareholders, both prior and subsequent to the 2022 AGM, to understand their views on governance and performance against the strategy while the Committee Chairs also engage on significant matters related to their areas of responsibility. This year, Diana Breeze, our Remuneration Committee Chair, has engaged with and sought the views of major Shareholders representing more than 60% of the share register on the proposed new Remuneration Policy that will be submitted to the AGM for approval in January 2023 and Stephen Hopson, our CFO, engaged with major Shareholders throughout the process of forming our new capital allocation and dividend policy which is outlined in the Financial Review on pages 36 to 41.

Financial information is published on the Company's website www.toppstilesplc.com. The Chairs of the Audit Committee, Remuneration Committee and Nomination and Governance Committee make themselves available to answer Shareholders' questions.

The Board recognises the need to ensure that all Directors are fully aware of the views of major Shareholders; copies of analysts' research relating to the Company are circulated to Directors and the Company receives a monthly Investor Relations report, which includes an analysis of the Company's Shareholder register, details of which are provided to all members of the Board.

Pictured: Diamante Lavender

### **DIVISION OF RESPONSIBILITIES**CHAIRMAN AND CHIEF EXECUTIVE

The Chairman leads the Board and ensures its effectiveness. Darren Shapland was independent on appointment and remains so as assessed against the criteria set out in provision 10 of the Code.

The roles of the Chairman and Chief Executive are split, and the Board has approved a written statement of the division of key responsibilities between them, which is available on the Group's corporate website.

#### NON-EXECUTIVE DIRECTORS

The Board ensures that at least half of its members, excluding the Chairman, are independent Non-Executives and annually reviews any relationships or circumstances which are likely to affect their independence.

As Senior Independent Director, Keith Down acts as a sounding board for the Chairman and an intermediary for Directors and Shareholders and is also available to Shareholders should they wish to raise an issue through an alternative channel.

The Non-Executive Directors, led by the Senior Independent Director, meet annually, without the Chairman present, to discuss the Chairman's performance and any other matters as required. The Non-Executive Directors provide constructive challenge, strategic guidance and, with the Chairman, meet regularly without the Executive Directors present to appraise the performance of the Executive Directors against agreed performance targets.

#### TIME COMMITMENT

When making new appointments, the Board carefully considers the competing demands on candidates' time and candidates are required to disclose any significant commitments together with the associated time commitment. Each Non-Executive Director's letter of appointment sets out the time commitment expected of them, and these letters will be available for inspection at the Annual General Meeting.

The Company allows Executive Directors to hold no more than one external Non-Executive Directorship with a listed entity. So far as is practicable, the Company liaises with the Non-Executive Directors to ensure the schedule of meetings for the year does not clash with external appointments. Directors can attend meetings by video or telephone if necessary.

#### CONFLICTS OF INTEREST AND RAISING CONCERNS

Declarations of any actual or potential conflicts of interest with items on the agenda are requested and made at the start of every Board meeting. Should a matter be raised, the potential conflict of interest would be considered by the Board as a whole and if necessary, mitigating actions taken. The impact of any relationships or involvements are considered carefully to ensure that they do not compromise or override the Directors' ability to exercise independent judgement.

Concerns about the operation of the Board can be raised with the Chairman or the Senior Independent Director. No such concerns were raised during the year. The Group promotes a culture of integrity, competence, fairness and responsibility and under its whistleblowing procedure, colleagues are encouraged to raise any concerns about malpractice or unlawful conduct that they suspect may be taking place at work. This year, the decision was made to outsource the whistleblowing procedure to a specialist third party to improve the perception of independence and encourage colleagues to raise any concerns they may have. Summaries of reports are reported to the Audit Committee.

#### THE BOARD

#### **ROLE OF THE BOARD**

The Board of Directors has overall responsibility for determining the Company's purpose, values, and strategy and for ensuring high standards of governance. The primary aim of the Board is to provide effective leadership, which promotes the long-term sustainable success of the Group, generating value for Shareholders and contributing to the communities in which we operate.

The Board comprises six members. Darren Shapland chairs both the Board and the Nomination and Governance Committee, Diana Breeze chairs the Remuneration Committee, Keith Down chairs the Audit Committee and is the Senior Independent Non-Executive Director. Kari Daniels is responsible for Employee Engagement.

#### **RESERVED MATTERS**

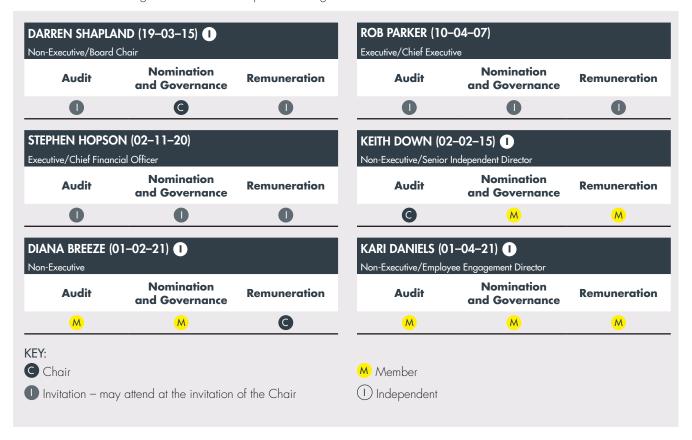
Certain defined matters are reserved for the Board including:

- Investor relations
- Approval of Financial Statements and circulars
- Approval of operating and capital expenditure budgets
- Approval of the Strategy and business plan
- Approval of corporate transactions and changes to capital structure, core activities or listing status
- Key policies including Modern Slavery and Ethical Trading, Anti-Bribery, Health and Safety and Diversity
- Directors' appointments
- Corporate Governance
- Key external and internal appointments
- Pensions and employee incentives



#### **BOARD COMPOSITION**

There have been no changes to the Board's composition during the Period.



#### **BOARD MEETINGS**

The Board held 12 scheduled meetings during the Period, based on an annual plan agreed with the Chairman, including an annual Strategy review.

Ahead of each meeting, the Directors receive detailed papers which provide current information about trading performance, the Group's overall financial position and its achievement against the prior year, budgets and forecasts. Regular agenda items include updates on health and safety, sustainability, diversity and inclusion, the Group's performance against key performance indicators and progress towards strategic objectives. Members of the Executive team are regularly invited to attend and update the Board on their specific responsibilities and are invited to give feedback to the Board.

At Board meetings, the Chairman ensures that each Director can make an effective contribution within an atmosphere of transparency and constructive debate, and feedback is given at the end of each meeting.

Between Board meetings, financial and other relevant information is circulated to the Directors; the Chairman maintains frequent direct contact with the Executive and Non-Executive Directors and keeps the Non-Executive Directors informed of material developments. Directors regularly meet with Senior Executives and visit stores.

#### ATTENDANCE AT SCHEDULED BOARD AND BOARD COMMITTEE MEETINGS

	Darren Shapland	Rob Parker	Stephen Hopson	Keith Down	Diana Breeze	Kari Daniels
Board of Directors	12 12	12 12	12 12	12 12	12 12	12 12
Audit Committee	0	0	0	4 4	4 4	4 4
Remuneration Committee	0	0	0	4 4	4 4	4 4
Nomination and Governance Committee	2 2	0	0	2 2	2 2	2 2
	100%	100%	100%	100%	100%	100%





#### **CONTRIBUTION OF DIRECTORS**

The Nomination and Governance Committee considers the role and contribution of Directors annually as part of its work on succession planning. It believes that each member of the Board continues to be important to the Company's long-term sustainable success with their skills and experience, including:

- Darren Shapland: an experienced Board Chair, with more than 35 years of retail and consumer experience. He sets the agenda for meetings in consultation with Rob Parker our Chief Executive, Stephen Hopson our Chief Financial Officer and our Company Secretary, chairs the meetings and promotes a culture of openness and debate, including inviting the Executive and Non-Executive Directors to debate and challenge the Group's Strategy.
- **Rob Parker:** a qualified accountant with over 15 years of Board experience who has led the Group since 2019, including through the challenges of Covid-19. Rob formulates and proposes the strategic direction of the Group and incorporates this into business plans for regular discussion and agreement by the Board. He has overall responsibility for the operational and financial performance of the Group.

- **Stephen Hopson:** a qualified accountant and experienced Finance Director. Stephen is responsible for the management of the Group's financial affairs and supporting Rob in the delivery of our strategic plan.
- Keith Down: a qualified accountant and experienced Chief Financial Officer, with substantial retail and consumer experience. Keith chairs the Audit Committee and, as Senior Independent Director, provides a sounding board for the Chairman, serving as an intermediary for the other Directors when necessary and is available to Shareholders.
- Diana Breeze: an experienced HR Director, with substantial retail and consumer experience to contribute to the Board, as well as chairing the Remuneration Committee.
- Kari Daniels: an experienced Chief Executive, with substantial retail and consumer experience to contribute to the Board. Kari acts as Employee Engagement Director.

#### **INDEPENDENCE**

The Board reviews the independence of Non-Executive Directors on an ongoing basis and is satisfied that all Non-Executive Directors remain independent in accordance with the Code.

#### **RE-ELECTION**

In line with best practice, all Directors will be subject to annual re-election at the Annual General Meeting in January 2023.

#### **ADVICE**

Where required, a Director may seek independent professional advice at the expense of the Company. All Directors have access to the Company Secretary, and they may address issues to the Senior Independent Non-Executive Director.

#### **DEVELOPMENT**

While all Board members are responsible for their own development, they are provided with access to the Company's advisers and regularly attend external presentations and workshops on areas considered relevant and appropriate, including environmental, social and governance issues. All members of the Board have access to various technical seminars and professional updates on a range of relevant topics useful for enhancing the Board's knowledge and understanding of corporate governance. Provision is made within the Board's annual timetable for regular updates, including from the Company's advisers, on key areas covering the economy, the market, Directors' duties and corporate governance, and developments in remuneration practice, each of which were received by the Board during the Period.

#### **BOARD COMMITTEES**

The Board operates three committees: the Nomination and Governance Committee, the Remuneration Committee and the Audit Committee. All Committees meet regularly and have formal written terms of reference, which are available on our website.



Pictured: Quarry Red

#### **BOARD**

#### KEY RESPONSIBILITIES

- Investor relations
- Approval of Financial Statements and circulars
- Approval of operating and capital expenditure budgets
- Approval of the Strategy and business plan
- Approval of corporate transactions and changes to capital structure, core activities and listing status
- Approval of key policies including Modern Slavery and Ethical Trading, Anti-Bribery, Health and Safety and Diversity
- Directors' appointments
- Corporate Governance
- Key external and internal appointments
- Pensions and employee incentives



### REMUNERATION

COMMITTEE

#### KEY RESPONSIBILITIES

- Chair and Executive Directors remuneration
- Senior management remuneration
- Share incentive plans
- Employee benefits structures

#### **↓**

#### AUDIT COMMITTEE

#### KEY RESPONSIBILITIES

- Financial reporting
- Narrative reporting (fair, balanced and understandable
- Internal controls and risk management systems
- Compliance, whistleblowing and fraud
- Internal audi
- External audit



### NOMINATION AND GOVERNANCE COMMITTEE

- KEY RESPONSIBILITIES
- Board evaluation
- Board, Committee, and Senior Executive appointments
- Board, Committee and Senior Executive succession and development plans
- Diversity and inclusion

#### **GOVERNANCE FRAMEWORK**

Good governance is essential to the successful delivery of our Strategy, and the Board is committed to meeting the highest standards for all stakeholders.

#### **ESG**

We recognise the strategic benefits of developing and delivering the agenda and targets for Environment, Social and Governance ("ESG") throughout the Group which supports key areas of Group focus and is an important part of the Group's strategy. Information on our environmental initiatives, in support of our Group strategy, is found on pages 24 and 25, and pages 50 to 53 of the Strategic Report and our report under the Taskforce for Climate-related Financial Disclosures is found on page 58. Information on social initiatives, including our continuing focus on diversity and inclusion, is found on pages 54 to 57 of the Strategic Report.

Each ESG topic is reviewed by the Board no less than twice annually, with reports and presentations during the year from the Chief Executive, Company Secretary, relevant members of the Executive team and, where appropriate, external advisers on developments to enable the Board to consider and agree on priorities for the forthcoming year and beyond with implementation plans prepared and monitored by the Board and, if relevant, appropriate Board Committee.





#### **BOARD EFFECTIVENESS**

We consider Board effectiveness in our internal Board and Committee evaluation review process. This aims to stimulate the Board's thinking on how members of the Board can carry out their roles and encourages them to focus on continually improving both their, the Board, and its Committees' effectiveness. During the Period and following a review of the process, the evaluation was undertaken with an online governance assessment tool supported by an external provider, Independent Audit Limited, to provide a more in-depth objective analysis of Board and Committee effectiveness, identify key areas for discussions and, hence, deliver a more robust review process.

While we recognise that there is always potential to improve our effectiveness, we believe that our Board is a strong team that works well together. Following last year's evaluation, we agreed on several actions and have reported progress against these on page 83, this year we have again agreed several actions and will report on progress next year.

#### **RISK REVIEW**

We carry out a robust assessment of the Company's emerging and principal risks through our risk review process, details of which are set out on pages 42 to 45.

#### **CULTURE, PURPOSE AND VALUES**

Our annual strategy review considers how corporate culture is aligned with the purpose, values and Strategy set by the Board.

For more on our **Culture** see pages 22 and 23

#### **SECTION 172**

Our Company Secretary sets out guidance on s172 of the Companies Act 2006 on every Board agenda to support the Board's consideration of its requirements. The interests of our stakeholder groups are considered in a variety of ways, as set out in our Section 172 Statement on pages 46 and 49.

#### FAIR, BALANCED AND UNDERSTANDABLE

The Board has reviewed the contents of this Annual Report and considers it fair, balanced, understandable, and an accurate representation of the Company's current position, performance, business model and strategy. The basis for this view is that the Directors are provided with the relevant information to perform their duties and have access to members of management, as they require. The Board meets regularly and is given adequate time to probe debate and challenge business performance. The Board has received a report from the Audit Committee concerning the financial results and based on that, has approved the final accounts for the Period. Having gained a thorough understanding of the business, each member of the Board has also had the opportunity to review and influence this report and as such has concluded in line with the statement above.

### MAINTENANCE OF A SOUND SYSTEM OF INTERNAL CONTROL

The Board has established a continuous process for identifying, evaluating and managing the significant risks the Group faces and regularly reviews this process. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This process is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group has established internal control and risk management systems concerning the process for preparing the consolidated financial statements. Management regularly monitors changes in accounting standards and financial reporting requirements and reflects any relevant changes in the financial statements where appropriate.

The full-year financial statements are subject to external audit. The Audit Committee receives reports from management and the external Auditors on significant judgements, changes in accounting policies, changes in accounting estimates and any other appropriate changes to the financial statements.

The Audit Committee assists the Board in discharging its responsibilities in this regard. The outcomes from the recent key risks and uncertainties review are detailed in the Strategic Report section of this report, and the Board has considered all significant aspects of internal control in conjunction with the review of the work of Internal Audit.

During its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses that it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered necessary.

#### **GROUP SOURCING POLICY**

To ensure that there is appropriate governance and control, and to, wherever possible, deliver competitive commercial advantage, the Group has, for a number of years, operated and adhered to a sourcing policy. This governs all commercial relationships with suppliers, including those that are Shareholders, whereby, subject to Executive Management approval, no more than 10% of the Group's total Coverings purchase value is sourced from any single supplier subject to where sourcing is from outside the EU where purchases from any region shall not exceed 15% of spend, and no more than 20% for Essential Products, particularly grouts and adhesives which tend to have a narrower supply base.

#### **MODERN SLAVERY**

The Board is committed to ensuring that acts of modern-day slavery and human trafficking do not occur in relation to the Company, or its supply chain. To meet this commitment, the Company introduced The Topps Tiles Responsible Sourcing Code, which is explained in our Modern Slavery Statement on the Company's website. This Code is reinforced by commercial agreements that require our suppliers to be fully compliant with local laws, and we pay attention to labour standards and factory conditions. Our Responsible Sourcing Code has been rolled out to and agreed upon by all core factories supplying our retail and commercial businesses. We are working closely with Intertek, the leading Quality Assurance Experts who have carried out independent third-party auditing on production facilities where there is any product or geographical risks. These Workplace Conditions Assessment Audits have focused on regional risks within the building and construction sector.

#### **ANTI-CORRUPTION AND ANTI-BRIBERY**

The Board is committed to ensuring that our business is conducted honestly and ethically. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. This commitment includes the implementation of an anti-bribery policy, which all colleagues are required to adhere to and to enforce an effective system of control, through our dedicated Internal Audit team. The team works to a plan agreed with the Audit Committee and reports progress to the Audit Committee on a twice-yearly basis.

#### **Darren Shapland**

Non-Executive Chairman

30 November 2022



# AUDIT COMMITTEE REPORT



THE COMMITTEE CONTINUES TO OPERATE EFFECTIVELY PROVIDING APPROPRIATE ASSURANCE TO THE BOARD."

#### **Keith Down**

Chair of the Audit Committee



#### **OVERVIEW**

#### OTHER MEMBERS:

- Diana Breeze
- Kari Daniels

#### MEETINGS HELD:

4

#### THE COMMITTEE

The Committee held four scheduled meetings during the Period, based on an annual plan agreed with the Chair of the Committee

The Audit Committee comprises three independent Non-Executive Directors Keith Down (Chair), Diana Breeze and Kari Daniels.

Their qualifications and experience are detailed on pages 66 and 67. The Chair has relevant experience, being a qualified Chartered Accountant, a former Chief Financial Officer of a listed company and a serving Chief Financial Officer of a non-listed company.

The Chief Executive Officer, Chief Financial Officer and the Chair of the Board may attend meetings by invitation.

#### **ROLE OF THE AUDIT COMMITTEE**

The Audit Committee considers the nature, scope and effectiveness of the audit process (both internal and external) to ensure that the programme is aligned to key risks. It also monitors, reviews, and approves the internal audit programme and receives regular internal audit reports to review the effectiveness of its work. The Committee meets with the external Auditors and considers the Annual Financial Statements before making its recommendations to the Board. The Committee reviews and monitors the external Auditors' independence and objectivity and the effectiveness of the audit process.

The Committee is also responsible for ensuring that arrangements are in place to enable colleagues, in confidence, to raise any concerns about possible improprieties in matters of financial reporting or other issues. In the year, to further strengthen the existing process, the Committee approved a decision to outsource the whistleblowing process to a third-party provider, which should encourage colleagues to raise any concerns through a completely confidential and independent channel.

#### **2022 KEY ACHIEVEMENTS**

- Oversight of a rigorous tender process and the proposal to appoint a new external Auditor for the 2023 accounting year.
- Oversight of ongoing work to streamline year-end processes to support delivery of an efficient external audit.
- Oversight of improvements in the continued development of data-led approach to the management and reporting of inventory provisions.
- Oversight of ongoing improvements to the implementation of IFRS 16.
- Oversight of the Internal Audit agenda and review of progress of internal audit priorities, including a decision to outsource the whistleblowing process.

#### **AREAS OF FOCUS IN 2023**

- Oversight of work to continue the development of an improved Internal Audit function.
- Oversight of the completion of the transition of IFRS 16 to business as usual.
- Oversight of the work to simplify the Group's legal structure.
- Oversight of the transition to the new external Auditor, subject to approval of Shareholders.
- Oversight of development of the Group's response to further audit and corporate governance reforms.

The Audit Committee Chair, in conjunction with the Company Secretary, ensures that there is an annual evaluation of the Committee's effectiveness and its processes. During the Period this was conducted internally and comprised use of an online governance assessment tool, supported by an external provider. While recognising certain areas for development, the conclusion was that the Committee continues to operate effectively providing appropriate assurance to the Board.

#### THE WORK OF THE AUDIT COMMITTEE

The Committee is responsible for the robust assessment of the Company's principal strategic risks, which include those to its business model, future performance, solvency, and liquidity. The Committee, with support from senior operational managers, performs this process. The Committee reviews the strategic risk schedule on a half-yearly basis to ensure that any actions that have been identified are being progressed; additionally, the Board receives quarterly updates. It also reviews the Group's system of internal control by reference to an Internal Controls Framework assessment and reports its findings to the Board.

The Audit Committee provides advice to the Board on whether the Annual Report is fair, balanced, and understandable and provides the necessary information Shareholders require to assess the Company's performance, business model and strategy. In doing so, the following activities have been addressed specifically:

- Review of Principal Strategic Risks the Committee conducts an annual review of principal strategic risks and invites a cross-section of the Company's management to present to ensure that the review includes a detailed understanding of the business. The review highlights the principal risks based on a combination of likelihood and impact, and then considers what appropriate mitigating effects should be implemented. In addition, these risks are regularly reviewed and monitored at Board meetings. In the current year, the review of risks has had a particular focus on macroeconomic factors, including the risks presented by inflationary pressures on consumers and businesses, and global factors such as supply chain disruption.
- Review of Poor-performing Stores as part
  of both the half-year and full-year-end review process,
  poorly performing stores are considered, and any related
  impairments and/or property provisions are provided for.
  Management will then follow up with detailed action plans
  to either improve store performance or seek an exit solution.
  The Audit Committee also reviews progress towards these
  plans at the following review.
- Review of IFRS 16 Implementation the Group has applied IFRS 16 "Leases" since 2020 and the Audit Committee has reviewed the approach taken, and the development of processes to enable IFRS 16 to become a standard part of routine monthly accounting. Progress has been made in this area, however, the continued development of this process will be a key area of focus in 2023.



- Review of Inventory ensuring that inventory is correctly valued is a key area of focus for the Audit Committee. The finance function performs ongoing detailed checks of supplier invoices by comparing to system prices, and management conducts a regular review of any products sold, or likely to be sold, below the original cost price. The calculation of inventory provisions has been a significant focus this year, with good steps made by the finance function to use increasingly sophisticated data analysis to derive an appropriate inventory provision based on historical sell through of any discontinued or low selling product lines. As such, the level of management judgement required has reduced, which is encouraged by the Committee. The Audit Committee reviews the output of these reviews and approves the provisions included in the Annual Report.
- Going Concern and Long-term Viability
  Statement Stephen Hopson, our Chief Financial Officer, provides an assessment of the Company's ability to continue to trade on both a 12-month look-forward test basis and a three-year look-forward basis. The conclusions of those reviews are included in the Strategic Report.
- Annual Review of the Group Tax and Treasury Policy – this review is performed annually and published on the Company's website.
- Monitoring the Group's compliance with Accounting Standards, reviewing all material judgemental accounting areas, and reviewing all items considered to be adjusting to support external understanding of underlying performance.



#### 2022 EXTERNAL AUDIT

The scope of the external audit of the 2022 Annual Report and Accounts was presented by the external Auditor to the Committee in May 2022 so that the Committee could discuss and challenge the audit plan and understand the key elements. The Committee considers the effectiveness of the external Auditor during the year and, with input from management, reviews its performance after the year-end audit has been completed. In undertaking this assessment, the Committee considers:

- The experience and expertise of the Auditor;
- The completion of the agreed external audit plan;
- The content, quality of insights and added value of external audit reports;
- The robustness and perceptiveness of the external Auditor in their handling of key accounting and audit judgements; and
- The interaction between management and the Auditor.

The Committee also reviews the independence of the Company's external Auditor.

The Company has a policy for the provision of non-audit services, which is published on the Company's website. Under the policy, the external Auditor have not provided non-audit services to the Company during the Period.

During the year, our Auditor has specifically focused on the implementation of IFRS 16 "Leases" and also the development of enhanced inventory provisioning methodology.

The audit fee for the statutory audit of the Company's consolidated financial statements and audit-related services for the Period is £373,000 (2021: £303,000).

### TENDER AND PROPOSED APPOINTMENT OF NEW EXTERNAL AUDITOR

Following thorough consideration, this year the Committee decided to conduct a tender process for the appointment of a new external Auditor for the 2023 financial year. The process was designed to be completed by year end, so that the chosen firm could be recommended to Shareholders for approval at the 2023 AGM. The scope of the tender was for the Topps Tiles Group audit, the audit of Topps Tiles Plc, and statutory audits of relevant subsidiary companies.

Pictured: Mystone Blanco, Mystone Perla and Nordbon Nogal

#### PROCESS AND GOVERNANCE

The overall objective of the audit tender process was to select the best Auditor in terms of audit quality within a reasonable price range. To deliver this objective, a Tender Panel ("Panel") was appointed consisting of the Chair of the Audit Committee, the Chief Financial Officer, the Director of Finance, the Financial Controller and a Financial Accounting Assistant. The Panel ensured that the Audit Committee was updated throughout the process, and ultimately the Audit Committee was responsible for presenting two options to the Board, together with a justified preference for one of them for a final decision to be made.

Following a desktop review of the market, five audit firms were initially invited to meet the Panel. The minimum requirements at this stage included confirmation that firms were willing to bid, were free of any conflicts of interest, and were able to accept the appointment if selected. One firm withdrew from the process during this period and four made initial presentations to the Panel. Following this stage, a formal request for proposal was made to two firms, who were invited to present to the Panel. Before the final presentation, equivalent access to management was given to both firms, including meetings with the Chair of the Audit Committee, the Chief Financial Officer, and relevant members of the finance team, and any information requests were carefully considered, with the same information provided to each firm to ensure a level playing field. The criteria for the decision were as follows:

- The approach to ensuring overall audit quality, including technical skill and the transition plan;
- The quality of the audit service including quality of team, audit planning and structure;
- Insights and value added through the audit, including industry knowledge and access to specialists; and
- Audit fee and value for money.

In the final meeting, following a presentation to the Panel, there was a structured question and answer session, and both firms were scored against the criteria described above.

#### OUTCOME

Both of the final tenders were to a very high standard however the Panel unanimously proposed that Mazars LLP be appointed as the new external Auditor, based on their high levels of audit quality, good strength in depth, strong cultural fit and acceptable value for money. The Audit Committee reviewed the results of the process during its meeting in September 2022 and agreed to recommend to the Board that it should propose Mazars LLP for appointment as the external Auditor of the Group. A detailed paper was considered by the Board which accepted the recommendation that, subject to approval from Shareholders, Mazars LLP will be appointed as the new external Auditor following the 2023 AGM. The careful transition from Pricewaterhouse Coopers LLP to Mazars LLP will be a key focus for the Audit Committee in the forthcoming year.

#### **Keith Down**

Chair of the Audit Committee

Pictured: Elevo Natural Chevron





# NOMINATION AND GOVERNANCE COMMITTEE REPORT



THE BOARD AND ITS COMMITTEES
CONTINUED TO PROVIDE EFFECTIVE
LEADERSHIP AND EXERCISE THE REQUIRED
LEVELS OF GOVERNANCE AND CONTROL."

#### **Darren Shapland**

Chair of the Nomination and Governance Committee



#### **OVERVIEW**

#### OTHER MEMBERS:

- Diana Breeze
- Keith Down
- Kari Daniels

#### MEETINGS HELD:

2

#### THE COMMITTEE

The Committee, comprising independent Non-Executive Directors Darren Shapland, who is Chair, Keith Down, Diana Breeze and Kari Daniels, held two scheduled meetings during the Period, based on an annual plan agreed with the Committee Chair.

#### **ROLE OF THE COMMITTEE**

The principal responsibilities of the Committee are to regularly review the structure, diversity, size and composition of the Board and to support the Board in fulfilling its responsibilities to ensure that effective succession planning processes and pipelines are in place for Directors and other senior management. The Committee ensures there are formal, rigorous and transparent processes in place for the appointment of Directors and other senior managers.

