

3 May 2022

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

### Preliminary results for the year-ended 31 January 2022

Card Factory, the UK's leading specialist retailer of greeting cards, gifts, wrap and bags, announces its preliminary results for the year ended 31 January 2022 ('FY22').

#### Financial summary

Financial Metrics	Note	FY22	FY21	Change
Revenue		<b>£364.4m</b>	£285.1m	28.0%
Card Factory LFL sales (cf FY20)	(i)	<b>-3.9%</b>	+0.1%	(4.0 ppts)
Profit before tax	(i)	<b>£11.1m</b>	(£16.4m)	167.7%
EBITDA (post IFRS16)	(i)	<b>£85.6m</b>	£45.8m	86.9%
Operating cash flow		<b>£113.6m</b>	£79.9m	42.2%
Basic EPS		<b>2.4p</b>	(4.0p)	162.5%
Leverage (excl. lease liabilities)	(i)	<b>0.9x</b>	2.4x	(60.9%)

Notes to table above:

(i) See Explanatory Note 1 (below) "Alternative Performance Measures ("APMs") and other explanatory information" for further information and definitions.

#### Performance ahead of management's expectations; improving momentum during the year:

- Revenue +28% YoY to £364.4m driven by a steady recovery in store performance following easing of lockdown restrictions, alongside an online performance significantly ahead of pre-pandemic levels:
  - Store sales +33% YOY reflecting a 20% increase in trading days and recovery in market share. Store LFLs for the Christmas season recovered to near to pre-pandemic levels.
  - Card Factory Online LFL revenue -1.5% reflecting easing of lockdown restrictions and return of customers to physical stores.
    - Online revenue net LFL of -13.5% incorporating gettingpersonal.co.uk LFL of -21.6%.
  - Card Factory Online LFL revenue +135% vs FY20, reflecting expansion of product range online and improved customer experience, as well as accelerated shift in consumer online shopping behaviours.
- Recovery in gross margins to 32% (FY21: 28%) reflecting realignment of inventory stock provision built in FY21 being normalised in FY22, alongside improved stock management and reduction in aged stock provision.
- PBT of £11.1m, ahead of management's expectations despite significant trading disruption and inflationary cost pressures.
- Strong operating cash flow, +42% to £113.6m (excluding lease liabilities) with cash conversion (Operating cash flow to EBITDA) of 133%, driven by tight cost control and working capital discipline.
- Improved balance sheet strength, with closing Net Debt (excluding lease liabilities) £74.2m (FY21: £107.7m); Net Debt (including lease liabilities) of £194.0 (FY21: £252.6m) with Leverage (including lease liabilities) back to pre-pandemic levels at 2.3x (FY21: 5.5x).

#### Delivering on strategic priorities:

- Transitioning both online platforms (cardfactory.co.uk and gettingpersonal.co.uk) onto a single, unified platform, unlocking cost benefits and opportunity to significantly expand the cardfactory.co.uk gifting range.
- Opened first new 'model store' as part of a wider trial, featuring improved customer flow and store navigation, and improved operational efficiencies.
- Strengthened leadership team with appointments into the key roles of:
  - Chief Information Officer and Digital Director appointed respectively, recognising the critical role digital has to play in our business growth.
  - Card Factory's first Customer Marketing Director to oversee new Customer Marketing function.
  - New Business Development Director to lead on the Group's partnership strategy.

#### Successful completion of refinancing:

- As advised on 21 April 2022, Card Factory has agreed terms on a refinancing with its current banking syndicate, extending debt facilities until September 2025. Card Factory has made good progress in using its positive cash flows to reduce overall debt and consequently has agreed revised terms on reduced facilities of £150 million.
- The 'best efforts' commitment given by Card Factory to its banks, to raise net equity proceeds of £70 million by 30 July 2022 has been removed from the revised facilities. The Board therefore has no current intention of completing an equity raise.

- Restrictions on payment of dividends will continue to apply until CLBILS facilities and the £11.25 million term loan are fully repaid (expected 31 January 2024), and the Leverage ratio being 1.5x or less.

### **Current trading and Outlook:**

- Trading in the new financial year has been in line with our expectations and is contributing to a continued recovery of market share position. We are seeing some mix shift in our Spring seasons (Valentine's Day and Mother's Day) towards everyday ranges, which typically represent 70% of sales. Card range developments driving sales uplift in key ranges such as wedding.
- We expect our performance through the balance of the year to increasingly benefit from the strategic improvements we are making including expansion of complementary categories, further roll out of our trial model stores and highly targeted price increases.
- The Board expects that the business will deliver revenue recovering towards pre-pandemic levels in FY23.
- As previously guided in January, the Board expects significant inflationary headwinds to continue through FY23. Pre-emptive action has already mitigated a significant proportion of the identified inflationary headwinds through a combination of efficient management of costs and working capital as well as targeted price increases.
- While taking into consideration the inflationary headwinds mentioned above as well as the levels of trading seen in the new financial year, the Board's expectations for revenue and profit for FY23 remain unchanged.
- The Board remains confident in the longer-term growth opportunity for the business and its expectations for revenues in excess of £600m in FY26.

### **Darcy Willson-Rymer, Chief Executive Officer, commented:**

*"We are pleased to report a robust performance for the year, ahead of our original expectations, alongside good progress on our strategic transition, despite the operational challenges the last year brought.*

*We saw a steady recovery in store performance as lockdown restrictions eased, particularly in the run up to Christmas with store sales approaching pre-pandemic levels in this key trading period. As we reopened our stores, we saw our online performance decline slightly year on year; however, we remain greatly encouraged that our Card Factory online sales were significantly ahead of pre-pandemic levels. This year will see us make further progress in developing our customer proposition, through a broader product range and improved online experience, as part of our transition to a leading omnichannel retailer.*

*Looking forward, we remain confident our revenue levels for next year will continue trending towards pre-pandemic levels. We have taken pre-emptive action to help mitigate the inflationary pressures we are seeing across the business and we will continue to monitor and respond to developing macro environmental pressures. Our focus is on creating opportunities across our store estate while building out our wider capability which will allow us to deliver our strategic initiatives and drive growth at pace.*

*We enter the year ahead with confidence in our ability to deliver our plan for FY23. We remain excited by the growth opportunity ahead and continue to focus on implementing changes to enable us to deliver on our transition from a store-led card retailer into a market leading, omnichannel retailer of cards and gifts."*

### **Preliminary results announcement**

There will be a preliminary results webcast for analysts and investors today, starting at 10:00a.m. and available via <https://webcasting.brrmedia.co.uk/broadcast/62430d0f48e2f937d0543790>

Those analysts who wish to join are requested to contact Yasemin Balman of Tulchan Communications on the number provided below or by emailing [cardfactory@tulchangroup.com](mailto:cardfactory@tulchangroup.com). A copy of the webcast and accompanying presentation will be made available via the Card Factory investor relations website: [www.cardfactoryinvestors.com](http://www.cardfactoryinvestors.com).

### **Enquiries**

#### **Card Factory plc**

Darcy Willson-Rymer, Chief Executive Officer  
Kris Lee, Chief Financial Officer

via Tulchan Communications (below)

#### **Tulchan Communications**

James Macey White / Alison Lygo

+44 (0) 207 353 4200

[cardfactory@tulchangroup.com](mailto:cardfactory@tulchangroup.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.

## **Card Factory plc ("Card Factory" or the "Group")**

### **Preliminary results for the year ended 31 January 2022**

#### **CHAIR'S STATEMENT**

With the impact of Covid-19 lockdowns and personal constraints still being felt throughout 2021, I am proud of the resilient performance delivered by the Card Factory leadership team and colleagues across the business. Even though the financial year was materially impacted by Covid-19 related restrictions, trading and profits for FY22 were ahead of the Board's expectations, with overall performance recovering steadily from April 2021 as those restrictions eased.

The response from our customers as lockdowns ended was extremely positive. As footfall increased but to levels still below historical norms, our customers told us how much they had missed shopping at Card Factory. We believe that this evident loyalty to our brand and customer proposition places us in a strong position to grow the business in line with our strategic ambition and is testament to both the strength of the Card Factory offer and the hard work and commitment of store colleagues throughout the UK and Ireland.

I would also like to recognise all Card Factory colleagues for the exceptional effort and drive they have shown through this second year of the pandemic. Many of our colleagues were on furlough for much of the first quarter of the year but they returned to the business with a passion to reopen stores and deliver for our customers, our business and our shareholders. It is important to recognise the unrelenting efforts of colleagues who worked through the lockdowns, continuing to adapt with agility and pace to changing circumstances, ensuring the business was well placed to reopen stores at, often, short notice.

#### **Year in review**

Encouragingly, store sales recovered steadily through the year after lockdown restrictions eased, enabling an improving top-line performance.

Profit for the 12 months to 31 January 2022 was ahead of management's expectations despite the external headwinds facing the wider market, particularly significant inflationary headwinds and supply chain pressures including the increasing cost of freight and also the impact of inflation on staff costs and utilities. As Covid-19 related restrictions eased, we saw a steady recovery of store sales performance, with the key Christmas season approaching pre-pandemic LFL levels.

