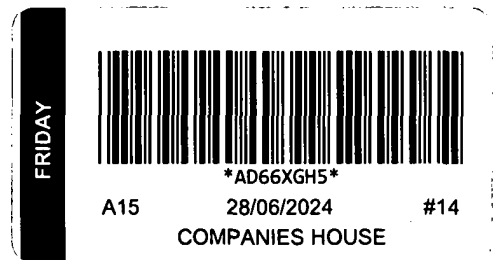


Registered number: 04781209

Topps Tiles (UK) Limited

Annual report and financial statements for the

52 weeks ended 30 September 2023



Topps Tiles (UK) Limited

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Topps Tiles (UK) Limited
Officers and professional advisers

Directors

R. Parker
S. Hopson

Company Secretary

Mrs J Steer (appointed 17 May 2023)
R. Cole (resigned 17 May 2023)
Mrs H Evans (appointed 7 November 2022, resigned 23 February 2023)

Registered Office

Topps Tiles
Thorpe Way
Grove Park
Enderby
Leicestershire
LE19 1SU

Independent Auditors

Forvis Mazars LLP
Two Chamberlain Square
Birmingham
B3 3AX

Bankers

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

Solicitors

Osborne Clarke
One London Wall
London
EC2Y 5EB

Shoosmiths
103 Colmore Row
Birmingham
B4 6BJ

Topps Tiles (UK) Limited

Strategic report

Principal activities

The principal activities of Topps Tiles (UK) Limited (“the Company”) comprises the retail of ceramic tiles and related products. The Company is the principal trading Company of the Topps Tiles Plc Group (“Topps Tiles Group”).

The Company is a wholly owned subsidiary of Tiles4Less Limited and its ultimate parent is Topps Tiles Plc (Company number: 03213782). The ultimate parent Company produces consolidated financial statements.

The Topps Tiles Group is Britain's biggest tile specialist company and is primarily focused on the domestic market for the renovation, maintenance and improvement of UK homes.

Most of the tiles commissioned for Topps Tiles (UK) Limited go straight to the central warehouse and distribution centre near Leicester. From here, all stores receive at least two bulk deliveries a week, so stock is constantly flowing to keep pace with demand. The core purpose for the Group is to *inspire customers through our love of tiles*. This purpose also helps to give the Group great strategic clarity in that any opportunities we pursue should seek to leverage our core specialism. The business has an overarching goal to profitably grow sales, supported by our Group “Leading Range” initiative and by other Group functions through our “Great People, Great Company” strategy.

All Topps Tiles Group companies are managed and controlled on a unified basis. Whilst the directors take a responsible approach to the performance of each Group and individual holding and subsidiary Company, the results of these subsidiary companies can vary from time to time.

Principal risks and uncertainties

Understanding and managing the risks faced by the business has never been more important given the general economic climate, and specifically consumer confidence. 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.

The current level of inflation across the UK economy has led to CPI of 6.7% in September 2023 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.

Further risks to the business include balancing the longer-term investment needs of the business against the future economic outlook and the risk the business may suffer a breach of its IT systems security. Other risks include further sustainability and climate change legislation, regulation or taxation; artificial intelligence and its impact on competition levels in addition to legal and ethical implications of its use; inadequate development of customer offerings and operating efficiencies; loss of IT systems or infrastructure; health and safety incidents; and poor and inconsistent product quality. The directors routinely monitor all these risks and uncertainties and appropriate actions are taken to mitigate the risks or their potential outcomes. Further details of the Group’s principal risks and uncertainties can be found in the Group financial statements of Topps Tiles Plc. Copies of the Group statements can be obtained from the address noted on page 1.

Topps Tiles (UK) Limited

Strategic report (continued)

Review of the period

Profit and loss account

During the period Topps Tiles (UK) Limited revenue increased by 1.7% to £237.4 million from £233.5 million in the prior period. There was one store closure and three relocations in the year and the brand finished the trading period with 303 trading stores (2022: 304 stores). On average, Topps Tiles traded from 304 stores over the year (2022: 310 stores). Like-for-like sales increased by 3.1% on prior period (like-for-like revenues are defined as sales from online and stores that have been trading for more than 52 weeks).

Gross margin was 54.7% compared to 55.1% in the prior period. This was driven by a continued focus on pricing competitiveness, changes in product mix, customer mix and new product development, and increased shipping costs, which became particularly significant in the second half year.

Total operating costs are £117.5 million (2022: £113.2million). Operating cost as a percentage of sales were 49.4% (2022: 48.5%).

The profit before tax was £4.3 million (2022: £11.7 million).

Balance sheet

Capital expenditure in the period amounted to £4.0 million (2022: £2.9 million), mainly relating to the fitting out of new stores and the refurbishment of existing stores.

At the Balance sheet date, the Company had net assets totaling £7.1m (2022: £17.7m).

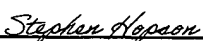
Stock at the period end represents 113 days turnover compared to 126 days for the prior period.

