cardfactory

celebrate all life's moments

Opening our new future

Annual Report and Accounts 2023

WELCOME

Welcome to cardfactory – the first choice to celebrate all life's moments.

We are the UK's leading specialist retailer of cards, gifts and celebration essentials, with an estate of over 1,000 stores across the UK & Ireland and supply through partner and franchise stores mainly in the UK and Australia.

Our products are high-quality, yet through our vertically integrated design, production and omnichannel retail model, can be offered at significantly lower prices than our competitors.

Contents

Highlights

"The leading omnichannel retailer in our sector with an extensive UK & Ireland footprint and growing international presence."

FY23[1] HIGHLIGHTS

Revenue (£m)

£463.4m

FY23	**463.4**
FY22	364.4
FY21	285.1
FY20	451.5

cardfactory LFL[2] sales (%)
(excluding periods of store closure)

+6.7ppts

FY23	6.7
FY22	(3.9)
FY21	0.1
FY20	(0.5)

Profit Before Tax (PBT) (£m)

£52.4m

FY23	52.4
FY22	11.1
FY21	(16.4)
FY20	65.2

Leverage[2]
(excluding lease liabilities)

0.5x

FY23	0.5
FY22	0.9
FY21	2.4
FY20	1.1

Cash from operations[2] (£m)

£107.8m

FY23	107.8
FY22	113.6
FY21	79.9
FY20	124.8

Basic EPS (p)

12.9p

FY23	12.9
FY22	2.4
FY21	(4.0)
FY20	15.1

Summary of the financial period

- Strong financial performance with results ahead of expectations: PBT of £52.4 million is +£41.3 million compared to prior year.
- Revenue of £463.4 million is +27% year-on-year (YOY), reflecting first full year of trading following the pandemic and good momentum in stores driving cardfactory like-for-like (LFL) sales of +6.7%.
- Successful mitigation of inflationary headwinds through targeted price increases, hedging and actions to enhance productivity delivered improved margins: EBITDA of £112.0 million improved 0.8ppts as a percentage of sales YOY.
- Robust cash generation performance with all Covid-related VAT and rent deferrals now cleared.
- Successful delivery of refinancing (to September 2025) to provide platform for strategic growth, reduction in net debt to £57.2 million and leverage to 0.5x.

1. 'FY23' is the 12 months to 31 January 2023.
2. See glossary on page 149.

Celebrate

all life's moments

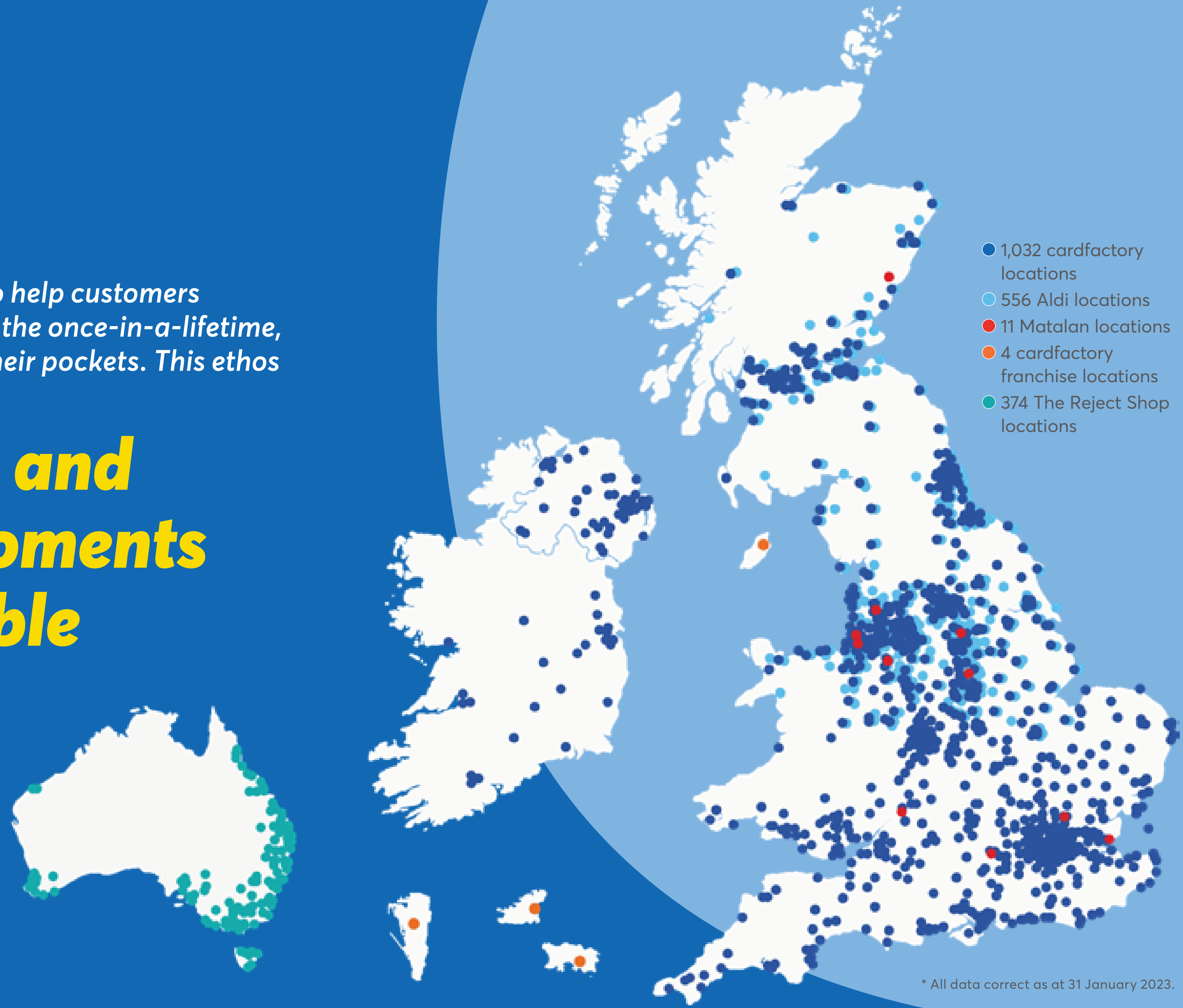
1,032	567	374	4
Stores (UK & Ireland)	*Partner retail locations (UK)*	*Partner retail locations (Australia)*	*Franchise stores*

OUR PURPOSE

We design, manufacture and source products to help customers celebrate every occasion, from the everyday, to the once-in-a-lifetime, at prices that help people keep their money in their pockets. This ethos is encapsulated in our new brand purpose:

We make sharing in and celebrating life's moments special and accessible for everyone.

We retail principally through our store estate in the UK & Ireland, as well as through our websites, cardfactory.co.uk and gettingpersonal.co.uk.



* All data correct as at 31 January 2023.

£463.4m
Total revenue

1,977
Distribution points

9,400+
Colleagues

LOOKING BACK

Celebrating the last 25 years

Over the past 25 years, cardfactory has built a strong position in the £1.4 billion UK greeting cards market, which has also provided us with a platform for growth in the wider celebration occasions market.

1 store in the UK

1997

First store opens on Teall Street, Wakefield, on 1 November 1997.

2003

- Ventured into Scotland, Wales & South of England.
- Acquired warehouse and manufacturing facility.

650+ stores across the UK

2013

Operations moved into Century House offices and gate 4 opened.

2014

Card Factory plc floated via an initial public offering on the London Stock Exchange.

2017

We opened our 900th UK store in 2017.

1,032 stores in the UK & Ireland

2022

In November 2022, we celebrated the 25th anniversary of the opening of the first cardfactory store, throwing a large celebration for colleagues. This celebration saw us launch our new values and new brand purpose.

'Opening Our New Future' strategy

FY23 was the first year of business transformation as we began delivery of our 'Opening Our New Future' strategy.

As part of our strategy, we are expanding our market focus to target the broader celebration occasions market, including celebration essentials and gifts. The cardfactory focus on this market opportunity has resulted in the brand achieving a no.1 UK market position in the balloon category[1]. As we progress into the second year of the transformation programme, we have solid foundations in place to help cardfactory become the UK's no.1 destination for all customers seeking unrivalled quality, value, choice and experience.

Read more about Our strategy on pages 20-25

Customer focused

We will continue to invest in the cardfactory brand, with emphasis on our quality and value to increase shopper awareness and improve trust.

With a new customer marketing function now in place, we will build on awareness of the brand to connect with more customers, both in-store and online, and our new brand purpose affirms the importance of the steps we are taking to become a fully customer-centric organisation. Our 'Opening Our New Future' strategy has the customer at its heart and therefore its success is reliant on colleague delivery and support. As such, we will continue developing our leadership talent while devolving decision-making so all colleagues feel empowered to make the right decisions for their function.

Read more about Our market on pages 10-11

Refreshed brand and values

FY23 was the right time to update our brand and values to set ourselves on the right course for the next 25 years.

cardfactory is recognised and loved by consumers across the UK, both for the breadth and quality of our ranges and our value for money. In FY23, we completed a review of our brand purpose and values to position cardfactory for our next phase of growth, and it remains anchored in the core truth that life needs celebration: We make sharing in and celebrating life's moments special and accessible for everyone. Our focus for FY24 is to bring the brand to life across all touchpoints, for our colleagues, our customers and our investors.

Read more about Our brand on pages 12-13

In the year to come we are looking forward to continue delivering on our 'Opening Our New Future' strategy, expanding our market focus to fulfil our strategic ambition of becoming the leading omnichannel retailer in our sector.

and looking forward to the next 25

1. Kantar World Panel Plus (Physical Retail) data 53 w/e 22 January 2023.

Transformation and growth

Expanding within £13.4 billion market

Opportunity for future growth

cardfactory is now growing within the celebration occasions market, combining our greeting cards offer with our growing gifts and celebration essentials ranges.

We are now addressing a £13.4 billion market in the UK with further growth opportunities internationally through our franchise and wholesale partners.

80% of cards and 70% of gifts are designed in-house

Virtuous circle of design, manufacturing and retail provides barriers to entry

We design 80% of our store cards and 70% of our store gifts in-house through our team of 74 creative designers, verse writers and creative management. This allows us to rapidly respond to changes in customer taste and needs, evidenced through our design of a new Pride range in FY23, two designs of which now remain on shelves year round.

Last year we manufactured 164.5 million of our cards and other products in our Printcraft facility in Baildon, Yorkshire.

We have more than 1,900 distribution points for retail, including our online sales at cardfactory.co.uk and gettingpersonal.co.uk and in cardfactory retail and partner stores.

No.1 for range, value and choice

Established brand – making celebrating life's moments accessible for all

We are the most trusted brand in our sector in the UK[1] with our brand anchored in the core truth that life needs celebration. However, our customers find bringing celebrations to life is not always easy; it can be both time consuming and costs can add up. From this, we defined our brand purpose, which we launched in November 2022: We make sharing in and celebrating life's moments special and accessible for everyone. Our focus for FY24 is to bring the brand to life across all touchpoints.

At the same time, we have made enormous headway on improving our gifts and celebration essentials offer, which is the biggest growth area. We are ranked at no.1 for 'good value'[1] and ranked the no.1 destination for balloons[2].

1. Savanta BrandVue February 2022 to January 2023.
2. Kantar World Panel Plus (Physical retails) data 52 w/e 22 January 2023.

£52.4m PBT (up from £11.1m in FY22)

Growing sales and profit

In FY23, cardfactory LFL revenue growth of +6.7% was underpinned by a strong performance in the core business activity of store-based sales and Everyday card ranges, accompanied by strong trading through the Christmas season. Store revenue grew +7.6% on a LFL basis, reflecting a return of customers to the high street, the success of our new ranges and our strong value for money proposition despite selective price increases. This led to a PBT of £52.4 million, up from £11.1 million in FY22.

Return to shareholder distributions after January 2024, when prudent.

4.3/5 stars on Feefo

Proven sources of growth

We delivered a successful Click & Collect trial with higher than online standard average order value (AOV) (+16%) and positive customer feedback (4.3/5 stars on Feefo). 87 stores went live with the trial and nationwide rollout to 930 stores live by mid-FY24. We continued with online and in-store range expansion with access to an enlarged range of products and categories. In addition, we broadened the gifting categories, including flowers, alcohol and perfumes.

New store format trial rollout improves in the in-store experience through space realignment and product adjacency improvements.

Partnership opportunity

Cash generative model with diversifying income sources

Scope for generating growth from proven success of current relationship with Aldi and an ongoing trial with Matalan. Concessions in 374 The Reject Shop stores in Australia provides additional model for further growth.

The appointment of a franchise partner in the Middle East and the post-year end acquisition of SA Greetings, adds to the diversification, with franchised presence to be established, initially in Abu Dhabi and Dubai, supplemented by expertise in wholesaling to a range of retail customers in South Africa.

Read more on about our strategy delivery on pages 20-25

Good momentum

"There is clear, positive momentum within the business and early signs that the 'Opening Our New Future' strategy will deliver our growth ambition."

Paul Moody
Chair

Dear Shareholder,

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

Year in review

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

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

Growth delivery

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

Through this strategy, cardfactory will become the UK's no.1 destination for all customers seeking unrivalled quality, value, choice, convenience and experience, however they wish to shop.

12.9p

Basic earnings per share

We will transform cardfactory into the leading omnichannel brand in the category, helping customers celebrate each and every special occasion. We will emerge as a global competitor putting cards and gifts in the hands of more customers.

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

Outlook and financial headwinds

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

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

> **We have made positive progress on our strategic priorities which are the building blocks of our future growth ambition."**

Board appointments

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

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

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

Summary

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

Paul Moody
Chair
3 May 2023

OUR MARKET

The role of celebrations

As the country finds its new normal post-pandemic and the cost-of-living crisis continues, consumers are rethinking their priorities around where they spend their money and how they spend their time. In this challenging context, consumer behaviour has reaffirmed the central role of celebrations. In a recent cardfactory survey, 73% of respondents stated that celebrations are important to them[1], for spending time together, for feeling closer, for having something to look forward to and for providing a break from the everyday.

As a nation, we participate in a vast number of celebrations and special occasions each year. Although everyone celebrates in their own way, we are seeing a universal motivation to continue coming together, marking moments and toasting achievements, even during challenging times. The queues outside our cardfactory stores as we reopened after periods of lockdown are a testament to both the strength of our brand and the enduring role celebrations play when it comes to sharing love.

UK market focus

As part of our 'Opening Our New Future' strategy, we are expanding our market focus to target the broader celebration occasions market. This is in line with our strategic ambition to be the leading omnichannel retailer in our sector, selling a wide range of products to help customers celebrate all life's moments.

The celebration occasions market includes:

- the c.£1.4 billion UK greeting cards market[2] – this represents the current core of our business;
- the c.£2 billion celebration essentials market[3] – this includes the party and balloon categories alongside other card adjacent categories including wrap, bags and tape; and
- an identified c.£10 billion addressable market in gifts[4] – this includes categories such as toys, stationery, books, candles and more.

Celebration occasions include:

birthdays, births, engagements, weddings, new jobs, exam results, home moves, sport milestones...

International market opportunity

Building on cardfactory success in the UK greeting cards market, we have recently worked with GlobalData and completed comprehensive analysis of the international landscape. The research looked at a range of factors in key markets including demand context, cards and gifts market size and forecasts, consumer behaviour and expectations, and the state of the competitor landscape. This identified an £8 billion[5] greeting cards addressable opportunity, which grows to an addressable market of over £80 billion (including gifting), in seven priority international markets, and provided quality insights to inform our strategic planning and execution.

UK greeting cards market

Over the past 25 years, cardfactory has built a strong position in the £1.4 billion UK greeting cards market. This has provided a platform for growth within the adjacent celebration essentials market, worth c.£2 billion per annum. The cardfactory focus on this market opportunity over recent years, combined with innovation and range development, has resulted in the brand achieving a no.1 UK market position in the balloon category[6].

The UK greeting cards market has shown ongoing resilience over recent years, continuing its post-pandemic recovery, with a volume growth of +2% YOY[2]. The number of UK adults purchasing greeting cards rose to 40.3 million, a +7pp increase from last year, and 827 million cards were bought in total, up from 811 million the previous year. The average number of cards purchased per person was 19.9 per annum.

There was positive growth in the younger audience categories, with the 16-24 age group rising to 24 cards per person, per annum, an increase of +14% on FY22. In terms of card categories, Mother's/Father's and Valentine's categories saw a sizeable increase of +153% on the previous year, as did Wedding, up +170%.

1. cardfactory OnePulse survey July 2022.
2. cardfactory bespoke annual UK Greeting Card Market Survey FY23 (4,501 participants) commissioned with Dynata, February 2023.
3. Kantar Worldpanel Plus (Physical Retail) data to 52 w/e 22 Jan 2023 & GlobalData Retail Occasions Series UK, Partyware 2022.
4. Kantar Worldpanel Plus (Physical Retail) data to 52 w/e 22 Jan 2023 & Whitecap Consulting Ltd September 2021.
5. GlobalData Global Expansion Project (July 2022).
6. Kantar World Panel Plus (Physical Retail) data 52 w/e 22 January 2023.

Key highlights[2]

40.3m

80% of UK adults purchased greeting cards vs 73% in FY22.

19.9

Number of cards bought per UK shopper, per annum.

827m

Overall UK card market size. Number of cards purchased, up from 811m in FY22.

+14%

YOY volume growth in cards purchased per annum by younger UK audiences aged 16-24.

+153%

YOY UK volume growth of Mother's/ Father's/Valentine's Day cards.

+170%

YOY UK volume growth of Wedding cards.

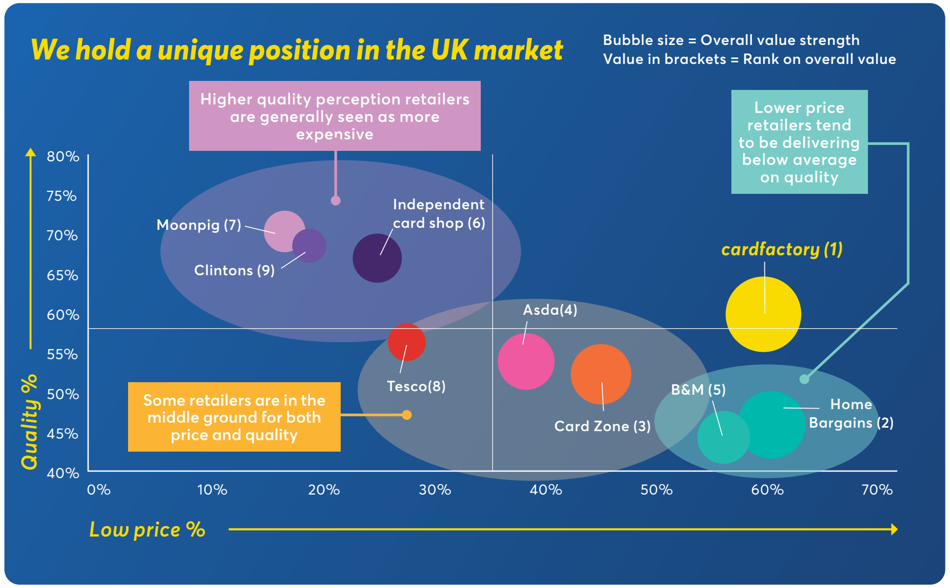
Overall, FY23 has seen a strong return to greeting card purchases from physical stores, particularly high street stores. Offline retail value percentage of the total greeting card market has grown as follows:

FY23: 79%
FY22: 72%
FY21: 64%

Source: cardfactory bespoke annual UK Greeting Card Market. Survey FY23 (4,501 participants) commissioned with Dynata, February 2023.

The size of the online market has fallen back from the peaks seen during the years of the pandemic but remains at a higher level than pre-2020, with the online cards market representing 21% of the total cards market in FY23 vs 13% in FY20.

Online sales continue to present cardfactory with a significant growth opportunity. With comparatively low penetration of the online market, but high overall brand awareness, we will seek to build awareness of and engagement in our digital proposition. Customer satisfaction for customers who have purchased from our online channels is strong and comparable with our store channel, demonstrating that the offer is well received by those who do access it.



cardfactory sales are anchored in a highly differentiated market position, with a better value for money perception than other specialists, and a higher quality perception than other value brands and supermarkets.

Source: cardfactory price and value research commissioned with boxclever, November 2022.

'Opening Our New Future'

As part of our 'Opening Our New Future' strategy, cardfactory is well positioned to grow within the celebration occasions market, both in the UK & Ireland and in key international markets through a combination of franchising and wholesale. Over 25 years, through our high levels of brand awareness, consideration and trust, alongside our leadership in value for money, cardfactory has built a strong position in greeting cards for all occasions. More recently, we have developed and built share of the celebration essentials market, including a UK no.1 position in balloons and are now focusing on our creative and commercial capability to develop our share and subsequent success in the sizeable gifts category.

c.£1.4bn UK greeting cards market

Source: cardfactory bespoke annual UK Greeting Card Market Survey FY23 (4,501 participants) commissioned with Dynata, February 2023.

c.£2.0bn UK celebration essentials market

Source: Kantar Worldpanel Plus (Physical Retail) data to 52 w/e 22 Jan 2023 & GlobalData Retail Occasions Series UK, Partyware 2022.

c.£10bn UK gift market

Source: Kantar Worldpanel Plus (Physical Retail) data to 52 w/e 22 Jan 2023 & Whitecap Consulting Ltd September 2021.

