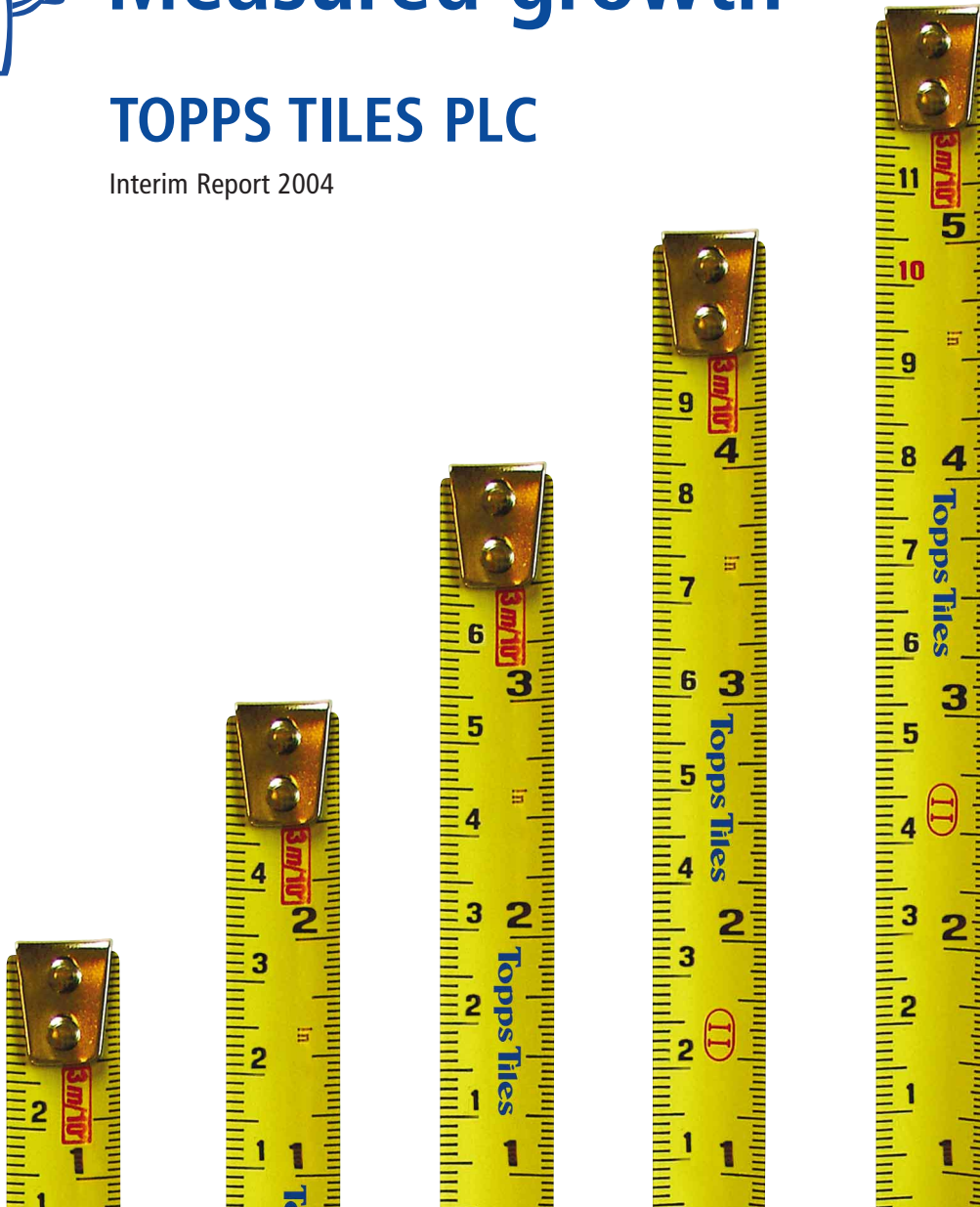


# Measured growth

## TOPPS TILES PLC

Interim Report 2004



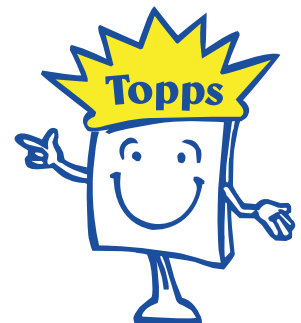


## **Topps Tiles are the UK's largest specialist ceramic tile retailer.**

Since 1984 we have achieved continual growth in turnover and been consistently profitable. We pride ourselves on the level of service and range and quality of products we offer our customers. Going forward, we aim to maintain growth by meeting all our objectives without compromising our commitment to excellent customer service.