The Nomination and Governance Committee leads the process for appointments, ensuring plans are in place for orderly succession to both the Board and senior management positions,

#### **2022 KEY ACHIEVEMENTS**

- Board succession and development of plans for the orderly succession of the roles of Chair and Senior Independent Director.
- Executive succession and development plans, to ensure that the Group's medium and longer-term organisational requirements are met.
- Support for and development of the Company's ESG agenda.
- Oversight of the Company's developing strategy on Diversity and Inclusion, including the Company's response to new reporting requirements under the Listing Rules, which will apply from 2023, in respect of management levels below the Board.
- Executive and Non-Executive Directors' succession and planning; reviewing the size, diversity, skills, and experience of the Board and considering the future needs of the Group.
- Board and Committee evaluations; introduction of a new Board and Committee evaluation process using an online governance assessment tool supported by an external provider and planning actions to address points raised in the previous year's evaluation feedback.

#### **AREAS OF FOCUS IN 2023**

- Development of plans for the orderly succession of the roles of Chair and Senior Independent Director.
- Continued focus on and monitoring of the Company's strategy on Diversity and Inclusion.
- Executive development and succession planning to meet medium and longer-term requirements.
- Oversight of the Company's developing ESG agenda.
- Development of the Board and Committee evaluation process.

and oversees the development of a pipeline for succession recognising the importance and benefits that can arise from diversity of background, experience, ethnicity and gender. Furthermore, the Committee oversees the delivery of high standards of corporate governance throughout the Group.

The Committee is actively involved in guiding the planning and selection process for Board roles and is consulted on all senior-level appointments and developments. In addition, the Committee draws up and regularly reviews long, medium and short-term succession plans for all key senior management positions within the Company. As well as having short-term contingency plans in place, the aim is to ensure that the Company identifies, develops and promotes candidates into appropriate positions of leadership.

#### **BOARD EVALUATION**

Each year there is a formal and rigorous annual evaluation of the performance of the Board, its Committees, the Chairman and individual Directors. The evaluation provides an opportunity to highlight areas for further development. This year we carried out an internal review of Board and Committee effectiveness utilising an online governance assessment service supported by an external provider, Independent Audit Limited, who helped us prepare a report setting out findings for review.

While Board effectiveness reviews can, given their purpose, feel somewhat negative with the outcome primarily being consideration of areas for improvement, the review identified many positive aspects of the current operation of the Board and

showed that it is effective in most areas, is well led, and that the Directors challenge constructively. It concluded that the Board and its Committees continued to provide effective leadership and exercise the required levels of governance and control and that each Director continued to contribute effectively and demonstrate commitment to their role.

There were a number of recommendations arising from the evaluation that have been considered by the Board which agreed that an action plan, supported by the Company Secretary, would be developed to address key findings of how technology can drive the Strategy, improve oversight of cyber risk and further develop people strategy and ESG. This plan will form a standing part of the activities of the Board over the coming year.

Following significant changes to the Board, last year's evaluation reflected a positive view on the performance of the Board and its Committees. It found a positive approach to corporate responsibility, adherence with and development of the Group's culture and values, strong combination of complementary skills and experience from Board members and there being a constructive debate and willingness to ask challenging strategic and operational questions with the right balance between challenge and support. The evaluation highlighted some areas for attention in 2022, which we have addressed, as reported below:

#### **BOARD EVALUATION FINDINGS**

Key 2021 Board evaluation findings

#### **PROJECTS**

#### **ACTIONS TAKEN**

While the review and analysis of future projects was very strong, it was recognised that the existing structures in place for post implementation reviews could be improved. As a result, regular management strategy review meetings now include a section on post implementation reviews to improve our ability to learn from the outcome of major projects and investments. A summary of all of these reviews over a 12-month period is now included in the annual Strategy review process, held at Board level.

#### **BOARD EVALUATION**

#### **ACTIONS TAKEN**

We reviewed and developed the Board and Committee evaluation process with the use of an online governance process, supported by an external specialist provider which helped with preparation of clear and concise reports setting out the results and suggested actions for review.

#### **DIVERSITY AND INCLUSION**

#### **ACTIONS TAKEN**

There has been a review of the Board's approach to ensuring diversity and inclusion in the Board and senior management team, noting the requirements of the Listing Rules. A key element of the Group's "Leading People" strategy is to embed gender and ethnic diversity and inclusion throughout the Group and the Board has received and reviewed the process that has been, and continues to be, developed for this to be achieved.

#### **BOARD EVALUATION PROCESS**

#### STAGE 1

Following recommendation by the Committee it was agreed by the Board to use an online governance tool, supported by an external specialist provider, to facilitate the internal Board and Committee effectiveness review.

#### STAGE 2

Board and Committee members complete questionnaires using the online governance service with multiplechoice questions and comment boxes

#### STAGE 3

A report, using analytical support from the external specialist provider, is compiled on the effectiveness of the Board and its Committees with relevant results, comments and suggested actions discussed with the relevant Chair.

#### STAGE 4

The results are presented to the Board and Committee members, for discussion and agreement and the relevant Chair, supported by the Company Secretary, follows up on the findings to agree on appropriate actions.



Pictured: Manhattan Grey

Pictured: Catania™ Blue Tile



### DIRECTORS' REPORT

The Directors of Topps Tiles Plc (the "Directors" or the "Board") present their Annual Report on the affairs of the Group (comprising Topps Tiles Plc ("Company") and its subsidiary companies) together with the audited Financial Statements for the 52-week period ended 1 October 2022 (the "Period"). The Corporate Governance Report forms part of this report.

#### PRINCIPAL ACTIVITIES

The principal activity of the Group is the sale and distribution of ceramic and porcelain tiles, natural stone, and related products.

#### STRATEGIC REVIEW

The Company is required by the Companies Act 2006 to set out in this report a fair review of the business of the Group during the period ended 1 October 2022 and of the position of the Group at the end of that period. The Company is also required to set out a description of the principal risks and uncertainties facing the Group. This information is in the Chairman's Statement on pages 8 and 9, and the Strategic Report on pages 12 to 63, which includes information on Environment, Social and Governance ("ESG") issues, which form part of the Directors' Report.

The prospects of the Group are highlighted in both the Chairman's Statement and the Strategic Report. The Directors monitor several financial and non-financial key performance indicators for the Group. The most significant of these are detailed on pages 34 and 35.

The Company conducts an annual strategic risk discussion with the Chair of the Audit Committee and senior managers, which includes a wide range of risks including commercial, continuity, environmental, social and governance risks.

#### **RESULTS AND DIVIDENDS**

The audited financial statements of the Group for the 52-week period ended 1 October 2022 are set out on pages 124 to 159. The Group's profit for the Period from continuing operations, after taxation, was £9,191,000 (2021: £10,676,000).

An interim dividend of 1 pence per share was paid on 15 July 2022. Following careful consideration, and for the reasons given in the Chairman's Statement, the Board is recommending the payment of a final dividend of 2.6 pence per share which, taken together with the interim dividend will give a total dividend of 3.6 pence per share for the year (2021: 3.1 pence per share). The final dividend will, subject to Shareholder approval at the 2023 Annual General Meeting ("AGM"), be payable on 3 February 2023 to Shareholders on the register on 23 December 2022. The ex-dividend date will be 22 December 2022.

#### **BOARD OF DIRECTORS**

The Directors of the Company who were in office during the year and up to the date of signing the Financial Statements were as follows:

#### D Shapland

Non-Executive Chairman

#### R Parker

Chief Executive

#### S Hopson

Chief Financial Officer

#### K Down

Senior Independent Non-Executive Director

#### D Breeze

Non-Executive Director

#### K Daniels

Non-Executive Director

Although not required by the Company's Articles of Association, in line with good Corporate Governance, all Directors will retire voluntarily and offer themselves for re-election at the Annual General Meeting in January 2023. For the Directors' biographical details, see pages 66 and 67.

The Board considers that the contribution of each of the Directors standing for election is important to the Company's long-term sustainable success. Further details are set out in the Corporate Governance Report on pages 69 to 85.

#### **DIRECTORS' AND OFFICERS' INSURANCE**

The Company provides insurance against Directors' and Officers' liabilities to a maximum value of £15,000,000.

#### **ARTICLES OF ASSOCIATION**

The internal regulation of the Company is set out in its Articles of Association which can be amended by a special resolution of the Company's Shareholders. They cover matters such as the rights of Shareholders, the appointment or removal of Directors and the conduct of Board and general meetings. A copy of the Articles is available upon request and on the Company's website. In accordance with the Articles of Association, Directors can be appointed or removed by the Board, or by Shareholders in general meetings. Subject to company law and the Articles of Association, the Directors may exercise all the powers of the Company and may delegate authorities to Committees. The principal Board Committees are the Audit Committee, the Nomination and Governance Committee and the Remuneration Committee. Details of the work of these Committees can be found in the Corporate Governance Report on pages 82 to 85 and Directors' Remuneration Report from page 90.

#### **VOTING AT THE ANNUAL GENERAL MEETING**

The Board is again encouraging Shareholders to vote online by proxy, appointing the Chair of the meeting as their proxy regardless of whether they plan to attend in person which will ensure that Shareholders' votes will be counted even if they are unable to attend. Voting on all resolutions will be conducted by way of a poll rather than a show of hands. Voting by poll is a more transparent method of voting as Shareholders' votes are counted according to the number of shares registered in their names, rather than according to the votes of Shareholders who attend the Annual General Meeting. Shareholders will be asked to consider and vote on the resolutions set out in the Notice of Annual General Meeting and the results will be published on our website www.toppstilesplc.com and released to the London Stock Exchange via a Regulatory Information Service.

#### **SHARE CAPITAL**

Details of the Company's issued share capital, together with details of the movements in the Company's issued share capital during the Period, are shown in note 23 to the Financial Statements.

The Company has one class of ordinary shares in issue, which carries no right to fixed income. Each share carries the right to one vote in a general meeting of the Company.

The Company imposes no restrictions on the size of a holding or on the transfer of shares, which are governed by the general provisions of the Articles of Association and company law. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

No person has any special rights of control over the Company's share capital. All issued shares are fully paid.

#### SUBSTANTIAL SHAREHOLDINGS

As at 1 October 2022, the Company had been notified, in accordance with the Disclosure Guidance and Transparency Rules, of the following notifiable voting rights:

	Number	% held
MS Galleon AG	58,569,649	29.9
Aberforth Partners LLP	28,898,766	14.8
Rex Partners LLP	21,597,274	11.0
Invesco Asset Management	9,790,934	5.0
MI Chelverton UK Equity Growth Fund	9,500,000	4.8
AXA Investment Managers SA	8,416,667	4.3

The interests in the table above are as stated by the Shareholders at the time of the notification and current interests may vary.

In the period from 1 October 2022 to the date of this report we have received no notification in relation to substantial shareholdings, in accordance with the Disclosure Guidance and Transparency Rules.

#### **SHARE OPTION SCHEMES**

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

This has been achieved through the introduction of several employees' Sharesave, share bonus, approved and unapproved share option schemes, since the flotation in 1997.

As described in note 27, employee share purchase plans are open to almost all employees and provide for employees to purchase Ordinary Shares at a purchase price equal to the daily average market price over the three days preceding the start of the offer period, less 20%.

The Directors' interests in the shares of the Company and details of the Directors' share options are given in the Directors' Remuneration Report on page 110.

#### **SIGNIFICANT AGREEMENTS**

The Group is a party to significant agreements, including commercial contracts, financial and property agreements, and employees' share plans, which contain certain termination and other rights for the counterparties in the event of a change of control of the Company. Should any counterparties choose to exercise their rights under such agreements on a change of control, these arrangements may have to be renegotiated or replacement suppliers, or premises, be found. None of these

is considered significant in terms of the likely impact on the business of the Group as a whole. There are no agreements between any Group company and any of its employees or Directors that provides for compensation to be paid to the employee or Director for termination of employment or for loss of office as a consequence of a takeover of the Company, other than provisions that would apply on any termination of employment.

#### **GREENHOUSE GAS EMISSIONS AND CARBON REPORTING**

Information relating to greenhouse gas emissions and carbon reporting data is set out on page 50 of the Strategic Report and is incorporated by reference into this report.

#### **CHARITABLE AND POLITICAL CONTRIBUTIONS**

The Group has designated charitable partners; Alzheimer's Society and Leicestershire Cares. Across the Group's business, colleagues engage in numerous fundraising activities, which are set out on pages 56 ad 57 of the Strategic Report. During the Period, the Group made no monetary charitable donations and no political contributions.

#### ESC

The Company has a long-standing ESG agenda covering amongst other matters, Community, Charity, the Environment and Our People, which includes our continuing focus on diversity and inclusion. Details of our current activities are set out in the Strategic Report, our Section 172 Statement and our report under the Taskforce for Climate-related Financial Disclosures.

We take the impact of our business on our environment extremely seriously, having adopted a range of environmental metrics, details of which are set out in the Strategic Report, and pay particular attention to labour standards and factory conditions.

#### **HUMAN RIGHTS**

All directly employed colleagues are based in the UK and covered by UK employment law. The Modern Slavery Act 2015 came into effect in 2015 and the Board is committed to ensuring that acts of modern-day slavery and human trafficking do not occur in relation to the Company, or its supply chain. For more on this, please see page 76.

#### **DIVERSITY**

The Board recognises the importance and benefits of diversity throughout the organisation and the Nomination and Governance Committee regularly reviews the balance of skills, knowledge, and experience on the Board and executive management team. Appointments are made on merit, against objective criteria and with due regard for the benefits that diversity of background, experience and gender can bring. As noted in the Corporate Governance Report, this year diversity and inclusion has continued to be an area of focus and we fully recognise the changing requirements of the Listing Rules, which we are taking steps to address. Currently the Board is one third female.

### DIRECTORS' REPORT

Our workforce at the Period-end date comprises:

	2022					
	Male	Female	Total	Male	Female	Total
Directors	4	2	6	4	2	6
Senior managers	11	3	14	12	3	15
Other employees	1,244	451	1,695	1,254	429	1,683
Total employees	1,259	456	1,715	1,270	434	1,704
% of total	73%	27%		75%	25%	

#### **EQUAL OPPORTUNITIES**

The Board is committed to promoting equal opportunities and ensuring that we hire on potential, promote talent and reward on success. We aim to promote equality of opportunity in employment. We welcome applications for employment from people of all backgrounds, regardless of age, disability, gender reassignment, marriage or civil partnership status, pregnancy, maternity, race, religion or belief and sex. Should a colleague become disabled, we aim to continue to support their training and career development where we can do so, making reasonable adjustments.

#### COLLEAGUE CONSULTATION

The Board values the views of employees and recognises the importance of keeping employees informed of matters affecting them and the Group. This is achieved through formal and informal meetings, electronic announcements, the Company magazine and "TeamTalk", a Company-wide forum for colleagues to discuss matters that affect them and the Company. Regular forums are held at local and national levels to ensure that employee representatives are consulted quarterly on matters affecting them.

#### FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group is exposed to interest rate risk, currency risk and credit risk. Information regarding our approach to managing these risks is contained in note 21 to the Financial Statements. The Group's approach to risk management is explained in the Strategic Report.

#### EMPLOYEE AND STAKEHOLDER ENGAGEMENT

The Company has several programmes of stakeholder engagement. These are detailed in the Strategic Report, Corporate Governance Report on page 69 and Section 172 Statement on page 46.

#### INFORMATION GIVEN TO THE AUDITORS

Each of the Directors at the date of approval of this Annual Report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### APPOINTMENT OF THE COMPANY'S AUDITORS

Following a competitive tender process, details of which are set out in the report from the Audit Committee on page 80, a resolution to appoint Mazars LLP as the Company's Auditor will be proposed at the forthcoming Annual General Meeting.

### DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with UK-adopted International Financial Reporting Standards ("IFRSs") and applicable law and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted IFRSs have been followed for the Group financial statements, and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **CONFIRMATION STATEMENT**

We confirm that to the best of our knowledge:

- the Annual Report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and Strategy;
- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business, the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

#### **Rob Parker**

Director

30 November 2022

# REMUNERATION COMMITTEE REPORT



PERFORMANCE MEASURES ARE SELECTED THAT ARE ALIGNED WITH THE PERFORMANCE OF THE GROUP AND THE INTERESTS OF SHAREHOLDERS."

#### Diana Breeze

Chair of the Remuneration Committee



#### **OVERVIEW**

#### OTHER MEMBERS:

- Kari Daniels
- Keith Down

#### MEETINGS HELD:

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### STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

#### **DEAR SHAREHOLDER**

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the 52 weeks ended 1 October 2022 (the "Period").

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the "Regulations"), The UK Corporate Governance Code 2018 (the "Code") and the Financial Conduct Authority's Listing Rules and takes into account the accompanying Directors' Reporting Guidance and the relevant guidelines of the Shareholder representative bodies.

The report is split into three parts:

- This annual statement, from the Chair of the Remuneration Committee.
- 2. Our Directors' Remuneration Policy (the "Policy"). As required, this year we will be taking our Policy (which has been updated as set out below) to a binding Shareholder vote at the AGM in January 2023. Subject to approval, the updated Policy will then apply for three years from the date of approval.
- 3. The Annual Report on Remuneration Report, which sets out payments made to the Directors and details the link between Company performance and remuneration for the Period. The Chair's statement and Annual Report on Remuneration Report is subject to an advisory Shareholder vote at the AGM in January 2023.

#### **REMUNERATION COMMITTEE**

The Committee held four scheduled meetings during the Period, based on an annual plan agreed with the Chair of the Committee.

The Committee comprises three Independent Non-Executive Directors, Diana Breeze (Chair), Kari Daniels and Keith Down. Darren Shapland, Rob Parker and Linda Sleath attend by invitation and absent themselves from meetings when the Committee considers matters concerning their own remuneration.

#### **ROLE AND RESPONSIBILITIES**

The role of the Remuneration Committee is set out in its Terms of Reference, which are available on the Group's website. The Committee's primary purpose is to develop and determine the Group's remuneration policies for the Executive Directors, Chairman, and senior management. For more on the role of the Committee, see below under "Consideration by the Directors of Matters Relating to Directors' Remuneration". The Committee also has responsibility for reviewing pay and conditions across the Group and the alignment of incentives and rewards with a high-performance culture.

### PROPOSED CHANGES TO THE DIRECTORS' REMUNERATION POLICY

Over the course of 2019, the Committee undertook a detailed review of the then current Policy to ensure it supported our remuneration principles, which are to:

- attract and retain the best talent;
- drive behaviours that support the Group's Strategy and business objectives which are developed in the long-term interests of the Company and its Shareholders;
- reward senior management appropriately for their personal and collective achievements;
- provide incentives that help to maintain commitment over the longer term and align the interests of senior management with those of Shareholders;
- ensure that a significant percentage of the overall package for the Executives and senior managers remains at risk dependent upon performance and that their pay and benefits adequately take account of reward versus risk;
- ensure the overall remuneration structure is simple and clear, and that employees understand how their performance is linked to reward;
- maintain appropriate proportions of fixed and performancerelated pay, to help drive performance over the short and longer term, maintain a flexible cost base, and avoid creating incentives for excessive risk taking; and
- achieve consistency with the general remuneration philosophy applied to the Group's employees as a whole.

During the Period, the Committee carried out another review of the Policy and decided to propose a number of changes to the Policy to ensure that it:

- is aligned with current and emerging best practice;
- takes account of the feedback received from our Shareholders prior to the 2023 AGM; and
- ensures compliance with the UK Corporate Governance Code 2018 (the "Code").

I wrote to our major Shareholders in October 2022 with an outline of our proposed changes to the Policy and I would like to thank those who provided feedback. This has been considered by the Committee prior to coming to the final proposal as outlined below and on page 93.





Pictured above: Lenton Forest Green

The key changes to the Policy are as follows:

- the introduction of a compulsory deferral of 30% of any bonus payable into shares for two years;
- an increase in the maximum annual bonus opportunity from 100% to 125% for both Executive Directors;
- an increase in the proportion of annual bonus to be payable by reference to non-financial performance (including strategic objectives and ESG measures) from 20% to 30% with the remaining 70% of bonus to be payable by reference to financial objectives;
- the introduction of a post-employment shareholding requirement of 200% of salary (or the actual holding on departure, if lower) for two years; and
- further strengthening of the malus and clawback provisions by including an additional trigger event of unreasonable failure to protect the interest of employees and customers.

In addition to the above substantive changes, some minor wording changes are being proposed primarily to clarify the way that the Policy is intended to operate in certain areas.

#### THE NEW TOPPS TILES PLC 2023 SHARE PLAN

As our 2013 LTIP is due to expire on 23 January 2023 and the Committee has decided to introduce deferred bonus arrangements from FY23, a new employee share plan, Topps Tiles Plc 2023 Share Plan, will be submitted to Shareholders for approval. Awards will be made under this new plan for both deferred bonus and LTIP from FY23.

#### PERFORMANCE IN FY22 AND REMUNERATION OUTCOMES

In FY22 we continued to see a level of uncertainty within the economy. Despite this the business has continued to focus on growing market share through its "1 in 5 by 2025" goal and additionally, the purchase of Pro Tiler Tools and the launch of Tile Warehouse in the year supports our journey to becoming a true omni-channel retailer.

Following the upheaval of 2020 and 2021 the Committee reverted to setting full year targets for the Annual Bonus Plan for the Executive Directors. The adjusted profit before tax target to trigger payment of a bonus was met and therefore, the Remuneration Committee considered it appropriate to approve payment under the Annual Bonus Plan to the Executive Directors at the end of the year of £198k to Rob Parker and £106k to Stephen Hopson. This was based on 37.3% in respect of profit targets and 10.8% in respect of strategic targets which was a total of 48.1% of the base salary earned over the full year period, as reported in detail below under Annual Bonus.

The Long-Term Incentive Plan ("LTIP") awards granted in December 2019 were based upon performance over the three financial years to 1 October 2022. The awards required a cumulative adjusted earnings per share ("EPS") over the period to be at least 19.9p for 25% vesting, increasing to 22.3p for full vesting of the awards, where the adjusted EPS was "defined as stated in the Company's accounts for the relevant financial period excluding exceptional items and subject to such adjustments as the Board in its discretion determines are fair and reasonable".



Pictured above: Calacatta Marble SP Effects, Stello White and Zellica Antique White

Given the impact of Covid-19 on the business following the award of the shares, the Committee has decided that it is appropriate to remove the impact of Covid to enable the ultimate level of vesting to fairly reflect the underlying performance of the Company and management during this Period.

Therefore, the cumulative adjusted EPS is 20.29 which resulted in a vesting of 25%, the minimum level of vesting in line with the Policy in force at the time of grant of the 2019 award. This only applies to the CEO and not the CFO as the CFO does not hold a 2019 LTIP award. Therefore, the CEO, Rob Parker will receive 25% of the shares granted, subject to the normal holding period.

### **REMUNERATION DECISIONS FOR FY23** SALARY/FEES

During the Period, the Committee reviewed the base salary level for the CEO and CFO by reference to external benchmarks, facilitated by its remuneration consultant. The Committee also considered the remuneration of the wider workforce.

The Committee concluded that the CEO should be awarded an increase in base salary from October 2022 of 2% which this year, given the cost-of-living impact for many of our colleagues, was below that of the wider workforce. Accordingly, the CEO's salary moved to £420,240. For the CFO, as reported last year, the benchmarking exercise carried out in FY21 indicated that his salary was below the benchmark for similar-sized companies, and it was agreed to approve a phased increase across FY22 and FY23. The Committee approved the second stage of this increase to Stephen's base salary to £240,000 from 1 October 2022 (an increase of 9.09% which includes the 2% cost of living increase described above). This increase will bring his salary closer in line with the external benchmark and reward continued strong performance, strategic contribution, and delivery in role.

#### ANNUAL BONUS

The Annual Bonus Plan for FY23 will continue to be subject to full year targets for all participants of the scheme. The maximum bonus opportunity will be 125% of base salary for the CEO and the CFO in line with the proposed Policy. However, 30% of any bonus payable will be deferred into shares for two years under the new Topps Tiles Plc 2023 Share Plan, resulting in a reduction, at the maximum, of 12.5% in any cash bonus payable.

The financial element of the award will continue to be measured against adjusted profit before tax and will account for 70% of the award. The non-financial element, which accounts for 30% of the maximum bonus, will be aligned with the Company's Strategy for FY23 and include two Strategic Business Objectives and two ESG metrics, which for FY23 will be focused on Environment and People.

#### LONG-TERM INCENTIVE PLAN

During FY23, the Committee intends to grant LTIP awards to the Executive Directors with a maximum opportunity of 100% of salary under the new Topps Tiles Plc 2023 Share Plan. These levels are unchanged from previous years. The Committee has determined that it will again be appropriate for these awards to be measured against EPS performance of the last financial year in the three-year performance period (being FY25) rather than setting cumulative EPS targets covering all three years. In addition, the Committee has again determined that it will be appropriate to set the threshold level of performance at 10% of the LTIP awards, with an EPS threshold of 3.56 pence.

The Committee will monitor the performance over the three-year vesting period and review the vesting outcome to ensure it is a true reflection of the Company's performance during the period.

#### ANNUAL GENERAL MEETING

On behalf of the Committee, I would like to thank Shareholders for their continued support. Arrangements for the Annual General Meeting and how to ask questions are explained in the Notice of Annual General Meeting. I will be pleased to answer any questions concerning remuneration, and I am always pleased to hear from the Company's Shareholders. You can contact me via the Company Secretary at other times, if you have any questions in relation to the Company's remuneration.

#### **Diana Breeze**

Chair of the Remuneration Committee 30 November 2022

#### **DIRECTORS' REMUNERATION POLICY**

This part of the report sets out the Directors' Remuneration Policy (the "Policy") for the Company which, as required under the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended (the "Regulations"), the Company will be submitting to Shareholders for approval at the AGM on 18 January 2023. The Policy, once approved, will take effect from that date.

#### THE ROLE OF THE COMMITTEE IN REVIEWING THE REMUNERATION POLICY

Our previous Policy was approved at the January 2020 AGM, which received 98.64% votes in favour. During the year, the Committee carried out a review of the Policy and has decided to propose some amendments. These changes are being proposed largely to enhance alignment of our Policy with best practice, taking into consideration feedback we have received from Shareholders. A summary of the key changes being proposed is set out below:

- An increase in the maximum annual bonus opportunity from 100% to 125%;
- The introduction of annual bonus deferral of 30% of any bonus payable into shares for two years;
- At least 70% of annual bonus to be payable by reference to financial objectives and the remaining to be payable by reference to non-financial objectives which may include strategic, personal and ESG metrics;
- The introduction of a two-year post-employment shareholding requirement of 200% of salary (or the actual level of holding on departure, if lower); and
- Further strengthening of the malus and clawback provisions by including the trigger event of unreasonable failure to protect the
  interest of employees and customers, and alignment of malus and clawback provisions for annual bonus and LTIP.

In addition, we have made minor changes to the wording of the Policy in a number of areas including:

- Determination of salary for new Executive Directors;
- Committee discretion in operation of annual bonus and LTIP;
- Leaver treatment of annual bonus and LTIP awards; and
- Executive Director external appointments.



Pictured above: Elevo Oak Chevron and Revolution

#### **EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE**

link to strategy	Operation	Maximum opportunity	Performance measures
BASE SALARY			
Core element of fixed remuneration set at a market competitive level with the aim to attract and retain Executive	Salaries are usually reviewed annually taking into account:  underlying Group performance;	While there is no maximum salary, increases will normally be no higher than the typical level of salary increase awarded (in percentage of salary terms to other colleagues in the Group.	Not applicable.
Directors of the calibre required.	<ul> <li>role, experience and individual performance;</li> <li>competitive salary levels and market forces; and</li> </ul>	Salary increases above this level may be awarded in certain circumstances, such as, but not limited to:	
	pay and conditions elsewhere in the Group.	<ul> <li>where an Executive Director has been promoted or has had a change in scope or responsibility;</li> </ul>	
		<ul> <li>an individual's development or performance in role (e.g., to align a newly appointed Executive Director's salary with the market over time);</li> </ul>	
		<ul> <li>where there has been a change in market practice; or</li> </ul>	
		<ul> <li>where there has been a change in the size and/or complexity of the business.</li> </ul>	
		Such increases may be implemented over such time period as the Committee deems appropriate.	
		For new Executive Director hires, the Committee has the flexibility to set the salary at a below-market level initially and to realign it over the following years as the individual gains experience in the role. In exceptional circumstances the Committee may agree to pay above-market levels to secure or retain an individual who is considered by the Committee to possess significant and relevant experience which is critical to the delivery of the Group's Strategy.	