Creativity... values... culture

In FY23, we completed a review of our brand purpose, proposition and values to position cardfactory for our next phase of growth, in line with our ambition to become the leading omnichannel retailer in the celebration occasions market.

Driven by our ***'Opening Our New Future'*** *strategy, the outputs will provide the platform for building on our strong position in greeting cards and growing our share of the celebration essentials and gift markets.*

On 1 November 2022, the 25th anniversary of the first cardfactory store opening in Wakefield, we launched our new brand purpose and values across the business. Our brand is anchored in the core truth that life needs celebration. Conversations with consumers reaffirmed the powerful role that celebrations play in our lives: they bring us together, help us show love and help us feel loved. However, our exploration also revealed that for consumers, finding what they need to bring their celebrations to life is not always easy; it takes time and costs can add up.

From this truth, we defined our compelling brand purpose:

We make sharing in and celebrating life's moments special and accessible for everyone

Our brand strategy unifies and galvanises the business around the clear role that we have in people's lives, which is to help them celebrate all of life's moments. It is underpinned by the creative mindset and values-driven culture that shapes all we do. Our focus for FY24 is to bring the brand to life across all touchpoints, from store experience, to communications, to product range; for our colleagues, our customers and our investors.

Recognised and loved

cardfactory has a differentiated and defensible market position and is recognised and loved by consumers across the UK. Our strong value-for-money proposition continues to resonate powerfully and has underpinned the acquisition of new customers and the return of lapsed customers to the brand in FY23. cardfactory is particularly well known for its unique and broad range of cards and gifts, for every occasion and every budget.

Recent research reaffirmed our no. 1 ranking by customers for key metrics including value for money and breadth of range and ease. As the cost-of-living crisis continues to influence consumer attitudes and behaviours, cardfactory's unique blend of quality and choice at accessible prices has proven more relevant than ever.

1. Brand awareness

+19pp
difference in awareness vs key competitor average[1]

2. Brand consideration

+21pp
difference in consideration vs key competitor average[2]

3. NPS

+42.1
NPS score +12 points vs key competitor average[3]

4. cardfactory no.1 metrics[4]

- Good value
- Wide range of products
- Ease of finding what you want
- For people like you
- Trusted
- Convenient

5. Values

- We lead the way
- We celebrate our differences
- We make it happen
- We do the right thing
- We care

1. Source: Savanta BrandVue Feb 2022 to Jan 2023 (FY23 awareness figure is 90%).
2. Source: Savanta BrandVue Feb 2022 to Jan 2023 (FY23 consideration figure is 43%).
3. Source: Savanta BrandVue Feb 2022 to Jan 2023 (NB: restated to an FY23 12 month read).
4. Source: Savanta BrandVue Feb 2022 to Jan 2023.

Key competitors are specialist UK card and gift retailers.

Unique vertically integrated model

Our business model not only continues to provide competitive advantage but also provides:

- The flexibility the business benefitted from during the FY22 supply chain challenges.
- The ability to respond rapidly to changing consumer demands that has been crucial post-Covid-19 and as we deliver our strategy.
- The platform for transitioning cardfactory into an omnichannel business.

Our design insight

Using insights, sales data and trend analysis, our design studio and commercial team continue to ensure our product offering meets the needs of loyal customers while drawing in new demographics.

1. Design

***Data-led design** ensures rapid response to changing consumer trends and preferences.*

- End-to-end control of product chain allows flexible and rapid adaptation e.g. to reprint an unexpectedly popular line.
- Card designs are planned in line with the forward price architecture ('design to the budget').

74
Design colleagues

421
Support colleagues

2. Manufacturing

***Large-scale** print facility in Baildon, Yorkshire, is a key USP for cardfactory.*

- Produces 70% of all cards we retail through our store network as well as our online cards.
- Continued investment ensures lowest cost to operate print facilities and maintains quality of product.

127
Manufacturing colleagues

245
Distribution colleagues

3. Retailing

***Own estate** of over 1,000 retail stores across UK & Ireland; online; and partnering with other retailers to extend reach.*

- UK & Ireland store network is main route to market.
- Together, our stores and online presence is unlocking our omnichannel growth opportunity.

8,576
Retail colleagues

1,032
Retail stores

Our production advantage ›

We benefit from our own large-scale Printcraft print facility in Baildon, Yorkshire, which has the capacity to produce 270 million cards per annum, with new ranges produced in as little as four weeks and quick selling lines can be remanufactured in just days.

Omnichannel ›

Our 1,000+ stores across the UK & Ireland are our main route to market, offering our full range and retail experience to our customers. Additional access to our range is available from the online offer and via our UK and international retail partners.

Through the introduction of new omnichannel propositions we will be able to leverage the scale of our store estate and online offer to provide a seamless, convenient shopping experience.

Gifts and celebration essentials ›

Transitioning cardfactory from being a store-led card retailer into a market leading, omnichannel retailer of cards and gifts was a key priority for FY23. While cards remain the largest part of our business, we began the process of increasing our focus on complementary gifting and expanding our product offering.

£463.4m

Revenue

+7.6%

Store revenue growth LFL

Delivering our **strategy**

"Having made a strong start on our growth delivery in FY23, we have good momentum within the business which will enable us to reach our revenue target of around £650 million in FY27."

Darcy Willson-Rymer
Chief Executive Officer

Dear Shareholder

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

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

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

FY23 performance

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

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

"Revenue of £463.4 million reflects the continued progress across the business alongside the shift of customer spend back towards the high street."

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

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

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

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

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

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

Strategy delivery

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

Within our core business, we will build upon our leadership in cards within the UK using insight-led innovation and range development. This work is well underway and is delivering sales growth in both Everyday and Seasonal.

Store LFL sales is expected to continue to grow through our store estate as we continue with our store location optimisation programme and expand into under penetrated markets.

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

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

Finally, for partnerships we are pleased to have announced our first master franchise partnership in the Middle East. Our exclusive franchise partner in the UAE, Liwa Trading Enterprises, will open c.36 cardfactory branded stores over the next five years in the Middle East. We also recently announced the acquisition of SA Greetings, meaning we now have our first presence within South Africa both as a retailer and wholesaler. This supports our partnerships strategy by providing access to key wholesale accounts through the Group's printing, merchandising and warehousing capacity. It also provides us with the opportunity to learn how we can deliver similar local capability in our other target international markets. In FY23 we completed the research of the international market opportunity for both card and gifting, validating our seven international markets of interest. The foundations for our partnership model have now been scoped and are in development to support both franchise and wholesale partnership models.

We also invested in our transformation capability with a new Transformation Office which is providing the planning, collaboration and risk management diligence that will ensure we deliver at pace, to plan, on time and on budget.

Responding to headwinds

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

People & Culture

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

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

This change has been recognised not just in our delivery but also through external recognition, with cardfactory named as the number one Best Big Retail Business to Work For, and the third Best Big Company to Work For in the UK in Best Companies Q1 2023 awards. We are delighted and very proud to receive this in recognition of our commitment to workplace engagement.

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

Our ESG commitment

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

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

Summary

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

Darcy Willson-Rymer
Chief Executive Officer
3 May 2023

"FY23 was the launch year of our business transformation as we began delivery of our strategy and we have achieved significant milestones across all our areas of focus."

The business has a strengthened balance sheet now in place and we are clear on our core business priorities and building blocks of growth."

Opening our new future

'Opening Our New Future' strategy

In FY23 we began delivery of our 'Opening Our New Future' strategy.

We achieved significant milestones across our three primary areas of focus – online and omnichannel, gifting and partnerships. Our ability to execute on our strategy was achieved by focusing on the right capabilities, systems and structures across the business.

As we progress into the second year of our transformation programme, we are continuing to progress across all growth opportunities.

By delivering on the strategy, cardfactory will become:

- *the first omnichannel brand helping customers every day to celebrate life's special moments;*
- *the UK's no. 1 destination for all customers seeking unrivalled quality, value, choice, convenience and experience; and*
- *a global competitor putting cards and gifts in the hands of more customers.*

We are targeting revenue of £650 million in FY27. The revenue mix target remains unchanged with approximately 20% revenues to be generated from online, omnichannel and retail partnerships, while creating a business with a low-cost base and highly scalable business model.

As we progress into the second year of our transformation programme, we are continuing to progress across all growth opportunities."

Delivery on the strategy

There are three guiding principles that drive our strategy ambition:

1 Breadth of product offering

Transforming cardfactory to an omnichannel retailer of cards and gifts with a leadership in cards and increasing presence in gifts and celebration essentials.

2 A full omnichannel offer

Improving availability and access to our products, however customers choose to shop; enhancing convenience and experience for shoppers.

3 A robust and scalable central model

Our capacity to design, manufacture and sell our products continues to provide cardfactory with a distinct competitive advantage.

To deliver on these principles, the 'Opening Our New Future' strategy is structured around providing improved value and choice, more convenience and an exceptional experience for our customers. All of this is built upon the foundation of our scalable central model that drives efficiency across the business.

'Opening Our New Future'

The leading omnichannel retailer in our sector with an extensive UK & Ireland footprint and growing international presence

cardfactory

Value & choice	Convenience	Experience
Leadership in card; Authority in gifts & celebration essentials	Digital experience innovation; Extensive UK & Ireland footprint; Growing international presence	Customer & community focus; Passionate colleagues

Scalable central model, driving organisational efficiency

Creative
Insight driven product, design and creative content publisher at the heart of cardfactory IP

Manufacturing
Ability to scale up production to meet increased demand in line with projections

Technology
Enabling greater efficiency, more agile practices and the ability to do business world-wide

Convenience

With an extensive, UK-wide store estate, a growing footprint in the Republic of Ireland, and partnership relations that extend the availability of our products, we are already able to deliver convenience for shoppers in-store. Through our 'Opening Our New Future' strategy we will combine this market-leading physical footprint with our online presence so that our customers can enjoy a seamless shopping experience anywhere and at any time they choose.

Digital experience innovation

In FY23 we began our first omnichannel trial with the launch of a Click & Collect service across 87 stores. These stores were selected from across the UK to both gauge customer demand and to provide the test and learn platform we needed for systems, processes and customer service. This is the first of a range of new omnichannel propositions that are being developed for implementation in the coming years.

Following the success of the trial, we will now be moving to a nationwide rollout with over 1,000 stores going live by May 2023.

In addition to delivering new omnichannel experiences that combine the strength of our physical store estate with a digital experience that meets customer expectations, we are also focused on developing our online offer through our two websites (cardfactory.co.uk and gettingpersonal.co.uk) and our cardfactory app. We completed the transition of both websites to a new eCommerce platform in March 2023. As well as saving costs, this unlocks more efficient development capability, in particular the massive expansion of the gifting range on cardfactory.co.uk.

Our digital strategy focuses on the delivery of four pillars:

1 *Click & Collect*

The ability for shoppers to Click & Collect any product from our online or app platforms for collection in store. Successful FY23 trial achieved higher than online standard average order value (AOV) (+16%) and saw over 7% of customers purchasing an additional item with a 33% higher AOV than stores.

Positive customer feedback (4.3/5 stars on Feefo) and no disruption to store processing of orders in peak time.

FY23 delivered milestone: 87 stores went live with Click & Collect trial.

FY24 planned milestone: Nationwide rollout by May 2023.

2 *New omnichannel services*

In addition to Click & Collect, a range of additional omnichannel services are currently being developed with initial trials planned for FY24. These new services will help provide a seamless shopping experience for our customers and allow cardfactory to start collecting, connecting and understanding customer behaviour.

FY24 planned milestone: Balloon collection trial, allowing customers to order balloons online and collect in-store. Event reminders trial: to understand if event reminders can be captured in-store to support improved retention.

3 *Range expansion*

The phased expansion of our online range as we create an extended range of products and categories.

FY23 delivered milestone: Five new categories added (flowers, gift experiences, alcohol, chocolate and books) generating an 11% uplift in gifting sales in the second half of FY23.

FY24 planned milestone: Additional new categories to be added including (but not limited to) personalised party, clothing and premium balloons.

4 *Online and app experience*

Improving the customer experience is critical for our long-term success and is a major focus going forward to ensure we build customers for life.

FY23 delivered milestone: Conversion Rate Optimisation (CRO) programme had a positive impact on sales; major app update added a range of new features including product reviews and recommendations, top selling product badges and ability for app-only promotions; new machine learnings cross sell tool successfully trialled, increasing AOV; Multiship functionality introduced, providing shoppers with the ability to buy multiple products and have them delivered to multiple addresses from a single order.

FY24 planned milestone: Improvements to include event reminders, easier basket building to cross sell gifts with orders and delivery improvements including nominated day deliveries and Sunday deliveries for key events.

Technology infrastructure

FY23 saw the continued rollout of a major IT implementation programme to replace our legacy ERP system which will underpin the growth strategy across the entire business, allowing us to understand and respond rapidly to changing shopper habits and preferences. It unlocks 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.

As an enabler for our omnichannel programme and to enhance customer experience and loyalty in store, we are also embarking on a significant broadband Wi-Fi upgrade for the store estate. This improved connectivity will, among many benefits, enable mobile point of sale (PoS) in store.

FY23 delivered milestones: Built out enterprise architecture capability as enabler of the continued delivery of the second phase of our ERP implementation.

FY24 planned milestone: Completion of second phase of ERP implementation; initiation of final third phase of ERP implementation delivering enterprise warehouse management; selection of a strategic technology partner to accelerate our delivery, enhance our capabilities, and achieve our strategic goals more efficiently; Data analytics investment; broadband Wi-Fi upgrade across store estate enabling mobile PoS rollout over FY24 and FY25 as well as other benefits.

Extensive UK & Ireland footprint

The strategy behind our nationwide store estate continues to be built upon the core principles of low cost and flexible leases that provide the agility we need to adapt to changing consumer footfall trends. As we continue to develop our store estate portfolio, we are focused on accessing underpenetrated markets, testing a central London format, and portfolio management. This has included expansion in the Republic of Ireland and our first stores in central London.

The trial of our model store format has provided revenue-driving learnings that we are now starting to rollout across our wider estate through our new Store Evolution Programme, while continuing to expand the format. The nationwide store estate is the enabler for unlocking the omnichannel opportunity of providing customers with the convenience of shopping anywhere and any way they choose to meet their celebration needs.

Model store

We trialled the new model store format in ten stores through FY23 with a further five stores opened in January 2023 testing an additional capex-light version of the approach. The stores were selected so that the format could be tested in a wide variety of different locations, demographics and store sizes.

Having now concluded the model store trial, we are rolling out the learnings through three programmes: our Store Evolution Programme which consists of three key components:

1. **Space realignment.** For the majority of our stores, we will be reallocating space so there is slightly more priority for gifts than before. Having identified which stores will benefit, we will be applying this change across 750 stores this year. This is a capex light initiative with payback within a year.
2. **Display reorganisation**. This modifies how we present cards and gifts in our stores with cards arranged around the perimeter while gifts will be placed in the central aisles. This layout not only improves customer navigation and makes it easier for them to locate cards but also ensures proper product adjacencies. We plan to complete this adjustment in around 50 stores this year as we continue to fine-tune costs and returns.
3. **Updated store design.** This applies the new format that we successfully trailed within the model store trial to enhance a store's overall appearance by setting minimum standards for our existing locations and incorporating this aspect into the other two components of the programme for new stores or a select number of full refurbishments. The costs are in line with existing refit costs and there is no impact on our store capex forecasts.

FY23 delivered milestones: Initial rollout of ten trial model stores with five further capex light stores opened in January 2023.

FY24 planned milestones: Model store programme learnings taken into two new ongoing initiatives.

Relocation strategy

The strategy behind our nationwide store estate continues to be built upon the core principles of lower cost and flexible leases with a target three year break clause and never more than five years. This provides the agility we need to adapt to changing consumer footfall trends and ensures that less than 1% of our stores are loss making.

As we continue to develop our store estate portfolio, we are focused on accessing underpenetrated markets, testing a central London format, and portfolio management.

London & the Republic of Ireland

We are trialling our first stores in central London with three stores in Fenchurch Street, Tottenham Court Road and Holborn. Having enjoyed profitable success with our first 14 stores in the Republic of Ireland we will continue to open further stores.

FY23 delivered milestones: Open first central London stores; continued Republic of Ireland expansion to 27 stores.

FY24 planned milestones: Determine central London store roadmap; open further Republic of Ireland stores.

Retail partners

The partnership model allows us to reach more UK & Ireland shoppers in additional convenient locations that meet the growing demand for impulse buying. In the UK, we have two successful retail partnerships with Aldi and Matalan, with over 560 points of sale. Internationally the partnership model allows us to scale in selective markets primed for disruption.

In Australia, we have over 370 points of sale with The Reject Shop, and also have an existing franchise partnership with an operator of stores in the Channel Islands and Gibraltar.

FY23 delivered milestones:

- 10% YOY revenue growth for partnerships delivered in tough trading conditions coming out of the pandemic.
- 14% YOY revenue growth delivered with our franchise model in the Channel Islands and Gibraltar.

FY24 planned milestone:

- Secure further partnership appointments.

Growing international presence

Building on initial successes in attracting pilot international partners, and with full international market analysis completed identifying an addressable international gifting and card market in excess of £80 billion, we have identified and are in active discussions with future partners in seven priority international markets for franchise and wholesale partnerships.

FY23 delivered milestones:

- Market opportunity research conducted across both card and gifting validating our markets of interest.
- Foundations scoped and in development to support three partnership models.
- Brand assets created to support franchise growth and cardfactory branded wholesale.
- 26% YOY revenue growth delivered with The Reject Shop in Australia.

FY24 planned milestones:

- Sign up low to mid complexity franchise and wholesale partners.
- Entry into South Africa, one of our seven new markets identified for expansion through the acquisition of SA Greetings, giving us access to retail stores and key wholesale accounts.

Value and choice

While we continue to develop our cards offer to ensure we retain our UK leadership position, we have made significant headway in building sales across our gifts and celebration essentials categories which are now our fastest growing areas.

Leadership in card

The business remains focused on retaining our position as the UK's leading provider of cards in a stable, low growth market. This will be achieved through the three pillars of:

- Maintaining our value for money proposition while stretching the average selling price and delivering year-round relevant customer promotions;
- Developing the range to respond to consumer trends (including diversity, sustainability and a wider breadth of celebratory captions) while optimising customer choice with easy-to-shop curated card ranges; and
- Simplifying the in-store experience.

The pricing strategy ensured the entry points remained unchanged while moving the price point of some cards to match the value customers apply to the occasion.

FY23 delivered milestones: Pricing strategy drove revenue growth with a permanent '3 for 2' mechanic on our general card range; developed new ranges at new price points; entire Everyday range reviewed and targeted newness introduced; expanded diversity and inclusion across card ranges to ensure all of our customers are included.

Authority in gifts and celebration essentials

Gifts and celebration essentials is a sizeable growth opportunity with a combined £12 billion addressable market in the UK. Significant progress has been made to expand the range of gifts both in-store and online. Offering both value for money own label ranges as well as well-recognised footfall-driving third-party brands will enable us to capitalise on the 70% of all customers looking for gifts to accompany their card purchase. As we further expand the offer, we expect continued strong performance in confectionery, toys and party while exploring opportunities in other categories, although we will need to invest in building awareness of cardfactory as a gifting retailer both in-store and online.

FY23 delivered milestones:

- Total Everyday gift growth of £15.4 million (+11.4%) with confectionery as the largest sales growth area at £3.4 million (+111%) and tableware achieving the largest volume +124% (+1.5 million units).
- Broadened categories by introducing third-party brands and licenced ranges.
- Strong soft toys offering has been broadened through the introduction of boxed toys, pocket money and licenced toys.
- Convenient shopping experience was created by zoning product categories.
- 90% of confectionery ranges have been sourced and manufactured within the UK and Europe.

FY24 planned milestones: Gifting expansion continues across toys, stationery, confectionery, branded gifts, pet gifts, etc, going to a wider proportion of the estate to give the customer greater choice; Seasonal gifting offer appealing to broader customer base with introduction of new designs and branded ranges to offer more choice; party expansion with broader ranges to meet all celebration needs across the estate and further enhanced online; new sustainable party ranges for FY24 with 100% recyclable packaging of which 85% is non-plastic, alongside replacing plastic products with paper-based alternatives.

"Gifts and celebration essentials is a sizeable growth opportunity with a combined £12 billion addressable market in the UK."

Experience

We are delivering on our ambition of creating an exceptional customer experience by using improved data capabilities to provide the best possible service for our customers. We are developing a culture of accountability with colleagues empowered to make the right decisions for the business with a shared understanding of its identity, strategy, vision and values within a diverse, inclusive and socially responsible business.

Customer & community focus

In FY23 we updated our brand to reflect both the evolving cardfactory offer and the changing needs of our customers. Underpinning our brand we adopted a new set of values which will guide the delivery of our strategy over the next five years. We have also made a considerable step in our customer first ambitions by embedding the application of customer data and insight into decision making across the business.

We continue to build upon our environmental social governance (ESG) credentials with our aim of being recognised as a socially and environmentally responsible business. We are working to reduce waste, reduce our carbon footprint, meet ever bolder recycling targets, and make our products as sustainable as possible.

We continue to invest in giving back and The Card Factory Foundation, combined with our charity partnerships, makes a significant contribution to the wellbeing of our colleagues and communities; something we care passionately about. For more details, see pages 36 to 43.

FY23 delivered milestones: Updated brand and values; customer data and insight investment; ongoing ESG progress (more details on pages 36 to 43).

FY24 planned milestones: New five-year ESG strategy and roadmap; refreshed materiality assessment; assessment of our Scope 3 greenhouse gas emissions to provide foundations for science-based targets.

