

**Topalpha (Warehouse) Limited**

**Annual report and financial statements for the  
52 weeks ended 28 September 2019**

Registered number 04453090



# Topalpha (Warehouse) Limited

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**Topalpha (Warehouse) Limited**  
Officers and professional advisors

**Directors**

R. Parker

M.T.M Williams (resigned 30/11/2019)

**Company Secretary**

A.R. Hodder

**Registered Office**

Thorpe Way

Grove Park

Enderby

Leicestershire

LE19 1SU

**Independent Auditors**

PricewaterhouseCoopers LLP

Donington Court

Castle Donington

DE74 2UZ

**Bankers**

Barclays

3 Hardman Street

Manchester

M3 3HF

**Solicitors**

Osbourne Clarke

One London Wall

London

EC2Y 5EB

Shoosmiths

2 Colmore Square

Birmingham

B4 6BJ

# Topalpha (Warehouse) Limited

## Strategic report

### Principal activity

The principal activity of Topalpha (Warehouse) Limited is the provision of warehousing services to the Topps Tiles Plc (“Topps”) group of companies.

The Company is a subsidiary of Topps Tiles Plc. The ultimate parent company produces consolidated financial statements. Details of the Group Business Model, and that of the subsidiary companies is explained in more detail in the financial statements of the ultimate parent, Topps Tiles Plc (company number: 03213782). A copy of its financial statements can be obtained from the Registered Office, Thorpe Way, Grove Park, Enderby, Leicestershire, LE19 1SU.

All Topps Tiles 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.

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 strategies of “Leading Product and “Leading People”.

### Principal risks and uncertainties

Risks to the business include the continuing challenges of the UK economy and the subsequent business impact, balancing the longer term investment needs of the business against the future economic outlook, its relationship with key suppliers, the potential threat of new competitors, the risk that key information technology systems could fail, the possible impacts on costs of sourcing due to the weakness of Sterling in comparison to the Euro and US dollar currencies, the loss of key personnel and the development of substitute products. The directors routinely monitor all these risks and uncertainties and appropriate actions are taken to mitigate the risks or their potential outcomes, details of which can be found in the group financial statements of Topps Tiles Plc.

The risk of losing key suppliers and supply chain disruption has increased as a result of the UK’s decision to leave the EU. Future trade deals between EU and non-EU countries may result in the business having to review and renew existing supplier relationships. The Topps Tiles Group has a diverse supply chain and due to its scale can source products from all over the world, going some way to mitigate any risks associated with leaving the EU.

COVID-19 is an infectious acute respiratory disease that rapidly spread around the world in early 2020, with the World Health Organisation formally declaring it a pandemic on 11 March 2020.

The scale and severity of the COVID-19 pandemic had a very significant impact on the Group, resulting in a material reduction in sales revenue from 23 March 2020 when all our retail stores were closed to support the UK Government efforts to contain the virus. The UK Government put in place a range of support measures for businesses and we accessed all of those available to us. This included utilising the Coronavirus Job Retention Scheme to furlough the c.90% of our colleagues who were unable to work from home, business rates relief for the 2020/21 tax year, VAT deferral and utilising the Coronavirus Large Business Interruption Loan

# Topalpha (Warehouse) Limited

## Strategic report (continued)

### Principal risks and uncertainties (continued)

Scheme ("CLBILS"), which facilitates access to finance for medium-sized and larger businesses affected by the coronavirus outbreak.

In the period following the introduction of lockdown restrictions on 23 March 2020, beyond safeguarding our colleagues and customers, we focused on maximising our trading opportunity within the operating constraints of the current situation, reducing costs wherever possible and taking steps to strengthen financial liquidity across our business.

The business is now operating as normal with all stores open and the vast majority trading a full seven-day week. With our colleagues having now returned to work, the Group has ceased to make use of the UK Government's Coronavirus Job Retention Scheme. Retail trading over the first 6 weeks of FY20 quarter 4 has been robust, with significant year on year sales increases.

COVID-19 is now a key risk that the Group face, and the directors will continue to monitor and respond to the uncertainty going forward.