As customers returned to our stores following consecutive lockdowns, we saw our online sales decline slightly year on year. However, we remain encouraged by our Card Factory online sales in the financial year being significantly ahead of pre-pandemic levels, reflecting the expansion of our online product range and the improved customer experience whilst visiting the website, as well as an accelerated shift in consumer behaviour, consequent to the extended periods when our stores were closed.

The Board has remained focused on building the financial strength of the business. This resulted in strong operational cash flow and improved balance sheet strength.

The Board is pleased to have successfully refinanced the business, as announced on 21 April 2022, with an updated and amended financing package with our banking partners. As well as reducing the overall quantum, the refinancing has extended the term of the Group's debt facilities comprising term loans of £30 million, CLBILS of £20 million and a

Revolving Credit Facility of £100 million. The revised agreement removed the obligation on the Group to use best efforts to raise further equity to make prepayments of the debt facilities. Further details of the refinancing are provided within the CFO Statement.

### **Platform for growth**

Under the leadership of Darcy Willson-Rymer, we have comprehensively reviewed our future growth strategy, emphasising the strategic importance of our digital offer and the opportunity to develop partnerships with third parties nationally and internationally. Launched to our colleagues in October 2021, the 'Opening Our New Future' strategy will deliver the key elements that will realise the potential for sustainable growth across the whole enterprise.

Through this strategy, Card Factory is well-positioned to become the UK's number one destination for all customers seeking unrivalled quality, value, choice, convenience and experience. We are working to transform Card Factory into the leading omnichannel brand in our space to help customers celebrate each and every special occasion. It is our aim to become a global competitor putting cards and gifts in the hands of more customers.

### **Outlook and financial headwinds**

As previously guided, the Board expects revenues in FY23 to be towards FY20 revenue levels.

The Board also expects significant inflationary headwinds to continue through FY23. Pre-emptive action has already mitigated a significant proportion of these pressures through a combination of efficient management of costs and working capital, as well as an increased number of carefully targeted price increases.

While taking into consideration the inflationary headwinds mentioned above as well as the levels of trading seen in the new financial year, the Board's expectations for revenue and profit for FY23 remain unchanged.

### **Board appointments during FY22**

We were delighted to welcome both Darcy Willson-Rymer as our new Chief Executive on 8 March 2021 and Robert (Rob) McWilliam as independent Non-Executive Director, replacing David Stead who stepped down on 30 November 2021. Rob joined the Board on 1 November 2021; he has been appointed as Chair of Card Factory's Audit & Risk Committee and as a member of the Nomination Committee and the Remuneration Committee.

### **Summary**

After the significant disruption that the business has faced over the past two financial years, we ended FY22 in a robust position. We are also optimistic about the positive impact that the 'Opening Our New Future' strategy will deliver and the more detailed plans now in place to enable flawless execution of those plans. We remain confident that our store estate remains a strong, relevant channel within our longer-term omnichannel proposition.

Colleagues across the business have shown their strong support and commitment towards the strategy and as delivery momentum continues to build, we look forward to the future with confidence.

### **Paul Moody**

Chair

3 May 2022

## **CHIEF EXECUTIVE OFFICER'S REVIEW**

### **Introduction**

Having now completed my first full year as Chief Executive of Card Factory, I have been impressed by the potential from the design, print, manufacturing and retail capability, as well as the culture of the business and am optimistic about our opportunities for growth. Card Factory is a company that is loved by both customers and colleagues, and there is an energy from our colleagues to do the right thing.

The culture of this business and the opportunities that are open to every colleague are as much a growth driver as anything we do for our customers. It is only by working together, as one team with common goals in a diverse and inclusive culture, that we can take this business to the next level.

### **FY22 performance**

The business recovered well through the year with Group revenue up 28% driven by growth in store sales following easing of lockdown restrictions. Store sales increased 33% year on year reflecting a 20% increase in the number of trading days compared to the prior year and a recovery in market share. Store LFL sales (versus FY20) were -5.7%, albeit with steady recovery post lockdown as footfall recovered. The key Christmas trading season benefited from approaching pre-pandemic LFL levels.

While online sales across both [cardfactory.co.uk](http://cardfactory.co.uk) and [gettingpersonal.co.uk](http://gettingpersonal.co.uk) for the financial year were ahead of pre-pandemic levels (+23% versus FY20), sales were short of target due to delays to development that should have further increased the ranges offered online. Online sales were down-13.5% YOY (made up of [cardfactory.co.uk](http://cardfactory.co.uk) -1.5%; [gettingpersonal.co.uk](http://gettingpersonal.co.uk) -21.6%) which reflects the easing of lockdown restrictions and the return of customers to physical stores as well as the focus on higher margin sales on [gettingpersonal.co.uk](http://gettingpersonal.co.uk).

As expansion of our retail partnerships both in the UK and internationally is a key component of our 'Opening Our New Future Strategy', we were delighted to welcome our Business Development Director in September 2021. Partnership sales were down 18% YOY, reflecting an underlying performance in line with expectations with the decline relating to the extended Covid-19 lockdown periods in Australia, which impacted trading at our partner, The Reject Shop.

The focus on building the financial strength of the business was seen through the strong operating cashflow which was up 42% in FY22 to £114m. Actions to manage cost included strong capex control, greater efficiency in stock management (including reduced closing stock YOY) and proactive management of additional expense costs. Improved balance sheet strength resulted in closing Net Debt (excluding lease liabilities) of £74.2m (FY21: £107.7m), with Leverage excluding lease liabilities of 0.9x (FY21: 2.4x) below pre-pandemic levels (FY20: 1.1x). Inclusive of lease liabilities, Net Debt was £194.0m (FY21: £252.6m) and Leverage 2.3x (FY21: 5.5x).

### **Strategy refresh**

Since joining the Group, one of my priorities has been to review the business and its growth strategy. Having completed that process, I remain extremely excited about the opportunities available to Card Factory.

The delivery of the growth strategy set out in July 2020 - and the broader retail environment itself - has obviously been impacted by Covid-19. However, it is clear that the right way forward is to transition Card Factory from being a store-led card retailer into a market leading, omnichannel retailer of cards and gifts.

While cards will remain the largest part of our business in terms of total contribution, we will substantially increase our focus on complementary gifting, enhancing our customer offer and significantly increasing the size of our addressable market. The successful delivery of our strategy will be achieved by putting the customer at the heart of everything we do - ensuring that we provide outstanding value and quality across all our products and services, available however our customers want to shop.

This will include the continued expansion of our partnership strategy. The opportunity for us to sell our products in areas of the UK where we have no presence but do have potential customers is considerable, and there is additional significant opportunity to satisfy shopper missions that are not currently met through our existing store estate footprint. By further expanding our brand and offer internationally, we will leverage the full potential of our design, production and distribution capability.

Delivery of our strategy is now underway and some significant milestones have already been achieved. We have strengthened our leadership team with key appointments into the roles of Chief Information Officer and Digital Director, recognising the critical role digital has to play in our business growth. In addition, we have appointed a new Business Development Director and appointed Card Factory's first Customer Marketing Director to oversee our new Customer Marketing function. These appointments bring significant experience to our leadership team and will ensure we have the right capabilities to drive the next stage of our growth.

Recent delivery milestones include opening our first new look 'model store', and we will soon complete the transitioning of both of our online stores ([cardfactory.co.uk](http://cardfactory.co.uk) and [gettingpersonal.co.uk](http://gettingpersonal.co.uk)) onto a single, unified platform which unlocks cost benefits and the ability to significantly expand the [cardfactory.co.uk](http://cardfactory.co.uk) gifting range.

Looking ahead, our focus for the next financial year is creating growth opportunities around the store estate and building out our wider capability.

Key FY23 milestones include:

#### Stores

- Expand our market share in Stores in complementary categories - We are already UK leaders in party and balloon categories and for stores we will be looking at expanding our market share in categories such as stationery,

confectionery and toys. This will not come at the expense of cards in-store. It is about making smarter, more agile choices about the space dedicated to complementary categories.

- Complete the rollout of trial model stores - We opened our first new format 'model store' in February 2022. The Coventry store features better use of store space, improved customer flow and navigation through the store, while also improving operational efficiencies. Results from the store have been very promising and we expect that similar results can be achieved as more trial stores are opened. Analysis of results will be used to prepare for wider rollout from FY24 while taking learnings into our existing store estate.
- Open first Central London stores; continue Republic Of Ireland expansion - We have identified a profitable route for opening our first stores in Central London. Having enjoyed profitable success with our first 14 stores in the Republic of Ireland, we will continue our expansion plans with a further five stores already identified and additional openings planned.

#### Wider capability

- Trialling the ability for shoppers to Click & Collect any product from our online or app platforms for collection in store - This is the first step on rolling out our omnichannel capability which we believe provides the opportunity to leverage our brand, store estate, vertical integration, quality and value proposition and our investment in our online channels to materially increase our share of the online market.
- Deliver the second phase of our ERP implementation - Already live across the finance functions, the new ERP system will underpin the growth strategy across the entire business allowing us to understand and respond rapidly to changing shopper habits and preferences. It will provide the ability to view stock in all areas of the business, which is essential for omnichannel operations, and will allow us to integrate with future partners both in the UK and internationally.
- Pricing strategy - To support maintaining margins, we have begun a highly targeted set of price increases across some of our products. We are carefully analysing the impact on sales with further price rises on other SKUs being actively considered, whilst maintaining our value proposition.

