3 May 2023

Card Factory plc ("cardfactory" or the "Group")

Preliminary results for the year-ended 31 January 2023

cardfactory, the UK's leading specialist retailer of greeting cards, gifts and celebration essentials, announces its preliminary results for the year ended 31 January 2023 ('FY23').

Continued positive momentum, underpinned by a resilient balance sheet:

- cardfactory LFL[1] revenue growth of +6.7% is underpinned by a strong performance in the core business activity of store-based sales and Everyday card ranges, accompanied by strong trading through the Christmas season.
    - Store revenue grew +7.6% on a LFL[1] basis, reflecting a return of customers to the high street, the success of our new ranges and our strong value for money proposition, alongside the successful implementation of targeted price increases.
    - cardfactory.co.uk sales fell -18.8% year-on-year, due to a combination of customers returning to the high street and the impact of Royal Mail strikes during the Christmas trading period, but remained up significantly in comparison to pre-pandemic (+86.4% 3Y LFL[1]).
- EBITDA[1] of £112.0m (FY22 £85.6m) as the majority of inflationary pressures were offset through a combination of efficiency measures and targeted price increases.
- PBT of £52.4m (FY22 £11.1m) includes £3.5 million of one-off benefits due to the release of CJRS provision and refinancing of debt facilities.
- Strong operating cash conversion[1] through the year of +96% contributed to a reduction in net debt (excluding lease liabilities) to £57.2m (FY22: £74.2m), which is significantly reduced compared to pre-pandemic levels (FY20: £143.1 million), in addition to previously deferred rent positions, totalling £10.8m, fully unwinding during the year.
- Successful refinancing in April 2022 provides platform for strategic growth, with more flexible debt portfolio enabling reduction in gross debt.
- Capex investment increased from £6.9m in FY22 to £18.2m in FY23 to support key enablers to our strategic growth plans including ERP implementation, store investment and ecommerce initiatives to progress our omnichannel ambitions.
- Targeted price increases delivered approximately two-thirds of the LFL growth, with both transactions and average basket values increasing compared to last year.

Financial summary

Financial Metrics	FY23	FY22	Change
Revenue	**£463.4m**	£364.4m	27.1%
EBITDA [1]	**£112.0m[2]**	£85.6m	28.6%
Profit before tax	**£52.4m[2]**	£11.1m	368.5%
Leverage (excl. lease liabilities) [1]	**0.5x**	0.9x	(44.4%)
Cash from operations [1]	**£107.8m**	£113.6m	(5.2%)
Basic EPS	**12.9p**	2.4p	437.5%

[1] For further information and definitions of Like-for-like (LFL) and other alternative performance measures see Explanatory Notes (below) “Alternative Performance Measures ("APMs") and other explanatory information”.

[2] EBITDA and PBT for FY23 includes one-off benefit associated with CJRS settlement (£2.5 million). Profit before tax includes a further one-off benefit related to refinancing of debt facilities (£1.0 million).

Delivering against our strategic priorities:

- **Stores**
    - The learnings and results we have from our model store format trial have been used to develop our Store Evolution Programme.
    - This comprises three components – capex light space realignment being applied across 750 stores in FY24; display reorganisation being applied across 50 stores in FY24; updated store

    - design being applied to new stores and a select number of existing stores in line with existing refit costs.
    - Continued focus on expanding in underpenetrated markets with the opening of three small format trial stores in central London, as well as continued expansion in the Republic of Ireland.

- **Leadership in Everyday Card**
    - Revenue growth in Everyday card was driven by range development and our targeted pricing strategy.
    - Permanent 3 for 2 mechanic on general card range introduced delivering +20% LFL revenue growth and +48% LFL volume growth in this category.
    - Entire review of Everyday card range undertaken with new ranges developed and expanded diversity across all card ranges to ensure all of our customers are included.

- **Online including omnichannel**
    - Completed the transition of cardfactory.co.uk and gettingpersonal.co.uk to a new shared platform to enable phased expansion of online ranges.
    - Click & Collect trial completed across 87 stores in FY23 with average order value 16% higher than our current online average and an indication of in-store basket uplift with 7% of customers purchasing an additional item in store. UK nationwide rollout of Click & Collect was completed at the end of April, with further developments to the service planned in FY24.
    - Major app update added a range of new features.

- **Gifts & Celebration Essentials (formerly referred to collectively as 'complementary categories')**
    - Strong LFL growth of +11.4% reflective of range development work and expansion of Everyday and Seasonal gifting which will continue across a wider proportion of the estate to provide customers with greater choice.
    - Broadened categories by introducing third-party brands and licensed ranges.
    - New categories introduced online including flowers and alcohol, generating an 11% uplift in online gifting sales in H2 FY23.

- **Partnerships**
    - New partnership agreement signed in April 2023:
        - Long-term master franchise agreement signed with Middle East-based, Liwa Trading Enterprises, who will act as our exclusive franchise partner in the region, to open c. 36 cardfactory branded stores in the Middle East.
    - Acquisition post-year-end of SA Greetings:
        - Foothold into target South African market with 28 "Cardies" retail stores.
        - Local wholesaling offer through the company's printing, merchandising and warehousing capacity.
        - Provides opportunity to build out further wholesale partnerships in South Africa.
    - Market opportunity research conducted across both card and gifting, validating our seven international markets of interest.
    - Foundations scoped and in development to support franchise and wholesale partnership models.

Current trading and Outlook:

- Trading in the first weeks of the new financial year has been encouraging and slightly ahead of the Board's expectations. Both Everyday and Seasonal ranges have performed strongly across cards and gifts during this time, with our offer across our FY24 Spring seasons of Valentine's Day and Mother's Day also landing well with customers, resulting in a robust performance.
- As we look ahead, we continue to have confidence in our ability to mitigate cost inflation through a combination of productivity initiatives and targeted price actions. This approach, together with our clear growth strategy and compelling value-led proposition, gives us confidence the Group will continue to make strategic and financial progress in the year ahead.

- The Board remains confident in the compelling growth opportunity for the business, as well as in our ability to use our expertise and the flexibility in our business model to drive profitability and returns for shareholders over the long term. As part of our Capital Markets Strategy Update, we will outline a pathway for revenues of around £650m and margins around 14% in FY27, supported by a capital investment plan of £24m per annum, over the next three years.

Darcy Willson-Rymer, Chief Executive Officer, commented:

"I have been incredibly pleased with our performance this year which has been ahead of expectations. These strong results reflect positive momentum across the business, including notable progress on our strategic growth initiatives, buoyed by the marked shift of customer spend back towards the high street. Revenue growth has been underpinned by a strong performance of store-based sales and Everyday card ranges, alongside strong trading through the Christmas season, with new ranges and our compelling value for money offer clearly resonating with customers, driving both store transactions and average basket values.

Proactive measures that we put in place to manage the inflationary pressures faced in the year, coupled with our strengthening financial position, have underpinned positive progress on our strategic priorities.

Whilst remaining mindful of the ongoing impact of the cost of living crisis on our customers, we are confident that we are well positioned to make good progress in our transition to becoming the market leading omnichannel retailer of cards and gifts."

Preliminary results webcast and Capital Market Strategy Update

There will be an analyst presentation for the preliminary results today at 10:00 am in central London. We will also provide a live video webcast available via the following link.

The results presentation will be followed by a Capital Markets Strategy Update, commencing at 11:30 am. The event will be hosted by CEO Darcy Willson-Rymer and will feature a series of short presentations from some of the cardfactory senior management team who will provide a broader update on strategic plans through to FY27.

A live video webcast will be available via the following link. Those analysts who wish to join in person are requested to contact Yasemin Balman of Teneo on the number provided below or by emailing cardfactory@teneo.com.

A copy of the webcasts and accompanying presentations will be made available via the cardfactory investor relations website: www.cardfactoryinvestors.com.

Enquiries

Card Factory plc	via Teneo (below)
Darcy Willson-Rymer, Chief Executive Officer	
Teneo	+44 (0) 207 353 4200
James Macey White / Jo Blackshaw	cardfactory@teneo.com

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Card Factory plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Card Factory plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

Explanatory notes

Alternative Performance Measures ("APMs") and other explanatory information

Introduction
In the reporting of the preliminary results and condensed consolidated financial statements, the Directors have adopted various Alternative Performance Measures ('APMs') of financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards ('IFRS'). These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements.

Purpose
The Directors believe that these APMs provide additional useful information on the performance and position of the Group and are intended to aid the user in understanding the Group's results.

The APMs presented are consistent with measures used internally by the Board and management for performance analysis, planning, reporting and incentive setting purposes.

Definitions of the APMs used in this report are as follows:

"EBITDA" is earnings before interest, tax, gains or losses on disposal, depreciation, amortisation and impairment charges. Earnings is equivalent to profit after tax calculated in accordance with IFRS and each adjusting item is calculated in accordance with the relevant IFRS. A reconciliation of EBITDA to operating profit is provided in note 3 to the condensed consolidated financial statements. The Group uses EBITDA as a measure of trading performance, as it usually closely correlates to the Group's operating cash generation.

"Leverage" is the ratio of Net Debt to EBITDA for the previous 12 months. The Group monitors and reports leverage as a key measure of its financing position and performance. Leverage is also a key covenant defined within the Group's financing facilities. A calculation of Leverage (both inclusive and exclusive of lease liabilities) is provided in the Chief Financial Officer's review below.

"Like-for-like" or "LFL" calculates the growth or decline in gross sales in the current period versus a prior comparative period. For stores, LFL measures exclude any sales earned from new stores opened in the current period or closed since the comparative period and only consider the time period where stores were open and trading in both the current and prior period (hence any periods of lockdown in either period are excluded from both periods).

LFL measures for product lines or categories, where quoted, are calculated using the same principles.

LFL measures for our online businesses (cardfactory.co.uk and gettingpersonal.co.uk) compare gross sales for the current and comparative period made through the respective online platform.

All LFL measures in this report compared FY23 to FY22, unless otherwise stated. A "3Y LFL" compares FY23 to FY20.

In addition, the Group reports combined Like-for-like sales measures for certain components of the business as follows:

- "**cardfactory LFL"** is defined as Like-for-like sales in stores plus Like-for-like sales from the cardfactory website www.cardfactory.co.uk;
- **"Online"**: Like-for-like sales for cardfactory.co.uk and gettingpersonal.co.uk combined.

Sales by Printcraft, the Group's printing division, to external third-party customers are excluded from any LFL sales measure.

“Net Debt” is calculated by subtracting the Group’s cash and cash equivalents from its borrowings. Net Debt is a key measure of the Group’s balance sheet strength, and is also a covenant in the Group’s financing facilities. The Group presents Net Debt both inclusive and exclusive of lease liabilities, but focusses upon the value exclusive of lease liabilities, which is consistent with the calculation used for covenant purposes.

“Operating cash conversion” is Cash from operations (calculated as cash from operating activities before corporation tax payments) per the cash flow statement prepared in accordance with IFRS divided by EBITDA and expressed as a percentage.

“Percentage Movements” have been calculated before figures were rounded to £0.1m.

Card Factory plc ("cardfactory" or the "Group")

Preliminary results for the year-ended 31 January 2023

CHAIR’S STATEMENT

Ahead of management expectations, the positive performance of FY23 reflects the good momentum we have within the business, the strong leadership we now have in place and the unwavering commitment from our colleagues. With revenue exceeding pre-pandemic levels and notable progress on our strategic initiatives, we are well placed to deliver on our growth ambitions.