Passionate colleagues

Delivering on the 'Opening Our New Future' strategy involves a people-led business transformation approach. This entails developing our core behaviours around the primary business enablers of customer-centricity, data-led decision-making, creative thinking, pace of change and agility of thinking, and cross-functional alignment and collaboration.

To succeed we are placing emphasis on leadership development, upweighting the leadership talent within the business through new hires and bringing in specific expertise to deliver on the strategy.
We are also developing our leadership capabilities, building upon the principle of devolved decision-making so that the senior management team shapes the strategy and the wider senior leadership team takes responsibility for its delivery, ensuring decisions and actions are taken at the appropriate level to ensure success.

In FY23 we created a Transformation Office to deliver on the five year transformation plan.

Through the Transformation Office we are:
- placing the right talent in the right roles;
- ensuring plan alignment across the business;
- fostering team collaboration to ensure every function is unified around plan delivery; and
- combining project management and change management skillsets.

With the Transformation Office in place, we can constantly course correct as we respond to circumstances while staying focused on the end goal. It will help us ensure we have the right skills and capabilities in place and harness existing expertise, provide governance across all aspects of delivery and address barriers to change so we can deliver at pace. It will also mean we have the right behaviours to shift towards customer-centricity and being data-led.

In FY23 we have focused on having the right pay and benefits to attract and retain talent, while recognising the challenges all colleagues face due to the cost-of-living crisis. In early FY23 we have made the first significant step as a business towards delivering a pay and benefits model that we can be proud of. Our aim is to reward everyone fairly, inclusively and competitively. While it will take time to achieve that ambition, we are aiming to reach a place as quickly as we can where everyone feels that the hard work and commitment they deliver is recognised in the financial reward and benefits they receive.

FY23 delivered milestones:
- As we have reviewed our approach to pay and benefits for this financial year, we have recommended a balanced approach with something for every colleague, while considering our internal principle of offering market pay but also thinking about the external economic environment.
- An ongoing investment in pay ensures our commitment to reward our colleagues in line with the market continues – with an average pay increase of 8.9% and removal of the lower band of National Minimum Wage for hourly paid retail colleagues and 'market median' pay for all colleagues now achieved based on benchmarking data.
- Our continuing journey into improving our benefits brings an introduction of a death in service benefit to extend to every colleague in the business as well as a holiday purchase scheme for those in support centre roles. We have aligned holiday entitlement across our supply and support centre colleagues.

FY24 planned milestones: Ongoing review of our colleague proposition to ensure an outstanding colleague experience. This includes pay and benefits but also involves reviewing our induction and onboarding as well as redefining our leadership development and talent offer, including a 'Women in Leadership' programme and early careers.

OUR STAKEHOLDERS

Engaging with our stakeholders

Engaging with our stakeholders is of vital importance to the Group. This ensures that our stakeholders' interests are understood and accounted for in the Board's and the management team's decision-making processes, to promote the success of the Company for the long-term success of the Group.

This engagement is also supportive of a Director's duty under Section 172 of the Companies Act 2006.

The Board recognises **Shareholders, Customers, Colleagues** and **Suppliers** as cardfactory's key stakeholders. The Board concluded that these stakeholder groups have a material impact to achieving our Mission. The Board and the management team take full account of other stakeholders as part of decision-making, with other stakeholder groups including landlords of our leased retail properties, regulators, HMRC, our debt funders, our communities and our environment. Stakeholder impact arising from relevant decisions are included in papers submitted for Board decisions, with the Board and management team debate considering views of impacted stakeholders.

The impact of key decisions on stakeholder groups are identified to ensure they are considered and understood. The Board takes an active role in engaging with some stakeholders and receives regular reports from the management team to keep appraised of stakeholder interests and issues. The Board resolved that in respect of a number of stakeholders (particularly our Suppliers), it is more appropriate for the senior management team or their direct reports to undertake part or most of the stakeholder engagement, provided insights and feedback are shared with the Board.

The Board receives monthly updates on key performance indicators (KPIs) that are aligned to most stakeholder groups, including Colleagues, Customers and Shareholders. The nature and form of KPIs are reviewed at least annually to ensure the Board and senior management team receive the most relevant data to support informed decision-making and to identify any matters requiring improvement. Updated KPI reporting includes increased reliance on current, live data, particularly in respect of our Customers, as the business develops a more customer-centric mindset. This includes monthly data on customer research, including customer optimism, switching data, net promoter score and customer awareness of cardfactory compared to competitor brands (see page 13).

OUR STAKEHOLDERS – SHAREHOLDERS

Shareholders

The Board takes account of shareholder sentiment in its decision making, receiving updates from Directors on their shareholder base throughout the year, including from AGM meetings, investor presentations following release of financial results and other ad-hoc meetings or correspondence. As owners and investors in Card Factory plc, the shareholder and prospective shareholder views are accounted for in decision making, to seek to realise a long-term return for this key stakeholder group.

Improved communication with shareholders has been a focus of the Board over the last year, with dedicated communication resource recruited and a focus on improving transparency and sharing progress on setting and delivering the strategic plans, in announcements and investor presentations. The Board will hold a capital markets strategy update in May 2023 to further update shareholders on the strategic plans. This will include particular focus on the opportunities for investment in cardfactory's omnichannel and international ambition, where the Board recognise shareholders require further insights to be fully confident in these key components of the strategy.

The Board undertakes monthly reviews of 16 financial and non-financial key performance indicators that are important to our stakeholders and/or provide early indicators of areas of focus, as part of monthly review.

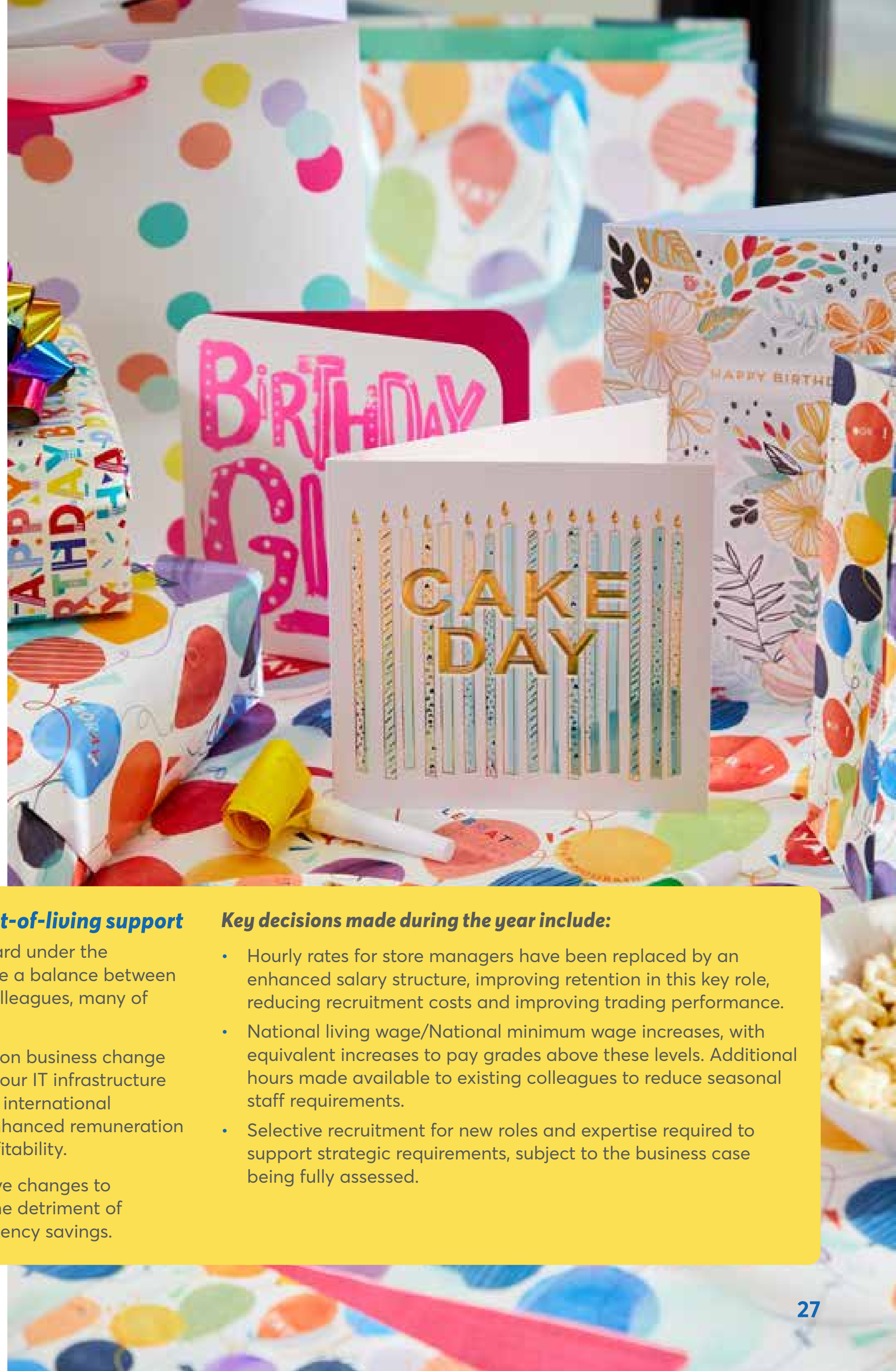
Specific KPIs of importance to shareholders include net sales growth, PBT, operating cash flow conversion as a percentage of EBITDA and ROCE, with additional KPIs focused on operational efficiency. The Board also reviews the status of key strategic initiatives, many of which are enablers for sales growth and/or operational efficiencies.

The experience of shareholders, including the current restrictions on payment of dividends whilst CLBILS facilities and Term Loan A remain in place (to be repaid by 31 January 2024), the historic dividend yield and the share price movements over the last few years, is recognised by the Board as it seeks to reduce debt, recover from the Covid-19 pandemic and address previous under-investments to realise sustainable growth. The capital structure and dividend policy adopted in May 2022 takes into account the short term need to invest to ensure cardfactory has the infrastructure to enable sustainable growth over the medium to longer term, while ensuring profitable growth is maintained. Investments on key enabling projects and those with the highest returns are prioritised, with some investments deferred to subsequent years to ensure successful implementation.

The Board is pleased that it has, during the last year, secured a release from its banking syndicate from the obligation to raise equity, which was opposed by the majority of the shareholder base.

We propose to continue to engage with our shareholders as we have over the last 12 months, with additional shareholder engagement being planned in advance of a proposal of a new Remuneration Policy at the 2024 AGM. Our next AGM will take place on 22 June 2023 at the Company's registered office at Century House, Brunel Road, Wakefield 41 Industrial Estate, Wakefield, West Yorkshire WF2 0XG at 11.00am.

The Board welcomes questions from shareholders in advance of the AGM and will endeavour to provide written responses before the due date for submission of proxy votes, to facilitate shareholders making informed voting decisions in advance of the meeting. Appropriate questions and answers shall be published on the Company's investor website after the AGM.



Shareholder return versus colleague cost-of-living support

The cost-of-living crisis has put colleague reward under the microscope as the Board has sought to achieve a balance between the shareholder experience and those of its colleagues, many of whom are on national living/minimum wage.

This has been effected in parallel with a focus on business change and requiring additional expertise to enhance our IT infrastructure and capability to realise our omnichannel and international ambitions. However, the cost of provision of enhanced remuneration impacts shareholders directly by reducing profitability.

The Board has not implemented more extensive changes to remuneration or benefits, which would be to the detriment of shareholders, with increases funded from efficiency savings.

Key decisions made during the year include:

- Hourly rates for store managers have been replaced by an enhanced salary structure, improving retention in this key role, reducing recruitment costs and improving trading performance.
- National living wage/National minimum wage increases, with equivalent increases to pay grades above these levels. Additional hours made available to existing colleagues to reduce seasonal staff requirements.
- Selective recruitment for new roles and expertise required to support strategic requirements, subject to the business case being fully assessed.

Customer centricity

A foundational year

Our newly defined cardfactory brand purpose is to make sharing in and celebrating life's moments special and accessible for everyone. This purpose affirms the importance of the steps we are taking to become a fully customer centric organisation.

Having further strengthened our customer marketing team with key appointments, including extending our insight capabilities, the focus in FY23 has been on building foundational insights to direct and underpin future growth.

We continue to use a range of leading insight tools to ensure we understand who our customers and potential customers are. With this, we are listening and responding to their needs and making high quality, informed decisions across the business.

Macro environment

We maintain a detailed understanding of consumer attitudes and behaviours with data taken from established sources such as GlobalData, exploring factors such as consumer sentiment, along with spend and discretionary income.

Market context

We leverage in-depth information on the greeting cards and gifting markets and our position within it, through a blend of external data sources (Kantar, GlobalData) and our bespoke annual survey of 4,501 respondents, used to size the market and understand key drivers of behaviour. Our cadence of monthly and annual reporting enables us to remain close to changing market and consumer dynamics and respond at pace.

Brand

We create clarity on the role we are playing, inviting customers in by measuring our brand health alongside key competitors with a rolling study that speaks to c.90,000 consumers (Savanta BrandVue).

Experience

We focus on keeping customers coming back through a multi-faceted approach to monitoring customer experience and satisfaction. Net Promoter Score (NPS – the level of advocacy for cardfactory scored by those that have been a customer in the past three months) is a key business KPI which is continuously tracked along with overall satisfaction (those who have visited cardfactory in the last three months rating their overall satisfaction with their last experience) across our channel touchpoints.

Our 'Tell cardfactory' initiative enables us to encourage and capture more detailed feedback at a store level, together with our ongoing use of Feefo. We supplement this with frequent mystery shopping audits, a key KPI for stores, to assess and improve levels of service. Combined, they have collectively served to push customer recommendation on, with NPS improving +1 point YOY.

We continue to invest in our customer services function and capability. In FY23 we tested and rolled out our Service Excellence programme to all stores. This is designed to further enhance the experience we deliver for customers, helping them find and choose all they need to celebrate all life's moments.

Bespoke insight studies

In FY23 we carried out multiple bespoke studies exploring topics including:

- **Customer segmentation:** We developed a behavioural and attitudinal 'celebration occasions' segmentation in order to better understand consumers in the market and our customers within it; who they are, how they shop our categories and the key growth opportunities that exist.
- **Store format development:** Insight has helped us to elevate the store proposition following the opening of ten model stores in FY23. A blend of qualitative groups, exit interviews, observations and biometrics informed new iterations of the model store format, resulting in improved customer metrics.
- **Sizing international growth opportunities:** Detailed research was undertaken with GlobalData to look at a comprehensive range of factors in key international markets including demand context, card and gift market size and forecasts, consumer behaviour and expectations and the state of the respective competitor landscape. This has provided quality insights to inform our strategic planning and execution.

Working smarter and looking ahead

Across cardfactory, we have refined our cross-departmental ways of working to ensure customer insight sits front and centre, driving our strategic direction, our decision-making and our culture. Our insight team create and deliver monthly insight packs for the senior leadership teams. In addition, insights are shared at key business updates and quarterly review sessions, in order to build deep customer understanding and enable high-quality decision-making across the organisation. At cardfactory, we go the extra mile to foster a culture of creativity and curiosity and encourage all colleagues to ask questions and build their understanding of our market, our customer and the opportunities that lie ahead.

Insight in action

Insight is only as good as the action it generates, and that relies on how well it's shared.

Over the last year, we have significantly improved the way in which we share data and insight. A detailed pack, which recommends actions based on insight gleaned from the macro environment, the market, and brand and customer experience metrics, is delivered monthly to the Board, the senior management team, the senior leaders group and is cascaded to other colleagues where relevant. In addition, on an annual basis, insight feeds a detailed strategic review as part of our strategy update.

An example of the action our data and insight has generated, comes from improved customer experience understanding. Data via new customer experience programmes identified opportunities in the store experience, specifically with colleague interactions, which led to the rollout of our Service Excellence programme, training over 6,500 colleagues. Over the subsequent time period Kantar data revealed improved customer frequency and Savanta reported improvements in customer service perceptions; linked to this we have also seen movement to top 20 position in Savanta BrandVue Most Loved UK Retail Brands 2023.

New insights continue to shape and evolve the Service Excellence programme with the latest iteration focusing on a brand-led experience as we look to meet, and indeed exceed, customer expectations ongoing.

OUR STAKEHOLDERS – COLLEAGUES

Passionate colleagues

Our colleagues help customers celebrate their life moments. We value their contribution, provide them with development and career opportunities and strive to encourage exceptional leadership. The last 12 months saw us emerge from the pandemic: our teams are fully back to work and our agenda has focused once more on attracting and retaining the best talent possible to support the delivery of our strategy by transforming our business.

In the post-pandemic environment we have shifted from scaled down operations to investing in our people and creating the teams we need for growth. This means putting our colleagues at the heart of the journey and investing in them. We now have an improved articulation of our culture; who we are as a company via our values and the cardfactory brand, marking a journey towards self-ownership of experience. Our focus will continue to bring our brand, values and purpose to life through improving colleague experience at every part of the colleague journey using data to help us make valuable, informed decisions.

Talent acquisition

Talent acquisition has been challenging over the last 12 months fuelled by the uncertain economic conditions and an unusual labour market. In response we've focused on our proposition and our approach to attraction and retention.

We have created a model for talent acquisition for our salaried roles based on networking and direct sourcing – investing in the candidate experience to tell our unique story and ensure new hires are on-boarded and inducted successfully.

In stores our approach is about building a scalable and efficient model to manage volume recruitment well and equip our managers with the right skills and tools to find the right talent.

Our store colleagues lead the recruitment of up to 5,000 seasonal colleagues to maintain high levels of service over our Christmas period, and we have focused on process improvements, upskilling and support to ensure we can respond well to this annual challenge.

Our culture

We've entered the second year of our DE&I strategy; launched our evolved cardfactory values; built career pathways; and continued to enhance our approach to performance management and our leadership development offering; all of which articulate our culture and colleague experience. Our continual co-design and high-engagement approach to organisational development, means colleagues drive change and embody the culture they've created.

We completed the review of our cardfactory values, following extensive consultation with colleagues, through our brand strategy project to determine that we'd got these right; who we are and what we're committed to is articulated with accuracy.

Smart working principles have supported our culture of agility and recognised the need for balance in colleagues' lives – shifting to an outcome and output focused environment. Colleagues are given the space to manage their working days according to their own requirements via flexibility of shift patterns and hours.

Colleague wellbeing

Colleague wellbeing and support has been high on the agenda for FY23. The economic environment has seen increased costs and inflation and we have listened to understand how we can best support our colleagues during this challenging time. This has been through our survey, via our colleague forums and through our leadership teams.

As part of our broad suite of benefits, we offer financial, mental and physical wellbeing support in a variety of ways. This includes our recognition and colleague discount platform 'Reward Gateway'. Here, colleagues can access an online GP, mental wellbeing and health support, hints and tips on managing physical health and discounts to hundreds of retailers and providers. Following a recent pay and benefits review, we introduced a 'double discount' weekend in the run up to Christmas, where all colleagues were able to shop in our stores at a reduced rate, helping them continue to celebrate even in challenging times. This was followed up in January 2023 with all colleagues receiving a voucher via Reward Gateway to spend in any way they chose.

FIKA launched in August. This is an innovative product that allows users to develop seven mental fitness skills and has a suite of tools available to everyone. This introduced a new way of talking about mental fitness – a proactive, supportive and empowering approach to mental wellbeing, helping colleagues prepare for both big and small challenges they may face. On top of this, our Employee Assistance Programme continues to run and our strong team of Mental Health First Aiders are a vital and visible support in the business.

Our wellbeing agenda and the support we offer will continue into the next financial year and beyond.

DE&I strategy

Our five year DE&I strategy is made up of five pillars, which are:

- Leadership;
- Wellbeing;
- Community and connection;
- Brand; and
- Customer.

With our senior management team sponsor, each pillar is lead by a senior leader, and owned and driven by communities of colleagues across the business. The communities focus on specific objectives each year, which drive the overall outcomes we aim to accomplish:

- The creation of a group of colleagues that is as diverse as the customers we aim to serve at all levels and in all areas.
- Ensuring everybody is aware of their strengths, recognises their own value and is eager to develop.
- To increase colleague engagement and improve our scoring on our colleague engagement survey.
- Taking personal responsibility to learn and grow as a thinking and coaching organisation.
- Gaining external recognition as a great place to work, because our colleagues have said as such.
- Increasing colleague retention.
- Gaining equal gender representation at senior leadership level.

In our first year of strategy execution, we had three topics of focus across all work streams. These were Mental Health, Women and Pride.

Talent, career planning and performance management

Performance management supports our ambition for growth and ensures everyone knows what is expected of them and understands both how they fit into the organisation and the role they play in delivering our strategy.

As this process is embedded into the business, we use the term 'Talent Every Day' to recognise that performance conversations are part of daily working life. Our leadership behaviour framework helps us align to culture and value the 'how' as much as the 'what'.

COLLEAGUES CONTINUED

Every colleague takes ownership of their individual contribution and development, supported by their line manager with access to a comprehensive learning toolkit. Calibration sessions mean that performance management and assessment is fair and consistent and that there is a cross functional view when setting objectives.

Career pathways

Being able to navigate your own career is a critical way of maximising the talent we have in the business and encourages upwards and lateral movement of colleagues. Career pathways is a framework of possible routes through our organisation which allows colleagues to take ownership for their own development, and continues to be supported by our apprenticeship offer and our leadership development proposition and framework.

