

**DEROGATION LETTER
IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED
PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002
COMPLETED ACQUISITION**

Dear [✂]

Consent under section 72(3C) of the Enterprise Act 2002 to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority (CMA) on 3 October 2024.

Completed acquisition by Topps Tiles Plc of certain assets of Tildist Realisations Limited (formerly CTD Tiles Limited)

We refer to your email and accompanying derogation request memorandum dated 17 December 2024 requesting that the CMA consents to a derogation from the Initial Enforcement Order of 3 October 2024 (the **Order**). The terms defined in the Order have the same meaning in this letter.

Under the Order, save for written consent by the CMA, Topps and Tiles4Less are required to hold the Target separate from the Topps business and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference.

After due consideration of your request for a derogation from the Order, based on the information received from you and the monitoring trustee the CMA directed Topps and Tiles4Less to appoint and taking account of the particular circumstances of this case, Topps and Tiles4Less may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 5(a) and 5(l) of the Order

On 25 November 2024, the CMA granted a derogation (the **Fourth Derogation**) from paragraphs 5(a) and 5(l) of the Order to enable the Target to sub-lease a segregated area within a refurbished warehouse (located at ProLogis Park, Pineham, Northampton NN4 9EX) (the **Northampton Warehouse**) that Topps recently leased for its business, Pro Tiler Limited (**Pro-Tiler**) (the **Northampton Proposal**).

Topps submits that the following individuals, employed by Topps, will be required to support with the fit-out of the Northampton Warehouse for the Northampton Proposal (the **Warehouse Fit-out**):

- [X] (IT, Project Manager) will provide project management resource for the purposes of the Warehouse Fit-out. There is currently no project management resource within the Target that could assist with the Warehouse Fit-out and the tight timeframe does not allow for the external recruitment of an individual with the necessary expertise and knowledge of the tiling industry to assist with the Warehouse Fit-out.
- [X] (Tila Consultant, Project Manager) will support [X], whose role in supporting on the Warehouse Fit-out was approved under the Fourth Derogation, in overseeing the fit-out of the Target's part of the Northampton Warehouse. [X] support is necessary to ensure that the extensive Warehouse Fit-out can be undertaken in the particularly tight timeframe the parties have to work to, providing cover for [X] where necessary.
- [X] (Pro Tiler, [X]) manages the logistics operations for Pro-Tiler and will be responsible for running the Northampton Warehouse on behalf of Pro-Tiler once it is commissioned. The Target may need to liaise with [X], as Pro-Tiler's [X], to ensure the segregation of the businesses' respective parts of the Northampton Warehouse such that the two operations can work independently.
- [X] (IT, Process Manager) is responsible for layouts, picking processes and inventory control within the Topps Group, ensuring that these are optimised and efficient. [X] input is necessary to assist with the layout of the Target's part of the Northampton Warehouse, ensuring that the racking is labelled logically and correctly and that this is effectively segregated from the Pro-Tiler operation. The Target currently has no resource to assist with these roles and the timeframe does not allow for recruitment of an individual with the necessary expertise and knowledge of the tiling industry to assist with the Warehouse Fit-out.

(the Northampton Project Team)

As such, the Parties have requested that the CMA grants a derogation from paragraphs 5(a) and 5(l) of the Order to enable the Northampton Project Team to support the Warehouse Fit-out.

The CMA consents to the derogation strictly on the basis that:

1. Any CSI provided by the Target business to any Northampton Project Team members is limited to what is strictly necessary for that individual to support with the Warehouse Fit-out on behalf of the

Target business and will not be used for any other purpose.

2. The Northampton Project Team members will not share Target CSI with any person within the Topps business except to the extent that such person is an Authorised Individual under the CMA's Derogation Consent of 3 October 2024 (the **First Derogation**) and needs access to such information.
3. Appropriate IT firewalls and/or other ring-fencing measures will be put in place to prevent any person within the Topps business from accessing any Target CSI shared with Northampton Project Team members under this derogation.
4. Each of the Northampton Project Team members will be added to the list of Authorised Individuals under the First Derogation and will sign a confidentiality acknowledgement in a form previously approved by the CMA in writing.
5. No member of the Northampton Project Team is in a position to exert any strategic influence over any business within the Topps business.
6. In the event that any part of the Target business is divested in connection with the CMA's current merger inquiry, the Topps business and Target shall take all reasonable steps to ensure that any records or copies (electronic or otherwise) of CSI relating to the divested business, wherever it may be held, are destroyed except to the extent that record retention is required by law or regulation.
7. This derogation shall not prevent any remedial action which the CMA may need to take regarding the transaction.

Yours sincerely,

Matteo Alchini

Assistant Director, Mergers

20 December 2024