Key performance indicators

The Board monitors performance in implementing the strategy with reference to a clearly defined set of key performance indicators ("KPIs"). These KPIs on a Company basis cover a range of financial and non-financial metrics, as outlined below:

- Financial metrics:
 - Revenue growth year on year 1.7% (2022: 3.9%)
 - Like for like sales growth year on year 3.1% (2022: 9.4%)
 - Gross margin 54.7% (2022: 55.1%)
 - Profit before tax £4.3 million (2022: £11.7 million)
 - Inventory days 113 (2022: 126)
- Non-financial metrics:
 - Customer overall service score 91.5% (2022: 89.9%)
 - Number of retail stores at year end 303 (2022: 304)

Approved and signed on behalf of the board by:


Stepher Hopson (Jun 26, 2024 14:39 GMT+1)

S. Hopson, Director

Date: 26 June 2024

Topps Tiles (UK) Limited

Directors' report

The directors present their Annual report and audited financial statements and Independent auditors' report, for the 52-week period ended 30 September 2023

For further information on the operations of the Company, its approach to customer service, corporate social responsibility and the environment together with a review of market conditions please refer to the Topps Tiles Plc Annual Report which may be downloaded from our website at www.toppstiles.co.uk.

The Company is a subsidiary of Topps Tiles Plc. The Directors run the Companies on a Group basis where possible.

Stakeholder engagement

The Company is part of the Topps Tiles Plc ("Parent Company") group of companies and is wholly owned by the Parent Company, through Tiles4less Limited.

The Board, both individually and together, consider that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (the members being Tiles4less Limited which is wholly owned by the Parent Company) and having regard to the stakeholders and matters set out in s172 (1) (a–f) of the Companies Act 2006 in the decisions taken during the period.

Group companies, including the Company, are managed, and controlled on a unified basis under the Parent Company Board of Directors' direction. Accordingly, the Parent Company Board has overall responsibility for determining the Group's and the Company's purpose, values, and strategy and for ensuring high governance standards. The Parent Company's primary aim is to promote the long-term sustainable success of the Parent Company, generating value for the Parent Company's shareholders and contributing to wider society. The Groups' management decisions and actions are taken having regard to the Parent Company's interests as the ultimate shareholder of the Company and the interests of common stakeholders, being the Group's employees, suppliers, customers, and creditors, in line with s172 (1) (a–f) of the Companies Act 2006; including consideration of:

- Likely consequences of decisions in the long term: this is done through a three-year planning process, with progress reviewed regularly and strengthened through clear reporting lines, sharing of management information and KPIs, and regular contact between the Parent Company Board members the Group's Senior Executives.
- Employees: a member of the Parent Company Board acts as Employee Engagement Director to provide a link between the Parent Company and the Group's employees, and there is a range of initiatives and activities aimed at enhancing the interest of the Group's employees under the Group's Leading People initiative. For example, during the Period, the Group performed a Company-wide engagement survey (MyVoice) with 85% completion rate. There is also a structure of team feedback via a forum called Team Talk.
- Stakeholders: the Group's customers and suppliers (and creditors) are fundamental to the delivery of the Group's plan, and as a leading consumer brand, the Group must maintain its reputation for high standards of business conduct. Products are sourced directly from manufacturers globally, with a focus on building long-term strategic relationships with our manufacturing partners. Our buying scale and customer reach allow us to develop product ranges with leading tile manufacturers that are genuinely innovative. We combine this with a focus on excellence in customer service, the convenience of a nationwide store network and a world-class website and competitive pricing to ensure that all our customers receive excellent value, service and products.

Topps Tiles (UK) Limited

Directors' report (continued)

Stakeholder engagement (continued)

- Community and the environment: the Group aims to be a responsible member of our community and minimize its impact on the environment. In 2021, the Group made environmental issues a particular area of focus and announced the goal of becoming carbon balanced by 2030 as a Group. In 2022, the Group defined a second core pillar to the overall strategy, to support the development of a circular economy through recycling, reuse, and innovation. Since then, we have introduced responsible waste management to facilitate reuse and recycling and become members of the Plastic Pact UK to eliminate unnecessary single-use plastics and improve packaging. In 2023, 914 solar panels have been installed at our Grove Park Distribution Site which are projected to generate 70% of electricity consumed at the site.

Carbon reporting

The primary energy consumption is electricity used across our store estate. Energy for in-store lighting is a significant source of carbon emissions. We continue to invest in new technology, including low energy lighting, to reduce our carbon emissions.

	2023	2023	2023	2022	2022	2022
	CO ₂ (Tonnes)	CO ₂ (Tonnes) /Store	kWh	CO ₂ (Tonnes)	CO ₂ (Tonnes) /Store	kWh
Electricity	35	0.1	10,458,707	4	0.0	11,262,360
Gas and oil	2,380	7.9	12,826,072	2,555	8.3	14,025,914
Diesel	2,727	9.0	10,459,266	2,264	7.4	8,781,775

During 2023, the transport fleet (excluding the use of sub-contractors) has covered a total of 3.36 million kilometres (2022: 2.58 million kilometres) resulting in emissions of 2,615 tonnes (2022: 2,102 tonnes). The above carbon emissions data covers the period of this report. It has been compiled from data from our energy suppliers (based on the energy consumed multiplied by Environment Agency approved emissions factors) and for vehicle emissions, from our in-house transport team (based on mileage covered multiplied by manufacturers' published emissions data).

Going concern

Given that the Group is managed and controlled on a unified basis, and all subsidiary companies are UK based with common directors, going concern is considered on a group basis. Those directors take a responsible approach to each individual Company in respect of going concern considerations. The directors completed a review of the Topps Tiles Group from a going concern perspective as at 26 June 2024. 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 more than one year, with sales falling 15% year-on-year across the remainder of FY24 and then a further 10% decline year-on-year in FY25, in our main brand, Topps Tiles. The scenario also assumes declines in gross margins across the remainder of FY24 equating to a year-on-year decrease of approximately 0.5 percentage points, followed by a further 1-percentage point decline year-on-year in FY25. This scenario also assumes that variable costs would reduce in line with sales and also includes direct mitigating cost reduction actions, which would be taken if such a downturn occurred.