Colleague KPIs

Using data we measure key performance indicators which support the aspiration to recruit, retain and develop our colleagues and to drive career progression and career development in cardfactory.

These include measurement of internally filled vacancies – where we achieved 19%, versus a target of 21%. Other KPIs include colleague turnover rates where we were over our target of 27%, driven largely by high attrition in the sales assistant population and vacancy per headcount rate was positive against our target.

While we recognise that we need, at times, to invest in bringing new skills and experience into the business, our aspiration is to continue to encourage career development from within.

Leadership development

Our leadership behaviour framework is now complete and forms the basis for development content and focus. It is in use across talent mapping, career pathways and throughout our performance management system.

We provide coaching cards for all managers to support everyday performance conversations while encouraging feedback and continual learning.

We have a specific development programme for our senior leadership team, which includes the opportunity to undertake a level 5 coaching qualification. In the last 12 months, ten senior leaders and six HR business partners completed this qualification having a direct impact on how we lead at cardfactory.

Moving into FY24 and beyond, we are working on embedding our new organisational values and are making both the 'Leading Self' and 'Leading Others' learning modules available to all colleagues to foster leadership at all levels, support self-directed development and aid managers in developing their teams. We will also be running targeted and focused workshops to foster high performing leadership teams across all functions.

Coming up, we intend to revise the leadership behaviour framework to include 'manager competencies' and provide learning to support this, including a 'new managers' programme and 'inspiring managers' focus to nurture our leaders of the future. We are also looking to improve and increase the senior leadership group development offer to include a focus on talent pipeline development.

Approach to compensation and benefits

Our ambition: to have a reward offering that is in line with market and a differentiator that supports us in attracting and retaining the best talent in the industry.

In FY23 our pay principles were clearly established and all our salaried roles benchmarked against market data. This means we have a robust and transparent framework within which our roles sit and where benefits are aligned.

In FY23 our pay review was in line with principles to be a mid-market payer. The first few months of 2023 brought with them some challenging economic factors with high cost-of-living, and although our pay review for 2023 will continue to follow the principle of being a median market payer, it will also recognise the impact of the rising cost-of-living and we will make a pay award to reflect that. This means a significant investment in our colleagues and a pay review of 8.6%.

In FY23 we also made significant investments in our store manager population. This included a store manager talent review, a significant increase to pay rates and introducing a new sales incentives aligned to the step up in accountabilities of the role. This led to a reduction in turnover of store managers from 9% to 3%, saw our engagement survey 'Fair Deal' score rise to 23% and led to a reduction of Store Manager vacancies by 50%.

Our journey to become a median market payer in retail has started with the eradication of the age related pay for U18s in the National minimum wage structure.

The roadmap of benefit changes will continue, with access to a death in service benefit being extended from senior roles to all in FY24.

With the ambition to be consistent across the business where possible, we will align our holiday entitlement with our Printcraft and property colleagues to further harmonise terms and conditions for these colleagues, as well as introducing a holiday purchase scheme for salaried colleagues.

Colleague policy

Our people policies lay out a framework of how we work and are a key reference point for our colleagues. Some of these are a mandatory requirement and some are optional. They are in place to ensure we are compliant but also to support our aspiration to be inclusive, consistent and fair. Changes this year:

- We've improved our family friendly policies to include enhanced maternity, paternity, shared leave and adoption pay.
- We've made positive changes to our Absence Policy to support colleagues and guide managers in taking a more proactive and supportive approach.
- Our DE&I agenda includes a 'Brand' pillar of work which includes our commitment to become a leading employer in relation to equal opportunities and diversity, and removing bias in recruitment and selection.
- Our recruitment processes guide full and fair consideration of applications from disabled applicants, including making of adjustments for new or existing colleagues who may become disabled, through individual needs assessments and provision of support, training and additional equipment or software to support them in their role or their development. Next year we will launch our 'Fair Guide to Hiring', including colleague development, to incorporate our DE&I commitments and ensure our consistent approach to talent acquisition.

Engagement

In Autumn 2022, Best Companies facilitated our 'b-Heard' engagement survey to measure colleague engagement across all areas of the business. Following this survey we received a two-star 'Outstanding' accreditation, improving on our one-star 'Very good' status announced earlier in 2022.

We were also recognised as one of the Best Big Companies to Work For in the UK, placing 15th in the list of the UK's 25 Best Big Companies at the end of 2022, then placing third in the same list at the beginning of 2023 moving up the leader board.

Overall results and participation improved compared to the survey completed in January 2022, with store colleague participation being particularly strong. The final completion rate was a very high 81%.

The positive results achieved in our 'b-Heard' survey demonstrated improvements in the following key areas:

- commitment to the organisation;
- growth and development opportunities;
- pay and benefits; and
- social and environmental responsibility.

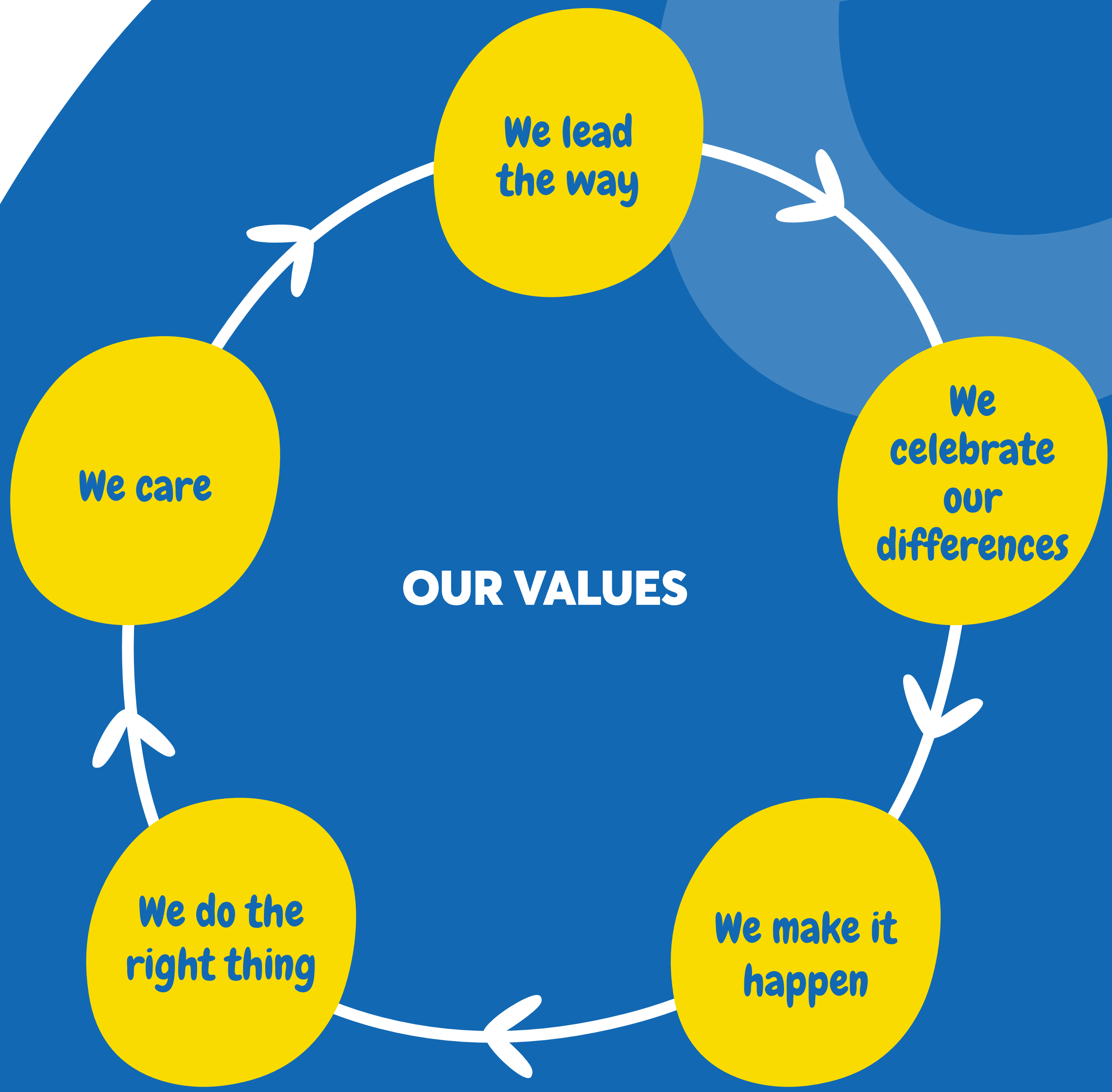
Areas where our results exceeded other two-star companies were:

- manager support and care;
- team relationships; and
- wellbeing.

This suggests the work we're doing in learning and development, leadership development and our compensation and benefits roadmap is taking us in the right direction, but there is more work to do to continue on this journey and the action planning from the survey continues.

Our Colleague Forum also provides an opportunity for us to listen to our colleagues and take on board feedback on how colleagues feel. Key themes that came out of this group were around fair deal, cost-of-living and the impact of that on daily lives as well, as career development. The feedback from colleagues has been applied to prioritise the areas of 'fair deal' that are important to the workforce as part of our ongoing reward enhancement.

As we head into FY24 we will continue to invest in our colleagues, to attract and develop our talent and to build a compelling colleague experience and journey across all of our business.



Quality suppliers

Our Chief Commercial Officer is responsible for ensuring we develop mutually beneficial long-term relationships with our key product suppliers and for monitoring and responding to our suppliers' concerns to balance the commercial position, taking full account of our community and the environment within which we operate.

Suppliers & social compliance

We continue to ensure suppliers meet our requirements before they complete our onboarding process. These are:

- Audit: ethical audit with requirements relating to child labour, forced labour, disciplinary practices, health and safety, discrimination, freedom of association, collective bargaining, working hours, remuneration and the environment (more detail below).
- Sedex Members Ethical Trade Audit (SMETA) – a globally recognised ethical audit that is conducted by an affiliate audit company.
- Business Social Compliance Initiative (BSCI) – a globally recognised ethical audit that is based on the International Labour Organization (ILO) standards, conducted by approved audit companies only.
- SA8000 – these widely recognised standards on ethical audits are set by Social Accountability International and are applicable to factories and organisations worldwide.
- Access to and sharing of information via the Supplier Ethical Data Exchange (SEDEX), which assists monitoring human rights issues in our supply chain.
- Technical audits (based on ISO 9001) on products and product safety for initial factory set-up and higher risk areas.
- Requirements that card is Forest Stewardship Council® (FSC®, licence code FSC-C128081) certified and compliant with UK and EU Timber Regulations.
- Requirements in our Modern Slavery Act compliance (details of steps taken are available in the modern slavery statements available on the cardfactory and the cardfactory Investor websites).

Our 'No Audit, No Order' policy remains a steadfast requirement, necessitating suppliers to have satisfied our onboarding processes and to have received satisfactory technical and ethical audit results before any order will be placed with them. We have continued engagement with our Far East suppliers by video conference which facilitates more regular contact and we look forward to resuming supplier visits once all travel restrictions are lifted.

Supply base

We have increased the number of suppliers in the past 12 months that are exclusively UK-based (for card, gifts and celebration essentials). This supports our strategy of expanding our ranges, while reducing our carbon footprint, where possible, and also allowing a faster turnaround time from product selection to offers being available in store.

Supplier survey

In December 2022, we completed our third annual Supplier Viewpoint survey, surveying our top 30 product suppliers. This allows us to understand if actions we have taken following previous feedback have improved our supplier relationship management. The most common recurring theme was the need to increase environmentally friendly practices and products.

Overall, results remain consistent with our previous survey with some noticeable acknowledgement from our supply base (33%) regarding cardfactory becoming a more sustainable business as they work with us to develop more eco friendly products.

Within the results, 55.2% agree and 44.8% strongly agree with the need to operate and develop products to help create a sustainable future.

Product sourcing

During the last quarter of 2022, cardfactory underwent and passed its sixth FSC audit, which continues to reflect our commitment to the ethos of FSC. We are on target to ensure all our wood-based products are only sourced from FSC certified suppliers, (currently card, wrap and party are all from FSC (or PEFC)) certified sources by the end of FY25.

To continue building on the Group's ESG commitment, the quality assurance team will be reviewing packaging to ensure sensible balance between removing plastic (which has high recycled content and is fully recyclable) and employing non-recyclable packaging (which although is not plastic will end up in landfill).

Quality assurance team

During 2022, the decision was taken to recruit two additional junior members to our quality assurance team, who are in the process being fully trained using in-house and third-party training. It was felt that in the long term this would allow cardfactory to build a team with the specific skillsets and knowledge to best support current and future business strategies. The longer-term goal is to create a first-class quality assurance department.

The first steps have been taken to complete a risk based analysis of all products sold by Getting Personal, this is to allow us to target the most critical products/suppliers first as we extend our supply chain standards to Getting Personal. With the ever changing requirements from both consumers and authorities we have started reviewing our policies and procedures to ensure they are fit for purpose and where applicable incorporating the PAS standards being developed by the Office of Product Safety and Standards, even where these go above and beyond defined legislation.

Future considerations

In the coming years there are going to be changes to legislation with more country-specific legislation becoming common. This includes:

- Wales placing draft legislation with the purpose of putting a total ban on single use plastic carrier bags.
- The new Deposit Returns Schemes (DRS). Scotland at present is the only country in the UK with firm plans and a start date of August 2023 (now delayed to March 2024). It has been announced that England, Wales and Northern Ireland will implement DRS schemes by October 2025.
- The Extended Producer Responsibilities for Packaging Waste are due to start in 2023 and we have already made significant changes to the information gathered from suppliers to ensure we comply. In 2024 modular fees are to be introduced, meaning packaging that is non-recyclable will attract higher fees than packaging that is readily recyclable; this also aligns directly with the cardfactory ESG policies and goals.

Driven by our purpose

"cardfactory is a purpose-driven organisation and the way we do business is fundamental to this. The delivery of our ambitious 'Opening Our New Future' growth strategy and the business transformation this requires are underpinned by our commitment to operate sustainably across all areas of our business."

We believe we should have a positive impact on our people, our customers, our communities and the environment and we value this alongside financial performance. We operate with integrity and transparency and always strive to do the right thing. As a result, we are pleased to report progress made in FY23, delivering on the ESG strategy and commitments outlined in our FY22 annual report. These are detailed on pages 38 to 42, along with our plans for FY24.

Looking ahead

FY24 will see cardfactory take significant strides forward in addressing the sustainability challenge. Working with specialist energy and utility consultants, we will complete and report on a detailed review of Scope 1, 2 and 3 GHG emissions. This will be used to develop pathways and publish a science-based Net Zero target, mitigating risk and improving environmental performance across the business.

We continually review our sustainability strategy to ensure it delivers meaningful impact, aligning it both to the United Nations Sustainable Development Goals (SDGs), and to the risks and issues prioritised by our colleagues, customers, suppliers and stakeholders in our 2021 materiality assessment.

We are aware these priorities may have changed given the extraordinary context of recent months, including a cost-of-living and energy crisis, and increasing awareness of the impact of climate change and biodiversity loss, and so we have engaged a specialist ESG consultancy to refresh this materiality assessment in FY24. This will provide us with an updated view on the most significant impacts on our business and whether the views of colleagues, customer and stakeholders have changed.

This work will inform the consultancy's development of an updated five-year ESG strategy, roadmap and measures, to be completed in FY24, and a review of our risk management framework, ensuring that our priorities reflect the changing world around us and remain aligned with those of our stakeholders.

In FY24, we will continue to embed sustainability across the business. We will incorporate sustainability into our core 'Opening Our New Future' growth strategy and related performance metrics with the goal of making it a core part of day-to-day ways of working and decision making for all colleagues at all levels, and will also explore the opportunity for dedicated sustainability resource.

Read more on pages 38-42

Our five ESG strategic focus areas:

- Reduction in carbon footprint.
- Waste and sustainability.
- Diversity, equality and inclusion (DE&I).
- Colleague and social mobility.
- Charity and community.

Our progress and plans

In FY23 we have made progress against the commitments set out in FY22 and remain on track to deliver against our FY24 goals. Highlight achievements and plans for the year ahead against each of our strategic focus areas are outlined over the next five pages.

Strategic focus area: Reduction in carbon footprint

How did we do? 🟢 Achieved 🟠 Partially achieved 🔴 Still to be achieved

UN SDG

- 9 Industry, innovation and infrastructure
- 11 Sustainable cities and communities
- 12 Responsible consumption and production
- 13 Climate action
- 15 Life on land

Commitments made for FY23

- Progress with assessment of realistic and achievable carbon neutrality targets.
- Obtain premier partnership with The Woodland Trust (including options to carbon-offset) and work towards a continual reduction in emissions.
- Conduct assessment to provide full clarity on Scope 1, 2 and 3 emissions, including recommendation for greener energy infrastructure to drive a continual reduction.
- 50% of company car fleet to be electric/hybrid within 12 months, with the residual 50% converted within the following 12 months, reducing fleet carbon by 90%.
- Continuously improve our supply chain efficiencies and increasingly move product manufacturing from the Far East to the UK and Europe.

Progress in FY23

- Full review of Scope 1, 2 and 3 GHG emissions underway. 🟠
- Total Scope 1 and 2 GHG emissions have increased compared to FY22 as a result of increased business activity and growth following periods of restricted trading due to the pandemic in FY22 (and FY21). However, when compared to FY20 emissions, there has been a reduction in overall emissions of 31%. 🟠
- The Woodland Trust partnership planting more than 12,000 native trees in the UK, with potential to mitigate 3,200 tonnes of CO_2 during trees' lifetime. 🟢
- Printcraft manufacturing facility lighting switched to LED, reducing electricity consumption by 206,589 kilowatt hours per year (equivalent to 39.95t CO_2e or 145,612 miles driven by UK average petrol car). 🟢
- 18% of company car fleet now electric or hybrid, with 18 charging points installed to support rollout; lead times for electric vehicles slowed the rate of fleet transition in FY23. 🟠
- Moved further product manufacturing, including money wallets, from Far East to UK. 🟠

Plans for FY24

- Report on emissions assessment and use data to set targets.
- Define and publish science-based Net Zero targets and pathway.
- Explore opportunities to reduce UK & Ireland logistics emissions, including electrifying HGVs and increasing vehicle fuel efficiency.
- Develop targets for moving additional product manufacturing from Far East to UK.
- Explore further opportunities to protect nature and biodiversity across our value chain.
- Entire company car fleet to be electric by the end of FY24, reducing fleet's carbon footprint from 314.6 tonnes (FY22) to 43 tonnes (end of FY24).
- Incorporate sustainability considerations into international growth decision making and partnerships.

Strategic focus area: Waste and sustainability

How did we do? ● Achieved ● Partially achieved ● Still to be achieved

UN SDG

Commitments made for FY23

Waste reduction

- We will remove single-use plastic from 90% of our products sold to customers by end of FY24.
- All products will be 100% glitter free by end of FY24.
- We will reduce in-store point-of-sale poster volume by 50% across our retail estate by late FY24.

Recycling

- Recycling will be increased in stores, support centre and distribution centres.
- Continue to improve recyclability of our product and packaging, while also offering our customers more recycling opportunities in addition to our foil balloon and banner recycling service in 500 stores.
- All new cards sold from April 2022 are 100% recyclable.
- All new wrap sold from the end of FY24 will be 100% recyclable.
- All 10p plastic bags are 100% recyclable and manufactured using a minimum of 30% consumer waste.

Sustainability

- All cards are FSC certified.
- All wrap will be FSC certified by end of FY23 (98.5% FSC by April 2022).

Progress in FY23

Waste reduction

- On track to remove single use plastic from 90% of products by end of FY24: ● (partially achieved)
  - All remaining single-use plastic attachments removed from Christmas boxed cards.
  - Packaging moved to paper across bulk of cardfactory foiltastic and trend party products.
  - Continued to remove single use plastic from gifting products.
- Recycled 703.4kg of foil balloons and banners from stores through TerraCycle. ● (achieved)
- On track for all products to be glitter-free by end of FY24: ● (partially achieved)
  - All new cards now 100% glitter-free.
  - Glitter being phased out of non-card products.
- On track to reduce point-of-sale poster volume by 50% by late FY24. ● (partially achieved)

Recycling

- Working actively with waste management partner to understand proportion of waste going to recycling and recovery versus landfill. A large proportion of current measurements are based on industry averages rather than weighing of waste; as more suppliers develop capacity to measure waste, the ability to track waste reduction will improve. ● (partially achieved)
- 'Remove attachments first' wording added onto all new cards to help facilitate recycling process. ● (achieved)
- On track for all new gift wrap sold to be 100% recyclable by end of FY24. ● (partially achieved)

Sustainability

- All new gift wrap now FSC certified. ● (achieved)

Plans for FY24

- Remove single-use plastic packaging from 90% of our products by year-end:
  - Plastic removed from all FY24 Seasonal gifting ranges.
  - All plastic packaging removed from FY24 counter party ranges.
- Remove glitter from all products.
- Reduce in-store, point-of-sale poster volume materials by 50% by year-end.
- All new gift wrap sold to be 100% recyclable.
- Conduct feasibility assessments on identified opportunities to further reduce environmental impact, including introducing plastic-free card bonding and moving all paper-based packaging to FSC-certified.
- Initiate review of all primary and secondary packaging to identify reduction opportunities.
- All new bags and card boxes to be 100% recyclable by end of FY25.
- In line with new Extended Producer Responsibility of Packaging legislation, all primary and secondary packaging will be labelled to show components and recyclability of each component by mid-FY25.
- Move all paper party products to be FSC-certified by end of FY25.

