RNS Number : 2576E
Topps Tiles PLC
29 May 2012

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Topps Tiles Plc
("Topps Tiles", "the Group" or "the Company")

UNAUDITED INTERIM MANAGEMENT REPORT FOR THE 26 WEEKS ENDED 31 MARCH 2012

HIGHLIGHTS

Topps Tiles Plc, the UK's largest tile specialist with 320 stores, announces its interim financial results for the 26 weeks ended 31 March 2012.

	26 weeks ended 31 March 2012	26 weeks ended 2 April 2011
Group revenue	£86.6 million	£89.2 million
Like-for-like revenue	-4.7%	+1.8%
Gross margin	59.7%	59.7%
Adjusted operating profit[1]	£7.1 million	£9.3 million
Adjusted profit before tax[2]	£5.6 million	£7.2 million
Basic earnings per share	1.94p	3.85p
Adjusted earnings per share[3]	2.14p	2.76p
Interim dividend	0.50p	0.50p
Net debt[4]	£46.3 million	£50.0 million

Notes
[1] Adjusted operating profit is adjusted for the loss on disposal of plant, property and equipment and onerous lease charges of £0.3 million (2011: £0.2 million), and business restructuring costs of £0.2 million (2011: nil)
[2] Adjusted profit before tax is adjusted for the effect of the items above plus gains on disposal of freehold property of £0.4 million (2011: nil), partial settlement of outstanding interest rate derivatives at a cost of £0.5 million (2011: nil), and a £0.1 million (non cash) loss relating to the interest rate derivatives and forward currency contracts the Group (defined as Topps Tiles Plc and all its subsidiaries) has in place (per IAS 39) (2011: £3.3 million gain)
[3] Adjusted for the post tax effect of the above items
[4] Net debt is defined as bank loans, before amortised issue costs (note 6) and less cash and cash equivalents

- First half performance in line with expectations, in trading conditions which remain challenging
- Focus on strengthening our market leading position by improving customer service, enhancing the product range and maximising sales opportunities
- Like for like revenues decreased by 4.7%, in line with expectations and, in part, reflecting tougher comparatives in H1 2011
- Further prudent development of store estate, with 5 new Topps Tiles stores opened and 7 Tile Clearing House stores converted to the more profitable Topps format
- Net debt reduced by £4.7 million from year end to £46.3 million at 31st March, with £10 million of undrawn banking facilities

- Current trading - like for like sales over 7 weeks to 19th May +4.5% (2011: -2.1%)

Commenting on the results, Matthew Williams, Chief Executive said:

"We are pleased to be reporting a first half performance which is in line with expectations, notwithstanding the more challenging comparatives from 2010/11. In the environment of continuing low levels of consumer confidence and housing transactions, we have been, and continue to be, focused on optimising returns from the existing store estate whilst continuing to make the investments necessary to support longer term growth.

"In the last seven weeks we have been encouraged by trading which has seen like for like sales increase by 4.5%, although it is too early to determine whether this marks the beginning of a broader trend.

"We expect trading conditions for retailers in the discretionary spend sector to remain challenging during the second half. Against this background we will continue to move the business forwards prudently focusing on driving longer term growth, improving gross margins, further promoting our brand and delivering our financial and operational objectives."

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A copy of this announcement can be found on our website www.toppstiles.co.uk

INTERIM MANAGEMENT REPORT

During the period we maintained our focus on strengthening our market leading position by delivering outstanding service and excellent value, high quality products to our customers. We have continued our programme of store upgrades and conversions; expanded our store estate on a selective basis; further developed our in-store and on-line offer; and supported this with new marketing initiatives.

The economic environment has continued to be challenging and we saw a further reduction in customer numbers during the first half. Against this background, the business remains in a sound financial position and management are concentrating on a series of initiatives to improve operational performance.

Income Statement

Current economic conditions continue to present challenges to businesses such as Topps which operate in the discretionary spend sector. During the second half of the previous year we saw a significant erosion of consumer confidence which resulted in a reduction in our overall sales revenues. While consumer confidence remained subdued during the first half of the current financial year, the Group has concentrated on maximising its opportunities and the results for the period are in line with management's expectations.