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 additional 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 scenarios. The current lending facility, of £30.0 million, was refinanced in October 2022 and expires at the earliest in October 2026. In all scenarios, the Board has concluded that there is sufficient available liquidity, with no utilisation of the current lending facility, and sufficient 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.

Topps Tiles (UK) Limited

Directors' report (continued)

Going concern (continued)

After reviewing the Group's projected financial performance and financing arrangements, the Directors consider that the Company has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing these Financial Statements.

The going concern assessment performed is intrinsically linked to the Group's financing arrangements and a letter of support has been received from Topps Tiles plc, providing support over the Company's future cashflows in the period. This letter covers the period of not less than 12 months after the date of signing of the financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements. See note 2 for further information.

Dividends

During the period, the Company paid dividends of £140,000 (2022: £150,000) per ordinary share, giving a total dividend of £14,000,000 (2022: £15,000,000). The directors do not recommend payment of a final dividend.

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements were:

R. Parker
S. Hopson

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee contribution

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various financial and economic factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

The Company also operates a Company Suggestion Scheme which is available to all employees to participate in. This has proved successful in assisting in the process of improving various areas of the business.

Financial risk management

The Company is exposed to certain financial risks at a Group level, namely price risk, interest rate risk, liquidity risk and currency risk, which are discussed in more detail below. Details of the Company's principal risks and uncertainties are found in the Strategic report on page 2. Further details of the Group's financial risk management, objectives and policies can be found in the Group financial statements of Topps Tiles Plc. Copies of the Group statements can be obtained from the address noted on page 1.

Interest rate risk

The Group is not exposed to interest rate risk on debt as the Group has no bank borrowings but the Group is exposed to fluctuations in interest rates on deposited funds. Funds are managed and deposited in line with the Group's Treasury policy which is reviewed by the Board annually. Several factors are considered when making decisions around deposits, including but not limited to, interest rate, counterparty credit rating and deposit term. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section below.

Topps Tiles (UK) Limited

Directors' report (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors of the Topps Tiles Group. 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.

Currency risk

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

Future outlook

Topps Group has delivered consistent growth in market share over recent years, from a combined share of 17% in 2019 as reported at the launch of the '1 in 5 by 2025' goal, to 22.1% in 2023. This growth has been achieved as a result of the competitive advantages enjoyed by the Group, including market-leading brands, world-class customer service, specialist expertise, a strong balance sheet including a growing cash position, and an ambitious growth strategy. The Group remains well positioned to continue to take market share in all market conditions due to these factors.

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 a number of employee sharesave, share bonus, approved and unapproved share option schemes, since the flotation of the parent company Topps Tiles Plc in 1997.

Details on the share option scheme are given in note 18.

Supplier payment policy

The Company policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and that both parties abide by those terms.

Charitable and political donations

No charitable or political donations were made in the period (2022: £nil).

Matters included in the Strategic report

In accordance with s414(C)(11) of the Companies Act, included in the Strategic Report is information relating to future developments which would otherwise be required by Schedule 7 of the 'large and medium sized companies and groups (financial statements and reports) regulation 2008' to be contained in a report of the directors.

Statement of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

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

Forvis Mazars LLP were selected as the Company's independent auditors following a tendering exercise carried out in 2022 and appointed at the Group's Annual General Meeting in January 2023. The auditors, Forvis Mazars LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment was proposed at the Group's AGM.

Topps Tiles (UK) Limited

Directors' report (continued)

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 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, 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 Company and of the profit or loss of the 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 United Kingdom Accounting Standards, comprising FRS 101 have been followed, 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 Company will continue in business.

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

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Approved and signed on behalf of the board by:


Stephen Hopson (Jun 26, 2024 14:39 GMT+1)

S. Hopson, Director

Date: 26 June 2024

Topps Tiles (UK) Limited

Independent auditor's report to the members of Topps Tiles (UK) Limited (continued)

Opinion

We have audited the financial statements of Topps Tiles (UK) Limited (the 'Company') for the period ended 30 September 2023 which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Topps Tiles (UK) Limited

Independent auditor's report to the members of Topps Tiles (UK) Limited (continued)

Other information

The other information comprises the information included in the Annual report, other than the financial statements and our Auditor's report thereon. The Directors are responsible for the other information contained within the Annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Topps Tiles (UK) Limited

Independent auditor's report to the members of Topps Tiles (UK) Limited (continued)

Auditor's 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 Auditor's 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the Company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, consumer rights laws and data protection.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

Topps Tiles (UK) Limited

Independent auditor's report to the members of Topps Tiles (UK) Limited (continued)


Auditor's responsibilities for the audit of the financial statements (continued)

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.



Jennifer Birch (Senior Statutory Auditor) for and on behalf of Forvis Mazars LLP

Chartered Accountants and Statutory Auditor

Two Chamberlain Square,

Birmingham, B3 3AX

Date: Jun 26, 2024

Topps Tiles (UK) Limited

Profit and loss account

For the 52 weeks ended 30 September 2023

	Note	52 weeks ended 30 September 2023 £000	52 weeks ended 1 October 2022 £000
Revenue	4	237,441	233,539
Cost of sales		(107,553)	(104,775)
Gross profit		<u>129,888</u>	<u>128,764</u>
Distribution costs		(76,188)	(71,739)
Administrative expenses		(41,288)	(41,493)
Operating profit	6	<u>12,412</u>	<u>15,532</u>
Finance income	7	58	65
Finance costs	7	(8,163)	(3,922)
Profit before taxation		<u>4,307</u>	<u>11,675</u>
Tax on profit	8	(1,681)	(2,602)
Profit for the financial year		<u><u>2,626</u></u>	<u><u>9,073</u></u>

All activities arose from continuing operations.