Year in review

Through FY23 we saw store-based sales and Everyday card ranges underpin our strong performance. This was accompanied by very positive trading through the Christmas season with new ranges and our compelling value for money offer driving improvements in both store transactions and average basket value. We are encouraged that this trend has continued in our FY24 Spring seasons of Valentine’s Day and Mother’s Day. This reflects work undertaken throughout the year on range curation and improved availability, as well as the successful implementation of targeted price increases.

As customers returned to the high street, online sales were down year-on-year but remained significantly ahead of pre-pandemic levels, reflecting the continued expansion of product ranges online and improvements to customer experience.

Growth delivery

We have made positive progress on our strategic priorities which are the building blocks of our future growth ambition, transforming cardfactory into a market-leading omnichannel retailer of cards and gifts.

Through this strategy, cardfactory will become the UK’s number one destination for all customers seeking unrivalled quality, value, choice, convenience and experience, however they wish to shop. We will transform cardfactory into the leading omnichannel brand in the category, helping customers celebrate each and every special occasion. We will emerge as a global competitor putting cards and gifts in the hands of more customers.

Delivery of the ‘Opening Our New Future’ strategy is firmly underway with core foundations now in place and encouraging progress being made that is delivering tangible growth, especially in gifts and celebration essentials. As such, the Board remains confident in the longer-term growth opportunity for the business and its expectations for revenues reaching around £650m in FY27.

Outlook and financial headwinds

The Board is encouraged by performance since the January 2023 trading update, with current trading slightly ahead of management expectations. We expect our performance for the coming year to reflect continued progress on our strategic growth initiatives.

We have demonstrated our ability in FY23 to mitigate a significant proportion of inflationary headwinds and based on the current outlook, we are confident in our ability to continue managing these pressures with a focus on productivity and efficiencies whilst also benefiting from normalisation of freight costs and annualisation of targeted price increases implemented in FY23.

Board appointments

The Board looks forward to welcoming Matthias Seeger as Chief Financial Officer, who will join the business in May 2023. We extend our thanks to Kris Lee for the significant role he played in helping guide cardfactory through the last few years, in particular, during the pandemic-impacted period.

In FY23 we were also pleased to welcome Indira Thambiah as Non-Executive Director. Indira is an experienced multi-channel retail executive and consultant.

Following the decision by Octavia Morley to step down from the Board at the end of January 2023, Indira was appointed Chair of the Remuneration Committee, with effect from 1 February 2023. Roger Whiteside has assumed the role of Senior Independent non-Executive Director.

Summary

There is clear, positive momentum within the business and early signs that the ‘Opening Our New Future’ strategy will help deliver our growth ambition. While mindful of the ongoing impact of the cost-of-living crisis, we remain confident that our great value for money proposition across a range of products and price points will resonate with customers who continue prioritising celebrating life’s moments.

Paul Moody
Chair
3 May 2023

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

With sales in FY23 exceeding pre-pandemic levels and delivery of our ‘Opening Our New Future’ growth strategy showing early signs of success, it is clear there is good momentum within the business.

The return of footfall to the high street and the unwavering loyalty from our customers has made a significant contribution to this success. In addition, the cultural transformation the business has undergone and the dedication of colleagues across the business and their willingness to embrace change over the past two years, has fuelled that return of sales and the growth that we are now enjoying.

cardfactory needed to become customer-centric in its thinking and approach and to achieve that we have placed customer data at the heart of our decision-making. From product creative in our design studio to the customer service experience training we are giving our colleagues in-store, we are now applying customer data into our thinking and how we respond to market change. This is leading to positive, data-led outcomes around the customer which is being seen across every part of the business.

FY23 performance

Revenue of £463.4 million reflects the continued progress across the business alongside the shift of customer spend back towards the high street. cardfactory LFL revenue growth of +6.7% was driven by strong performance of stores and Everyday card ranges.

Store sales grew +7.6% on a LFL basis reflecting a return of customers to the high street, the success of our new ranges, our strong value for money proposition, and selective price increases. It is through the strength of our store footprint that we will be able to deliver on our omnichannel proposition and ambitions.

Strong performance in Everyday product across card, gifts and celebration essentials supported increased sales across the year. We also achieved double-digit Like-for-like growth in specific card ranges including our fully refreshed wedding range, as well as life moments and children’s.

Christmas trading saw increased store transactions and average basket values, supported by new ranges, the strength of our expanding gifting offer, and our strong value for money offer. These trends have continued through to Valentine’s Day and Mother’s Day in Q1 FY24.

We successfully executed our pricing strategy in FY23 whilst choosing to protect our competitive entry price point and building greater value into our pricing architecture. This resulted in minimal impact on customer switching.

Following expansion of our gifts and celebration essentials (previously together referred to under the single ‘complementary categories’ heading we have now split this out to conform to industry recognised market analysis and to enable clearer measurement) we have continued to grow share in line with our strategic priorities. By targeting the gifts and celebration essentials market we have also been able to recalculate the total addressable UK market opportunity for cardfactory at £13.4bn.

Customers returning to the high street and the impact of Royal Mail strikes during the Christmas trading period saw cardfactory.co.uk sales decline -18.8% year-on-year although this remained significantly up in comparison to pre-pandemic (+86.4% 3Y LFL). At -34.7%, gettingpersonal.co.uk was also impacted by postal strikes as well as a pause on new product development while replatforming was undertaken. This is now complete and will enable the opportunity for range development and further functionality.

In FY23 we saw a continued robust performance of existing partnerships during the year with a 10% increase in sales compared to the prior year. Considerable work was undertaken to lay the foundations for future partnership growth.

Strategy delivery

FY23 was the launch year of our business transformation as we began delivery of our strategy and we have achieved significant milestones across all our areas of focus. By delivering on our strategy we are confident we will achieve our growth ambition of reaching £650m in FY27.

Within our core business, we will build upon our leadership in cards within the UK using insight-led innovation and range development. This work is well underway and is delivering sales growth in both Everyday and Seasonal. Store Like-for-like sales are expected to continue to grow through our store estate as we continue with our store location optimisation programme and expand into under penetrated markets.

The building blocks of our additional revenue growth will come from three areas. Already we are seeing positive growth from our first area of focus: gifts and celebration essentials. We saw total sales of Everyday gifts and celebration essentials through our stores, on a Like-for-like basis, increase by 11.4% with confectionery being the largest sales growth area at +111% and tableware achieving the largest volume increase at +124%. Our gifting offer will be further supported by our Store Evolution Programme which has been developed from the learnings of our model store trial. Comprised of three key components: space realignment that will be applied across 750 stores in FY24; display reorganisation that will be applied across 50 stores in FY24; and an updated store design to new stores and a select number of existing stores in FY24.

We also made significant progress in delivering on our omnichannel ambition, rolling out a successful Click & Collect trial across 87 stores. This was the first of our omnichannel propositions and UK nationwide rollout to over 1,000 stores was completed at end of April 2023. Further developments to the service are planned for FY24.

Finally, for partnerships we are pleased to have announced our first master franchise partnership in the Middle East. Our exclusive franchise partner in the UAE, Liwa, will open c. 36 cardfactory branded stores in the Middle East over the next five years. We also recently announced the acquisition of SA Greetings, meaning we now have our first presence within this market both as a retailer and wholesaler. This supports our partnerships strategy by providing access to key wholesale accounts through the company’s printing, merchandising and warehousing capacity. It also provides us with the opportunity to learn how we can deliver similar local capability in our other target international markets. In FY23 we completed the research of the international market opportunity for both card and gifting, validating our seven international markets of interest. The foundations for our partnership model have now been scoped and are in development to support both franchise and wholesale partnership models. We also invested in our transformation capability with a new Transformation Office which is providing the planning, collaboration and risk management diligence that will ensure we deliver at pace, to plan, on time and on budget

Responding to headwinds

The successful management of significant inflationary cost pressures faced in FY23 was achieved through a combination of proactive measures including efficient management of costs and working capital, improved store efficiencies and targeted price increases, alongside benefits from hedging policies across both energy and foreign exchange.

People & Culture

Creating the culture and behaviours that both addresses barriers to transformation and unlocks the potential of the business is fundamental for any business which is serious about a growth agenda. The fact that we have been able to make such a strong start in FY23 on the delivery of our strategy is down to the fact that we have made positive headway in evolving our culture and behaviours.

As we enter FY24, it is clear that the progress we have made is already paying dividends. The business is delivering on the strategy from a position of strength with a powerful culture and strong foundations in place.

This change has been recognised not just in our delivery but also through external recognition with cardfactory named as the number one best big retail business, and the third best big company in the UK to work for in Best Companies Q1 2023 awards. We are delighted and very proud to receive this in recognition of our commitment to workplace engagement.

In FY23 we also refreshed our brand, placing customers and their celebrations at its heart. As part of this work, we have updated our values to reflect both the natural evolution of the business and the values we need to live and breathe if we are going to successfully deliver our growth strategy. For the whole team at cardfactory, these are values we are actively embracing in everything we do from the way we make decisions, interact with our customers and each other, through to how we are approaching the delivery of our strategy.

Our ESG commitment

The delivery of our ambitious 'Opening Our New Future' growth strategy and the business transformation this requires are underpinned by our commitment to operate sustainably across all areas of our business. As such, work has begun to update our five-year ESG strategy and roadmap, starting with a refreshed materiality assessment and assessment of our scope 3 greenhouse gas emissions which will ensure our priorities reflect the changing world around us and remain aligned with those of our stakeholders.

At the same time, we continued to make positive progress through FY23. One highlight was the business entering into partnership with the Woodland Trust to support their work to protect, restore and create native woodland in the UK.

Summary

The business has a strengthened balance sheet now in place and we are clear on our core business priorities and building blocks of growth. Having made a strong start on our growth delivery in FY23, we have good momentum within the business which will enable us to reach our revenue target of around £650m in FY27.

Darcy Willson-Rymer
Chief Executive Officer
3 May 2023

CHIEF FINANCIAL OFFICER'S REVIEW

Financial Highlights

The Group has delivered a strong performance in the year ended 31 January 2023 (FY23), the first full year of trading post-pandemic, with results ahead of management expectations set at the start of the year as follows:

- Encouraging trading performance in stores, with stores Like-for-like[1] sales +7.6% compared to the prior year underpinned by growth in Everyday ranges. Sales are now slightly ahead of pre-pandemic levels.
- Year-on-year improvement in EBITDA to £112.0 million reflects sales growth plus effective management of inflationary headwinds and targeted investment in people, systems and infrastructure to support growth.
- Profit before tax of £52.4 million includes £3.5 million of one-off benefits relating to CJRS settlement and refinancing.
- Cash from operations of £107.8 million, with reduction in net debt to £57.2 million having cleared £10.8 million of Covid-19 rent deferrals.
- Successful refinancing of banking facilities to September 2025, providing liquidity headroom to support delivery of the strategy.

	FY23	**FY22**
Revenue	£463.4m	£364.4m
EBITDA [1]	£112.0m	£85.6m
Profit before tax	£52.4m	£11.1m
Basic earnings per share	12.9 pence	2.4 pence
Net debt [1]	£57.2m	£74.2m
Cash from operations	£107.8m	£113.6m
Leverage (excl. lease liabilities) [1]	0.5x	0.9x

[1] For definitions of Like-for-like (LFL) and other alternative performance measures, see Explanatory Notes (above) "Alternative Performance Measures ("APMs") and other explanatory information".