Overall revenue decreased by 2.9% to £86.6 million (2011: £89.2 million). Like-for-like revenues decreased by 4.7%, reflecting, in part, tougher comparatives in H1 2011. Overall gross margin for the Group was maintained at 59.7% (2011: 59.7%). Our strategy is to continue to grow the share of product we source direct from manufacturers and this will enable margin gains as we move forwards.

Operating costs were £45.1 million, compared to £44.1 million in the prior year. On an adjusted basis, (excluding exceptional items and one off charges) operating costs were £44.6 million, compared to £43.9 million in the prior year. The principal driver of increased costs is an increase in the number of stores and inflationary increases across the business which, when combined, have increased our cost base by £1.8 million. We have continued to focus hard on operating the business as efficiently as possible and have generated further underlying savings of £1 million in the period helping to offset a significant element of these increases.

During this period the business traded from an average of 319 UK stores compared to 312 in the prior interim period.

Operating profit for the period was £6.6 million (2011: £9.1 million).On an adjusted basis operating profit was £7.1 million (2011: £9.3 million), a 23.7% decrease year-on-year. The key driver of this decline has been the reduced sales revenues.

There was one property disposal in the period (2011: none), which generated a gain on disposal of £0.4 million.

The net interest charge for the Group was £2.1 million (2011: £2.3 million). This includes £0.5 million of costs associated with the exit of interest rate derivatives (2011: nil).

The adjusted profit before tax was £5.6 million (2011: £7.2 million).

In addition to the interest charge noted above there is a fair value (non-cash) gain on the movement in the interest rate derivatives of £0.1 million (2011: gain of £3.3 million). Due to the nature of the underlying financial instruments, IAS39 does not allow hedge accounting to be applied to these movements and hence this gain is being applied direct to the income statement rather than offset against balance sheet reserves.

Including these losses, and a series of small one-off charges against the impairment and loss on disposal of plant, property and equipment, business restructuring charges and onerous lease charges, the profit before tax for the Group was £5.0 million (2011: £10.0 million)

The effective tax rate for the 26 weeks to 31 March 2012 is 26.9% (2011: 27.7%).

Basic earnings per share were 1.94p (2011: 3.85p). Adjusting for the post tax impact of the items detailed in notes 1-3 in the highlights section the adjusted basic earnings per share were 2.14p (2011: 2.76p).

Financial Position

The Group currently owns 7 (2011: 7) freehold or long leasehold sites including two warehouse and distribution facilities with a total net book value of £16.3 million (2011: £16.3 million).

Capital expenditure in the period amounted to £3.1 million (2011: £5.4 million). We have opened a total of 13 new stores in the period, accounting for the majority of our capital expenditure. This has been offset by 14 closures as a result of relocations, brand conversions or lease expiry, giving us a net decrease of 1 store. New store openings remain an important part of our growth strategy and we have indicated that we can continue to grow the portfolio by around 5 stores per annum. We believe this target will provide a prudent balance between quality sites and our growth ambitions. The Group purchased one freehold site in the period at a cost of £0.4 million (2011: one freehold site at a cost of £1.6 million).

There was one property disposal in the period for a consideration of £2.0 million (2011: none), this has generated a gain on disposal of £0.4 million.

At the period end cash and cash equivalents for the Group were £18.7 million (2011: £16.1 million) and borrowings were £65.0 million (2011: £66.1 million). The Group therefore has a net debt position of £46.3 million (2011: £50.0 million).

The Group has £75.0 million of loan facilities in place which are non-amortising and committed to May 2015.

At the period end the Group had £25.3 million of inventories (2011: £25.3 million) which represents 134 days cover (2011: 126 days).

The Group completed its previously announced exit of 50% of the outstanding interest rate derivatives at a cost of £6.2 million in April 2012. This transaction will result in an increase in net debt and an anticipated saving in interest charges of c.£1.25 million p.a. for the next 5 years.

Key Performance Indicators

As set out in our most recent annual report, we monitor our performance in implementing our strategy with reference to clear targets set for key performance indicators ("KPIs"). These KPIs are applied on a Group wide basis. Our performance in the 26 weeks ended 31 March 2012 is set out in the table below. The source of data and calculation methods are consistent with those used in the 2011 annual report.