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
BENEFITS			
Fixed element of remuneration set at a market competitive level with the aim to attract and retain Executive Directors of the calibre required.	Executive Directors receive benefits in line with market practice, and these include principally life insurance, income protection, private medical insurance, company car or car allowance and fuel allowance and, where relevant, relocation expenses. Other benefits may be provided based on individual circumstances. These may include other benefits which are introduced for the wider workforce on broadly similar terms.	While the Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level which the Committee considers to be appropriately positioned taking into account relevant market levels based or the nature and location of the role and individual circumstances.	Not applicable.
	Any reasonable business-related expenses (including the tax thereon) can be reimbursed.		
PENSIONS			
Provides appropriate post-employment benefits (or cash equivalent).	Executive Directors are eligible to participate in the defined contribution pension scheme. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, Executive Directors may be permitted to take a cash supplement instead of contributions to a pension plan.	Contributions of up to the rate available to the majority of the workforce (currently 5% of salary).	Not applicable.
ALL EMPLOYEE SHARE SC	HEMES		
To create alignment with the Group and promote a sense of ownership.	Executive Directors are entitled to participate in a tax-qualifying all employee SAYE scheme under which they may make monthly savings contributions over a period of three or five years linked to the grant of an option over the Company's shares with an option price, which can be at a discount of up to 20% to the market value of shares at grant.		Not subject to performance measures in line with HMRC practice.
	Executive Directors are also entitled to participate in and any HMRC-approved plans that may be introduced by the Company for all colleagues.	or	

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
ANNUAL BONUS			
Rewards performance against annual targets which support the strategic direction of the Group.	Awards are based on annual performance against key financial and/or strategic and ESG targets.	The maximum bonus opportunity for an Executive Director will not exceed 125% of salary.	Targets are set annually reflecting the Company's Strategy and are aligned with key performed indicators.
	Pay-out levels are determined by the Committee after the year-end based on performance against those targets.		Up to 70% of the maximum bonus will be based on financial objectives, which may include, but are not limited to, profit, cash/debt,
	The Committee has discretion to amend the pay-out should any formulaic output not reflect the Committee's assessment of overall business performance.		revenue, ROCE. The balance will be assessed against non-financial objectives which may include, but are not limited to, strategic, personal
	30% of any bonus payable will be deferred into shares for two years under the Topps Tiles		and ESG metrics which are aligned with the Company's business and ESG strategies.
	Plc 2023 Share Plan to be approved by Shareholders in January 2023.		FINANCIAL METRICS  0% of the maximum bonus  will be payable at threshold
	Dividend equivalents may be paid in respect of a vested deferred bonus award by reference to the value of dividends payable during the		performance and all the maximum potential will be payable for maximum performance, with linear vesting in between.
	award's vesting period.		NON-FINANCIAL METRICS
	Malus and clawback provisions apply.		Vesting of the awards based on non-financial objectives will be determined by the Committee's assessment of the extent to which the non-financial targets have been met which may, if appropriate, be based on threshold, target and stretch levels of performance with scaled vesting in between.

**Purpose and** link to strategy Operation **Maximum opportunity Performance measures** To incentivise Executive Long-term incentive awards are The normal maximum award is 100% Relevant performance granted under the Topps Tiles Plc Directors, and to deliver of salary in respect of a financial measures are set that reflect genuine performance-2023 Share Plan scheme rules, year. Under the share plan rules, business performance. to be approved by Shareholders Specific disclosures on related pay, with a clear the overall maximum opportunity line of sight for Executives that may be granted in respect of the performance measures in January 2023. and direct alignment with a financial year is 200% of salary. that have been set in any Under the LTIP, awards of nil Shareholders' interests. The normal maximum award limit given year are provided cost share options or conditional will only be exceeded in exceptional in the relevant Directors' shares may be made. circumstances, such as the recruitment Remuneration Report for While there is no current or retention of an Executive Director. that year. intention to do so, awards may The market value of the shares subject The Committee retains (technically) be settled in full or to an award is based on the threediscretion to adjust the vestina in part in cash at the discretion day average share price immediately outcome of any LTIP award of the Committee (for example after the Company's Quarter 4 trading to reflect the underlying in respect of shares that would statement unless the Committee financial performance of the otherwise be sold to satisfy tax determines otherwise. Company, notwithstanding withholding requirements or in the extent to which the response to local law constraints). specific performance targets The vesting of awards will be applicable to the award have subject to the achievement of been met. specified performance conditions, Performance measures and ordinarily measured over a their weighting (where there period of at least three years. is more than one measure) are reviewed annually to Dividend equivalents may be maintain appropriateness and paid on shares that vest in connection with LTIP awards relevance. by reference to the value of For achievement of threshold. dividends payable during the no more than 10% of the award's vesting period (and maximum opportunity will vest. holding period where relevant). There will usually be straight-A two-year post-vesting holding line vesting between threshold period will apply to shares and maximum performance. awarded, which will require Executives to ordinarily retain any shares vesting (net of tax) until the fifth anniversary of grant. Malus and clawback provisions apply.

#### IN-EMPLOYMENT AND POST-EMPLOYMENT SHAREHOLDING REQUIREMENT

Executive Directors are subject to a shareholding requirement to build and maintain a shareholding in Topps Tiles equivalent to 200% of salary for the Chief Executive Officer and the Chief Financial Officer.

For awards granted on or after 2 October 2022, the Executive Directors will be subject to a two-year post-employment shareholding requirement of 200% of salary (or the actual holding on departure, if lower).

#### LEGACY INCENTIVE PLANS

The Executive Directors retain existing, in flight LTIP awards granted under the previous Remuneration Policy, the "2020 awards" and the "2021 awards". These awards are subject to performance conditions based on a three-year performance period to FY23 and FY24 respectively. The awards will be allowed to vest on the terms on which they were granted, subject to achievement of the applicable performance targets.

### MALUS AND CLAWBACK PROVISIONS OF ANNUAL BONUS AND LTIP AWARDS

The Committee has the right to reduce, cancel or impose further conditions on annual bonus awards in respect of the financial year starting on or after 1 October 2022 and any outstanding LTIP awards, or to claw back amounts from participants within a period of two years following the payment of any annual bonus and vesting of any deferred bonus and LTIP awards, if an act or omission or a failure to apply reasonable skill and judgement leads to a material loss to the Group, or serious reputational damage to the Group, or a material misstatement of the Company's financial results, or if there has been a material failure of risk management by the Company. In respect of LTIP awards granted from the date of the AGM in January 2020 onwards, malus and clawback may also apply in instances of corporate failure, discovery of serious misconduct and/or error of calculation. For annual bonus and LTIP awards granted on or after 2 October 2022, malus and clawback may also apply in instances of unreasonable failure to protect the interests of employees and customers.

### EXPLANATION OF PERFORMANCE MEASURES CHOSEN FOR THE INCENTIVE SCHEMES

Performance measures are selected that are aligned with the performance of the Group and the interests of Shareholders. Stretching performance targets are set each year for the annual bonus and long-term incentive awards. When setting these performance targets, the Committee will take into account a number of different reference points, which may include the Company's business plans and strategy and the economic environment. Full vesting will only occur for what the Committee considers to be a stretching performance.

The annual bonus can be assessed against financial and non-financial objectives as determined by the Committee. Bonuses are currently based on adjusted profit before tax, strategic objectives and ESG targets, which are aligned to delivering the overall business strategy and encourage behaviours, which facilitate profitable growth and the future development of the business.

Long-term performance measures are chosen by the Committee to provide a robust and transparent basis on which to measure the Company's performance over the longer term and to provide alignment with the business strategy. They are selected to be aligned with the interests of Shareholders and to drive business performance while not encouraging excessive risk-taking. LTIP awards are currently based on the earnings per share targets being met at the end of the performance period, providing an assessment of the overall financial performance of the business and rewarding sustainable long-term performance.

The Committee retains the ability to adjust the targets or set different performance measures for the annual bonus and share awards if events occur (such as a change in Strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions), which cause the Committee to determine that the original measures or targets are no longer appropriate and that amendment is required so that they achieve their original purpose.

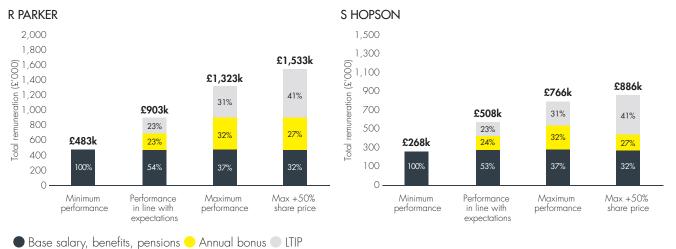
Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the deferred bonus and 2013 and 2023 LTIP scheme.

### COMMITTEE DISCRETION IN OPERATION OF THE ANNUAL BONUS AND 2023 SHARE PLAN

The Committee operates under the powers it has been delegated by the Board. In addition, it complies with rules that are either subject to Shareholder approval or approval from the Board. These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Policy is fair, both to the individual Executive Director and to Shareholders. The Committee also has discretion to set components of remuneration within a range, from time to time. The extent of such discretion is set out in the relevant rules. To ensure the efficient administration of the annual bonus and LTIP, the Committee will apply certain operational discretions. These include, but are not limited to, the following:

- Selecting the participants in the plans;
- Determining the timing of grants of awards and/or payments;
- Determining the quantum of awards and/or payments (within the limits set out in the Policy);
- Determining the choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the Policy and the rules;
- Determining the extent of vesting based on the assessment of performance and discretion relating to measurement of performance in certain events such as a change of control or reconstruction;
- Overriding formulaic annual bonus and LTIP vesting outcomes, taking account of overall or underlying Company performance;
- Whether malus and clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which they shall be applied;
- Making appropriate adjustments required in certain circumstances, for instance for changes in capital structure;
- Determining "good leaver" status for incentive plan purposes and applying the appropriate treatment; and
- Undertaking the annual review of weighting of performance measures and setting targets for the annual bonus and LTIP award, where applicable, from year to year.

#### **ILLUSTRATIONS OF APPLICATION OF REMUNERATION POLICY FOR FY23**



In illustrating the potential reward, assumptions have been made as detailed below.

	Fixed pay	Annual bonus	LTIP	
Minimum performance	Fixed elements of remuneration	No bonus.	No LTIP vesting.	
Performance in line with expectations	only – base salary (being the salary as of 1 October 2022), benefits as disclosed in the single figure table on page	62.5% of salary awarded for achieving target performance across both financial and non-financial measures.	50% of maximum award vesting (equivalent to 50% of salary) for achieving target performance.*	
Maximum performance	106 for the year FY22 and pension of 5% of salary.	125% of salary awarded for achieving maximum performance across both financial and non-financial measures.	100% of maximum award vesting (equivalent to 100% of salary) for achieving maximum performance.*	
Maximum performance plus share price growth		125% of salary awarded for achieving maximum performance across both financial and non-financial measures. (A share-based bonus would be worth more if share price growth occurred).	100% of maximum award vesting for achieving maximum performance plus an assumption for share price growth (50% increase).	

 $<sup>^{\</sup>star}$  LTIP awards are included in these scenarios at face value with no share price movement included.

#### NON-EXECUTIVE DIRECTORS

#### **Purpose and link to Strategy**

#### Set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience

#### **Approach of the Company**

Fees are normally reviewed annually.

Fees paid to Non-Executive Directors for their services are approved by the Board. Fees may include a basic fee and additional fees for further responsibilities (for example, chairing the Board Committees, holding the office of Senior Independent Director, other additional responsibilities, or temporary increase in time commitment). Fees are based on the level of fees paid to Non-Executive Directors serving on the boards of similar-sized UK listed companies and the time commitment and contribution expected for the role. Typically, any fee increase will be in line with the wider workforce. Fee increases may be awarded above this level in certain circumstances such as (but not limited to):

- where there has been a change in market practice;
- where there has been a change in the size and complexity of the Company; or
- where there has been an increase in the Non-Executive Director's time commitment to the role.

Overall fees paid to Non-Executive Directors will remain within the limits set by the Company's Articles of Association.

Non-Executive Directors cannot participate in any of the Company's share incentive schemes and are not eligible to join the Company's pension scheme. Non-Executive Directors may be eligible to receive benefits such as the use of secretarial support, travel costs (including any tax incurred thereon) or other benefits that may be appropriate.

#### APPROACH TO RECRUITMENT REMUNERATION

The Policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business and execute the Strategy effectively for the benefit of Shareholders. When appointing a new Executive Director, the Committee seeks to ensure that arrangements are in the best interests of the Company and not to pay more than is appropriate.

The Committee will take into consideration a number of relevant factors, which may include the calibre of the individual, the candidate's existing remuneration package, and the specific circumstances of the individual including the jurisdiction from which the candidate was recruited.

When appointing a new Executive Director, the Committee will typically align the remuneration package with the above Policy for existing Directors. The Committee may include other elements of pay that it considers are appropriate; however, this discretion is capped and is subject to the principles and the limits referred to below:

- Base salary will be set at a level appropriate to the role and
  the experience of the Executive Director being appointed.
  For new Executive Director hires, the Committee has the
  flexibility to set the salary at a below-market level initially and
  to realign it over the following years as the individual gains
  experience in the role. In exceptional circumstances, the
  Committee may agree to pay above-market levels to secure
  or retain an individual who is considered by the Committee
  to possess significant and relevant experience which is
  critical to the delivery of the Group's Strategy.
- Benefits will be provided in line with the above Policy.

The pension contribution (or cash allowance in lieu thereof) will be set in line with the maximum rate provided to other below Board colleagues (which is currently 5%).

Other elements may be included in the following circumstances:

- an interim appointment being made to fill an Executive Director role on a short-term basis;
- if exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
- if an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance; and
- if the Executive Director will be required to relocate in order to take up the position, it is the Company's policy to allow reasonable relocation, travel and subsistence payments. Any such payments will be at the discretion of the Committee and may include sums to cover the tax payable thereon.

The Committee may also alter the performance measures, performance period and vesting period of the annual bonus and deferred bonus, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the following Directors' Remuneration Report.

The maximum level of variable remuneration that may be granted (excluding "buyout" awards as referred to below) is 325% of salary.

The Committee may make payments or awards in respect of appointing an Executive Director to "buy out" remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors, including any performance conditions attached to the forfeited arrangements and the time over which they would have vested.

The Committee will generally seek to structure buyout awards or payments on a like-for-like basis to the remuneration arrangements forfeited. Any such payments or awards are limited to the expected value of the forfeited awards. Where considered appropriate, such special recruitment awards will be liable to forfeiture or "malus" and/or "clawback" on early departure.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the limits referred to above, buyout awards may be granted outside of these plans as permitted under section 9.4.2 (2) of the Listing Rules, which allows for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Fees payable to a Chair or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

#### SERVICE CONTRACTS

It is the Company's policy that Executive Directors are offered permanent contracts of employment with no more than a 12-month notice period. Under an event of contract termination, any severance payment would be subject to negotiation but would take into account the length of service and prevailing notice period.

Company policy also states that Non-executive Directors should have contracts of services with an indefinite term providing for a maximum of six months' notice. The role of Chairman is also Non-Executive, with an indefinite term contract and a maximum of six months' notice.

These contracts are available for inspection, upon request from the Company Secretary at the Group's registered office.

In accordance with the Corporate Governance Code 2018, all Directors offer themselves for annual re-election by Shareholders. The date of appointment of each Non-Executive Director who served during the year is set out in the table below.

Non-Executive Director	Original date of appointment to Board	Date of letter of appointment	Total length of service
Darren Shapland	19/03/2015	26/02/2015	7 years and 8 months
Keith Down	02/02/2015	02/02/2015	7 years and 9 months
Diana Breeze	01/02/2021	23/11/2020	1 year and 9 months
Kari Daniels	01/04/2021	23/11/2020	1 year and 7 months

#### PAYMENTS FOR LOSS OF OFFICE

The principles on which the determination of payments for loss of office will be approached are set out below:

	Policy					
Payment in lieu of notice	The Company has discretion to make a payment in I by reference to basic salary and shall include compe unexpired period of notice. The payment may also ir period.	ensation for any employer pension contributions for the				
	If the participant is terminated within six months of a Change of Control, the Payment in Lieu, (as defined in the Service Agreement) shall include any bonus or commission payments, contractual benefits and holiday entitlement they would have received during the period for which the Payment in Lieu is made.					
Annual bonus	"Bad leaver"	"Good leaver"				
	Annual bonus awards will normally lapse in their entirety in the event an individual is no longer employed or serving their notice period at the time of pay-out.  Unvested deferred bonus awards held by leavers will ordinarily be forfeited on cessation of employment.	If the participant leaves due to death, illness, injury, disability, redundancy, sale of their employer or other reasons at the discretion of the Committee, a bonus may become payable at the discretion of the Committee. Where the bonus is payable, the Committee retains discretion as to whether it is prorated by reference to the period worked during the year or whether all is payable in cash or whether part of it is deferred either in cash or as deferred bonus awards.				
		Deferred bonus awards held by leavers will ordinarily vest on the normal timetable. The Committee can permit early vesting at its discretion.				
		Shares acquired under deferred bonus awards will ordinarily continue to be subject to the post-employment shareholding requirement, unless the Committee				

determines otherwise at its discretion.

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LTIP	"Bad leaver"	"Good leaver"
	Unvested LTIP awards held by leavers will ordinarily be forfeited on cessation of employment.	If the participant leaves due to death, illness, injury, disability, redundancy, sale of their employer or any other reason at the discretion of the Committee, any unvested awards will ordinarily continue to be capable of vesting at the normal vesting date (or, exceptionally and at the Committee's discretion, at an earlier date). In either case, the extent of vesting will be determined by the Committee taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, subject to prorrating by reference to the period of time elapsed from the start of the performance period to the date of cessation relative to the full performance period (although the Committee may disapply (in full or in part) time pro-rating if it considers it appropriate to do so). Where the Committee determines that awards shall vest at the date of cessation, performance shall be assessed on such basis as the Committee considers appropriate over the curtailed performance period.
		Once vested, awards held by leavers may then be exercised during such period as the Committee determines.
		The post-vesting holding period for LTIP awards granted from the date of the AGM in January 2020 onwards and the post-employment shareholding requirement for awards granted on or after 2 October 2022 will ordinarily continue to apply irrespective of employment status unless the Committee determines otherwise at its discretion.
		Awards that have already vested at the date of cessation may be exercised for such period as the Committee determines.
Mitigation	The Committee's practice is that if an Executive Direct payment will be calculated in accordance with norm to the extent appropriate to the circumstances of the t	tor's employment is terminated, any compensation al legal principles including the application of mitigation
All employee share plans	Payments may be made either in the event of a loss of	of office or a change of control under the all employee e legislation relating to such tax-qualifying plans. There is
	In appropriate circumstances, payments may also be legal fees.	made in respect of accrued holiday, outplacement and
Post-cessation shareholding requirements	period and awards (if any) retained on departure wil	•
	Deferred bonus and LTIP awards granted on or after cessation shareholding requirement of 200% of salar	2 October 2022 will be subject to a two-year post- y (or the actual level of holding on departure, if lower).
	Shares purchased by the Executives through their own of earlier LTIP grants) will not be subject to the post-ce	n funds (or which have been acquired through the vesting essation shareholding requirement.

Where a buyout award is made under section 9.4.2 (2) of the Listing Rules then the leaver provisions would be determined at the time of the award.

The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing contractual, statutory or legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Where the Committee retains discretion, it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the Director's departure and performance. Where applicable, the Committee may impose additional conditions on the vesting or exercise of incentive awards as appropriate taking into account the circumstances of the Executive's departure.

There is no entitlement to any compensation in the event of a Non-Executive Director's appointment being terminated.

### TREATMENT ON A CHANGE OF CONTROL OR OTHER CORPORATE EVENTS

The extent to which unvested deferred bonus and LTIP awards will vest on a change of control or other corporate events will be determined in accordance with the rules of the deferred bonus and LTIP scheme.

Deferred bonus and LTIP awards will normally vest early on a takeover, merger, winding-up or other relevant corporate event. The Committee will determine the level of vesting of LTIP awards taking into account the extent to which the performance conditions are satisfied over the curtailed performance period (on such basis as the Committee determines appropriate) and, unless the Committee determines otherwise, time pro-rating by reference to the period of time elapsed from the start of the performance period to the date of the relevant corporate event relative to the full performance period.

Alternatively, the Committee may provide that deferred bonus and LTIP awards shall be automatically exchanged for new awards over shares in another company (for example, an award over shares in the new holding company following an internal reorganisation).

The Committee may adjust the number of shares under any deferred bonus and LTIP award, or the performance conditions applicable to such awards, in the event of a variation in the share capital of the Company or on the occurrence of any other events (such as a demerger or rights issues) that impact the Company's share price.

A full or pro rata time-based bonus may be awarded on a change of control, and this may be paid either at the time of the change of control or on the normal payment date, either in cash or in part cash part deferred shares at the Committee's discretion.

#### **EXISTING CONTRACTUAL ARRANGEMENTS**

The Committee retains discretion to make any remuneration payment or payment for loss of office outside the policy in this report:

- where the terms of the payment were agreed before the policy came into effect;
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company; and
- to satisfy contractual commitments under legacy remuneration arrangements.

For these purposes, "payments" includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

### POLICY FOR THE REMUNERATION OF COLLEAGUES MORE GENERALLY

Remuneration arrangements are determined throughout the Group based on the same principle that reward should be achieved for delivery of the business strategy and should be sufficient to attract, retain and motivate high-calibre colleagues.

When determining the remuneration arrangements for Executive Directors, the Committee takes into consideration, as a matter of course, the pay and conditions of colleagues throughout the Group. In particular, the Committee is kept informed on:

- salary increase for the general colleague population;
- benefit and pension policies;
- overall spend on annual bonus; and
- participation levels in the annual bonus and share plans.

The Group has various ways of engaging colleagues collectively, as teams and one-to-one, which provide a forum for colleagues to express their views on the Company's executive and wider employee reward policies.

#### **EXTERNAL APPOINTMENTS**

The Committee recognises that Executive Directors may be invited to become non-executive directors in other companies and that these appointments can enhance their knowledge and experience to the benefit of the Company. Subject to the preagreed conditions, and with the prior approval of the Board, each Executive Director is permitted to accept one appointment as a non-executive director in another listed company. The Executive Director is permitted to retain any fees paid for such service.

#### STATEMENT OF CONSIDERATION OF SHAREHOLDER VIEWS

The Committee is committed to an ongoing dialogue with Shareholders and welcomes feedback on Directors' remuneration. Prior to the current Policy being formally put to Shareholders at the AGM in January 2023, the Committee engaged with major Shareholders and institutional bodies setting out the proposals and rationale for the changes.

#### ANNUAL REPORT ON REMUNERATION

SINGLE FIGURE TABLE (AUDITED INFORMATION)

The tables below detail the total remuneration receivable by each Director for the 52-week period ended 1 October 2022.

2021/22	Salary and fees £′000	Taxable Benefits £'000	Annual bonus £'000	LTIP £′000	Pension £'000	Other £,000	Total remun- eration £'000	Total fixed remun- eration £′000	Total variable remun- eration £'000
<b>Executive Direct</b>	ors								
R Parker, CEO	412	42	198	64	18	2	736	474	262
S Hopson, CFO	220	16	106	0	10	0	352	246	106
Non-Executive D	irectors								
D Shapland	133	1.5		_	_	_	134.5	134.5	
K Down	50	-	-	_	-	_	50	50	-
D Breeze	47	_	_	_	_	_	47	47	_
K Daniels	44	0.5	_	_	_	_	44.5	44.5	_
				·				Total	Total

2020/21	Salary and fees £′000	Taxable Benefits £'000	Annual bonus £′000	LTIP £'000	Pension £′000	Other £,000	Total remun- eration £′000	Total fixed remun- eration £′000	Total variable remun- eration £'000
Executive Direct	ors								
R Parker, CEO	408	31	220	-	23	1	683	463	220
S Hopson, CFO	187	15	107	_	9	4	322	215	107
Non-Executive D	irectors								
D Shapland	132	1.5	-	-	_	_	133.5	133.5	_
K Down	49	_	_	_	_	_	49	49	_
D Breeze from 1 February 2021	30		_	-	_	-	30	30	-
K Daniels from 1 April 2021	22	-	-	_	-	_	22	22	_
A King to 20 January 2021	15	_	_	_	_	_	15	15	_
C Tiney to 16 June 2021	34	_	_	_	_	_	34	34	_

The figures in the single figure tables above are derived from the following:

Salary and fees	The amount of salary/fees received in the relevant period.			
Benefits	The taxable value of benefits received in the relevant period. These are principally life insurance, income protection, private medical insurance, company car or car allowance and fuel allowance. In the case of the Non-Executive Directors, taxable expenses are shown as being paid by way of benefits.			
Pension	The pension figure represents the cash value of Company pension contributions paid to Stephen Hopson as part of the Company's defined contribution scheme and the cash supplement taken in lieu of contributions to the pension plan in respect of Rob Parker.			
Annual bonus	The annual bonus is the cash value of the bonus earned in respect of the period. A description of performance against the objectives that applied for the relevant period is provided on page 108.			
LTIP	The LTIP figure for the period FY22 represents the award granted in December 2019. The performance condition for the award was based on cumulative adjusted EPS performance over three financial years to 1 October 2022. A description of performance and outcome for the relevant period is provided on page 108.			
Other	This includes the value of SAYE scheme options granted during the relevant period.			

## **CHIEF EXECUTIVE PAY RATIO**

The tables below compare the single total figure of remuneration for the Chief Executive with that of the Company's colleagues who are paid at the 25th percentile (lower quartile), 50th percentile (median) and 75th percentile (upper quartile) of its UK colleague population, giving the ratios and underlying remuneration levels at those percentiles that were used to calculate the ratios.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
FY22	Option A	36:1	31:1	23:1
FY21	Option A	36:1	32:1	23:1
FY20	Option A	23:1	21:1	16:1

	25th percentile	Median	75th percentile
Salary	£18,268	£19,174	£24,863
Total remuneration	£20,525	£23,694	£31,582

The remuneration figures used for the colleague at each quartile were determined using reference data on the 1 October 2022 for FY22. The Company chose Option A as this provides the most accurate method for calculating the CEO pay ratio. The ratios have remained largely unchanged this year, despite the vesting of the 2019 LTIP for the CEO, which reflects our restrained approach to Executive remuneration and is consistent with our pay, reward and progression policies for employees which relate pay levels to performance and market benchmarks. While none of the three employees identified at the 25th, 50th and 75th percentiles are eligible to receive LTIP awards, all three received a bonus within the year and are invited to participate in the all-employee share plans on the same terms as the CEO.

## INDIVIDUAL ELEMENTS OF REMUNERATION (AUDITED INFORMATION) BASE SALARY AND FEES

Base salaries for individual Directors are reviewed annually by the Committee and the Committee considered the base salary levels by reference to external benchmarks, facilitated by its remuneration consultant. In line with the Remuneration Policy, salaries are generally increased in line with any increase awarded to the wider workforce. This year the business took the approach to ensure a greater percentage increase for the lower paid colleagues and a lower percentage increase for the CEO. Accordingly, the CEO's salary moved to £420,240. For the CFO, the benchmarking exercise carried out in FY21 determined that his salary was below the benchmark for similar-sized companies, and it was agreed to approve a phased increase across FY22 and FY23. The Committee approved the second stage of this increase to Stephen's base salary to £240,000 from 1 October 2022. This increase will align his salary to the external benchmark and reward continued strong performance, strategic contribution, and delivery in role.

