

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

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) (the Merger)

We refer to your email and accompanying derogation request memorandum dated 3 February 2025 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, as well as from the hold separate manager 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:

Paragraphs 5(d) and 5(e) of the Order

The Target's lease in respect of its Hampton retail store (Sandfield Industrial Estate, Oldfield Road, Hampton TW12 2HT) (the **Hampton store**) expires on 3 March 2025. The Target submits that it is currently in negotiations with the landlord over the terms of a lease renewal in respect of the Hampton store but the Target considers that these negotiations are unlikely to result in a commercially viable renewal offer.

The Target submits that Hampton store's rent is currently [X] per annum. The landlord is demanding at least [X]. The Hampton store generated [X] in revenue

over the last 12 months (down from [§<] in 2023), meaning it [§<] ([§<] in 2023). Given the revenue forecasts for 2025, the CMA understands from the hold separate manager and monitoring trustee that the proposed rent increase would [§<] and that there would be no rational business case for keeping it open. Moreover, the Target submits that the landlord is insisting on lease terms which would make the Target liable for any historic repairs associated with the Hampton store.

The Target submits that it has sought alternative sites in close proximity to the Hampton store. It has engaged a third party, [§<], to assist it in finding an alternative site. Despite the Target and its contractor's best endeavours, the Target has been unable to find an alternative site which offers a commercially viable alternative. The Target submits that, as things stand, it anticipates having to close the Hampton store and make the store staff redundant.

As a result, the Target requests that the CMA grants a derogation from paragraphs 5(d) and 5(e) of the Order to enable the Target either to relocate the Hampton store to a suitable nearby location (if one can be found on reasonably acceptable business terms) or otherwise close the Hampton store and make the store staff redundant.

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

- (1) The Target has pursued, and will continue to pursue, all reasonable efforts to identify and secure a suitable alternative retail site on commercially acceptable terms within the locality of the Hampton store.
- (2) The Target will instruct [§<] to continue looking for appropriate alternative retail locations within the locality of the Hampton store (i.e. within an agreed drive time of the existing store) and the Target will report back to the CMA on the progress of this search on a fortnightly basis for so long as the Order remains in place.
- (3) If a suitable alternative retail location is identified while the Order remains in place, the Target will promptly notify the CMA and will use all reasonable endeavours to reopen a CTD-branded store within four weeks of signing a store lease (unless otherwise agreed by email with the CMA).
- (4) The Target's decision to evaluate a potential store relocation or close its Hampton store is unrelated to the Merger and was taken by the Target independently of Topps.
- (5) 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

27/02/2025