There is no other comprehensive income for the year other than that reported above and therefore no separate statement of comprehensive income has been presented.

Topps Tiles (UK) Limited

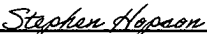
Balance sheet

As at 30 September 2023

	Note	As at 30 September 2023 £000	As at 1 October 2022 £000
Fixed assets			
Goodwill	10	50,931	50,931
Intangible assets	10	3,238	6,361
Tangible assets	11	17,751	19,286
Deferred tax asset*	19	196	-
Right-of-use assets	15	16,463	18,503
		<u>88,579</u>	<u>95,081</u>
Current assets			
Inventories	12	33,260	36,270
Debtors	13	423,795	400,973
Current tax debtors		392	-
Cash and cash equivalents		18,775	4,914
		<u>476,222</u>	<u>442,157</u>
Creditors: amounts falling due within one year			
Trade and other creditors	14	(470,678)	(429,253)
Current tax liabilities		-	(1,428)
Lease liabilities	15	(4,008)	(4,009)
Borrowings	16	(65,485)	(65,485)
Provisions	17	(350)	(349)
		<u>(540,521)</u>	<u>(500,524)</u>
Net current liabilities		<u>(64,299)</u>	<u>(58,367)</u>
Total assets less current liabilities		<u>24,280</u>	<u>36,714</u>
Creditors: amounts falling due after more than one year			
Provisions	17	(2,080)	(2,095)
Lease liabilities	15	(15,073)	(16,969)
		<u>(17,153)</u>	<u>(19,064)</u>
Net assets		<u>7,127</u>	<u>17,650</u>
Capital and reserves			
Called up share capital	20	-	-
Profit and loss account		7,127	17,650
Total shareholders' funds		<u>7,127</u>	<u>17,650</u>

*In the current period, the deferred tax asset has been classified as a non-current asset in line with IAS 1.

The accompanying notes are an integral part of these financial statements. The financial statements on pages 13 to 36 of Topps Tiles (UK) Limited (registered number 04781209) were approved by the board of directors and authorised for issue on 26 June 2024 and signed on its behalf by:


Stephen Hopson (Jun 26, 2024 14:39 GMT+1)

S. Hopson (Director).

Topps Tiles (UK) Limited

Statement of changes in equity

For the 52 weeks ended 30 September 2023

	Note	Called up share capital £000	Profit and loss account £000	Total shareholders' funds £000
Balance at 03 October 2021		-	23,067	23,067
Profit for the financial year		-	9,073	9,073
Total comprehensive income for the period		-	9,073	9,073
Dividends	9	-	(15,000)	(15,000)
Capital contribution for equity-settled share-based payments		-	510	510
Balance at 1 October 2022		-	17,650	17,650
Profit for the financial year		-	2,626	2,626
Total comprehensive income for the period		-	2,626	2,626
Dividends	9	-	(14,000)	(14,000)
Capital contribution for equity-settled share-based payments		-	851	851
Balance at 30 September 2023		-	7,127	7,127

Topps Tiles (UK) Limited

Notes to the financial statements

For the 52 weeks ended 30 September 2023

1. General information

Topps Tiles (UK) Limited is a Company incorporated and domiciled in England, United Kingdom under the Companies Act 2006.

The Company is a private Company limited by shares and is registered in England. The address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 3.

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

Throughout the financial statements, references to 2023 mean at 30 September 2023 or the 52 weeks then ended; references to 2022 mean at 1 October 2022 or the 52 weeks then ended.

These financial statements are separate financial statements and have been prepared in compliance 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. The Company's results are included within the consolidated Group financial statements of Topps Tiles Plc. The Group financial statements of Topps Tiles Plc are available to the public and can be obtained as set out in note 24.

ADOPTION OF NEW AND REVISED STANDARDS

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

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 101 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, the Company has applied 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, except in relation to goodwill. Under IFRS 'Business Combinations', goodwill is not amortised, but is reviewed for impairment on an annual basis. This is a departure from the requirements of the Companies Act 2006, which requires goodwill to be amortised over its useful economic life. However, the departure is necessary in order to comply with the requirements of IFRS 3. The Company is therefore invoking a 'true and fair' view override to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortise goodwill, a period of 20 years would have been chosen as its useful economic life. Profit for the year would have been £5,766,000 (2022: £5,766,000) lower, a reduction in the Goodwill asset value of £45,165,000 (2022: £39,399,000) and a decrease in opening retained earnings of £45,165,000 (2022: £39,399,000) would have been recognised had goodwill been amortised on this basis.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

2. Significant accounting policies (continued)

Going concern

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

- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - Paragraph 79(a)(iv) of IAS 1;
- The requirements of IAS 7 Statement of Cash Flows
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- 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 and paragraph 17 of IAS 24 Related Party Disclosures (key management disclosures)
- The requirements of paragraphs 10(d), 10(f), and 134 to 136 of IAS 1 Presentation of Financial Statements

Where relevant, equivalent disclosures have been given in the Group financial statements of Topps Tiles Plc.