Strategic focus area: DE&I

How did we do? Achieved · Partially achieved · Still to be achieved

UN SDG

- 3 GOOD HEALTH AND WELL-BEING
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES

Commitments made for FY23

Colleagues

- We will create the right culture within the business including the adoption of our five-year DE&I strategy. We are a signatory to the BRC's Diversity and Inclusion Charter and have signed up to the DWP Disability Confident Employer Scheme.

Customers/Communities

- We will demonstrate greater awareness of DE&I within local communities and customer bases.

Product

- Our products and store environments will be developed to reflect society and our current and future customer base.

Progress in FY23

- Relaunched our values to all colleagues.
- Refreshed our DE&I strategy with an annual review to ensure it remains aligned to requirements.
- Review has created five strategy pillars, creating focused workstreams and ensuring DE&I is delivered across all areas of the business: Leadership, Wellbeing, Brand, Customer, Community and Connection.
- Delivered three topics of focus for colleagues in FY23:
  - Mental Health;
  - Women; and
  - Pride.
- Initiated work to build our system capability to be able to capture diversity data and truly understand our colleague base and take data led action.

Plans for FY24

- Expand data and insights related to all DE&I streams across the whole business.
- Drive forward ongoing delivery of the DE&I strategy to ensure it becomes BAU throughout the business.
- Build recognition programme linked to values.

Strategic focus area: Colleagues & social mobility

How did we do? 🟢 Achieved 🟠 Partially achieved 🔴 Still to be achieved

UN SDG

- 3 GOOD HEALTH AND WELL-BEING
- 5 GENDER EQUALITY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10 REDUCED INEQUALITIES

Commitments made for FY23

- We will provide all colleagues with a clear view of their career progression within the business.
- Clear KPIs set for internal promotions alongside the completion of business-wide role benchmarking for all positions and relevant succession planning in place.
- A comprehensive suite of development opportunities to be made available to all colleagues, including voluntary learning, in-house training and courses, as well as the apprenticeship levy being utilised across select business areas.
- We will embed our leadership behaviour framework for all leaders and people managers.
- We will continually improve our colleague engagement survey scores, improve colleague retention and reduce colleague turnover.
- We will continue to support colleagues' wellbeing through initiatives such as mental health first aiders, our employee assistance programme and online wellbeing portal.
- We will continue to invest in quality Health & Safety training to ensure that all colleagues are able to work safely.

Progress in FY23

- Launched career pathways, providing a framework for colleagues to navigate and understand their career options. 🟢
- Set KPIs to fill 19% of roles with internal candidates; achieved rate of 21%. 🟢
- Benchmarked and levelled all our salaried roles in the organisation, using external market data to progress on being a median market payer. 🟠
- Made a comprehensive suite of development opportunities, including apprenticeships, available to all colleagues. 🟠
- 16 colleagues qualified as Level 5 coaches. 🟢
- Leadership behaviour framework incorporated into Talent Every Day performance management programme. 🟢
- Pulse survey and full survey conducted in October 2022 rated cardfactory as a 2 star 'Outstanding' company to work for: 🟢
  - Pulse survey rated us 15th in the 25 Best Big Companies to Work For.
  - Full survey ranked us: 3rd in the Best Big Companies to Work For; 1st in our market as Best Retailer; and several placings in regions including 1st in London, in Q1 2023 tables.
- Retail manager colleague retention improved following the re-organisation of the retail part of our business through the retail people plan, which ensured we have the right skills in the right place and reviewed salary offering. 🟠
- Developed interventions to support colleague financial, mental and physical wellbeing: Employee Assistance Programme accessible to all; Salary Finance, enabling colleagues to access their salary early and offering financial advice and a comprehensive discount platform; A portal with wellbeing tools covering a number of topics. 🟢
- Developed team of Mental Health First Aiders throughout the business. 🟢

Plans for FY24

- Review of internal recruitment processes and advertising of vacancies internally to drive interest.
- Ongoing Talent Every Day conversations to encourage self-leadership and owning development plans.
- Enhancing the induction process to ensure our purpose is understood across the business.
- Recruit colleague experience manager.
- Ongoing review of benefits and pay to ensure we can attract and retain the right talent in all parts of the business.
- Partnership with Macmillan to support colleagues with cancer.

Strategic focus area: Charity and community

How did we do? ● Achieved ● Partially achieved ● Still to be achieved

UN SDG	Commitments made for FY23	Progress in FY23	Plans for FY24
5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	• We are committed to continually funding and supporting The Card Factory Foundation in all its present endeavours including supporting colleagues and communities by match funding, family funding and community grant funding. • We will continue to identify and support charity and community partners that align with our values and business, e.g. our ongoing charity partners for Christmas boxed cards. • We will continue to support colleagues who are engaged with local causes and charities.	• £523,940 raised for Macmillan Cancer Support, taking total raised since 2006 to £7,808,483.69. ● • Sale of boxed Christmas cards generated £125,000 in donations for four UK charities. ● • For every €1.00 raised in Republic of Ireland, cardfactory donated €0.10 to Make a Wish Ireland. ● • cardfactory raised £1.44 million to The Card Factory Foundation through carrier bag sales contributing to the Foundation's Match Fund, Community Fund and Family Fund. ● MACMILLAN CANCER SUPPORT	• Review community strategy to ensure it remains aligned to overall sustainability priorities, and that we are generating as much positive economic and social value as possible. • Review charity partners for Christmas boxed card beneficiaries, to continue to align to sustainability priorities. • Continue to support The Card Factory Foundation.

Governance structures

Underpinning our ESG strategy is good governance. We have always sought to act with integrity and to do the right things, in the right way, and that continues. We comply with guidelines and best practices and actively manage ESG considerations and risks effectively with good governance informing our decision making.

The cardfactory Board reviews the Group's approach to sustainability and climate-related risks twice per year; this includes an overview of the ESG framework and sustainability strategy, and progress against goals and targets.

Sustainability and ESG reporting is the responsibility of the entire Board rather than one Board member specifically. However, the CEO has ultimate accountability for the Group's ESG and climate-related priorities, with the Chief Commercial Officer holding accountability within the senior management team and leading sustainability work across the business.

The organisational structure of the governance framework can be seen on the left. The Chief Commercial Officer has responsibility to lead the overall ESG strategy, with those members of the senior management team responsible for key elements.

ESG is incorporated into Group risk management and when considering specific business plans, including examples such as supply routes and product design and development. The increased understanding of our emissions generated this year now provides the Group with additional insight to inform our overall strategy, plans and annual budgeting.

Throughout the year, management continually reviews progress and deliverables of each element within our sustainability strategy, ensuring all risks and opportunities are captured, and appropriate action taken.

Following our materiality assessment refresh and sustainability strategy update, we will review our Governance structures to ensure they remain fit for purpose.


cardfactory
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CLIMATE CHANGE AND TCFD

Introduction

This section details the Group's climate-related disclosures, in alignment to the TCFD recommendations. Following a review of last year's inaugural disclosure, the format has been updated to clearly demonstrate progress against the TCFD recommendations. The Group recognises this continues to be a work in progress and in order to achieve compliance across all TCFD recommendations remains actively engaged in initiatives that will enable it to further improve disclosures in subsequent years. TCFD requirements that we consider are met are indicated in green, with amber indicating the components that are not yet fully achieved, where the description summarises the status.

● TCFD requirements met ● TCFD requirements not yet fully achieved

Governance: Disclose the organisation's governance around climate-related risks and opportunities.

TCFD recommendation	Current status	Updates and plans for FY24
Describe the Board's oversight of climate-related risks and opportunities ●	Climate-related risks and opportunities are assessed by the Board as part of the general business risk management described on pages 58 and 59. The Board reviews the Group's approach to ESG and climate-related risks twice per year, which includes an overview of the ESG framework, development of the Group's ESG strategy and progression against goals and targets.	Twice yearly ESG reviews will continue, with a refresh of the Group's sustainability strategy planned for FY24.
Describe management's role in assessing and managing climate-related risks and opportunities ●	Sustainability and ESG reporting is the responsibility of the entire Board rather than one Board member specifically. However, the CEO has ultimate accountability for the Group's ESG and climate-related priorities, with the Chief Commercial Officer holding accountability within the senior management team, and leading sustainability work across the business. Further information regarding the Group's approach to managing climate-related priorities are detailed on pages 47 to 49.	The ongoing consultancy work and materiality assessment refresh will provide the Group with an even greater understanding of the Group's environmental impact, therefore providing greater consideration in guiding the overall strategy, major plans and annual budgeting. The first full GHG inventory covering Scopes 1, 2 and 3 emissions will be finalised early in FY24. In addition to this, we also have processes in place to ensure developments on climate-related issues are identified and accounted for, e.g. introduction of new packaging legislation via the quality assurance team.

Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material.

Risk timeline – Short term (1–2 years) = Medium term (3–9 years) ≡ Long term (10–15 years)

TCFD recommendation	Current status		
	Risks	***Opportunities***	***Risk timeline***
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term ●	1. cardfactory fails to engage on climate risks to identify and pursue opportunities for competitive advantage.	1. Presentation of our climate-related credentials is expected to improve brand reputation which should contribute to sales.	– =
	2. cardfactory's supply chain relies extensively on imports from the Far East. There are limited opportunities for local supply base for gifting ranges which could reduce our carbon footprint, whilst maintaining our 'value' proposition. Our strategy targets increasing volumes of complementary product sales, which, without mitigation, will increase our carbon footprint.	2. Our strategy of increasing the proportion of cards produced in the UK, by increasing card production capacity at Printcraft, will reduce emissions from transportation for imports from the Far East. UK manufacturing of roll wrap has created an opportunity to reduce overseas dependency. Growth in UK manufactured gift products such as confectionery opens new supply routes.	–
	3. cardfactory's international strategy, aimed at growing the Groups international presence, will increase our carbon footprint within our own operations and the associated supply chain.	3. Learnings from the Group's UK & Ireland energy reduction initiatives, full GHG inventories and setting a Net Zero target could lead to an accelerated carbon mitigation programme within the international strategy.	– =
	4. Managing legacy stock, where recycling may not be economically viable and redundancy of stock results in increased waste.	4. Improved processes to minimise legacy stock risk, including improved stock management and more local, smaller production runs from Printcraft reduces the risk of such legacy issues arising in the future.	– =
	5. Businesses seeking to use 'green' raw materials is expected to increase demand for FSC certified raw materials (to replace plastics and other materials e.g. in packaging). Long lead times will constrain supply, inflating cost prices.	5. At present, use of recycled card in product ranges is not considered viable, but innovation in artificially grown pulp may address supply constraints in the future to address demand and price inflation.	– =
	6. Changes to consumer behaviour leading to an increasing desire to purchase sustainable products from sustainable businesses. A reduction in revenue and market share may occur if the Group fails to meet and disclose its ESG targets and strategy.	6. Changes to consumer behaviour leading to an increasing desire to purchase sustainable products from sustainable businesses. An increase in revenue and market share may occur if the Group is to successfully meet and disclose its ESG targets and strategy.	– =
	7. Levies and surcharges are to be applied for packaging, Greenhouse Gas (GHG) emissions, which could increase operating costs and require investment in alternative solutions.	7. By reducing waste and GHG emissions in advance of such levies applying, cost increases can be minimised. Opportunity to remove single-use plastic from gifting range and handmade cards.	– = ≡
	8. Energy costs expected to increase over time, particularly with limited energy security in the UK that could affect availability for cardfactory's future needs.	8. Potential opportunity for cardfactory to commit to a long-term power purchase arrangement which can be used as a basis for investment in additional green energy capacity.	= ≡
	9. The Group's business strategy includes sale of balloons, many of which are helium-filled. Helium is a non-renewable natural element with limited supply, which may be subject to increased cost as supply reduces.	9. Opportunity for cardfactory to innovate on alternative product ranges to anticipate availability falling and/or helium price increases.	= ≡
	10. Increased flooding risk from higher water levels from global warming could impact cardfactory's key operational sites.	10. Although the support centre and distribution centres are not at any material risk from flooding, the Printcraft facility is next to a river which would be at risk of flooding, without appropriate flood defences being adopted. As many stores are subject to relatively short-term leases, stores can be relocated on lease events, if flooding is considered to be a material risk.	= ≡

CLIMATE CHANGE AND TCFD CONTINUED

Risk timeline – Short term (1–2 years) = Medium term (3–9 years) ≡ Long term (10–15 years)

TCFD recommendation | Current status

TCFD recommendation	Implications	Risk timeline
Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning ●	1. Improving our credentials could enhance our profile and opportunity with new trade customers and shoppers. This may also attract new shareholders.	– =
	2. Alternative ranges and sources will be constantly reviewed to balance climate risks while maintaining a value offer to our customers.	– =
	3. Plans for the international strategy will need to consider country-specific climate-related legislation, property acquisitions, store fit out specifications along with the impact and location of key suppliers within the international supply chain.	– =
	4. Improved stock management significantly reduces exposure to stock wastage. Any disposal of stock is managed through suppliers with green credentials for waste management avoiding the need for landfill.	– =
	5. Development of 'recycled card' products could be used as a USP, whilst managing costs and improving cardfactory's credentials.	– =
	6. Increased levels of sustainability into product developments, and increased communication around ESG targets and strategy will broaden customer appeal.	– =
	7. Planned levies and surcharges to be monitored and action taken to minimise the implications for such charges on cardfactory.	= ≡
	8. In addition to supporting development of additional green energy generation, this may mitigate future cost increases, whilst reducing the Group's GHG emissions.	= ≡
	9. Long-term strategy to be developed to recognise this risk and develop alternative ranges and products to meet customer appetite for party and celebration events.	= ≡
	10. Plans to increase capacity at Printcraft will require extending the property, which will require an assessment of any flood defence measures to protect this key production facility in the long term. Design and layout required to minimise risk of equipment damage if extreme flooding is realised.	= ≡

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario ●

The initial climate-related risks were considered by the Board as part of the adoption of the ESG strategy and have been incorporated into the risk management framework, however, the Group is not yet in a position to fully report on its resilience with respect to specific quantified climate scenarios. As part of our continued efforts to build resilience into the Group's overall strategy, the completion of the Scope 1, 2 and 3 emission assessment for FY22, due early in FY24, will provide the business with a very clear understanding of the current emissions status as well as solid recommendations to mitigate further risk. This will also improve the environmental credentials of the business and establish a pathway to Net Zero.

This includes undertaking a more rigorous climate-related scenario planning assessment, tailored to cardfactory's business and supply chain, assessment of the Group's Scope 3 GHG emissions alongside Scope 1 and 2, development of a strategy to reduce our emissions to allow us to set an informed and realistic target for being a carbon neutral business. This will assist in facilitating a quantitative approach to the scenario analysis in future years; the results of with will be assessed and considered for the Group's strategy developments in respect to resilience to climate change. The transition and physical scenarios that will be explored in further detail are outlined below.

1.5°C scenarios
This is based on low-carbon transition scenario (transition risk) which includes regulatory, technology and policy changes that would be required to limit global warming to 1.5°C. At present it is anticipated that any scenario analysis is to focus on UK policies, UK property, our supply chain and potential changes in consumer behaviour. This will consider the possibility of new GHG/Carbon taxation measures, increased costs within the supply chain and general operations along with any other relevant factors.

4.0°C scenarios
This is based on the assumption that there is limited regulatory support for global emissions reductions, therefore leading to increasing physical climate impacts (physical risk). This would include extreme weather events such as flooding and heatwaves. The focus will again be on the UK property portfolio and the oversees supply chain and the significant risks to retail operations and production.

Risk Management: Disclose how the organisation identifies, assesses and manages climate-related risks.

TCFD recommendation	Current status
Describe the organisation's process for identifying and assessing climate-related risks ●	Climate-related risk is managed in accordance with the overall risk management framework. This provides for members of the senior management team to be primarily responsible for identifying emerging risks and assessing, managing and mitigating risks, with support from internal and external specialists, as appropriate.
Describe the organisation's processes for managing climate-related risks ●	These risks are reviewed twice per year as part of the risk review process, with an appropriate member of the senior management team nominated to manage each risk and to lead development and implementation of mitigation including assessing the size and scope of the identified risk. The Chief Commercial Officer is responsible for the overall management of ESG and climate-related risks.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management ●	The Chief Commercial Officer reviews all climate-related risks within the ESG plan ensuring all key points are identified, assessed and incorporated into the overall risk management process. Updates are provided to the Board and its Audit & Risk Committee. The climate-related priorities take account of the risks identified and the priorities for our stakeholders, which have been identified from the materiality assessment.

Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

TCFD recommendation	Current status	Updates and plans for FY24
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	In the short term the Board has adopted the metrics and targets outlined in this section, to assess climate-related risks and expects to adopt new metrics and targets during FY24 following completion of current assessment of emissions and development of the new ESG strategy described on page 37. ***Reduction in carbon footprint*** • The Group has measured and disclosed mandatory GHG emissions and in this report a four year trajectory can be seen; although to date there has been no formal reduction target, an absolute reduction of 31% in GHG emissions can be observed in FY23 when compared to FY20. • In relation to the mandatory GHG emissions the Group has also measured and disclosed an intensity metric of tCO_2e per £ million turnover. FY23 shows a reduction of 33% compared to FY20. • We are at the advanced stages of assessing realistic and achievable carbon neutrality targets in relation to the Group's Scope 1, 2 and 3 emissions. These are to be identified through careful exploration of the British Retail Consortium's Climate Action Roadmap, which provides a framework for the retail industry to realise Net Zero in 2040, ahead of the UK Government target of 2050. At present the Group intends to use the FY22 year as the baseline for comparison for all future targets. • Working with The Woodland Trust to support the creation of new native woodland across the UK through the Trust's Woodland Carbon scheme. Throughout our partnership, we will plant more than 12,000 native trees that have the potential to mitigate 3,200 tonnes of carbon dioxide. • Complete assessment (using third party experts) to provide full clarity on Scope 1, 2 and 3 emissions for the FY22 year (baseline assessment), including recommendation for greener energy infrastructure to drive a continual reduction. • Within 12 months 50% of company car fleet will be electric/hybrid with the residual 50% converted within the following 12 months. Once complete, our fleet carbon will be reduced by 90%. • We will continuously improve our supply chain efficiencies and increasingly move product manufacturing from the Far East to the UK and Europe whereby there is a clear benefit to the customer and organisation. ***Waste and sustainability*** *Waste reduction* • Target set to remove single-use plastic from 90% of our products sold to customers by end of FY24. • All products will be 100% glitter free by end of FY24. • Target set to reduce point of sale usage by 50% across our retail estate by late FY24. *Recycling* • Recycling will be increased in stores, support centre and distribution centres and we will continue to improve recyclability of our product and packaging, whilst also offering our customers more recycling opportunities in addition to our foil balloon and banner recycling service in 500 stores. • All new cards sold from April 2022 are 100% recyclable. • All new wrap sold from the end of FY24 will be 100% recyclable. • All 10p plastic bags are 100% recyclable and manufactured using a minimum of 30% consumer waste. *Sustainability* • All cards are FSC certified. • All wrap will be FSC certified by end of FY23 (98.5% FSC by April 2022).	• Completion of the Group's first full GHG inventory across Scopes 1, 2 and 3 covering the FY22 period. This will be completed in FY24 and will establish the baseline against which future targets will be set. • Assessment of 2040 Net Zero target aligned with the Science-Based Targets Initiative (SBTi) and further exploration of the BRC Climate Action Roadmap. • Maintain The Woodland Trust partnership and explore further opportunities to protect nature and biodiversity across our value chain. • Once the Group understands the extent of the Scope 3 GHG emissions, future strategies will evolve to introduce metrics and targets for key stakeholders within the supply chain with the aim of reducing climate impact. • Entire company car fleet to be electric/hybrid by end of FY24, reducing fleet's carbon footprint from 314.6 tonnes (FY22) to 43 tonnes (end of FY24). • Develop targets for moving additional product manufacturing from Far East to UK. • Remove single-use plastic packaging from 90% of our products by year-end. • Plastic removed from all FY24 Seasonal gifting ranges. • All plastic packaging removed from FY24 counter party ranges. • Remove glitter from all products by year-end. • All new gift wrap sold to be 100% recyclable by year-end. • All new bags and card boxes to be 100% recyclable by end of FY25. • All new orders of cardfactory gift wrap now FSC certified. • Following the completion of the full GHG assessment, setting of emissions reduction targets and climate-related scenario analysis, the Group will consider the relevance and possibility of appropriate climate-related metrics in relation to other categories as recommended within the TCFD guidance; transition risks, physical risks, climate-related opportunities, capital deployment and remuneration.

TCFD recommendation	Current status	Updates and plans for FY24
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	See Scope 1 and Scope 2 emissions on page 50.	The full Scope 1, 2 and 3 assessment for FY22 will be completed in early FY24 with the aim of repeating the exercise for FY23 during the coming year and the potential for disclosing all relevant emissions in the FY24 Annual Report.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	The Group has measured and disclosed mandatory GHG emissions and in this report a four year trajectory can be seen. To date no formal targets have been set, however the Group has taken numerous active steps to reduce emissions and will continue to do so. An absolute reduction of 31% in GHG emissions can be observed in FY23 when compared to FY20. The Group has also measured and disclosed and intensity metric of TCO_2e per £ million turnover. FY23 shows a reduction of 33% compared to FY20. Assessments are ongoing for with respect to Scope 3 emissions and appropriate Net Zero pathways. See targets and metrics described on page 48.	The full Scope 1, 2 and 3 assessment for FY22 will be completed in early FY24. This will facilitate the exploration of science-based Net Zero pathways, with the aim of setting a 2040 Net Zero target during FY24 aligned with SBTi methodology against an FY22 baseline. The Group has instructed a specialist consultant to assist and ensure compliance with phase 3 of the Energy Savings Opportunity Scheme (ESOS). This will require the physical assessment of a cross section of properties within the Group, identifying areas for energy saving and carbon reduction. This exercise will assist with informing potential Net Zero pathways and investment decisions that may assist with meeting future reduction targets.

