

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

Dear [X]

**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 20 November 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), 5(e) and 5(l) of the Order**

Topps submits that the Target's licence to occupy its warehouse located at Kings Norton in the West Midlands, which it is currently using to store and distribute the Target's tiles and associated essentials products (grout, adhesives, tools and accessories), expires on 18 February 2025. Topps also submits that it is unlikely that the Target will be able to negotiate an extension. Topps further submits that even if the Target were able to negotiate an extension, it would be highly prejudicial to both the Target and Topps if it were to remain at Kings Norton beyond 18

February 2025 (including due to TUPE restrictions).

Topps submits that transferring stock from one warehouse to another takes a significant amount of time, as does bringing a warehouse to the specifications the Target needs. To Topps' knowledge, there are no available third-party warehouses which would meet the Target's needs within the required compressed timeframe. Topps also submits that it does not have access to any warehousing facilities which it could allocate solely to the Target.

As such, the Parties have requested that the CMA grants a derogation from paragraphs 5(a), 5(e) and 5(l) of the Order to enable the Target to relocate to 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**). For the purposes of the Northampton Proposal, [X] ([X], Topps) will be responsible for ordering racking and other essential equipment to meet Target's specifications and [X] ([X], Tila Commercial) will project manage the overall fit-out of the Northampton Warehouse for the Target's use (the **Warehouse Fit-out**).

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

1. The sub-lease to be entered into between the Topps business and the Target business for part of the Northampton Warehouse under this derogation (including any subsequent amendments) will be in an arm's-length form approved by the CMA in writing.
2. Appropriate physical barriers will be put in place within the Northampton Warehouse to ensure that the Target's area is sufficiently segregated from the Pro-Tiler area so that the Target continues to operate independently of the Topps business, and without sharing any competitively sensitive information (**CSI**).
3. The Target area of the Northampton Warehouse will provide at least as much storage capacity as is available to the Target at the Kings Norton Warehouse.
4. The Target will have independent access to its part of the Northampton Warehouse and will have its own vehicle loading area.
5. The Target will put in place a secure independent IT system for the operation of its warehouse facility to ensure that the Target continues to operate independently of Topps without sharing any CSI.
6. The Target will independently hire all staff necessary to operate its part of the Northampton Warehouse. All staff thus hired will be

exclusively allocated to the Target business.

7. Any CSI provided by the Target business to [X] and [X] is limited to what is strictly necessary for them to arrange the Warehouse Fit-out on behalf of the Target business and will not be used for any other purpose.
8. [X] and [X] will not disclose any Target CSI to 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 and needs access to such information.
9. 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 [X] and [X] under this derogation.
10. [X] and [X] will each be added to the list of Authorised Individuals under the CMA's Derogation Consent of 3 October 2024 and will sign a confidentiality acknowledgement in a form previously approved by the CMA in writing.
11. 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.
12. 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

25 November 2024