

22 September 2015

**Card Factory plc (“Card Factory” or the “Group”)  
Interim results for the six months ended 31 July 2015**

**Strong growth in sales and profit  
Special dividend of 15 pence per share, reflecting Group’s strong cash generation**

Card Factory, the UK’s leading specialist retailer of greeting cards, dressings and gifts, announces its interim results for the six months ended 31 July 2015.

**Financial Highlights**

- Revenues up 8.0% to £161.4m (H1 FY15: £149.4m)
- Like-for-like (“LFL”) sales up +2.7% (H1 FY15: +2.6%)
- Underlying EBITDA growth of 7.7% to £32.5m (H1 FY15: £30.2m)
- Underlying operating profit growth of 6.5% to £27.8m (H1 FY15: £26.1m)
- Underlying profit before tax growth of 72.3% to £25.7m (H1 FY15: £14.9m), reflecting post IPO capital structure
- Underlying EPS increased by 46.3% to 6.0 pence (H1 FY15: 4.1 pence)
- Leverage reduced to 1.20 times underlying EBITDA for the 12 months ended 31 July 2015
- Completion of £200m debt refinancing, further reducing future interest costs
- Interim dividend of 2.5 pence per share (FY15: 2.3 pence)
- Special dividend of 15 pence per share, returning £51.1m of excess cash to shareholders, reflecting ongoing strong cash generative nature of the business

Note

Underlying profit figures exclude costs relating to the IPO (FY15 only), debt refinancings and mark-to-market movements on derivatives not designated as a hedging relationship.

**Statutory results**

- Statutory profit before tax of £24.0m (H1 FY15: loss of £7.9m) after £1.7m of non-underlying expenses principally relating to charges associated with the debt refinancing (H1 FY15: non-underlying expenses of £22.8m, principally relating to charges associated with the IPO and debt refinancing)
- Total reported net debt reduced significantly to £108.0m (H1 FY15: £144.2m), being net debt of £109.0m (H1 FY15 £146.7m) less debt costs capitalised of £1.0m (H1 FY15: £2.5m)

**Business Highlights**

- Further progress on all four pillars of the Group’s growth strategy:
  1. LFL sales growth in existing stores
    - Improvements in quality and range of both card and non-card products
    - Ongoing market share gains as new store openings mature
  2. Continuing new store roll out
    - 36 net new stores opened in the period, bringing total estate to 800
    - Strong pipeline of further new store opportunities - on track to deliver approximately 50 net new openings by the year end
  3. Delivering business efficiencies
    - Maintenance of industry-leading underlying EBITDA margins at 20.1% (H1 FY15: 20.2%), notwithstanding incremental operating costs following the listing in May 2014, reflecting benefits of the Group’s vertically integrated business model
    - A number of business efficiency initiatives underway and others currently being

assessed in relation to FY17 margin headwinds, in particular foreign exchange and the new national living wage

4. Development of complementary online sales channels

- Revenue at Getting Personal increased by 24.9% to £6.9m and EBITDA increased by 58.8% to £1.3m
- Encouraging early step change in revenue from Card Factory transactional website, following successful relaunch, albeit from a low base

**Richard Hayes, Chief Executive Officer, commented:**

"It is encouraging to report another strong set of interim results with growth in both revenue and profit. We continue to deliver on each of our four growth pillars: growing like-for-like sales, rolling out new stores, delivering business efficiencies and growing our online businesses.

"It is also pleasing to announce a special dividend, in keeping with our commitment to return surplus cash to shareholders.

"We continue to focus resolutely on maintaining our very strong competitive position and further improving and developing our value retail proposition.

"The business is well prepared for the important Christmas trading season, and we remain confident of the Group's future prospects both in the near and longer-term."

**Interim results presentation**

A presentation for analysts will be held today starting at 9.30am at UBS Limited, 100 Liverpool Street, London EC2M 2RH, the entrance of which is accessed via Broadgate Circle. If you would like to register for attendance then please contact Jennifer Iveson at MHP Communications on 0203 128 8142 or [jennifer.iveson@mhpc.com](mailto:jennifer.iveson@mhpc.com).

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**Card Factory plc (“Card Factory” or the “Group”)  
Interim results for the six months ended 31 July 2015**

**Chief Executive’s Report**

**Overview**

Card Factory has had a successful first half to the financial year, generating strong growth in revenues and profits in line with our expectations. Cash generation also remains strong, leading to a return of £51.1 million of surplus cash to shareholders via a special dividend.

We remain the UK’s leading specialist retailer of greeting cards, dressings and gifts, with a proven and long-established growth strategy.

We are committed to maintain and strengthen the Group’s clearly differentiated value proposition, focusing on four pillars of growth. Good progress has been made in each:

**1. Continue to grow like-for-like sales in existing stores**

The Group has a strong track record of consistently delivering like-for-like (“LFL”) sales growth whilst maintaining its core value proposition.

Over the last five financial years, Card Factory has achieved annual LFL store sales growth in a narrow range of +1.4% to +3.2%, averaging +2.5%. Whilst annual rates may vary from period to period, the Board continues to target a similar LFL growth trend over the medium term. In the first half of the current financial year, Card Factory’s LFL store sales grew by +2.7%, in line with the comparable period (H1 FY15: +2.6%), representing performance towards the upper end of the range targeted.

This strong performance was driven by a number of factors, including continuous improvements in quality and range for both card and non-card products, new merchandising initiatives, and further market share gains as stores mature. The performance of the diverse non-card category, which typically has a lower gross margin than the card category, continues to be particularly strong.

**2. Continue to roll out profitable new stores**

The Group’s established store roll out programme remains an important driver of sales growth.

In the first half of this year, 42 new stores were opened (H1 FY15: 37) and 6 closed (H1 FY15: 1), bringing the total estate to 800 stores as at 31 July 2015. Two stores were relocated during the period (H1 FY15: 5).

The overall quality of our new store openings and their performance to date continues to be in line with our expectations.

We have a strong pipeline of additional new store opportunities and remain confident of opening a total of approximately 50 net new stores in the current financial year, in line with the average historic opening rate over the last decade.