Financial Performance

Sales

£m	**Total Sales**	
	FY23	**FY22**
Stores	441.1	336.0
cardfactory Online	8.8	10.9
Getting Personal	8.5	12.9
Partnerships	5.0	4.6
Group	**463.4**	**364.4**

	LFL Sales	
	FY23	**FY22**
Stores	+7.6%	-5.7%
cardfactory Online	-18.8%	-1.5%
cardfactory LFL	**+6.7%**	**-3.9%**
Getting Personal	-34.7%	-21.6%

Total Group sales for FY23 were £463.4 million, an increase of £99.0 million compared to the previous year.

Our stores remain the source of a significant majority of our revenues, and therefore a large part of this increase in total sales reflects that stores were forced to close for approximately ten weeks in the first quarter of FY22 due to Covid-19 related lockdowns. However, we are encouraged by the positive stores LFL of +7.6% which reflects an increase in both transactions and average basket values compared to the prior year when considering just the period where stores were open in both years.

The increase in basket values was partly driven by targeted price increases; which have helped to offset the cost of inflationary headwinds, without any significant impact on sales volumes.

We were pleased to see strong performance in our Everyday ranges, and our continued drive to improve our offer to customers was reflected in double-digit LFL growth across a number of celebration categories, including wedding, life moments and children's.

Online sales, across both cardfactory.co.uk and gettingpersonal.co.uk, were down compared to the prior year, falling 18.8% and 34.7% respectively compared to FY22, reflecting the investment phase of these businesses, as well as being impacted by Royal Mail strikes in the run up to Christmas and customers returning to the high street. However, online remains an important enabler of store sales and a key part of our omnichannel strategy and cardfactory.co.uk sales remain significantly ahead of pre-pandemic levels.

Partnership sales increased to £5.0 million (FY22: £4.6 million). FY23 saw a 3% increase in points of sale and we are now selling through 949 partner locations, and this remains an area where we expect to see growth in the future supported by the investment we have made in our team to add capability during this year.

Optimisation of our store portfolio continues to be an important source of sales growth. During FY23 we opened 33 new stores and closed 21 stores, including five relocations. This resulted in a net increase in the overall store portfolio of 12 stores. At the end of the financial year, our store portfolio stood at 1,032 stores, including 27 stores in the Republic of Ireland and three trial central London stores.

Gross Profit

	FY23 £m	FY23 % Sales	FY22 £m	FY22 % Sales
Group Sales	**463.4**		**364.4**	
COGs	(146.8)	(31.7%)	(124.1)	(34.1%)
Product Margin – Constant Currency [1]	**316.6**	**68.3%**	**240.3**	**65.9%**
FX gains / losses	1.5	0.3%	2.6	0.7%
Product Margin	**318.1**	**68.6%**	**242.9**	**66.6%**
Store & Warehouse Wages	(109.6)	(23.7%)	(91.4)	(25.1%)
Property Costs	(26.3)	(5.7%)	(15.8)	(4.3%)
Other Direct Costs	(21.5)	(4.7%)	(19.2)	(5.2%)
Gross Profit	**160.7**	**34.7%**	**116.5**	**32.0%**

[1] Product margin calculated on a constant currency basis using a consistent GBPUSD exchange rate across both periods. FX gains and losses reflect conversion from the constant rate to prevailing market rates.

Overall gross profit for the Group increased by £44.2 million to £160.7 million, a 2.7ppts improvement in gross margin to 34.7%. The overall trend in the year reflects active management of inflationary pressures, in particular the benefit of our currency and energy hedging and through targeted price increases, plus efficiency benefits arising from a full-year of trade and deliberate actions taken to improve productivity and stabilise costs.

Product margins, calculated on a constant currency basis, improved 2.4ppts from 65.9% in FY22 to 68.3% this year. This improvement largely reflects the impact of targeted price increases on sales, which offset the impact of wage inflation as well as material price inflation. Product margins include the purchase price of goods, along with inbound freight, carriage and packing. Product margin also benefitted from a reduction in stock provisions as supply chain and inventory management challenges that affected FY22 did not recur in FY23, and overall inventory levels normalised following the pandemic. Changes in the value of stock provisions and other stock losses had a small negative impact on margin of approximately 0.5ppts in the year.

Within the cost of goods sold, we saw a 0.6ppts increase in the cost of inbound freight, as market prices for sea freight rose significantly towards the end of 2021 and remained high through much of the 2022 calendar year. This added over £5 million to the overall cost of goods sold in FY23. This impact was partially mitigated through optimisation of inbound shipments where possible.

The Group purchases approximately 50% of its total goods for resale in US dollars and has a well-established hedging policy to manage the risk of adverse fluctuations in market GBPUSD rates. In FY23 we achieved an average GBPUSD rate of approximately 1.32 on US dollar purchases, slightly adverse to the rate achieved in FY22 reflecting the weakening of sterling in the period, but still significantly ahead of the average market spot rate for the year.

Store and warehouse wages reduced by 1.4ppts year-on-year as a percentage of sales, which includes a one-off £2.5 million benefit in respect of provisions released following the settlement of our CJRS position with HMRC. Excluding this credit and making an equivalent adjustment in the prior period, store wages as a percentage of sales are comparable in both years despite national living wage increases of 6.6% being applicable from April 2022, due to targeted price increases and more efficient deployment of labour resources, enabled by stores being open for the whole year. Employee costs for FY22 are stated net of CJRS support received in that period.

Property costs increased by 1.4ppts as a percentage of sales, reflecting the cessation of extended business rates reliefs from April 2022. Property costs do not include rents as the accounting treatment for leases results in these costs being reflected as right-of-use depreciation and a finance charge on lease liabilities, both below gross profit, a combined charge of £39.4 million in FY23 (FY22: £40.7 million).

Other direct expenses include warehouse costs, store opening costs, utilities, maintenance, point of sale and pay-per-click expenditure. A large proportion of costs in this category are variable in relation only to the size of the store portfolio and available trading days, meaning whilst overall costs increased, they fell as a percentage of sales given the improved trading performance in the year. The Group has benefitted from its long-term energy hedge, which fixed commodity costs at FY22 levels. All of the Group’s UK energy costs will continue to benefit from this hedge until September 2024.

EBITDA & Operating Profit

	FY23 £m	FY23 % Sales	FY22 £m	FY22 % Sales
Group Sales	**463.4**		**364.4**	
Gross Profit	**160.7**	**34.7%**	**116.5**	**34.2%**
Operating Expenses	(48.7)	(10.5%)	(38.9)	(10.7%)
Other operating income	–	–	8.0	2.2%
EBITDA	**112.0**	**24.2%**	**85.6**	**23.5%**
Depreciation & Amortisation	(10.3)	(2.2 %)	(11.6)	(3.2%)
Right-of-use asset depreciation	(35.1)	(7.5%)	(37.4)	(10.3%)
Impairment Charges	(2.8)	(0.6%)	(5.0)	(1.4%)
Operating Profit	**63.8**	**13.8%**	**31.6**	**8.7%**

Operating expenses (excluding depreciation and amortisation) include remuneration for central and regional management, business support functions, design studio costs and business insurance together with central overheads and administration costs.

Total operating expenses increased by £9.7 million to £48.7 million in FY23, reflecting the cessation of furlough for central staff alongside investment in our people and strengthening our IT infrastructure and marketing approach to support our ‘Opening Our New Future’ strategy to provide a platform for future growth.

As a result, driven by the improved trading performance, effective management of inflationary pressures and carefully targeted investment for growth, Group EBITDA increased to £112.0 million in FY23.

Total depreciation and amortisation charges reduced by £3.6 million compared to the prior year. This largely reflects a reduction in depreciation charges on right-of-use assets in relation to our store portfolio. Store rents, and therefore the related right-of-use assets, have continued to fall since the pandemic and our dynamic, flexible approach to the store portfolio has enabled us to continue to capture these reductions as part of lease renewals or relocations.

Impairment charges, net of reversals, in respect of store right-of-use assets reduced from £5.0 million in FY22 to £1.3 million in FY23, reflecting the improved trading performance and our future expectations regarding store performance and cost inflation. Impairment charges for FY23 also includes a one-off £1.5 million impairment charge in respect of online platform development for gettingpersonal.co.uk. The impairment reflects development work that did not form part of the final solution, which was deployed shortly after the year end in March 2023.

Profit Before Tax

	FY23 £m	FY23 % Sales	FY22 £m	FY22 % Sales
Group Sales	**463.4**		**364.4**	
Operating Profit	**63.8**	**13.8%**	**31.6**	**8.7%**
Finance Costs	(11.4)	(2.5%)	(20.5)	(5.7%)
Profit Before Tax	**52.4**	**11.3%**	**11.1**	**3.0%**

Total finance costs reduced significantly compared to the previous year, from £20.5 million to £11.4 million. This largely reflects a reduction in loan issue costs charged to the income statement.

£m	FY23	FY22
Interest on loans	6.0	6.8
Loan issue cost amortisation	0.9	10.4
IFRS 16 Leases interest	4.5	3.3
Total Finance Expenses	**11.4**	**20.5**

FY22 included £10.4 million of costs associated with the May 2021 refinancing which included costs related to a potential equity raise, the requirement for which was removed by the subsequent refinancing in April 2022.

Our updated facilities, described in further detail below and in Note 12 to the condensed consolidated financial statements, provide much greater flexibility to the Group, which in combination with continued delivery of operating cash flows has enabled us to reduce levels of gross debt. Taken in conjunction with our interest rate hedging programme, which has provided a degree of protection from increases in market rates during FY23, the interest payable on our debt facilities reduced compared to the previous year.

As a result, profit before tax for the year was £52.4 million, up £41.3 million from £11.1 million for the previous year.

Taxation

The Group is committed to being a responsible taxpayer, paying the right amount of tax at the right time is a fundamental principle of our operation. We aim to maintain an open and honest relationship with the tax authorities in the jurisdictions where we operate.

During FY23, we underwent a routine review of our business risk rating with HMRC, which was confirmed in March 2023 as ‘low’.

Our improved trading performance and subsequent increase in profitability, as described above, means the Group made cash payments in respect of UK corporation tax for the first time since 2020. Our tax charge for the year was £8.2 million (FY22: £3.0 million). This represents an effective rate of corporation tax for the year of 15.1%, which is lower than the standard rate of UK Corporation tax applicable in the period of 19%. This principally reflects the impact of prior year adjustments, with no tax ultimately payable in respect of FY22 owing to the allocation of brought-forward tax losses and reliefs to the period, when the tax computations for that period were finalised, partly offset by the impact of deferred tax balances being accrued at the higher rate of 25% applicable from 1 April 2023. The Group paid cash taxes of £7.5 million in FY23, which all relate to the FY23 financial year.

Earnings per share

The net result for the year was a profit after tax of £44.2 million, increased from £8.1 million in FY22. As a result, basic earnings per share (EPS) for the year was 12.9 pence, with diluted EPS of 12.8 pence.

	FY23	**FY22**
Profit after tax (£m)	44.2	8.1
Basic EPS (pence)	12.9 pence	2.4 pence
Diluted EPS (pence)	12.8 pence	2.4 pence

Cash flows

	FY23 £m	**FY22 £m**
Net cash from Operating Activities	99.9	113.7
Net cash used in Investing Activities	(18.2)	(6.9)
Net cash used in Financing Activities	(110.1)	(81.0)
Net Cash Flow for Year	**(28.4)**	**25.8**
Operating cash flows less lease repayments[1]	**47.4**	**59.2**
Operating cash conversion[2]	**96%**	**133%**

[1] Operating cash flows less lease repayments is net cash from operating activities of £99.9 million less lease payments of £52.5 million.
[2] Operating cash conversion is Cash from operations (cash from operating activities before tax payments) of £107.8 million as a percentage of EBITDA. Alternative performance measures are described in further detail in the explanatory notes (above).