The financial statements have been prepared on the historical cost basis and in accordance with the Companies Act 2006. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The principal accounting policies adopted are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern

Given that the Group is managed and controlled on a unified basis, and all subsidiary companies are UK based with common directors, going concern is considered on a Group basis. Those directors take a responsible approach to each individual Company in respect of going concern considerations. The directors completed a review of the Topps Tiles Group from a going concern perspective as at 26 June 2024. 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 more than one year, with sales falling 15% year-on-year across the remainder of FY24 and then a further 10% decline year-on-year in FY25, in our main brand, Topps Tiles. The scenario also assumes declines in gross margins across the remainder of FY24 equating to a year-on-year decrease of approximately 0.5 percentage points, followed by a further 1-percentage point decline year-on-year in FY25. This scenario also assumes that variable costs would reduce in line with sales and also includes direct mitigating cost reduction actions, which would be taken if such a downturn occurred.

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 additional 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 scenarios. The current lending facility, of £30.0 million, was refinanced in October 2022 and expires at the earliest in October 2026. In all scenarios, the Board has concluded that there is sufficient available liquidity, with no utilisation of the current lending facility, and sufficient 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.

After reviewing the Group's projected financial performance and financing arrangements, the Directors consider that the Company has adequate resources to continue operating and that it is therefore appropriate to continue to adopt the going concern basis in preparing these Financial Statements.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

2. Significant accounting policies (continued)

Going concern

The going concern assessment performed is intrinsically linked to the Group's financing arrangements and a letter of support has been received from Topps Tiles plc, providing support over the Company's future cashflows in the period. This letter covers the period of not less than 12 months after the date of signing of the financial statements. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

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 Company 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.

All elements of revenue that are considered variable, such as customer rebate arrangements and the Trader Loyalty Scheme, are recognised as revenue to the extent they are highly probable not to reverse.

Interest income

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

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

2. Significant accounting policies (continued)

IFRS 16

Leases in which the Company is a lessee

The Company 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 Company now 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 Company 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 Company 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 Company recognises right-of-use assets and lease liabilities for most leases.

The Company 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;
- 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 Company has taken short-term lease recognition exemption and there are any changes to the lease term or the lease is modified, the Company accounts for the lease as a new lease.

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;
- 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.

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;
- restoration costs.

After lease commencement, the Company 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.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

2. Significant accounting policies (continued)

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);
- 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 tangible assets. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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.

The Group recognises 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.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

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

Current tax

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

Deferred tax

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 taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Balance sheet date and reduced to the extent that it is no longer

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

2. Significant accounting policies (continued)

probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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 or substantively enacted at the Balance sheet date.

Deferred tax is charged or credited in the statement of financial performance, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Tangible assets

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the Balance sheet at their historic cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets (other than freehold land) less estimated residual value, over their estimated useful lives, on the following bases:

Short leasehold land and buildings over period of lease, up to 50 years on a straight-line basis

Fixtures and fittings over 10 years on a straight line basis, except for the following; 4 years for computer equipment or 5 years for display stands and equipment

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of tangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Costs that are directly associated with identifiable software products controlled by the Company, 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 (or the estimated useful life if different). Amortisation is charged through administration expenses.

Impairment of tangible and intangible assets

At each Balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future 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

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

2. Significant accounting policies (continued)

Impairment of tangible and intangible assets (continued)

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, 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 (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, 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.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. 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 amount of the identifiable assets and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

Trademarks

Trademarks are initially measured at purchase cost and are subsequently amortised on a straight-line basis over their estimated useful lives.

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 statement of financial position.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's Balance sheet 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 time frame 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 categories: financial assets at "fair value through profit or loss", financial assets at "fair value through statement of other comprehensive income", 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 liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities that are classified as fair value through profit or loss relate to derivatives that are not designated and effective as a hedging instrument. Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the profit or loss.

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.

Share-based payments

Where the Company's parent Group has granted rights to its equity instruments to employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements. In such instances a capital contribution is recognised to the extent that the Company is not recharged by its parent.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

2. Significant accounting policies (continued)

Share-based payments (continued)

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each Balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

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 share save 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.

Save As You Earn (SAYE) share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

Fair value is measured by use of the Black-Scholes model.

Cash and cash equivalents

Cash and cash equivalents comprise 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.

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.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, 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 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 Company 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 Company 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 Company will continue in occupation for any period beyond the lease term.

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.

Leases are regularly reviewed on a lease-by-lease basis and will be revalued if it becomes likely that a break clause or option to extend the lease is exercised.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 year, are discussed below:

Valuation of Goodwill

Management judgement and estimate are required in determining future cash flows and appropriate applicable assumptions to support the carrying value of goodwill. See note 10 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 that are expected to be discontinued within the coming financial year as well as an estimate around the write-off rate of said discontinued inventory, which is derived from historic experience. The gross carrying value of inventory categorised as expected to be discontinued is £2.2 million, against which provision of £0.3 million has been recognised. 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 £0.4 million.

Store impairment

Each store is evaluated for indicators of impairment in line with IAS 36. Where impairment triggers are identified, the determination of whether impairment exists involves key estimates including pre-tax discount rate, long-term growth rate and cash flow forecasts – see note 15 for further details. Judgements have also been taken in respect of the Group's definition of mature stores which has been determined to be four years. No reasonable possible change to the definition of a mature store would result in a materially different outcome.

Recoverability of intercompany receivables

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 cashflows for those Group companies, and have concluded all intercompany receivables remain recoverable at the period end.