**3. Continue to focus on delivering business efficiencies**

The Group is focused on achieving efficiencies, particularly through its vertically integrated business model, and has consistently delivered some of the best operating profit margins in the retail sector over a number of years.

It is pleasing to report that these strong margins have been maintained, notwithstanding the

incremental operating costs now being incurred following the Company's listing in May 2014.

Given Card Factory's unique vertically integrated model and superior margin structure, compared to its principal competitors, the Group is strategically well placed to withstand cost pressures. The Board continues to focus on maintaining and, where possible, improving these margins through an ongoing focus on cost control, leveraging investments in both people and infrastructure, further improving the supply chain and continuing to exploit further economies of scale. Whilst no material movements in overall margins for FY16 are currently anticipated, like many other UK retailers, the company is facing two particular margin headwinds for FY17 - foreign exchange risk in Far East sourcing and the impact of the implementation of the new recently announced national living wage.

A number of initiatives are underway including further potential business efficiencies as the Group seeks to evaluate how much of the resulting margin impact can be mitigated. An update on progress will be given in due course.

A more detailed cost breakdown is given in the financial information section below.

#### **4. Increase penetration of the complementary online market**

The Group has continued to make good progress in developing and growing its online offering under both the Card Factory and Getting Personal brands.

Getting Personal, which currently represents the majority of the Group's online revenues, with a focus on personalised gifts and other non-card products, has continued to grow strongly. In the first six months, revenue increased by 24.9% to £6.9m and, with an ongoing improvement in margins, EBITDA increased by 58.8% to £1.3m. As highlighted in the FY15 preliminary results, however, Getting Personal faces more difficult comparatives in the second half. Whilst we continue to target double digit revenue growth for the remainder of the financial year, we anticipate this to be at a much lower level than that achieved in the year to date.

The Group has also continued to develop its wider online offering following the relaunch of the Card Factory transactional website under the new, more accessible, web domain [www.cardfactory.co.uk](http://www.cardfactory.co.uk). This new website utilises the in-house, responsive technology platform developed by the team at Getting Personal and is a significant enhancement to its predecessor. Whilst annualised run-rate revenues remain relatively low at just under £1m, the Card Factory transactional website has experienced a significant step change in revenue following the relaunch, despite very limited marketing support at this stage.

We are optimistic about substantial growth in revenue and profit of both of the Group's online channels over the medium term.

## Financial performance

Total revenues during the period grew by 8.0% to £161.4m (H1 FY15: £149.4m).

Both of the Group's businesses have traded well in the first six months of this year, growing revenue and underlying EBITDA:

	<u>6 months ended 31 July</u>		<u>Increase/Decrease</u>
	<u>2015</u> £'m	<u>2014</u> £'m	
<b>Revenue</b>			
Card Factory	154.5	143.9	+7.4%
Getting Personal	6.9	5.5	+24.9%
Group	<u>161.4</u>	<u>149.4</u>	+8.0%
<b>Underlying EBITDA</b>			
Card Factory	31.2	29.4	+6.3%
Getting Personal	1.3	0.8	+58.8%
Group	<u>32.5</u>	<u>30.2</u>	+7.7%
<b>Underlying EBITDA margin</b>			
Card Factory	20.2%	20.4%	-0.2ppts
Getting Personal	18.3%	14.4%	+3.9ppts
Group	20.1%	20.2%	-0.1ppts

As expected, whilst there is some seasonality in our business, the Group delivered positive operating profit in each month of the first half.

The underlying EBITDA margin of the Group remained broadly flat at 20.1% (H1 FY15: 20.2%), reflecting incremental operating costs incurred following the May 2014 flotation (see below), offset by the benefits of business efficiencies.

In the first half of this year our underlying operating margin also remained broadly stable at 17.3% (H1 FY15: 17.5%).

As highlighted by the EBITDA and operating margins for the year ended 31 January 2015 of 25.0% and 22.5% respectively, margins in the second half of the financial year are typically higher than the first half given the impact of the Christmas trading period.

Cost of sales and operating expenses continue to be well controlled and are broken down as follows:

	<u>31 July 2015</u>		<u>31 July 2014</u>		<u>Increase</u>
	<u>£'m</u>	<u>% of revenue</u>	<u>£'m</u>	<u>% of revenue</u>	
Cost of goods sold	50.7	31.4%	46.3	31.0%	9.3%
Store wages	27.5	17.0%	25.5	17.1%	7.9%
Store property costs	29.6	18.3%	28.1	18.8%	5.3%
Other direct expenses	7.8	4.9%	7.5	5.0%	4.7%
Cost of sales	<u>115.6</u>	71.6%	<u>107.4</u>	71.9%	7.6%
Operating expenses*	<u>13.3</u>	8.3%	<u>11.8</u>	7.9%	12.7%

\*excluding depreciation and amortisation

The overall ratio of cost of sales to revenue improved slightly to 71.6% on an underlying basis (H1 FY15: 71.9%) with the following movements in sub-categories:

- Cost of goods sold: principally comprises cost of raw materials, production costs, finished goods purchased from third party suppliers, import duty, freight/carriage costs and warehouse wages. The small increase in this cost ratio principally reflects a slightly higher cost from foreign exchange movements together with the ongoing shift in sales mix to lower margin Card Factory non-card product and the strong LFL performance at Getting Personal.
- Store wages: includes wages and salaries for store based staff, together with bonuses, National Insurance, pension contributions, overtime, holiday and sick pay. This cost has increased as new stores have been opened and pay increases have been awarded but has remained broadly flat as a ratio of revenue.
- Store property costs: consists principally of store rents (net of rental incentives), business rates and service charges. This cost has also increased in absolute terms as new stores have been opened but has reduced slightly as a ratio of revenue. Many of the Group's existing stores remain on leases taken out before the recession when the property market was stronger and the company's covenant was weaker. The improvement in this cost ratio reflects changes to these factors for both new stores and breaks and expiries on existing leases as well as the impact of the positive LFL sales performance of the store portfolio.
- Other direct expenses: includes store opening costs, store utility costs, waste disposal, store maintenance, point of sale costs and pay per click expenditure. This cost category is largely variable in respect of existing stores and increases with new store openings. The ratio of other direct expenses to revenue has improved marginally to 4.9% from 5.0% as a result of economies of scale and various business efficiency initiatives.