Green House Gas emissions

Total Scope 1 and 2 GHG emissions have increased compared to last year as a result of increased business activity and growth following periods of restricted trading due to the pandemic in FY22 (and FY21), this is reflected by the reduction in the intensity ratio (tCO_2e/£m turnover). However, when compared to the emissions from the FY20 year there has been a reduction in overall emissions of 31%. This is reflective of the Group's efforts to reduce energy consumption across the portfolio through efficiencies in the logistics operations and the installation of LED lighting. Further opportunities to reduce the energy consumption and associated GHG emissions will be explored as part of the pathways to achieve net zero targets.

Energy and Carbon	Country	FY23 tCO_2e	FY23 %	FY22 tCO_2e	FY22 %	FY21 tCO_2e	FY21 %	FY20 tCO_2e	FY20 %
Scope 1 emissions (combustion of fuel – direct emissions) tCO_2e	UK	***724***	***99%***	672	99.6%	777	99.6%	1,029	100.0%
	RoW	***4***	***1%***	3	0.4%	3	0.4%	0	0.0%
	Total	***728***	***100%***	675	100%	780	100%	1,029	100%
Scope 2 emissions (purchased energy – indirect emission) tCO_2e	UK	***4,479***	***96%***	4,238	99%	4,245	99%	6,754	99%
	RoW	***163***	***4%***	45	1%	44	1%	34	1%
	Total	***4,642***	***100%***	4,283	100%	4,289	100%	6,788	100%
Total energy use (kWh)	UK	***25,651,206***	***98%***	22,269,584	99%	20,476,623	99%	30,130,676	100%
	RoW	***449,480***	***2%***	225,256	1%	189,524	1%	134,830	0%
	Total	***26,100,686***	***100%***	22,494,840	100%	20,666,147	100%	30,265,506	100%

Intensity Ratio	FY23 tCO_2e	FY22 tCO_2e	FY21 tCO_2e	FY20 tCO_2e	Variance(%)
Total emissions	5,370	4,958	5,069	7,817	-31.30%
Emissions intensity (tCO_2e/£m turnover)	11.59	13.61	17.78	17.31	-33%

Methodology and emissions data

The above emissions data has been produced in accordance with the Streamlined Energy and Carbon Reporting (SECR) framework, under The Company's (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines, including SECR guidance. DEFRA emission factors have been used for all emission sources to allow an activity to be converted into carbon dioxide equivalent (CO_2e).


7 TODAY
HAPPY
Happy Birthday

£52.4m

Profit before tax

£107.8m

Cash from operations

Platform for growth

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

Simon Comer
Interim CFO

The Glossary can be found on page 149

Financial highlights

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

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

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

For more information regarding the definition and calculation of LFL and other alternative performance measures, go to the glossary on page 149.

Financial performance

Sales

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

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

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

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

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

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

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

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

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

Gross profit

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

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

CFO'S REVIEW CONTINUED

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

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

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

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

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

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

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

EBITDA and operating profit

	FY23 £m	FY23 % Sales	FY22 £m	FY22 % Sales
Group Sales	**463.4**		**364.4**	
Gross Profit	**160.7**	**34.7%**	**116.5**	**32.0%**
Operating Expenses	(48.7)	(10.5%)	(38.9)	(10.7%)
Other operating income	–	–	8.0	2.2%
EBITDA	**112.0**	**24.2%**	**85.6**	**23.5%**
Depreciation & Amortisation	(10.3)	(2.2%)	(11.6)	(3.2%)
Right-of-use asset depreciation	(35.1)	(7.5%)	(37.4)	(10.3%)
Impairment Charges	(2.8)	(0.6%)	(5.0)	(1.4%)
Operating Profit	**63.8**	**13.8%**	**31.6**	**8.7%**

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

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

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

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

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

Profit before tax

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

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

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

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

Our updated facilities, described in further detail below and in note 17 to the financial statements, provide much greater flexibility to the Group, which in combination with continued delivery of operating cash flows has enabled us to reduce levels of gross debt. Taken in conjunction with our interest rate hedging programme, which has provided a degree of protection from increases in market rates during FY23, the interest payable on our debt facilities reduced compared to the previous year.

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

Taxation

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

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

Our improved trading performance and subsequent increase in profitability, as described above, means the Group made cash payments in respect of UK corporation tax for the first time since 2020. Our tax charge for the year was £8.2 million (FY22: £3.0 million). This represents an effective rate of corporation tax for the year of 15.6%, which is lower than the standard rate of UK Corporation tax applicable in the period of 19%. This principally reflects the impact of prior year adjustments, with no tax ultimately payable in respect of FY22 owing to the allocation of brought-forward tax losses and reliefs to the period, when the tax computations for that period were finalised, partly offset by the impact of deferred tax balances being accrued at the higher rate of 25% applicable from 1 April 2023. The Group paid cash taxes of £7.9 million in FY23, which all relate to the FY23 financial year.

Earnings per share

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

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

Cash flows

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

1 Operating cash flows less lease repayments is net cash from operating activities of £99.9 million less lease payments of £52.5 million.

2 Operating cash conversion is Cash from operations (cash from operating activities before tax payments) of £107.8 million as a percentage of EBITDA. Alternative performance measures are described in further detail in the glossary on page 149.

CFO'S REVIEW CONTINUED

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

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

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

Cash used in financing activities includes £45.1 million of debt facility repayments (2022: £8.0 million of debt repayments) following the refinancing and subsequent management of the revolving facility position, and £52.5 million of payments in respect of lease liabilities for the store portfolio (2022: £54.5 million).

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

Balance Sheet

Capital expenditure

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

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

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

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

Net Debt

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

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

The revised facilities comprised term loans of £30 million, CLBILS of £20 million and an RCF of £100 million. The CLBILS are subject to an amortising repayment profile with final maturity in September 2023. The Term Loans are set in two tranches, both with an amortising repayment profile. Tranche 'A' has a final maturity in January 2024 and Tranche 'B' is coterminous with the RCF in September 2025. The interest rates applicable to each facility are set out in note 17 to the financial statements.

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

The Group made scheduled repayments in respect of the CLBILs and term loan tranche 'A' totalling £6.1 million in January 2023. At 31 January 2023, the Group had undrawn committed facilities of £75.2 million.

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

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

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

Capital structure and distributions

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

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

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

Acquisition of SA Greetings

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

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

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

Outlook

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

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

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

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

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

Simon Comer
Interim CFO
3 May 2023

RISK MANAGEMENT

Managing our risks

Risk management is an inherent part of doing business; it balances risk and reward, determined through a careful assessment of both potential outcomes and impact and risk appetite. Below and on the following pages is an overview of our risk management framework, principal risks, ongoing mitigations and how these align to our strategy.

Risk management approach

cardfactory's risk management framework embeds the identification, assessment, mitigation and monitoring of risks that threaten the achievement of our objectives. The framework incorporates both a top-down approach to identify the Group's principal risks and a bottom-up approach to identify operational risks.

A Group risk register is in place and is used to assess the gross level of risk to the business (likelihood and impact), the extent of any mitigating controls and the resultant net level of risk. It also details any further plans to mitigate or reduce risks. In FY23 we carried out a review of the risk management framework. On the back of this, a new risk 5*5 matrix model and the Group's approach to risk appetite were approved and implemented. The approach to setting 'target risk' is currently being developed and will be rolled out in FY24.

Each risk is assigned to a member of the senior management team. Critical rated risks are reviewed and updated where appropriate twice a year, with all others being reviewed annually.

Risks are discussed at the monthly meeting of the senior management team on a rolling basis.

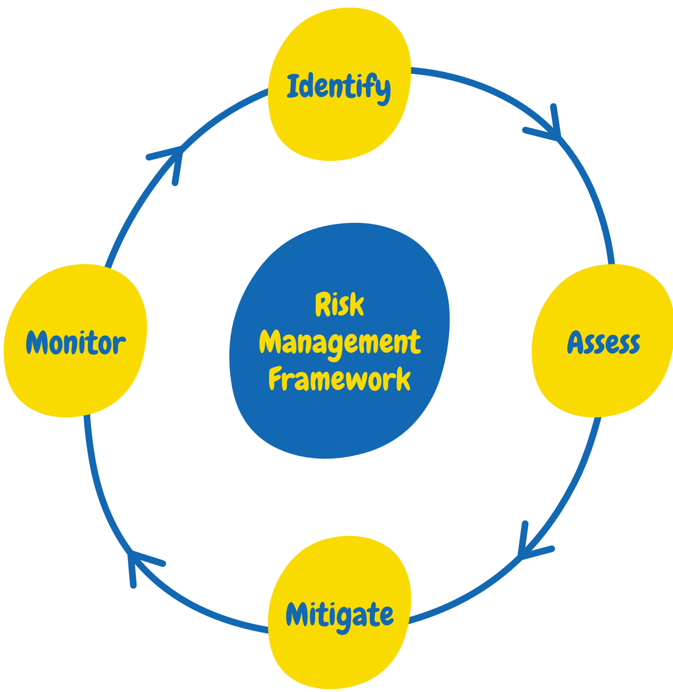
The Head of Internal Audit and Loss Prevention provides the Audit & Risk Committee with a risk management update at each meeting, which includes an overview of changes to specific risks reviewed in the period, along with a summary of the Group risk register.

Under the oversight of the Board and detailed scrutiny by the Audit & Risk Committee, members of the senior management team are responsible for identifying emerging risks and implementation of mitigation plans. A complete review of all the risks and review of the adequacy of the process to identify emerging risks was undertaken at the end of the financial year.

The Audit & Risk Committee supports the Board in maintaining a robust risk management framework by approving the risk management process and reviewing the Group's principal risks and risk appetite on a regular basis. You can read more on risk governance in the Audit & Risk Committee Report on pages 75 to 77.

Internal Audit also provide independent assurance to management and the Audit & Risk Committee over specific risk areas as part of their annual audit plan.

Risk management process



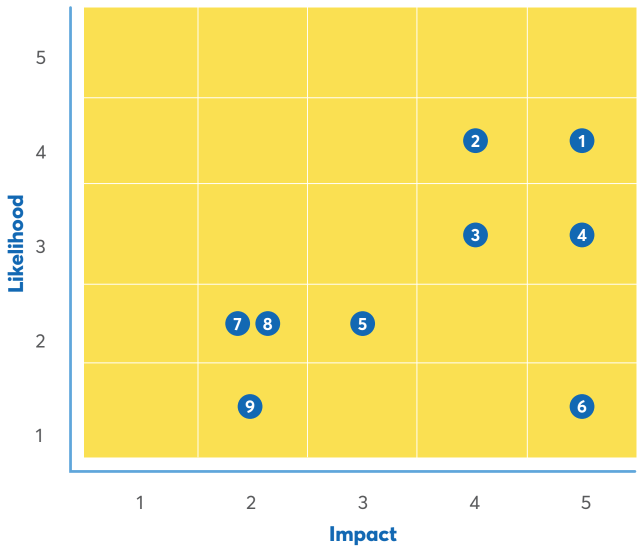
Identify
- Risk registers compiled by each business function.
- Risk mapping to identify emerging issues.

Assess
- Determining the likelihood of risk occurrence.
- Evaluating the potential impact.

Mitigate
- Agreeing actions to manage the identified risks.
- Ensuring control measures are in place.

Monitor
- Reviewing the effectiveness of controls.
- Maintaining continued oversight and tracking.

Top down	Card Factory plc Board	Maintains sound risk management and control systems, assesses principal risks.
	Audit & Risk Committee	Sets risk management framework, assesses effectiveness of risk and control systems and maintains oversight of risk monitoring.
	Senior Management Team	Manages risks within their area of accountability, with responsibility to mitigate risks (where appropriate). The senior management team undertakes reviews of and makes updates to each risk on a rolling monthly basis. This group is also primarily responsible for monitoring, identifying and reporting emerging risks as they arise.
	Internal Audit	Coordinates risk management activity through review of risk registers, agreement of risk mitigation plans and preparation of risk reporting.
Bottom up	Operational Management	All colleagues are responsible for managing risk, overseen by each senior management team member, for their operational areas of responsibility.



1 IT Infrastructure & security
2 Geopolitical instability
3 Brand customer experience
4 ERP implementation
5 ESG compliance & climate change risks
6 Business continuity
7 Supplier CSR breach
8 Retail partner
9 Adapting to customer preference

Principal risks and uncertainties

The Audit & Risk Committee has performed a detailed review of the risk management framework throughout the year, which has resulted in an updated risk matrix. Our model has moved from a 3*3 to a 5*5 model and the impact and likelihood criteria has been updated in line with this, with all risks having been reviewed and updated accordingly. Additionally, risk appetite has been developed and each risk has its own assigned risk appetite. Target risk score is currently being trialled and is to be rolled out in FY24.

The Audit & Risk Committee has performed a robust assessment of the emerging and principal risks facing the Group and below is a summary of the principal risks and uncertainties the Group faces.

As noted above, as part of the detailed review of the risk register, a number of changes have been made, most notably the removal of Covid-19.

Please turn to pages 60 to 62 for more information on our principal risks and uncertainties.

Risk trend: Increasing ∧ | Stable — | Decreasing ∨

Link to strategy:
01 Increasing breadth of product offering
02 Create a full omnichannel offer
03 A robust and scalable central model

Strategic Risks		***Description***	***Mitigation***
ESG compliance and climate change risks Strategy 01 03	—	Failure to meet requirements of institutional investors, customers and other stakeholders when it comes to ESG requirements, including provision of sustainable products and reducing waste and plastics (includes climate change risks).	An ESG strategy has been devised with five key work streams. Management will focus on these to achieve the ambition of growing the business in a socially and environmentally responsible way. Various actions in environmental and social have been implement. Please refer to the ESG section of this report on pages 36 to 43 for further actions being taken.
Adapting to customer preferences Strategy 01 02	—	Failure to anticipate and adapt to changes in customer preferences and shopping habits, market dynamics and competitor activity-channel shift.	Broader delivery of the overarching commercial strategy must ensure continual adaptation to changing customer preferences; in-store online and through our business partners. Historically, the business has had limited access to meaningful customer and marketing insight to drive improved decision making. The creation of a marketing and insight function has improved decision making. The commercial planning process continually reviews and responds to changing customer purchasing behaviour. As the business becomes fully omnichannel, the customer demands for fulfilment and service will increase as a connected, seamless experience becomes an expectation rather than a desire. In response, Click & Collect and multi-ship have been rolled out. Future developments are being scoped.
Brand customer experience Strategy 01 02 03	∨	Failure to manage and promote the brand which could result in loss of market share.	Brand strategy is in place which fully articulates cardfactory brand proposition and strategic framework to elevate the brand's key attributes and to create clarity around the omnichannel proposition with cross channel campaigns being developed to support awareness and growth including celebrate life's moments. We have significantly improved customer insight and data which is shaping our thinking and decision making across the business and we have invested in, trialled and launched a customer Service Excellence programme, which will continue to evolve. Market data shows that cardfactory has been successful in retaining and attracting customers through the strength and value for money we offer coupled with an increase in range and sales of gifts and celebration essentials. Additionally, the communication plan has a focus on investor relations with an increased focus on working with Corporate Affairs agency to proactively tell the cardfactory story. See the 'Our brand' section on pages 12 and 13 for further information on our activities.

Operational Risks	Description	Mitigation
Enterprise Resource Planning (ERP) implementation Strategy 02	Undergoing a design and phased implementation of a new ERP systems to replace aging core IT infrastructure. This process carries inherent risks, including potential business disruption, data loss, inability to achieve expected benefits, and failure to provide the necessary foundation for executing our strategic plan. Key aspects of this plan include developing an omnichannel customer experience, enhancing engagement with retail partners, and driving operational efficiencies in stores.	To minimise these risks, we have successfully completed the initial implementation phase, which encompassed finance and master data without any material disruption. We have also restructured the project to adopt a more incremental approach, which allows for smoother transitions between phases, reduced reliance on vulnerable legacy systems during peak trading seasons, and enables the achievement of critical strategic plan components. Furthermore, we have increased our focus on business process engineering, dedicated resources and change management strategies to support a successful ERP implementation.
IT infrastructure and security Strategy 02 03	Unsupported and legacy software, some of which is subject to material tailoring, requires ongoing support to maintain functionality and significant transactional volumes. There is a reliance on IT systems to support all operations, which could be exposed to cyber risk.	The IT strategy implementation includes ongoing specialist support for legacy systems and migration to new systems, including the ERP implementation with dedicated teams in place to manage the transition. Cyber expertise is employed within the business and appropriate cyber controls are in place. Plans designed to continue to address multiple cyber risks, alongside further risk mitigations arising from replacement of legacy systems, are also in place.
Business continuity Strategy 02 03	Prolonged loss or server disruption to Printcraft print and production facilities, web fulfilment centre and supply chain.	A business continuity and disaster recovery plan is in place, which includes the use of alternative suppliers for any impacted production processes. In relation to online fulfilment, any short-term outages can be mitigated by adjustment of delivery times for online orders. Business continuity plans are in place, which include the use of third parties. Planning permission has been obtained and groundworks completed on an additional building to create capacity for online fulfilment, to relieve capacity constraints.

Risk trend: Increasing ∧ Stable – Decreasing ∨

Link to strategy:
- 01 Increasing breadth of product offering
- 02 Create a full omnichannel offer
- 03 A robust and scalable central model

Operational Risks (cont.)	Trend	***Description***	***Mitigation***
Supplier CSR breach Strategy 01	Stable	Supplier CSR breach resulting in a potential breach of legislation (e.g. Modern Slavery, Anti Bribery & Corruption) and for products supplied (e.g. Safety and labelling standards), which could damage cardfactory's reputation and reduce sales.	Processes for suppliers to agree to appropriate standards, which are subject to regular audit and inspection by cardfactory teams (or receipt of alternative adequate independent report) to validate compliance, with a strict 'no audit – no order' policy adopted. Testing and pre-shipment sampling of production models is being undertaken. All product testing and quality control inspections are undertaken by authorised accredited providers. A dedicated quality control team is in place to test pre-shipment sampling of production models. The risk profile for most suppliers to Getting Personal is significantly lower, with limited supplies from the Far East. Plans are being developed to extend the quality control and technical teams' scope to include these suppliers with adoption of appropriate requirements to mitigate risks.
Retail partner exposure Strategy 02	Stable	cardfactory may not realise the growth in profitable revenue from retail partners, which is a significant component for future growth of the business and the brand or reputation could be damaged by the actions of retail partners.	A business development team has been formed to build relationships with existing partners and develop a pipeline of future partners. Brand standard requirements are in place to provide a clear framework for partners, with regular reviews adopted. Enhanced requirements will be incorporated in any future retail partner requirements.

Financial Risks	Trend	***Description***	***Mitigation***
Geopolitical instability Strategy 03	Decreasing	***Geopolitical instability leading to restrictions on trade*** ***Suppliers:*** Operating with a supply base whereby we have the total business or specific categories solely dependent on one supplier, region or country carries significant stock supply risk. China remains our biggest supply route. ***Customers:*** Restrictions on supply from certain countries may impact availability and retail selling prices. ***Geographies and governments:*** New legislation and import tariffs may force resourcing decisions.	***Suppliers:*** – Diversifying the supply base by bringing more production back to the UK while also exploring other geographical territories. – Buyers have extensive industry knowledge, know of alternative suppliers if mitigation needs arise and manage any supply issues or problems. ***Customers:*** – Moving supply to new territories and using UK-based suppliers (non-exclusive product) will mitigate the supply issue at the shelf edge, but could potentially drive increased cost, with price elasticity assessments to provide insights on consequences of future price increases. ***Geographies and governments:*** – Continual review of the import tariff duties and 'live' government legislative changes to ensure we are always sourcing from the best source to support the overall business.

NON-FINANCIAL INFORMATION STATEMENT

Non-financial information statement

Reporting requirement	*Relevant information*	*Policies and standards*
Information necessary to understand the Company's development, performance and position and the impact of its activity relating to:		
1. Environmental matters (including the impact of the Company's business on the environment).	Pages 36 to 50	Page 35
2. The Company's employees.	Pages 30 to 33, 40 & 41	Page 32
3. Social matters.	Pages 35 & 42	Page 35
4. Respect for human rights.	Pages 35 & 62	Page 35
5. Anti-corruption and anti-bribery matters.	Pages 35, 62, 73 & 75	Pages 35 & 73

Required information		
6. Description of the Company's business model.	Pages 14 & 15	
7. Description of policies (and any due diligence processes implemented pursuant to those policies) pursued by the Company in respect of items 1 to 5 above and a description of the outcome of those policies.	See the sections referred to above	
8. A clear and reasoned explanation if the Company does not pursue any policies in respect of the above matters.	Not applicable	
9. Description of the principal risks relating to items 1 to 5 above and where relevant and proportionate, a description of the business relationships, products and services which are likely to cause adverse impacts in those areas of risk and a description of how it manages such risks.	Pages 58 to 62	
10. Description of the non-financial key performance indicators relevant to the Company's business.	Pages 26 to 27, 29, 32 & 33	
11. Where appropriate, references to and additional explanations of amounts included in the accounts.	The accounts are produced in accordance with UK-adopted international accounting standards and applicable law. See page 149 for alternative performance measures.	