### Review of the period

The company has incurred an overall loss before tax of £2.8m compared to a loss of £2.4m in the prior period, which is due to incurring costs in relation to the provision of warehouse services to the Topps Tiles Plc group. During the period the company did not pay any dividend (2018: £nil).

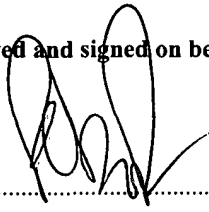
Capital expenditure in the period amounted to £0.96m (2018: £0.03m), relating to fixtures and fittings. Net liabilities at the end of the period totalled £14.5m (2018: £10.8m). At the balance sheet date, the Company had net liabilities totalling £14.5m (2018: £10.8m).

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

- Financial metrics:
  - Adjusted Group revenue growth year on year -0.2% (2018: +1.5%)
  - Like for like sales growth year on year +0.6% (2018: 0.0%)
  - Adjusted gross margin 62.0% (2018: 61.3%)
  - Adjusted profit before tax £16.0m (2018: £16.0m)
  - Adjusted earnings per share 6.61p (2018: 6.64p)
  - Net debt £11.3m (2018: 16.2m)
  - Inventory days 134 (2018: 130)
- Non-financial metrics:
  - Customer overall service score 86.0% (2018: n/a)
  - Colleague turnover 36.8% (2018: 37.2%)
  - Carbon emissions per store (tonnes per annum) 31.9 (2018: 31.1)
  - Number of retail stores at year end 362 (2018: 368)

Topalpha (Warehouse) Limited  
Strategic report (continued)

Approved and signed on behalf of the board by:

A handwritten signature in black ink, appearing to be 'R. Parker', written over a horizontal dotted line.

R. Parker, Director

Date: 18 September 2020

# Topalpha (Warehouse) Limited

## Directors' report

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditors' report, for the 52 weeks period ended 28 September 2019.

The Company is a subsidiary of Topps Tiles plc ("Topps"). The Directors run the Companies on a Group basis where possible and references to Topps in these financial statements relate to the Group as a whole.

### Principal activities

The principal activities of the Company are those of the provision of warehousing services. A review of the business for the period is found in the Strategic report on pages 2-4.

### Going concern

The directors completed a review of the Topps Tiles Group from a going concern perspective in September 2020. This review considered the ability of the Group to meet its banking covenants and operate within its banking facilities based on current financial plans, along with a series of more pessimistic trading scenarios that were deemed severe but plausible. The more pessimistic trading scenarios included a second lock down during the next 12 months that would see our retail stores closed for up to three months.

The Group took a number of actions to strengthen its liquidity during the COVID-19 pandemic, including accessing a range of support measures put in place by the UK Government, and the sale and leaseback of the Group's head office and central warehouse buildings at Enderby in June 2020. The going concern review also outlined a range of other mitigating actions that could be taken in a severe but plausible trading scenario.

In all scenarios, the directors have concluded that there is sufficient covenant headroom and available liquidity for the Group to continue in operational existence for the foreseeable future. In addition, the Company is in receipt of a letter from Topps Tiles Plc, confirming that Topps Tiles Plc will provide any necessary funding to meet its liabilities as they fall due, for a period of not less than 12 months from the date of the signing of these financial statements. The directors therefore continue to adopt the going concern basis in preparing the financial statements. See note 2 for further information.

### Post balance sheet event

COVID-19 is an infectious acute respiratory disease that rapidly spread around the world in early 2020, with the World Health Organisation formally declaring it a pandemic on 11 March 2020. The COVID-19 pandemic is a non-adjusting post balance sheet event for companies with a year end of September 2019.

The scale and severity of the COVID-19 pandemic had a very significant impact on the Group, resulting in a material reduction in sales revenue from 23 March 2020 when all our retail stores were closed to support the UK Government efforts to contain the virus. In response to the pandemic, the Group accessed a range of support measures for businesses put in place by the UK Government, and took steps to reduce costs and strengthen financial liquidity. These are outlined in further detail in note 19.