Total underlying operating expenses (excluding depreciation and amortisation) in the first half increased to £13.3m (H1 FY15: £11.8m). This cost line includes items such as head office salaries and remuneration, costs relating to regional and area managers, design studio costs and insurance, together with other central overheads and administration costs. Following our IPO in May 2014, this cost category also includes the incremental operating costs incurred as a result of being a public company, including the non-cash share based payment charge in relation to LTIPs (introduced on IPO) and a new SAYE scheme (introduced earlier this year). The total share based payment charge for the first half was £0.7m (H1 FY15: £0.1m). Excluding these incremental operating costs incurred post IPO, underlying EBITDA margins improved slightly.

Depreciation and amortisation increased from £4.1m to £4.7m reflecting significant one-off investments made in recent years, in particular, the expansion of the central distribution centre and our printing division, Printcraft, and the EPOS conversion project.

The underlying net financing expense reduced significantly to £2.1 million (H1 FY15: £11.2 million) reflecting changes to the Group's capital structure following IPO, benefits from debt refinancings and reductions in net debt from organic cash generation.

As a consequence of the above factors, underlying profit before tax increased 72.3% to £25.7m (H1 FY15: £14.9m), with the underlying effective tax rate of 20.3% marginally above the statutory rate.

Underlying earnings per share increased by 46.3% to 6.0 pence (H1 FY15: 4.1 pence).

Capital expenditure totalled £6.2m in the first half of which £2.1m related to the EPOS rollout. In the equivalent period last year, capital expenditure totalled £5.6m of which £1.6m related to one-off strategic projects, principally EPOS. Including one-off strategic projects, the Board continues to budget annual capital expenditure of up to £12 million per annum over the medium term.

## **Foreign exchange**

With slightly over half of the Group's annual cost of goods sold expense relating to products sourced in US Dollars, the Group takes a prudent but flexible approach to hedging the risk of exchange rate fluctuations.

The Group's Treasury Policy is formally approved by the Board and reviewed regularly. The current policy requires forward cover to be in place for at least 50% of the next 12 months annual US Dollar requirement. The policy permits a maximum of 40% of each year's total requirement to be hedged via structured options, with the balance typically being hedged via vanilla forwards. The Group has used structured options and similar instruments to good effect for a number of years. The Board views such instruments, structured appropriately, to be commercially attractive as part of a balanced portfolio approach to exchange rate management, even if from a technical accounting perspective, they may not be deemed to meet the IFRS hedge effectiveness test.

As at the date of this announcement, the anticipated US Dollar cash requirement for FY16 has been fully hedged at a similar average rate to that achieved for FY15, marginally ahead of the Group's standard budget rate of \$1.60. Approximately 56% of the anticipated FY17 US Dollar cash requirement is currently hedged at an average rate in line with our standard budget rate but marginally below that expected to be achieved in FY16. As Sterling currently remains some way below levels achieved historically, prior to any potential mitigating actions, foreign exchange margin pressure remains an area of concern for FY17.

## **Debt refinancing**

In anticipation of the proposed special dividend referred to below, we have recently amended and extended our existing £200 million debt facility. This facility, put in place prior to IPO last year, consisted of a 5 year, £180 million senior debt facility and a £20 million revolving credit facility ("RCF"). The new 5 year facility agreement consists of a £200 million RCF, thereby providing greater flexibility and balance sheet efficiency. The new facility also includes an additional £100 million accordion. As part of this refinancing process, the margin payable under the new facility has reduced by between 0.25% and 0.75%, depending on the leverage within the Group.

The fees and expenses of this debt refinancing, which totalled £1.0m, have been capitalised and will be amortised to the Income Statement over the five year term of the new RCF in accordance with accounting standards. Debt costs capitalised in relation to the previous senior debt facility of £1.8m have been written off as a non-underlying item.

The new RCF is subject to a margin ratchet dependent upon leverage levels, with margins ranging between 1.00% (up to 1.25 times historic EBITDA) and 2.00% (above 2.0 times historic EBITDA), with additional intermediate steps in margin within this leverage range. At current leverage, the new facility carries a rate of LIBOR+1.00% compared to a rate of LIBOR+1.75% payable under the previous facility.

A £100m LIBOR swap at 0.795% provides interest rate protection until 31 October 2015. The following additional interest rate hedges have been added since 31 July 2015, all commencing on 31 October 2015: (i) a 2 year £20m LIBOR swap at 1.18%; (ii) a 2 year £20m LIBOR cap of 1.25%; and (iii) a 3 year £20m LIBOR cap of 2.00%.

## Statutory results

As reported previously, as a consequence of the IPO and refinancing completed during FY15, statutory results for that year differed materially from the underlying results and can be reconciled as follows:

	H1 FY16 £'m	H1 FY15 £'m
Underlying profit before tax	25.7	14.9
Gains/(losses) on foreign exchange derivatives not designated as a hedge	0.1	(0.3)
IPO costs	-	(3.6)
Residual management equity share based payment	-	(11.2)
Refinanced debt issue cost amortisation	(1.8)	(7.7)
Statutory profit/(loss) before tax	<u>24.0</u>	<u>(7.9)</u>

Further detail on the non-underlying reconciling items is set out in Note 6 to the attached interim results.

## Cash generation and returns

The Group remains highly cash generative, driven by its strong operating margins, limited working capital absorption and the relatively low capital expenditure requirements of its expansion programme.

As at 31 July 2015, net debt (excluding debt issue costs of £1.0m) had reduced to £109.0 million (31 July 2014: £146.7 million), analysed as follows:

	£'m
<u>Borrowings</u>	
Current liabilities	0.1
Non-current liabilities	<u>119.0</u>
Total borrowings	119.1
Add: debt costs capitalised	<u>1.0</u>
Gross debt	120.1
Less cash	<u>(11.1)</u>
Net debt	<u>109.0</u>

Net debt increased as expected from £91.9 million reported at the end of Q1 reflecting strong ongoing cash generation during the period offset by dividend payments totalling £23.2 million and the start of the normal working capital outflow relating to Christmas stock build.