Results for the 26 weeks ended 31 March 2012
Highlights

Financial KPIs	26 weeks to 31 March 2012	26 weeks to 2 April 2011
Like-for-like revenue year on year	**(4.7)%**	**+ 1.8%**
Total sales growth year-on-year	**(2.9)%**	**(2.5)%**
Gross margin	**59.7%**	**59.7%**
Adjusted profit before tax *	**£5.6m**	**£7.2m**
Net debt	**£46.3m**	**£50.0m**
Adjusted earnings per share *	**2.14**	**2.76**
Stock days	**134**	**126**

Non Financial KPIs	26 weeks to 31 March 2012	26 weeks to 2 April 2011
Market share**	26.0%	25.5%
Net Promoter Score % (explained below)	89.9%	88.3%
Number of stores at period end	319	313

* As explained on page 1

** Market share as per September 2011

Note - Net Promoter Score is based on customer feedback to the question of how likely they are to recommend Topps Tiles to friends or colleagues. The scores are based on a numerical scale from 0-10 which allows customers to be split into promoters (9 -10), passives (7-8) and detractors (0-6). The final score is based on the percentage of promoters less the percentage of detractors - thus creating a range from -100% to +100%.

Dividend

The Board is pleased to declare an interim dividend of 0.5 pence per share. The shares will become ex-dividend on 13 June 2012 and the dividend will be paid on 13 July 2012.

Strategy

The Group strategy is focussed on engaging our people to deliver outstanding value and service to our customers, and maximising returns for our shareholders.

Key operational objectives:

- Extend our market leading position of the UK non-contract tile market
- Deliver customers outstanding value for money and service to ensure they always "return and recommend"
- Increase competitive advantage through continued development of our in-store customer offer
- Continued development of our online offering to maintain a market leading service offer to our customers
- Prudent and pro-active management of the store estate - opening new stores that complement the existing portfolio, refitting stores on a rolling basis, and, where necessary, relocating stores to optimise performance
- Encourage share ownership - we consider share ownership to be a key link between shareholder returns and the engagement of all of our people.

Financial objectives:

- Driving profit growth with a primary focus on increasing revenues, margins and cash generation, maintaining tight cost control and a stable net debt position
- Maximising earnings per share and shareholder returns, including review of our dividend policy on a bi-annual basis
- Maintaining an appropriate balance between a lean organisation and efficient cost base and ensuring that we have the correct resources at our disposal to effectively deliver our strategy and invest for future growth
- Managing the Group's exposure to fluctuations in foreign exchange rates
- Maintaining a capital structure which enables an appropriate balance of financial flexibility and capital efficiency

Progress against these objectives is discussed throughout this report and, where appropriate measures are utilised, these are included in the key performance indicators section.

Operational Review

During the period, we retained a primary focus on optimising returns from the existing estate, pro-active management of our cost base and maintaining our financial flexibility. The challenging economic backdrop and low levels of consumer confidence combined to produce difficult trading conditions and we have seen a period of both like-for-like and total sales decline. In this context the Group's performance has been in line with management's expectations and net debt remains under very tight control, falling by £4.7 million to £46.3 million during the period.

As discussed in the financial review, we continue to maintain a close focus on costs and have seen only a very modest increase year on year, all of which can be attributed to increases in store numbers and inflationary pressures.

We have continued to pro-actively manage our store estate by opening new stores selectively, converting Tile Clearing House (TCH) stores to the Topps format and re-siting stores to superior locations where this is achievable at appropriate rents. The performance of these, new, converted and re-sited stores has been encouraging, with sales building towards maturity in years two and three as expected, and we remain very satisfied with the return on investment being achieved.

At the period end the Group was trading from a total of 319 stores (April 2011: 313 stores): 299 Topps and 20 TCH. At the start of our financial year we had 320 stores and, in line with our strategy of expanding our presence in areas in which the Group is unrepresented, we have since opened 5 new Topps locations, converted 7 TCH stores to the Topps brand and relocated one existing Topps store. The 5 new sites were offset by the exit from 6 older sites, primarily driven by lease expiry. We continue to be very satisfied with trading performance from the converted TCH stores, which have demonstrated that they can deliver higher sales densities under the Topps brand name. The majority of TCH conversions are now complete.