# Topalpha (Warehouse) Limited

## Directors' report (continued)

### Future outlook

Over the next 12 months, the Topps Tiles Group is looking to commence a simplification exercise which in part will consider the future activities of this entity. There is an expectation that the number of transactions flowing through this entity will reduce over time.

### 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 in the Topps Tiles Plc Group of companies.

Details on the share option scheme are given in note 11.

### Directors

The directors who served during the period and thereafter were as follows:

R. Parker

M.T.M. Williams (resigned 30/11/2019)

### Principal risks and financial risk management policies

Funding for all subsidiaries of Topps Tiles Plc is arranged centrally. The company does not use derivatives to manage its financial risks. Due to the nature of the company's business and the assets and liabilities contained in the company's balance sheet, the main financial risks the directors consider relevant to this company are managed by Topps Tiles Plc. Details of these risk management policies can be found in the consolidated financial statements of the Group which are publicly available.

### 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.

PricewaterhouseCoopers LLP were selected as the Company's auditors' following a tendering exercise carried out in 2018 and appointed at the Annual General Meeting in January 2019. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment was proposed at the AGM.



# Topalpha (Warehouse) 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 regulations.

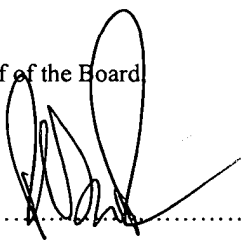
Company law requires the directors to prepare financial statements for each financial 52-week period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently; make judgments and estimates that are reasonable and prudent; and
- make judgments and accounting estimates that are reasonable and prudent;
- 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; 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 also 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 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.

On behalf of the Board



R. Parker

Director

18 September 2020

## ***Independent auditors' report to the members of Topalpha (Warehouse) Limited***

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Topalpha (Warehouse) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 28 September 2019 and of its loss for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 28 September 2019; the Profit and loss account and the Statement of changes in equity for the 52 weeks ended 28 September 2019; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the period ended 28 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

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## Responsibilities for the financial statements and the audit

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement; whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## Other required reporting

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### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

*Lucy Gartside*

Lucy Gartside (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
18 September 2020

# Topalpha (Warehouse) Limited

## Profit and loss account

For the 52 weeks ended 28 September 2019

	Note	2019 £000	2018 £000
Revenue		911	894
<b>Gross profit</b>		<u>911</u>	<u>894</u>
Distribution costs		(3,357)	(3,020)
Administrative expenses		(318)	(305)
<b>Operating loss</b>	7	<u>(2,764)</u>	<u>(2,431)</u>
<b>Loss before taxation</b>		<u>(2,764)</u>	<u>(2,431)</u>
Taxation	6	4	(8)
<b>Loss for the financial period</b>		<u><u>(2,760)</u></u>	<u><u>(2,439)</u></u>

All activity arose from continuing operations.

There were no recognised income or expenses for either period other than those reported above and therefore no separate statement of comprehensive income has been presented.

# Topalpha (Warehouse) Limited

## Balance sheet

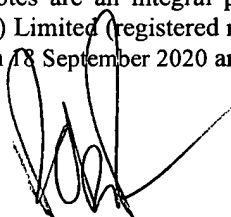
As at 28 September 2019

		At 28 September 2019 £000	Restated* At 29 September 2018 £000
	Note		
<b>Fixed assets</b>			
Property, plant and equipment	8	1,202	336*
Investment properties	15	11,522	11,723*
		<u>12,724</u>	<u>12,059</u>
<b>Current assets</b>			
Trade and other receivables	9	96,629	96,431*
Cash and cash equivalents		163	164
		<u>96,792</u>	<u>96,595</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	10	(123,123)	(119,497)*
		<u>(123,123)</u>	<u>(119,497)</u>
<b>Net current liabilities</b>		<u>(26,331)</u>	<u>(22,902)</u>
<b>Total assets less current liabilities</b>		<u>(13,607)</u>	<u>(10,843)</u>
<b>Creditors: amounts falling due after more than one year</b>			
Deferred tax liabilities	13	(934)	(938)*
		<u>(934)</u>	<u>(938)</u>
<b>Net liabilities</b>		<u>(14,541)</u>	<u>(11,781)</u>
<b>Equity</b>			
Share capital		-	-
Retained earnings		(14,541)	(11,781)
<b>Total equity</b>		<u>(14,541)</u>	<u>(11,781)</u>

\*Refer to notes 8, 9, 10, 13 and 15 for further details of the restatement of balances as at 29 September 2018. The company has taken advantage of the available disclosure exemption under FRS 101, to not include a restated balance sheet as at 30 September 2017.