### **Responding to headwinds**

Continuing to respond to the inflationary headwinds outlined by Paul in the Chair's Statement is a priority area of focus. We have taken significant pre-emptive measures to manage costs within the business and enact sustainable price increases.

### **People & Culture**

Investing in the evolution and development of our people strategy and culture within Card Factory is a priority for our senior management team. Developing Card Factory into a diverse, inclusive and socially responsible business is vital for our growth and prosperity. It creates the work environment where we can all prosper and thrive. It attracts new people and exceptional talent into the business, and it helps retain the exceptional talent we already have.

Over the past year, we have been collecting and listening to feedback from across the business so that we understand where our culture is right, where we are treating colleagues in the way they expect to be treated, where we are fostering a leadership environment that values and encourages everyone's contribution, and how we can best reward colleagues for the contribution they make. Having completed a full review of our pay and rewards policies including industry benchmarking, we have introduced a range of significant improvements. All colleagues now benefit from a company maternity and paternity pay scheme and an inclusive company sick pay policy, and we have made substantial steps towards making pay for all colleagues competitive within the market.

### **Our ESG commitment**

Another area of progress that we are proud to highlight are the steps the business is taking to develop and deliver positive change through our ESG strategy. We are progressing well in terms of reducing our carbon footprint and becoming a carbon neutral business. We are on track in our efforts to reduce waste and improve the sustainability of our product ranges, with 90% of our products being free of single use plastic by the end of FY24, along with all of our products being glitter free in the same time frame.

Our social policies are moving forward at pace with colleagues working collaboratively on a range of initiatives which includes a progressive DE&I strategy and we continue to have a positive impact within the communities we work within and the charities we support through The Card Factory Foundation.

At all times we are complying with guidelines and best practices, and actively managing our ESG considerations and risks effectively, with good governance informing our decision-making. Further details around our ESG commitments are provided within our Annual Report.

### **Summary**

We have made a positive start on our five-year growth journey. Through the course of this year, we aim to make significant headway on all of the key initiatives that will drive our future growth, especially omnichannel. The strong return of sales through the year demonstrated that we remain a much-loved retail brand with a unique and scalable business model that is the ideal platform for achieving our growth ambitions. Our focus is on continuing to return same store sales and delivering the strategic initiatives that will drive growth at pace.

## Darcy Willson-Rymer

Chief Executive Officer

3 May 2022

## CHIEF FINANCIAL OFFICER'S REVIEW

The "FY22" accounting period refers to the year ended 31 January 2022 and the comparative period "FY21" refers to the year ended 31 January 2021.

Historically, the Group has presented underlying profit and earnings measures. During FY22, the Group has ceased such presentation.

### Revenue

Total Group revenue during the year increased by 28% to £364.4 million (FY21: £285.1 million), predominantly due to improving trading conditions as the UK began to exit and recover from restrictions associated with the Covid-19 pandemic. Stores were closed for ten weeks due to lockdown in FY22, compared to five months in FY21. The steady recovery in sales followed the end of the last national lockdown in April 2021. For the financial year overall, an increase in store average basket values ('ABV') (+22%) versus FY20 partially offset lower footfall / transaction volumes (-23%) versus FY20. Growth in ABV is being driven by the strength of our balloon and party ranges where Card Factory is the market leader, alongside growth in complementary categories, therefore our focus in FY23 will be on expanding these ranges and responding to customer lifestyle choices.

	FY22	FY21	Increase/ (Decrease)
	£'m	£'m	£'m
Card Factory stores	336.0	251.9	84.1
Card Factory Online	10.9	11.1	(0.2)
Getting Personal	12.9	16.5	(3.6)
Retail partnerships	4.6	5.6	(1.0)
<b>Group</b>	<b>364.4</b>	<b>285.1</b>	<b>79.3</b>

The Group's programme of new store openings continues to be an important driver of sales growth. Covid-19 led to a postponement of some new store openings during FY21 which continued into FY22. However, despite this, 11 new stores were opened during FY22, three stores were relocated, and seven stores closed, giving a net increase in stores during the year of four. This brought the total store estate to 1,020 stores at the end of the year, including 14 stores in the Republic of Ireland (FY21: 1,016 stores, 14 in the Republic of Ireland).

The reduction in lockdown periods during FY22, compared to the prior period, drove a proportion of sales back to stores and away from online. As mentioned in the CEO statement, online sales for both cardfactory.co.uk and gettingpersonal.co.uk were ahead of pre-pandemic levels although short of target due to delays to development that should have further increased the ranges offered online. Continued growth in online remains a key strategic focus for the Group.

Retail partnerships sales also reduced compared to the prior year, largely due to The Reject Shop being affected by regional lockdown restrictions during the period.

Like-for-like ('LFL') sales growth across each division is set out in the table below. LFL measures exclude periods where stores were closed due to lockdown and for stores are stated compared to FY20, the last full year of trading unaffected by Covid-19.

	FY22	FY21
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Card Factory stores	(5.7%)	(2.4%)
Card Factory online	(1.5%)	135.3%
<b>Card Factory LFL</b>	<b>(3.9%)</b>	<b>0.1%</b>
Getting Personal	(21.6%)	12.2%

Ongoing improvements to the depth, quality and merchandising of our complementary product offering led to a continuation of the mix shift to this category. In addition, the business has placed increased emphasis on its everyday card offering, to ensure customers have the widest choice of card type and greeting messages. The full-year mix for FY22 was 48.4% single cards (FY21: 51.1%), 48.4% non-card (FY21 46.7%) and 3.2% boxed cards (FY21: 2.2%).

## Operating costs

Cost of sales and operating expenses are set out in the tables below.

FY22	FY22	FY22	%	£
	£'m	% of revenue	(Increase) / Decrease	(Increase) / Decrease
Cost of goods sold*	134.1	37.0%	4.4 pts	(13.5%)
Store wages	78.8	21.6%	(0.7 pts)	(32.2%)
Store property costs	15.8	4.3%	(0.9 pts)	(64.6%)
Other direct expenses	19.2	5.2%	1.2 pts	(4.9%)
<b>Cost of sales</b>	<b>247.9</b>	<b>68.1%</b>	<b>4.0 pts</b>	<b>(21.2%)</b>
Operating expenses**	38.9	10.7%	1.1 pts	(15.8%)
Depreciation, amortisation & impairment	54.0	14.8%	3.9 pts	(1.3%)
<b>Total operating expenses</b>	<b>92.9</b>	<b>25.5%</b>	<b>5.0 pts</b>	<b>(6.9%)</b>

FY21	FY21	FY21	%
	£'m	% of revenue	
Cost of goods sold*	118.1	41.4%	
Store wages	59.7	20.9%	
Store property costs	9.6	3.4%	
Other direct expenses	18.3	6.4%	
<b>Cost of sales</b>	<b>205.7</b>	<b>72.1%</b>	
Operating expenses**	33.6	11.8%	
Depreciation, amortisation & impairment	53.3	18.7%	
<b>Total operating expenses</b>	<b>86.9</b>	<b>30.5%</b>	

\*cost of goods sold includes FX losses previously described as non-underlying in FY21.

\*\*excluding depreciation and amortisation.

The overall ratio of cost of sales to revenue decreased to 68.1% (FY21: 72.1%). This decrease was driven by the following movements in sub-categories and by the increase in sales compared to the prior year:

- **Cost of goods sold ('COGS')**: comprises the direct costs of goods sold in the period (principally cost of raw materials, production costs, finished goods purchased from third party suppliers, import duty, freight costs, carriage costs and warehouse wages). In addition to the impact from the increase in sales and improved stock management, product COGS in FY22 was affected by the global shipping crisis and a significant increase in freight costs. Whilst the absolute cost of purchases increased as a result, the knock-on impact of shipping delays to inventory values contributed to a reduction in the overall level of provision compared to FY21, lowering COGS as an overall percentage of revenue. Provisions as a percentage of the gross inventory balance remain broadly consistent with the prior year.
- **Store wages**: comprises all staff costs for store-based staff, including employer taxes and contributions, and is shown net of Government support received through the CJRS. The main driver behind the absolute increase in store wages year-on-year is the reduction in store closure periods and associated reduction in CJRS income. The increase as a percentage of revenue (0.7pts compared to FY21) reflects national living wage increases partially offset through productivity gains.
- **Store property costs**: principally comprises business rates and service charges. Property costs for FY22 and FY21 reflect rates reliefs available across the store portfolio in both periods. Overall property costs increased in

FY22 as a result of a reduction in the amount of business rates relief available in England from July 2021.