Net debt at 31 July 2015 represented 1.20 times underlying EBITDA for the 12 months ended on that date.

As previously announced, over the medium term the Board expects to maintain leverage broadly in the range of 1.0 to 2.0 times net debt to underlying historic LTM EBITDA. Whilst this leverage ratio will typically vary during the financial year, the Board's current intention is to maintain average leverage around the mid point of this range. In assessing potential returns of surplus cash to shareholders, the Board will take into account, inter alia, the actual and projected leverage ratio (calculated on an LTM EBITDA basis) and the ongoing capital requirements of the business. This consideration will take into account expected cash generation and any resources required for strategic developments.

The Group typically delivers particularly strong cash generation in the second half of its financial year which contains the Christmas trading period. The Board therefore expects to report a further reduction in this net debt position at the year end, prior to the impact of the return of surplus cash to shareholders (see below).

### **Dividends**

The Board has declared an interim ordinary dividend of 2.5 pence per share (FY15: 2.3 pence). The Board intends to continue with its progressive dividend policy, taking into account the Group's strong earnings potential and cash flow characteristics, while allowing it to retain sufficient capital to fund ongoing operating requirements and to invest in our long term growth plans. The Board continues to target dividend cover of between 2.0 and 3.0 times on an annual basis.

As previously stated, to the extent there is surplus capital within the business, the Board expects to return that capital to shareholders. The Board will consider the most appropriate method of returning such surplus cash from time to time, taking into account, amongst other things, views of shareholders and the liquidity of the shares. In line with this, the Board is pleased to announce the declaration of a special dividend of 15 pence per share, equating to a return of £51.1 million.

Both the interim ordinary dividend and the special dividend will be paid on 27 November 2015 to those shareholders on the register at the close of business on 16 October 2015.

### **Outlook**

In the period since 31 July 2015 the Group has continued to trade in line with the Board's expectations.

We continue to focus resolutely on maintaining our very strong competitive position and further improving and developing our value retail proposition. The business is well prepared for the important Christmas trading season, and we remain confident of the Group's future prospects both in the near and longer-term.

Richard Hayes  
Chief Executive Officer  
22 September 2015

## Notes

### 1. Background information

Card Factory is the UK's leading specialist retailer of greeting cards, dressings and gifts. It focuses on the value and mid-market segments of the UK's large and resilient greeting cards market, and also offers a wide range of other quality products, including small gifts and gift dressings, at affordable prices. Card Factory principally operates through its nationwide chain of 800 Card Factory stores, as well as through its online offerings: [www.gettingpersonal.co.uk](http://www.gettingpersonal.co.uk) and [www.cardfactory.co.uk](http://www.cardfactory.co.uk).

The Group's clear strategy is focused on four pillars of growth:

- continuing to grow LFL sales in existing stores;
- continuing to roll out profitable new stores;
- continuing to focus on delivering business efficiencies; and
- increasing penetration of the complementary online market.

Card Factory commenced operations in 1997 with just one store and has expanded its store estate primarily through organic growth into a market-leading value retailer with a nationwide presence. The Group's stores are in a wide range of locations including on high streets in small towns through to major cities, shopping centre developments, out-of-town retail parks and factory outlet centres.

Over the last 10 years, Card Factory has developed a vertically integrated business model with an in-house design team, an in-house printing facility and central warehousing capacity of over 360,000 sqft. This model differentiates the Group from its competitors by significantly reducing costs and adding value to customers in terms of both price and quality, underpinning the Group's motto: "compare the quality, compare the price".

In the financial year ended 31 January 2015, the Group achieved revenue growth of 8.1% to £353.3 million (FY14: £326.9 million) and underlying EBITDA growth of 9.6% to £88.2 million (FY14: £80.4 million) at a margin of 25.0% (FY14: 24.6%).

### 2. Calculation of percentage movements

Percentage changes have been calculated before figures were rounded to £0.1m.

### 3. Cautionary Statement

This announcement is based on information from unaudited management accounts and 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.

## Condensed consolidated income statement

For the six months ended 31 July 2015

	Note	Six months ended 31 July 2015			Six months ended 31 July 2014			Year ended 31 January 2015		
		Underlying	Non-underlying (note 6)	Total	Underlying	Non-underlying (note 6)	Total	Underlying	Non-underlying (note 6)	Total
		£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>Revenue</b>		<b>161.4</b>	-	<b>161.4</b>	149.4	-	149.4	353.3	-	353.3
Cost of sales		(115.6)	0.1	(115.5)	(107.4)	(0.3)	(107.7)	(240.0)	(0.1)	(240.1)
<b>Gross profit/(loss)</b>		<b>45.8</b>	<b>0.1</b>	<b>45.9</b>	42.0	(0.3)	41.7	113.3	(0.1)	113.2
Operating expenses		(18.0)	-	(18.0)	(15.9)	(14.8)	(30.7)	(33.9)	(15.0)	(48.9)
<b>Operating profit/(loss)</b>		<b>27.8</b>	<b>0.1</b>	<b>27.9</b>	26.1	(15.1)	11.0	79.4	(15.1)	64.3
Finance income	7	0.3	-	0.3	0.2	-	0.2	0.3	-	0.3
Finance expense	7	(2.4)	(1.8)	(4.2)	(11.4)	(7.7)	(19.1)	(14.2)	(7.7)	(21.9)
<b>Net financing expense</b>		<b>(2.1)</b>	<b>(1.8)</b>	<b>(3.9)</b>	(11.2)	(7.7)	(18.9)	(13.9)	(7.7)	(21.6)
<b>Profit/(loss) before tax</b>		<b>25.7</b>	<b>(1.7)</b>	<b>24.0</b>	14.9	(22.8)	(7.9)	65.5	(22.8)	42.7
Taxation	8	(5.2)	0.3	(4.9)	(3.2)	4.8	1.6	(14.4)	4.9	(9.5)
<b>Profit/(loss) for the period</b>		<b>20.5</b>	<b>(1.4)</b>	<b>19.1</b>	11.7	(18.0)	(6.3)	51.1	(17.9)	33.2
<b>Earnings per share</b>		<b>pence</b>		<b>pence</b>	pence		pence	pence		pence
- Basic and diluted	9	6.0		5.6	4.1		(2.2)	16.3		10.6

All activities relate to continuing operations.