The Group continued to deliver positive cash performance in FY23, with cash from operations (before lease repayments and tax) of £107.8 million (2022: £113.6 million) contributing to an overall reduction in net debt (See below).

Operating cash flows were slightly lower than in the previous year, which reflects the normalisation of working capital profiles as we delivered a full year of trading – including an £11 million increase in inventory levels to support higher sales – partly offset by a net one-time benefit arising from the realignment of VAT payment quarter ends with our fiscal year. The position at the end of FY22 was impacted by the protective actions taken to secure cash and liquidity during and immediately after the pandemic and the impact on inventory balances as a result of global supply chain issues during that year that did not recur in FY23. Operating cash conversion (calculated as EBITDA / cash from operations) was 96%, despite the working capital normalisation.

Capital expenditure increased from £6.9 million to £18.2 million, as investment increased following the cessation of all but essential spend during the pandemic-affected years and the commencement of projects to drive future growth.

Cash used in financing activities includes £45.1 million of debt facility repayments (2022: £8 million of debt repayments) following the refinancing and subsequent management of the revolving facility position, and £52.5 million of payments in respect of lease liabilities for the store portfolio (2022: £54.5 million).

Lease payments were higher than normal, albeit broadly aligned with the prior year, reflecting the continued settlement of deferred payment plans agreed during the pandemic. The Group cleared approximately £11 million of deferred rents during FY23 and has no VAT or rent deferrals outstanding at 31 January 2023.

Balance Sheet

Capital Expenditure

Total capital expenditure in FY23 was £18.2 million, increased from £6.9 million in FY22.

Key projects included the continuing development of our Group-wide ERP implementation, with the next significant functionality updates expected during FY24. We also invested in our new model stores, in addition to ongoing spend in relation to the expansion and optimisation of the store portfolio.

eCommerce initiatives to support our omnichannel strategy were another key focus, with the new platform for our gettingpersonal.co.uk website going live in March 2023.

Looking forward, we expect capital investment to continue to increase to approximately £24 million per annum, as we invest to deliver our strategy.

Net Debt

	FY23 Net Debt £m	**FY23 Leverage**	**FY22 Net Debt £m**	**FY22 Leverage**
Current borrowings	50.1		25.5	
Non-current borrowings	17.4		85.5	
Total Borrowings	**67.5**		**111.0**	
Add back capitalised debt costs	1.4		1.5	
Gross Bank Debt	**68.9**		**112.5**	
Less cash	(11.7)		(38.3)	
Net Debt (exc. Leases)	**57.2**		**74.2**	
Leverage (exc. Leases)		**0.5x**		**0.9x**
Lease Liabilities	105.4		119.8	
Net Debt (inc. Leases)	**162.6**		**194.0**	
Leverage (inc. Leases)		**1.4x**		**2.3x**

On 21 April 2022, the Group agreed an updated and amended financing package with its banking partners, which reduced the overall quantum and extended the term of the Group's facilities. The new package also provided greater flexibility, with a proportion of the previous term loans effectively repaid and replaced with a revolving facility.

The revised facilities comprised term loans of £30 million, CLBILS of £20 million and an RCF of £100 million. The CLBILS are subject to an amortising repayment profile with final maturity in September 2023. The Term Loans are set in two tranches, both with an amortising repayment profile. Tranche 'A' has a final maturity in January 2024 and Tranche 'B' is coterminous with the RCF in September 2025. The interest rates applicable to each facility are set out in Note 12 to the condensed consolidated financial statements.

The Group focuses on net debt excluding lease liabilities, this reflects the way the Group's covenants are calculated in its financing facilities. The cash generation trend described above has contributed to a reduction in both gross and net debt during FY23, with Leverage (calculated as Net Debt / EBITDA) falling to the bottom end of our target 0.5-1.5x range as a result.

The Group made scheduled repayments in respect of the CLBILs and term loan tranche 'A' totalling £6.1 million in January 2023. At 31 January 2023, the Group had undrawn committed facilities of £77 million.

The reduction in lease liabilities reflects the repayment of deferred rentals during FY23 that remained outstanding at the end of the previous year.

The Group's cash generation profile typically follows an annualised pattern, with higher cash outflows in the first half of the year associated with lower seasonal sales and investment in working capital ahead of the Christmas season. The inverse is then usually true in the second half, as Christmas sales lead to reduced stock levels and higher cash inflows. As a result, net debt at the end of the year is usually lower than the intra-year peak, which typically occurs during the third quarter.

The Group continues to hold a provision of £7.4 million relating to the potential overpayment of government support during the pandemic, with reference to subsidy control limits. The Group is actively taking steps to resolve its position.

Capital Structure & Distributions

The Board remains committed to maintaining a capital structure that is conservative yet efficient in terms of providing long-term returns to shareholders after allowing for investment to fund ongoing operational requirements and strategic growth.

The Group remains prohibited from making distributions under the terms of its financing facilities until such time as the CLBILS and Tranche 'A' of the term loans are fully repaid. Accordingly, there were no dividend payments made in either the current or the preceding year.

The final maturity date for tranche 'A' of the term loans is 31 January 2024, and accordingly the earliest that dividend payments will be considered is during the FY25 financial year. Subject to continued financial performance in line with the strategic plan, the Board envisages recommencing dividend payments at a level of 2-3x dividend cover based on profit after tax, subject to a Leverage ratio assessed across the financial year of not more than 1.5x (excluding lease liabilities) being maintained after the distribution is made.

Acquisition of SA Greetings

Following the year end, on 25 April 2023, the Group acquired a 100% stake in SA Greetings Corporation (Pty) Ltd ("SA Greetings") for fixed cash consideration of £2.5 million, funded from existing cash reserves and working capital.

SA Greetings is the leading wholesaler of greetings cards and gift packaging in South Africa. It also operates 24 'Cardies' retail stores, with four further stores operated by franchisees, and owns and operates a roll-wrap production facility. Its head office and main warehouse are located in Johannesburg, with sales offices in Durban and Cape Town.

The acquisition gives the Group immediate access to the South African market via an established, successful business and expands cardfactory's global presence in line with our strategy. We expect the acquisition to make a small positive contribution to the Group's EBITDA and PBT in FY24 and look forward to exploring the opportunities to support the development of the SA Greetings business and enhance the Group's production, wholesale and retail offer in both South Africa and the UK.

Outlook

Trading in the first weeks of the new financial year is slightly ahead of the Board's expectations. Strong performance across both our Everyday ranges and Spring seasons of Valentine's Day and Mother's Day compared to FY23, has seen increased store transactions and average basket values, driven by effective range development, an expanding gifting offer and our compelling value for money offer across both cards and gifts.

Based on the current inflationary outlook, we are confident in our ability to withstand these pressures with a continued focus on productivity and efficiencies whilst also benefiting from the normalisation of freight costs and annualisation of targeted price increases in FY23. We have full energy hedging and over 90% of our currency requirements in place for FY24.

Whilst mindful of the ongoing impact of the cost of living crisis, we remain confident that our compelling value for money proposition across a range of products and price points will resonate with customers.

This approach, together with our clear growth strategy, gives us confidence the Group will continue to make strategic and financial progress in the year ahead.

In addition, the Board remains confident in the compelling growth opportunity for the business. As part of our Capital Markets Strategy Update, we will outline a pathway for revenues of around £650 million and margins of around 14% in FY27, supported by a capital investment plan of £24 million per annum, over the next three years.

Simon Comer
Interim Chief Financial Officer

3 May 2023

Condensed consolidated financial statements

Consolidated income statement

For the year ended 31 January 2023

	Note	**2023 £'m**	2022 £'m
Revenue		463.4	364.4
Cost of sales		(302.7)	(247.9)
Gross profit		160.7	116.5
Other operating income	2	–	8.0
Operating expenses		(96.9)	(92.9)
Operating profit	2	63.8	31.6
Finance expense	5	(11.4)	(20.5)
Profit before tax		52.4	11.1
Taxation	6	(8.2)	(3.0)
Profit for the year		44.2	8.1

Earnings per share		**pence**	pence
– Basic	8	12.9	2.4
- Diluted	8	12.8	2.4

All activities relate to continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 January 2023

	2023 £'m	2022 £'m
Profit for the year	44.2	8.1
Items that may be recycled subsequently into profit or loss:		
Exchange differences on translation of foreign operations	(0.2)	–
Cash flow hedges – changes in fair value	8.2	4.1
Cost of hedging reserve – changes in fair value	(0.2)	–
Tax relating to components of other comprehensive income	(1.2)	(0.6)
Other comprehensive income for the period, net of income tax	6.6	3.5
Total comprehensive income for the period attributable to equity shareholders of the parent	50.8	11.6

Consolidated statement of financial position

As at 31 January 2023

	Note	**2023 £'m**	2022 £'m
Non-current assets			
Intangible assets	9	326.3	320.7
Property, plant and equipment		32.2	31.6
Right of use assets	10	100.5	98.5
Deferred tax assets		2.1	3.6
Derivative financial instruments		0.5	1.3
		461.6	455.7
Current assets			
Inventories		45.3	33.1
Trade and other receivables		13.3	8.1
Derivative financial instruments		5.3	0.8
Cash at bank and in hand	11	11.7	38.3
		75.6	80.3
Total assets		537.2	536.0
Current liabilities			
Borrowings	12	(50.1)	(25.5)
Lease liabilities	10	(27.3)	(41.1)
Trade and other payables		(84.7)	(71.7)
Provisions	15	(9.5)	(12.2)
Tax payable		-	(1.5)
Derivative financial instruments		(1.4)	(0.2)
		(173.0)	(152.2)
Non-current liabilities			
Borrowings	12	(17.4)	(85.5)
Lease liabilities	10	(78.1)	(78.7)
Derivative financial instruments		(0.5)	–
		(96.0)	(164.2)
Total liabilities		(269.0)	(316.4)
Net assets		268.2	219.6
Equity			
Share capital		3.4	3.4
Share premium		202.2	202.2
Hedging reserve		3.5	1.3
Cost of hedging reserve		(0.1)	–
Reverse acquisition reserve		(0.5)	(0.5)
Merger reserve		2.7	2.7
Retained earnings		57.0	10.5
Equity attributable to equity holders of the parent		268.2	219.6

Consolidated statement of changes in equity

For the year ended 31 January 2023

	Share capital £'m	Share premium £'m	Hedging reserve £'m	Cost of hedging reserve £'m	Reverse acquisition reserve £'m	Merger reserve £'m	Retained earnings £'m	Total equity £'m
At 31 January 2021	3.4	202.2	(3.1)	0.4	(0.5)	2.7	1.4	206.5
Total comprehensive income for the period								
Profit or loss	–	–	–	–	–	–	8.1	8.1
Other comprehensive income	–	–	3.3	–	–	–	0.2	3.5
	–	–	3.3	–	–	–	8.3	11.6
Hedging gains/(losses) and costs of hedging transferred to the cost of inventory	–	–	1.4	(0.5)	–	–	–	0.9
Deferred tax on transfers to inventory	–	–	(0.3)	0.1	–	–	–	(0.2)
Transactions with owners, recorded directly in equity								
Share-based payment charges	–	–	–	–	–	–	0.8	0.8
Dividends (note 7)	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–	–	0.8	0.8
At 31 January 2022	3.4	202.2	1.3	–	(0.5)	2.7	10.5	219.6
Total comprehensive income for the period								
Profit or loss	–	–	–	–	–	–	44.2	44.2
Other comprehensive income	–	–	6.1	(0.1)	–	–	0.6	6.6
	–	–	6.1	(0.1)	–	–	44.8	50.8
Hedging gains/(losses) and costs of hedging transferred to the cost of inventory	–	–	(5.2)	–	–	–	–	(5.2)
Deferred tax on transfers to inventory	–	–	1.3	–	–	–	–	1.3
Transactions with owners, recorded directly in equity								
Share-based payment charges	–	–	–	–	–	–	1.7	1.7
Dividends (note 7)	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–	–	1.7	1.7
At 31 January 2023	3.4	202.2	3.5	(0.1)	(0.5)	2.7	57.0	268.2