The evolution of the Topps Tiles brand continued during the period, in line with our greater emphasis on inspiring customers and reaching beyond our traditional customer base. Work in-store is being supported by sustained marketing initiatives, including the current sponsorship of the national weather on ITV's Daybreak morning programme and Channel 4 news.

The Group's online strategy is focussed on making the online and in-store customer experience as integrated and seamless as possible and we have continued to invest in our website to improve it both as a pre-purchase research tool and as a sales channel in its own right. Online sales now represent c.1.5% of the Group's turnover, the equivalent of our best performing store.

Utilisation of the new second warehouse facility at our Leicestershire headquarters increased during the first half as we took the opportunity to source more products direct from the manufacturer. This warehouse forms a key part of our logistics strategy over the coming years, giving us the operational capacity for up to 400 stores and underpinning a future improvement in gross margin.

Planning for our new enterprise-wide information technology system has commenced and the initial phase of implementation will start from October 2012. This new system, which will add much greater functionality across the business, will be a key enabler for a number of new processes and customer initiatives.

Risks and Uncertainties

The 2011 Annual Report and Accounts highlighted that the Board's primary focus areas when reviewing key risks and uncertainties are:

- The continuing challenges of the UK economy and anticipated business impact
- Balancing the Group's plans for UK growth against the uncertain economic outlook

- Ensuring that the Group's capital structure remains appropriate and that future funding requirements are accessible

This continues to be the case and the Board's response to these risks is articulated throughout this report. This includes:

- Continuing improvement in our existing retail operations, including regular review of our product offer and customer service to ensure that we are maximising the opportunity to deliver sales
- Careful management of costs across all areas of the business with increased expenditure only in those areas that the Board decides are appropriate to drive growth and deliver long term strategic benefits
- Careful management of cash and a stable net debt position to enable financial flexibility
- Continuing review of the Group's sourcing strategy to enable us to deliver greater value for money whilst maintaining returns and minimising the risk of reliance on any individual supplier

The Group has a committed £75.0 million revolving credit facility through to May 2015. The Group's loan facility contains financial covenants which are tested on a bi-annual basis. Based on current trading and the Board's current expectations for the next 12 months the Board expects that the Group will be able to continue to operate comfortably within its current financial covenants.

The Board remains confident that the business will continue to be both profitable and cash generative and as such will not require any additional funding.

In addition to the above risks the Board considers other key risks include its relationship with key suppliers, the potential threat of new competitors, the risk of failure of key information technology systems, loss of key personnel and development of substitute products.

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.

Going concern

Based on a detailed review of the above risks and uncertainties, the financial facilities available to the Group, management's latest revised forecasts and a range of sensitised scenarios the Board believes the Group will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. The Board, therefore, considers it appropriate to prepare the financial statements on a going concern basis.

Board Changes

As announced on 25 April 2012 Nicholas Ounstead retired as both Marketing Director and an Executive Director of the Board after the period end. The Board wishes to extend its thanks and gratitude to Nick for the very significant contribution he has made to Topps over the last fifteen years, being part of the management team that floated the business in 1997 and then leading the business as Chief Executive between 2002 and 2007. The process to recruit a new Marketing Director has commenced.

During the period we also strengthened the Board through the appointment of Claire Tiney and Andy King as non-executive directors. Following these latest appointments, we consider that the Board is now well balanced, with an appropriate representation of independent non-executive directors, in line with best practice.

Current Trading

In the first seven weeks of the second half Group revenues, which are on a like-for-like basis, increased by 4.5%.

Outlook

The first six months of our financial year have seen subdued consumer spending patterns, albeit the Group's performance has been in line with management's expectations.

While current trading offers some cause for optimism, at this stage the Board remains cautious about extrapolating an improvement over such a short period into a wider recovery trend.

Looking ahead, we expect trading conditions for retailers in the discretionary spend sector to remain challenging and we will continue to move the business forwards prudently, focusing on driving longer term growth, improving gross margins, further promoting our brand and delivering our financial and operational objectives.