## Condensed consolidated statement of comprehensive income

For the six months ended 31 July 2015

	Six months ended 31 July 2015	Six months ended 31 July 2014	Year ended 31 January 2015
	£'m	£'m	£'m
<b><i>Profit/(loss) for the period</i></b>	<b>19.1</b>	(6.3)	33.2
<i>Items that are or may be recycled subsequently into profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedges	<b>(3.5)</b>	(1.0)	7.0
Net change in fair value of cash flow hedges recycled to profit or loss	<b>0.6</b>	0.1	0.2
Tax relating to components of other comprehensive income	<b>0.6</b>	0.2	(1.4)
<b>Other comprehensive (expense)/income for the period, net of tax</b>	<b>(2.3)</b>	(0.7)	5.8
<b>Total comprehensive income/(expense) for the period attributable to equity shareholders of the parent</b>	<b>16.8</b>	(7.0)	39.0

## Condensed consolidated statement of financial position

As at 31 July 2015

	Note	31 July 2015 £'m	31 July 2014 £'m	31 January 2015 £'m
<b>Non-current assets</b>				
Intangible assets	11	331.1	331.2	331.0
Property, plant and equipment	12	39.6	38.2	38.2
Deferred tax assets		-	1.4	0.2
Other receivables		1.1	1.4	1.2
Derivative financial instruments	13	0.1	0.1	-
		<b>371.9</b>	<b>372.3</b>	<b>370.6</b>
<b>Current assets</b>				
Inventories		46.8	39.9	41.5
Trade and other receivables		27.0	26.6	17.7
Tax receivable		-	1.8	-
Derivative financial instruments	13	2.3	0.2	5.8
Cash and cash equivalents		11.1	33.5	69.0
		<b>87.2</b>	<b>102.0</b>	<b>134.0</b>
<b>Total assets</b>		<b>459.1</b>	<b>474.3</b>	<b>504.6</b>
<b>Current liabilities</b>				
Borrowings		(0.1)	(14.6)	(14.5)
Trade and other payables		(47.8)	(47.4)	(35.3)
Tax payable		(3.8)	-	(5.2)
Derivative financial instruments	13	(0.1)	(1.7)	(0.1)
		<b>(51.8)</b>	<b>(63.7)</b>	<b>(55.1)</b>
<b>Non-current liabilities</b>				
Borrowings		(119.0)	(163.1)	(155.9)
Trade and other payables		(10.7)	(11.0)	(10.7)
Deferred tax liabilities		(0.2)	-	-
Derivative financial instruments	13	(0.2)	(0.1)	-
		<b>(130.1)</b>	<b>(174.2)</b>	<b>(166.6)</b>
<b>Total liabilities</b>		<b>(181.9)</b>	<b>(237.9)</b>	<b>(221.7)</b>
<b>Net assets</b>		<b>277.2</b>	<b>236.4</b>	<b>282.9</b>
<b>Equity</b>				
Share capital		3.4	3.4	3.4
Share premium		201.6	201.5	201.6
Hedging reserve		2.7	(1.5)	5.0
Reverse acquisition reserve		(0.5)	(0.5)	(0.5)
Merger reserve		2.7	2.7	2.7
Retained earnings		67.3	30.8	70.7
<b>Equity attributable to equity holders of the parent</b>		<b>277.2</b>	<b>236.4</b>	<b>282.9</b>

## Condensed consolidated statement of changes in equity

For the six months ended 31 July 2015

Six months ended 31 July 2015	Share capital	Share premium	Hedging reserve	Reverse acquisition reserve	Merger reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>Balance at 1 February 2015</b>	3.4	201.6	5.0	(0.5)	2.7	70.7	282.9
<b>Total comprehensive income for the period</b>							
Profit or loss	-	-	-	-	-	19.1	19.1
Other comprehensive income	-	-	(2.3)	-	-	-	(2.3)
	-	-	(2.3)	-	-	19.1	16.8
<b>Transactions with owners, recorded directly in equity</b>							
Share based payments and related tax	-	-	-	-	-	0.7	0.7
Dividends	-	-	-	-	-	(23.2)	(23.2)
	-	-	-	-	-	(22.5)	(22.5)
<b>Balance at 31 July 2015</b>	<b>3.4</b>	<b>201.6</b>	<b>2.7</b>	<b>(0.5)</b>	<b>2.7</b>	<b>67.3</b>	<b>277.2</b>

Six months ended 31 July 2014	Share capital	Share premium	Hedging reserve	Reverse acquisition reserve	Merger reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>Balance at 1 February 2014</b>	2.5	-	(0.8)	(0.5)	2.7	27.2	31.1
<b>Total comprehensive income for the period</b>							
Profit or loss	-	-	-	-	-	(6.3)	(6.3)
Other comprehensive income	-	-	(0.7)	-	-	-	(0.7)
	-	-	(0.7)	-	-	(6.3)	(7.0)
<b>Transactions with owners, recorded directly in equity</b>							
Issue of shares - net of issue costs	0.9	201.5	-	-	-	-	202.4
Share based payments and related tax	-	-	-	-	-	9.9	9.9
	0.9	201.5	-	-	-	9.9	212.3
<b>Balance at 31 July 2014</b>	<b>3.4</b>	<b>201.5</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>2.7</b>	<b>30.8</b>	<b>236.4</b>

Year ended 31 January 2015	Share capital	Share premium	Hedging reserve	Reverse acquisition reserve	Merger reserve	Retained earnings	Total equity
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
<b>Balance at 1 February 2014</b>	2.5	-	(0.8)	(0.5)	2.7	27.2	31.1
<b>Total comprehensive income for the year</b>							
Profit or loss	-	-	-	-	-	33.2	33.2
Other comprehensive income	-	-	5.8	-	-	-	5.8
	-	-	5.8	-	-	33.2	39.0
<b>Transactions with owners, recorded directly in equity</b>							
Issue of shares - net of issue costs	0.9	201.6	-	-	-	-	202.5
Share based payments and related tax	-	-	-	-	-	10.3	10.3
	0.9	201.6	-	-	-	10.3	212.8
<b>Balance at 31 January 2015</b>	<b>3.4</b>	<b>201.6</b>	<b>5.0</b>	<b>(0.5)</b>	<b>2.7</b>	<b>70.7</b>	<b>282.9</b>