- **Other direct expenses:** includes store opening costs, store utility costs, waste disposal, store maintenance, point of sale costs, bank charges and pay-per-click expenditure. This cost category is predominantly variable in proportion to the number of stores. Other direct expenses decreased as a percentage of revenue in FY22 reflecting reduced lockdown periods and increased trading days, as certain cost categories (such as insurance and maintenance) do not change in direct proportion with revenue from store trading.
- **Operating expenses:** includes remuneration for central and regional management and business support functions, design studio costs and business insurance together with other central overheads and administration costs. Indirect salary costs increased compared to the prior year, which reflects investment in people related to future growth, reduced CJRS claims and also the payment of staff bonuses for FY22 as a result of the improvement in financial performance. Total operating expenses (excluding depreciation and amortisation) increased by 15.8% to £38.9 million, representing a decrease from 11.8% to 10.7% as a percentage of revenue.

Depreciation and amortisation charges include depreciation and impairment in respect of right-of-use assets, which predominantly relate to the Group's store portfolio. In FY22, depreciation and amortisation includes £5.0 million of impairment charges in relation to right of use assets (FY21: £2.6 million), predominantly reflecting the effect of the Covid-19 pandemic and continued cost headwinds expected in future periods, particularly in relation to freight and the impact of inflation on staff wages and utility costs. As a result, total depreciation and amortisation charges increased to £54.0 million (FY21: £53.3 million)

In addition to support from CJRS and rates relief described above, the Group recognised £8.0 million of other operating income in respect of various government grant schemes related to Covid-19 lockdowns.

## EBITDA

	FY22	FY21	Increase/ (Decrease)
	£'m	£'m	
EBITDA	85.6	45.8	£39.8m
EBITDA margin	23.4%	16.1%	7.3 pts

The increase in EBITDA (defined as earnings before interest, tax, depreciation, amortisation and impairment charges) reflects, in particular, the improvement in trading performance described above due to the reduction in non-essential retail closure periods in FY22, compared to the prior year. The business has continued to focus on delivering close control over its cost base, with approximately 2% of the store portfolio marginally loss-making on a variable contribution basis, reflecting the subdued footfall during the year.

The cessation of all restrictions in relation to Covid-19 in the UK gives cause for optimism going forward; however, we anticipate ongoing inflationary headwinds through FY23 – a significant proportion of which has been pre-emptively mitigated through a combination of efficient management of costs and working capital, as well as targeted price increases – including the increasing cost of freight and also the impact of inflation on staff costs and utilities; plus investment in headcount, IT and development of the online platform to support the delivery of the Group's 'Opening Our New Future' strategy.

## Net financing expense

The interest charge pertaining to the Group's loan facilities increased to £6.8 million (FY21: £5.1 million) reflecting an increase to the Group's average effective interest rate following the refinancing of the Group's facilities in May 2021. In addition, the Group recorded a £10.4 million charge in respect of loan issue costs amortised to the income statement in the period. This represented a significant increase from similar fees in prior periods owing to the fees associated with the May 2021 refinancing, which included costs associated with the potential equity raise, since removed in the April 2022 refinancing, and an accelerated amortisation profile that reflected our expectation of a further refinancing in the first quarter of FY23. See note 13 for further details. Net finance costs are expected to normalise to historical levels in FY23.

Including IFRS 16 Leases interest charges, the total net financing expense increased to £20.5 million (FY21: £8.9 million).

	FY22	FY21	(Increase) /Decrease
	£'m	£'m	
<b>Finance expense</b>			
Interest on loans	6.8	5.1	(1.7)
Loan issue cost amortisation	10.4	0.4	(10.0)
IFRS 16 Leases interest	3.3	3.4	0.1
<b>Total finance expense</b>	<b>20.5</b>	<b>8.9</b>	<b>(11.6)</b>

### Profit before tax and tax charge

As a result of all of the factors described above, the profit before tax for the financial year amounted to £11.1 million (FY21: Loss before tax of £16.4 million).

The tax charge for FY22 of £3.0 million reflects an effective tax rate ('ETR') of 27.0% (FY21: Tax credit of £2.8 million and an ETR of 17.1%). The ETR is higher than the standard rate of corporation tax in the UK of 19%, reflecting the impact on deferred tax balances of the budget announcement in March 2021 that the Corporation tax rate will increase to 25% from 1 April 2023.

### Earnings per share

Basic and diluted earnings per share for the year were 2.4 pence (FY21: Loss per share of 4.0 pence).

	FY22	FY21	Increase /(decrease)
Basic and Diluted EPS	2.4p	(4.0p)	6.4p

### Capital expenditure

Capital expenditure, excluding IFRS 16 right-of-use assets, amounted to £6.9 million (FY21: £7.5 million), principally in relation to new stores, online investment and ERP implementation. Additions to right of use assets, reflecting new and renewed leases in the store portfolio in the period, were £29.8 million (FY21 £22.8 million).

Capital expenditure in FY22 continued to be tightly controlled as the business emerged from Covid-19 restrictions. The Group remains subject to restrictions under its banking facilities, which limit the total value of capital expenditure that can be incurred over the next two years. Whilst operating within these limits, we anticipate continuing to support our 'Opening Our New Future' strategy in FY23 by investing £23 million across key initiatives, including the next phase of our ERP implementation, continuing the roll out of new stores, and building our e-commerce, omnichannel and manufacturing capabilities.

### Foreign exchange

Approximately half of the Group's annual cost of goods sold expense relates to products that are purchased from overseas suppliers denominated in US dollars.

The Group has an established approach to hedging the risk of exchange rate fluctuations, which adopts a conservative approach to risk but retains flexibility to respond to both business and market events. The Board-approved policy permits the use of a combination of vanilla forwards and structured options to hedge the exposure over a rolling three-year period. The Group has used structured options and similar instruments to good effect for a number of years and the Board continues to view such instruments to be commercially attractive as part of a balanced portfolio approach to exchange rate risk management, even if cash flow hedge accounting may not be achievable or permitted in some instances.

At the year end, the Group had commercial hedges in place giving significant coverage for both FY23 and FY24 with anticipated average delivered rates of c.\$1.35, although this remains subject to future variation in the value of sterling,

which could impact the structured trades that form part of the hedging portfolio, and the impact of future trading conditions on hedged cash flows. Structured trades represent approximately one third of hedges that are yet to mature.

## Cash generation

In the year, the Group remained cash generative, driven by improved trading performance, favourable working capital movements and close control of operating costs and capital expenditure.

## Net Debt & covenants

	<b>FY22 Net Debt £'m</b>	<b>FY22 Leverage Multiple</b>	<b>FY21 Net Debt £'m</b>	<b>FY21 Leverage Multiple</b>
<b>Borrowings</b>				
Current liabilities	25.5		0.2	
Non-current liabilities	85.5		118.8	
<b>Total borrowings</b>	<b>111.0</b>		<b>119.0</b>	
Lease liabilities	119.8		144.9	
Capitalised debt costs	1.5		1.2	
Gross debt	232.3		265.1	
Less cash	(38.3)		(12.5)	
<b>Net Debt (inc. Leases)</b>	<b>194.0</b>		<b>252.6</b>	
<b>Leverage (inc. Leases)</b>		<b>2.3x</b>		<b>5.5x</b>
Remove lease liabilities	(119.8)		(144.9)	
<b>Net Debt (exc. Leases)</b>	<b>74.2</b>		<b>107.7</b>	
<b>Leverage (exc. Leases)</b>		<b>0.9x</b>		<b>2.4x</b>

The Group focuses on Net Debt calculated to exclude lease liabilities, as this reflects the way the Group's covenants are calculated within its financing facilities.

Net Debt excluding lease liabilities was £74.2 million at 31 January 2022 (FY21: £107.7 million), the improvement reflecting careful cash and working capital management through continued Covid-19 restrictions.

Leverage, calculated as Net Debt excluding lease liabilities divided by EBITDA and expressed as a multiple, was 0.9 times at 31 January 2022 (FY21: 2.4 times). The Group expects Leverage to increase slightly as it returns to normal trading patterns.

In May 2021, the Group renewed its financing facilities with its banking partners, which at the balance sheet date comprised a £75 million Term Loan, £50 million CLBILS and a Revolving Credit Facility of £100 million. Under the revised covenant terms, the Group was required to achieve defined quarterly covenant tests of Interest Cover and Leverage, alongside customary reporting requirements which are considered to be administrative in nature.

In addition to financial covenants, under the terms of the CLBILS facility the Group is prohibited from making distributions to shareholders until the CLBILS facility has been repaid. The terms of the facilities require the term loan and CLBILS facility to be repaid pro-rata.

The facilities have an expiry date of 24 September 2023 (unchanged from the previous arrangement). The Group concluded a further refinancing of its debt facilities on 21 April 2022, described in further detail below. The Group expects to operate within the restrictions of its financing facilities and meet its covenant tests for the foreseeable future.

## Post-Balance sheet Refinancing

Subsequent to the year end, on 21 April 2022, the Group agreed revised terms on its financing package with its existing banking syndicate, which reduced the overall quantum but extended the term of the Group's debt facilities. Following this refinancing, the Group's facilities comprise term loans of £30 million, CLBILS of £20 million and a Revolving Credit Facility of £100 million.

The CLBILS and £11.25 million of the term loans are subject to an amortising repayment profile to September 2023, and January 2024 (respectively), with the Revolving Credit Facility and remaining term loan repayable by September 2025.

The revised agreement removed the obligation on the Group to use best efforts to raise further equity to make

prepayments of the debt facilities. The dividend restrictions under the CLBILS facilities continue to apply.