The Strategic Report, which was approved by the Board on 2 May 2023 and is set out on pages 1 to 63.

Darcy Willson-Rymer
Chief Executive Officer
3 May 2023

BOARD OF DIRECTORS

Committee membership

Audit & Risk AR Remuneration R

Nomination N Chair

Paul Moody

Non-Executive Chair

Date of appointment: R N
19 October 2018

Paul has extensive retail experience having served 20 years at Britvic plc, including eight years as Chief Executive Officer. Paul is currently Chair of 4imprint Group plc, having been appointed in February 2016. Paul was Chair of Johnson Service Group plc between May 2014 and August 2018 and was a Non-Executive Director and Chair of the Remuneration Committee of Pets at Home plc from March 2014 until July 2020. Paul assumed the interim role as Executive Chair of Card Factory plc from 1 July 2020 to 8 March 2021.

Current external appointments:
Non-Executive Chair of 4imprint Group plc.

Darcy Willson-Rymer

Chief Executive Officer

Date of appointment:
8 March 2021

Prior to joining the Company, Darcy served as CEO of Costcutter Supermarkets Group for eight years and was CEO of Clinton Cards plc from 2011 to 2012. Before joining Clinton Cards, Darcy held a range of roles in international branded businesses, including Managing Director (UK & Ireland) of Starbucks Coffee Company, and senior roles at Yum Restaurants International, including Operations Director of KFC Great Britain, and Director of Operations and Franchise, Europe, KFC and Pizza Hut.

Roger Whiteside OBE

Senior Independent Non-Executive Director (SID since 1 February 2023)

Date of appointment: AR R N
4 December 2017

Roger has extensive retail experience and recently retired from his role as Chief Executive Officer of Greggs plc, in May 2022. Prior to this role, Roger served as Chief Executive of both Thresher Group and Punch Taverns. Roger was also a founding member and the Joint Managing Director of Ocado. Roger spent the early part of his career at Marks and Spencer where he led the food division for the business.

Nathan (Tripp) Lane
Non-Independent Non-Executive Director

Date of appointment:
9 April 2020

Tripp is the founder of Delancey Cove LLC, where he focuses on management and corporate governance for turnarounds and special situations. Tripp has significant retail and consumer sector experience having invested extensively in the sector via private equity, public equity and distressed debt. Tripp served on the board of New Look for five years and is currently a Non-Executive Director of Slater & Gordon UK Holdings Limited, RetailNext Holdings, Inc. (USA), and CellC Limited (South Africa), and was recently appointed Chair of LBI ehf (Iceland). Prior to founding Delancey Cove, Tripp founded his own financial advisory business, Resegon Capital Partners, and was an investment professional for BlueMountain Capital and Apax Partners.

Current external appointments
Member of Delancey Cove LLC, and Non-Executive Director of Slater & Gordon UK Holdings Limited, RetailNext Holdings Inc., LBI ehf., and CellC Limited.

Robert (Rob) McWilliam
Independent Non-Executive Director

Date of appointment:
1 November 2021

AR R N

Rob was Chief Financial Officer of Asda from 2018 to 2021; and between 1997 and 2012 held a number of senior roles within the Asda group including Commercial Finance & Strategy Director and Business Change Director. In between his two periods with Asda, Rob was Vice President, UK, Finance Director and then Vice President of Consumables at Amazon UK. Rob was Independent Director of YPO (from 2017 to September 2021) and was previously a Non-Executive Director of Ten Entertainment Group plc where he was also the Chair of the Risk and Audit Committee.

Current external appointments:
Rob is currently Non-Executive Director and Trustee of Jisc, Non-Executive Director of Venture Simulations Limited and Non-Executive Director of Fruugo plc (all of which are unlisted). Rob was appointed as a Non-Executive Director of the Solicitors Regulation Authority on 1 March 2023.

Indira Thambiah
Independent Non-Executive Director

Date of appointment:
1 September 2022

AR R N

Indira is an experienced multi-channel retail executive and consultant, with previous roles including Head of Multi-Channel for Home Retail Group (Argos & Homebase) and Vice President, Europe at online sales marketplace, Zulily. Indira has successfully managed a number of private businesses, most recently Roof-Maker (CEO, 2018 to 2022). Indira has also been an Independent Non-Executive Director and member of the Remuneration Committee at each of Superdry plc (2010 to 2013) and Yorkshire Building Society (2007 to 2010). Indira is a qualified Chartered Accountant.

Current external appointments:
Indira is currently Non-Executive Director and Trustee of Vivibarefoot Limited.

CORPORATE GOVERNANCE

Chair's letter

Paul Moody

Non-Executive Chair

"With further reduction of our debt we look forward to being able to review payment of dividends from early 2024."

Dear Shareholder

The last financial year has proved to be a period of recovery for cardfactory, as we celebrated our 25th anniversary of the opening of our first store, developed good momentum post-pandemic and started to implement our 'Opening Our New Future' strategy as we evolve into a customer-centric, omnichannel retailer.

The Board has revalidated the basis and foundations for the strategic plan and focused on reviewing the key priorities to maximise the opportunities that will provide the best return for all stakeholders. This includes the enablers and key investments in technology and capacity to improve efficiency and increase sales, development of the omnichannel ambition and review of the approach to expand our domestic and international partnership strategy.

In parallel, progress has been made to further improve our ESG strategy, including progress to allow us to understand our Scope 3 greenhouse gas emissions to support setting appropriate objectives to reduce our impact on the environment and a significant improvement in our colleague engagement. This saw us be awarded a 'two star' rating with Best Companies in 2022 and ranked third Best Big Company to Work For in Q1 of 2023, which demonstrates actions taken in previous years are supporting our objective of becoming a 'three-star' company.

I am pleased to welcome Indira Thambiah to the Board. Indira brings much experience from other retail and online businesses and is making valuable contributions to the Board Committees, including succeeding Octavia Morley as Chair of the Remuneration Committee. I look forward to Matthias Seeger joining the Board in May 2023 as CFO, following a thorough market search. We are grateful to Simon Comer for assuming the non-statutory appointment as interim CFO.

I also wish to recognise the Directors who have stepped down from the Board in the last year, including Octavia Morley, who retired at the end of the financial year and Kris Lee, who stepped down as CFO on 31 January 2023.

Octavia has been Senior Independent Director and Chair of the Remuneration Committee since 2014 and has made a significant contribution to cardfactory. Kris has been Chief Financial Officer since 2017 and played a significant role in helping to guide the Company through the last few years, particularly during the Covid impacted period and a series of refinancings. We wish Octavia and Kris all the best for the future.

I am extremely pleased by the performance of the management team, including two profit upgrades during the year and the material reduction in debt requirements which have been instrumental in securing a release of the undertakings to raise equity. With further reduction of our debt we look forward to being able to review payment of dividends from early 2024.

Yours sincerely

Paul Moody
Chair
3 May 2023

CORPORATE GOVERNANCE REPORT

Leadership and approach

The Board is committed to the highest standards of corporate governance. The Board understands the importance of its leadership on governance in setting the culture and values and in the achievement of long-term sustainable success, while successfully managing risks for our stakeholders.

We believe that good governance is demonstrated by applying corporate governance principles and following the more detailed provisions and guidance in a way that enhances or protects the long-term value of the business. This ensures a pragmatic governance culture sits alongside the entrepreneurial and community-minded spirit which has enabled cardfactory to develop into the business it is today.

Key governance activities

Key activities during the year included:

- Revalidation of the refreshed five-year strategy and the budget and annual operating plan and investment priorities for the current financial year.
- Management and improvement of the liquidity position of the Group, including completion of a refinancing in April 2022, which included removal of the best efforts to effect an equity raise.
- Consideration of the refreshed Values following an extensive consultation with colleagues.
- Assessment of acquisition opportunities and alignment with strategic priorities.
- Material progress in further development of our ESG strategy, including assessment of our Scope 3 greenhouse gas emissions to support target setting to reduce our impact on the environment.
- Refinement of our colleague engagement forum to improve colleague representation to ensure the Board hear the collective colleague voice as part of its stakeholder engagement.
- Reassessment of updated succession planning for the senior management team and their direct reports and identification of input to be provided by the Board members to support further development.
- The appointment of Indira Thambiah as a Non-Executive Director and selection of Matthias Seeger as Chief Financial Officer.
- The improvement of our colleague engagement, support and development, including action to support colleagues in dealing with the increasing costs of living and progressive updates to reward and benefits to support recruitment and retention despite the challenging job market.

Code compliance

By the end of the financial year, the Company is in full compliance with the UK Corporate Governance Code (2018) published by the Financial Reporting Council (Code). The Company intends to continue to comply with the Code, a copy of which can be obtained from frc.org.uk.

The Board has focused on ensuring it provides strategic challenge and direction to the management team and supports the management team in the framing of the strategic priorities, which include reassessment of values, cultural development and addressing stakeholder feedback. Specific examples include undertaking an annual review of the strategic plan and reviewing the specific priorities to support delivery of the strategic plan, with a detailed operating plan to support achievement of an ambitious change agenda to the business to realise long term growth. The Board and its committees have also adopted detailed activity schedules to ensure that over the course of a year, it undertakes the reviews and assessments required by the Code.

The Code and Listing Rules require the Company to provide explanation of any provisions of the Code that are not complied with during the year. The only exception was as follows:

- The employer pension contribution paid to Kris Lee, the former CFO prior to 31 December 2022 (for 11 months of the year) marginally exceeded the rates applicable to the workforce, contrary to Provision 38 of the Code. As described in the Remuneration Report (page 79), full alignment was effective from 1 January 2023, consistent with Investment Association guidance. This provision of the Code has not been complied with due to historical enhanced pension contribution terms which had been awarded to the former CFO, where the Board had resolved to address this imbalance from the end of 2022.

TCFD reporting

For the purposes of LR 9.8.6(8) R, please see pages 44 to 50, which assesses the consistency of our climate-related financial disclosures against the TCFD Recommendations and Recommended Disclosures and identifies the amber items where reporting is not yet in full compliance with TCFD Recommendations.

Board composition, balance and independence

The Board currently comprises six members and will increase to seven on 22 May 2023 when Matthias Seeger joins cardfactory as CFO. During the FY23 financial year, eight Directors served on the Board: Paul Moody, Octavia Morley (until 31 January 2023), Roger Whiteside, Tripp Lane, Rob McWilliam, Indira Thambiah (from 1 September 2022), Darcy Willson-Rymer and Kris Lee (until 31 January 2023).

The Code recommends that at least half the board of directors of a UK-listed company, excluding the chair, should comprise non-executive directors, determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement.

CORPORATE GOVERNANCE REPORT CONTINUED

The Board considers all of the current Non-Executive Directors, with the exception of Nathan (Tripp) Lane, as independent Non-Executive Directors (within the meaning of the Code).

Tripp Lane was appointed to the Board on 9 April 2020 following constructive discussions between the Company, Teleios Capital Partners LLC ('Teleios'), a long-term shareholder which held a c.13% interest in the Company at the time (now 19.96%) and another major shareholder. Given the circumstances surrounding his appointment, including the Board's understanding that Teleios agreed to supplement Tripp's remuneration with a one-off payment to secure his candidacy, and following an agreement for a future payment to Tripp by Teleios Capital Partners LLC, to be based on the Card Factory plc share price and dividends (announced in June 2022) the Board continues to consider that it is not appropriate to view Tripp as an independent Non-Executive Director for the purposes of the Code, notwithstanding that Tripp is not a nominated Director of Teleios or acting on their behalf.

The constitution of the Company's Board complies with the Code's recommendation, with three members of the Board being judged to be independent and (excluding the Chair) two (which will increase to three in May 2022) being non-independent (i.e. two Executive Directors and Tripp Lane).

The Board considers the balance of skills and experience of the Board to be appropriate for its current requirements and is confident that it continues to be an effective and efficient decision-making body that supports the Group's strategy and growth.

This is kept under constant review, together with succession planning for the Board as a whole.

During the year the Board considered and approved external appointments with private companies, including the appointment of Rob McWilliam as part time, interim CFO of Rohlik.cz and appointment of Rob as a Non-Executive Director of the Solicitors Regulation Authority; and Tripp Lane's appointments to the boards of Slater & Gordon UK Holdings Limited, CellC and RetailNext. The Board considered that these appointments gave rise to no conflict of interest and did not interfere with the time commitments to the Company.

Board responsibility

The Company has a clear division of responsibilities between the Non-Executive Chair and the Chief Executive Officer. In general terms, the Non-Executive Chair is responsible for running the Board and the Chief Executive is responsible for running the Group's business on a day-to-day basis.

This clear division of responsibilities, when taken together with the schedule of matters that the Board has reserved for its own consideration, ensures that no one person has unlimited and unchecked power to make decisions that may have a material impact on the Group as a whole. A copy of the matters reserved for the Board is available on cardfactory's investor website (cardfactoryinvestors.com).

Board attendance

During the year, the Board held 11 scheduled meetings and 12 other ad hoc Board or sub-committee meetings. The Committees of the Board also convened meetings during the year, with attendance as follows:

Director	Role	Scheduled Board meetings (11 meetings)	Other Board or Committee meetings	Remuneration Committee (9 meetings)	Audit & Risk Committee (7 meetings)	Nomination Committee (7 meetings)
Paul Moody	Non-Executive Chair and Chair of Nomination Committee	11 of 11	7 of 9	7 of 9	–	6 of 7
Octavia Morley	Senior Independent Director and Chair of Remuneration Committee	11 of 11	6 of 8	8 of 9	7 of 7	6 of 7
Roger Whiteside	Independent Non-Executive Director	11 of 11	7 of 8	8 of 9	6 of 7	7 of 7
Nathan (Tripp) Lane	Non-Independent Non-Executive Director	11 of 11	6 of 8	–	–	–
Rob McWilliam	Independent Non-Executive Director	11 of 11	8 of 8	9 of 9	7 of 7	7 of 7
Indira Thambiah[1]	Independent Non-Executive Director	5 of 5	2 of 3	4 of 4	4 of 4	2 of 2
Darcy Willson-Rymer	Chief Executive Officer	11 of 11	12 of 12	–	–	–
Kristian Lee	Chief Financial Officer	11 of 11	9 of 11	–	–	–

1 Indira Thambiah was appointed 1 September 2022.

Board activities and effectiveness

Board meetings are structured to ensure they focus on key strategic matters that affect the business and examples of topics reviewed during the year are set out below. Additionally, the Board considers any decisions that are within the matters reserved for the Board.

The Board had in place a schedule of matters that were discussed during the year and a similar schedule is in place for the current financial year. As part of normal planning, the Board puts these schedules in place in advance of each financial year.

The Board meetings include a rolling agenda of key strategic, operational, governance and risk topics, as well as updates on financial and non-financial KPIs, key strategic programmes and operational and financial performance, which includes periodic presentations from the senior management team. These ensure that the Non-Executive Directors remain informed of key developments within the Group and the progress in achieving the strategic objectives.

The key topics discussed by the Board during the year were:

Strategy	Performance	Governance
• Group strategy • Group budget • Debt funding and refinancing • Commercial strategy and delivery of strategic projects • Review of competition; customer; marketing and pricing strategies • Retail partner development strategy • People strategy, colleague engagement, recruitment and retention policy • Omnichannel strategy • IT strategy, cyber security and ERP investment review	• Annual results • Interim results • Seasonal trading updates • Key project updates • KPIs and Balanced Scorecard performance • Capital investment review • Operational reviews • Trading reviews • Market performance including customer data and insights	• Internally conducted Board evaluation • Regular reviews of performance against Board objectives • Director and senior management appointments • Colleague engagement, culture and values • Shareholder engagement • DE&I • Succession planning • Sustainability and ESG policy • Health and safety • Governance and legal updates • Principal risks reviews • Investor relations updates • Audit reviews • Committee reviews as required by applicable terms of reference

All Directors receive papers in advance of Board meetings including regular reports from the senior management team covering the parts of the business they are responsible for.

Minutes of all Board and Committee meetings are taken by the Company Secretary. The minutes record actions, decisions and resolutions arising out of the topics discussed and summary resolutions of actions accompany the minutes which enables the Board to regularly monitor progress.

Board strategy day

The Board held its annual strategy day, jointly with the senior management team in July 2022. This focused primarily on further developing the opportunities for the Omnichannel strategy.

Non-Executive Director meetings

The Chair and the other Non-Executive Directors met on three separate occasions in the year without Executive Directors being present. They intend to continue to meet regularly to ensure that any concerns can be raised and discussed outside formal Board meetings. On a separate occasion, as part of the annual Board effectiveness review, the Senior Independent Director and the other Non-Executive Directors met without the Chair to discuss his performance.

The Chair and the other Non-Executive Directors regularly have informal meetings with the Executive Directors and other members of the senior management team in the business, at a store location or at the Group's support centre.

cardfactory culture

The Board rely on various indicators to assess the culture of cardfactory, including regular presentations from the management team, the results of colleague engagement surveys, feedback from the Combined Colleague Advisory Group (CCAG), which the Chair attends as Designated Director, and also ad-hoc discussions with colleagues as part of store visits and meetings with the senior management team. The Board recognises the collegiate culture in the business, with colleagues commonly referring to the 'cardfactory family'. Improvements have been realised over the last few years (reflected in the improving colleague engagement scores from Best Companies surveys), which evidences progress from a focus on fair deal for colleagues and improving benefits and reward in a balanced way, improving colleague communications and open engagement and action from that engagement, including regular business briefings with open Q&As with the management team, CCAG consultations and specific consultations on DE&I and the Values review.

Board committees

The Board has three Committees:

- an Audit & Risk Committee;
- a Nomination Committee; and
- a Remuneration Committee.

If the need should arise, the Board may set up additional Committees. Terms of reference (each of which comply with the Code) for each of these Committees is published on cardfactory's investor website (cardfactoryinvestors.com).

Audit & Risk Committee

The Audit & Risk Committee assists the Board in discharging its responsibilities required by DTR 7.1.3 R including responsibility for:

- financial reporting;
- external and internal audits, including reviewing and monitoring the integrity of the Group's annual and interim financial statements;
- reviewing and monitoring the extent of the non-audit work undertaken by external auditors;
- advising on the appointment of external auditors;
- overseeing the Group's relationship with its external auditors;
- reviewing the effectiveness of the external audit process;
- reviewing the effectiveness of the Group's internal controls and systems; and
- whistleblowing and loss prevention.

The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half-year results remains with the Board. The Audit & Risk Committee will give due consideration to laws and regulations, the provisions of the Code and the requirements of the Listing Rules. The Code recommends that an audit committee should comprise at least three members who are independent non-executive directors and that at least one member should have recent and relevant financial experience. The Audit & Risk Committee was chaired by Rob McWilliam, who the Directors consider has recent and relevant financial experience. The Audit & Risk Committee's other members during the period were Octavia Morley (until 31 January 2023), Roger Whiteside and Indira Thambiah (since 1 September 2022).

The Audit & Risk Committee met seven times during the year and, in future, will meet no fewer than three times per year.

The Audit & Risk Committee has access to sufficient resources to carry out its duties, including the services of the Group General Counsel and Company Secretary and the Group's Head of Internal Audit & Loss Prevention. Independent external legal and professional advice can also be taken by the Audit & Risk Committee if it believes it is necessary to do so.

The Audit & Risk Committee Chair usually attends the Annual General Meetings of the Company and is available to respond to questions from shareholders on the activities of the Audit & Risk Committee during the year, a report on which is set out on pages 75 to 79 of the Governance section of this Annual Report.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to remuneration, including:

- making recommendations to the Board on the Company's policy on executive remuneration;
- setting the over-arching principles, parameters and governance framework of the Group's remuneration policy and ensuring incentives and rewards are aligned with the Group's culture;
- determining the individual remuneration and benefits package of each of the Company's Executive Directors, its Company Secretary and other members of the Group's senior management team; and
- ensuring appropriate engagement with shareholders and the workforce takes place on executive remuneration policy and its alignment with wider Company pay policy.

The Remuneration Committee also ensures compliance with the Code in relation to remuneration and is responsible for preparing an annual Remuneration Report for approval by the Company's members at its AGM. The Remuneration Committee undertook a triennial review of the Company's Remuneration Policy which was approved by shareholders at the 2021 AGM. The Remuneration Committee considers this Policy (on pages 80 to 85) is appropriate and does not propose any changes.

The Code provides that a remuneration committee should comprise at least three members who are independent non-executive directors, free from any relationship or circumstance which may or would be likely to, or appear to, affect their judgement and that the chair of the board of directors may also be a member provided he is considered independent on appointment. The Remuneration Committee during the period was chaired by Octavia Morley, who stepped down from the Board at the end of the financial year. The Committee's other members during the period were Paul Moody, Roger Whiteside, Rob McWilliam and Indira Thambiah (from 1 September 2022). Indira assumed the Chair of the Remuneration Committee from 1 February 2023.

The Remuneration Committee met nine times during the year. In future, it will meet not less than twice a year.

The Board and the Remuneration Committee have employed Korn Ferry (UK) Limited (Korn Ferry), a professional services business which specialises in executive remuneration, to advise and assist in connection with the Group's executive remuneration arrangements and its reporting obligations. Korn Ferry does not provide any other services to the Group.