Consolidated cash flow statement

For the year ended 31 January 2023

	Note	**2023 £'m**	2022 £'m
Cash from operations	13	107.8	113.6
Corporation tax paid		(7.9)	0.1
Net cash inflow from operating activities		99.9	113.7
Cash flows from investing activities			
Purchase of property, plant and equipment		(8.8)	(3.6)
Purchase of intangible assets	9	(9.4)	(3.3)
Net cash outflow from investing activities		(18.2)	(6.9)
Cash flows from financing activities			
Interest paid on bank borrowings		(6.2)	(6.5)
Proceeds from bank borrowings		27.8	57.0
Repayment of bank borrowings		(72.9)	(65.0)
Other financing costs paid		(1.8)	(8.7)
Payment of lease liabilities		(52.5)	(54.5)
Interest in respect of lease liabilities		(4.5)	(3.3)
Net cash outflow from financing activities		(110.1)	(81.0)
Net (decrease)/increase in cash and cash equivalents		(28.4)	25.8
Cash and cash equivalents at the beginning of the year		38.3	12.5
Closing cash and cash equivalents		9.9	38.3

Accounting policies

General information

Card Factory plc ('the Company') is a public limited company incorporated in the United Kingdom. The Company is domiciled in the United Kingdom and its registered office is Century House, Brunel Road, 41 Industrial Estate, Wakefield WF2 0XG. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

Basis of preparation

This preliminary announcement and condensed consolidated financial statements have been prepared in accordance with the recognition and measurement principles of UK-adopted International Financial Reporting Standards ('UK-IFRS') in conformity with the requirements of the Companies Act 2006. It does not include all the information required for full annual accounts. The financial information contained in this preliminary announcement does not constitute the company's statutory accounts for the years ended 31 January 2023 ('FY23') or 31 January 2022 ('FY22') but is derived from these accounts. Statutory accounts for the year ended 31 January 2022 have been delivered to the registrar of companies, and those for the year ended 31 January 2023 will be delivered to the registrar in due course. The auditor has reported on those accounts; the audit reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern basis of accounting

The Board continues to have a reasonable expectation that both the Group and the parent company have adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate.

The Group has delivered a strong financial performance in the current financial year, with encouraging sales momentum in the first full year of trading after two consecutive years that were materially affected by the Covid-19 pandemic. LFL sales have been positive and broadly in line when compared to pre-pandemic, and as a result the Group has delivered robust operating cash flows, cleared deferred VAT and rent payments, and reduced net debt and leverage year-on-year. Trading since the balance sheet date has remained in line with expectations and there have been no material events that have affected the Group's liquidity headroom.

The Group renewed its financing facilities with its banking partners in April 2022, reducing the quantum of the Group's term loan facilities to £150 million and extending the tenure of the Group's debt to September 2025 (see note 12). The first scheduled repayments under these facilities were made in January 2023, with full repayment of the Coronavirus Large Business Interruption Loan Scheme ('CLBILS') facilities by September 2023. Following the final repayment of the CLBILs facilities, the Group does not expect to utilise further government backed support going forward, other than those schemes that are generally available in the ordinary course of business (such as rates reliefs). The Board believes the renewed facilities provide adequate liquidity and headroom for the Group to execute its strategic plan. At 31 January 2023, net debt excluding lease liabilities was £57.2 million.

The UK Corporate Governance Code requires that an assessment is made of the Group's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements; however it is not specified how far beyond 12 months should be considered.

For the purpose of assessing the going concern assumption, the Group has prepared cash flow forecasts for the 12 month period following the date of approval of these accounts, which incorporate the updated debt facilities and related covenant measures. These forecasts are extracted from the Group's approved budget and strategic plan which covers a period of five years. Within the 12-month period, the Group has considered qualitative scenarios and the Group's ability to operate within its existing banking facilities and meet covenant requirements. Beyond the 12-month period, the Group has qualitatively considered whether any factors (for example the timing of debt repayments, or longer-term trading assumptions) indicate a longer period warrants consideration.

The results of this analysis were:

- The Group's base case forecasts indicate that the Group will continue to trade profitably, generate positive operating cash flows and make scheduled debt repayments whilst retaining substantial liquidity headroom against current facility limits and meet all covenant requirements on the relevant test dates (see note 12 for more information in respect of covenant requirements) in the 12 month period.
- Whilst debt repayments continue in the period following the going concern assessment, they are much lower in the 12 months immediately following (c£9 million) than those occurring in the going concern period itself (c£27 million).
- In the Board's view, there are no other factors arising in the period immediately following 12 months from the date of these accounts that warrant further consideration.
- Scenario analysis, which considered a reduction in sales, profitability and cash flows on both a permanent basis of circa 10%, or a significant one-off event affecting the Christmas period and reducing sales by 20%, indicated that the Group would maintain liquidity headroom and covenant compliance throughout the 12 month period. The analysis did not consider any potential upside from mitigating actions that could be taken to reduce discretionary costs and provide further headroom.

In addition, the Group conducted a reverse stress test analysis which considered the extent of sales loss or cost increase that would be required to result in either a complete loss of liquidity headroom, or a covenant breach during the period. Seasonality of the Group's cash flows, with higher purchases and cash outflows over the summer to build stock for Christmas, means liquidity headroom is at its lowest in September and October ahead of the Christmas season. Conversely, covenant compliance is most sensitive early in the year.

The reverse stress test analysis demonstrated that the level of sales loss or cost increase required (either on a sustained basis or as a significant one-off downside event) to result in a breach would require circumstances akin to a pandemic lockdown for a period of several weeks, or other events with a similar quantum of effect that would be unprecedented in nature. Accordingly, such scenarios are not considered to be reasonably likely to occur. As with the scenario analysis above, the stress test was conducted before considering any potential benefit from available mitigating actions.

Over the preceding two years, the business has demonstrated a significant degree of resilience and a proven ability to manage cash flows and liquidity during a period of unprecedented economic downturn. Accordingly the Board retains confidence that, were such a level of downturn to reoccur in the assessment period, the Group would be able to take action to mitigate its effects.

Based on these factors, the Board has a reasonable expectation that the Group has adequate resources and sufficient loan facility headroom and accordingly the accounts are prepared on a going concern basis.

Principal Accounting Policies

The preliminary announcement has been prepared using accounting policies that are consistent with those published in the Group's accounts for the year-ended 31 January 2022 (available on the Company's website).

Accounting judgements and estimates

The preparation of financial statements in conformity with UK IFRS requires judgement to be applied in forming the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses. Actual results may subsequently differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively in the period in which the estimate is revised.

The Group does not consider there to be any judgements made in the current period that have had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key sources of estimation uncertainty, being those estimates and assumptions that carry the most significant risk of a material adjustment to the carrying amounts of assets and liabilities in the next financial year, are set out below.

Inventories
The Group holds significant volumes, and a broad range of inventory. The inventory provision is calculated in accordance with a documented policy, that is based on historical experience and the Group's stock management strategy, which determines the range of product that will be available for sale in-store and online. The Group provides against the carrying value of inventories where it is anticipated the amount realised may be below the cost recognised. Provision is made in full where there are no current plans to trade prior season stock through stores, and partial provision is made against seasonal stock from prior seasons or where certain ranges do not perform as anticipated. The amounts provided for partial provisions are adjusted annually to reflect experience.

The Group applied a consistent inventory provisioning policy with that applied in the prior year, making only small amendments to partial provisioning percentages based on the Group's experience of stock sell through rates for partially provided product lines. These changes are not considered to have had a material impact on the overall value of the provision, although reduced the value of the provision compared to the prior year.

At the end of FY23, the total inventory provision was £16.1 million (FY22: £20.7 million), comprised of fully-provided stock lines of £4.3 million and partially provided lines of £11.8 million. The reduction in the value of the provision year-on-year generally reflects the normalisation of stock levels following the Covid pandemic and supply chain challenges experienced in the prior year (which have resulted in a reduction in the value of stock lines provided for in full), as well as the reduction due to changes in provisioning percentages described above. As a result, the overall proportion of gross inventory provided for reduced compared to the prior year.

The full range of reasonably possible outcomes in respect of the provision is difficult to calculate at the balance sheet date as it is dependent on the accuracy of forecasts for sales volumes and future decisions we may take on aged, discontinued and potentially excess stock in response to market and supply developments. The Group believes it has taken a cautious approach in determining the provision. It has considered the nature of the estimates involved and has concluded that it is possible, on the basis of existing knowledge, that outcomes within the next financial year may be different from the Group's assumptions applied as at 31 January 2023, and could require a material adjustment to the carrying amount of the provision in the next financial year.

The two elements of the provision which are most sensitive to judgement are:

- An £8.5m provision for aged and discontinued stock, the gross value of which is £10.1m, which assumes limited sell-through and is consistent with the current merchandising plan; and
- a further £7.9m provision, which represents 50% of a gross carrying amount of £15.7m), reflecting our current estimates of future sell-through of stock lines with high forecast sales cover, or which are carried forward from prior seasons, and our expectations of product life.

Grant income
During the previous financial year, the Group received financial assistance under various Government schemes intended to support businesses affected by local and national restrictions during the Covid-19 pandemic, including CJRS payments, business rates relief and lockdown grant payments. IAS 20 requires that the Group has reasonable assurance that the various conditions attached to Government grants will be complied with before recognising the income in its financial statements. Income received under the lockdown grant schemes is subject to conditions applied by the UK's subsidy control regime, in addition to the rules and conditions attached to each individual grant. The most material of these conditions relate to determining the eligible period for grant receipts and the calculation of the Group's 'uncovered fixed costs' in the eligible period, upon which

the value of permitted relief is based. The nature of the grants received, and the unprecedented nature of the pandemic and the support mechanisms available, means the conditions and rules attached to each payment are complex and open to a degree of interpretation at the balance sheet date. Accordingly, the Group had to make certain assumptions regarding which of the payments received it is reasonably certain to have met all of the conditions, and thus that the grants are unlikely to be repaid in a future period.

After making a provision for amounts the Group does not believe meet the above criteria (see note 22), the Group recognised £8.0 million of other operating income in relation to such grants received during FY22.

During FY23, the Group formally settled its CJRS position with HMRC utilising £2.3 million and releasing £2.5 million from the provision. The Group has received no new substantive evidence regarding its position in respect of other support received and accordingly has not changed its position. A provision of £7.4 million continues to be held in respect of potential repayment of support received in excess of subsidy control thresholds, consistent with the provision held in the prior year for the same purpose. The minimum provision requirement is expected to be £4.5 million. Subject to interpretation of the guidance relating to individual support schemes and subsidy control thresholds, the Group believes a range of reasonably possible outcomes remains and that the Group's provision reflects a cautious assessment of the amount that may be repayable.