The Group's strategic plan has been updated to reflect the new facilities and is subject to scenario testing. The Board believes that the Group has access to sufficient liquidity to execute its strategy under a range of different scenarios.

## **Dividends and capital structure**

### **Dividends**

Historically, the Board has adopted a progressive ordinary dividend policy for the Company, reflecting its strong earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operating requirements and to invest in the Company's long-term growth and profitability.

Following the outbreak of the Covid-19 pandemic the Board ceased payment of dividends, and as noted above the terms of the Group's financing facilities now prohibit dividend payments until certain elements of the Group's facilities are repaid.

As a result, no dividends were paid in FY21 nor FY22. The Board does not propose payment of a final dividend in respect of FY22.

### **Capital structure**

The Board is focused on maintaining a capital structure that is conservative yet efficient in terms of providing long-term returns to shareholders.

Looking forward, the Board intends to maintain a leverage ratio (calculated as Net Debt excluding lease liabilities to EBITDA) of between 0.5 and 1.5 times, targeting the lower end of this range in the medium term. Provided leverage remains in this range, the Board envisages considering dividends at the year-end of FY24, at which point the CLBILS facilities and £11.25 million of the term loan facilities will have been fully repaid. It is the Board's intention, subject to these conditions, maintaining an appropriate Leverage ratio and achieving financial performance in line with the strategic plan, to pay ordinary annual dividends from this point.

It should be noted that Net Debt at the half and full year period ends is lower than intra-year peaks, reflecting usual trading patterns and working capital movements.

Kris Lee  
Chief Financial Officer  
3 May 2022

## **Explanatory notes**

### **1. Alternative Performance Measures ("APMs") and other explanatory information**

#### **Introduction**

In the reporting of the 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, 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 profit after tax is provided in note 3 to the 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 above.

“**Like-for-like**” or “**LFL**” calculates the growth or decline in sales in the current period versus a prior comparative period, excluding any sales earned from new stores opened in the current period (or closed since the comparative period). Throughout this report, LFLs for Card Factory stores are two-year LFLs to FY20 (as the last full year of trading prior to Covid-related closure restrictions) and exclude any periods where stores were forced to close.

The Group defines like-for-like sales as the year-on-year growth in sales via Card Factory retail channels as follows:

- Card Factory Stores: “**Store LFLs**” consider stores that were open in both the current year and the comparative period.
- “**Card Factory Online**”: made via the Card Factory website, [www.cardfactory.co.uk](http://www.cardfactory.co.uk);
- “**Card Factory LFL**” is defined as Like-for-like sales in stores plus sales from the Card Factory website. [www.cardfactory.co.uk](http://www.cardfactory.co.uk);
- “**Getting Personal**”: made via the separately branded personalised card and gift website, [www.gettingpersonal.co.uk](http://www.gettingpersonal.co.uk);
- “**Online**”: like for like sales for Card Factory Online and Getting Personal 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.

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

**Consolidated income statement**

For the year ended 31 January 2022

	<i>Note</i>	<b>2022</b> £'m	2021 £'m
<b>Revenue</b>		<b>364.4</b>	285.1
Cost of sales		<b>(247.9)</b>	(205.7)
<b>Gross profit</b>		<b>116.5</b>	79.4
Other operating income	2	<b>8.0</b>	-
Operating expenses		<b>(92.9)</b>	(86.9)
<b>Operating profit/(loss)</b>	2	<b>31.6</b>	(7.5)
<b>Finance expense</b>	5	<b>(20.5)</b>	(8.9)
<b>Profit/(loss) before tax</b>		<b>11.1</b>	(16.4)
Taxation	6	<b>(3.0)</b>	2.8
<b>Profit/(loss) for the year</b>		<b>8.1</b>	(13.6)
<b>Earnings per share</b>		<b>pence</b>	pence
- Basic and diluted	8	<b>2.4</b>	(4.0)

All activities relate to continuing operations.

Card Factory plc

## Consolidated statement of comprehensive income

As at 31 January 2022

	2022 £'m	2021 £'m
<b>Profit/(loss) for the year</b>	<b>8.1</b>	<b>(13.6)</b>
<i>Items that may be recycled subsequently into profit or loss:</i>		
Cash flow hedges - changes in fair value	4.1	(1.9)
Cost of hedging reserve - changes in fair value	-	(0.1)
Tax relating to components of other comprehensive income	(0.6)	0.4
<b>Other comprehensive income/(expense) for the period, net of income tax</b>	<b>3.5</b>	<b>(1.6)</b>
<b>Total comprehensive income/(expense) for the period attributable to equity shareholders of the parent</b>	<b>11.6</b>	<b>(15.2)</b>

## Card Factory plc

**Consolidated statement of financial position**

As at 31 January 2022

	<i>Note</i>	<b>2022</b> £'m	2021 £'m
<b>Non-current assets</b>			
Intangible assets	9	320.7	320.3
Property, plant and equipment	10	31.6	36.8
Right of use assets	11	98.5	111.4
Deferred tax assets		3.6	5.3
Derivative financial instruments		1.3	-
		<b>455.7</b>	473.8
<b>Current assets</b>			
Inventories		33.1	36.4
Trade and other receivables		8.1	9.2
Tax receivable		-	0.5
Derivative financial instruments		0.8	0.1
Cash and cash equivalents	12	38.3	12.5
		<b>80.3</b>	58.7
<b>Total assets</b>		<b>536.0</b>	532.5
<b>Current liabilities</b>			
Borrowings	13	(25.5)	(0.2)
Lease liabilities	11	(41.1)	(39.4)
Trade and other payables		(71.7)	(57.4)
Provisions	16	(12.2)	-
Tax payable		(1.5)	-
Derivative financial instruments		(0.2)	(2.8)
		<b>(152.2)</b>	(99.8)
<b>Non-current liabilities</b>			
Borrowings	13	(85.5)	(118.8)
Lease liabilities	11	(78.7)	(105.5)
Derivative financial instruments		-	(1.9)
		<b>(164.2)</b>	(226.2)
<b>Total liabilities</b>		<b>(316.4)</b>	(326.0)
<b>Net assets</b>		<b>219.6</b>	206.5
<b>Equity</b>			
Share capital		3.4	3.4
Share premium		202.2	202.2
Hedging reserve		1.3	(3.1)
Cost of hedging reserve		-	0.4
Reverse acquisition reserve		(0.5)	(0.5)
Merger reserve		2.7	2.7
Retained earnings		10.5	1.4
<b>Equity attributable to equity holders of the parent</b>		<b>219.6</b>	206.5

**Consolidated statement of changes in equity**

For the year ended 31 January 2022

	Share capital	Share premium	Hedging reserve	Cost of hedging reserve	Reverse acquisition reserve	Merger reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>At 31 January 2020</b>	3.4	202.2	(1.6)	1.1	(0.5)	2.7	14.2	221.5
<b>Total comprehensive income for the period</b>								
Profit or loss	-	-	-	-	-	-	(13.6)	(13.6)
Other comprehensive income	-	-	(1.5)	(0.1)	-	-	-	(1.6)
Hedging gains/(losses) and costs of hedging transferred to the cost of inventory	-	-	(1.5)	(0.1)	-	-	(13.6)	(15.2)
Deferred tax on transfers to inventory	-	-	-	(0.7)	-	-	-	(0.7)
Deferred tax on transfers to inventory	-	-	-	0.1	-	-	-	0.1
<b>Transactions with owners, recorded directly in equity</b>								
Share-based payment charges	-	-	-	-	-	-	0.8	0.8
Dividends (note 7)	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	-	0.8	0.8
<b>At 31 January 2021</b>	3.4	202.2	(3.1)	0.4	(0.5)	2.7	1.4	206.5
<b>Total comprehensive expense for the period</b>								
Profit or loss	-	-	-	-	-	-	8.1	8.1
Other comprehensive expense	-	-	3.3	-	-	-	0.2	3.5
Hedging gains/(losses) and costs of hedging transferred to the cost of inventory	-	-	3.3	-	-	-	8.3	11.6
Deferred tax on transfers to inventory	-	-	1.4	(0.5)	-	-	-	0.9
Deferred tax on transfers to inventory	-	-	(0.3)	0.1	-	-	-	(0.2)
<b>Transactions with owners, recorded directly in equity</b>								
Share-based payment charges	-	-	-	-	-	-	0.8	0.8
Dividends (note 7)	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	-	0.8	0.8
<b>At 31 January 2022</b>	3.4	202.2	1.3	-	(0.5)	2.7	10.5	219.6

Card Factory plc

**Consolidated cash flow statement**

As at 31 January 2022

	<i>Note</i>	<b>2022</b>	2021
		<b>£'m</b>	£'m
<b>Cash inflow from operating activities</b>	<i>14</i>	<b>113.6</b>	79.9
Corporation tax paid		<b>0.1</b>	(6.3)
<b>Net cash inflow from operating activities</b>		<b>113.7</b>	73.6
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	<i>10</i>	<b>(3.6)</b>	(4.9)
Purchase of intangible assets	<i>9</i>	<b>(3.3)</b>	(2.6)
Proceeds from disposal of fixed assets		-	0.5
<b>Net cash outflow from investing activities</b>		<b>(6.9)</b>	(7.0)
<b>Cash flows from financing activities</b>			
Interest paid on bank borrowings		<b>(6.5)</b>	(5.0)
Proceeds from bank borrowings		<b>57.0</b>	-
Repayment of bank borrowings		<b>(65.0)</b>	(25.6)
Other financing costs paid		<b>(8.7)</b>	-
Payment of lease liabilities		<b>(54.5)</b>	(22.1)
Interest in respect of lease liabilities		<b>(3.3)</b>	(3.4)
<b>Net cash outflow from financing activities</b>		<b>(81.0)</b>	(56.1)
Net increase in cash and cash equivalents		<b>25.8</b>	10.5
Cash and cash equivalents at the beginning of the year		<b>12.5</b>	2.0
<b>Closing cash and cash equivalents</b>		<b>38.3</b>	12.5

## 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 has 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 2022 ('FY22') or 31 January 2021 ('FY21') but is derived from these accounts. Statutory accounts for the year ended 31 January 2021 have been delivered to the registrar of companies, and those for the year ended 31 January 2022 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 the Group has adequate resources to continue in operation for at least the next 12 months and that the going concern basis of accounting remains appropriate.