Matthew Williams
Chief Executive Officer
29 May 2012

Rob Parker
Chief Financial Officer

Condensed Consolidated Statement of Financial Performance
for the 26 weeks ended 31 March 2012

	Note	**26 weeks ended 31 March 2012 £'000 (Unaudited)**	26 weeks ended 2 April 2011 £'000 (Unaudited)	52 weeks ended 1 October 2011 £'000 (Audited)
Group revenue - continuing operations	2	**86,648**	89,171	175,525
Cost of sales		**(34,961)**	(35,940)	(70,904)
Gross profit		**51,687**	53,231	104,621
Employee profit sharing		**(2,586)**	(3,376)	(6,638)
Distribution costs		**(34,041)**	(32,231)	(65,883)
Other operating expenses		**(2,310)**	(2,359)	(6,393)
Administrative costs		**(3,540)**	(3,375)	(6,624)
Sales and marketing costs		**(2,588)**	(2,771)	(5,103)
Group operating profit before exceptional items		**7,068**	9,119	18,174
Impairment of property, plant and equipment		**(187)**	-	(1,051)
Impairment of display inventories		**-**	-	(1,281)
Restructuring costs		**(166)**	-	-

	Note			
Property related provisions		**(93)**	-	(1,862)
Group operating profit	2	**6,622**	9,119	13,980
Gain on disposal of fixed assets		**426**	-	-
Investment revenue		**85**	263	356
Finance costs		**(2,191)**	(2,606)	(4,798)
Fair value loss/(gain) on interest rate derivatives		**61**	3,258	(1,630)
Profit before taxation	2	**5,003**	10,034	7,908
Taxation	2,3	**(1,347)**	(2,784)	(2,194)
Profit for the period attributable to equity holders of the parent company		**3,656**	7,250	5,714
Earnings per ordinary share				
-basic	5	**1.94p**	3.85p	3.04p
-diluted	5	**1.92p**	3.77p	2.97p

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

Condensed Consolidated Statement of Financial Position
as at 31 March 2012

	Note	**31 March 2012 £'000 (Unaudited)**	2 April 2011 £'000 (Unaudited)	1 October 2011 £'000 (Audited)
Non-current assets				
Goodwill		**245**	245	245
Property, plant and equipment		**36,610**	34,859	37,221
		36,855	35,104	37,466
Current assets				
Inventories		**25,284**	25,307	23,800
Trade and other receivables		**6,757**	7,193	7,261
Deferred tax asset		**239**	-	595
Cash and cash equivalents		**18,747**	16,110	9,088
		51,027	48,610	40,744
Total assets		**87,882**	83,714	78,210
Current liabilities				
Trade and other payables		**(25,983)**	(25,046)	(24,105)
Derivative financial instruments		**(12,125)**	(7,299)	(12,186)
Current tax liabilities		**(5,756)**	(7,373)	(5,537)
Provisions for liabilities and charges		**(1,074)**	-	(1,075)
Total current liabilities		**(44,938)**	(39,718)	(42,903)
Net current assets / (liabilities)		**6,089**	8,892	(2,159)
Non-current liabilities				

Bank loans	6	**(64,422)**	(65,016)	(59,289)
Deferred tax liabilities		**-**	(637)	-
Provisions for liabilities and charges		**(1,349)**	(1,403)	(1,480)
Total liabilities		**(110,709)**	(106,774)	(103,672)
Net liabilities		**(22,827)**	(23,060)	(25,462)
Equity				
Share capital	9	**6,280**	6,275	6,279
Share premium		**1,027**	1,022	1,022
Own shares		**(4)**	-	(4)
Merger reserve		**(399)**	(399)	(399)
Share-based payment reserve		**574**	414	543
Capital redemption reserve		**20,359**	20,359	20,359
Retained earnings		**(50,664)**	(50,731)	(53,262)
Total deficit attributable to equity holders of the parent		**(22,827)**	(23,060)	(25,462)

Condensed Consolidated Statement of Changes in Equity
For the 26 weeks ended 31 March 2012