4. Revenue

	52 weeks ended 30 September 2023 £000	52 weeks ended 1 October 2022 £000
Revenue from the sale of goods	237,441	233,539
	<u>237,441</u>	<u>233,539</u>

All revenue is derived from sales in the UK from continuing operations.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

5. Staff costs

The average monthly number of employees was:

	52 weeks ended 30 September 2023 Number	52 weeks ended 1 October 2022 Number
Selling	1,351	1,354
Admin	314	337

Their aggregate remuneration comprised:

	52 weeks ended 30 September 2023 £000	52 weeks ended 1 October 2022 £000
Wages and salaries	51,051	48,182
Social security costs	4,252	4,075
Other pension costs	1,030	955
	<u>56,333</u>	<u>53,212</u>

The directors are paid by another group undertaking and it is not practicable to allocate their remuneration to other group companies for services rendered. Full disclosure of the directors' remuneration can be found in the Group financial statements of Topps Tiles Plc. Copies of the Group financial statements can be obtained from the address noted in note 24.

6. Operating profit

Operating profit has been arrived at after charging/(crediting):

	52 weeks ended 30 September 2023 £000	52 weeks ended 1 October 2022 £000
Depreciation of tangible assets	4,983	5,473
Depreciation of right-of-use assets	3,935	3,636
Amortisation of trademark	3,000	3,000
Amortisation of software	221	202
Tangible assets impairment charge	113	240
Impairment of right-of-use assets	401	76
Cost of inventories recognised as expense	103,189	108,622
Write-down of inventories recognised as an expense	3,393	4,254
Staff costs	56,333	53,212
Unrealised (gains)/losses on foreign exchange	201	(471)
Realised (gains)/losses on foreign exchange	<u>325</u>	<u>(136)</u>

Fees payable Forvis Mazars LLP for the audit of the Company's annual financial statements were £159,700 (2022: £149,000). Non-audit fees payable to Forvis Mazars LLP were £nil (2022: £nil).

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

7. Finance income and costs

	52 weeks ended 30 September 2023 £000	52 weeks ended 1 October 2022 £000
Finance income		
Interest income from finance lease receivables	58	65
Other interest received	298	-
Finance costs		
Interest payable to other group companies	7,345	3,282
Interest payable on lease liabilities	647	545
Other interest payable	188	-
Preference dividends paid	281	95
	<u>8,163</u>	<u>3,922</u>

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

8. Tax on profit

	52 weeks ended 30 September 2023 £000	52 weeks ended 1 October 2022 £000
Current tax – charge for the period	2,006	2,799
Current tax – adjustment to tax charge in respect of prior periods	(372)	(215)
Deferred tax – origination and reversal of temporary differences	152	(12)
Deferred tax – adjustment in respect of prior periods	<u>(105)</u>	<u>30</u>
Total tax charge for the period	<u>1,681</u>	<u>2,602</u>

Tax expense for the year is higher (2022: higher) than the standard rate of corporation tax in the UK for the period ended 30 September 2023 of 22% (2022: 19%). The differences are explained below.

	52 weeks ended 30 September 2023 £000	52 weeks ended 1 October 2022 £000
Profit before tax	<u>4,307</u>	<u>11,675</u>
Tax at the UK corporation tax rate of 22% (2022: 19%)	948	2,218
Expenses not deductible for tax purposes	451	208
Income not taxable for tax purposes	(1)	(12)
Other tax adjustments, reliefs and transfers	-	15
Group relief claimed	-	(405)
Adjustments to tax charge in respect of prior periods – Corporation tax	(372)	(186)
Adjustments to tax charge in respect of prior periods – Deferred tax	(105)	-
Rate change on deferred tax	18	(6)
Fixed asset differences	<u>742</u>	<u>770</u>
Tax expense for the period	<u>1,681</u>	<u>2,602</u>

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

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

9. Dividends

	52 weeks ended 30 Septem ber 2023 £000	52 weeks ended 1 October 2022 £000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the period ended 30 September 2023 equivalent to £140,000 (2022: £150,000) per share.	14,000	15,000
	<u>14,000</u>	<u>15,000</u>

In addition to the above, the Company also paid preference dividends of £281,000 (2022: £95,000) which has been classified as a finance cost.

10. Intangible assets

	Goodwill £000	Software £000	Trademark £000	Restated total £000
Cost				
At 2 October 2022	115,316	746	60,000	176,062
Additions	-	99	-	99
At 30 September 2023	<u>115,316</u>	<u>845</u>	<u>60,000</u>	<u>176,161</u>
Accumulated amortisation and impairment				
At 2 October 2022	64,385	386	54,000	118,771
Charge for the year	-	221	3,000	3,221
At 30 September 2023	<u>64,385</u>	<u>607</u>	<u>57,000</u>	<u>121,992</u>
Carrying amount				
At 30 September 2023	<u>50,931</u>	<u>238</u>	<u>3,000</u>	<u>54,169</u>
at 1 October 2022	<u>50,931</u>	<u>360</u>	<u>6,000</u>	<u>57,291</u>

Goodwill of £115.3m arose on the purchase of trade and assets from Multi-Tile Limited, in 2003. The company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The Company 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 Company 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 cashflows are prudent, so an increase in future costs associated with meeting climate targets should not materially impact the Company's current year assessment of recoverable amounts.

Management estimates discount rates based on the Company'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 13.9%.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

10. Intangible assets (continued)

A reduction in the long-term growth rate of 500bps would not result in a material change in the headroom. An increase in the pre-tax discount rate of 1,000bps would not result in an impairment charge.