The accompanying notes are an integral part of these financial statements. The financial statements of Topalpha (Warehouse) Limited (registered number 04453090) were approved by the board of directors and authorised for issue on 18 September 2020 and signed on its behalf by:

Director - R. Parker



## Topalpha (Warehouse) Limited

### Statement of changes in equity For the 52 weeks ended 28 September 2019

	Share capital £000	Retained earnings £000	Total equity £000
<b>Restated balance at 30 September 2017*</b>	-	(9,351)	(9,351)
Loss for the period	-	(2,439)	(2,439)
<b>Total comprehensive loss for the period</b>	-	(2,439)	(2,439)
Capital contribution for equity- settled share-based payments	-	9	9
<b>Restated balance at 29 September 2018*</b>	-	(11,781)	(11,781)
Loss for the period	-	(2,760)	(2,760)
<b>Total comprehensive loss for the period</b>	-	(2,760)	(2,760)
<b>Balance at 28 September 2019</b>	-	(14,541)	(14,541)

\*Refer to notes 13 for further details of the restatement of balances as at 29 September 2018 and 30 September 2017.

# **Topalpha (Warehouse) Limited**

## **Notes to the financial statements**

For the 52 weeks ended 28 September 2019

### **1. General information**

Topalpha (Warehouse) Limited is a Company incorporated in the 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 4.

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 2019 mean at 28 September 2019 or the 52 weeks then ended; references to 2018 mean at 29 September 2018 or the 52 weeks then ended.

These financial statements are separate financial statements. 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 18.

### **2. Significant accounting policies**

#### **Basis of accounting**

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, the Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC).

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.



# **Topalpha (Warehouse) Limited**

## **Notes to the financial statements (continued)**

For the 52 weeks ended 28 September 2019

### **2. Significant accounting policies (continued)**

#### **Going concern**

The directors completed a review of the Topps Tiles Group from a going concern perspective in September 2020. This review considered the ability of the Group to meet its banking covenants and operate within its banking facilities based on current financial plans, along with a series of more pessimistic trading scenarios that were deemed severe but plausible. The more pessimistic trading scenarios included a second lock down during the next 12 months that would see our retail stores closed for up to three months.

The Group took a number of actions to strengthen its liquidity during the COVID-19 pandemic, including accessing a range of support measures put in place by the UK Government, and the sale and leaseback of the Group's head office and central warehouse buildings at Enderby in June 2020. The going concern review also outlined a range of other mitigating actions that could be taken in a severe but plausible trading scenario. This included, but was not limited to, savings on store employee costs, savings on central support costs, and reduction of capital expenditure.

The Group's forecast covenant and cash headroom was reviewed against current lending facilities. These were refinanced in July 2018 and expire in July 2022, with an opportunity to extend at the end of the first and second years for a further year, so a potential full term of five years ending July 2023.

In all scenarios, the directors have concluded that there is sufficient covenant headroom and available liquidity for the Group to continue in operational existence for the foreseeable future. In addition, the Company is in receipt of a letter from Topps Tiles Plc, confirming that Topps Tiles Plc will provide any necessary funding to meet its liabilities as they fall due, for a period of not less than 12 months from the date of the signing of these financial statements. The directors therefore continue to adopt the going concern basis in preparing the financial statements.

#### **Revenue recognition**

Revenue comprises rents receivable, net of VAT in respect of properties situated in the UK.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***The Company as lessor***

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the term of the relevant lease.

#### **Operating profit/loss**

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

#### **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 year. 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.