	Base salary year ended 1 October 2021	Base salary year ended 1 October 2022	% increase
R Parker – CEO	£412,000	£420,240	2
S Hopson – CFO	£220,000	£240,000	9

In line with the CEO, the Non-Executive Directors also received a fee increase of 2% effective from 1 October 2021; however, this was applied to the base fees and the Board Chair fee only.

Details of the current fee policy for the Non-Executive Directors are set out in the table below.

	Fees year ended 1 October 2021	Fees year ended 1 October 2022	% increase
Chairman's fee	£133,132	£135,795	2
Non-Executive Directors' basic fee	£41,200	£42,024	2
Additional fees			
Senior Independent Director	\$3,000	£3,000	_
Employee Engagement Director	\$3,000	£3,000	_
Committee Chair	000,62	£6,000	_

Note: the Chairman waived the Committee Chair's fee for the Nomination and Governance Committee.

## **TOTAL PENSION ENTITLEMENTS**

During the year, the Company pension benefit represented 5% of salary for the Executive Directors (taken as cash in lieu of contributions to the pension plan in the case of the CEO).

## DIRECTORS' REMUNERATION REPORT

## ANNUAL BONUS (AUDITED INFORMATION)

For the Period, the maximum annual bonus opportunity was 100% of salary. To encourage behaviours which facilitate profitable growth and future development of the business, up to 80% of salary could be earned based on adjusted PBT performance and up to 20% of salary could be earned for the achievement of strategic business objectives to drive the delivery of the strategic plan.

The following table sets out the performance outcome relative to targets and the resulting bonus pay-out to the Executive Directors for FY22:

Targets	Weighting	Threshold (at which 12.5% of maximum bonus is earned)	Target (at which 50% of maximum bonus is earned)	Stretch (at which 100% of maximum bonus is earned)	Actual Performance	Executive Director bonus earned as a percentage of salary
Adjusted profit before tax	80%	£12m	£16m	£19m	£15.6m	37.3%
Strategic objectives:	20%					10.8%
Group market share (%)	5%	17.5%	18.0%	18.5%	19%	5%
Commercial sales (£m)	5%	9.5	10.9	12.2	10.9	3%
Retail coverings meterage (m²)	5%	4.90	5.00	5.10	4.7	_
Retail digital visitor share (%)	5%	30%	32%	34%	31.81%	2.8%
Total bonus earned	100%					48.1%

Adjusted PBT as defined in the Financial Review section of this report.

The bonuses were paid in cash in November 2022.

## LONG-TERM INCENTIVES (AUDITED INFORMATION)

## AWARDS VESTING IN RESPECT OF THE FINANCIAL YEAR

The LTIP awards granted in December 2019 were based on cumulative adjusted EPS targets over the three financial years to 30 September 2022. The performance targets for the awards were as follows:

Cumulative adjusted EPS for the period 2019/20 to 2021/22	Percentage of the award that will vest
19.9 pence	25%
Greater than 19.9 pence but less than 22.3 pence	Determined on a straight-line basis between 25% and 100%
22.3 pence	100%

By addressing the impact of Covid on Group trading the cumulative adjusted EPS is 20.2; whilst this is above the minimum vesting of 25% in line with the Policy in force at the time of the grant of the 2019 award the Committee exercised its discretion in rounding down to the 25% vesting threshold for the award to the CEO.

## AWARDS GRANTED DURING THE FINANCIAL YEAR (AUDITED INFORMATION)

For the 52-week period ended 1 October 2022, the following awards were granted to Executive Directors in May 2022.

	Type of award	Percentage of salary	Number of shares	Face value at grant	% of award vesting at threshold	Performance period
R Parker	Nil-cost option	100%	675,041	£412,000	10%	3 years
S Hopson	Nil-cost option	100%	360,459	£220,000	10%	3 years

Valued using a share price of 0.61 pence based on the average three-day share price ending on 6 October 2021.

The vesting of these awards will be based on adjusted EPS for the financial year FY24 (adjusted EPS 2024):

Adjusted EPS 2024	Percentage of the award that will vest	
4.38 pence	10%	
Greater than 4.38 pence but less than 7.85 pence	Determined between 10% and 100%	
7.85 pence	100%	

These targets were based on adjusted profit before tax of between £12.0 million and £21.5 million for the financial year 2023/24, excluding exceptional items and subject to such adjustments as the Board, in its discretion, determines are fair and reasonable.

Notwithstanding the EPS 2024 target above, the extent to which the awards will vest will be subject to the Committee's assessment of the quality of earnings over the performance period. The Committee may reduce the extent to which the award would otherwise vest if the Committee determines that the EPS for 2024 achieved is not consistent with the Company's overall underlying financial performance, taking into account such factors as the Committee considers appropriate, including market share, margin performance, net debt, overall returns to Shareholders and Shareholder value creation.

## **ALL EMPLOYEES SHARE PLANS**

The Executive Directors may participate in the Company's all employee share plans, the Topps Tiles Plc SAYE Scheme ("SAYE Scheme") and the Topps Tiles Plc Share Incentive Plan ("SIP"), on the same basis as other colleagues.

The SAYE Scheme provides an opportunity to save a set monthly amount (currently up to £500) over three years towards the exercise of a discounted share option, which is granted at the start of the three years.

The SIP provides an opportunity for employees to buy shares from their pre-tax remuneration up to the limit permitted by the relevant tax legislation (currently £1,800 per year). No matching shares are awarded.

Options and awards under these plans are not subject to performance conditions.

The following SAYE options were granted to the Executive Directors during the financial year ended 1 October 2022:

	Type of award	Number of shares	Face value at grant <sup>2</sup>
R Parker	3yr Discounted share option	20,156	£12.577
S Hopson	3yr Discounted share option	0	

In accordance with the scheme rules, the options are granted with an exercise price set at a discount of 20% to the market value of a share when the invitations to acquire the option are issued. For the awards granted in 2021/2022, the share price at the date of invitation was 65.81 pence and the exercise price is 56.25 pence per share. In accordance with the scheme rules, the exercise of the options is not subject to any performance condition.

<sup>2</sup> The face value of the award is calculated by multiplying the number of shares under option by the market value of a share on the date of grant (being 62.40 pence for these options granted on 1 st February 2022).

## DIRECTORS' REMUNERATION REPORT

## STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED INFORMATION)

In order to further align the Executive Directors' long-term interests with those of Shareholders and in accordance with the Remuneration Policy, the Committee introduced shareholding guidelines, effective from the 2017 AGM and revised effective from the 2020 AGM, which required that Executive Directors build up a shareholding of 200% of salary. The table below sets out the number of shares held or potentially held (including by connected persons where relevant) as of 1 October 2022:

The interests of each Executive Director of the Company as of 1 October 2022 were as follows:

	Shares				Options					
Directors	Shares owned as at 2 Oct 2021	Total shares owned as at 1 Oct 2022	Туре	Options exercised during the year	Vested options	Unvested options, subject to performance conditions	Unvested options, not subject to performance conditions	Total options as at 1 Oct 2022		
<b>Executive Direct</b>	ors									
R Parker	552,893	736,264								
	n/a	n/a	LTIP	183,371	584,834	1,502,342	n/a	2,087,176		
	n/a	n/a	SAYE	n/a	n/a	n/a	34,257	34,257		
S Hopson	_	_								
	n/a	n/a	LTIP	_	_	774,109	n/a	774,109		
	n/a	n/a	SAYE	n/a	n/a	n/a	38,880	38,880		
Non-Executive D	irectors									
D Shapland	200,000	200,000		n/a	n/a	n/a	n/a	n/a		
K Down	n/a	n/a		n/a	n/a	n/a	n/a	n/a		
D Breeze	n/a	n/a		n/a	n/a	n/a	n/a	n/a		
K Daniels	n/a	n/a		n/a	n/a	n/a	n/a	n/a_		

Note: Directors' shareholdings include shares held by their closely associated persons where relevant.

No changes in the Directors' shareholdings have occurred between 1 October 2022 and the date of this report.

## PAYMENTS MADE TO FORMER DIRECTORS DURING THE PERIOD (AUDITED INFORMATION)

No payments were made to former Directors during the Period.

## PAYMENTS FOR LOSS OF OFFICE MADE DURING THE PERIOD (AUDITED INFORMATION)

No payments for loss of office were made in the Period to any Director of the Company.

## PERFORMANCE GRAPH

The graph below shows the TSR performance for the Company's shares in comparison to the FTSE Small Cap Index for the ten years to 1 October 2022. For the purposes of the graph, TSR has been calculated as the percentage change during the ten-year period in the market price of the shares, assuming that dividends are reinvested. The graph shows the value, by the end of the FY22 financial year, of  $\mathfrak{L}100$  invested in the Group over the last ten financial years compared with  $\mathfrak{L}100$  invested in the FTSE Small Cap Index, which the Directors believe is the most appropriate comparative index, given the nature of the index and the companies within it.



OUR GOVERNANCE

## HISTORICAL CHIEF EXECUTIVE REMUNERATION OUTCOMES

The table below shows details of the total remuneration and annual bonus and LTIP vesting (as a percentage of the maximum opportunity) for the Chief Executive over the last ten financial years.

	Total remuneration £'000	Annual bonus as a % of maximum opportunity	LTIP as a % of maximum opportunity
52-week period ended 1 October 2022	736	48%	25%
53-week period ended 2 October 2021	673	55%	0%
52-week period ended 26 September 2020	403	0%	0%
52-week period ended 28 September 2019	541	16%	0%
52-week period ended 29 September 2018	538	14%	0%
52-week period ended 30 September 2017	765	9%	86.7%
52-week period ended 2 October 2016	1,180	67%	100%
53-week period ended 3 October 2015	2,027	83%	100%
52-week period ended 27 September 2014	849	99%	n/a
52-week period ended 28 September 2013	564	46.3%	n/a

## DIRECTORS' PAY ANNUAL CHANGE IN RELATION TO ALL COLLEAGUES

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage change in remuneration for all Directors compared to the wider workforce. For these purposes, the wider workforce includes all colleagues in the Group.

## ANNUAL PAY CHANGE IN RELATION TO ALL EMPLOYEES

FY22 vs FY21		FY21 vs FY20			FY20 vs FY19				
Percentage change	Salary	Taxable benefits	Annual bonus	Salary	Taxable benefits	Annual bonus	Salary	Taxable benefits	Annual bonus
<b>Executive Directors</b>									
R Parker	1%	35.5%	-10%	14.3%	3.4%	n/a	31.6%	-11.2%	-100%
S Hopson	17.6%	<b>6.7</b> %	-1%	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors									
D Shapland	0.7%	-33%	n/a	7.5%	-25%	n/a	-5.6%	-66.7%	n/a
K Down	2%	-	n/a	14.3%	_	n/a	-4.6%	-100%	n/a
D Breeze	<b>56.7</b> %	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a
K Daniels	100%	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Wider workforce	7.2%	15.6%	-3.5%	19.4%	4.7%	89.1%	-4.9%	12.8%	-24.4%

## **EXECUTIVE DIRECTORS' REMUNERATION FROM EXTERNAL NON-EXECUTIVE ROLES**

During the Period, neither Rob Parker nor Stephen Hopson received remuneration from Non-Executive roles.

## SPEND ON PAY

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the organisation):

	52-week period ended 1 October 2022	53-week period ended 2 October 2021	Percentage change
Dividends and share buybacks	3.6 pence per share	3.1 pence per share	16.13%
Overall expenditure on pay	£57,097,000	£57,955,000	-1.48%

Note: the increase spend on pay reflects a resumption of bonus payments and National Living Wage increases.

## DIRECTORS' REMUNERATION REPORT

## CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Committee is composed of the Company's independent Non-Executive Directors, Diana Breeze (Chair), Keith Down and Kari Daniels. The Company Secretary attends the meetings as secretary to the Committee.

The role of the Committee is to:

- Set and keep under review the Remuneration Policy for the Executive Directors and Chairman;
- Determine the remuneration of the Executive Directors and Chairman, including short-term and long-term incentives, in line with the Remuneration Policy;
- Recommend and monitor the level and structure of remuneration for senior management;
- Approve the design of and determine targets for performance-related pay schemes and approve the payments made under them;
- Review the design of all share incentive plans and for those in place and determine what awards will be made; and
- Oversee any major changes in colleague benefits structures throughout the Company or Group.

## **ADVISERS**

The Committee is assisted in its work by the CEO and CFO and the HRD. (The CEO is consulted on the remuneration of those who report directly to him and of other senior management. No Executive Director or colleague is present or takes part in discussions in respect of matters relating directly to their own remuneration).

The executive compensation business of Alvarez & Marsal ("A&M") has acted as an independent adviser since August 2020.

Adviser	Details of appointment	Fees paid by the Company for advice to the Committee and basis of charge	Company in the 52-week period ended 1 October 2022
Alvarez & Marsal	Appointed by the Committee in August 2020	£48,648 (excluding VAT)	None
		Charged on a time/cost basis or fixed fee dependent on the nature of the project.	

A&M is a signatory to the Remuneration Consultant's Code of Conduct, which requires their advice to be impartial, and A&M confirmed their compliance with the Code to the Committee. A&M has not carried out any other work for the Company during the year. Based on the above, the Committee is satisfied that the advice is independent and objective.

## STATEMENT OF VOTING AT LAST AGM

The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration Report at the Company's Annual General Meeting on 19 January 2022:

Resolution	Votes for	% of vote	Votes against	% of vote	Discretion	% of vote	withheld
Approve Remuneration							
Report	149,124,453	99.32%	1,015,636	0.68%	0.0	0.0	43,138

The following table sets out the actual voting in respect of the resolution to approve the Directors' Remuneration Policy at the Company's Annual General Meeting on 22 January 2020:

Resolution	Votes for	% of vote	Votes against	% of vote	Discretion	% of vote	withheld
Approve Directors'							
Remuneration Policy	131,671,974	98.64%	1,716,113	1.29%	87,329	0.07%	43,952

OUR GOVERNANCE

## IMPLEMENTATION OF THE DIRECTORS' REMUNERATION POLICY IN FY2022/23 SALARY

For FY23, the CEO received a 2% increase effective from 1 October 2022 which was below that of the wider workforce. For the CFO, the Committee approved the second phase of the increase in Stephen's base salary to £240,000 from 1 October 2022 to bring his salary in line with the benchmark and to reflect the continued strong performance and delivery in role.

## **PENSION**

The Company pension benefit will be 5% of salary for the Executive Directors (taken as cash in lieu of contributions to the pension plan in the case of the CEO), which is aligned with the rate available to the wider workforce.

## **ANNUAL BONUS**

The maximum annual bonus opportunity for FY23 will be 125% of base salary for the Executive Directors. Up to 70% of total bonus will be payable by reference to adjusted PBT. 15% will be measured against strategic objectives and the remaining 15% will be measured against ESG targets.

The Committee considers that the forward-looking targets are commercially sensitive and has, therefore, chosen not to disclose them in advance. Details of the targets will be set out retrospectively in next year's Remuneration Report.

#### LTIP

For FY23, the Committee intends to make LTIP awards of up to 100% of salary to the CEO and CFO with a three-year performance period ending FY25. The vesting of the awards will be subject to adjusted EPS performance for the financial year FY25 with the awards vesting for threshold performance set at 10% of salary and an Adjusted EPS of 3.46 pence and the awards vesting for maximum performance at 100% of salary and an EPS of 6.92%.

The Committee will monitor the performance over the three-year vesting period and review the vesting outcome to ensure it is a true reflection of the Company's performance during the period and that there is no windfall gain as a result of share price movement.

## **NON-EXECUTIVE DIRECTOR FEES**

The Non-Executive Directors' fees are reviewed annually and in line with the Director's Remuneration Policy, they are generally increased in line with any increase awarded to the wider workforce. Accordingly, an increase of 2% was applicable from 1 October 2022; however, this was applied to the base fees only.

## **APPROVAL**

This report was approved by the Board on 30 November 2022 and signed on its behalf by:

## Diana Breeze

Chair of the Remuneration Committee 30 November 2022





## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPPS TILES PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OPINION

In our opinion:

- Topps Tiles Plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 1 October 2022 and of the Group's profit and the Group's cash flows for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position as at 1 October 2022; the Consolidated Statement of Profit and Loss, Consolidated statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, the Company Balance Sheet and the Company Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **INDEPENDENCE**

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

## OUR AUDIT APPROACH **OVERVIEW**

## **AUDIT SCOPE**

- We conducted a full scope audit over Topps Tiles (UK) Limited (the main trading entity within the Group) and Topps Tiles Plc. Testing was also performed, to Group materiality, over the balances which arise on consolidation (Goodwill and acquired intangibles) or are centrally managed (IFRS right of use assets and leases);
- Where other entities within the Group contributed more than 5% of the total financial statement line item, and the balance was above overall Group materiality, these balances were also included within the scope of our audit;
- All audit testing has been performed by a single UK Group Engagement Team; and
- Our scoping resulted in coverage of 95% (2021: 96%) of revenue, and 95% (2021: 96%) of total assets

## **KEY AUDIT MATTERS**

- Inventory carrying value (Group)
- Lease accounting (Group)
- Recoverability of amounts owed by and investments in subsidiary undertakings (Company)

- Overall Group materiality: £550,000 (2021: £685,000) based on 5% of profit before taxation.
- Overall Company materiality: £700,000 (2021: £620,000) based on 1% of Total assets.
- Performance materiality: £412,500 (2021: £510,000) (Group) and £525,000 (2021: £465,000) (Company).

## THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

#### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

## Key audit matter

## INVENTORY CARRYING VALUE (GROUP)

Refer to matters considered by the Audit Committee within the Corporate Governance Report and the Critical Accounting Judgements and Key Sources of Estimation Uncertainty within the Group Accounting Policies. The valuation of inventory involves estimates in recording provisions for obsolete inventory. The significant judgements and assumptions applied when calculating the provisions are:

- slow moving stock, i.e., stock which has not been sold within the last 13 months; and
- specific provisions recognised for stock classified as 'to be discontinued' i.e., stock which is expected to be discontinued in future periods and therefore require an estimate of expected inventory write downs and realisable amounts.

More specifically, the key audit matter relates to whether the provisions held against the above identified inventories are complete and therefore that inventory is valued appropriately at the lower of cost and expected sale proceeds.

## How our audit addressed the key audit matter

We examined inventory write-offs in the financial period to ensure they are consistent with the key assumptions used in the inventory provision model at the period end;

We reviewed the past accuracy of managements estimates and identified no material concerns regarding the accuracy of the prior period estimates;

We tested the integrity of the provision model to ensure that it was using the underlying data correctly and calculating provision amounts accurately;

We challenged managements on the appropriateness of the provision levels and the use of historic trends given the current economic environment. As a result of our challenge further disclosures were made in relation to this area of managements estimate;

We performed testing over post period end inventory sales to validate the sales were made at above cost (or where at a loss this was reflected correctly in the provision held); and

We reviewed the disclosures of this estimate made by management and challenged the level of disclosures around the key estimates.

Overall, we concluded that the key estimates and judgements used by management to assess inventory carrying value were supportable and no material exceptions arose from our work.

## LEASE ACCOUNTING (GROUP)

Refer to matters considered by the Audit Committee within the Corporate Governance Report and the Critical Accounting Judgements and Key Sources of Estimation Uncertainty within the Group Accounting Policies on pages.

The Group adopted IFRS 16 from 29 September 2019 utilising the modified retrospective approach. The process of integrating IFRS 16 numbers, managed through a separate IT system, to the trial balance relies upon a significant amount of manual review and reconciliation. As a result, in the prior period audit, we identified a few errors which were corrected by management. Due to the magnitude of the balance and the manual nature of the review we have included this as a Key Audit Matter. This specifically relates to the Accuracy of the reported lease liabilities and assets and the completeness of the leases subject to IFRS 16. We reviewed the disclosures in the financial statements; and

We have tested the completeness of management's model by comparing the leases to the listing maintained by the property team and also by performing testing over the rent expense books and records to ensure modifications have been adequately captured;

We have reviewed the accuracy of the underlying data by tracing a sample of leases back to underlying lease agreements and recalculated the accounting entries for a sample of leases and confirmed management's IT system is performing this calculation accurately;

We have considered other assumptions used by management to be appropriate, including ensuring the leases meet the definition of a lease under IFRS 16 and that the lease term is accurate;

We are satisfied that they are consistent with the evidence obtained and compliant with IFRS 16.

Overall, we concluded that the key estimates and judgements used by management (being discount rate, determination of lease term and the determination of a lease being in or out of scope for IFRS 16) for lease liabilities and right of use assets were supportable and no material exceptions were noted in our audit.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPPS TILES PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Key audit matter

## How our audit addressed the key audit matter

## RECOVERABILITY OF AMOUNTS OWED BY AND INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (COMPANY)

Refer to pages 166 and 167 – Note 4 Investments and Note 5 Debtors to the company financial statements. Investments and amounts due from subsidiary companies are tested for impairment if impairment indicators exist. The main assets of the Company relate to the investments and receivables due from subsidiary companies.

We evaluated management's determination of whether any indicators of impairment existed by comparing the carrying value of investments in subsidiary undertakings to the market capitalisation of the Group at the period end date and post period end and by comparing the performance of the Group in the period to previous budgets and agreed that no impairment trigger was noted. We agreed the net assets of the underlying indirect investments, net of all intercompany balances, to their respective statutory financial statements. As the net asset value described above was sufficient to support the carrying value of the investment, no impairment charge was required.

## HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group consists of fifteen legal entities within, comprising the Group's operating business and centralised business functions. This is structured as one segment being the distribution and sale of Tiles, predominantly in the UK.

In establishing the overall approach to the Group audit, we identified one legal entity, Topps Tiles (UK) Limited, which, being the main trading legal entity in the Group, required an audit of its complete financial information due to its financial significance to the Group. In addition, Topps Tiles Plc was included as a full scope component as it had the majority of the Group-wide balances. Testing was performed over the items which arise on consolidation (Goodwill and Intangibles) or were managed centrally (IFRS 16) to Group materiality.

Further specific audit procedures were performed where a single balance (or disclosure) within one of the fourteen out of scope entities represented 5% of the consolidated Group amount and the balance was above Group materiality.

We also considered the reporting of the impact of climate change on the Group, where appropriate (for example on the determination of useful economic lives of assets or consideration of climate change within future cash flow forecasts for asset impairments).

All audit procedures were performed by the Group Engagement Team. The scoping above gave us the evidence we needed for our opinion on the Group financial statements as a whole.

The above work resulted in coverage of 95% of reported revenues (2021:96%) and 95% of total assets (2021:96%) being obtained during our audit.

#### **MATERIALITY**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£550,000 (2021: £685,000).	£700,000 (2021: £620,000).
How we determined it	5% of profit before taxation	1% of Total assets
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	As the Company does not trade, with its main operations being that of a holding company, we believe that total assets are the primary measure used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark. Materiality was capped at the component materiality level of £350,000.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between \$£450,000 and \$£350,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £412,500 (2021: £510,000) for the Group financial statements and £525,000 (2021: £465,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £25,000 (Group audit) (2021: £34,400) and £25,000 (Company audit) (2021: £34,400) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPPS TILES PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

## CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- We have evaluated management's base case and their "severe but plausible" downside scenario going concern model, challenged key assumptions included within the forecasted cash flows and assessed the appropriateness of the severity applied;
- We have agreed underlying assumptions to supporting data or market evidence and checked the integrity of managements model by agreeing key underlying data to source documents and validating the Group and Company's continuing liquidity;
- We have performed a full review and recalculaton of all debt covenants to ensure that these will not be breached during the forecast period;
- We have challenged management, in relation to the achievability of the forecast cash flows in the context of the current economic uncertainty;
- We have understood the other potential cost saving/cash-preserving options which are available to management to utilise, should they be required; and
- We have reviewed the disclosure included within the financial statements in the context of the required disclosures regarding management's assessment and the basis of their conclusions.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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## REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climaterelated Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

## STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 1 October 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## **DIRECTORS' REMUNERATION**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

## CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOPPS TILES PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of journal entries with unexpected account combinations, management bias in significant accounting estimates and/or judgements and the misreporting of significant or unusual transactions. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, over consideration of known or suspected instances of noncompliance with laws, regulations and fraud;
- Reviewing board minutes and discussions with the head of Internal Audit to ascertain the completeness of the above disclosures;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, in particular in relation to inventory provisioning;
- Identifying and testing higher risk journal entries, in particular any journal entries posted with unexpected account combinations
  and those recorded to increase reported revenues. Testing was also performed to validate the completeness of the data on which
  our risk-based procedures were performed; and
- Reviewing the financial statetments for adequate and appropriate disclosures in compliance with the Companies Act.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

## **USE OF THIS REPORT**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## OTHER REQUIRED REPORTING

## COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## **APPOINTMENT**

Following the recommendation of the Audit Committee, we were appointed by the members on 30 January 2019 to audit the financial statements for the year ended 28 September 2019 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 28 September 2019 to 1 October 2022.

## OTHER MATTER

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

## **Andrew Lyon (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors East Midlands 30 November 2022

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

		52 weeks ended	53 weeks ended 2 October
		1 October	2021
	Notes	2022 £′000	(restated) <sup>1</sup> £'000
Group revenue	3	247,241	227,997
Cost of sales		(111,818)	(97,297)
Gross profit		135,423	130,700
Distribution and selling costs		(89,316)	(83,591)
Other operating expenses		(5,953)	(6,100)
Administrative costs		(19,827)	(18,419)
Sales and marketing costs		(5,495)	(4,564)
Group operating profit		14,832	18,026
Finance income	6	123	87
Finance costs	6	(4,010)	(4,158)
Profit before taxation	4	10,945	13,955
Taxation	7	(1,754)	(3,279)
Profit for the period		9,191	10,676
Profit is attributable to:			
Owners of Topps Tiles Plc		9,005	10,648
Non-controlling interests		186	28
		9,191	10,676
All results relate to continuing operations of the Group.			
See note 2(A) for an explanation of the prior year restatement.			
			53 weeks
		52 weeks	ended
		ended 1 October	2 October 2021
	λΙ.,	2022	(restated)1
Earnings per ordinary share:	Notes	£′000	000,3
- Basic	9	4.60p	5.47p
Duoic	9	4.00p	J.4/ β

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

4.55p

5.41p

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

- Diluted

	52 weeks ended 1 October 2022 £′000	53 weeks ended 2 October 2021 (restated) <sup>1</sup> £'000
Profit for the period	9,191	10,676
Total comprehensive income for the period is attributable to:		
Owners of Topps Tiles Plc	9,005	10,648
Non-controlling interests	186	28
	9,191	10,676

 $<sup>\ ^1</sup>$  See note 2(A) for an explanation of the prior year restatement.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 OCTOBER 2022

			2021
	Notes	2022 £′000	(restated)1 £'000
Non-current assets			
Goodwill	10	2,101	_
Intangible assets	11	5,423	468
Property, plant and equipment	12	20,888	23,680
Other financial assets	14	1,947	2,335
Deferred tax assets	15	114	564
Right-of-use assets	14	88,545	95,418
		119,018	122,465
Current assets			
Inventories	16	38,605	32,758
Other financial assets	14	542	518
Trade and other receivables	17	6,419	4,538
Cash and cash equivalents	18	16,241	27,789
		61,807	65,603
Total assets		180,825	188,068
Current liabilities			
Bank loans	19	_	_
Trade and other payables	20	(43,650)	(47,425)
Lease liabilities	14	(18,187)	(19,521)
Current tax liabilities		(1,152)	(2,027)
Provisions	22	(352)	(353)
		(63,341)	(69,326)
Net current liabilities		(1,534)	(3,723)
Non-current liabilities			
Lease liabilities	14	(84,741)	(91,817)
Provisions	22	(3,694)	(1,969)
Total liabilities		(151,776)	(163,112)
Net assets		29,049	24,956
Equity			
Share capital	23	6,556	6,555
Share premium	24	2,636	2,625
Own shares	25	(415)	(1,216)
Merger reserve		(399)	(399)
Share-based payment reserve		5,162	4,642
Capital redemption reserve		20,359	20,359
Accumulated losses		(7,319)	(7,610)
Capital and reserves attributable to owners of Topps Tiles Plc		26,580	24,956
Non-controlling interests		2,469	_
Total equity		29,049	24,956

See note 2(A) for an explanation of the prior year restatement.