In 2004, the Company purchased trademarks from a fellow group company for total consideration of £60m. Trademarks are amortised on a straight-line basis over twenty years. Software is amortised over its estimated useful life of four years. Amortisation of intangible assets is included within administrative costs in the profit and loss account.

11. Tangible assets

	Short leasehold land and buildings £000	Fixtures and fittings £000	Total £000
Cost			
At 2 October 2022	1,692	83,738	85,430
Reclassification	(114)	114	-
Additions	-	4,002	4,002
Disposals	-	(5,631)	(5,631)
Transfer to right-of-use asset	(34)	-	(34)
Transfer to group company right-of-use asset	(263)	-	(263)
At 30 September 2023	<u>1,281</u>	<u>82,223</u>	<u>83,504</u>
Accumulated depreciation and impairment			
At 2 October 2022	1,006	65,138	66,144
Charge for the year	78	4,905	4,983
Disposals	-	(5,426)	(5,426)
Transfer to right-of-use asset	(18)	-	(18)
Transfer to group company right-of-use asset	(43)	-	(43)
Charge of impairment	-	113	113
At 30 September 2023	<u>1,023</u>	<u>64,730</u>	<u>65,753</u>
Carrying amount			
At 30 September 2023	<u>258</u>	<u>17,493</u>	<u>17,751</u>
At 1 October 2022	<u>686</u>	<u>18,600</u>	<u>19,286</u>

Cumulative finance costs capitalised in the cost of tangible fixed assets amount to £nil (2022: £nil). Contractual commitments for the acquisition of property, plant and equipment are detailed in note 22. During the period, the Company 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 three additional stores (2022: 15 stores) that are impaired. The carrying value of these assets have been impaired in the period due to forecast sales performance being inadequate to ensure that future expected cash flows support the carrying values of their property, plant and equipment. An increase in the provision of £91,000 for the period (2022: £240,000 increase in the provision) is included within Other Operating Expenses. All assets classified as property, plant and equipment are UK based.

12. Inventories

	As at 30 September 2023 £000	As at 1 October 2022 £000
Finished goods	<u>33,260</u>	<u>36,270</u>

No inventories have been pledged as security. In the year there were write offs of £3,393,000 (2022: £4,254,000) and were recognised as an expense during the period, included within cost of sales in the profit and loss account.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

13. Debtors

	As at 30 September 2023 £000	As at 1 October 2022 £000
Amount receivable for the sale of goods	907	1,727
Amounts owed by group undertakings	420,627	396,421
Prepayments and accrued income	2,188	2,563
Other receivables	73	19
Deferred tax asset (see note 19)*	-	243
	<u>423,795</u>	<u>400,973</u>

* In the current period, the deferred tax asset has been classified as a non-current asset in line with IAS 1. The prior period balance has not been reclassified on the basis of materiality.

Amounts owed to group undertakings are interest free and repayable on demand.

The allowance for expected credit losses was £10,000 by the end of the period (2022: £155,000).

14. Trade and other creditors

	As at 30 September 2023 £000	As at 1 October 2022 £000
Amounts falling due within one year:		
Trade payables	15,621	15,226
Other taxation and social security	1,126	1,112
Other payables	4,142	3,468
Contract liabilities	3,386	4,675
Amounts owed to group undertakings repayable on demand	432,788	393,093
Accruals	12,578	10,678
Deferred income	1,037	1,001
	<u>470,678</u>	<u>429,253</u>

Included within amounts owed to Group undertakings is an intercompany loan with Multi-Tile Distribution Limited of £120,000,000 (2022: £120,000,000), repayable on demand. Interest is payable on this loan at SONIA plus 2%. The remaining amounts of £312,788,000 (2022: £273,093,000) are interest free and repayable on demand.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

15. Leases

As a lessee

Right-of-use assets included in the Balance sheet at 30 September 2023 were as follows:

	Land and buildings £000	Equipment £000	Total £000
At 1 October 2022	16,195	2,308	18,503
Additions	461	1,914	2,375
Transfer from Tangible Assets	16	-	16
Disposals	(95)	-	(95)
Depreciation	(2,641)	(1,294)	(3,935)
Impairment	(401)	-	(401)
At 30 September 2023	13,535	2,928	16,463

Lease liabilities included in the Balance sheet at 30 September 2023 were as follows:

	Land and buildings £000	Equipment £000	Total £000
At 1 October 2022	(18,774)	(2,204)	(20,978)
Additions	(421)	(1,903)	(2,324)
Disposals	267	-	267
Interest	(514)	(133)	(647)
Repayment of lease liabilities	3,445	1,156	4,601
At 30 September 2023	(15,997)	(3,084)	(19,081)

The maturity analysis of the lease liabilities is as follows:

	As at 30 September 2023 £000	As at 1 October 2022 £000
Current	(4,008)	(4,009)
Non-current	(15,073)	(16,969)
	(19,081)	(20,978)

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

15. Leases (continued)

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

	As at 30 September 2023 £000	As at 1 October 2022 £000
Less than one year	(4,884)	(4,161)
One to five years	(10,819)	(13,402)
More than five years	(3,688)	(7,213)
	<hr/>	<hr/>
Total undiscounted lease liability	(19,391)	(24,776)
	<hr/>	<hr/>

The following amounts have been recognised in the profit and loss account for the 52 weeks ended 30 September 2023:

	Land and buildings £000	Equipment £000	Total £000
Depreciation of right-of-use assets	2,641	1,294	3,935
Impairment of right-of-use assets	401	-	401
Interest expense	514	133	647
Holdover lease expense	2,788	582	3,370
	<hr/>	<hr/>	<hr/>

The total cash outflow for leases during the financial year was £4,601,000.