# Topalpha (Warehouse) Limited

## Notes to the financial statements (continued)

For the 52 weeks ended 28 September 2019

### 2. Significant accounting policies (continued)

#### Taxation (continued)

##### *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 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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

##### *Current tax and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

#### **Property, plant and equipment**

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 less estimated residual value, over their estimated useful lives, on the following bases:

Fixtures and fittings	over 10 years, except for the following; 4 years for computer equipment or 5 years for display stands
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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 property, plant and equipment 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.

# **Topalpha (Warehouse) Limited**

## **Notes to the financial statements (continued)**

For the 52 weeks ended 28 September 2019

### **2. Significant accounting policies (continued)**

#### **Investment properties**

Investment properties are held at their historic cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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:

Investment properties	2% per annum on cost on a straight-line basis
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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.

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

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

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

#### **Impairment of property, plant and equipment**

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment 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.

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.

#### **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.

# **Topalpha (Warehouse) Limited**

## **Notes to the financial statements (continued)**

For the 52 weeks ended 28 September 2019

### **2. Significant accounting policies (continued)**

#### **Financial instruments (continued)**

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.

#### **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.

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.

#### **Retirement benefit costs**

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

#### **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.

#### **Adoption of new accounting standards, interpretation and amendments**

##### **IFRS 9 “Financial Instruments”**

The Company has adopted IFRS 9 “Financial Instruments” for the first time in the current financial year, with a date of initial application of 30 September 2018. The Company applied IFRS 9 using the modified retrospective method, without adjusting prior periods. The adoption of IFRS 9 had no material impact on the Company’s retained earnings at 30 September 2018. There were no changes to the carrying amounts of assets and liabilities on transition to IFRS 9.

# Topalpha (Warehouse) Limited

## Notes to the financial statements (continued)

For the 52 weeks ended 28 September 2019

### 2. Significant accounting policies (continued)

#### Adoption of new accounting standards, interpretation and amendments (continued)

##### IFRS 15 “Revenue from Contracts with Customers”

The Company has adopted IFRS 15 “Revenue from Contracts with Customers” for the first time in the current financial year, with a date of initial application of 30 September 2018. Based on the nature of the Company’s revenue streams with the recognition of revenue at the point of it being due for rental properties, the adoption of IFRS 15 does not have a material impact on the timing or nature of the Company’s revenue recognition.

### 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.

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. Auditors’ remuneration

Fees payable to PricewaterhouseCoopers for the audit of the Company’s annual financial statements were £1,400 (Deloitte 2018: £1,100). Fees relating to non-audit work totalled £nil (2018: £nil); see note 5 to the Group financial statements for further details.

### 5. Staff costs

The average monthly number of employees (including executive directors) was:

	2019 Number	2018 Number
Warehouse	110	103

Their aggregate remuneration comprised:

	2019 £000	2018 £000
Wages and salaries	2,309	2,112
Social security costs	186	177
Other pension costs	48	28
	2,543	2,317

# Topalpha (Warehouse) Limited

## Notes to the financial statements (continued)

For the 52 weeks ended 28 September 2019

### 5. Staff costs (continued)

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 18.

### 6. Taxation

	2019 £000	2018 £000
Deferred tax – charge for the period	(4)	8
Total tax charge on loss for the period	(4)	8

Tax expense for the year is higher (2018: higher) than the standard rate of corporation tax in the UK for the period ended 28 September 2019 of 19% (2018: 19%). The differences are explained below.

	2019 £000	2018 £000
Loss before tax	(2,764)	(2,431)
Tax at the UK corporation tax rate of 19.0% (2018: 19.0%)	(525)	(462)
Expenses not deductible for tax purposes	-	2
Fixed asset differences	33	38
Group relief surrendered	490	431
Tax rate changes	(2)	(1)
Tax expense for the period	(4)	8

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

# Topalpha (Warehouse) Limited

## Notes to the financial statements (continued)

For the 52 weeks ended 28 September 2019

### 7. Operating loss

Loss for the financial year has been arrived at after charging:

	2019 £000	Restated 2018 £000
Depreciation of property, plant and equipment	93	57
Depreciation of investment property	201	201

The 2018 amounts have been restated to split out depreciation between property, plant and equipment and investment property.