	Equity attributable to equity holders of the parent							
	Share capital £'000	**Share premium £'000**	**Own shares £'000**	**Merger reserve £'000**	**Share-based payment reserve £'000**	**Capital redemption reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 October 2011 (Audited)	6,279	1,022	(4)	(399)	543	20,359	(53,262)	(25,462)
Total comprehensive income for the period	-	-	-	-	-	-	3,656	3,656
Issue of share capital	1	5	-	-	-	-	-	6
Credit to equity for equity-settled share based payments	-	-	-	-	31	-	-	31
Deferred tax on share-based payment transactions	-	-	-	-	-	-	71	71
Dividends	-	-	-	-	-	-	(1,129)	(1,129)
Balance at 31 March 2012 (Unaudited)	**6,280**	**1,027**	**(4)**	**(399)**	**574**	**20,359**	**(50,664)**	**(22,827)**

For the 26 weeks ended 2 April 2011

	Equity attributable to equity holders of the parent							
	Share	**Share**	**Own**	**Merger**	**Share-based payment**	**Capital redemption**	**Retained**	**Total**

	capital £'000	premium £'000	shares £'000	reserve £'000	reserve £'000	reserve £'000	earnings £'000	equity £'000
Balance at								
3 October 2010 (Audited)	6,273	1,001	-	(399)	367	20,359	(56,131)	(28,530)
Total comprehensive income for the period	-	-	-	-	-	-	7,250	7,250
Issue of share capital	2	21	-	-	-	-	-	23
Credit to equity for equity-settled share based payments	-	-	-	-	47	-	-	47
Deferred tax on share-based payment transactions	-	-	-	-	-	-	32	32
Dividends	-	-	-	-	-	-	(1,882)	(1,882)
Balance at 2 April 2011 (Unaudited)	**6,275**	**1,022**	**-**	**(399)**	**414**	**20,359**	**(50,731)**	**(23,060)**

For the 52 weeks ended 1 October 2011

	Equity attributable to equity holders of the parent							
	Share capital £'000	Share premium account £'000	Own shares £'000	Merger reserve £'000	Share-based payment reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at								
2 October 2010 (Audited)	6,273	1,001	-	(399)	367	20,359	(56,131)	(28,530)
Profit and total comprehensive income for the period	-	-	-	-	-	-	5,714	5,714
Issue od share capital	6	21	-	-	-	-	-	27
Own shares purchased in the period	-	-	(4)	-	-	-	-	(4)
Credit to equity for equity-settled share based payments	-	-	-	-	176	-	-	176
Deferred tax on share-based payment transactions	-	-	-	-	-	-	(28)	(28)
Dividends	-	-	-	-	-	-	(2,817)	(2,817)
Balance at 1 October 2011 (Audited)	**6,279**	**1,022**	**(4)**	**(399)**	**543**	**20,359**	**(53,262)**	**(25,462)**

Condensed Statement of Cash Flows

for the 26 weeks ended 31 March 2012

	26 weeks ended	26 weeks ended	52 weeks ended

	31 March 2012 £'000 (Unaudited)	2 April 2011 £'000 (Unaudited)	1 October 2011 £'000 (Audited)
Cash flow from operating activities			
Profit for the period	**3,656**	7,250	5,714
Taxation	**1,347**	2,784	2,194
Fair value (gain)/loss on interest rate derivatives	**(61)**	(3,258)	1,630
Finance costs	**2,191**	2,606	4,798
Investment revenue	**(85)**	(263)	(356)
Other gains and losses	**(426)**	-	-
Group operating profit	**6,622**	9,119	13,980
Adjustments for:			
Depreciation of property, plant and equipment	**1,974**	2,040	4,128
Impairment of property, plant and equipment	**187**	144	1,051
Property related provisions	**93**	-	1,862
Write off of display inventories	**-**	-	1,281
Share option charge	**31**	47	176
Decrease in trade and other receivables	**403**	57	337
Increase in inventories	**(1,484)**	(433)	(207)
Increase/(decrease) in payables	**1,781**	773	(1,888)
Cash generated by operations	**9,607**	11,747	20,720
Interest paid	**(1,445)**	(2,705)	(4,795)
Payment in respect of loan renegotiation	**-**	(1,125)	-
Taxation paid	**(701)**	(1,345)	(3,883)
Net cash from operating activities	**7,461**	6,572	12,042
Investing activities			
Interest received	**186**	594	616
Purchase of property, plant and equipment	**(3,865)**	(5,909)	(10,535)
Proceeds on disposal of property, plant and equipment	**2,000**	-	5
Net cash used in investment activities	**(1,679)**	(5,315)	(9,914)
Financing activities			
Dividends paid	**(1,129)**	(1,882)	(2,817)
Proceeds from issue of share capital	**6**	23	23
New loans	**5,000**	66,125	60,000
Amortisation of issue costs	**-**	(300)	-
Loan issue costs	**-**	-	(1,125)
Repayment of bank loans	**-**	(91,000)	(91,000)
Net cash from/(used in) financing activities	**3,877**	(27,034)	(34,919)
Net increase/(decrease) in cash and cash equivalents	**9,659**	(25,777)	(32,791)
Cash and cash equivalents at beginning of period	**9,088**	41,879	41,879
Effect of foreign exchange rate changes	**-**	8	-
Cash and cash equivalents at end of period	**18,747**	16,110	9,088