## The Group continues to deliver strong financial results

- Group turnover increased by 38.6% to £77.115m
- Group like for like turnover increased by 22.7%
- Gross Margin increased to 59.4% (2003: 57.0%)
- Profit before tax and exceptional items (see page 4) increased by 95.4% to £15.324m
- Net Margin, excluding joint venture and exceptional items (see page 4), increased to 19.9% (2003: 14.1%)
- Earnings per share rose to 5.00 pence (2003: 2.40 pence), post share split
- Interim net dividend declared of 2.00 pence (2003: 0.60 pence), post share split
- Net Cash Position of £16.14m
- Sales growth continues to be strong with overall sales increasing by 26.7% and like for like sales up 19.2% for the first 6 weeks of the second half
- Share split of 5:1 completed on 6th May 2004
  
- New warehouse fully operational
- Net 10 new stores opened in the period
- 7 major store refits
- On target to open net 24 new stores this financial period



## EXECUTIVE BOARD STATEMENT



**Barry Bester**  
Executive Co-Chairman  
& Co-Founder



**Nicholas Ounstead**  
Chief Executive Officer

We are delighted to report another set of strong financial results for the first 27 weeks of 2003/04 continuing our track record of delivering increased shareholder value.

### Financial Results

	27 Weeks to 03/04/04 £'000	26 Weeks to 29/03/03 £'000	Change %
<b>Group Turnover</b>	<b>77,115</b>	55,637	+ 38.6%
<b>Gross Margin %</b>	<b>59.4%</b>	57.0%	
<b>Profit before Tax and exceptional items (see page 4)</b>	<b>15,324</b>	7,842	+ 95.4%
<b>Net Margin, % excluding joint venture and exceptional items (see page 4)</b>	<b>19.9%</b>	14.1%	
<b>Earnings per share (pence)</b>	<b>5.00p</b>	2.40p	+108.3%
<b>Interim dividend (pence)</b>	<b>2.00p</b>	0.60p	+233.3%
<b>Net Cash position</b>	<b>16,140</b>	9,023	

### Results

#### Profit and Loss Account

Trading has continued to be buoyant. Growth in like-for-like sales for the period was 22.7%, with overall sales growth in the same period at 38.6%. Gross margins have improved to 59.4% compared to 57.0% in the same period last year, with operating costs excluding exceptionals in the period equivalent to 40.0% of sales compared to 43.2% in the same period last year.

Profit before tax and exceptional items (see page 4) for the 27 weeks ended 3rd April 2004 amounted to £15.324 million an increase of 95.4% over the same period last year even though the current year also has a Long-Term Incentive Plan (L-TIP) provision of £928k. Earnings per share rose by 108.3% from 2.40 pence to 5.00 pence, post share split.

The exceptional items (see page 4) relate to the cost of writing down fixture and fittings of £344k and the profit on disposal of fixed assets of £542k.

Net margin, excluding joint venture and exceptional items (see page 4), has increased to 19.9% from 14.1% in the same period last year.

#### Balance Sheet

The Group currently owns 8 freehold sites, two development sites and the new warehouse facility with a total net book value of £10.0 million. Within the period one freehold site was acquired at a cost of £0.4 million and expenditure on the development sites totalled £0.3m. The new warehouse expenditure in the period totalled £4.8m (building £3.7m and fixtures and fittings £1.1m) bringing the total expenditure on the warehouse to date to £8.0m which now completes the project.

In the period the Group completed 3 property sale and leaseback transactions generating proceeds of £3.0 million.

Capital expenditure, excluding freehold property and the new warehouse, amounted to £1.8 million. This reflects a total of 12 new stores opened in the period with two being closed and relocated and 3 Tile Clearing House stores rebranded to Topps. There were 7 major store refits and other minor refits along with further development and upgrading of the Group's I.T. infrastructure.