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

The financial statements of Topps Tiles Plc, registered number 3213782, on pages 124 to 159 were approved by the Board of Directors and authorised for issue on 30 November 2022. They were signed on its behalf by:

## Rob Parker Stephen Hopson

Directors

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

	Share capital £′000	Share premium £′000	Own shares £'000	Merger reserve £'000	Share- based payment reserve £′000	Capital redemption reserve £′000	Accumu- lated losses £′000	Non- controlling interest £'000	Total equity £′000
Balance at 26 September									
2020 as originally	, 5.40	0.400	/3 /00	10001	0.045	00.050	137 1001	1001	1.4054
presented	6,548	2,492	(1,483)	(399)	3,965	20,359	(17,400)	(28)	14,054
Correction of error (net of tax)	_	_	_	_	_	_	(390)	_	(390)
Restated balance at									
26 September 2020	6,548	2,492	(1,483)	(399)	3,965	20,359	(17,790)	(28)	13,664
Profit and total									
comprehensive income for the period (restated) <sup>1</sup>	_	_	_	_	_	_	10,648	28	10,676
Issue of share capital		133					10,046		140
Own shares issued	/	100							140
in the period	_	_	267	_	_	_	(267)	_	_
Credit to equity for							(		
equity-settled share-based									
payments	_	_	_	_	677	_	_	_	677
Deferred tax on share-based payment transactions	_	_	_	_	_	_	(47)	_	(47)
Acquisition of non-controlling interest on business									
combination	_	_	_	_	_	_	(154)	_	(154)
Balance at 2 October 2021									
as originally presented	6,555	2,625	(1,216)	(399)	4,642	20,359	(6,992)	-	25,574
Correction of error									
(net of tax)	_	_	_	_	_	_	(618)	_	(618)
Restated balance at									
2 October 2021	6,555	2,625	(1,216)	(399)	4,642	20,359	(7,610)		24,956
Profit and total comprehensive income							0.005	10/	0.101
for the period							9,005	186	9,191
Dividends	_	_	_	_	_	_	(8,015)	_	(8,015)
Issue of share capital	I	11	_	_	_	_	_	_	12
Own shares purchased in the period	_	_	(207)	_	_	_	_	_	(207)
Own shares issued in the period	_	_	1,008	_	_	_	(699)	_	309
Credit to equity for			,				(/		
equity-settled share-based payments	_	_	_	_	520	_	_	_	520
Acquisition of non-controlling	_			_	520				520
interest on business combination	_	_	_	_	_	_	_	2,283	2,283
Balance at 1 October								2,200	2,200
2022	6,556	2,636	(415)	(399)	5,162	20,359	(7,319)	2,469	29,049
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 $<sup>^{\</sup>mbox{\tiny 1}}$  See note 2(A) for an explanation of the prior year restatement.

# CONSOLIDATED CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

	52 weeks ended 1 October 2022 £′000	53 weeks ended 2 October 2021 (restated) <sup>1</sup> £'000
Cash flow from operating activities		
Profit for the period	9,191	10,676
Taxation	1,754	3,279
Finance costs	4,010	4,158
Finance income	(123)	(87)
Group operating profit	14,832	18,026
Adjustments for:		
Depreciation of property, plant and equipment	5,609	6,268
Depreciation of right-of-use assets	18,212	20,508
Amortisation of intangible assets	500	186
Loss on disposal of property, plant, equipment and intangibles	394	1,736
(Gain)/loss on sublease	(88)	134
Impairment charge/(reversal) of property, plant and equipment	240	(604)
Impairment of right-of-use assets	1,473	2,402
Gain on lease disposal	(1,544)	(2,563)
Share option charge	520	677
Increase in earn out liability provision	1,581	_
Non-cash gain in derivative contracts	(455)	_
Decrease in trade and other receivables	(1,080)	7
Increase in inventories	(4,362)	(3,421)
Decrease in payables	(5,603)	(11,209)
Cash generated from operations	30,229	32,147
Interest paid	(354)	(468)
Interest received on operational cash balances	58	_
Interest element of lease liabilities paid	(3,626)	(3,728)
Taxation paid	(3,453)	(1,535)
Net cash generated from operating activities Investing activities	22,854	26,416
Interest received	_	11
Interest received on sublease assets	65	76
Receipt of capital element of sublease assets	493	629
Purchase of property, plant and equipment	(3,090)	(4,221)
Purchase of intangibles	(115)	(194)
Proceeds on disposal of property, plant and equipment	183	2,096
Acquisition of subsidiary, net of cash acquired	(3,968)	(154)
Net cash used in investment activities	(6,432)	(1,757)
Financing activities		
Payment of capital element of lease liabilities	(19,601)	(23,026)
Dividends paid	(8,015)	_
Proceeds from issue of share capital	12	133
Purchase of own shares	(207)	_
Receipt on disposal of own shares	309	-
Repayment of bank loans	(468)	(4,995)
Net cash used in financing activities	(27,970)	(27,888)
Net decrease in cash and cash equivalents	(11,548)	(3,229)
Cash and cash equivalents at beginning of period	27,789	31,018
Cash and cash equivalents at end of period	16,241	27,789

See note 2(A) for an explanation of the prior year restatement.

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

#### 1 GENERAL INFORMATION

Topps Tiles Plc is a public limited company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England under the Companies Act 2006. The address of the registered office is given on page 41. The nature of the Group's operations and its principal activity are set out in the Directors' Report on page 52.

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

## ADOPTION OF NEW AND REVISED STANDARDS

In the current period, other than the IFRIC regarding cloud computing (see note 2A), there were no new or revised standards and interpretations adopted that have a material impact on the financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## STANDARDS ADOPTED IN CURRENT PERIOD

The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements. The Group is continuing to assess the impact of IFRS 17 "Insurance Contracts" and the implications on accounting for future transactions and arrangements. The impact is believed not to be significant and the Group will update for any changes in this assessment in future reporting periods.

IFRS 17, "Insurance contracts" (effective 1 January 2023 or when IFRS 9 is applied) subject to endorsement.

Amendments to IFRS 16 Leases: Covid-19-Related rent concessions beyond 30 June 2021 – (effective 1 April 2021).

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021).

Annual Improvements 2018-2020 (effective 1 January 2022).

Narrow scope amendments to IFRS 3, IAS 16 and IAS 37 (effective 1 January 2022).

## **2 ACCOUNTING POLICIES**

The principal accounting policies adopted are set out below.

## A) BASIS OF ACCOUNTING

The financial statements of Topps Tiles Plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board.

Topps Tiles Plc transitioned to UK-adopted International Accounting Standards in its Consolidated Financial Statements on 3 October 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the Period reported as a result of the change in framework.

The financial statements have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

## IFRIC: CONFIGURATION OR CUSTOMISATION COSTS IN A CLOUD COMPUTING ARRANGEMENT (IAS 38 INTANGIBLE ASSETS)

During the current year, management has re-evaluated the impact of the IFRIC guidance released during the prior year relating to accounting for cloud-based SaaS arrangements. This guidance was incorrectly applied in the prior year, resulting in costs associated with a cloud-based SaaS being capitalised and not expensed as incurred in the consolidated statement of financial performance. During 2020, £456k was capitalised with no amortisation being charged. During the prior period a further £319k was capitalised again with no amortisation being charged. As a result of this error, the intangible assets as at 26 September 2020 were overstated by £456k and operating costs for the period understated by the same amount. As at 2 October 2021, the intangible assets and net assets were overstated by £775k and operating costs were understated by £319k for the period then ended. In addition, during the period ended 26 September 2020 operating cash flows were overstated by £456k and investing cash flows overstated by the same amount. Likewise, for the period ended 2 October 2021 the operating cash flows were overstated by £319k and the investing cash flows overstated by the same amount. A summary of the impact, including taxation, is included in the following tables:

## 2 ACCOUNTING POLICIES CONTINUED

2 ACCOUNTING POLICIES CONTINUED	2021 (previously reported) £'000	Restatement £'000	2021 Restated £'000
Consolidated Statement of Profit or Loss impact			
Administrative costs	(18,100)	(319)	(18,419)
Profit before taxation	14,274	(319)	13,955
Tax charge	(3,370)	91	(3,279)
Basic earnings per ordinary share (pence)	5.59	(0.12)	5.47
Diluted earnings per ordinary share (pence)	5.52	(0.11)	5.41
Consolidated Statement of Financial Position impact			
Intangible assets	1,243	(775)	468
Deferred tax asset	407	1 <i>57</i>	564
Total assets	188,686	(618)	188,068
Net assets	25,574	(618)	24,956
Accumulated losses	(6,992)	(618)	(7,610)
Total equity	25,574	(618)	24,956
Consolidated Cash Flow Statements			
Profit for the period	10,904	(228)	10,676
Taxation	3,370	(91)	3,279
Net cash from operating activities	26,735	(319)	26,416
Purchase of intangibles	(513)	319	(194)
Net cash used in investing activities	(2,076)	319	(1,757)
	2020 (previously reported) £'000	Restatement £'000	2020 Restated £'000
Consolidated Statement of Financial Position impact			
Intangible assets	916	(456)	460
Deferred tax asset	1,406	66	1,472
Total assets	205,080	(390)	204,690
Net assets	14,054	(390)	13,664
Accumulated losses	(17,400)	(390)	(17,790)
Total equity	14,054	(390)	13,664

## B) GOING CONCERN

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

The Group has already taken a number of actions to strengthen its liquidity over the recent years, and the scenarios start from a position of relative strength. The going concern review also outlined a range of other mitigating actions that could be taken in a severe but plausible trading scenario. These included, but were not limited to, savings on store employee costs, savings on central support costs, reduced marketing activity, a reduction of capital expenditure, management of working capital and suspension of the dividend.

The Group's cash headroom and covenant compliance were reviewed against current lending facilities in both the base case and the severe but plausible downside scenario. The current lending facility was refinanced in October 2022 and expires at the earliest in October 2025. In all scenarios, the Board has concluded that there is sufficient available liquidity and covenant headroom for the Group to continue to meet all of its financial commitments as they fall due for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

## 2 ACCOUNTING POLICIES CONTINUED

## 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 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 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 IFRS 9 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 is drawn up to a Saturday within 7 days of 30 September resulting in financial periods of either 52 or 53 weeks.

Throughout the financial statements, Directors' Report and Strategic Report, references to 2022 mean "at 1 October 2022" or the 52 weeks then ended; references to 2021 mean "at 2 October 2021" or the 53 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.

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## 2 ACCOUNTING POLICIES CONTINUED

## G) REVENUE RECOGNITION

Revenue is measured at the transaction price 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 satisfied its performance obligations to external customers, being the date goods are collected from store or received by the customers; and
- the customer has obtained control of the goods being transferred.

These conditions are met, predominantly, at the point of sale. The exceptions to this are for: goods ordered in advance of collection, where revenue is recognised at the point that the goods are collected; sales of goods that result in award credits for customers (see below); and web sales, where revenue is recognised at the point of delivery.

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 could 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 performance obligations have been satisfied.

The level of sales returns is closely monitored by management, and as such, the Group holds a sales return provision in the Consolidated Statement of Financial Position to provide for the expected level of returns. The sales value of the expected returns is recognised within Accruals, with the cost value of the goods expected to be returned recognised as a current asset within Inventories.

## H) INTANGIBLE ASSETS

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.

Costs that are directly associated with identifiable software products controlled by the Group, and that will generate economic benefits beyond one year are recognised as intangible assets. These intangible assets are stated at cost less accumulated amortisation and impairment losses, and are amortised over four years.

Brands acquired by the Group are stated at cost less amortisation and impairment losses, and are amortised over their useful economic life. The Pro Tiler brand has an expected useful economic life of ten years.

## I) PROPERTY, PLANT AND 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 and long leasehold 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

Plant and Machinery over 10 years on a straight line basis
Motor vehicles 25% per annum on a reducing basis

Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 Consolidated Statement of Financial Performance.

Non-current assets are classified as held for sale if the assets are available for immediate sale in their present condition and the sale is highly probable. After reclassified as held for sale, the assets are measured at the lower of their carrying value and fair value less costs to sell.

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

## 2 ACCOUNTING POLICIES CONTINUED

## J) IMPAIRMENT OF TANGIBLE, INTANGIBLE AND RIGHT-OF-USE ASSETS

At each period end, the Group reviews the carrying amounts of its tangible, intangible, and right-of-use 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. This includes the impact, if any, arising from climate change.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-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 is derived using the average cost method and includes an attributable proportion of distribution overheads based on normal levels of activity. 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.

## 2 ACCOUNTING POLICIES CONTINUED

## 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.

#### N) LEASES

## LEASES IN WHICH THE GROUP IS A LESSEE

The Group leases assets which consist of properties, vehicles and equipment. Rental contracts are typically made for fixed periods but may have extension options or break options to maximise operational flexibility. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date of property leases the Group determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised. The Group considers the lease term to be the non-cancellable period and in assessing this applies the definition of a contract and determines the period for which the contract is enforceable.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

The Group has elected to take advantage of the following recognition exemptions and account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

- leases with a lease term of 12 months or less and containing no purchase options this election is made by class of underlying asset; and
- leases where the underlying asset has a low value when new this election can be made on a lease-by-lease basis.

For leases where the Group has taken short-term lease recognition exemption and there are any changes to the lease term or the lease is modified, the Group accounts for the lease as a new lease.

From 29 September 2019 leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment comprises an element of capital and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

## 2 ACCOUNTING POLICIES CONTINUED

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

After lease commencement, the Group measures right-of-use assets using a cost model. Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. The lease liability is also remeasured to reflect changes in:

- the lease term (using a revised discount rate);
- the assessment of a purchase option (using a revised discount rate);
- the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); and
- future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

The remeasurements are matched by adjustments to the right-of-use asset.

Lease modifications may also prompt remeasurement of the lease liability unless they are determined to be separate leases.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The capital element of payments related to leases are presented under cash flow from financing activities in the Consolidated Cash Flow Statement, and the interest element of payments presented under cash flow from operating activities.

## LEASES IN WHICH THE GROUP IS A LESSOR

At lease inception, lessors will determine whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is considered to be the case, then the lease is recognised as a finance lease, if not then it is recognised as an operating lease. As part of this assessment, the Group considers certain factors such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the recognition exemption, then it classifies the sub-lease as an operating lease.

On transition to IFRS 16 on 29 September 2019, the Group has reclassified a small number of sub-leases as finance leases, resulting in recognition of a finance lease receivable, being equal to the net investment in the lease. The Group recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment.

There will be no change to the accounting for the remaining subleases which continue to be accounted for as operating leases, and income from these leases will continue to be recognised on a straight-line basis over the term of the lease.

## SALE AND LEASEBACK

A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. On entering into a sale and leaseback transaction, the Group determines whether the transfer of the assets qualifies as a sale (satisfying a performance obligation in IFRS 15 "Revenue from Contracts with Customers"). Where the transfer is a sale and providing the transaction is on market terms then the previous carrying amount of the underlying asset is split between:

- a right-of-use asset arising from the leaseback (being the proportion of the previous carrying amount of the asset that relates to the rights retained); and
- the rights in the underlying asset retained by the buyer-lessor at the end of the leaseback.

## 2 ACCOUNTING POLICIES CONTINUED

The Group recognises a portion of the total gain or loss on the sale. The amount recognised is calculated by splitting the total gain or loss into:

- an unrecognised amount relating to the rights retained by the seller-lessee; and
- a recognised amount relating to the buyer-lessor's rights in the underlying asset at the end of the leaseback.

The leaseback itself is then accounted for under IFRS 16.

## 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), financial assets "at fair value through other comprehensive income" (FVOCI), and financial assets carried at "amortised cost". The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

## FINANCIAL ASSETS AT FVTPL

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. Transactional costs of financial assets carried at FVTPL are expensed in the Consolidated Statement of Financial Performance. 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. Financial assets at FVTPL are subsequently measured at fair value, with net gains and losses, including any interest or dividend income being recognised in profit of loss.

## TRADE AND OTHER RECEIVABLES

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are initially recognised at fair value and then carried 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. The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost.

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. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for financial assets.

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## 2 ACCOUNTING POLICIES CONTINUED

For all other 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. The Group will write off, either partially or in full, the gross carrying amount of a financial asset when there is no realistic prospect of recovery. This is usually the case when it is determined that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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 of cash balances including credit card receipts and deposits, less bank overdrafts which are repayable on demand where there is a right of offset. All cash equivalents have an original maturity of three months or less.

## 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 that are classified as FVTPL relate to derivatives that are 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. The fair values are determined by reference to the market prices available from the market on which the instruments involved are traded.

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.

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.

## 2 ACCOUNTING POLICIES CONTINUED

## T) OPERATING COSTS

Restructuring costs relate to Board-approved decisions such as business closures or major organisational changes. Operating profit is stated after charging/(crediting) restructuring costs but before investment income and finance costs.

Employee profit sharing costs are classified as distribution and selling costs and administrative 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 a 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.

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) GOVERNMENT GRANTS

The Group applies IAS 20 "Accounting for Government Grants and Disclosures of Government Assistance" when accounting for government grants. A government grant is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to it, and that the grant will be received. Government grants are recognised in the Consolidated Statement of Financial Performance on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. The Group has chosen to present government grants netted off against the related expense.

## Y) 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.

## CRITICAL ACCOUNTING JUDGEMENTS

The key accounting judgements used in the financial statements are as follows:

## LEASE TERMS

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate a lease, if the lessee were reasonably certain to exercise that option. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options and break clauses, which can significantly affect the amount of lease liabilities and right-of-use assets recognised.

At the commencement date of a property lease the Group normally determines the lease term to be the full term of the lease, assuming that any option to break or extend the lease is unlikely to be exercised and it is not reasonably certain that the Group will continue in occupation for any period beyond the lease term.

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## 2 ACCOUNTING POLICIES CONTINUED

For property leases the key factors that are normally the most relevant are the profitability of the leased store, the future plans of the business, and whether there are any penalties associated with exercising an option.

## ACQUISITION OF SUBSIDIARY UNDERTAKING

During the year the Group acquired 60% of Pro Tiler Limited with options to acquire the remaining 40% in 2024. The acquisition has been accounted for as a business combination, with the earn out for the remaining 40% accounted for as remuneration.

## 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:

## INCREMENTAL BORROWING RATE

Under IFRS 16, the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, adjusted to take into account the risk associated with the length of the lease which ranges between 1 and 20 years. The Group uses the lessee's incremental borrowing rate for all property and equipment leases.

Due to the size of the Group's lease portfolio, the discount rate is considered to be a significant judgement with estimation, ranging between 1.25% and 7.91% dependent on the length of the lease term.

## STORE IMPAIRMENT

During the period the Group has continued to review the performance of its store portfolio. Each store is tested for impairment in line with IAS 36, and the key estimates involved relate to the pre-tax discount rate, long-term growth rate, and cash flow forecasts – see note 14 for further details.

## INVENTORY PROVISION

The Group provides against the carrying value of inventories where it is anticipated that net realisable value (NRV) will be below costs. For the determination of NRV provisions, inventories are classified into three broad categories, being continuing, discontinued and expected to be discontinued. The key estimate within the inventory provision relates to the lines which are expected to be discontinued within the coming financial year. The provisions held are based upon the experience of write offs in the preceding financial year. Analysis has shown that once inventory is discontinued, the likelihood of write off significantly increases. For inventory identified as "to be discontinued within 12 months" an increase in the expected write off rate of 20% would result in increased provisions of approximately £600,000.

## VALUATION OF INTANGIBLES

Estimates have been made around the future cash flows of Pro Tiler Limited, that have been used in the valuation of the Pro Tiler brand.

## **3 GROUP REVENUE**

An analysis of Group revenue is as follows:

	52 weeks	53 weeks
	ended	ended
	1 October	2 October
	2022	2021
	£′000	000,3
Revenue from the sale of goods	247,241	227,997
Total revenue	247,241	227,997

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

Revenue can be split by the following geographical regions:

	52 weeks	53 weeks
	ended	ended
	1 October	2 October
	2022	2021
	£′000	000,3
UK	246,866	227,997
EU	240	_
Rest of World	135	
Total	247,241	227,997

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

## **4 PROFIT BEFORE TAXATION**

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

	52 weeks	53 weeks
	ended	ended
	1 October	2 October
	2022 £′000	2021 £′000
Depreciation of property, plant and equipment	5,609	6,268
Depreciation of right-of-use assets	18,212	20,508
Operating lease costs not within the scope of IFRS 16 – low value and short-term rentals	2,201	953
Impairment charge/(reversal) of property, plant and equipment	240	(604)
Impairment of right-of-use assets	1,473	2,402
Loss on disposal of property, plant, equipment and intangibles	394	1,736
Amortisation of intangibles	500	186
Staff costs (see note 5)	57,096	57,955
Exchange (gains)/losses recognised in profit or loss	(1,060)	145
Write-down of inventories recognised as an expense	4,254	4,598
Cost of inventories recognised as an expense	108,622	92,554

During the year the business disposed of nil freehold properties (2021: three freehold properties).

Analysis of the Auditors' remuneration is provided below:

	52 weeks ended 1 October 2022 £′000	53 weeks ended 2 October 2021 £'000
Fees payable to the Company's Auditors with respect to the Company's annual accounts	111	74
Fees payable to the Company's Auditors and their associates for other audit services to the Group:		
Audit of the Company's subsidiaries pursuant to legislation	262	229
Total audit fees	373	303
Total non-audit fees	-	_
Total fees payable to the Company's Auditors	373	303

A description of the work of the Audit Committee is set out on page 78 and includes an explanation of how Auditors' objectivity and independence is safeguarded when non-audit services are provided by the Auditors.

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## **5 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	53 weeks ended
	1 October	2 October
	2022	2021
	Number	Number
	employed	employed
Selling	1,390	1,533
Administration	361	314
	1,751	1,847

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	53 weeks
	ended	ended
	1 October 2022	
	Number	Number
	employed	employed
Selling	1,311	1,455
Administration	355	283
	1,666	1,738
	2022	2021
	£′000	\$,000
Their aggregate remuneration comprised:		
Wages and salaries (including LTIP, see note 27)	51,585	52,348
Social security costs	4,472	4,498
Other pension costs (see note 26b)	1,039	1,109
	57,096	57,955

Details of Directors' emoluments are disclosed on pages 106 to 111. The Group considers key management to be the Directors only. Employee profit sharing of £7.9 million (2021: £8.3 million) is included in the above and comprises sales commission and bonuses.

The total charge for Share Based Payments recognised during the year was £0.5m (2021: £0.7m)

## **6 FINANCE INCOME AND FINANCE COSTS**

	52 weeks ended	53 weeks ended 2 October 2021 £'000
	1 October 2022 £′000	
Finance income		
Bank interest receivable	58	11
Interest income from finance lease receivables	65	76
	123	87
Finance costs		
Interest on bank loans and overdrafts	(384)	(430)
Interest payable on lease liabilities	(3,626)	(3,728)
	(4,010)	(4,158)

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.

## **7 TAXATION**

	52 weeks ended 1 October 2022 £′000	53 weeks ended 2 October 2021 (restated) <sup>1</sup> £'000
Current tax – charge for the period	2,577	2,418
Deferred tax – charge for the period (note 15)	360	1,143
Deferred tax – adjustment in respect of prior periods (note 15)	(1,183)	145
Effect of tax rate change on opening balance (note 15)	-	(427)
Total tax charge	1,754	3,279

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

	52 weeks ended 1 October 2022 £′000	53 weeks ended 2 October 2021 (restated) <sup>1</sup> £'000
Continuing operations:		
Profit before taxation	10,945	13,955
Tax at the UK corporation tax rate of 19.0% (2021: 19.0%)	2,080	2,651
Expenses that are not deductible in determining taxable profit	8	11
Other movements	391	(36)
Fixed asset differences (non-deductible expenses)	657	709
Increase/(Reduction) in UK corporation tax rate	-	(29)
Non-taxable income	(199)	(172)
Adjustment in respect of prior periods	(1,183)	145
Tax expense for the period	1,754	3,279

In the period, the Group has recognised a corporation tax credit directly to equity of  $\mathfrak{L}$ nil (2021:  $\mathfrak{L}$ nil) and a deferred tax charge to equity of  $\mathfrak{L}$ nil (2021:  $\mathfrak{L}$ 46,701) in relation to the Group's share option schemes.

The Group continues to fully provide within current tax liabilities for a historic tax claim relating to EU loss relief in relation to the closed Dutch business of £988,000 (2021: £988,000).

## **8 DIVIDENDS**

Amounts recognised as distributions to equity holders in the period:

	52 weeks ended 1 October 2022	53 weeks ended 2 October 2021
Final dividend for the period ended 2 October 2021 of £0.031 (2020: £nil) per share Interim dividend for the period ended 1 October 2022 of £0.01 (2021: £nil) per share	£′000 6,057 1,958	
Total dividend paid in the period	8,015	_
Proposed final dividend for the period ended 2 October 2022 of £0.026 (2021: £0.031) per share	5,093	6,057

The proposed final dividend for the period ended 1 October 2022 is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

See note 2(A) for an explanation of the prior year restatement.

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

## 9 EARNINGS PER SHARE

The calculation of earnings per share is based on the earnings for the financial period attributable to equity Shareholders and the weighted average number of ordinary shares.

	52 weeks ended 1 October 2022	53 weeks ended 2 October 2021
Weighted average number of issued shares for basic earnings per share	196,681,007	196,508,867
Weighted average impact of treasury shares for basic earnings per share	(1,099,370)	(1,344,844)
Total weighted average number of shares for basic earnings per share	195,581,637	195,164,023
Weighted average number of shares under option	2,165,790	2,274,713
For diluted earnings per share	197,747,427	197,438,736

	52 weeks	53 weeks ended
	ended	2 October
	1 October	2021
	2022	(restated)1
	£′000	\$'000
Profit for the period	9,005	10,676
Adjusting items	3,005	1,067
Adjusted profit for the period	12,010	11,743
Earnings per ordinary share – basic	4.60p	5.47p
Earnings per ordinary share – diluted	4.55p	5.41p
Earnings per ordinary share – adjusted	6.14p	6.02p

See note 2(A) for an explanation of the prior year restatement.

The calculation of the basic and diluted earnings per share used the denominators as shown above for both basic and diluted earnings per share. The number of potentially exercisable shares is 2,165,790 (2021: 2,274,713).

Adjusted earnings per share were calculated after adjusting for the post-tax impact of the following items: rates relief £nil benefit (2021: £1,839,000), impairment of property, plant, equipment of £393,000 (2021: £1,202,000), vacant property costs for stores closed as part of store reduction programme of £1,402,000 (2021: £1,704,000), IFRS 16 one-off changes including the impairment of closure programme stores of £104,000 (2021: £nil), restructuring costs of £42,000 (2021: £nil), project and acquisition costs of £2,246,000 (2021: £nil) and a deferred tax credit in respect of previous periods of £1,183,000 (2021: £nil).

## 10 GOODWILL

£′000
3,349
2,101
5,450
3,349
_
3,349
2,101

The Group acquired 60% of Pro Tiler Limited during the year and recognised £2,100,657 of goodwill relating to this purchase. The carrying value of impairment losses relates to the goodwill recognised on the acquisition of Parkside Ceramics Limited in 2017 and Strata Tiles Limited in 2019, that were written down to nil in a prior year.

Where a balance exists, the Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

#### 10 GOODWILL CONTINUED

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.

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.

The Group anticipates that its ambition to become carbon neutral across Scopes 1 & 2 by 2030 will likely result in a level of additional cost being incurred to achieve this in future years. Analysis to quantify the level of increased cost is ongoing and there is currently no estimate of cost incorporated into the future cash flows used in the assessment for goodwill impairment. The key assumptions underlying the anticipated future cash flows are prudent, so an increase in future costs associated with meeting climate targets should not materially impact the Group's current year assessment of recoverable amounts.