1. General information

The interim report was approved by the Board on 29 May 2012. The financial information for the 26 weeks ended 31 March 2012 and similarly the 26 weeks ended 2 April 2011 has neither been audited nor reviewed by external auditors. The financial information for the 52 week period ended 1 October 2011 has been based on information in the audited financial statements for that period.

The comparative figures for the 52 week period ended 1 October 2011 are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, does not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that 52 week period has been delivered to the Registrar of Companies. The auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

This condensed set of consolidated financial statements has been prepared for the 26 weeks ended 31 March 2012 and the comparative period has been prepared for the 26 weeks ended 2 April 2011.

Basis of preparation and accounting policies

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

Going concern

Based on a detailed review of the risks and uncertainties contained within the risks and uncertainties section above, the financial facilities available to the Group, management's latest revised forecasts and a range of sensitised scenarios the Board believe the Group will continue to meet all of its financial commitments as they fall due and will be able to continue as a going concern. The Board, therefore, consider it appropriate to prepare the financial statements on a going concern basis.

2. Business segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. These segments comprise (a) Topps Tiles retail operations in the UK; and (b) TCH retail operations in the UK.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period. Segment result represents the profit / (loss) earned by each segment without allocation of the central administration costs including Directors' salaries, other gains and losses, investment income, finance costs, fair value loss on interest rate derivatives and income tax expense.

No inter-segment sales were made during the periods presented.

The following is an analysis of the Group's revenue and results by reportable segment in the 26 weeks ended 31 March 2012:

26 weeks ended 31 March 2012

	Topps £'000	TCH £'000	Consolidated £'000
Revenue	82,297	4,351	86,648

Result			
Segment result	7,180	(298)	6,882
Central administration costs			(260)
Operating profit			6,622
Other gains and losses			426
Investment revenues			85
Finance costs			(2,191)
Fair value gain on interest rate derivatives			61
Profit before tax			5,003
Tax			(1,347)
Profit after tax			3,656

The following is an analysis of the Group's revenue and results by reportable segment in the 26 weeks ended 2 April 2011:

26 weeks ended 2 April 2011

	Topps	TCH	Consolidated
	£'000	£'000	£'000
Revenue	82,460	6,711	89,171
Result			
Segment result	9,330	11	9,341
Central administration costs			(222)
Operating profit			9,119
Investment revenues			263
Finance costs			(2,606)
Fair value gain on interest rate derivatives			3,258
Profit before tax			10,034
Tax			(2,784)
Profit after tax			7,250

The following is an analysis of the Group's revenue and results by reportable segment in the 52 weeks ended 1 October 2011:

52 weeks ended 1 October 2011

	Topps	TCH	Consolidated
	£'000	£'000	£'000
Revenue	162,932	12,593	175,525
Result			
Segment result	15,218	30	15,248
Central administration costs			(1,268)
Operating profit			13,980
Other gains and losses			-
Investment revenues			356

Finance costs	(4,798)
Fair value loss on interest rate derivatives	(1,630)
Profit before tax	7,908
Tax	(2,194)
Profit after tax	5,714

There have been no material changes to the measure of assets and liabilities between the Group reportable segments from the amounts disclosed in the last annual financial statements and the measure of assets and liabilities between the Group's reportable segments is not regularly provided to the chief operating decision maker. Accordingly it is not presented in this half year report.