**Stuart Williams**  
Executive Co-Chairman  
& Co-Founder



**Andrew Liggett**  
Finance Director

At the period end cash balances for the Group were £22.650 million (2003: £9.023 million) and there were long-term bank loans of £6.510 million (2003: nil million). The Group therefore has a net cash position of £16.140 million (2003: £9.023 million).

We continue to buy back shares when employees exercise their share options under the Group approved and unapproved executive share option schemes. As at 3 April 2004 the Group had purchased 2,333,140 shares which it holds as Treasury Shares.

At the period end the Group had £21.447 million of stock which represents 135 days stock cover (2003: 158 days). The reduction in days stock cover is a combination of reduced core range initiatives and enhanced I.T. systems along with preparation for moving to the new warehouse.

#### **Share Split**

On 6th May 2004 we completed a share subdivision whereby each ordinary share of 12.5 pence was subdivided into 5 ordinary shares of 2.5 pence each. The Board believes the share split will increase the marketability and liquidity of the shares by accommodating investors who could be deterred by the pre share split price level. The Board considered this particularly important, since the Company had recently become a FTSE 250 quoted company.

#### **Dividend**

We are continuing with our progressive dividend policy and announcing an interim dividend of 2.00 pence per share, post share split. This will be paid on 30 June 2004 to shareholders on the register as at 4 June 2004.

### **Operational Review**

#### **New stores**

We continue with our programme of national store roll-outs opening 12 Topps Tiles stores and Tile Clearing House outlets in the period. We have closed and relocated 2 stores and completely refurbished 7 stores and rebranded 3 Tile Clearing House stores to Topps stores.

Our most significant activity in the period was the move to a new purpose built warehouse which was successfully and seamlessly completed over the Easter Weekend. The new facility totals 105,000 sq feet and gives us increased cubic capacity of 3.5 times over our previous site. The additional space will see us through to complete our expansion target of 350 stores in the UK and has the capacity to support additional stores should we increase that number further. It will also mean that we will be able to distribute more product through our own warehouse rather than using third parties. The warehouse will be officially opened on 28th May 2004 and we are delighted that the Right Honourable Patricia Hewitt, Secretary of State for Trade and Industry, will be conducting the opening ceremony.

We are pleased with the progress of our joint venture in Holland. We are currently trading from 8 stores which sell both ceramic tiles and wood and laminate flooring. We plan to open a further 3 stores this financial period.

The UK consumer's appetite for DIY and home improvement continues and to capitalise on this we have continued to invest in national and television advertising. We are currently running campaigns with GMTV, Sky's UK Living channel and Carlton TV weather.

We now employ over 1300 staff across the business and we endeavour to train and support all staff as well as employing a strong culture of rewarding performance.

In March Topps was voted Company of the Year at PriceWaterhouseCoopers PLC Awards. Having won Best Annual Report in 1998 we were delighted to be awarded with the top prize this year.

#### **Current Trading and Future Prospects**

In the first 6 weeks of the current period sales growth has continued to be very positive with overall sales increasing by 26.7% and like for like sales up 19.2%

The fundamentals of our business are strong, we continue to increase our market share and brand awareness and our finances are robust. As ever, we remain committed to bringing ideas, inspiration and value to our customers as well as continuing to create value for shareholders.

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 27 weeks ended 3 April 2004