Other sources of estimation uncertainty

Impairment testing

An impairment review is conducted annually in respect of goodwill, and as required for other assets and cash-generating units ('CGUs') where an indicator of potential impairment exists. The carrying amounts of the assets involved and the level of estimation uncertainty inherent in determining appropriate assumptions for the calculation of the assets' recoverable amounts means impairment reviews are an area of significant management focus. However, whether that estimation uncertainty is significant to the financial statements is not known until the analysis is concluded. The Group generally considers the estimation uncertainty in impairment reviews to be significant if a reasonably possible change in the key assumptions would lead to a material change in the accounting outcome.

In FY23, the Group conducted an impairment review in respect of goodwill. The carrying amount of goodwill in the consolidated balance sheet of £313.8 million is allocated in its entirety to the group of CGUs, shared assets and functions that comprise the Group's Stores business.

In addition, the Group conducted a store-level impairment review specifically covering right-of-use assets and property, plant and equipment insofar as directly allocable to stores. The Group assesses indicators of impairment for the store portfolio on the basis of whether a material impairment charge (or reversal) could arise in respect of the store portfolio as a whole in the period. Due to the challenging macro-economic environment, existence of a material carried forward impairment charge, and an ongoing expectation that up to 1-2% of the store portfolio can be loss-making at any time, the Group concluded this condition was met for FY23.

Due to the existence of intangible assets that are not yet ready for use, the Group also conducted an impairment test of each of the Card Factory Online and Getting Personal CGUs.

The Group assessed the recoverable amount of all CGUs on a value in use basis, using consistent assumptions across all reviews where applicable, with estimates of future cash flows derived from forecasts included within the Group's approved budget adjusted to exclude cash flows from new stores and initiatives so as to assess the assets in their current state and condition. Where impairment reviews are prepared in respect of assets not yet ready for use, future development costs and revenues are not excluded so as to fairly reflect the value of the assets being developed and costs to complete. The assessment of future cash flows that underpin such impairment reviews inherently require the use of estimates, notably in respect of future revenues, operating costs including material, freight, wage and energy inflation, terminal growth rates, foreign currency exchange rates, and discount rates.

The results of the impairment tests are set out in note 10 (goodwill and intangible assets) and note 12 (stores). The impairment tests in respect of the Stores business and Card Factory Online had significant headroom and accordingly, having undertaken scenario analysis on the key assumptions, the Group does not believe there are any reasonably possible changes in those key assumptions that would lead to an impairment.

The Group booked a net impairment charge in respect of stores of £1.3 million, which is comprised of £3.7 million of impairment charges and £2.4 million of impairment charge reversals. The reversals reflect those stores where an impairment charge made in a prior period has been reversed due to improved trading. Having considered scenarios consistent with those reviewed in respect of goodwill impairment testing, the Group is satisfied that reasonable changes in the key assumptions would not materially change the impairment charge for stores.

The Group booked an impairment charge in respect of intangible assets in Getting Personal of £1.5 million, reflecting costs incurred in developing a new Online Platform that will not form part of the final solution once deployed and will thus not be supported by future cash flows. The remaining carrying amount of the Getting Personal CGU is not material, and therefore no change in assumptions would result in a material additional impairment charge.

Climate Change

The Group has reviewed the potential impact of climate change and ESG-related risks and uncertainties on the consolidated financial statements. Given the nature of the Group's business and operations, the exposure to both physical and transitional risks associated with climate change is considered to be low.

In particular, the Group has considered climate change in respect of impairment testing (potential impact of climate and ESG risks on estimates of future cash flows, notes 10 and 11), going concern (note 1, below), and inventory provisions (impact of customer preferences and ESG considerations on potential stock obsolescence, note 14 and above) and concluded in each case that there is no material impact in each area at 31 January 2023.

1 Segmental reporting

Following investment in the Group's people, systems and infrastructure to support its strategy, the Group is organised into five main business areas which mean the definition of an Operating segment under IFRS, those being cardfactory Stores, cardfactory Online, Getting Personal, Partnerships and Printcraft. Each of these business areas has a dedicated management team and reports discrete financial information to the Board for the purpose of decision making.

- cardfactory Stores retails greeting cards, celebration accessories, and gifts principally through an extensive UK store network, with a small number of stores in the Republic of Ireland.
- cardfactory Online retails greetings cards, celebration accessories, and gifts via its online platform.
- Getting Personal is an online retailer of personalised cards and gifts.
- Partnerships sells greetings cards, celebration accessories and gifts via a network of third party retail partners both in the UK and overseas.
- Printcraft is a manufacturer of greetings cards and personalised gifts, and sells the majority of its output intra-group to the Stores and online businesses.

The accounting policies applied in preparing financial information for each of the Group's segments are consistent with those applied in the preparation of the consolidated financial statements. The Group's support centre and administrative functions are run by the cardfactory Stores segment, with operating costs recharged to other segments where they are directly attributable to the operations of that segment.

The Board reviews revenue and EBITDA by segment, with the exception of Printcraft by virtue of its operations being predominantly intra-group in nature. Whilst only cardfactory Stores meets the quantitative thresholds in IFRS to require disclosure, the Group's other trading segments are reported below as the Group considers that this information is useful to stakeholders in the context of the Group's Opening Our New Future strategy.

Revenue and EBITDA for each segment, and a reconciliation to the consolidated operating profit per the financial statements, is provided in the table below:

2023 - £m	**cardfactory Stores**	**cardfactory Online**	**Getting Personal**	**Partnerships**	**Other**	**Group**
Segment Revenue	440.4	8.8	8.5	5.0	0.7	463.4
Segment EBITDA	116.1	(2.2)	(1.5)	1.4	(1.8)	112.0
Depreciation, amortisation & impairment						(48.2)
Consolidated Operating Profit						63.8

2022 - £m	**cardfactory Stores**	**cardfactory Online**	**Getting Personal**	**Partnerships**	**Other**	**Group**
Segment Revenue	335.1	10.9	12.9	4.5	1.0	364.4
Segment EBITDA	82.0	0.6	1.0	2.3	(0.3)	85.6
Depreciation, amortisation & impairment						(54.0)
Consolidated Operating Profit						31.6

The "Other" column principally reflects central overheads and Printcraft sales to third parties.

In the prior year, the Group disclosed a "Card Factory" segment which was effectively an aggregation of the cardfactory Stores, cardfactory Online and Partnerships segments disclosed above. The disclosure has been updated this year to reflect changes in the Group's organisational structure and internal reporting.

Group revenue is almost entirely derived from retail customers. Average transaction value is low and products are transferred at the point of sale. Group revenue is presented as a single category as, by segment, revenues are subject to substantially the same economic factors that impact the nature, amount, timing and uncertainty of revenue and cash flows.

The table below sets out a geographical analysis of revenues for the current and prior year:

	2023 £'m	2022 £'m
Revenue derived from customers in the UK	**451.6**	357.5
Revenue derived from customers overseas	**11.8**	6.9
Consolidated revenue	**463.4**	364.4

Revenue from overseas reflects revenues earned from the Group's stores in the Republic of Ireland and from retail partners based outside of the UK.

Of the Group's non-current assets, £5.0 million (2022: £2.1 million) relates to assets based outside of the UK, principally in relation to the Group's stores in the Republic of Ireland. The increase compared to the prior year reflects the impact of the increase in the store portfolio on the value of right-of-use assets.

2 Operating profit

Operating profit is stated after charging/(crediting) the following items:

	2023 £'m	2022 £'m
Staff costs (note 4)	138.2	113.8
Government grant income	–	(8.0)
Depreciation expense		
– owned fixed assets	8.0	8.8
– right of use assets (note 11)	35.7	37.4
Amortisation expense (note 9)	2.3	2.9
Impairment of right-of-use assets (note 10)	1.3	5.0
Impairment of intangible assets (note 9)	1.5	–
Profit on disposal of fixed assets	(0.6)	–
Foreign exchange gain	1.5	2.6

The total fees payable by the Group to KPMG LLP and their associates during the period was as follows:

	2023 £'000	2022 £'000
Audit of the consolidated and Company financial statements	30	30
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	620	340
Audit-related assurance services	50	45
Other assurance services	-	288
Total fees	700	703

Other assurance services provided in the prior year were in respect of assurance services in connection with the Group's financial statements for transactions that did not proceed. The appointment of KPMG LLP to provide such services was made in accordance with the Group's policy on external auditors supplying non-audit services.

3 EBITDA

EBITDA represents profit for the period before net finance expense, taxation, gains or losses on disposal, depreciation, amortisation and impairment charges.

	2023 £'m	2022 £'m
Operating profit	63.8	31.6
Depreciation, amortisation and impairment	48.2	54.0
EBITDA	112.0	85.6

4 Employee numbers and costs

The average number of people employed by the Group (including Directors) during the year, analysed by category, was as follows:

	2023 Number	2022 Number
Management and administration	482	434
Operations	9,367	8,736
	9,849	9,170

The aggregate payroll costs of all employees including Directors were as follows:

	2023 £'m	2022 £'m
Employee wages and salaries	120.5	99.8
Equity-settled share-based payment expense	1.7	0.8
Social security costs	8.2	6.5
Defined contribution pension costs	1.8	1.5
Total employee costs	132.2	108.6
Agency labour costs	6.0	5.2
Total staff costs	138.2	113.8

Total employee costs are presented net of £nil (2022: £9.4 million) recovered through the CJRS.

Key management personnel
The key management personnel of the Group comprise the Card Factory plc Board of Directors, the Executive Board and the Operating Board. Key management personnel compensation is as follows:

	2023 £'m	2022 £'m
Salaries and short-term benefits	6.1	4.4
Equity-settled share-based payment expense	1.4	0.6
Social security costs	0.8	0.6
Defined contribution pension costs	0.2	0.1
	8.5	5.7

Remuneration of Directors

	2023 £'m	2022 £'m
Directors' remuneration	1.9	1.8
Amounts receivable under long-term incentive schemes	0.1	0.1
Company contributions to defined contribution pension plans	-	–
	2.0	1.9

The table above includes the remuneration of Directors in each year. Director's remuneration for the period includes £40k in respect of compensation for loss of office for Kris Lee following his resignation on 31 January 2023.

Amounts receivable under long-term incentive schemes reflects the value of options exercised during the year.

5 Finance expense

	2023 £'m	2022 £'m
Finance expense		
Interest on bank loans and overdrafts	6.0	6.8
Amortisation of loan issue costs	0.9	10.4
Lease interest	4.5	3.3
	11.4	20.5

6 Taxation

The tax charge includes both current and deferred tax. The tax charge reflects the estimated effective tax on the profit before tax for the Group for the year ending 31 January 2023 and the movement in the deferred tax balance in the year, so far as it relates to items recognised in the income statement.

Taxable profit or loss differs from profit or loss before tax as reported in the income statement, because it excludes items of income or expenditure that are either taxable or deductible in other years or never taxable or deductible.

Recognised in the income statement

	2023 £'m	2022 £'m
Current tax charge/(credit)		
Current year	8.3	1.2
Adjustments in respect of prior periods	(1.6)	0.8
Total current tax charge	6.7	2.0
Deferred tax charge/(credit)		
Origination and reversal of temporary differences	2.5	1.2
Adjustments in respect of prior periods	(1.8)	(0.7)
Effect of change in tax rate	0.8	0.5
Total deferred tax charge	1.5	1.0
Total income tax charge/(credit)	8.2	3.0

The effective tax rate of 15.6% (2022: 27.0%) on the profit before taxation for the year is lower than (2022: higher than) the average rate of mainstream corporation tax in the UK of 19% (2022: 19%). The lower effective tax rate is principally due to adjustments in respect of prior periods following the allocation of brought-forward losses and reliefs when the tax computations for that period were finalised subsequent to the publication of the consolidated financial statements for the FY22 financial year, partially offset by the effect of higher rates applicable to deferred tax balances.