Over the course of the current and previous year, the Group has been materially affected by the Covid-19 pandemic, with stores forced to close for approximately eight months during that two-year period and revenues and trading results adversely affected as a result. Through a strong focus on cash management, de-levering the business and with support from Government (including the Coronavirus Job Retention Scheme, business rates relief and lockdown grant payments) and its wider stakeholders the Group has emerged from this period with a robust balance sheet and a platform to execute its future strategy.

Trading since the end of lockdown, and since the balance sheet date, has been in line with expectations, with LFL sales in certain periods returning to pre-pandemic levels.

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 notes 13 and 17). The first repayments under these facilities fall due in January 2023, with full repayment of the CLBILS facilities by September 2023. The Board believes the renewed facilities provide adequate liquidity and headroom for the Group to execute its strategic plan. At 31 January 2022, Net Debt excluding lease liabilities was £74.2 million.

The Group has prepared cash flow forecasts for the 12 months following the date of approval of these accounts which incorporate the updated debt facilities and related covenant measures. These forecasts are based on the approved budget and business plan and include the Board's assumptions on trading performance, including the extent and speed of the recovery of store sales following reopening, and the timing of cash flows including amounts where payment was deferred due to Covid-19. The Board's trading assumptions are cautious compared to the Group's actual experience since stores reopened and model a gradual recovery to pre-Covid levels, with negative overall LFL sales forecast in FY23 when compared to FY20. These forecasts indicate that the Group would have significant headroom within its agreed financing arrangements, would comfortably meet all covenant tests within those arrangements, and would be able to settle its liabilities as they fall due for the duration of the forecasts, including repayment of borrowings in line with the terms of the new facility agreements.

Whilst the current outlook is positive, the pandemic is not over. Accordingly, the Group has modelled a number of severe, but plausible, downside scenarios involving further closures of its stores, including scenarios where government imposed lockdowns require a two-month closure during the winter period. The Group's assumptions regarding trading in lockdown periods and the impact on fixed and variable

overheads was based on the Group's actual experience in FY21 and FY22 and included assumptions regarding the availability of government support, particularly in respect of salary costs and business rates, on a basis consistent with the support received during previous lockdowns. The projections did not assume any further lockdown grant income, nor additional discretionary cost savings.

In all cases, the scenario analysis indicated that, whilst the impact would be severe, the Group would meet the covenant thresholds in its financing facilities and maintain sufficient liquidity to meet its liabilities as they fall due.

The Group also modelled more extreme scenarios, beyond those considered plausible. The analysis demonstrated that the Group had additional headroom in its forecasts and the existence of further mitigations that could be taken, if required.

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 the accounting policies published in the Group's accounts for the year-ended 31 January 2021 (available on the Company's website).

### 1 Segmental reporting

The Group has two operating segments trading under the names Card Factory and Getting Personal.

Card Factory retails greeting cards, dressing and gifts principally through an extensive UK store network, with a small number of stores in the Republic of Ireland, and also through 3<sup>rd</sup> party retail partners. Getting Personal is an online retailer of personalised cards and gifts. 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 information reviewed by the Board is consolidated, except that revenue is shown separately for each segment.

Revenue for each segment, and a reconciliation to consolidated revenue, is provided in the table below:

	2022 £'m	2021 £'m
Card Factory revenue	351.5	268.6
Getting Personal revenue	12.9	16.5
<b>Consolidated revenue</b>	<b>364.4</b>	<b>285.1</b>
Of which derived from customers in the UK	357.5	277.6
Of which derived from customers overseas	6.9	7.5

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 subject to substantially the same economic factors that impact the nature, amount, timing and uncertainty of revenue and cash flows. Revenue from retail partnerships and non-retail customers were circa £5.6m in the year (2021: £6.6 million). Revenue from overseas reflects revenues earned from the Group's stores in the Republic of Ireland and retail partners based outside the UK.

Of the Group's non-current assets, £2.1 million relates to assets based outside of the UK, principally in relation to the Group's stores in the Republic of Ireland.

### 2 Operating profit/(loss)

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

2022

2021

	£'m	£'m
Staff costs (note 4)	<b>113.8</b>	90.9
Government grant income	<b>(8.0)</b>	-
Depreciation expense		
- owned fixed assets (note 10)	<b>8.8</b>	9.2
- right of use assets (note 11)	<b>37.4</b>	39.9
Amortisation expense (note 9)	<b>2.9</b>	1.6
Impairment of right of use assets (note 11)	<b>5.0</b>	2.6
Profit on disposal of fixed assets	-	-
Foreign exchange gain	<b>2.6</b>	(0.3)

#### *Government grants and Covid-19 support*

During the 2022 and 2021 financial years, the Group has received government-backed financial support in the form of payments under the Coronavirus Job Retention Scheme ("CJRS"), business rates relief and income from lockdown grants.

The operating profit for 2022 includes circa £9.4 million (2021: c.£31.4 million) in respect of payments received under CJRS, £8.0 million (2021: £nil) of lockdown grant income, and circa £13.1 million (2021: c.£18.1 million) retail business rates relief. These values are stated net of provisions made where the Group expects to make repayments of amounts received in excess of the value the Group reasonably believes it is entitled to retain (see note 16).

Under the CJRS, grant income was claimed in respect of certain costs to the Group of furloughed employees. Staff costs above is stated net of CJRS support received.

Business rates relief for the Group's entire store portfolio commenced 1 April 2020, with no business rates payable in respect of retail locations until 1 July 2021, at which point retail locations in England received a 66% discount on the total rates bill with no rates payable in the rest of the UK. Property costs, included in cost of sales (where related to the store portfolio) and operating expenses (where related to administrative buildings) in the income statement, are presented net of business rates relief received.

Lockdown grant income is presented separately in the income statement as other operating income, and reflects the value of payments received in respect of lockdown grants, where the Group has reasonable assurance that it will comply with the conditions attached to the grants.

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

	<b>2022</b>	2021
	<b>£'000</b>	£'000
Audit of the consolidated and Company financial statements	<b>30</b>	34
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	<b>340</b>	340
Audit-related assurance services	<b>45</b>	25
Other assurance services	<b>288</b>	-
<b>Total fees</b>	<b>703</b>	399

Other assurance services provided in the 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**

Earnings before interest, tax, depreciation and amortisation ("EBITDA") represents profit for the period before net finance expense, taxation, depreciation and amortisation.

	2022 £'m	2021 £'m
Operating profit/(loss)	31.6	(7.5)
Depreciation, amortisation and impairment	54.0	53.3
<b>EBITDA</b>	<b>85.6</b>	<b>45.8</b>

#### 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:

	2022 Number	2021 Number
Management and administration	434	425
Operations	8,736	9,322
	<b>9,170</b>	<b>9,747</b>

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

	2022 £'m	2021 £'m
Employee wages and salaries	99.8	78.0
Equity-settled share-based payment expense	0.8	0.8
Social security costs	6.5	5.9
Defined contribution pension costs	1.5	1.3
<b>Total employee costs</b>	<b>108.6</b>	<b>86.0</b>
Agency labour costs	5.2	4.9
<b>Total staff costs</b>	<b>113.8</b>	<b>90.9</b>

Total employee costs are presented net of £9.4 million (2021: £31.4 million) recovered through the coronavirus job retention scheme.

#### **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:

	2022 £'m	2021 £'m
Salaries and short-term benefits	4.4	4.4
Equity-settled share-based payment expense	0.6	0.7
Social security costs	0.6	0.6
Defined contribution pension costs	0.1	0.1
	<b>5.7</b>	<b>5.8</b>

#### 5 Finance expense

	2022 £'m	2021 £'m
<b>Finance expense</b>		
Interest on bank loans and overdrafts	6.8	5.1
Amortisation of loan issue costs	10.4	0.4
Lease interest	3.3	3.4
	<b>20.5</b>	<b>8.9</b>

Amortisation of loan issue costs includes £1.2 million in relation to the Group's previous financing facilities where amortisation was accelerated following the refinancing in May 2021, in addition to amounts relating to the debt facilities agreed in May 2021, and costs incurred associated with alternative financing options that ultimately did not complete. See note 13 for further details.