	27 weeks ended 3 April 2004 Unaudited £'000	26 weeks ended 29 March 2003 Unaudited £'000	10 months ended 29 March 2003 Unaudited £'000	12 months ended 27 September 2003 Unaudited £'000	16 months ended 27 September 2003 Audited £'000
<b>Turnover, group and share of joint venture</b>	<b>78,015</b>	56,203	89,762	120,032	154,297
Less: share of joint venture turnover	(900)	(566)	(812)	(1,135)	(2,087)
<b>Group Turnover</b>	<b>77,115</b>	55,637	88,950	118,897	152,210
Cost of Sales	(31,325)	(23,904)	(38,054)	(50,587)	(64,737)
<b>Gross Profit</b>	<b>45,790</b>	31,733	50,896	68,310	87,473
<b>Operating Expenses</b>					
- employee profit sharing	(4,074)	(2,117)	(3,296)	(4,271)	(5,450)
- other operating expenses	(27,152)	(21,926)	(35,274)	(45,534)	(58,881)
	(31,226)	(24,043)	(38,570)	(49,805)	(64,331)
<b>Group operating profit</b>					
Group operating profit before exceptional operating expenses	14,908	-	-	-	-
Exceptional operating expenses	(344)	-	-	-	-
	14,564	7,690	12,326	18,505	23,142
Share of operating profit in joint venture	19	(1)	(1)	64	64
<b>Group and joint venture share of operating profit</b>	<b>14,583</b>	7,689	12,325	18,569	23,206
Exceptional profit on disposal of fixed assets	542	-	-	-	-
<b>Profit on ordinary activities before finance income</b>	<b>15,125</b>	7,689	12,325	18,569	23,206
Net finance income	397	153	182	319	348
<b>Profit on ordinary activities before taxation</b>					
Before exceptional items	15,324	-	-	-	-
Net exceptional items	198	-	-	-	-
	15,522	7,842	12,507	18,888	23,554
Tax on profit on ordinary activities	(4,139)	(2,440)	(3,839)	(5,769)	(7,168)
<b>Profit on ordinary activities after taxation</b>	<b>11,383</b>	5,403	8,668	13,119	16,386
Dividends	(4,557)	(2,860)	(2,860)	(8,192)	(9,832)
<b>Retained profit transferred to reserves</b>	<b>6,826</b>	2,543	5,808	4,927	6,554
<b>Earnings per ordinary share</b>					
- Basic	5.00p	2.40p	3.85p	5.82p	7.28p
- Diluted	4.95p	2.39p	3.83p	5.76p	7.20p

Note 1  
Topps Tiles has no recognised gains or losses in the period other than those reflected in the profit and loss account and accordingly a statement of Total Recognised Gains and Losses has not been prepared. All activity arose from continuing operations.

Note 2  
Comprises exceptional profit on disposal of fixed assets less exceptional operating expenses.

Note 3  
Adjusted for subdivision of Share Capital (6th May 2004).

# CONSOLIDATED GROUP BALANCE SHEET

as at 3 April 2004

	3 April 2004 Unaudited £'000	29 March 2003 Unaudited £'000	27 September 2003 Audited £'000
<b>Fixed assets</b>			
Goodwill	568	603	586
Tangible assets	27,024	18,123	23,252
Joint venture undertaking			
- Share of assets	990	759	946
- Share of liabilities	(809)	(635)	(773)
	181	124	173
	27,773	18,850	24,011
<b>Current assets</b>			
Stocks	21,447	19,591	19,713
Debtors	5,371	4,294	4,712
Cash in bank and in hand	22,650	9,023	18,580
	49,468	32,908	43,005
<b>Creditors : Amounts falling due within one year</b>	(33,281)	(21,001)	(31,920)
<b>Net current assets</b>	16,187	11,907	11,085
<b>Total assets less current liabilities</b>	43,960	30,757	35,096
<b>Creditors : Amounts falling due after more than one year</b>	(6,000)	–	(2,925)
<b>Provisions for liabilities and charges</b>	(1,504)	(1,033)	(1,349)
<b>Net assets</b>	36,456	29,724	30,822
<b>Capital and reserves</b>			
Called - up share capital	5,732	5,630	5,659
Share premium	3,231	1,392	1,715
Merger reserve	(399)	(399)	(399)
Treasury Shares	(2,781)	–	–
Profit and Loss - brought forward	23,847	17,293	23,847
- 4 months to 28/09/02	–	3,265	–
- current period - 6 months to 29/03/03	6,826	2,543	–
<b>Equity shareholders' funds</b>	36,456	29,724	30,822