The tax charge is reconciled to the standard rate of UK corporation tax as follows:

	2023 £'m	2022 £'m
Profit before tax	52.4	11.1
Tax at the standard UK corporation tax rate of 19% (2022: 19.0%)	10.0	2.1
Tax effects of:		
Expenses not deductible for tax purposes	0.7	0.3
Adjustments in respect of prior periods	(3.3)	0.1
Effect of change in tax rate	0.8	0.5
Total income tax charge	8.2	3.0

Total taxation recognised through the income statement, other comprehensive income and through equity are as follows:

	2023			2022		
	Current £'m	**Deferred £'m**	**Total £'m**	Current £'m	Deferred £'m	Total £'m
Income statement	6.7	1.5	8.2	2.0	1.0	3.0
Other comprehensive income	–	1.2	1.2	–	0.6	0.6
Equity	–	(1.3)	(1.3)	–	0.2	0.2
Total tax	6.7	1.4	8.1	2.0	1.8	3.8

7 Dividends

There were no dividends paid in either the current or the previous year. The Board is not recommending a final dividend in respect of the financial year ended 31 January 2023 (2022: no final dividend).

Whilst the Group's CLBILS and tranche A of the term loan facilities remain outstanding (see note 12), the Group is prohibited from making distributions under the terms of its financing arrangements.

8 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is based on the weighted average number of shares in issue for the period, adjusted for the dilutive effect of potential ordinary shares. Potential ordinary shares represent employee share incentive awards and save as you earn share options.

	2023 (Number)	2022 (Number)
Weighted average number of shares in issue	342,328,622	341,770,579
Weighted average number of dilutive share options	1,604,107	1,843,537
Weighted average number of shares for diluted earnings per share	343,932,729	343,614,116

	£'m	£'m
Profit for the financial period	44.2	8.1

	pence	pence
Basic earnings per share	12.9	2.4
Diluted earnings per share	12.8	2.4

9 Intangible assets

	Goodwill £'m	Software £'m	Total £'m
Cost			
At 1 February 2022	328.2	17.0	345.2
Additions	–	9.4	9.4
Disposals	–	(0.4)	(0.4)
At 31 January 2023	328.2	26.0	354.2
Amortisation/impairment			

At 1 February 2022	14.4	10.1	24.5
Amortisation in the period	–	2.3	2.3
Impairment in the period	–	1.5	1.5
Amortisation on disposals	–	(0.4)	(0.4)
At 31 January 2023	14.4	13.5	27.9
Net book value			
At 31 January 2023	313.8	12.5	326.3
At 31 January 2022	313.8	6.9	320.7

During the year, the Group recognised an impairment charge of £1.5 million in respect of work performed in respect of a new online platform for Getting Personal. The charge reflects work on functionality which was ultimately not part of the platform when it went live in March 2023.

	Goodwill £'m	Software £'m	Total £'m
Cost			
At 1 February 2021	328.2	13.7	341.9
Additions	–	3.3	3.3
Disposals	–	–	–
At 31 January 2022	328.2	17.0	345.2
Amortisation/impairment			
At 1 February 2021	14.4	7.2	21.6
Amortisation in the period	–	2.9	2.9
Amortisation on disposals	–	–	–
At 31 January 2022	14.4	10.1	24.5
Net book value			
At 31 January 2022	313.8	6.9	320.7
At 31 January 2021	313.8	6.5	320.3

Impairment Testing: Goodwill

Goodwill arising on the acquisition of Getting Personal in 2011 of £14.4 million was allocated to the Getting Personal CGU, which corresponds to the Getting Personal operating segment (see note 2). Goodwill in respect of the Getting Personal CGU was fully written down in 2020.

All remaining goodwill is in respect of the cardfactory Stores business, which is comprised of all of the cardfactory stores (each an individual CGU for impairment testing purposes), associated central functions and shared assets (hereafter referred to in this note as "Card Factory"). cardfactory stores is the lowest level at which the Group's management monitors goodwill internally.

As described in note 1, the Group updated its view of operating segments in the period. The cardfactory Stores business previously formed part of the 'Card Factory' operating segment, which has been divided into 'cardfactory Stores', 'cardfactory Online' and 'Partnerships' segments in FY23. The cardfactory Stores business is comparable to the 'cardfactory Stores' operating segment. Within the previous, aggregated segment, the assets attributable to each of these lines of business was clearly identifiable given the different nature of the sales platforms and customers to each. Goodwill of £313.8 million was previously allocated to the cardfactory business within the 'Card Factory' segment. Accordingly, upon amending the segmental analysis, the allocation of assets to each CGU has not changed as the assets attributable to the cardfactory Stores business were identifiable within the previous Card Factory segment.

The total carrying amount of the cardfactory Stores group of CGUs for impairment testing purposes, inclusive of liabilities that are necessarily considered in determining the recoverable amount, at 31 January 2023 was £315.5 million (2022: £295.0 million).

The recoverable amount has been determined based on a value-in-use calculation. This value-in-use calculation is based on the Group's most recent approved five-year strategic plan, to exclude any value from planned new stores or initiatives, so as to assess the valuation of the assets in their current state and condition.

The key assumptions used in determining the recoverable amount are:

- Future trading performance including sales growth, product mix, material and operating costs;
- Foreign exchange rates applicable to the Group's purchases of goods for resale;
- The terminal growth rate applied; and
- The discount rate.

The values assigned to the variables that underpin the Group's expectations of future trading performance were determined based on historical performance and the Group's expectations with regard to future trends. Where applicable, amounts take into account the Group's hedges and fixed contracts, changes in market prices and rates, and relevant industry and consumer data to inform expectations around future trends.

The Group assumes a long-term GBPUSD exchange rate in line with published forward curves at the balance sheet date, adjusted to reflect the value of forward contracts in place. The fair value of these contracts is included in the carrying amount.

A 0% (2022: 0%) terminal growth rate is applied beyond the five-year term of the plan, representing a sensitised view of the Group's estimate of the long-term growth rate of the sector. Whilst such long-term rates are inherently difficult to benchmark using independent data, the Group's reverse stress-testing of the goodwill impairment model indicated a significant negative terminal decline would be required in order to eliminate the headroom completely.

The forecast cash flows are discounted at a pre-tax rate of 12.0% (2022: 12.0%). The discount rate is derived from a calculation using the capital asset pricing model to calculate cost of equity utilising available market data. The discount rate is compared to the published discount rates of comparable businesses and relevant industry data prior to being adopted.

No impairment loss was identified. The valuation indicates sufficient headroom such that any reasonably possible change to the key assumptions would not result in an impairment of the related goodwill.

Impairment Testing: Intangible assets not yet available for use

Both the Getting Personal and cardfactory Online CGUs include intangible assets that are not yet available for use. Accordingly, an impairment test in respect of these CGUs was carried out at 31 January 2023.

The total carrying amount of the Getting Personal and cardfactory Online CGUs for impairment testing purposes, inclusive of liabilities that are necessarily considered in determining the recoverable amount, at 31 January 2023 was not material either individually or in aggregate. The value of intangible assets not yet available for use included in the carrying amount was £3.5 million.

The key assumptions are consistent with those set out above in respect of the goodwill impairment review, with the exception of foreign exchange rates which are not significant to the analysis for these CGUs. To ensure the analysis fairly reflected the expected value in use of the assets within each CGU, the estimated future cash flows included all costs to complete the assets under development and sales associated with those assets once deployed into use.

No impairment loss above that already recorded (above) in respect of either CGU was identified. The cardfactory Online valuation indicated sufficient headroom such that any reasonably possible change in assumptions would not result in an impairment charge. The Getting Personal valuation headroom was limited, reflecting the impairment charge recorded in respect of intangible assets; however given the immaterial remaining carrying amount, any change in assumptions would not materially change the impairment charge for the period.

10 Leases

The Group has lease contracts, within the definition of IFRS 16 Leases, in relation to its entire store lease portfolio, some warehousing office locations, an office location and motor vehicles. Other contracts, including distribution contracts and IT equipment, are deemed not to be a lease within the definition of IFRS 16 or are subject to the election not to apply the requirements of IFRS 16 to short-term or low value leases. Accounting policies for leases are detailed in note 1. Assets, liabilities and the income statement expense in relation to leases are detailed below.

Right-of-use assets

	Buildings £'m	Motor Vehicles £'m	Total £'m
Cost			
At 1 February 2022	300.6	1.3	301.9
Additions	39.4	0.2	39.6
Disposals	(60.7)	(0.7)	(61.4)
Effect of foreign exchange rates	–	–	–
At 31 January 2023	279.3	0.8	280.1
Depreciation and impairment			
At 1 February 2022	202.5	0.9	203.4
Depreciation in the period	35.3	0.4	35.7
Impairment charges in the period	3.7	–	3.7
Impairment reversed in the period	(2.4)	–	(2.4)
Depreciation on disposals	(59.4)	(0.7)	(60.1)
Impairment on disposals	(0.7)	–	(0.7)
Effect of foreign exchange rates	–	–	–
At 31 January 2023	179.0	0.6	179.6
Net book value			
At 31 January 2023	100.3	0.2	100.5
At 31 January 2022	98.1	0.4	98.5

	Buildings £'m	Motor Vehicles £'m	Total £'m
Cost			
At 1 February 2021	316.3	1.6	317.9

Additions	29.7	0.1	29.8
Disposals	(45.2)	(0.4)	(45.6)
Effect of foreign exchange rates	(0.2)	–	(0.2)
At 31 January 2022	300.6	1.3	301.9
Depreciation and impairment			
At 1 February 2021	205.7	0.8	206.5
Depreciation in the period	37.0	0.4	37.4
Impairment in the period	5.0	–	5.0
Depreciation on disposals	(44.3)	(0.3)	(44.6)
Impairment on disposals	(0.8)	–	(0.8)
Effect of foreign exchange rates	(0.1)	–	(0.1)
At 31 January 2022	202.5	0.9	203.4

Net book value			
At 31 January 2022	98.1	0.4	98.5
At 31 January 2021	110.6	0.8	111.4

Disposals and depreciation/impairment on disposals includes fully depreciated right-of-use assets where the lease term has expired, including amounts in respect of leases that have expired but the asset remained in use whilst a new lease was negotiated.

Impairment Testing: Store assets

Reflecting continued macro-economic uncertainty, cost inflation and the existence of loss making stores within the portfolio, the Group considers that an indicator of potential impairment exists in respect of the store portfolio and, accordingly, an impairment review of the Group's store assets was undertaken in the 2023 financial year.

For this purpose, each of the Group's stores is considered to be a CGU, with each store's carrying amount determined by assessing the value of right-of-use assets and property, plant and equipment insofar as they are directly allocable to an individual store. The assessment of whether an indicator of impairment may exist in respect of store assets is considered across the store portfolio and not on a store-by-store basis. Accordingly, the store impairment review considers all stores in the portfolio.

The recoverable amount of each store was determined based on the expected future cash flows applicable to each store, assessed using a basis consistent with the future cash flows used in the goodwill impairment test described in note 9, but limited to the term of the current lease as assessed under IFRS 16. As a result, the key assumptions are also considered to be consistent with those described in note 10, in addition to the allocation of central and shared costs to individual stores insofar as such an allocation can be made on a reasonable and consistent basis. Most such costs are allocated on the basis of the relative sales of each individual store.