Management estimates discount rates based on the Group's weighted average cost of capital. The growth rates of 1.5% 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 were calculated using a pre-tax rate of 18.6%.

#### 11 INTANGIBLE ASSETS

	Brand £′000	Customer relationships £'000	Software £′000	Total £′000
Cost				
Restated at 26 September 2020 <sup>1</sup>	1,064	1,042	981	3,087
Additions <sup>1</sup>	_	_	194	194
Restated at 2 October 2021	1,064	1,042	1,175	3,281
Additions	_	_	115	115
Acquisition of subsidiary undertaking	5,341	_	_	5,341
Disposal	_	_	(5)	(5)
At 1 October 2022	6,405	1,042	1,285	8,732
Accumulated amortisation				
At 26 September 2020	1,064	1,042	521	2,627
Amortisation charge for the period	-	_	186	186
At 2 October 2021	1,064	1,042	707	2,813
Amortisation charge for the period	292	_	208	500
Disposal	_	_	(4)	(4)
At 1 October 2022	1,356	1,042	911	3,309
Carrying amount				
At 1 October 2022	5,049	_	374	5,423
At 2 October 2021			468	468
· · · · · · · · · · · · · · · · · · ·			·	

See note 2(A) for an explanation of the prior year restatement.

The Group acquired 60% of Pro Tiler Limited during the year and recognised £5,341,000 brand value relating to this purchase. The carrying value of impairment losses relates to the brand and trademarks recognised on the acquisition of Parkside Ceramics Limited in 2017 and Strata Tiles Limited in 2019, that were written down to nil in a prior year.

Software is amortised over its estimated useful life of four years. The Pro Tiler brand will be amortised over a period of ten years. Amortisation is included within administrative costs within the Consolidated Statement of Financial Performance.

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

#### 12 PROPERTY, PLANT AND EQUIPMENT

Land and buildings						
Freehold and long leasehold £′000	Short leasehold £′000	Fixtures and fittings £′000	Motor vehicles £'000	Plant and Machinery £′000	Total £′000	
1,612	1,566	86,803	72	_	90,053	
_	174	4,020	27	_	4,221	
(308)	(187)	(4,414)	(63)	_	(4,972)	
1,304	1,553	86,409	36	_	89,302	
_	252	2,775	_	63	3,090	
_	(130)	(2,291)	(142)	(8)	(2,571)	
		82	215	246	543	
1,304	1,675	86,975	109	301	90,364	
268	1,087	61,463	65	_	62,883	
31	111	6,120	6	_	6,268	
_	(84)	(520)	_	_	(604)	
(10)	(109)	(2,748)	(58)	_	(2,925)	
289	1,005	64,315	13	_	65,622	
26	98	5,454	15	16	5,609	
_	(3)	243	_	_	240	
_	(95)	(1,894)	(3)	(3)	(1,995)	
315	1,005	68,118	25	13	69,476	
989	670	18,857	84	288	20,888	
1,015	548	22,094	23		23,680	
	and long leasehold £'000  1,612  - (308) 1,304   1,304  268 31 - (10) 289 26 315 989	and long leasehold £'000  1,612 1,566 - 174 (308) (187) 1,304 1,553 - 252 - (130)  1,304 1,675  268 1,087 31 111 - (84) (10) (109) 289 1,005 26 98 - (3) - (95) 315 1,005	Freehold and long leasehold £'000         Short leasehold £'000         Fixtures and fittings £'000           1,612         1,566         86,803           -         174         4,020           (308)         (187)         (4,414)           1,304         1,553         86,409           -         252         2,775           -         (130)         (2,291)           82         1,304         1,675         86,975           268         1,087         61,463           31         111         6,120           -         (84)         (520)           (10)         (109)         (2,748)           289         1,005         64,315           26         98         5,454           -         (3)         243           -         (95)         (1,894)           315         1,005         68,118           989         670         18,857	Freehold and long leasehold £'000         Short leasehold £'000         Fixtures and fittings £'000         Motor vehicles £'000           1,612         1,566         86,803         72           -         174         4,020         27           (308)         (187)         (4,414)         (63)           1,304         1,553         86,409         36           -         252         2,775         -           -         (130)         (2,291)         (142)           82         215           1,304         1,675         86,975         109           268         1,087         61,463         65           31         111         6,120         6           -         (84)         (520)         -           (10)         (109)         (2,748)         (58)           289         1,005         64,315         13           26         98         5,454         15           -         (95)         (1,894)         (3)           315         1,005         68,118         25	Freehold and long leasehold £'000         Short leasehold £'000         Fixtures and fittings £'000         Motor vehicles £'000         Plant and Machinery £'000           1,612         1,566         86,803         72         -           -         174         4,020         27         -           (308)         (187)         (4,414)         (63)         -           1,304         1,553         86,409         36         -           -         252         2,775         -         63           -         (130)         (2,291)         (142)         (8)           82         215         246           1,304         1,675         86,975         109         301           268         1,087         61,463         65         -           31         111         6,120         6         -           -         (84)         (520)         -         -           (10)         (109)         (2,748)         (58)         -           289         1,005         64,315         13         -           26         98         5,454         15         16           -         (95)         (1,894)         (3) </td	

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £nil (2021: £nil). Contractual commitments for the acquisition of property, plant and equipment are detailed in note 26.

During the period, the Group has continued to review the performance of its store portfolio and the Group has provided for the net book value of assets in relation to 15 stores (2021: seven) that are impaired. The carrying value of these assets has been fully provided for in the period, with an increase in the provision of £240,000 in the period (2021: £604,000 decrease in the provision) included within other operating expenses.

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

#### **13 SUBSIDIARIES**

A list of all subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 4 to the Company only financial statements.

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**14 LEASES** AS A LESSEE

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

	Land and buildings £'000	Equipment £'000	Total £′000
At 26 September 2020	103,388	2,870	106,258
Additions	14,876	204	15,080
Disposals	(3,010)	_	(3,010)
Depreciation	(19,018)	(1,490)	(20,508)
Impairment	(2,402)	_	(2,402)
At 2 October 2021	93,834	1,584	95,418
Additions	9,521	1,882	11,403
Acquisition of subsidiary undertaking	2,155	_	2,155
Disposals	(746)	_	(746)
Depreciation	(17,084)	(1,128)	(18,212)
Impairment	(1,473)	_	(1,473)
At 1 October 2022	86,207	2,338	88,545

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

	Land and buildings £′000	Equipment £'000	Total £′000
At 26 September 2020	(121,285)	(2,871)	(124,156)
Additions	(15,220)	(201)	(15,421)
Disposals	5,213	_	5,213
Interest	(3,678)	(50)	(3,728)
Repayment of lease liabilities	25,192	1,562	26,754
At 2 October 2021	(109,778)	(1,560)	(111,338)
Additions	(9,429)	(1,860)	(11,289)
Acquisition of subsidiary undertaking	(2,155)	_	(2,155)
Disposals	2,227	_	2,227
Interest	(3,573)	(53)	(3,626)
Repayment of lease liabilities	22,010	1,243	23,253
At 1 October 2022	(100,698)	(2,230)	(102,928)

The maturity analysis of the lease liabilities is as follows:

	2022 £′000	2021 £′000
Current	(18,187)	(19,521)
Non-current	(84,741)	(91,81 <i>7</i> )
	(102,928)	(111,338)

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

	2022 £′000	2021 £′000
Less than one year	21,787	22,912
One to five years	61,484	64,116
More than five years	44,396	47,582
Total undiscounted lease liability	127,667	134,610

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#### **14 LEASES** CONTINUED

The following amounts have been recognised in the Consolidated Statement of Financial Performance:

	Land and buildings 2022 £′000	Equipment 2022 £'000	Total 2022 £′000
Depreciation of right-of-use assets	17,084	1,128	18,212
Impairment of right-of-use assets	1,473	-	1,473
Interest expense	3,573	53	3,626
Expenses relating to short-term leases	_	57	57
Holdover lease expense	1,764	433	2,196
	Land and buildings 2021 £'000	Equipment 2021 £'000	Total 2021 £'000
Depreciation of right-of-use assets	19,018	1,490	20,508
Impairment of right-of-use assets	2,402	_	2,402
Interest expense	3,678	50	3,728
Expenses relating to short-term leases	96	_	96
Holdover lease expense	857	_	857

The total cash outflow for leases during the financial period was £23.2 million (2021: £26.8 million).

#### AS A IESSOR

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

	2022	2021
	£′000	000,3
Lease income (from operating leases)	430	413
Finance income (from finance leases)	65	76

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

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

	2022 £′000	2021 £′000
Less than one year	214	214
One to five years	87	300
More than five years	_	
Total undiscounted lease payments receivable	301	514

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

#### **14 LEASES** CONTINUED

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

	2022 £′000	2021 £′000
Less than one year	599	582
One to five years	1,317	1,511
More than five years	800	1,048
Total undiscounted lease payments receivable	2,716	3,141
Less: unearned finance income	(227)	(288)
Present value of minimum lease payments receivable	2,489	2,853
Current	542	518
Non-current	1,947	2,335
	2,489	2,853

#### **IMPAIRMENT**

At the end of the financial year the carrying value of assets, including right-of-use lease assets, was assessed against their recoverable amount determined by reference to their value-in-use. Assets and expected cash flows were assessed at the lowest identifiable level of Cash Generating Unit ("CGU") where the expected cash inflows and outflows of each CGU were expected to be independent of those incurred by other CGUs. Individual retail stores are considered to be separate CGUs.

The value-in-use calculations require the application of a number of assumptions.

The key assumptions used in the estimation of recoverable amounts are set out below:

Assumption	Value	Sensitivity
Pre-tax discount rate	This is calculated by reference to the weighted average cost of capital of the Group. At the yearend, the pre-tax discount rate applied to forecast cash flows was 14.6%.	An increase in pre-tax discount rate of 500bps at year-end would result in an increase in value of impairments of £0.1 million.
Long-term growth rate	This is the average growth rate used to extrapolate cash flows beyond the budget period. At the year-end, a long-term growth rate of 1.5% was applied.	A decrease in the long-term growth rate of 1400bps at year-end would result in an increase in value of impairments of £0.1 million.
Cash flow forecasts	Cash flows are derived from extrapolation of trading performance of identified CGUs. Key assumptions include:  • expected year-on-year growth in cash	CGU cash flows are expected to grow in each year up to perpetuity. A reduction of 200bps to the forecast cash flow growth rates would lead to an increase in impairment for the year of
	<ul> <li>contributions for stores; and</li> <li>expected cash flows associated with the replacement of leased assets expected to be incurred on the maturity of lease terms for existing leases.</li> </ul>	£0.1 million.  A 10% increase in expected cash flows associated with the replacement of leased assets at the end of lease terms would increase impairments for the period by £0.1 million.

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#### 15 DEFERRED TAX ASSETS

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

	Property related items £′000	Accelerated tax depreciation £′000	Share-based payments £′000	Stock provisions £'000	Intangible assets £'000	Total £′000
Restated at 26 September 2020 <sup>1</sup>	669	708	88	7	_	1,472
Credit/(charge) to income	(149)	(1,249)	262	(7)	_	(1,143)
Charge in respect of previous periods	(48)	(97)	_	_	_	(145)
Effect of tax rate change on opening balance	196	203	28	_	_	427
Charge to equity			(47)	_		(47)
Restated at 2 October 2021	668	(435)	331	_	_	564
Charge to income	(149)	(29)	(255)	_	73	(360)
Credit in respect of previous periods	_	1,183	_	_	_	1,183
Recognition on acquisition of subsidiary	_	_	_	_	(1,273)	(1,273)
At 1 October 2022	519	719	76	-	(1,200)	114

See note 2(A) for an explanation of the prior year restatement.

A UK corporation rate of 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 1 October 2022 has been calculated at 25% (2021: 25%).

#### **16 INVENTORIES**

	2022 £′000	2021 £′000
Goods for resale	38,605	32,758

Goods for resale includes a net realisable value provision of £1,906,000 (2021: £1,575,000). Write-downs of inventories to net realisable value amounted to £4,254,000 (2021: £4,598,000) and were recognised as an expense during the period, included within cost of sales in the Consolidated Statement of Financial Performance.

#### 17 TRADE AND OTHER RECEIVABLES

	£′000	£′000
Amounts falling due within one year:		
Amounts receivable for the sale of goods	3,469	1,829
Allowance for expected credit losses	(306)	(279)
Other debtors and prepayments		
- Rent and rates	861	1,089
- Other	2,395	1,899
	6,419	4,538

The Directors consider that the carrying amount of trade and other receivables at 1 October 2022 and 2 October 2021 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 expected credit losses/doubtful debts) held by the Group at 1 October 2022 amounted to £3.2 million (2021: £1.6 million). These amounts mainly relate to sundry trade account generated sales. In relation to these sales, the average credit period taken is 48 days (2021: 55 days) and no interest is charged on the receivables.

The Group will write off, either partially or in full, the gross carrying amount of a financial asset when there is no realistic prospect of recovery. This is usually the case when it is determined that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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#### 17 TRADE AND OTHER RECEIVABLES CONTINUED

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 (2021: £nil) which are past due at the reporting date for which the Group has not provided provisions for impairment 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.

The allowance for expected credit losses/allowance for doubtful debts was £306,000 by the end of the period (2021: £279,000). Given the minimal receivable balance, the Directors believe that there is no further credit provision required in excess of the allowance for expected credit losses/allowance for doubtful debts.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and accrued income.

#### **18 CASH AND CASH EQUIVALENTS**

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

	2022	2021
	£′000	000,3
Sterling	15,543	27,064
US dollar	391	495
Euro	307	230
Total cash and cash equivalents	16,241	27,789

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

#### 19 BANK LOANS

17 BAINE EGANG	2022 £′000	2021 £′000
Bank loans (all sterling)	-	(106)
	2022 £′000	2021 £′000
The borrowings are repayable as follows:		
On demand or within one year	-	
	-	_
Less: total unamortised issue costs	-	(106)
	-	(106)

The Directors consider that the carrying amount of the bank loan at 1 October 2022 and 2 October 2021 approximates to its fair value since the amounts relate to floating rate debt.

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

	2022	2021
	%	%
Loans	-	_

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#### 19 BANK LOANS CONTINUED

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

	Lease liabilities £′000	Current borrowings £'000	Non-current borrowings £'000	Unamortised issue costs £′000
As at 26 September 2020	124,156	5,000	-	(134)
Repayment of bank loan	_	(5,000)	-	_
Repayment of lease liabilities	(26,754)	_	_	_
Additions/disposals of lease liabilities	10,208	_	_	_
Interest accrued on lease liabilities	3,728	_	_	_
Issue costs incurred in the year	_	_	_	(98)
Amortisation of issue costs	_	_	_	126
As at 2 October 2021	111,338	-	-	(106)
Repayment of lease liabilities	(23,253)	_	_	_
Non-cash movement – Lease additions and disposals	9,062	_	_	_
Non-cash movement – leases acquired with business combination	2,155	_	_	_
Interest accrued on lease liabilities	3,626	_	_	_
Debt acquired through company acquisition	_	(468)	_	_
Repayment of debt	_	468	_	_
Amortisation of issue costs	_	_	_	106
As at 1 October 2022	102,928	_	_	_

At 02 October 2022, the Group had a revolving credit facility to June 2023 of £39.0 million. As at the financial period end, £nil of this was drawn (2021: £nil), leaving £39.0 million of undrawn committed banking facilities. The loan facility contains financial covenants which are tested on a bi-annual basis. The Group did not breach any covenants in the period.

On 21 October 2022, the Group entered into a new three-year revolving credit facility arrangement for £30.0 million expiring in October 2025 with an option to extend for a further two years.

#### 20 TRADE AND OTHER PAYABLES

	2022 £′000	£′000
Amounts falling due within one year		
Trade payables	17,388	17,439
Other payables	6,106	8,823
Accruals	15,617	15,840
Deferred income	1,001	956
Contract liabilities	3,538	4,367
	43,650	47,425

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 41 days (2021: 47 days). No interest is charged on these payables.

The Directors consider that the carrying amount of trade payables at 1 October 2022 and 02 October 2021 approximates to their fair value on the basis of discounted cash flow analysis.

Accruals includes amounts held in respect of expected customer returns of £1,131,000 (2021: £1,105,000).

Deferred income relates to consideration for trader loyalty points earned but not yet redeemed. The value of deferred income as at 02 October 2021 that was recognised as revenue for the 52 weeks ended 1 October 2022 was £759,000.

Contract liabilities relate to deposits received from customers for orders not yet fulfilled. The value of contract liabilities as at 02 October 2021 that was recognised as revenue for the 52 weeks ended 1 October 2022 was £4,579,000.

#### 21 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 2021. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 19, cash and cash equivalents disclosed in note 18 and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 23 to 25 and in the Consolidated Statement of Changes in Equity.

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

CALGORIES OF TINANCIAL INSTROMENTS	Carrying value and fair value 2022
Financial assets	£′000
Amortised cost (including cash and cash equivalents)	21,893
Fair value through profit and loss	518
Financial liabilities	
Amortised cost	142,039
	Carrying value and fair value 2021
p 1	000,3
Financial assets Amortised cost (including cash and cash equivalents)	32,192
Fair value through profit and loss	63
Financial liabilities	
Amortised cost	153,440

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	
	2022	2021	2022	2021
	£′000	\$,000	£′000	000,3
Euro	339	238	4,282	2,876
US dollar	394	495	414	155

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# 21 FINANCIAL INSTRUMENTS CONTINUED FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is mainly exposed to the currencies of China, India, Brazil and Turkey (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.

	2022 £′000	2021 £′000
Profit or loss movement on a 10% strengthening in sterling against the euro		
	358	240
Profit or loss movement on a 10% strengthening in sterling against the US dollar	2	31
Profit or loss movement on a 10% weakening in sterling against the euro	(438)	(293)
Profit or loss movement on a 10% weakening in sterling against the US dollar	(2)	(38)

#### **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:

	2022	2021
	£′000	000,3
Forward foreign exchange contracts	12,229	10,867

These arrangements are designed to address significant exchange exposures for the first half of 2023 and are renewed on a revolving basis as required.

At 1 October 2022 the fair value of the Group's currency derivatives is a gain of £518,177 within other debtors and prepayments (note 17) (2021: gain of £63,006 within other debtors and prepayments (note 17)).

Gains of £455,171 have been included in cost of sales during the period (2021: £39,589 gain).

#### INTEREST RATE RISK MANAGEMENT

The Group is not exposed to interest rate risk as the Group has no bank debt.

#### 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. 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. Trade receivables are minimal, consisting of a number of sundry trade accounts; further information is provided in note 17.

The carrying amount of financial assets recorded in the financial statements, which is net of expected credit 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.

# 21 FINANCIAL INSTRUMENTS CONTINUED LIQUIDITY AND INTEREST RISK TABLES

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table includes both interest and principal cash flows.

2022	Less than 1 month £′000	1–3 months £′000	3 months to 1 year £′000	1–5 years £′000	5+ years £'000	Total £′000
Non-interest bearing	39,111	-	-	-	-	39,111
Lease liabilities	1,443	5,218	15,126	61,484	44,396	127,667
Variable interest rate instruments	_	-	-	_	_	_
2021	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1–5 years £'000	5+ years £'000	Total £'000
Non-interest bearing	42,102	_	_	_	_	42,102
Lease liabilities	1,956	4,844	16,112	64,116	47,582	134,610
Variable interest rate instruments	_	-	_	_	_	_

The Group is financed through a £39.0 million (2021: £39.0 million) revolving credit facility, of which £nil (2021: £nil) was utilised. At the balance sheet date, the total unused amount of financing facilities was £39.0 million (2021: £39.0 million).

On 21 October 2022, the Group entered into a new three-year revolving credit facility arrangement for £30.0m, expiring in October 2025 with an option to extend for a further two years.

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.

2022	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	(2,147)	(4,440)	(5,642)	_	_	(12,229)
Foreign exchange forward contracts receipts	2,293	4,595	5,642	-	-	12,530
2021	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	(2,099)	(1,862)	(6,906)	_	_	(10,867)
Foreign exchange forward contracts receipts	2,094	1,875	6,962		_	10,931

#### 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 (2021: 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).

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#### **22 PROVISIONS**

	2022 £′000	2021 £'000
Dilapidations provision	2,465	2,322
Earn out liability	1,581	_
	4,046	2,322
Current	352	353
Non-current	3,694	1,969
	4,046	2,322

	Dilapidations provision £′000	Earn out liability £′000	Total £′000	
At 2 October 2021	2,322	_	2,322	
Created in the year	819	1,581	2,400	
Utilisation of provision	(676)	_	(676)	
At 1 October 2022	2,465	1,581	4,046	

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 (average of 17 years which includes an estimation of future renewals after the current leases end).

The discount rate used to calculate the present value of property provisions is 5.0% (2021: 5.5%). A 10% reduction in discount rate would lead to an increase in property provisions of £55,000 (2021: £54,000).

The earn out liability represents remuneration costs in relation to the purchase of the remaining 40% of Pro Tiler Limited.

#### 23 SHARE CAPITAL

	2022 Shares	2021 Shares	2022 £′000	2021 £′000
Allotted, issued and fully paid ordinary shares of 3.33p (2021: 3.33p)				
At the start of the period	196,662,131	196,443,323	6,555	6,548
Issued in the period	19,687	218,808	1	7
At the end of the period	196,681,818	196,662,131	6,556	6,555

During the period the Group issued 19,687 (2021: 218,808) ordinary shares with a nominal value of £656 (2021: £7,294) under share option schemes for an aggregate cash consideration of £12,600 (2021: £140,037).

The authorised share capital of the Group is \$8,000,000 (2021: \$8,000,000), which consists of 240,000,000 ordinary shares (2021: 240,000,000).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

#### 24 SHARE PREMIUM

	2022	2021
	£′000	000,3
At start of the period	2,625	2,492
Premium on issue of new shares	11	133
At end of the period	2,636	2,625

#### **25 OWN SHARES**

	2022 £′000	2021 £′000
At start of the period	(1,216)	(1,483)
Acquired in the period	(207)	_
Disposed of on issue in the period	1,008	267
At end of the period	(415)	(1,216)

A subsidiary of the Group holds 796,486 (2021: 1,259,275) shares with a nominal value of £414,676 acquired for an average price of £0.52 per share (2021: £1,216,479 acquired for an average price of £0.97 per share) and therefore these have been classed as own shares. These shares are held in an employee benefit trust.

#### **26 FINANCIAL COMMITMENTS**

#### A) CAPITAL COMMITMENTS

At the end of the period there were capital commitments contracted of £nil (2021: £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 £1,039,000 (2021: £1,109,000). At the period end, the Group holds outstanding contributions of £235,604 (2021: £203,595).

#### C) LEASE COMMITMENTS

At the balance sheet date, the Group had no outstanding commitments for future minimum lease payments under non-cancellable operating leases (2021: none).

#### **27 SHARE-BASED PAYMENTS**

The Group operates four (2021: four) share option schemes in relation to Group employees; these are the employee share purchase plans, the 2013 Long-Term Incentive Plan, the 2020 Long-Term Incentive Plan and the 2020 Restricted Stock Unit Plan.

#### **EMPLOYEE SHARE PURCHASE PLANS**

Employee share purchase plans are open to almost all employees and there are no specific vesting conditions other than the requirement for continued employee service. The share plans 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 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:

	2022		2021
	Weight averd Number of exercise pr share options	ge	I I
Outstanding at beginning of the period	4,940,443 0.3		0.59
Issued during the period	1,668,414 0.	<b>3</b> ,058,326	0.46
Expired during the period	(164,442) 0.5	<b>(749,549</b>	0.74
Forfeited during the period	(1,380,846) 0.5	<b>(</b> 1,451,424	0.55
Exercised during the period	(627,377) 0.5	(256,001	0.62
Outstanding at end of the period	4,436,192 0.5	4,940,443	0.50
Exercisable at end of the period	_	-	

During the financial period, the Group granted 1,668,414 share options under the existing share option scheme due to vest in April 2025 with a fair value of £257,036.

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

#### **27 SHARE-BASED PAYMENTS CONTINUED**

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	62.40
Weighted average exercise price	— pence	52.64
Expected volatility	<b>-</b> %	39.39
Expected life	— years	3.0
Risk-free rate of interest	<b>-</b> %	1.0558
Dividend yield	<b>-</b> %	4.97

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years (2021: three years).

The weighted average remaining contractual life of the share options outstanding at the end of the period is 1.91 years (2021: 2.23 years).

The exercise price for share options under the share save scheme range from 46.30 pence to 60.35 pence.

The weighted average share price at the date of exercise of options exercised during the year ended 1 October 2022 is 55 pence (2021 restated: 71 pence).

#### 2013 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 which are detailed in the Remuneration Report.

Movements in the 2013 Long-Term Incentive Plan options are summarised as follows:

	2022	20	21
	Weighted average Number of exercise price Number of share		Weighted average exercise price
	share options	£ options	£
Outstanding at beginning of the period	6,565,167	<b>-</b> 6,617,309	_
Issued during the period	2,231,740	- 2,949,924	_
Forfeited during the period	(1,681,100)	<b>-</b> (2,822,392)	_
Exercised during the period	(183,371)	<b>-</b> (179,674)	_
Outstanding at end of the period	6,932,436	<b>-</b> 6,565,167	_
Exercisable at end of the period	540,142	<b>-</b> 723,513	_

During the financial period, the Group granted 2,231,740 share options under the existing share option scheme due to vest in December 2024 with a fair value of £1,323,600.

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

Weighted average share price	— pence	68
Weighted average exercise price	— pence	Nil
Expected volatility	<b>-</b> %	39.34
Expected life	— years	3.00
Risk-free rate of interest	<b>-</b> %	0.44
Dividend yield	<b>-</b> %	4.56

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 (2021: one, two and three years).

The weighted average remaining contractual life of share options outstanding at the end of the period is 7.80 years (2021: 7.72 years).

The weighted average share price at the date of exercise of options exercised during the year ended 1 October 2022 is 39.75 pence (2021: 64.75 pence).

# **27 SHARE-BASED PAYMENTS** CONTINUED 2020 LONG-TERM INCENTIVE PLAN

Under the plan a number of share options were granted to management level employees across the Group. These options were due to vest in December 2020 subject to the achievement of certain performance criteria, however these were not met and the scheme has lapsed.

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

	2022		2021	
		Weighted		Weighted
		average		average exercise
	Number of	exercise price	Number of share	price
	share options	£	options	3
Outstanding at beginning of the period	-	-	1,889,443	_
Forfeited during the period	-	-	(1,889,443)	_
Outstanding at end of the period	_	_	_	_

The weighted average remaining contractual life of share options outstanding at the end of the period is nil years (2021: nil years)

#### 2020 RESTRICTED STOCK PLAN

Under the plan a number of share options were granted to management level employees across the Group. There are three sets of options which are due to vest in December 2022, December 2023 and December 2024. One set of options vested in December 2021.

Movements in the 2020 Restricted Stock Plan options which vested in December 2021 are summarised as follows:

	2022	2022		21
	Weigh averd Number of exercise pr share options	ıge	Number of share options	Weighted average exercise price £
Outstanding at beginning of the period	76,628	_	_	_
Issued during the period	-	-	76,628	_
Exercised during the period	(48,641)	-	_	_
Outstanding at end of the period	27,987	_	76,628	_

The weighted average share price at the date of exercise of options exercised during the year ended 1 October 2022 is 52.50 pence (2021: £nil pence).