As a lessor

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

	52 weeks ended 30 September 2023 £000	52 weeks ended 1 October 2022 £000
Lease income (from operating leases)	<hr/> 21	<hr/> 21
	<hr/>	<hr/>

In the current period, £nil (2022: £nil) of the above income from operating leases was received from other group companies.

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.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

15. Leases (continued)

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

	As at 30 September 2023 £000	As at 1 October 2022 £000
Less than one year	21	21
One to five years	-	21
Total undiscounted lease payments receivable	<u>21</u>	<u>42</u>

16. Borrowings

	As at 30 September 2023 £000	As at 1 October 2022 £000
Due for settlement within 12 months		
Amounts owed to group undertakings repayable on demand	60,000	60,000
5,485,216 preference shares of £1 each	<u>5,485</u>	<u>5,485</u>
	<u>65,485</u>	<u>65,485</u>

17. Provisions

	Dilapidation provision £000
At 2 October 2022	2,444
Created in the year	400
Unwind of discount	122
Utilisation of provision	<u>(536)</u>
At 30 September 2023	<u>2,430</u>
Current	89
Non-current	<u>2,341</u>
At 30 September 2023	<u>2,430</u>

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 14 years, which includes an estimation of future renewals after the current leases end). The Group's methodology for the calculation of the dilapidations provision takes the following information into account:

- Average expected future dilapidations cost per property.
- The number of properties exposed to possible dilapidations claims.
- The likelihood of lease renewal at maturity.

For each reporting period, the Group reviews the calculations and amends the input estimates based on the most recent data and forecasts.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

18. Share-based payments

The Company's parent Group has granted rights to its equity instruments to employees of the Company. Such arrangements are accounted for as equity-settled share-based payments. There are three types of share option arrangements in existence.

Employee Share Purchase Plans

Employee share purchase plans are open to almost all employees and provide for a purchase price equal to the average market price over the three days prior to the date of grant, less 20%. The shares can be purchased during a two-week period each financial year. The shares so purchased are generally placed in the employee share savings plan for a 3 or 5 year period, being the vesting period. The options expire 6 months after vesting.

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. The options expire 10 years after the grant date.

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 have not been met.

Scheme type	Range of exercise prices for outstanding share options (£)	Weighted average remaining vesting period for outstanding share options (years)	Weighted average share price at the date of exercise (£)
Employee Share Purchase Plan	0.44	2.16	0.45
2013 Long Term Incentive Plan	Nil	1.03	0.49
2020 Restricted Stock Plan	Nil	1.31	0.54

The Company will receive no cash upon exercise of the outstanding share options.

In the period, £851,000 (2022: £510,000) has been debited to the profit and loss account, and credited to retained earnings as a capital contribution, for share options.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

19. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	Restated tangible and intangible assets £000	Pension and post- retirement benefits £000	Transition to IFRS 16 £000	Restated total £000
At 03 October 2021	156	51	54	261
(Debit)/credit to profit or loss	(11)	8	(15)	(18)
At 01 October 2022	145	59	39	243
(Debit)/Credit to profit or loss	(38)	6	(15)	(47)
At 30 September 2023	107	65	24	196

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so.

20. Called up share capital

	As at 30 September 2023 £000	As at 1 October 2022 £000
Authorised, issued and fully paid:		
100 (2022:100) ordinary shares of £1 each	-	-

The Company has one class of ordinary shares which carry no right to fixed income.

21. Reserves

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

Topps Tiles (UK) Limited

Notes to the financial statements (continued)

For the 52 weeks ended 30 September 2023

22. Contingent liabilities and pension arrangements

At the end of the period there were capital commitments contracted of £63,000 (2022: £nil).

At 30 September 2023, the Company had multilateral guarantees with the Company's bank for fellow group undertakings in respect of overdrafts of £nil (2022: £nil) and bank loans of £nil (2022: £nil).

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company in independently administered funds. As at 30 September 2023 there were outstanding contributions of £260,000 (2022: £236,000).

23. Related party transactions

The Company has taken advantage of the exemptions granted by paragraph 8(j) and 8(k) of FRS 101, to not disclose transactions with group companies.

There were sales and purchases with Pro Tiler Tools Limited (Pro Tiler), a 60% owned subsidiary of the group, in the period of £1,793,000 (2022: £380,000) and £105,000 (2022: £nil) respectively. During the 52 weeks to 30 September 2023 a loan, repayable upon demand, of £1,500,00 (2022: £nil) was made from Pro Tiler. At the balance sheet date, £1,252,000 (2022: £253,000 owed from) was included within amounts owed to group undertakings.

24. Controlling party

The immediate parent company of the Company is Tiles4less Limited, a company registered in England. The ultimate parent company and controlling entity of the Company, and the smallest and largest group which prepares consolidated financial statements and of which the Company forms a part, is Topps Tiles Plc, a company registered in England, and incorporated in the United Kingdom, whose registered office is located at Topps Tiles, Thorpe Way, Grove Park, Enderby, Leicestershire, LE19 1SU.

Copies of the Company financial statements of Topps Tiles Plc are available from Topps Tiles, Thorpe Way, Grove Park, Enderby, Leicestershire, LE19 1SU.