3.Taxation

	26 weeks ended 31 March 2012 £'000 (Unaudited)	26 weeks ended 2 April 2011 £'000 (Unaudited)	52 weeks Ended 1 October 2011 £'000 (Audited)
Current tax - charge for the period	**920**	2,609	3,620
Current tax - adjustment in respect of previous years	**-**	(72)	(381)
Deferred tax - effect of reduction in UK corporation tax rate	**22**	14	168
Deferred tax - charge/(credit) for the period	**405**	225	(1,097)
Deferred tax - adjustment in respect of previous years	**-**	8	(116)
	1,347	2,784	2,194

4. Interim dividend

An interim dividend of 0.50p per ordinary share has been declared payable on 13 July 2012 to shareholders on the register at 15 June 2012; in accordance with IFRS the dividend will be recorded in the financial statements in the second half of the period. A final dividend of 0.06p per ordinary share was approved and paid in the period, in relation to the 52 week period ended 1 October 2011.

5. Earnings per share

Basic earnings per share for the 26 weeks ended 31 March 2012 were 1.94p (2011: 3.85p) having been calculated on earnings (after deducting taxation) of £3,656,463 (2011: £7,250,000) and on ordinary shares of 188,373,006 (2011: 188,223,227), being the weighted average of ordinary shares in issue during the period.

Diluted earnings per share for the 26 weeks ended 31 March 2012 were 1.92p (2011: 3.77p) having been calculated on earnings (after deducting taxation) of £3,656,463 (2011: £7,250,000) and on ordinary shares of 190,740,194 (2011: 192,309,421), being the weighted average of ordinary shares in issue during the period.

Adjusted earnings per share for the 26 weeks ended 31 March 2012 were 2.14p (2011: 2.76p) having been calculated on adjusted earnings after tax of £4,029,794 (2011: £5,185,681) being earnings (after deducting taxation) of £3,656,463 adjusted for the post-tax impact of the following items; the IAS 39 interest rate derivative fair value loss of £417,023 (2011: gain £3,270,376), impairment of property, plant and equipment of £187,353 (2011: £144,218), gain on disposal of freehold property of £425,613 (2011:

£nil) ,onerous lease charges and certain restructuring costs of £194,569 (2011: £62,016) and write off of unamortised loan issue costs of £nil (£2011: £183,371).

6. Bank Loans

	26 weeks ended 31 March 2012 £'000 (Unaudited)	26 weeks ended 2 April 2011 £'000 (Unaudited)	52 weeks ended 1 October 2011 £'000 (Audited)
Bank loans (all sterling)	**64,157**	65,016	59,024
The borrowings are repayable as follows:			
On demand or within one year	**-**	-	-
In the second year	**-**	-	-
In the third to fifth year	**65,000**	66,125	60,000
	65,000	66,125	60,000
Less: total unamortised issue costs	**(843)**	(1,109)	(976)
	64,157	65,016	59,024
Issue costs to be amortised within 12 months	**265**	-	265
Amount due for settlement after 12 months	**64,422**	65,016	59,289

During the previous period the refinancing of Group loan facilities was completed and the Group now has a committed £75 million revolving credit facility with existing lenders through to May 2015. The £91 million outstanding balance on the previous loan was repaid and the balance of the unamortised issue costs relating to the original loan, which amounted to £0.2 million, was fully written off in the previous period.

Issue costs of £1.125 million, incurred under the new facility, will be amortised over the period of the agreement.

7. Contingent liabilities

The directors are not aware of any contingent liabilities faced by the Group as at 31 March 2012.

8. Events after the balance sheet date

On 1 November 2011 the Group entered into a legally binding agreement committing it to a partial trade termination amounting to 50% of the 10 year cancellable collar, which was settled on 3 April 2012 for a consideration of £6,240,000.

9. Share capital

The issued share capital of the Group as at 31 March 2012 amounted to £6,280,000 (2 April 2011: £6,275,000). The Group issued 39,733 shares during the period increasing the number of shares from 188,365,802 to 188,405,535.

10. Seasonality of sales

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