### 8. Property, plant and equipment

	Fixtures and fittings £000	Restated Total £000
<b>Cost</b>		
At 29 September 2018	2,167	2,167
Additions	959	959
At 28 September 2019	3,126	3,126
<b>Accumulated depreciation</b>		
At 29 September 2018	1,831	1,831
Charge for the year	93	93
At 28 September 2019	1,924	1,924
<b>Carrying amount</b>		
At 28 September 2019	1,202	1,202
At 29 September 2018	336	336

Prior year balances have been restated to reflect a correction of an error in classification of property owned by the company. In the prior year the property was classified as a Freehold Property and has now been reclassified as Investment property. As this is only a reclassification restatement, no amendments have been made to the values associated with the property (note 15).

## Topalpha (Warehouse) Limited

### Notes to the financial statements (continued)

For the 52 weeks ended 28 September 2019

#### 9. Trade and other receivables

	2019 £000	Restated 2018 £000
Amounts falling due within one year:		
Trade receivables	40	45
Prepayments	55	45
Amounts owed by other group companies	96,530	96,328
Other receivables	4	13
	<hr/>	<hr/>
	96,629	96,431

The 2018 amounts have been restated to increase amounts owed by group undertakings by £96,328,000 due to a prior year error to reflect gross rather than net intercompany balances by counterparty. There is no change in net assets as a result of this restatement.

#### 10. Trade and other payables

	2019 £000	Restated 2018 £000
Amounts falling due within one year:		
Other taxes and social security	53	50
Amounts owed to other group companies	122,888	119,411
Other creditors	182	33
Accruals	-	3
	<hr/>	<hr/>
	123,123	119,497

The amounts owed to group undertakings are interest free, unsecured, have no fixed date of repayment and are repayable on demand.

The 2018 amounts have been restated to increase amounts owed to group undertakings by £96,328,000 due to a prior year error to reflect gross rather than net intercompany balances by counterparty. There is no change in net assets as a result of this restatement.



# Topalpha (Warehouse) Limited

## Notes to the financial statements (continued)

For the 52 weeks ended 28 September 2019

### 11. 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.

In the period, £189 has been credited to the profit and loss account, and debited to accumulated losses as a capital contribution, for share options. (2018: £9,000 was debited).

#### Employee Share Purchase Plans

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

#### 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

During the financial period, a new five year Long Term Incentive plan was introduced. Under this plan a number of share options were granted to management level employees across the Group. These options will vest in December 2020 subject to the achievement of certain performance criteria. The options expire 10 years after the grant date.

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	0.64	1.69	No options exercised
Long term Incentive Plan	Nil	1.31	No options exercised
2020 Long Term Incentive Plan	Nil	1.18	No options exercised

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

### 12. Share capital

#### Issued and fully paid:

1 (2018:1) ordinary shares of £1 each

2019	2018
£000	£000

-	-
=====	=====

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

## Topalpha (Warehouse) Limited

### Notes to the financial statements (continued)

For the 52 weeks ended 28 September 2019

#### 13. 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.

	<b>Property, plant and equipment £000</b>	<b>Pension and post- retirement benefits £000</b>	<b>Total £000</b>
Restated balance at 30 September 2017*	(931)	1	(929)
(Charge)/credit to profit or loss	(7)	(1)	(8)
Restated balance at 29 September 2018*	(938)	-	(938)
Credit to profit or loss	4	-	4
At 28 September 2019	(934)	-	(934)

The 2017 and 2018 amounts have been restated to increase the deferred tax liability provision by £949,000. The adjustment arose due to a historic provision liability that should have been recognised for the freehold properties when the Company transitioned to prepare its financial statements under Financial Reporting Standard 101.

#### 14. Operating lease arrangements

##### The Company as lessor

Property rental income earned during the period was £911,000 (2018: £894,000). Income is earned from other group undertakings and the company has no future minimum lease payments contracted with tenants.