## Condensed consolidated cash flow statement

For the six months ended 31 July 2015

	<i>Note</i>	<b>Six months ended 31 July 2015</b>	Six months ended 31 July 2014	Year ended 31 January 2015
		<b>£'m</b>	£'m	£'m
<b>Cash inflow from operating activities</b>	14	<b>32.8</b>	30.5	84.9
Corporation tax paid		<b>(5.4)</b>	(5.1)	(9.6)
<b>Net cash inflow from operating activities</b>		<b>27.4</b>	25.4	75.3
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		<b>(5.6)</b>	(5.0)	(9.2)
Purchase of intangible assets		<b>(0.6)</b>	(0.6)	(0.9)
Payment of deferred consideration		<b>(0.8)</b>	(0.7)	(0.8)
Interest received		<b>0.3</b>	0.2	0.3
<b>Net cash outflow from investing activities</b>		<b>(6.7)</b>	(6.1)	(10.6)
<b>Cash flows from financing activities</b>				
Proceeds from bank borrowings		-	177.4	177.4
Interest paid		<b>(2.1)</b>	(6.2)	(8.6)
Repayment of borrowings		<b>(53.3)</b>	(286.1)	(293.6)
Payment of finance lease liabilities		-	-	(0.1)
Proceeds from new shares issued		-	88.4	88.5
Dividends paid		<b>(23.2)</b>	-	-
<b>Net cash outflow from financing activities</b>		<b>(78.6)</b>	(26.5)	(36.4)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(57.9)</b>	(7.2)	28.3
Cash and cash equivalents at the beginning of the period		<b>69.0</b>	40.7	40.7
<b>Closing cash and cash equivalents</b>		<b>11.1</b>	33.5	69.0

## Notes to the interim financial statements

### 1 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.

### 2 Basis of preparation

These unaudited condensed consolidated interim financial statements ('interim financial statements') for the six months ended 31 July 2015 comprise the Company and its subsidiaries (together referred to as the 'Group'). The interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and the requirements of IAS 34 *Interim Financial Reporting* as adopted by the European Union. The interim report was approved by the Board of Directors on 22 September 2015.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 January 2015 which have been prepared in accordance with the IFRSs as adopted by the European Union. The statutory accounts for the year ended 31 January 2015 were approved by the Board of Directors on 24 March 2015 and delivered to the Registrar of Companies. The report of the auditors on those accounts was (i) unqualified, (ii) did not contain an emphasis of matter paragraph and (iii) did not contain any statement under section 498 of the Companies Act 2006. The interim financial statements have been reviewed, not audited. The auditor's review report for the six month period ended 31 July 2015 is attached.

#### *Significant judgements and estimates*

The preparation of the interim financial statements requires the use of judgements, estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements and key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 January 2015.

#### *Going concern*

The Group has considerable financial resources, long standing relationships with a number of key suppliers and an established reputation in the retail sector across the UK. The Directors believe the Group is well placed to manage its business risks successfully and therefore have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the interim financial statements have been prepared on a going concern basis.

### 3 Significant accounting policies

The financial statements have been prepared under the historical cost convention except for derivative financial instruments which are stated at their fair value.

The accounting policies are consistent with those applied in the consolidated financial statements for the year ended 31 January 2015. New or amended international financial reporting standards that are effective in the current period do not have a significant impact on the interim financial statements.

#### *EU Endorsed International Financial Reporting Standards effective in the current period*

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Annual Improvements to IFRSs 2010 – 2012 cycle
- Annual Improvements to IFRSs 2011 – 2013 cycle

#### *EU Endorsed International Financial Reporting Standards in issue but not yet effective*

New and revised accounting standards, interpretations or amendments effective for future periods are currently awaiting EU endorsement.

#### 4 Segmental reporting

The Group has two operating segments trading under the names Card Factory and Getting Personal. Card Factory retails cards and gifts in the UK through an extensive store network. Getting Personal is an online retailer of personalised cards and gifts. Getting Personal does not meet the quantitative thresholds of a reportable segment as defined in IFRS 8. Consequently the results of the Group are presented as a single reportable segment. Revenues outside of the UK are not significant at less than £0.1 million.

#### 5 Underlying EBITDA

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

	Six months ended 31 July 2015	Six months ended 31 July 2014	Year ended 31 January 2015
	£'m	£'m	£'m
<b>Underlying operating profit</b>	<b>27.8</b>	26.1	79.4
Depreciation and amortisation	4.7	4.1	8.8
<b>Underlying EBITDA</b>	<b>32.5</b>	30.2	88.2

#### 6 Non-underlying items

	Six months ended 31 July 2015	Six months ended 31 July 2014	Year ended 31 January 2015
	£'m	£'m	£'m
<b>Cost of sales</b>			
Gains/(losses) on foreign currency derivative financial instruments not designated as a hedge	0.1	(0.3)	(0.1)
<b>Operating expenses</b>			
IPO costs	-	(3.6)	(3.8)
Residual management equity share based payment	-	(11.2)	(11.2)
	-	(14.8)	(15.0)
<b>Net finance expense</b>			
Refinanced loan issue cost amortisation	(1.8)	(7.7)	(7.7)

##### *Net fair value remeasurement gains and losses on derivative financial instruments*

The Group utilises foreign currency contracts to manage the foreign exchange risk on U.S. Dollar denominated purchases. Fair value gains and losses on such instruments are recognised in the income statement to the extent they are not hedge accounted under IAS 39. Such gains and losses relate to future cash flows. In accordance with the commercial reasoning for entering into these agreements, these gains/losses are deemed not representative of the underlying financial performance in the year and presented as non-underlying items. Any gains or losses on maturity of such instruments are presented within underlying profit to the extent the gain or loss is not recognised in the hedging reserve.