Movements in 2020 Restricted Stock Plan options due to vest in December 2022 are summarised as follows:

	2022		2021	
	Weighted V			Weighted
		average		average
		exercise price	Number of share	exercise price
	share options	£	options	3
Outstanding at beginning of the period	153,329	-	_	_
Issued during the period	-	-	153,329	_
Forfeited during the period	(21,166)	_	_	_
Outstanding at end of the period	132,163	_	153,329	_

Movements in 2020 Restricted Stock Plan options due to vest in December 2023 are summarised as follows:

	2022	2022		2021	
	Wei	Weighted			
	av	erage		average	
	Number of exercise	price	Number of share	exercise price	
	share options	£	options	3	
Outstanding at beginning of the period	229,888	-	_	_	
Issued during the period	-	-	229,888	_	
Forfeited during the period	(57,084)	-	_	_	
Outstanding at end of the period	172,804	-	229,888	_	

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

#### 27 SHARE-BASED PAYMENTS CONTINUED

Movements in 2020 Restricted Stock Plan options due to vest in December 2024 are summarised as follows:

	2022		202	1
			Weighted	
		average		average
	Number of exer	ise price	Number of share	exercise price
	share options	£	options	£
Outstanding at beginning of the period	-	-	_	_
Issued during the period	229,348	-	-	_
Forfeited during the period	(46,578)	-	_	_
Outstanding at end of the period	182,770	-	_	_

During the financial period, the Group granted 229,348 share options under the new share option scheme due to vest in December 2024 with a fair value of £136,022.

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

Weighted average share price	— pence	68
Weighted average exercise price	— pence	Nil
Expected volatility	<b>-</b> %	39.34
Expected life	— years	3.00
Risk-free rate of interest	<b>-</b> %	0.44
Dividend yield	<b>-</b> %	4.56

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.

The weighted average remaining contractual life of share options outstanding at the end of the period is 8.56 years (2021: 9.21 years).

In total, the Group recognised a total expense of £519,500 (2021: £677,287 expense) relating to share-based payments.

#### 28 ACQUISITION OF SUBSIDIARY

The Group acquired a controlling 60% shareholding of Pro Tiler Limited on 9 March 2022, for consideration of £5.5 million, of which £5.3 million was cash paid. The Group will acquire the remaining 40% of the issued share capital from March 2024, based on an agreed multiple of profits for the 12-month period to March 2024.

The Group performed a purchase price allocation exercise on Pro Tiler Limited to restate assets and liabilities at their fair value. Separately identifiable intangible assets were recognised in relation to the Pro Tiler brand.

On acquisition, the Group recognised tangible assets of £1.6 million, including £1.4 million of cash, £0.2 million of net working capital, £0.5 million loan and £0.5 million of property, plant and equipment, and intangible assets consisting of the brand value of £4.1 million net of deferred tax and goodwill of £2.1 million, together with a non-controlling interest of £2.3 million. The brand asset will be amortised over ten years, in line with our accounting policies.

The future purchase of the remaining 40% of shares in Pro Tiler Limited will be accounted for as a remuneration expense rather than contingent consideration, as required by IFRS 3, due to certain conditions placed on the selling Shareholders to remain employed by the Group during this time. This expense will be treated as an adjusting item over the next two years and will therefore reduce the Group's statutory profit in forthcoming trading periods. This expense is not treated as a deductible expense for corporation tax purposes and therefore the Group's effective rate of corporation tax will increase in FY22 and the next two financial years as a result of this accounting treatment.

Acquisition costs of  $\mathfrak{L}0.2$  million and remuneration costs of  $\mathfrak{L}1.6$  million in relation to the 40% share purchase were treated as adjusting items within adjusted profit.

#### 28 ACQUISITION OF SUBSIDIARY CONTINUED

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

	£′000
Property, Plant and Equipment	543
Inventories	1,485
Trade and other receivables	460
Trade and other payables	(1,749)
Loan	(468)
Cash and cash equivalents	1,368
Right-of-use lease asset	2,155
Lease liability	(2,155)
Brand valuation	5,341
Deferred tax	(1,273)
Non-controlling interest	(2,283)
Fair value of assets acquired	3,424
Total consideration	5,525
Goodwill	2,101

The residual goodwill recognised on the acquisition of Pro Tiler Limited represents the proportion of consideration attributable to value acquired in excess of the separately identified assets and liabilities presented above.

Consideration comprised:

	£′000
Cash	5,336
Directors' loan payable to Pro Tiler Limited	189
Total consideration	5,525

The net cash outflow in the cash flow statement in the period was as follows:

	£′000
Cash consideration	5,336
Cash acquired	(1,368)
Net cash outflow in the cash flow statement	3,968

Since the date of control, the following amounts have been included within the Group's financial statements for the period (excluding amortisation of the Pro Tiler brand):

	£′000
Revenue	9,196
Profit before tax	576

Had the acquisition been included from the start of the period, £14,673,000 of revenue and £705,000 of profit before tax would have been included in the Group's financial statements for the period.

#### 29 RELATED-PARTY TRANSACTIONS

MS Galleon AG is a related party by virtue of their 29.9% shareholding (58,569,649 ordinary shares) in the Group's issued share capital (2021: 20% shareholding of 38,992,750 ordinary shares).

At 1 October 2022 MS Galleon AG is the owner of Cersanit, a supplier of ceramic tiles with whom the Group made purchases of £1,253,296 during the year which is 1.1% of cost of goods sold (2021: purchases of £460,000 during year which is 0.5% of cost of goods sold).

An amount of £113,718 was outstanding with Cersanit at 1 October 2022 (2021: £60,000). All transactions were conducted on commercial arm's length terms.

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

The remuneration of the Board of Directors, who are considered key management personnel of the Group, was  $\mathfrak{L}1.4$  million (2021:  $\mathfrak{L}1.2$  million) including share-based payments of  $\mathfrak{L}0.1$  million (2021:  $\mathfrak{L}$ nil). Further information about the remuneration of the individual Directors is provided in the Remuneration Report on pages 68 to 72.

#### **30 POST BALANCE SHEET EVENT**

Other than the refinancing of the Group's debt facility per note 19, there have been no post balance sheet events.

# COMPANY BALANCE SHEET

AS AT 1 OCTOBER 2022

	Note	2022 £′000	2021 £′000
Non-current assets			
Investments	4	8,727	2,682
Current assets			
Debtors	5	181,216	137,275
Cash at bank and in hand		7,921	19,479
Creditors: amounts falling due within one year	6	(124,521)	(88,936)
Net current assets		64,616	67,818
Non-current liabilities			
Provisions	7	(1,581)	_
Total liabilities		(126,102)	(88,936)
Net assets		71,762	70,500
Capital and reserves			
Called-up share capital	9	6,556	6,555
Share premium account		2,636	2,625
Share-based payment reserve		5,696	5,176
Capital redemption reserve		20,359	20,359
Other reserve	10	6,200	6,200
Profit and loss account		30,315	29,585
Total shareholders' funds		71,762	70,500

The Company made a profit after tax for the financial period ended 1 October 2022 of £8,745,000 (2021: £1,901,000).

The financial statements on pages 160 to 169 were approved by the Board of Directors on 30 November 2022 and signed on its behalf by:

**Rob Parker** Stephen Hopson Directors

# COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

Company	Called-up share capital £′000	Share premium account £′000	Share- based payment reserve £′000	Capital redemption reserve £′000	Other reserve £′000	Profit and loss account £′000	Total £′000
Balance at 26 September 2020	6,548	2,492	4,499	20,359	6,200	27,684	67,782
Profit for the period	_	_	_	_	_	1,901	1,901
Issue of new shares	7	133	_	_	_	_	140
Credit to equity for equity-settled share-based payments	_	_	677	_	_	_	677
Balance at 2 October 2021	6,555	2,625	5,176	20,359	6,200	29,585	70,500
Profit for the period	_	_	_	_	_	8,745	8,745
Dividend paid to equity Shareholders	_	_	_	_	_	(8,015)	(8,015)
Issue of new shares	]	11	_	_	_	_	12
Credit to equity for equity-settled share-based payments	_	_	520	_	_	_	520
Balance at 1 October 2022	6,556	2,636	5,696	20,359	6,200	30,315	71,762

### NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

#### 1 GENERAL INFORMATION AND BASIS OF ACCOUNTING

Topps Tiles Plc is a public limited company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England under the Companies Act 2006. The address of the registered office is given on page 41.

The financial statements of Topps Tiles Plc have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) issued by the Financial Reporting Council (FRC). These financial statements have also been prepared in accordance with the Companies Act 2006 as applicable to companies using 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"
- 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 financial statements 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 2 October 2021.

#### ADOPTION OF NEW AND REVISED STANDARDS

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

#### STANDARDS ADOPTED IN CURRENT PERIOD

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

IFRS 17, "Insurance contracts" (effective 1 January 2023 or when IFRS 9 is applied) subject to endorsement

Amendments to IFRS 16 "Leases: Covid-19-Related" rent concessions beyond 30 June 2021 – (effective 1 April 2021)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" (effective 1 January 2021)

Annual Improvements 2018-2020 (effective 1 January 2022)

Narrow scope amendments to IFRS 3, IAS 16 and IAS 37 (effective 1 January 2022)

#### **2 ACCOUNTING POLICIES**

The principal accounting policies adopted are set out below. These policies have been applied consistently.

#### A) GOING CONCERN

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

The Group has already taken a number of actions to strengthen its liquidity over the recent years, and the scenarios start from a position of relative strength. The going concern review also outlined a range of other mitigating actions that could be taken in a severe but plausible trading scenario. These included, but were not limited to, savings on store employee costs, savings on central support costs, reduced marketing activity, a reduction of capital expenditure, management of working capital and suspension of the dividend.

The Group's cash headroom and covenant compliance was reviewed against current lending facilities in both the base case and the severe but plausible downside scenario. The current lending facility was refinanced in October 2022 and expires at the earliest in October 2025. In all scenarios, the Board has concluded that there is sufficient available liquidity and covenant headroom for the Group to continue to meet all of its financial commitments as they fall due for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

#### B) FINANCIAL PERIOD

The accounting period is drawn up to a Saturday within 7 days of 30 September resulting in financial periods of either 52 or 53 weeks.

Throughout the financial statements, Directors' Report and Strategic Report, references to 2022 mean "at 1 October 2022" or the 52 weeks then ended; references to 2021 mean "at 2 October 2021" or the 53 weeks then ended.

#### C) TAXATION

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) INVESTMENTS

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

#### E) 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), financial assets "at fair value through other comprehensive income" (FVOCI), and financial assets carried at "amortised cost". The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

#### TRADE AND OTHER RECEIVABLES

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are initially recognised at fair value and then carried 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.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

#### 2 ACCOUNTING POLICIES CONTINUED

#### **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. The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost.

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 Company'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. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for financial assets.

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. The Company will write off, either partially or in full, the gross carrying amount of a financial asset when there is no realistic prospect of recovery. This is usually the case when it is determined that the debtor does not have the assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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 that are classified as FVTPL relate to derivatives that are 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.

#### 2 ACCOUNTING POLICIES CONTINUED

#### F) DIVIDENDS

Dividends payable are recorded in the financial statements in the year in which they are approved by the Company's Shareholders.

#### G) FINANCE INCOME AND FINANCE COSTS

Interest receivable or payable is recognised on accrual basis.

#### H) SHARE-BASED PAYMENTS

The Company has applied the requirements of IFRS 2 "Share-based Payments".

The Company 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 Company's estimate of shares that will eventually vest. Fair value is measured by use of the Black–Scholes model.

The Company provides employees with the ability to purchase the Company's ordinary shares at 80% of the current market value through the operation of its Sharesave scheme. The Company 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.

#### I) 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.

#### CRITICAL JUDGEMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES

The Directors have concluded that there are no critical areas of accounting judgement in the application of the Company'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:

#### RECOVERABILITY OF INTERCOMPANY BALANCES

The Directors consider that the recoverability of intercompany balances is a key source of estimation uncertainty. The Company makes an estimate of the recoverable amount of amounts receivable to Group undertakings by performing an annual review of net assets and cash flows for those Group companies and have concluded all intercompany receivables remain recoverable at the period end.

The Company considers whether investments in subsidiary undertakings are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs).

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

#### 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 1 October 2022 of £8,745,000 (2021: £1,901,000).

The Auditors' remuneration for services to the Company was £111,000 for audit-related work (2021: £73,750 for audit-related work). Fees relating to non-audit work totalled £nil (2021: £nil); see note 4 to the Group financial statements for further details.

The Company had no employees other than the Directors (2021: same), whose remuneration is detailed on page 68.

The Company paid dividends of £8,015,000 during the financial period, detailed in note 8 of the Group Financial Statements.

#### **4 INVESTMENTS**

	£′000
Cost and net book value at 26 September 2020	2,005
Acquisition of subsidiary	154
Movement in share options granted to employees	677
Impairment of investments in subsidiaries	(154)
Cost and net book value at 2 October 2021	2,682
Acquisition of subsidiary	5,525
Movement in share options granted to employees	520
Cost and net book value at 1 October 2022	8,727

For details of the acquisition, see note 28 of the Consolidated Financial Statements

#### 4 INVESTMENTS CONTINUED

The following were subsidiaries that the Company has investments in, both as at 1 October 2022 and 2 October 2021 except for Pro Tiler Limited that was acquired in the current period:

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 Limited	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
Strata Tiles Limited*	100%	Architectural ceramic sales and distribution
Parkside Ceramics Limited*	100%	Commercial distribution of ceramic and porcelain tiles, natural stone and related products
Pro Tiler Limited*	60%	Online specialist supplier of tiling-related consumables and equipment to trade customers

<sup>\*</sup> 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 Strata Tiles Limited and Parkside Ceramics Limited) is Thorpe Way, Grove Park, Enderby, Leicestershire, LE19 1SU, United Kingdom.

The registered address of Strata Tiles Limited and Parkside Ceramics Limited is Barnsdale Way, Enderby, Leicestershire, England, LE19 1SN.

For the year ended 1 October 2022, the subsidiary companies listed below are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of section 479A. As a result, the Company guarantees all outstanding liabilities to which the subsidiary companies are subject.

Subsidiary undertaking	Company registration number
Topalpha Limited	03150850
Topalpha (Stoke) Limited	03714868
Tiles4less Limited	04123146
Topps Tiles Holdings Limited	05840669
Topps Tile Kingdom Limited	01697061
Topps Tiles Distribution Limited	05236219
Multi-Tile Distribution Limited	05008512
Topps Tiles I.P Company Limited	05235969
Pro Tiler Limited	07154275
Strata Tiles Limited	04501077

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

#### **5 DEBTORS**

	2022 £′000	2021 £′000
Amounts owed by subsidiary undertakings	179,669	135,844
Prepayments	38	22
Other debtors	1,509	1,409
	181,216	137,275

Amounts owed by subsidiary undertakings are interest free, repayable on demand and not subject to any security.

#### 6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£′000	000,3
Trade and other creditors	272	550
Amounts owed to subsidiary undertakings	121,811	85,448
Accruals	2,438	2,938
	124,521	88,936

Amounts owed to subsidiary undertakings are interest free, repayable on demand and not subject to any security.

#### **7 PROVISIONS**

The earn out liability is for the purchase of Pro-Tiler and is all due in March 2024.

	£′000	£′000
Earn out liability	1,581	_
Current	-	_
Non-current	1,581	_

#### **8 LEASES**

#### AS A LESSEE

Right-of-use assets included in the Balance Sheet were as follows:

	Equipment £'000
At 26 September 2020	647
Disposals	(453)
Depreciation	(194)
At 2 October 2021	-
At 1 October 2022	-

Lease liabilities included in the Balance Sheet were as follows:

	Equipment £'000
At 26 September 2020	(649)
Disposals	471
Interest	(2)
Repayment of lease liabilities	180
At 2 October 2021	-
At 1 October 2022	-

#### **8 LEASES** CONTINUED

The following amounts have been recognised in the profit and loss account:

		Equipment 2022 £′000
Depreciation of right-of-use assets		-
Interest expense		-
		Equipment 2021 £'000
Depreciation of right-of-use assets		194
Interest expense		2
The total cash outflow for leases during the financial period was £nil (2021: £180,000).		
9 CALLED-UP SHARE CAPITAL	2022 £′000	2021 £'000
Allotted, issued and fully paid 196,681,818 (2021: 196,662,131) ordinary shares of 3.33p each (2021: 3.33p)	6,556	6,555

During the period 375,480 shares were purchased by Topps Tiles Employee Benefit Trust on behalf of the Group (2021: nil).

During the period the Group issued and allotted 19,687 (2021: 218,808) ordinary shares with a nominal value of £656 (2021: £7,294) under share option schemes for an aggregate cash consideration of £7,294 (2021: £140,037).

During the year, dividends of £8,015,000 (2021: £nil) were paid. See note 8 of the Consolidated Financial Statements for further details.

#### **10 OTHER RESERVES**

The other reserves comprise an unrealised gain arising on the disposal of certain trademarks to a subsidiary company.

#### 11 CONTROLLING PARTY

The Company has no individual controlling party.





# FIVE-YEAR RECORD

UNAUDITED

	52 weeks ended 29 September 2018 £'000	52 weeks ended 28 September 2019 (restated) <sup>1</sup> £'000	52 weeks ended 26 September 2020 (restated) <sup>1</sup> £'000	53 weeks ended 2 October 2021 (restated) <sup>1</sup> £'000	52 weeks ended 1 October 2022 £′000
Group revenue	216,887	219,197	192,813	227,997	247,241
Group operating profit/(loss)	13,735	12,989	(6,141)	18,026	14,832
Profit/(loss) before taxation	12,688	12,181	(9,925)	13,955	10,945
Total equity	26,663	29,938	13,958	24,956	29,049
Basic earnings per share	5.00p	5.03p	(4.16)p	5.47p	4.60p
Dividend per share	3.40p	3.40p	Nil	3.10p	3.60p
Dividend cover	1.47x	1.48×	n/a	1.76x	1.28×
Average number of employees	2,114	2,089	2,001	1,847	1,751
Share price (period end)	62.90p	66.60p	51.40p	65.60p	38.50p

All figures quoted are inclusive of continued and discontinued operations.

See Consolidated Group Financial Statements note 2(A) for an explanation of the prior year restatement.

ADDITIONAL INFORMATION

### THE TEAM

A

Aadil Mulla Aaron Booth Aaron Butler Aaron Gauntlett Aaron Goodman Aaron lames Aaron Osei-Tutu Aaron Powell Aaron Ryan Abdul Khaem Abigail Stevenson Abu Samad Adam Connor Adam Gilkes Adam Heffer Adam Holland Adam Howes Adam Nuttall Adam Shearsmith Adam Woollam Aderemi Adediran Adie Danvers Adrian Gibbons Adrian Gower Agit Kunduru Agnieszka Kozera Agnieszka Rozmarynowska Agnieszka Skrzypczak Ahmad Hussain Aidan Dawes Aimee Gallagher Aimee Kidby Akshey Vadgama Alain Gouro Alan Lamb Alan Maxwell Alan Saunders Aleksandr Laaowski Alex Di Pace Alex Douglas Alex Saunter Alexander Abram Alexander Shepherd Alexander Walton Alexander Williams Alexandros Poupazis Alexandru Soim

Alice Cairns

Alise Matule

Alisha Millward

Alison Alexander Alison Mazzei-Foster Ally McLean Allysha Byrne Amanda Brogan Amanda Lyon Amanda Plumb Amanda Samuel Amanda Smyth Amanpreet Singh Amar Trivedi Amardeep Singh Sanghera Ambrose Watson Amelia Chappell Amelia Foster Amelia Gohil Amin Ali Amman Afzal Amy McDaid Amy Swanson Amy Wirtz Ananthan Sivanesan Andrea Moon Andrew Carter-Riley Andrew Collins Andrew Davis Andrew Dixon Andrew Fenner Andrew Goodman Andrew Habbick Andrew Harrison Andrew Hawker Andrew Haynes Andrew Hopkinson Andrew lames Andrew Iones Andrew Oliver Andrew Playfoot Andrew Reilly Andrew Ribbons Andrew Robson

Andrew Roseby

Andrew Sansum

Andrew Tibbetts

Andrew Warne

Andrew Wathan

Andrew Wilkinson

Andrew Woodier

Andrius Matusevicius

Andrew Waterfield

Andrew Shaw

Aneta Akwe Aneta Kleczek Angela Capp Angela Cooke Angela George Ankit Mahes Ann Karas Anna Hibberd Anna Skoczylas Annabelle Harris Anna-Marie Putt Anthony Cattell Anthony Chamberlain Anthony Daly Anthony Davies Anthony Dolan Anthony Dunsmore Anthony Gilbert Anthony Langmead Anthony Lyth Anthony Molyneux Anthony Reynolds Anthony Taylor Antonios Alvanos Antony Belham Antony Miles Anub Varghese Anwar Marshall Arif Aswat Aron Hoff Aruna Mistry Ashish Kumar Ashish Patel Ashley Burke Ashley Cutler Ashley Harwood Ashley Hegarty Ashley Hughes Ashley Katinas Ashley Leggett Ashley Mansfield Ashley Willats Asim Khan Astone Davids Athina Sesay Atul Patel Azim Ahmed

B

Bailey Aldred Bailey Thorington Barbara Connor Barbara Smith Barry Beaver Barry Gilbert Barry Parker Bayley Seymour Beata Skoczylas Belinda Irvine Ben Chapman Ben Charity Ben Gaby Ben Howard Ben Johnson Ben Macartney Ben Murphy Benito Garrod Benjamin Broom Benjamin Cunliffe Benjamin Hale Benjamin Hawes Benjamin Rich Benjamin Spicer Bethanie Evans Beverley Orton Bhupinder Singh Billy Stout Bitrycka Malgorzata

Blake Ladeinde Blayne Rut Bolaji Adeyanju Bonita Wright Brad Kingsford Bradley Cox Bradley Rockell Brandon Abels Brandon Battle Brandon Casev Brandon Clow Brandon Lodge Brayan Pyzlowski Brendan Flynn Brett O'Harrow Brett Simkiss Bruce Fielding Bruce Garrod Bruno Bernasconi Bryn Lewis Bryn Slowley

Buffy Harding-Attwood Byron Tree

### THE TEAM

Caitlin Pipes Caitlin Timbrell Calvin Christopher Cameron Oakey Campbell Marr Carl Ainsworth Carl Courtney Carl Whatley Carla Sinnott Carlos Alford Maestre Carlos Chowdhury Carly Falcus Carol Beattie Carol Hawkes Carol Hobbs Carol Isherwood Caroline Vernon-Sutton Carolyn Paull Carrie Peckston Carrie-anne Burnett Carys-Sian Wilson Casey Dyson Catherine Britton Catherine Doulton Catherine Platt Chakib Avoub Chanel Sanganoo Chantelle Gurney Charjuan Knight Charlene Walpole Charles Hopper Charles Robbins Charles Rollins Charles Taylor Charlie Almond Charlie Cox Charlie Dowse Charlie Foster Charlie Turnbull Philips Charlotte Bessent Charlotte Cook Charlotte Jackson Charlotte Lammin Charlotte Self Chelsea Battle Chelsea Goodeve Chelsea Knight Cheryl Vearncombe

Chetna Shah

Chloe Hall

Chloe Jackson Chloe Jones Chloe Singleton Chris Foster Christian D'Agostino Christian McCarthy Christine Taylor Christine Thistlethwaite Christopher Bailey Christopher Bass Christopher Bentley Christopher Bodicoat Christopher Bowden Christopher Bree Christopher Brown Christopher Burrows-Simpson Christopher Butler Christopher Collins Christopher Cooper Christopher Curtis Christopher D'Arts Christopher Edwards Christopher Farren Christopher Fath Christopher Green Christopher Heyes Christopher Holland Christopher Hope Christopher Howe Christopher MacFarlane Leach Christopher Moore Christopher Nicholls Christopher Nottle Christopher Pinnock Christopher Potter Christopher Sansby Christopher Sylvester Christopher Taylor Christopher Turley Christopher Wells Cian Beardmore Ciaran Morgan Clair Jeffries Claire Crowhurst Claire Herridge Claire Lewis Claire Paterson

Claire Ralphs

Clare Barden

Clifford Adams

Clare Long

Clifford Tomlinson Colin Clarke Colin Denson Colin Harvey Colin Markham Colin Petch Colin Rymer Colin Smith Connagh Latham Conner Ockenden Connor Gane Connor Garrow Connor Hills Connor Thompson Conrad Cassidy Conrad Harrup Cora Morrison Courteney Colville Courtney Maglone-Gillies Courtney Thomas Craig Dolling Craig Green Craig Johnson Craig McPike Craig Melnick Craig Murphy Craig Reed Craig Richards Cristian Olaru Curtis Lee

D

Daisy Garnett Damiano Seresini Dan Bevan Danial Holloway Daniel Bath Daniel Berkes Daniel Brace Daniel Brain Daniel Caine Daniel Chambers Daniel Colk Daniel Cox Daniel Fallows Daniel Faust Daniel Geoghegan Daniel Gillett Daniel Harper Daniel Horrocks Daniel Jenkins

Daniel Jones Daniel Little Daniel Loft Daniel Maslin Daniel McLean Daniel Milner Daniel Moyse Daniel Musguin Daniel O'Callaghan Daniel Pimm Daniel Poile Daniel Roberts Daniel Rowe Daniel Rowlands Daniel Sewell

Daniel Sheppard-Brown Daniel Shutler Daniel Thornley Daniel Turner Daniel Varney Daniel Whiter Daniel Willows Daniella Winstone Danielle Noves Danielle O'Mara Daniel-Paul Petrut Danny Ostler Darius Bright Darnelle Riley Darran Wood Darren Bockarie Darren Doughty Darren Ealden Darren Finnegan Darren Harper Darren Iones Darren Mencarini Darren Mitchell Darren Morgan Darren Shapland Darren Square Darren Wagg Darren Young Darron Kerr Darron Soos Darryl Lawson Innes David Augustus David Baxter David Clare David Clark

David Coupland

ADDITIONAL INFORMATION

David Fletcher David Fox-Matthews David Green David Hance David Hatton David Henderson David Hill David Hirst David Hooper David Hope David Houston David Hussey David lackson David Jones David Kavanagh David Kershaw David Kettlewell David Knight David Lane David MacArtney David Miller David Mouland David Murray David Oliver David Parcell David Reynolds David Sheehy David Simms David Sinclair David Thomas David Thomasson David Thompson David Webb David Wilson Davina Vitles Dean lones Dean Marshall Dean Rodger Dean Titchen Debbie Potts Deborah Edwards Deborah Turk Debra Bandghiree Declan Baker Decland Speede Deeandra Bellew Deesha Bhatt Deividas Korsakas Denis O'Brien Dennis Jovellanos

Dennis Winterburn

Denzil Johns Dermott Reilly Deryn Shipley Desmond Alleyne Devindren Govender Dharmika Shah Diana Breeze Diana lei Dilawar Ali Dino Tate Dipal Parikh Dolton Gordon Dominic D'Souza Dominic Hardman Dominic Reilly Donald Magullian Douglas Nicol Dylan Roberts Dylan Worley

### Ε

Eddy Hyde Edward Harrison Eesha Manick Elaina Waterhouse Elaine Johnson Eleanor Grace Ashdown Elise Ford Elizabeth Fay Elizabeth Innes Elizabeth Lee Elizabeth Sutton Ella Jones Ellie Jordan Elliott Brown Elliott Davis Ellis Molyneux Ellysia Sharples Elsie Bird **Emily Connelly** Emily Davis **Emily Gardiner** Emily Gibbons-Filippini Emily Lenham Emily Lenton Emily Mansell Emma Fitzpatrick Emma Gotch Emma Greenfield Emma Shaw Emmanuel Melford-Rowe Emran Mannan
Enrikas Kvietinskas
Erandika Senevirathna
Eren Ucman
Erik Fazekas
Erikas Mazeikis
Ermiyas Girma
Esme Sparrow
Ethan O'Grady
Euan Preece
Eugenia Grigoruta
Eve Riddle
Eve Ruckwood
Eve White
Ewelina Szreder-Politowska

### F

Ezra Deans

Faizar Ali
Faye Highstead
Felipe Franco
Felipe West
Filip Rozmyslowicz
Filipe Albarraque
Finlay Nelmes
Finley Loughlin
Frances Aylward
Frank Hibbert
Fraser Lockley