Application of these assumptions resulted in a net impairment charge of £1.3 million (2022: £5.0 million), comprised of impairment charges of £3.7 million (2022: £5.0 million) and the reversal of previous impairment charges of £2.4 million (2022: £nil).

Having conducted scenario analysis, the Group does not consider any reasonably possible change in the key assumptions would result in a material change to the impairment charge.

Lease liabilities

	2023 £'m	2022 £'m
Current lease liabilities	(27.3)	(41.1)
Non-current lease liabilities	(78.1)	(78.7)
Total lease liabilities	(105.4)	(119.8)

Lease expense:

Total lease related expenses	**2023 £'m**	2022 £'m
Depreciation expense on right-of-use assets	35.7	37.4
Impairment of right-of-use assets	1.3	5.0
Profit on disposal of fixed assets	(0.5)	–
Lease interest	4.5	3.3
Expense relating to short-term and low value leases[1]	–	–
Expense relating to variable lease payments[2]	0.2	0.2
Total lease related income statement expense	41.2	45.9

1 Contracts subject to the election not to apply the requirements of IFRS 16 to short-term or low value leases.
2 A small proportion of the store lease portfolio are subject to an element of turnover linked variable rents that are excluded from the definition of a lease under IFRS 16.

11 Cash and cash equivalents

	2023 £'m	2022 £'m
Cash at bank and in hand	11.7	38.3
Cash presented as current assets in the balance sheet	**11.7**	38.3
Unsecured bank overdraft	(1.8)	–
Overdraft presented as current liabilities in the balance sheet	**(1.8)**	–
Net cash and cash equivalents	9.9	38.3

The Group manages its liquidity requirements on a Group-wide basis and regularly sweeps and pools cash in order to optimise returns and / or ensure the most efficient deployment of borrowing facilities in order to minimise fees whilst maintaining sufficient short-term liquidity to meet its liabilities as they fall due.

Cash in bank accounts and overdrafts are presented net where the Group has a legal right to offset amounts – such as those with the same banking provider or included in netting arrangements under its financing facilities.

The Group's cash and cash equivalents are denominated in the following currencies:

	2023 £'m	2022 £'m
Sterling	0.2	21.5
Euro	4.8	1.4
US Dollar	4.9	15.4
	9.9	38.3

12 Borrowings

	2023 £'m	2022 £'m
Current liabilities		
Bank loans and accrued interest	48.3	25.5
Bank overdraft	1.8	-
Total current liabilities	50.1	25.5
Non-current liabilities		
Bank loans	17.4	85.5

Current liabilities includes bank loans where the liability is due to be settled in the next 12 months (such as scheduled repayments in respect of secured term loans and CLBILs) or where the Group does not have an unconditional right to defer repayment beyond 12 months (such as revolving facilities subject to covenant requirements).

Bank loans

Bank borrowings as at 31 January 2023 are summarised as follows:

	Liability £'m	Interest rate %	Interest margin ratchet range %	
31 January 2023				
Secured term loans – Tranche 'A'	9.0	5.00 + SONIA	–	
Secured term loans – Tranche 'B'	18.8	5.50 +SONIA	–	
Secured CLBILs	16.1	See note	–	
Secured revolving credit facility	23.0	Margin + SONIA	2.75 – 4.50	Total facility size = £100 million
Accrued interest	0.2			
Bank overdraft	1.8			
Debt issue costs	(1.4)			
	67.5			
31 January 2022				
Secured term loans	67.2	4.50 + SONIA	–	Interest rate increases 1.00% every six months
Secured CLBILs	44.8	See note.	–	
Secured revolving credit facility	–	Margin + SONIA	2.75 - 4.50	Total facility size = £100 million
Accrued interest	0.5			
Debt issue costs	(1.5)			
	111.0			

On 21 April 2022, the Group agreed an updated and amended financing package with its banking partners, which reduced the overall quantum and extended the term of the Group's facilities.

The revised facilities comprised term loans of £30 million, CLBILS of £20 million and an RCF of £100 million. The CLBILS are subject to an amortising repayment profile with final maturity in September 2023. The Term Loans are set in two tranches, both with an amortising repayment profile. Tranche 'A' has a final maturity in January 2024 and Tranche 'B' is coterminous with the RCF in September 2025.

The Term Loan 'A' interest rate margin was 5.0% over SONIA, and the Term Loan 'B' interest rate margin was 5.5% over SONIA. The CLBILS facilities attract interest rates of between 3.1% and 3.75% over SONIA or the Bank of England Base Rate. The RCF, when drawn, is subject to an interest rate ratchet of between 2.75% and 4.5% over SONIA based upon the Group's leverage position.

The revised Term Loan and CLBILS facilities were drawn in full from the refinancing date, with the RCF drawn to replace the existing term loans and CLBILs that were paid down. The RCF was subsequently drawn during the period to support liquidity when needed and includes up to £17.5 million that can be utilised as an overdraft facility on certain of the Group's bank accounts. The full RCF remains available to draw on if required, with £75.2 million of undrawn committed facilities available to the Group at the balance sheet date.

Total repayments in respect of the revised Term Loan and CLBILS facilities during FY23 were £6.1 million.

At the balance sheet date, the Group remained subject to two financial covenants, tested quarterly, in relation to leverage (ratio of net debt to EBITDA) and interest cover (ratio of interest and rent costs to EBITDA). Covenant thresholds are phased to return to 2.5x leverage and 1.75x interest cover by January 2024. In addition, the terms of the facilities prevent the Group from making any distributions to shareholders whilst the CLBILS and Term Loan 'A' remain outstanding and places a limit on the total value of capital expenditure the Group can make in each financial year to FY25. The Group expects to be able to operate and have sufficient headroom within these covenants to deliver its strategy.

Debt issue costs in respect of the April 2022 refinancing totalled £1.8 million and are being amortised to the income statement over the duration of the revised facilities.

13 Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations:

	2023 £'m	2022 £'m
Profit before tax	52.4	11.1
Net finance expense	11.4	20.5
Operating profit	63.8	31.6
Adjusted for:		
Depreciation and amortisation	46.0	49.1
Impairment of right-of-use assets	1.3	5.0
Impairment of intangible assets	1.5	–
Gain on disposal of fixed assets	(0.5)	–
Cash flow hedging foreign currency movements	0.8	(1.4)
Share-based payments charge	1.7	0.8
Operating cash flows before changes in working capital	114.6	85.1
(Increase)/decrease in receivables	(5.2)	1.1
(Increase)/decrease in inventories	(12.2)	3.3
Increase/(decrease) in payables	15.4	11.9
Movement in provisions	(4.8)	12.2
Cash inflow from operating activities	107.8	113.6

14 Analysis of net debt

	At 1 February 2022 £'m	Cash flow £'m	Non-cash changes £'m	**At 31 January 2023 £'m**
Secured bank loans and accrued interest (note 12)	(111.0)	51.4	(6.1)	(65.7)
Lease liabilities	(119.8)	57.0	(42.6)	(105.4)
Total debt	(230.8)	108.4	(48.7)	(171.1)
Add: debt costs capitalised	(1.5)	(1.8)	1.9	(1.4)
Add: bank overdraft	–	(1.8)	–	(1.8)
Less: cash and cash equivalents	38.3	(26.6)	-	11.7
Net debt	(194.0)	78.0	(46.8)	(162.6)
Lease liabilities	119.8	(57.0)	42.6	105.4
Net debt excluding lease liabilities	(74.2)	21.1	(4.1)	(57.2)

	At 1 February 2021 £'m	Cash flow £'m	Non-cash changes £'m	At 31 January 2022 £'m
Secured bank loans and accrued interest (note 12)	(119.0)	8.0	–	(111.0)
Lease liabilities	(144.9)	57.8	(32.7)	(119.8)
Total debt	(263.9)	65.8	(32.7)	(230.8)
Add: debt costs capitalised	(1.2)	(8.7)	8.4	(1.5)
Less: cash and cash equivalents	12.5	25.8	–	38.3
Net debt	(252.6)	82.9	(24.3)	(194.0)
Lease liabilities	144.9	(57.8)	32.7	119.8
Net debt excluding lease liabilities	(107.7)	25.1	8.4	(74.2)

Non-cash changes in respect of lease liabilities reflect changes in the carrying amount of leases arising from additions, disposals and modifications.

15 Provisions

	Covid-19-related support £'m	Property provisions £'m	Total £'m
At 1 February 2021	–		–
Provisions made during the year	12.2		12.2
At 31 January 2022	12.2		12.2
Transfer from contract liabilities	–	2.5	2.5
Provisions utilised during the year	(2.3)	(0.9)	(3.2)
Provisions released during the year	(2.5)	(0.9)	(3.4)
Amounts provided during the year	–	1.4	1.4
At 31 January 2023	7.4	2.1	9.5

Covid-19-related support provisions reflect amounts received under one-off schemes designed to provide support to businesses affected by Covid-19 restrictions, including lockdown grants and CJRS, in excess of the value the Group reasonably believes it is entitled to retain under the terms and conditions of those schemes. The provisions have been estimated based on the Group's interpretation of the terms and conditions of the respective schemes and, where applicable, independent professional advice. However, the actual amount that will be repaid is not certain.

In July 2022, following an unprompted disclosure to HMRC and resulting investigation, the Group made a payment of £2.3 million in final settlement of its CJRS position. As a result of this settlement, the Group released a further £2.5 million from the provision that is no longer expected to be required, as the matter is now closed. This release has been recognised as a one-off benefit in the income statement in the period.

The remaining provision relates to covid-related lockdown grants and similar support schemes. The Group is taking steps to confirm amounts repayable and settle its positions. This exercise is expected to conclude within the next financial year.

The Group maintains provisions in respect of its store portfolio to cover both the estimated cost of restoring properties to their original condition upon exit of the property and any non-lease components of lease contracts (such as service charges) that may be onerous. Despite the size of the Group's store portfolio, such provisions are generally small which is consistent with the Group's experience of actual dilapidations and restoration costs. Such provisions are usually made where the Group has a reasonable expectation that the related property may be exited, or is at a higher risk of exiting, in the near future. Accordingly such provisions are generally expected to be utilised in the short-term. Amounts relating to property provisions, previously recognised and presented within contract liabilities, have been reclassified to provisions in the year. Comparative balances have not been reclassified as the amounts are not considered material.

16 Subsequent events

Acquisition of SA Greetings Corporation (Pty) Limited
On 25 April 2023, the Group acquired 100% of the issued share capital of SA Greetings Corporation (Pty) Ltd ("SA Greetings") a wholesaler and retailer of greetings cards and gift packaging based in South Africa, for fixed cash consideration of £2.5 million.

The acquisition enables the Group to access the South African card and gifts market and is aligned with the Group's strategy to expand internationally. In the future, we expect the acquisition to provide opportunities to develop the Group's retail partnerships business, alongside the Group's production capability and retail offer both in South Africa and the UK.

Given the short time between the acquisition date and the approval of these condensed consolidated financial statements, the initial acquisition accounting has not been completed and accordingly the full disclosures required by IFRS 3 are not provided in these condensed consolidated financial statements. The Group expects to initially conclude the accounting in time to include these disclosures in its half year report for FY24.

In its unaudited management accounts for the year ended 28 February 2023, SA Greetings reported revenue of £9.4 million, profit before tax of £0.2 million and net assets of £5.8 million (all figures converted using a GBPZAR rate of 20:1).

Acquisition-related costs have been expensed to the income statement as incurred, the value of such costs recognised in the year-ended 31 January 2023 was immaterial.