# CONSOLIDATED GROUP CASHFLOW STATEMENT

as at 3 April 2004

	27 weeks to 3 April 2004 Unaudited £'000	26 weeks to 29 March 2003 Unaudited £'000	10 months to 29 March 2003 Unaudited £'000	16 months to 27 September 2003 Audited £'000
<b>Net cash inflow from Group operating activities</b>	<b>15,150</b>	11,972	17,391	33,723
<b>Returns on investment and servicing of finance</b>	<b>397</b>	174	182	312
<b>Taxation</b>	<b>(1,974)</b>	(3,410)	(4,164)	(7,104)
<b>Capital expenditure and Financial Investment</b>	<b>(4,410)</b>	(2,898)	(4,275)	(10,653)
<b>Acquisitions and disposals</b>	<b>–</b>	–	(480)	(486)
<b>Equity dividends</b>	<b>(6,989)</b>	(4,119)	(4,119)	(5,469)
	<b>2,174</b>	1,719	4,535	10,323
<b>Financing</b>	<b>1,896</b>	92	(654)	3,115
<b>Increase in cash</b>	<b>4,070</b>	1,811	3,881	13,438
<b>Reconciliation of Group operating profit to net cash inflow from Group operating activities</b>				
Group operating profit	14,564	7,690	12,326	23,184
Depreciation charges	1,329	1,174	1,851	3,045
(Profit) / Loss on disposal of fixed assets	72	145	162	217
Goodwill amortisation	18	33	37	54
Increase in stocks	(1,734)	(883)	(572)	(694)
(Increase) / decrease in debtors	(659)	818	(1,310)	(1,728)
Increase in creditors	1,560	2,995	4,897	9,645
	<b>15,150</b>	<b>11,972</b>	<b>17,391</b>	<b>33,723</b>
<b>Return on investments and servicing of finance</b>				
Interest received	456	190	209	363
Interest paid	(59)	(16)	(27)	(51)
Interest capitalised	–	–	–	–
	<b>397</b>	<b>174</b>	<b>182</b>	<b>312</b>
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets	(7,441)	(2,978)	(5,093)	(11,655)
Receipts from sales of tangible fixed assets	3,031	80	818	1,002
	<b>(4,410)</b>	<b>(2,898)</b>	<b>(4,275)</b>	<b>(10,653)</b>
<b>Financing</b>				
Proceeds from issue of ordinary share capital	1,589	92	92	444
New loans	3,088	–	–	3,422
Treasury Shares	(2,781)	–	–	–
Repayment of loans	–	–	(746)	(746)
Capital element of hire purchase rentals	–	–	–	(5)
	<b>1,896</b>	<b>92</b>	<b>(654)</b>	<b>3,115</b>
<b>Summary</b>				
Opening cash position	18,580	7,212	5,142	5,142
Movement	4,070	1,811	3,881	13,438
<b>Closing cash position</b>	<b>22,650</b>	<b>9,023</b>	<b>9,023</b>	<b>18,580</b>



## 1 Basis of preparation

(a) The interim report was approved by the board on 25 May 2004. The financial information for the 27 weeks ended 3 April 2004 and similarly the financial information for the 26 weeks ended 29 March 2003, 10 month period ended 29 March 2003 and 52 weeks ended 27 September 2003 have not been audited.

The financial information for the 16 month period ended 27 September 2003 has been extracted from the audited financial statements for that period.

(b) The financial information contained in the interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the 16 month period ended 27 September 2003 incorporating an unqualified audit report, which did not contain statements under section 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.

(c) The financial information contained in this interim report has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the 16 month period ended 27 September 2003.

## 2 Taxation

Corporation Tax for the 27 weeks ended 3 April 2004 has been provided for at the estimated effective rate of 30%.

Effective rate (30%)	4,657k
Share options symmetry savings	(518k)
	<hr/>
	£4,139k

## 3 Interim dividend

An interim net dividend of 2.00 pence per Ordinary Share has been declared payable on 30 June 2004 to shareholders on the register on 4 June 2004.

## 4 Earnings per share

Basic earnings per share for the 27 weeks ended 3 April 2004 have been calculated on earnings (after the deduction of taxation) of £11,383,000 (2003: £5,403,000) and on Ordinary Shares of 227,741,821 (2003: 225,061,150), being the weighted average of Ordinary Shares in issue during the period.

Diluted earnings per share for the 27 weeks ended 3 April 2004 have been calculated on earnings (after the deduction of taxation) of £11,383,000 (2003: 5,403,000) and on Ordinary Shares of 229,785,930 (2003: 226,170,125) being the weighted average of Ordinary Shares and Share Options in issue during the period.