# G

Gabriel Semedo Gareth Foaden Garnet Hardy Gary Bloomfield Gary Davies Gary Gear Gary Gee Gary Gledhill Gary Nash Gary Tipler Gary West Gary Wilkinson Gary Williams Gavin Bennett Gavin Collins Gavin Magwood Gavin Winter Gemma Bircham Gemma Davies Gemma Stephens

Geoffrey Thomas George Astill George Birkley George Dewis George Griffin George Newton George Wicks Georgia Harding Georgia Miles Georgina Duffy Geraint Griffiths Gergo Poroszlai German Ramirez Marin Gillian Grace Girish S Nair Glenn Davies Glenn Elgy Glenn Smith Gokhan Karadogan Gordon Dalglish Grace Emery Gracjan Draheim Graham Brown Graham Foster Graham Hancock Graham Hitchin Graham Livingstone Graham Vance Grant Smith Grazvydas Garbacenokas Gregor Robson Gregory McHugh Grenville Davies Gurinder Chana

Geoffrey Greenwood

# H

Haider Durrani Hana Alexandria Hannah Booth Hannah Emmott Hannah Kennedy Harriet Buckley Harriet Goodacre Harriet Hartley Harry Biggs Harry Page Harry Williams Harvey Collins Harvey Williams

Guy Gorenski

### THE TEAM

Hasan Ali Hayden Hart Hayden Mason Haydn Young Hazel Millington Helen Gosling Helen Hughes Helen Meredith Hilary Colgan Holly Ballinger Holly Dawson Holly Haves Holly Meager Holly Nettleton Holly Peck Holly Skerritt Hugh Butler

lain Arnott lain Black lan Barber Ian Bloomfield lan Croton lan Fraser Ian Marshall Ian McNeish lan Merry Ian Paterson lan Smithson Ian Sykes Igors Koselevs Ildiko Barta llia Nenovski Ingrid Obernauer Isaac Wright Isaiah Khaoya Isha Denny-Gardener Ishaq Ahmed

Jacek Skubisz Jack Ablett Jack Beesley Jack Ellis Jack Fairburn Jack Gallagher Jack Garton Jack Hill-Jones Jack Holyoake

Ivan Paitoo

lack Howard lack Millman lack Ockenden lack O'Neill Jack Relfe Jack Sharpe lack Swann Jack Tillotson lack Veall lacob Allan lacob Machin lacob Powell lacqueline Desborough-Morehead Jade Clements Jade Girgensons

Jade Gore Jade Stone Jadzia Webb Jailuene Witterick Peake Jake Carter

Jake Carter
Jake Shopland
Jake Wescott
Jake Woods
Jakub Jackowski
James Barnett
James Beaumont
James Biesty

James Biesty
James Cameron
James Carpenter
James Charles
James Hawker
James Heard
James Hollis
James Howard
James Hyland
James Journet
James Joyce

James McClary
James McGuigan
James Morgan
James O'Driscoll
James Patston
James Peters
James Robertson
lames Rolfe

James Ruse James Saunders James Snuggs James Steeples James Taylor James Thatcher James Watton James White James Wolstenholme James Daniel Calvert

Jamie Austin Jamie Calow Jamie Cardall Jamie Copland Jamie Kelly Jamie Martin Jamie McCann

Jamie Ormrod
Jamie Sia
Jamie Thornton
Jamie Wenborn
Jamie Whitear
Janaka Alahapperuma

Janaka Alahapp Janay Bell Jane Williams Janet Lee Janet Robinson Janis Cirulis Jasbir Singh Jasimron Dehl Jason Barker

Jason Barker
Jason Coupland
Jason Ealden
Jason Nelson
Jason Trawford
Jaspreet Sandhu
Javeed Parkar
Jay Davies
Jay Gurney
Jay Tinsley
Jayde Cheyne
Jayden Croft
Jayden Greaves
Jayesh Kantibhai Mistry

Jayne Young
Jaytan Vadher
Jedrzej Politowski
Jennifer Balfour
Jennifer Buddington
Jennifer Flowers
Jennifer Glover
Jennifer Gregory
Jennifer Opoku
Jennifer Seabrook
Jennifer Wall

Jenny Inkson Jeremy Long

Jerome Matthew Ridley

Jessica Duncan
Jessica Hatton
Jessica Hinton
Jessica Jarman
Jessica Sawyer
Jessica Wood
Jo Adamson
Joana Oakes
Joanna Knapczyk
Joanne Cox
Joanne Elton

Joanne Cox
Joanne Elton
Jodie Du-Hamel
Jodie Jones
Joe Dwyer
Joe Guymer
Joe Mathews
Joe Raynsford
Joe Smith
Joe Walker
Joe Whalley
Joel Barker
Joel Bray
Johann Thompson

John Bourke John Burton-Simm John Fawkes John Harris John Hennessy John Hesp John Hughes Iohn McLaren John McLarty John Moat John Morris John Page John Shaw John Stannard John Sweet John Turnham Jon O'Neill Jon Reynolds Jon Paul Hughes Ionatan Muti Ionathan Bradshaw Ionathan Brett

Jonathan East

Jonathan Hall

Ionathan Perks

**ADDITIONAL INFORMATION** 

Ionathan Pinchbeck Jonathan Stone Ionathan Wallace Ionathan Wiles Ionathan Williams Jonathon Turner Ionathon Underdown Jonathon Wynder Jordan Bannister Jordan Ferguson Jordan Joyce Jordan Lindsay lordan Lowes Jordan Mackay Iordan Matthews Jordan Scarbrow Joseph Daly Joseph Deevey Joseph Durham Joseph Gregorace Joseph Haughney Joseph Haynes Joseph Hopper Joseph Lewis Joseph Marriott Joseph Marsden Josephina Lane Josh McFadden Joshua Batting Joshua Bradley Joshua Brown Joshua Burgess Joshua Coulton Ioshua Crombie Ioshua Curtis Ioshua Dutton Ioshua Hubbard Joshua Norbury Joshua Paton-Rolls Joshua Rapley Josiah Andrew-Razemba Josie Colehan losie Walker Juan Oliveira McDowell Jude McGuigan Judith Duncan Julia Cristina Argudo Avendano Julia Kerr Julie Brachtvogel Julie Mitchell Julie Poolford

Iulie Wood Junior Oji Justin Marlow Justin Smalley Justine Bowman Justyna Logozna-Lisowska Juttinder Digpal

Ka Tsun Wong Kahseem Roberts Kai Stevens Kai Sylvester Kajetan Marcinek Kamaljit Atkar Kamaljit Thandi Kamlesh Shah Karan Gill Karen Dodds Kari Daniels Karis Hall Karl Lusardi Karl Reeves Karl White Kate Floyd-Jewell Katherine Jackson Katherine Toomassi Kathryn Pell Katie Brindley-Hughes Katie Hill Katie Wright Katy Todd Kavita Vaghela Kay Dwelly Kayleigh Clemson Kayley Halliday Keaton Bayliss Keeleigh Gibson Keely Powell Keiran Ling Keith Ambrose Keith Down Keith Fitzpatrick Kellie Figueiredo

Kelly Blount

Kelly Savile

Kelly Goodacre

Kenneth Ostler

Kenneth Owen

Kerrie Burcham

Kerri Maguire

Kerry Hurst Kerry McAuliffe Kevan Richardson Kevin Atherton Kevin Baker Kevin Bingham Kevin Da Silva Kevin Downie Kevin Facer Kevin Fox Kevin Frampton Kevin Hardy Kevin Hooper Kevin Nicol Kevin Rabbatt Kevin Thorne Kieran Barnes-Warden Kieran Brown Kieran Fleet Kieran Gardiner Kieran Morgan Kieran Scott Kieran Warwick Kim Iones Kim Moriarty Kimberley Vieira Kirk Irvine Kirk Randall Kirk Taylor Kirsten Cummings Kirstie Leonard Kirsty Graham Kirsty Harris Kirti Patel Kouakou Ange Davis Kranthi Billakanti Kristian Catterall Kristian Creese

Kristian Moore Kristian Prosser Krystle Milan Krzysztof Zielinski Kurt Folkes Kurt Page Kye Harman Kyle Batley Kyle Crichton Kyle Foxon Kyle Hardie Kyle Landy Kyle Martin

Kyle Northern-Neal Kyle Rigby Kyle Welford Kyran Andrews Kyron Soares



Laney Taylor Latifah Spence Laura Alder-Rose Laura Buckley Laura James Laura Johnson Laura Li Laura Madigan Laura Racey Lauren Clinton Lauren Munro Lauren Sinnott Lauren Smith Laurence Bird Lauryn Cotton Laurynas Neverauskas Lawrence Boi

Lawrence Devello-Waters

Layla Gearey Leah Collings Leah Sains Leandro Silva Leanne Curry Lee Begley Lee Brightman Lee Butcher Lee Eagling Lee Fish Lee Galloway Lee Holyoake Lee Hutchinson Lee Woodman Leighton Davies Lenny Finch Leon Pryce Lesley Willcox Levar Gardiner Lewis Elkin Lewis Harkins Lewis Hill Lewis Penn Liam Bantin Liam Corbett

Liam Ellis

### THE TEAM

Liam Flynn Liam Hunt Liam Leigh Liam Lishman Lianne Harrison Libby Field Lily Gardner Lily Yeo Linda Sleath Lindsay Bond Lindsey Flint Lisa Algar Lisa Cullen Lisa Holmes Lloyd Allen Lloyd Blanks Lloyd Jackson Lois Bettinson Loucas Louca Louie Walker Louis Bontemps Louis Spaett Louise Bunting Louise Cox Louise Groves Louise Henbest Louise Mclaren Louise Reddell Lucia Garces

Lucy Harper-Thompson

Lucy Jenner Lucy Rock Lucy Swain Lukasz Pirga Luke Abraham Luke Barefield Luke Colclough Luke Kerr Luke Kirkman Luke McNally Luke O'Connor Luke Roberts Luke Saunders Luke Stratford Luke Woodward Lyndsey Farmer Lynne Meldrum Lynsey Smart

M

Macaulay Kirk
Macy Harvey
Madeline Pipes
Magdalena Chodynicka
Mahesh Wara
Maisie Bell
Mandy Antenbring
Manraj Sandhu
Marc Davies
Marc Harris
Marcin Kupczyk
Marco Costeira
Marcus Bullock
Marcus Oliver
Margaret Lawrie

Margarita Starcea Maria Lacramioara Lacatusu

Maria Lacramioara
Mariia Kosonohova
Mark Allman
Mark Brown
Mark Burgess
Mark Cain
Mark Campbell
Mark Chantler
Mark Clark
Mark Coe
Mark Gasson
Mark Heath
Mark Hughes
Mark Hunter
Mark Johnston
Mark Keymer

Mark MacIver

Mark Matthews Mark Owen Mark Palmer Mark Pancott Mark Ridlev Mark Rogers Mark Sloan Mark Tennant Mark Waldock Mark West Mark Williams Mark Woodyatt Mark Wordley Mark Wright Marshall Brewin Martin Abel Martin Brown

Martin Oliver Martin Osborne Martin Pickard Martin Sweet Martin Williams Martin Wys Martina Way Martine Robinson Martyn Spring Matt Attwood Matt Mallov Matthew Atkinson Matthew Barcas Matthew Buckett Matthew Cornish Matthew Fisher Matthew Foster-Smith Matthew Grainger Matthew Lindsay Matthew Lynch Matthew Mamamdo Matthew Martin Matthew McManus Matthew Moore Matthew Ponsford

Matthew Martin
Matthew McManus
Matthew Moore
Matthew Ponsford
Matthew Ralfs
Matthew Rowson
Matthew Stevenson
Matthew Vinters
Matthew Whitlock
Matthew Woodhouse

Mattia Galassi Max Evans Max Turnbull Philips Medea Antal Megan Boyle Megan Hawtin Megan Jones

Matthew Wright

Megan Robinson-Green Megan Thorp Megan Walsh Mehlika Kilic

Menelik Cowan Mervyn Thorne Mhairi Wade Michael Beatty Michael Boughton Michael Buckley Michael Butler Michael Dinter Michael Edwards Michael Evans Michael Finn Michael Goodfield Michael Hopper Michael Humphrey Michael Iones Michael Kessler Michael Lethbridge Michael Lovelock Michael Moss Michael Quinn Michael Sear Michael Tory Michael Upton Michael Van Sittert Michael Wallace Michael Wright Michael John Cordery Michal Glinka

Michal Glinka
Michalina Mackiewicz
Michelle Gowland
Michelle Moore
Mike Booth
Minai Kanabar
Miriam Clair Wardle
Miroslaw Hebda
Mitchell Glover
Mitchell Perriss
Mkhonto Gumede
Mohammed Hoque
Mohammed Khalid
Mohammed Rauf
Mohammed Safwan
Mohammed Uddin

Mohd Jaji Mohsin Ahmed Montana Mills Morgan Gerrard Mr Topps (Retired) Mubashir Uddin Muhammed Abbus Uddin

Mohammed Zain Shaikh

Muhammad Choudhury
Mustafa Irkan

VIUSIAIA IIKAII

ADDITIONAL INFORMATION 179

#### N Nancy Jacques Naomi Baron Naomi Carter Narinder Chatha Nasir Hussain Nasreen Aideed Natalie Hepburn Natalie Milan Natalie Paine Nataliia Furness Natasha lohnson Natasha Stout Nathan Austin Nathan Coulthard Nathan Goddard Nathan Hughes Nathan Taylor Nathan Willcock Nauris Vinkelis Neely Stuart Neha Shah Neil Anderson Neil Drage Neil Grimley Neil Homan Neil leremy Neil Iones Neil Lutterloch Neil North Neil Topping Neil Williams Nichola Buffam Nichola Cooper Nicholas Culley Nicholas Evans Nicholas Gadd Nicholas Lodge Nicholas Stone Nicholas Stubbs Nicholas Taylor Nicholaus Buchanan Nick Walch Nicky Glenister Nicola Brownley Nicola Fletcher Nicola Greenaway Nicola Howlett Nicola McWatt

Nicola Monk

Nicola Rose

Nicola Tester
Nicole Andrews
Nicole Colvin
Nigel Slaughter
Nikhita Kaur
Nikita Bedford
Nikolay Georgiev
Nimisha Mistry
Nisha Sodha
Nishit Shah
Nita Rajani
Nixaal Patel
Nizam Mohamed
Norbert Kuta
Numan Usman

# 0

Oliver Hart
Oliver Iddon
Oliver Verrier
Olivia Dettmer
Olivia Newsome
Omar Bensadoune
Oscar Cork
Osemeke Nwokoro
Owen Tudor
Oz Masaya

Paavan Lodhia

Paresh Nagar

Patrick Galvin

Parminder Garcha

### P

Patrick Howlett Patrick Tompsett Paul Baker Paul Bourton Paul Burkett Paul Burrow Paul Carr Paul Cheetham Paul Cowen Paul Gee Paul Hurt Paul Irving Paul Jenkinson-Finn Paul Kelly Paul Keymer Paul Lawty Paul Lee

Paul Mills

Paul Mitchell Paul Nicholls Paul Northern Paul Noyes Paul Semple Paul Smith Paul Starkev Paul Thomas Paul Tregaskis Paul West Paul Whittington Paulina Bilinska Pauline Harrison Paulo De Oliveira Freire Pawel Pudelko Pawel Warych Perran Kelly Peter Ambrose Peter Baker-Clements Peter Callan Peter Charles Peter Charters Peter Goodison Peter Goulding Peter Hanley Peter Lees Peter Little Peter Lombardelli Peter Roberts Peter Turtle Peter West Peter White Peter Young Petronela Aidi Philip Cranston Philip Dunn Philip Gallop Philip Haynes Philip Speed Philip Stocks Philippa Hill Phillip Gilbert Phillip Handley Phillipa Hewitt Portia Boehmer Przemyslaw Krulikowski

# R

Rachel Fletcher Radoslaw Doktorski Radoslaw Naruszewicz Rafael Lima Raj Surani Rajan Toora Rajesh Thanki Rajiv Vadgama Ramanathan Shanmugam Ratip Hassan Raymond Punt Raymond Thompson Rebeca Wallis Rebecca Godfrey Rebecca Love Rebecca Mills Rebecca Moore Rebecca Oblein Rebecca Wild Reece Brewin Reece Charlton Reece Coppins Rhiannon Holland Rhys Baird Ria Croft Richard Adamson Richard Arciero Richard Austin Richard Beaven Richard Bleach Richard Bourne Richard Capel Richard Carter Richard Clark Richard Eagland Richard France Richard Geare Richard Gondwe Richard Greenwood Richard Heather Richard Keane Richard Lewis Richard Napier Richard Newbon Richard Oates Richard Oldale Richard Palfrev Richard Prescott Richard Senior Richard Small

Richard Sumner

Rickie Byrne

Ricky Bishop

Radoslaw Wojcik

### THE TEAM

Rishab Choudhary Rizwan Saleh Rob Moody Robbie Coleman Robert Adams Robert Black Robert Chawner Robert Collins Robert Dennis Robert George Robert Hardie Robert Howker Robert Ireland Robert Jones Robert Kroll Robert Kweli Robert Moss Robert Myers Robert Parker Robert Prince Robert Tillotson Robert Tsui Robert Wyatt Robin Shields Robin Staga Robin Williams Rogan Ayres Roger Lazenby Romans Petuhovs Romany Andrew Rory Reeves Rosanna Bastable Rose Bola Ross Ashbrook Ross Langford Ross Leitch Ross Pannatt Roxanne Daly Roxanne Morris Roxanne Seurre Russell Ward Ryan Apark Ryan Buston Ryan Coleman Ryan Dunn Ryan Farquhar Ryan French Ryan Harris Ryan Henson

Ryan Izard

Ryan Kemp

Ryan Knauf Ryan Lundberg Ryan Needham Ryan OConnor Ryan Patterson Ryan Randall Ryan Russell Ryan Simpson Ryan Wade

Sahibjit Samra Sally Hope-Davis Sam Bucknall Sam Davis Sam Meyrick Sam Randle Samantha Davies Samantha Grav Samantha Jackson Samantha Leavis Samantha Stewart Sameer Jamdar Samuel Atkinson Samuel Knowles Samuel Linney Samuel Sharpe Samuel Underwood Sandra Ramsay Sandra Van Spronsen Sanjeev Pal Sarah Darby Sarah Jordan Sarah Kite Sarah McLure Sarah Peters Satvinder Sandhu Savio Coutinho Scott Ahmad Scott Andrews Scott Birdseye Scott Bond Scott Carpmail Scott Copeland Scott Fountain Scott Gane Scott Hopwood Scott Jesson Scott Keeton Scott McCartney Scott Morrison

Scott Robinson Scott Rogers Scott Thirlaway Sean Brandist Sean Cahill Sean Campbell Sean Cundy Sean Kimber Sean McClafferty Shafeek Mohamed Shahid Mahmood Shahiem Wilson Shane Bryan Shane Lunn Shane Malone Shane Mason Shane Till Shane Trim Shanee Gately Shannon Cochrane Shannon Dewdney Shannon Mccarthy Sharif Islam Sharna Joseph Sharon Buckley

Sharon Papantoniou-Barrett Shaun Gordon Shaun Pawsey Shaun Sargeant Sheena Smith Sheralyn Tidball Shrina Shah Shylo Brookes Sian Garvey Sian Horrigan Sian McCracken Silvi Atanasova Silviu Oltean Simon Badhams Simon Beare Simon Briggs Simon Chapman Simon Chappell

Simon Green Simon Grimmett Simon Hall Simon Lasham Simon Leslie Simon MacDonald

Simon Farley

Simon Davenport-Sharp

Simon Marks Simon Meider Simon Neal Simon Roberts Simon Webb Simon Witham Sinan Demir Siobhan Ashman Slavka Ivan Sonia Sapinska Sophie Doggart-Hall Sophie Edney Sophie Pavey Sophie Swann Sophie Sylvester Spencer Clifford Spencer Day Stefan Andronic Stefan Clark-Carter Steffan Midwinter Stephanie Bannister Stephanie Dinnis Stephanie Hogben Stephanie Nevett Stephanie Shaw Stephen Amos Stephen Anthony Stephen Boyd Stephen Breslin Burn Stephen Carr Stephen Collins

Stephen Corkett Stephen Edwards Stephen Foote Stephen Freeman Stephen Harrington Stephen Hopson Stephen Kelly Stephen Lacey Stephen Lopes Stephen Mabberley Stephen Machin Stephen Maidment Stephen Osbourne Stephen Riley Stephen Smith Stephen Velvick Stephen Watson Stephen Wright Steve Brown Steve Smythe

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Steven Barrowcliffe Steven Dyer Steven Howells Steven Hughes-Jones Steven Kane Steven Kernot Steven Souter Steven Whitehead Steven Wood Stuart Allman Stuart Barrett Stuart Clarke Stuart Corlett Stuart Fletcher Stuart Harris Stuart Munton Stuart Rees Stuart Ross Stuart Smith Stuart Stevenson Stuart Tannock Stuart Whitby Stuart Williams Sukhdev Bains Summer Ellison Summer Hubbard Sunil Patel Susan Law Susanna Horwood Suzanne Bradford Sydney Bennett Sylwia Wygachiewicz Szabolcs Szudar

# T

Tahmid Islam Tammie O'Lone Tanya Dix Tanya Roberts Tariq Gasmi Tauseef Usman Tegan Rowe Tejay Smith Terry Morris Terry Salisbury Theophilus Danquah Thomas Ashmore Thomas Bedford Thomas Caldicott Thomas Crook Thomas Darlaston

Thomas Evans Thomas Fuller-Winterburn Thomas Harris Thomas Knight Thomas Langston Thomas Lee Thomas McGeown Thomas McPherson Thomas Murray Thomas Otley Thomas Ryan Thomas Snell Thomas Utting Thomas Wade Thomas Wilson Tiffany Lowry Tim Chatfield Tim Redmond Tim Richards Timothy Bentley Timothy Boardman Timothy Hilton Timothy Tatlock Timothy Watkiss Tina Hughan Tina Pain Tina Willett Toby Vennard Todd Bucknall Todd Routledge Tom Cheevers Tom Newman Tony Chandler Tony Dumbleton Tracey Mangan Tracey Salter Tracey Turner Tracey Waterman Tracy Wearmouth Travis Prince Troy Fearon Troy Ledgerwood Troy Miller Tyler King

Tyler Lewis

Tyler Nossent

### I

Udo Jungbecker Uwais Ikleriya

### V

Valentin Ivan
Veronica Evett
Veronica Zudaire
Victor Newton
Victoria Cunday
Vilius Meilus
Vincent Bonner
Vinod Joshi
Vishal Depala
Vitor M Rodrigues Tavares

### W

Warren Pettersen
Wayne Randall
Wendy Martindale
Wesley Appadoo
William Aires
William Bailey
William Goodwin
William Halfhide
William Harman
William Morris
William Pollock
William Short
William Swain
Wyn Dunn-Davies

# Y

Youssef Djeraoui Yunus Ahmed Yusuf Balogun Yvonne Burgess Yvonne Hardingham

# Z

Zach Waterfield Zara Warner Zoe Fox Zoe Gilbert Zoe Harcus Zoe Stevens

# STORE LOCATIONS

#### LONDON

Acton Battersea

Beckenham Topps

Beckton Bow Brentford

Brixton

Bromley Common Catford Bromley Rd

Cattora Bromley
Charlton
Cheam
Chingford
Croydon
Croydon Purley
Dagenham
Dartford

Dartford
Denham
Dorking
East Sheen
Eltham
Enfield
Epsom

Fulham Topps Hayes Topps Hemel Hempstead

Highgate Hounslow Ilford

Ilford Seven Kings Kings Cross Leyton

New Southgate North Finchley Old Kent Road Orpington

Penge Raynes Park Redhill Romford Ruislip Sevenoaks Shoreditch

South Bermondsey

Southall St Albans Staples Corner Sunbury upon Thames

Surbiton
Uxbridge
Waltham Cross
Wandsworth
Wembley
Willesden
Wimbledon

#### **MIDLANDS**

Barnsley Binley Boston

Burton upon Trent Cannock Chesterfield Coventry Tile Hill Derby Osmaston Doncaster

Enderby Erdington Fenton Grantham Grimsby Hinckley

Kettering Baron Kidderminster Kings Norton Leamington Spa Leicester Thurmaston

Lichfield

Lincoln Outer Circle

Long Eaton Loughborough Mansfield Nantwich Newark

Newcastle-under-Lyme

Northwich

Nuneaton

Nottingham Arnold Nottingham Poulton

Redditch Sheffield Shrewsbury Solihull Spalding Stoke Tamworth Telford West Bromwich Worksop

#### **NORTH**

Aintree
Anfield
Birkenhead
Blackburn
Blackpool
Bolton
Bury
Carlisle
Cheadle
Cheetham Hill
Chester
Darlington

Durham Dragonville

Gateshead Harrogate Huddersfield Hull Leeds Macclesfield Morecambe Northallerton Oldham Ormskirk

Preston Sale Salford Scarborough Scunthorpe Shipley

Snipe (Audenshaw)

St Helens Stockport Stockton Tyneside

Wakefield Ings Road

Warrington
Widnes
Wigan
Workington
York Clifton Moor

# SCOTLAND AND NORTHERN IRELAND

Aberdeen Wellington Ayr

Belfast Boucher Road Belfast Newtownabbev

Dundee
Edinburgh
Fort Kinnaird
Glasgow
Hillington
Inverness
Irvine
Kirkcaldy

Shawfield Sighthill Stirling Wishaw

#### **SOUTH**

Abingdon
Amersham
Andover
Ashford
Aylesbury
Banbury
Barnstaple
Basildon
Basingstoke
Bath
Bedford Elms
Bexhill
Bicester

Bishops Stortford Bodmin Bognor Regis Borehamwood Bounds Green Bournemouth Braintree Brentwood Bridgwater Brighton

Brighton Kemp Town

Bristol Broadstairs Burgess Hill Bury St Edmunds

Byfleet Camberley Cambridge Canterbury Chelmsford

Chelmsford Springfield

Cheltenham
Chichester
Chippenham
Christchurch
Cirencester
Clacton on Sea
Clevedon
Colchester
Cribbs Causeway

Cromer
Didcot
Dorchester
Dover
East Molesey
Eastbourne
Egham
Erith
Evesham

Exeter Trusham Rd Exmouth Fareham Farnborough Farnham Folkestone Frome

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Gatwick Glastonbury Gloucester Gravesend Great Yarmouth Guildford Harlow Havant Hedgend Hereford High Wycombe Horsham Huntingdon **Ipswich** Isle of Wight Isleworth Kings Lynn Launceston Leighton Buzzard Letchworth Loughton Lowestoft Luton

Martlesham Millbrook (Southampton) Milton Keynes Moreton in Marsh Newbury Newhaven Newton Abbot

Maidstone Langley Market Harborough

Maidstone

Newton Abbot Northampton Norwich Norwich Hall Road Oxford Cowley Penzance

Peterborough Plymouth Poole Portsmouth Rayleigh

Reading

Reading Rose Kiln Lane

Ringwood Rugby Rustington Salisbury Saltash Sittingbourne Slough Southend St Neots Stamford Stevenage Strood Stroud Sudbury Sutton Swindon Taunton Thetford Thurrock Tonbridge Torquay

Truro
Tunbridge Wells
Uckfield
Waterlooville
Watford Imperial
Wellingborough
Welwyn Garden City
Weston Super Mare

Winchester
Witney
Woking
Wokingham
Worcester
Yeovil

#### **WALES**

Bangor Barry Bridgend Cardiff

Cardiff Newport Road

Carmarthen
Haverfordwest
Llanelli
Merthyr Tydfil
Newport
Rhyl
Swansea Cwmdu

# COMMERCIAL SHOWROOMS

Chelsea Clerkenwell Leicester Swerford

Wrexham