##### *IPO costs*

In May 2014, Card Factory plc floated on the London Stock Exchange. Non-recurring IPO related costs in the prior period totalled £5.3 million of which £3.8 million was charged to the income statement and £1.5 million was recognised within share premium as costs directly related to the issue of new shares.

##### *Residual management equity share based payment*

On admission to the London Stock Exchange in May 2014, shares with a fair value of £9.8 million were issued in relation to residual management equity as detailed in the IPO prospectus. Employer national insurance of £1.4 million was incurred on the issue of the shares. These non-recurring share based payments were presented as non-underlying items in the prior period.

##### *Refinanced loan issue cost amortisation*

Loan issue costs totalling £1.8 million were expensed to the income statement in the period on completion of an amended borrowing facility on 26 June 2015. This expense relates to costs that were not yet amortised in relation to the 30 May 2014 refinancing and is presented as a non-underlying item.

Loan issue costs totalling £7.7 million were expensed to the income statement in the six months ended 31 July 2014 and the year ended 31 January 2015 on the repayment and refinancing of previous borrowing facilities on 30 May 2014. This expense relates to costs that were not yet amortised in relation to previous borrowing facilities and is presented as a non-underlying item.

See note 15 for details of net debt movements.

## 7 Finance income and expense

	<b>Six months ended 31 July 2015</b>	Six months ended 31 July 2014	Year ended 31 January 2015
	£'m	£'m	£'m
<b>Finance income</b>			
Bank interest received	<b>(0.3)</b>	(0.2)	(0.3)
<b>Finance expense</b>			
Interest on bank loans and overdrafts	<b>2.2</b>	6.0	8.5
Amortisation of loan issue costs	<b>2.0</b>	8.7	9.0
Interest on loan notes	-	4.3	4.3
Other interest payable	-	0.1	0.1
	<b>4.2</b>	19.1	21.9
<b>Net financing expense</b>	<b>3.9</b>	18.9	21.6

Amortisation of loan issue costs in the period include £1.8 million (six months ended 31 July 2014 and the year ended 31 January 2015 £7.7 million) expensed to the income statement in relation to loan issue costs not yet amortised on refinanced borrowing facilities. These costs are presented as non-underlying items, see note 6.

## 8 Taxation

The tax charge on underlying profit before tax for the interim period has been calculated on the basis of the estimated effective tax rate on underlying profit before tax for the full year to 31 January 2016 of 20.3% (six months ended 31 July 2014 21.6%, year ended 31 January 2015 22.0%).

## 9 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 share incentive awards granted to employees.

The Group has chosen to present an alternative earnings per share measure, with profit adjusted for non-underlying items to reflect the Group's underlying profit for the year. Underlying earnings is not a recognised profit measure under IFRS and may not be directly comparable with 'adjusted' profit measures used by other companies.

	Six months ended 31 July 2015	Six months ended 31 July 2014	Year ended 31 January 2015
	<b>Number</b>	Number	Number
Weighted average number of shares in issue	<b>340,696,235</b>	283,974,614	312,568,527
Weighted average number of dilutive share options	<b>363,656</b>	-	15,919
Weighted average number of shares for diluted earnings per share	<b>341,059,891</b>	283,974,614	312,584,446
	<b>£'m</b>	£'m	£'m
Profit for the financial period	<b>19.1</b>	(6.3)	33.2
Non-underlying items	<b>1.4</b>	18.0	17.9
Total underlying profit for underlying earnings per share	<b>20.5</b>	11.7	51.1
	<b>pence</b>	pence	pence
Basic and diluted earnings per share	<b>5.6</b>	(2.2)	10.6
Underlying basic and diluted earnings per share	<b>6.0</b>	4.1	16.3

## 10 Dividends

The Directors have declared an interim dividend of 2.5 pence per share for the period ended 31 July 2015 which equates to £8.5 million and a special dividend of 15.0 pence per share which equates to £51.1 million. Both dividends will be paid on 27 November 2015 to shareholders on the register at the close of business on 16 October 2015. The interim dividend was approved by the Board on 22 September 2015 and, as such, has not been included as a liability as at 31 July 2015.

Dividends totalling £23.2 million were paid in the period comprising an interim dividend of 2.3 pence per share in respect of the period ended 31 July 2014 and a final dividend of 4.5 pence per share in respect of the financial year ended 31 January 2015. No dividends were paid in the year ending 31 January 2015.

## 11 Intangible Assets

	31 July 2015	31 July 2014	31 January 2015
	<b>£'m</b>	£'m	£'m
<b>Net book value</b>			
At the beginning of the period	<b>331.0</b>	331.2	331.2
Additions	<b>0.6</b>	0.6	0.9
Amortisation	<b>(0.5)</b>	(0.6)	(1.1)
<b>At the end of the period</b>	<b>331.1</b>	331.2	331.0

## 12 Property, plant and equipment

	31 July 2015	31 July 2014	31 January 2015
	£'m	£'m	£'m
<b>Net book value</b>			
At the beginning of the period	38.2	36.7	36.7
Additions	5.6	5.0	9.2
Depreciation	(4.2)	(3.5)	(7.7)
<b>At the end of the period</b>	<b>39.6</b>	<b>38.2</b>	<b>38.2</b>

## 13 Financial instruments

Financial instruments carried at fair value are measured by reference to the following fair value hierarchy:

- Level 1: quoted prices in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments are carried at fair value and measured under a level 2 valuation method. Valuations are provided by the instrument counter-party.