A share subdivision of 5 shares for 1 took place on 6 May 2004 and the above calculations incorporate this change.

## 5 Copies of the interim results

Copies of the interim results have been sent to shareholders, and further copies can be obtained from the Company's Registered Office at **Topps Tiles Plc., Rushworth House, Wilmslow Road, Handforth, Wilmslow, Cheshire, SK9 3HJ.**

Details are also available on our Website:

**[www.toppstiles.co.uk](http://www.toppstiles.co.uk)**

## STORE LOCATIONS



### CENTRAL REGION

Aston  
Banbury  
Bedford  
Boston  
Burton  
Bury St Edmunds  
Cambridge  
Cannock  
Colchester  
Coventry  
Derby  
Derby 2  
Erdington  
Great Yarmouth  
Hereford  
Ipswich  
Kidderminster  
Kings Heath  
Kings Lynn  
Leicester  
Lincoln  
Luton  
Mansfield ●  
Martlesham  
Milton Keynes\*  
Narborough  
Newcastle-U-Lyne  
Newark  
Northampton  
Norwich  
Nottingham  
Oldbury  
Peterborough  
Sheldon  
Shrewsbury  
Solihull  
Stafford  
Stoke on Trent  
Tamworth  
Telford  
West Bromwich  
Wolverhampton  
Worcester\*

### LONDON AND THAMES SOUTH

Basildon  
Beckton  
Bexhill  
Brighton  
Braintree ●  
Broadstairs  
Canterbury  
Catford  
Charlton  
Cheam ●

Chelmsford  
Chingford  
Colindale  
Crayford  
Croydon  
Dagenham  
Eastbourne  
Edmonton  
Eltham  
Farnborough  
Fulham  
Gatwick  
Gunnersbury  
Guildford  
Harlow  
Ilford  
Isle of Wight  
Maidstone  
Mitcham  
New Southgate  
Newbury  
Old Kent Road  
Orpington  
Penge  
Portsmouth  
Raynes Park  
Rayleigh  
Reading  
Romford  
Sittingbourne  
Slough  
Southall  
Southampton  
Southend  
Stamford Hill  
Sudbury ●  
Swindon  
Tonbridge  
Tunbridge Wells  
Twickenham  
Uxbridge  
Vauxhall  
Waltham Cross  
Watford  
Wembley

### NORTH WEST

Aintree  
Blackburn ●  
Blackpool  
Bolton  
Cheadle  
Chester  
Chester 2  
Chorley  
Cleveleys  
Crewe

Failsforth  
Flint  
Liverpool  
Macclesfield  
Morecambe  
Northwich ●  
Oldham  
Ormskirk  
Preston  
Sale  
Salford  
Snipe (Audenshaw)  
St Helens  
Stockport  
Stockport 2 ●  
Warrington  
Widnes  
Wigan