## 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<sup>st</sup> January 2022 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

	2022 £'m	2021 £'m
<b>Current tax charge/(credit)</b>		
Current year	1.2	(0.8)
Adjustments in respect of prior periods	0.8	0.1
	<b>2.0</b>	<b>(0.7)</b>
<b>Deferred tax charge/(credit)</b>		
Origination and reversal of temporary differences	1.2	(1.9)
Adjustments in respect of prior periods	(0.7)	0.1
Effect of change in tax rate	0.5	(0.3)
	<b>1.0</b>	<b>(2.1)</b>
<b>Total income tax charge/(credit)</b>	<b>3.0</b>	<b>(2.8)</b>

The effective tax rate of 27.0% (2021: 17.1% credit) on the profit (2021: loss) before taxation for the year is higher than (2021: lower than) the average rate of mainstream corporation tax in the UK of 19% (2021: 19%). The higher effective tax rate is principally due to the effect of changes in future tax rates.

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

	2022 £'m	2021 £'m
<b>Profit/(loss) before tax</b>	<b>11.1</b>	<b>(16.4)</b>
Tax at the standard UK corporation tax rate of 19.0% (2021: 19.0%)	2.1	(3.1)
Tax effects of:		
Expenses not deductible for tax purposes	0.3	0.4
Adjustments in respect of prior periods	0.1	0.2
Effect of change in tax rate	0.5	(0.3)
<b>Total income tax charge/(credit)</b>	<b>3.0</b>	<b>(2.8)</b>

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

	2022			2021		
	Current £'m	Deferred £'m	Total £'m	Current £'m	Deferred £'m	Total £'m
Income statement	2.0	1.0	3.0	(0.7)	(2.1)	(2.8)
Other comprehensive income		0.6	0.6	-	(0.4)	(0.4)
Equity		0.2	0.2	-	(0.1)	(0.1)
<b>Total tax</b>	<b>2.0</b>	<b>1.8</b>	<b>3.8</b>	<b>(0.7)</b>	<b>(2.6)</b>	<b>(3.3)</b>

## 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 2022 (2021: no final dividend).

Whilst the Group's CLBILS and term loan facilities, as drawn at 31 January 2022, remain outstanding (see note 13), the Group is prohibited from making distributions.

## 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.

	<b>2022</b>	2021
	<b>(Number)</b>	(Number)
Weighted average number of shares in issue	<b>341,770,579</b>	341,626,396
Weighted average number of dilutive share options	<b>1,843,537</b>	128,446
Weighted average number of shares for diluted earnings per share	<b>343,614,116</b>	341,754,842

  

	<b>£'m</b>	£'m
Profit for the financial period	<b>8.1</b>	(13.6)

  

	<b>pence</b>	pence
Basic earnings per share	<b>2.4</b>	(4.0)
Diluted earnings per share	<b>2.4</b>	(4.0)

## 9 Intangible assets

	Goodwill £'m	Software £'m	Total £'m
<b>Cost</b>			
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
<b>Amortisation/impairment</b>			
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
<b>Net book value</b>			
<b>At 31 January 2022</b>	<b>313.8</b>	<b>6.9</b>	<b>320.7</b>
At 31 January 2021	313.8	6.5	320.3

	Goodwill £'m	Software £'m	Total £'m
<b>Cost</b>			
At 1 February 2020	328.2	14.1	342.3
Additions	-	2.6	2.6
Disposals	-	(3.0)	(3.0)
At 31 January 2021	328.2	13.7	341.9
<b>Amortisation/impairment</b>			
At 1 February 2020	14.4	8.1	22.5
Amortisation in the period	-	1.6	1.6
Impairment in the period	-	(2.5)	(2.5)
At 31 January 2021	14.4	7.2	21.6
<b>Net book value</b>			
At 31 January 2021	313.8	6.5	320.3
At 31 January 2020	313.8	6.0	319.8

### Impairment testing

Goodwill arising on the acquisition of Getting Personal in 2011 of £14.4 million is allocated to the Getting Personal CGU, which corresponds to the Getting Personal operating segment (see note 1). Goodwill in respect of the Getting Personal CGU was fully written down in 2020.

All remaining goodwill is in respect of the Card Factory business, which is comprised of all of the Card Factory stores (each an individual CGU for impairment testing purposes), associated central functions, and shared assets. Card Factory is the lowest level at which the Group's management monitors goodwill internally, and also corresponds with the Card Factory operating segment disclosed in note 1.

The total carrying amount of the Card Factory CGU, inclusive of liabilities that are necessarily considered in determining the recoverable amount of the CGU, at 31 January 2022 was £295.0 million. The recoverable amount of the Card Factory CGU 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 plan with a 0% (2021: 0%) terminal growth rate applied thereafter, representing management's estimate of the long term growth rate of the sector. The

analysis does not include new or additional revenue streams such as new stores and new retail partnerships, to reflect the value-in-use of the existing business.

The key assumptions used to forecast operating cash flows include: sales growth, based on historic performance and latest expectations; product mix; foreign exchange rates, based on hedges in place and market forward curves for unhedged items, the Group's current expectations in relation to operational costs; and the wider macro-economic factors affecting the Group's trading environment. The values assigned to each of these assumptions were determined based on historical performance and expected future trends.

The forecast cash flows are discounted at a pre-tax rate of 12.0% (2021: 12.0%) calculated using the capital asset pricing model utilising available market data and compared to the published discount rates of comparable businesses.

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

## 10 Property, plant and equipment

	Freehold property	Leasehold improvements	Plant, equipment, fixtures & vehicles	Total
	£'m	£'m	£'m	£'m
<b>Cost</b>				
At 1 February 2021	17.8	40.2	67.6	125.6
Additions	0.1	0.7	2.8	3.6
Disposals	-	(0.1)	(0.1)	(0.2)
At 31 January 2022	17.9	40.8	70.3	129.0
<b>Depreciation</b>				
At 1 February 2021	3.9	34.8	50.1	88.8
Depreciation in the period	0.5	2.6	5.7	8.8
Depreciation on disposals	-	(0.1)	(0.1)	(0.2)
At 31 January 2022	4.4	37.3	55.7	97.4
<b>Net book value</b>				
<b>At 31 January 2022</b>	<b>13.5</b>	<b>3.5</b>	<b>14.6</b>	<b>31.6</b>
At 31 January 2021	13.9	5.4	17.5	36.8

	Freehold property	Leasehold improvements	Plant, equipment, fixtures & vehicles	Total
	£'m	£'m	£'m	£'m
<b>Cost</b>				
At 1 February 2020	17.5	40.3	66.4	124.2
Additions	0.3	0.7	3.9	4.9
Disposals	-	(0.8)	(2.7)	(3.5)
At 31 January 2021	17.8	40.2	67.6	125.6
<b>Depreciation</b>				
At 1 February 2020	3.5	32.4	46.7	82.6
Provided in the period	0.4	3.1	5.7	9.2
Depreciation on disposals	-	(0.7)	(2.3)	(3.0)
At 31 January 2021	3.9	34.8	50.1	88.8
<b>Net book value</b>				

At 31 January 2021	13.9	5.4	17.5	36.8
At 31 January 2020	14.0	7.9	19.7	41.6

## 11 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. 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
<b>Cost</b>			
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
<b>Depreciation and impairment</b>			
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
<b>Net book value</b>			
<b>At 31 January 2022</b>	<b>98.1</b>	<b>0.4</b>	<b>98.5</b>
At 31 January 2021	110.6	0.8	111.4

	Buildings £'m	Motor Vehicles £'m	Total £'m
<b>Cost</b>			
At 1 February 2020	324.5	1.3	325.8
Additions	22.2	0.6	22.8
Disposals	(30.4)	(0.3)	(30.7)
At 31 January 2021	316.3	1.6	317.9
<b>Depreciation and impairment</b>			
At 1 February 2020	192.7	0.7	193.4
Depreciation in the period	39.5	0.4	39.9
Impairment in the period	2.6	-	2.6
Depreciation on disposals	(28.9)	(0.3)	(29.2)
Impairment on disposals	(0.2)	-	(0.2)

At 31 January 2021	205.7	0.8	206.5
<b>Net book value</b>			
At 31 January 2021	110.6	0.8	111.4
At 31 January 2020	131.8	0.6	132.4

Disposals and depreciation 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.

Reflecting the impact of Covid-19 on the Group's store portfolio and the expectation of future cost headwinds in the Group's strategic plan, both of which were considered to be an indicator of potential impairment, an impairment review of the Group's store assets was undertaken in the 2022 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 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. As a result, the key assumptions are also considered to be consistent with those described in note 9, in addition to the allocation of central and shared costs to individual stores. Application of these assumptions resulted in an impairment charge of £5.0 million (2021: £2.6 million). 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*

	<b>2022</b>	2021
	<b>£'m</b>	£'m
Current lease liabilities	<b>(41.1)</b>	(39.4)
Non-current lease liabilities	<b>(78.7)</b>	(105.5)
<b>Total lease liabilities</b>	<b>(119.8)</b>	(144.9)

Rent concessions agreed across FY21 and FY22 in response to Covid-19 were principally in respect of the timing of payments and did not significantly impact the total consideration payable in respect of leases. In accordance with the amendment to IFRS16 in respect of Covid-19 concessions, lease liabilities have not been re-measured in respect of Covid-19 concessions except to the extent the rent concession was agreed as part of a lease renewal or extension.