## Topalpa (Warehouse) Limited

### Notes to the financial statements (continued)

For the 52 weeks ended 28 September 2019

#### 15. Investment properties

	<b>Restated Investment properties £000</b>
<b>Cost</b>	
At 29 September 2018	14,047
Additions	-
	<hr/>
At 28 September 2019	14,047
	<hr/>
<b>Accumulated depreciation</b>	
At 29 September 2018	2,324
Charge for the year	201
	<hr/>
At 28 September 2019	2,525
	<hr/>
<b>Carrying amount</b>	
At 28 September 2019	11,522
	<hr/>
At 29 September 2018	11,723
	<hr/>

Investment properties include £4,100,000 (2018: £4,100,000) of freehold land on which no depreciation has been charged in the current period.

Prior year balances have been restated to reflect a correction of an error in classification of property owned by the company. In the prior year the property was classified as a Freehold Property and has now been reclassified as Investment property. As this is only a reclassification restatement, no amendments have been made to the values associated with the property.

The company has undertaken an exercise to establish fair value of the properties at the reporting date, which is deemed to be £18,100,000.

#### 16. Contingent liabilities and pension arrangements

At 28 September 2019, the company had unlimited multilateral guarantees with the company's bank for fellow group undertakings in respect of overdrafts of £nil (2018: £76,003,536) and bank loans of £30,000,000 (2018: £30,000,000).

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 28 September 2019 there were outstanding contributions of £11,000 (2018: £8,000).

#### 17. 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.

# **Topalpha (Warehouse) Limited**

## **Notes to the financial statements (continued)**

For the 52 weeks ended 28 September 2019

### **18. Controlling party**

The Company's ultimate parent company is Topps Tiles Plc a company incorporated in England. The parent undertaking of the largest and smallest group, which includes the Company and for which group financial statements are prepared, is Topps Tiles plc, a company incorporated in England, whose registered office is located at Thorpe Way, Grove Park, Enderby, Leicestershire, LE19 1SU. Copies of the Company financial statements of Topps Tiles Plc are available from Companies House, Crown Way, Cardiff, CF14 3UZ. The Company's immediate parent company is Topalpha Limited and there is no ultimate controlling party.

### **19. Post balance sheet event**

COVID-19 is an infectious acute respiratory disease that rapidly spread around the world in early 2020, with the World Health Organisation formally declaring it a pandemic on 11 March 2020. The COVID-19 pandemic is a non-adjusting post balance sheet event for companies with a year end of September 2019.

The UK Government put in place a range of support measures for businesses and we accessed all of those available to us. This included utilising the Coronavirus Job Retention Scheme to furlough the c.90% of our colleagues who were unable to work from home, business rates relief for the 2020/21 tax year, VAT deferral and utilising the Coronavirus Large Business Interruption Loan Scheme ("CLBILS"), which facilitates access to finance for medium-sized and larger businesses affected by the coronavirus outbreak.

The Group conducted a review of its central functions across June 2020 and July 2020 and achieved a £2.0 million annual reduction in its cost base. This was delivered through a combination of reduced hours, unpaid sabbaticals, voluntary redundancy, and a small number of compulsory redundancies.

On 12 June 2020, the Group agreed the sale and leaseback of its head office and central warehouse buildings at Grove Park, Enderby, Leicester, to UK Warehouse Properties Limited. The consideration for the sale was £18.1 million (£17.9 million net of costs) and was paid in cash on completion. The consideration represents a premium of approximately 29.3% to the balance sheet asset value of the properties of £14.0 million. In connection with the sale, the Company has entered into leases for the properties for a 20-year period following completion, for an annual rent of £1.2 million.

The business is now operating as normal with all stores open and the vast majority trading a full seven-day week. With our colleagues having now returned to work, the Group has ceased to make use of the UK Government's Coronavirus Job Retention Scheme. Retail trading over the first 6 weeks of FY20 quarter 4 has been robust, with significant year on year sales increases.

The combination of strong trading and receipt of the proceeds from the sale and lease back of the Group's head office and central warehouse buildings at Enderby in June 2020, have had a material impact on the Group's liquidity position. As of September 2020, the Group is in a net cash position and has substantial available cash headroom within its financing facilities.

An assessment of the balance sheet was undertaken in September 2020 to consider the carrying values of the Group assets. The directors have confirmed that they are not aware of any material impairment of assets as stated at 28 September 2019 as a result of the COVID-19 pandemic.