### NORTH

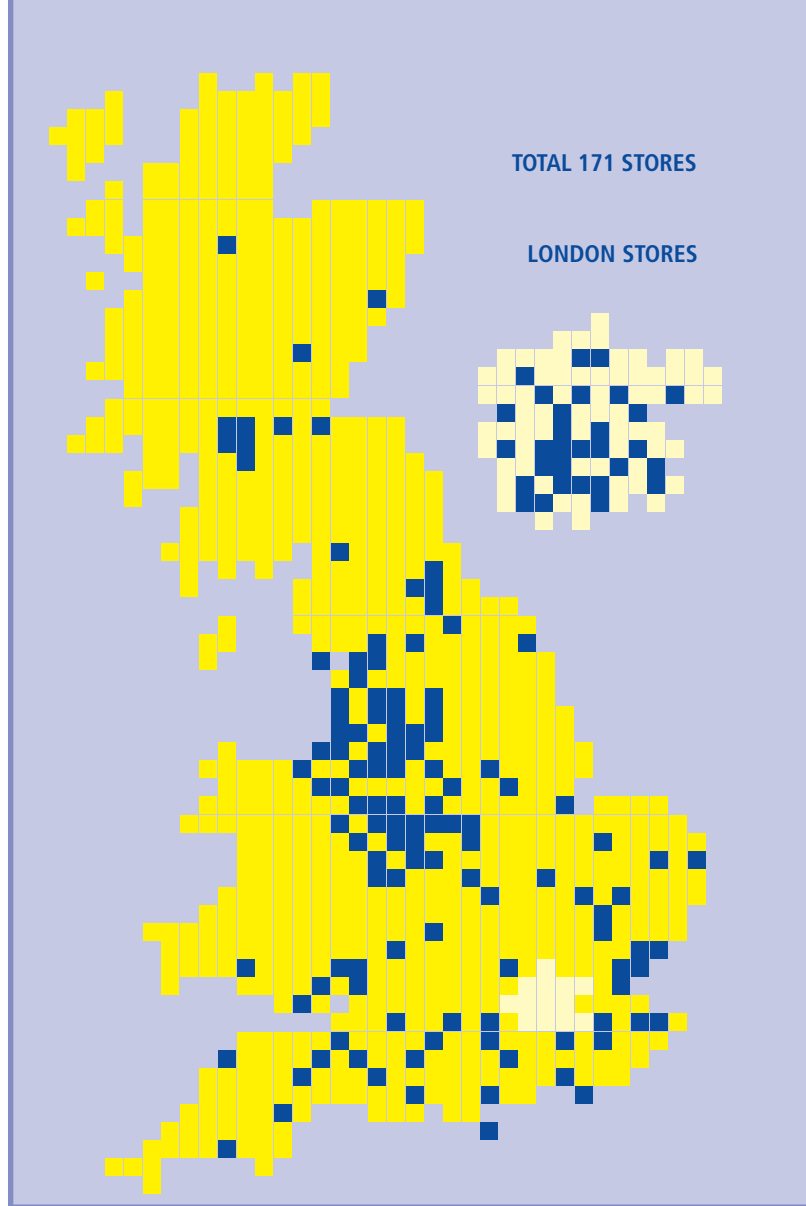
Barrow in Furness  
Carlisle  
Chesterfield  
Durham  
Harrogate  
Huddersfield  
Leeds  
Hull  
Stockton  
Sunderland  
Tyneside  
Wakefield  
York ●

### SCOTLAND

Aberdeen  
Edinburgh  
Falkirk  
Glasgow  
Greenock  
Hillington  
Inverness  
Linwood  
Perth  
Rutherglen  
Wishaw

### SOUTH WEST

Barnstaple  
Basingstoke  
Bridgend\*  
Bristol  
Cardiff  
Cheltenham  
Christchurch  
Cribbs Causeway  
Exeter



Gloucester  
Hengrove ●  
Newport  
Plymouth  
Poole  
Salisbury  
Swansea  
Taunton  
Torquay  
Weston Super Mare  
Winchester  
Yeovil

Stores at beginning of period	160
New stores opened	9
Transfer from TCH*	3
<b>Sub-Total</b>	<b>172</b>
Closures	(1)
<b>Total</b>	<b>171</b>

● New store 2003/04

TOTAL 35 STORES



**CENTRAL REGION**

- Aylesbury ●
- Cambridge
- Coventry
- Fenton
- Great Barr
- Leicester
- Harlow
- Northampton ●
- Nottingham
- Peterborough
- Stoke on Trent

**NORTH**

- Bradford
- Darlington
- Doncaster
- Hull
- Sheffield

**SOUTH WEST**

- Bournemouth
- Exeter

**SCOTLAND**

- Aberdeen

**LONDON AND THAMES SOUTH**

- Barking
- Beckenham
- Charlton
- Haringey
- New Southgate
- Orpington ●
- Swindon
- Wembley

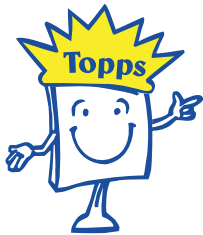
**NORTH WEST**

- Bolton
- Cheadle
- Crosby
- Maghull
- Oldham
- Preston
- Stockport
- Wigan

● New store 2003/04

Stores at beginning of period	36
New stores opened	3
Transfer to Topps	(3)
Sub-Total	36
Closures	(1)
<b>Total</b>	<b>35</b>

# ...and still growing!



**TOPPS TILES PLC**

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

T 01625 446 700

F 01625 446 800

[www.toppstiles.co.uk](http://www.toppstiles.co.uk)