	31 July 2015	31 July 2014	31 January 2015
	£'m	£'m	£'m
<b>Derivative assets</b>			
<i>Current</i>			
Interest rate contracts	-	0.2	-
Foreign exchange contracts	2.3	-	5.8
	<b>2.3</b>	<b>0.2</b>	<b>5.8</b>
<i>Non-current</i>			
Foreign exchange contracts	0.1	0.1	-
	<b>0.1</b>	<b>0.1</b>	<b>-</b>
<b>Derivative liabilities</b>			
<i>Current</i>			
Interest rate contracts	(0.1)	-	(0.1)
Foreign exchange contracts	-	(1.7)	-
	<b>(0.1)</b>	<b>(1.7)</b>	<b>(0.1)</b>
<i>Non-current</i>			
Foreign exchange contracts	(0.2)	(0.1)	-
	<b>(0.2)</b>	<b>(0.1)</b>	<b>-</b>

## 14 Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations:

	Six months ended 31 July 2015	Six months ended 31 July 2014	Year ended 31 January 2015
	£'m	£'m	£'m
<b>Profit/(loss) before tax</b>	<b>24.0</b>	(7.9)	42.7
Net finance expense	<b>3.9</b>	18.9	21.6
<b>Operating profit</b>	<b>27.9</b>	11.0	64.3
Adjusted for:			
Depreciation and amortisation	<b>4.7</b>	4.1	8.8
Cash flow hedging foreign currency losses/(gains)	<b>0.6</b>	(0.7)	0.4
Share based payments charge	<b>0.6</b>	9.9	10.3
<b>Operating cash flows before changes in working capital</b>	<b>33.8</b>	24.3	83.8
(Increase)/decrease in receivables	<b>(9.3)</b>	(8.7)	0.7
Increase in inventories	<b>(5.3)</b>	(0.6)	(2.2)
Increase in payables	<b>13.6</b>	15.5	2.6
<b>Cash inflow from operating activities</b>	<b>32.8</b>	30.5	84.9

## 15 Analysis of net debt

Six months ended 31 July 2015	At 1 February 2015 £'m	Cash flow £'m	Non-cash changes £'m	At 31 July 2015 £'m
Unsecured bank loans	(170.4)	53.3	(2.0)	<b>(119.1)</b>
Cash and cash equivalents	69.0	(57.9)	-	<b>11.1</b>
<b>Total net debt</b>	<b>(101.4)</b>	<b>(4.6)</b>	<b>(2.0)</b>	<b>(108.0)</b>

Six months ended 31 July 2014	At 1 February 2014 £'m	Cash flow £'m	Non-cash changes £'m	At 31 July 2014 £'m
Unsecured bank loans	(277.8)	108.7	(8.5)	(177.6)
Loan notes and accrued interest	(109.7)	-	109.7	-
Finance leases	(0.1)	-	-	(0.1)
<b>Total borrowings</b>	<b>(387.6)</b>	<b>108.7</b>	<b>101.2</b>	<b>(177.7)</b>
Cash and cash equivalents	40.7	(7.2)	-	33.5
<b>Total net debt</b>	<b>(346.9)</b>	<b>101.5</b>	<b>101.2</b>	<b>(144.2)</b>

Year ended 31 January 2015	At 1 February 2014 £'m	Cash flow £'m	Non-cash changes £'m	At 31 January 2015 £'m
Unsecured bank loans	(277.8)	116.2	(8.8)	(170.4)
Loan notes and accrued interest	(109.7)	-	109.7	-
Finance leases	(0.1)	0.1	-	-
<b>Total borrowings</b>	<b>(387.6)</b>	<b>116.3</b>	<b>100.9</b>	<b>(170.4)</b>
Cash and cash equivalents	40.7	28.3	-	69.0
<b>Total net debt</b>	<b>(346.9)</b>	<b>144.6</b>	<b>100.9</b>	<b>(101.4)</b>

In May 2014, prior to the IPO, the Group issued shares at market value in full settlement of £114.0 million loan notes and accrued interest.

In May 2014 the Group re-financed secured bank borrowings, utilising retained cash and proceeds from the IPO to reduce bank debt to £180.0 million with a £20 million revolving credit facility ("RCF") for working capital purposes.

In June 2015 the Group amended the existing bank borrowing facility to a £200 million RCF terminating 26 June 2020 with an additional £100 million accordion. Borrowings under the revised facility attract interest at LIBOR plus a margin in the range 1.0% to 2.0%, subject to a leverage ratchet (LIBOR plus 1.0% at 31 July 2015). The facilities are subject to financial covenants typical to an arrangement of this nature. Under the revised borrowing facility the Group has utilised cash balances to reduce bank borrowings.

Since the balance sheet date, the Group has entered into interest rate contracts to hedge a proportion of the Group's exposure to interest rate risk. The Group entered into a 2 year £20.0 million LIBOR swap at 1.18%, a 2 year £20.0 million LIBOR cap of 1.25% and a 3 year £20.0 million LIBOR cap of 2.00%, all commencing 31 October 2015 on expiry of an existing £100.0 million LIBOR swap at 0.795%.

## **16 Principal risks and uncertainties**

The Board and the senior management team are collectively responsible for managing risks and uncertainties across the Group. In determining the nature and extent of the risks the Group is willing to take and how these are managed, the Board, Audit and Risk Committee and the senior management team look to ensure an appropriate balance is achieved which enables the Group to achieve its strategic and operational objectives and facilitates the long-term success of the Group. The Group's Audit and Risk Committee is responsible for reviewing the Group's risk management framework and monitoring how relevant and effective it is in supporting the Group.

The principal risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and beyond, and which could cause actual results to differ materially from expected and historical results are as follows:

- Changes in consumer demands and market trends
- Increased competition
- Damage to brand and reputation
- Success of, or inability to implement, Group strategy
- Inability to find suitable locations for new stores
- Supply chain and product sourcing
- Attracting, motivating and retaining key personnel
- Treasury and financial risk
- Business continuity and response to major incidents
- Compliance with legal requirements, standards and regulations
- Maintenance and performance of IT systems
- Development of the Group's online business

The Board considers that these principal risks and uncertainties affecting the Group (as published and explained in more detail on pages 20 to 25 of the Group's Annual Report and Accounts for the year ended 31 January 2015) remain unchanged.

## **Responsibility statement of the directors in respect of the half-yearly financial report**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Richard Hayes  
Chief Executive Officer  
22 September 2015

Darren Bryant  
Chief Financial Officer

## **Independent review report to Card Factory plc**

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2015 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

**Chris Hearld**  
**Senior Statutory Auditor**  
**for and on behalf of KPMG LLP**  
**Statutory Auditor,**  
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22 September 2015