#### *Lease expense:*

	<b>2022</b>	2021
	<b>£'m</b>	£'m
<b>Total lease related expenses</b>		
Depreciation expense on right of use assets	37.4	39.9
Impairment of right of use assets	5.0	2.6
Profit on disposal of fixed assets	-	(0.3)
Lease interest	3.3	3.4
Expense relating to short term and low value leases *	-	0.6
Expense relating to variable lease payments **	0.2	-
<b>Total lease related income statement expense</b>	<b>45.9</b>	<b>46.2</b>

\* Contracts subject to the election not to apply the requirements of IFRS 16 to short-term or low value leases.

\*\* 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.

## 12 Cash and cash equivalents

	2022 £'m	2021 £'m
Cash at bank and in hand	38.3	12.5
Bank overdraft	-	-
Net cash and cash equivalents	38.3	12.5

Group cash and cash equivalents held in bank accounts within the RCF facility described in note 13 are subject to a netting arrangement.

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

	2022 £'m	2021 £'m
Sterling	21.5	1.1
Euro	1.4	0.4
US dollar	15.4	11.0
	38.3	12.5

## 13 Borrowings

	2022 £'m	2021 £'m
<b>Current liabilities</b>		
Bank loans and accrued interest	25.5	0.2
Bank overdraft	-	-
	25.5	0.2
<b>Non-current liabilities</b>		
Unsecured bank loans	85.5	118.8

### Bank loans

Bank borrowings as at 31 January 2022 are summarised as follows:

	Liability £'m	Interest rate %	Interest margin ratchet range %	Other information
<b>31 January 2022</b>				
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	-	4.50 + SONIA	2.75 - 4.50	Total facility size = £100 million
Accrued interest	0.5			
Debt issue costs	(1.5)			
	<b>111.0</b>			
<b>31 January 2021</b>				
Unsecured revolving credit facility	120.0	2.5 + LIBOR	1.00 - 2.50	Total facility size = £200 million
Accrued interest	0.2			
Debt issue costs	(1.2)			
	<b>119.0</b>			

On 21 May 2021, the Group concluded a refinancing of its borrowing facilities with its banking syndicate. The revised facilities comprised a £75 million Term Loan, £50 million Coronavirus Large Business Interruption Loan Scheme (CLBILS) loan, and a Revolving Credit Facility (RCF) of £100 million. The facilities introduced security via fixed and floating charges over certain of the Group's assets.

The Term Loan interest rate margin was 4.5% over SONIA, increasing at 1% every six months until fully repaid. 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, was subject to an interest rate ratchet of between 2.75% and 4.5% over SONIA based upon the Group's leverage position.

The Group drew down the Term Loan and CLBILS facility in full at the commencement date. The RCF was drawn during the period to support liquidity when needed; however these drawings have been repaid and the RCF is undrawn at the balance sheet date. The full RCF remains available to draw on if required.

All of the revised facilities were due to expire on 24 September 2023, with the Term Loan and CLBILS facilities subject to a defined repayment schedule, which commenced on 31 January 2022. Total repayments in respect of the Term Loan and CLBILS facilities during FY22 were £13 million, which included an additional prepayment of £8 million in accordance with the facility terms over and above the defined schedule.

At the balance sheet date, The Group remained subject to two financial covenants, tested quarterly from March 2022, in relation to Leverage (ratio of Net Debt to EBITDA) and interest cover (ratio of interest and rent costs to EBITDA). Covenant thresholds were phased to return to 2.5x Leverage and 2.0x interest cover by January 2023. In addition, the terms of the CLBILS facilities prevent the Group from making any distributions to shareholders whilst the CLBILS remain outstanding.

Debt issue costs in respect of the May 2021 refinancing totalled £6.7 million and included £5.0 million of deferred fees that were contingent upon prepayments being made by November 2021. The value of debt issue costs remaining deferred on the balance sheet at 31 January reflected the Group's expectation that a further refinancing would conclude in the first quarter of FY23. In addition, during FY22, the Group incurred £2.5 million of costs in respect of financing transactions that did not proceed.

Subsequent to the balance sheet date, on 21 April 2022, the Group concluded a further refinancing of its bank facilities which reduced the quantum and extended the tenure of the facilities, alongside changes to the covenant terms. See note 17 for further details.

## 14 Notes to the cash flow statement

### Reconciliation of operating profit to cash generated from operations

	2022	2021
	£'m	£'m
<b>Profit/(loss) before tax</b>	11.1	(16.4)
Net finance expense	<b>20.5</b>	8.9
<b>Operating profit/(loss)</b>	31.6	(7.5)
Adjusted for:		
Depreciation and amortisation	<b>49.1</b>	50.7
Impairment of right of use assets	<b>5.0</b>	2.6
Cash flow hedging foreign currency movements	(1.4)	(0.1)
Share-based payments charge	<b>0.8</b>	0.8
<b>Operating cash flows before changes in working capital</b>	<b>85.1</b>	46.5
Decrease/(Increase) in receivables	<b>1.1</b>	2.2
Decrease in inventories	<b>3.3</b>	18.0
Increase/(Decrease) in payables	<b>11.9</b>	13.2
Movement in provisions	<b>12.2</b>	-
<b>Cash inflow from operating activities</b>	<b>113.6</b>	79.9

## 15 Analysis of Net Debt

	At 1 February 2021 £'m	Cash flow £'m	Non-cash changes £'m	At 31 January 2022 £'m
Secured bank loans and accrued interest (note 13)	(119.0)	8.0	-	<b>(111.0)</b>
Lease liabilities	(144.9)	57.8	(32.7)	<b>(119.8)</b>
<b>Total debt</b>	<b>(263.9)</b>	<b>65.8</b>	<b>(32.7)</b>	<b>(230.2)</b>
Add: debt costs capitalised	(1.2)	(8.7)	8.4	<b>(1.5)</b>
Less: cash and cash equivalents	12.5	25.8	-	<b>38.3</b>
<b>Net Debt</b>	<b>(252.6)</b>	<b>82.9</b>	<b>(24.3)</b>	<b>(194.0)</b>
Lease liabilities	144.9	(57.8)	32.7	<b>119.8</b>
<b>Net Debt excluding lease liabilities</b>	<b>(107.7)</b>	<b>25.1</b>	<b>8.4</b>	<b>(74.2)</b>

	At 1 February 2020 £'m	Cash flow £'m	Non-cash changes £'m	At 31 January 2021 £'m
Unsecured bank loans and accrued interest (note 13)	(144.1)	25.6	(0.5)	(119.0)
Lease liabilities	(145.9)	22.1	(21.1)	(144.9)
<b>Total debt</b>	<b>(290.0)</b>	<b>47.7</b>	<b>(21.6)</b>	<b>(263.9)</b>
Add: debt costs capitalised	(1.0)	(0.6)	0.4	(1.2)
Less: cash and cash equivalents	2.0	10.5	-	12.5
<b>Net Debt</b>	<b>(289.0)</b>	<b>57.6</b>	<b>(21.2)</b>	<b>(252.6)</b>
Lease liabilities	145.9	(22.1)	21.1	144.9
<b>Net Debt excluding lease liabilities</b>	<b>(143.1)</b>	<b>35.5</b>	<b>(0.1)</b>	<b>(107.7)</b>

## 16 Provisions

	Covid-19- related support	Total
	£'m	£'m
At 1 February 2020, 31 January 2021 and 1 February 2022	-	-
Provisions made during the year	12.2	12.2
<b>At 31 January 2022</b>	<b>12.2</b>	<b>12.2</b>

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.

The Group is taking steps to confirm amounts repayable and settle its positions. This exercise is expected to conclude within the next financial year.

## 17 Subsequent events

### *Refinancing*

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

The revised facilities comprise term loans of £30 million, CLBILS of £20 million and a revolving credit facility (RCF) of £100 million. The aggregate value of the Group's facilities therefore reduced to £150 million. The CLBILS facilities are subject to an amortising repayment profile, with final maturity in September 2023. The term loans are subject to an amortising repayment profile with final maturity in September 2025. The RCF final maturity is in September 2025.

The interest rate attached to the CLBILS facilities is unchanged. The term loans will attract a fixed margin of 500bps and the RCF margin remains based on a ratchet between 275 and 450 bps dependent upon the Group's leverage position.

The covenant package attached to the facilities remains based on quarterly tests of interest cover and leverage, tested quarterly. The Group must maintain interest cover of 1.5x to 31 October 2023 and 1.75x thereafter, and maintain leverage of below 3.75x to 31 October 2022, 3.0x to 31 October 2023, and 2.5x thereafter. The requirement for the Group to use best efforts to raise £70 million of equity proceeds to pay down debt has been removed.