A report on the Remuneration Committee's activities during the year, together with the Directors' Remuneration Report is set out on pages 78 to 79 and pages 86 to 95 of the Governance section of this Annual Report.

Nomination Committee

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and any Committees of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or Committee members as the need may arise. The Nomination Committee is responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and Committees of the Board, retirements and appointments of additional and replacement Directors and Committee members and will make appropriate recommendations to the Board on such matters.

The Code recommends that a majority of the members of a nomination committee should be independent non-executive directors. The Nomination Committee is chaired by Paul Moody and its other members during the year were Octavia Morley (until 31 January 2023), Roger Whiteside, Rob McWilliam and Indira Thambiah (from 1 September 2022). The Directors therefore consider that the Company is in compliance with the Code.

The Nomination Committee met seven times during the year. In future, the Committee will meet not less than once a year. A report on the activities of the Nomination Committee during the year is set out on pages 97 and 98 of the Governance section of this Annual Report.

Board evaluation

The Chair and Company Secretary undertook an internal Board evaluation during 2022. Additional Committee effectiveness reviews of each of the Audit & Risk Committee and the Remuneration Committee were also undertaken. The reviews included surveys of the Directors, who scored various statements applicable to the Board and each Committee. Data and supporting comments were collated, anonymised and shared with the Directors, with comparisons to prior year scores (where available). The conclusions and recommendations were presented to the Board for discussion, which were then used to set new Board objectives.

In addition to reviews of the collective effectiveness of the Board, the Senior Independent Director collated views from the other Directors, to provide similar feedback to the Chair.

The Board effectiveness review identified the following strengths:

- The Board has continued to make progress to improve effectiveness, increasing its strategic focus, although, on occasion, being drawn into operational detail.
- Members of the Board share a range of views to provide constructive debate and challenge.
- Improved customer data and insight is supporting improved understanding and decision making, with further improvements to be made in ensure other stakeholder groups are fully represented in Board discussions and decision making.
- The Board and its Committees are well chaired, constituted, with appropriate and timely information.
- The content, frequency and strategic vs operational focus for the matters considered by the Board have been reviewed to improve effectiveness.

The Board set the following collective objectives in November 2022, which are subject to regular reviews:

- Strategic Plans:
  - Ensuring longer-term objectives are incorporated in Annual Bonus targets for Executive Directors (beyond in-year outcomes).
  - Identify key strategic milestones for each of the following significant strategic priorities (Omnichannel, Retail Partnerships and IT enablement):
    - ensuring there is clarity of the business case for each and assessment of outcomes against that business case;
    - ensuring the Board consultation for input happens at appropriate stage on key decision points for these strategic projects; and
    - ensuring priority projects continue to align to delivery of five-year strategic plan.
- CFO: successful induction of new CFO.
- Succession Planning: development of organisational talent to improve pipeline for senior management team roles.

In addition to the Board effectiveness review, the Board reflected on the achievement of the objectives adopted in January 2022. It was agreed that the objectives had been substantially achieved, which included implementation of a Transformation Office function to manage business change and manage strategic projects, substantial range developments in Gifts and Celebration Essentials pricing architecture improvements and recovery of price inflation through targeted price increases, with ongoing foundational development to facilitate further development of the Omnichannel offer. Progress has been made on increasing the strategic focus of the Board and on evolving cardfactory into a customer centric business. Improvements in our investor communications are considered to have made, with further ongoing progression expected. Finally, the Board recruited Indira Thambiah during the year and is satisfied with the appropriate balance of skills and experience of the Board.

Board evaluation will continue to be conducted on an annual basis. The Company will conduct an internally facilitated evaluation in the financial year ending 31 January 2024, with the next externally conducted review scheduled to be held during the year ending 31 January 2025.

Conflicts of interest

The Companies Act 2006 allows the board of a public company to authorise conflicts and potential conflicts of interest of individual directors where the articles of association of the company contain an enabling provision. The Company's Articles of Association give the Board this authority subject to the following safeguards:

- Directors who have an interest in matters under discussion at a Board meeting must declare that interest and abstain from voting.
- Only Directors who have no interest in the matter being considered are able to authorise a conflict of interest and, in taking that decision, the Directors must act in a way they consider, in good faith, would be most likely to promote the success of the Company.

The Directors are able to impose limits or conditions when giving authorisation if they feel this is appropriate. All Directors are required to disclose any actual or potential conflicts to the Board and there are no current matters disclosed that are considered by the Board to give rise to a conflict of interest. All conflicts are considered by the Board and any authorisations given are recorded in the Board's minutes and reviewed annually by the Board.

The Board considers that its procedures to authorise conflicts of interest and potential conflicts of interest are operating effectively.

Appointment and removal of Directors

All Directors have service agreements or letters of appointment in place and the details of their terms are set out in the Directors' Remuneration Report on pages 84 and 85.

The Articles of Association of the Company provide that a Director may be appointed by ordinary resolution of the Company's shareholders in general meeting or by the Board so long as the Director stands down and offers him or herself for election at the next AGM of the Company. Consistent with the Code, the Articles also provide that each Director must stand down and offer him or herself for re-election by shareholders at the AGM every year.

Directors may be removed by a special resolution of shareholders or by an ordinary resolution of which special notice has been given in accordance with the Companies Act 2006. The Articles of Association of the Company also provide that the office of a Director shall be vacated if he or she is prohibited by law from being a Director or is bankrupt; and that the Board may resolve that his or her office be vacated if he or she is of unsound mind or is absent from Board meetings without consent for six months or more. A Director may also resign from the Board. The Nomination Committee makes recommendations to the Board on the appointment and removal of Directors.

Powers of Directors

The business of the Company is managed by the Board, which may exercise all of the powers of the Company, subject to the requirements of the Companies Act 2006, the Articles of Association of the Company and any special resolution of the Company.

The Board has adopted internal delegations of authority in accordance with the Code which incorporate matters which are reserved to the Board or Committees and the powers and duties of the Chair and the Chief Executive Officer, respectively.

At the AGM of the Company, the Board will seek authority to issue shares and to buy back and reissue shares. Any shares bought back would either be held in treasury, cancelled or sold in accordance with the provisions of the Companies Act 2006. For further details see the Notice of Annual General Meeting which accompanies this Annual Report.

Advice, indemnities and insurance

All Directors have access to the advice and services of the Company Secretary. In addition, Directors may seek legal advice at the Group's cost if they consider it necessary in connection with their duties.

Each Director of the Company (and of each other Group company) has the benefit of a third-party indemnity provision, as defined by section 236 of the Companies Act 2006, in the Company's Articles of Association. In addition, Directors and officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance. No amount was paid under any of these indemnities or insurances during the year other than the applicable insurance premiums.

Articles of Association

The Company's Articles of Association can only be amended by a special resolution of its shareholders in a general meeting, in accordance with the Companies Act 2006.

Governance and risk

The Board has adopted the risk management framework described on pages 58 and 59 of this Annual Report.

The Board and the Audit & Risk Committee have reviewed the effectiveness of the Group's risk management framework, the Group's risk register and their alignment with the Group's strategic objectives in accordance with the Code for the period ended 31 January 2023 and up to the date of approving the Annual Report and Accounts.

The Board as a whole considered the principal risks and relevant mitigating actions and determined that they were acceptable for a retail business of the size and complexity as that operated by the Group.

Internal control and audit

Overall responsibility for the system of internal control and reviewing its effectiveness lies with the Board. In its day-to-day operations, the Group continuously assesses the performance of its internal controls and, where necessary, looks to enhance its control environments. A Head of Internal Audit & Loss Prevention has been appointed to coordinate the Group's programme of internal audit, supported by an independent accounting firm and/or other advisors where appropriate. Details of the internal audit reviews carried out during the last year are set out in the report of the Audit & Risk Committee on page 76.

The Group's system of internal control can be summarised as follows:

Board	Audit & Risk Committee	Senior Management Team
• Takes collective responsibility for internal control. • Reserves certain matters for the Board. • Oversees the control framework and responsibility for it. • Approves key policies and procedures. • Monitors development of performance.	• Oversees effectiveness of internal control framework. • Receives reports from external auditor. • Approves internal audit programme. • Receives internal audit reports.	• Responsible for operating within the control framework. • Monitors compliance with policies and procedures. • Recommends changes to controls where needed. • Monitors performance.

Internal Audit	Compliance and safety risk assessors	Loss Prevention Team
• The internal audit function during the period was overseen by the Head of Internal Audit & Loss Prevention.	• Reviews compliance with internal procedures to ensure that good health and safety standards are observed.	• Focuses on cash losses, theft and fraud in stores.

Specific elements of the current internal control framework include:

- a list of matters specifically reserved for Board approval;
- a clear framework for delegated responsibilities, mandating escalation of decisions to more senior colleagues within the business, or ultimately the Board, where appropriate;
- clear structures and accountabilities for colleagues, well understood policies and procedures, all of which the Executive Directors are closely involved with;
- every member of the senior management team having clear responsibilities and operating within defined policies and procedures covering such areas as capital expenditure, treasury operations, financial targets, human resources management, customer service and health and safety;
- the Executive Directors and the senior management team monitoring compliance with these policies and procedures and, in addition, regularly reviewing performance against budget, analysis of variances, major business issues, key performance indicators and the accuracy of business forecasting; and
- a continuous review programme of store compliance by the loss prevention team in relation to financial procedures in stores, and by risk assessors working in the health and safety team and by other teams within the Group.

The Audit & Risk Committee has responsibility for overseeing the Group's system of internal controls and the programme of activities performed by internal audit and receives the report of the external auditor as part of the annual statutory audit. Additional information on the activities of the Audit & Risk Committee can be seen in the report of the Audit & Risk Committee seen on pages 74 to 77.

The Board and the Audit & Risk Committee have monitored and reviewed the effectiveness of the Group's internal control systems in accordance with the Code for the period ended 31 January 2023 and up to the date of approving the Annual Report and Accounts and confirmed that they are satisfactory. Internal control systems such as this are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material accounting misstatement or loss. Where any significant failures or weaknesses are identified from the systems of internal control, action is taken to remedy these.

Disclosures under DTR 7.2.6 R

The disclosures the Company is required to make pursuant to DTR 7.2.6 R are contained in the Directors' Report on pages 98 to 102.

Anti-bribery

The Group has implemented internal procedures, colleague training and measures (including the provision of an Anti-Corruption and Bribery Policy) with the aim of ensuring compliance with UK Bribery Act 2010 (as amended) by the Company and other members of the Group.

Whistleblowing

The Group is committed to conducting its business with honesty and integrity, with high standards of corporate governance and in compliance with legislation and appropriate codes of practice. We expect all colleagues to maintain such high standards but recognise that all organisations face the risk of things going wrong from time to time or of unknowingly harbouring illegal or unethical conduct.

We recognise that a culture of openness and accountability is essential in order to prevent such situations occurring or to address them when they do occur. We provide a whistleblowing line and maintain a whistleblowing policy that is designed to encourage colleagues to report such situations without fear of repercussions or recriminations provided that they are acting in good faith. By having early knowledge of any wrongdoing or illegal or unethical behaviour, we improve our ability to intervene and stop it. The policy sets out how any concerns can be raised and the response that can be expected from the Company and provides colleagues with the assurance that they can do this in complete confidence. Our loss prevention team, in its day-to-day activities, seeks to reinforce this message and, in addition, the Group periodically uses communication campaigns to supplement this. The Audit & Risk Committee is notified of any whistleblowing reports.

This report was reviewed and approved by the Board on 2 May 2023.

Paul Moody
Chair
3 May 2023

AUDIT & RISK COMMITTEE

Chair's letter

Rob McWilliam

Chair of the Audit & Risk Committee

Committee members:

Rob McWilliam (Chair)

Roger Whiteside

Indira Thambiah

Dear Shareholder

I am pleased to present this year's Audit & Risk Committee (Committee) Report. The Report outlines how the Committee discharged its responsibilities over the past year and the key areas it considered in doing so.

The Committee fulfils a vital role in the Company's governance framework, providing valuable independent challenge and oversight across all financial reporting and internal control procedures. Ultimately, it ensures our shareholders' interests are protected. The Committee has continued to assess and review existing and emerging issues to ensure cardfactory has appropriate controls in place to underpin its resilience, recognising the challenging global macro-economic environment and its potential impact on our supply chains, customers and colleagues.

The Committee approved a retender of the audit this year. An extensive and detailed tender exercise has been performed, resulting in the appointment of Mazars LLP who will be proposed for appointment at the AGM to be held on 22 June 2023 in advance of the interim results review for the first half of FY24 and the audit for the financial year to 31 January 2024 (see page 77).

The Committee has allocated a significant proportion of its time during the year to the management of our principal risks, including business continuity, IT and cyber risk and inventory management, as well as the enhancement of the risk management framework including risk appetite. It has confidence in the Group's overall control environment and in management's commitment to identifying and improving areas where the Group's systems and processes need modernisation.

The Committee understands the proposals for the reform of UK corporate reporting and audit regime and the potential impact this may have on the future work of the Committee. It supports management's current review of the internal controls over the financial reporting environment to assess its readiness in advance of future requirements. The Committee will ensure compliance with any new requirements.

Over the course of the next 12 months, the Committee will continue to develop its work on the effectiveness of the risk management process. It will also continue to ensure that its activities are focused on business issues that add to or preserve value and that it remains aligned with the strategic goals of the Group.

The report that follows provides further detail on the Committee's activities during the year.

I look forward to addressing any questions in respect of the work of the Audit & Risk Committee in advance of the AGM in June 2023.

Yours sincerely

Rob McWilliam

Chair of the Audit & Risk Committee

3 May 2023

AUDIT & RISK COMMITTEE REPORT

This report provides details of the role of the Audit & Risk Committee and the work it has undertaken during the year.

Role of the Audit & Risk Committee

The principal responsibilities of the Committee, which has received delegated authority from the Board, are to:

- oversee the integrity of the Group's financial statements and public announcements relating to financial performance;
- oversee the Group's external audit process including its scope, the extent of the non-audit services provided by our auditor and our auditor's independence and effectiveness;
- monitor the effectiveness of financial controls;
- evaluate the process for identifying and managing risk throughout the Group;
- ensure the effectiveness and independence of the Group's internal audit function; and
- ensure that the Annual Report and Accounts are fair, balanced and understandable.

A more detailed explanation of the Audit & Risk Committee's role, its meeting frequency, attendance and membership (both during the period and as at the date of this report) are set out in the Corporate Governance Report on pages 68 and 70.

The Chief Executive Officer, the Chief Financial Officer, the Chair of the Board, the Head of Internal Audit & Loss Prevention and the Financial Controller usually attend meetings of the Committee by invitation, along with representatives from our auditor, KPMG LLP. In addition, subject matter experts and external accounting firms engaged to support internal audit reviews are also invited to attend meetings of the Committee where required. The General Counsel & Company Secretary acts as secretary to the Committee.

Activities during the year

During the year, the work of the Committee has principally fallen under the following areas:

- Reviewing the integrity of the draft financial statements for the year ending January 2022, the appropriateness of accounting policies with a particular focus on stock provisions, going concern and viability statements and the auditor's report regarding its findings on the annual results.
- Assessing whether the Annual Report and Accounts for the year ending January 2022, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's strategy, business model and performance.
- Reviewing the systems and controls that the Group has in place to enable the Board to make proper judgements on a continuing basis as to the financial position and prospects of the Group.
- Verifying the independence of the Group's auditor, approving their audit plan and audit fee and setting performance expectations.
- Approval of the Group's half-year results statements published in September 2022.
- Overseeing the Group's approach to risk management including setting of risk appetite and target risk as well as ensuring that the principal risks are regularly reviewed by the senior management team.
- Reviewing the Group's risk register in March, September, November and January.
- Monitoring developments in legislation, reporting and practice which affect matters for which the Committee is responsible.
- Approval of the FY23 internal audit plan, reviewing the findings of, and the implementation of, actions arising from internal audit reviews undertaken.
- Reviewing the Company's procedures for detecting fraud and systems and controls for the prevention of bribery.
- Reviewing the outcome and actions taken relating to whistleblowing cases.
- Reviewing the activity of the Group's loss prevention team.
- Reviewing the Group's tax strategy.
- Undertaking a formal audit tender, culminating in the selection of Mazars LLP as the auditor to undertake the audit of the Card Factory plc Group accounts for the financial year ended 31 January 2024 (see page 77 for further information).
- Assessing its own performance against its terms of reference.

Activities after the year-end

In the period following the year-end, the Committee met in March, April and May 2023 and reviewed the following:

- The Group's risk register including an assessment of how risks are assessed, how risk appetite and target risk are assigned, and a review of the emerging risks identified by the management team, as supplemented by the Committee.
- The principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity.
- The process undertaken by management to support the Group's going concern statement (which is set out on pages 119 and 120) including the time period assessed and the principal risks and combinations of risks modelled.
- The integrity of the draft financial statements for the year ended January 2023, including the appropriateness of accounting policies and going concern assumptions.
- The external auditor's report.
- Whether this Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
- The performance, effectiveness, independence and qualifications of the external auditor.

Significant areas of judgement

Within its terms of reference, the Committee monitors the integrity of the Group's annual and half-year results, including a review of the significant financial reporting matters, judgements and estimates contained in them.

At its meetings in April and May 2023, the Committee reviewed the FY23 financial year and considered a paper prepared by management regarding the significant accounting policies, disclosures, estimates and judgements affecting the financial statements for the year. The Committee also reviewed the report of the external auditor, which included comments on the matters prepared and presented by management, plus other matters insofar as relevant to the audit opinion.

The significant accounting issues discussed in respect of FY23 were:

- Inventory valuation and provisioning.
- Impairment reviews (including goodwill).
- Grant income provisions.

Inventory

The Group has significant volumes, and a broad range, of inventory. The Group makes use of technology, such as hand-held terminal devices, to support stock control processes and reduce the risk of manual error in stock counts, which are a key control in respect of the inventory balance. A full inventory count is undertaken at both the half-year and the year end. The Committee reviewed the process by which the year-end inventory valuation had been prepared, and challenged management to ensure key risk areas had been given due consideration.

The Group continues to hold material inventory provisions which, by their nature, involve a significant degree of estimation.

The provision is calculated with reference to the Group's merchandising plans and considers the age and turn of inventory on a line-by-line basis. Lines that are old, not on plan for future sales, or where the Group holds large volumes of inventory compared to recent sales data are provided against either in part or in full. The partial-provisioning percentages are set based on the Group's expectations of likely sell-through rates based on historical experience and are adjusted where necessary to reflect changes in sell-through levels. The nature of this estimation is such that the range of reasonable outcomes is material and, as a result, inventory provisioning is considered a source of significant estimation uncertainty for the financial statements.

As part of its review, the Committee considered the calculation of the provision and challenged management's assumptions. As part of the review, it was noted that supply chain challenges in the prior year had contributed to both an increase in the provision level at the FY22 year end and, combined with the strong sales performance in FY23, a higher level of stock sell-through than had been expected. As a result, some of the partial-provisioning percentages were reduced for FY23. The Committee also reviewed stock sell-through rates for the period after the balance sheet date prior to the accounts being signed.

Having considered these matters, and the views of the external auditor, the Committee concluded that the inventory valuation, provision and associated disclosures included in the financial statements were materially appropriate.

Grant income

In the prior year, the Group received significant values of income from government schemes intended to support businesses affected by national and regional Covid-19 lockdown restrictions.

Under IAS 20, the Group is only permitted to recognise government grant income when there is reasonable assurance that any conditions attached to the grant will be complied with. The grant income received by the Group is subject to UK subsidy control conditions, as well as specific conditions attached to the grants themselves. The unprecedented nature of Covid-19 support funding means application of these conditions is open to a degree of interpretation.

The Group recognised grant income of £8.0 million in the prior year and recorded a provision of £7.4 million in respect of amounts that may need to ultimately be repaid. In FY23, the Group has sought professional advice regarding potential repayment, the value and timing of which remains uncertain. The Group is not aware of any information or updates that would change its assessment of the amount of such income that can be retained, and accordingly the value of the provision remains unchanged.

The Committee reviewed management's assessment of the provision value and challenged the assumptions made around retention of both the amounts recognised and not recognised. Having considered the view of the external auditor, and noting the independent advice received, the Committee concluded that the position adopted was based on a conservative interpretation of available guidance but appropriate in light of the inherent uncertainty. In reaching its conclusion, the Committee noted that the estimation uncertainty had been disclosed in the notes to the accounts.

Impairment reviews

Impairment reviews are an area of management and audit focus; however the Group's assessment of whether or not impairment is considered a source of significant estimation uncertainty depends upon the results of the reviews and the level of headroom and associated sensitivity to changes in key assumptions. Accordingly, noting the material value of goodwill on the balance sheet, existence of intangible assets that are not yet available for use, and the reduction in sales performance of certain of the Group's cash generating units (CGUs). The Committee considered the impairment reviews prepared by management.

The reviews concluded that no impairment charges were required in respect of the group of CGUs that make up the cardfactory stores business, to which the Group's goodwill balance is allocated, nor for the cardfactory.co.uk CGU. However, impairment charges were recorded in respect of individual stores (£1.3 million net of reversals of impairments recorded in prior periods) and the Getting Personal CGU (£1.5 million).

The Committee considered the key assumptions used in preparing the impairment reviews and the sensitivity of the results to changes in those assumptions. The Committee also considered the recoverability of the Parent Company investments as part of their review. Having challenged management regarding the application of those assumptions, and considered the views of the auditor, the Committee concluded that the reviews had been prepared on a reasonable and appropriate basis. Having considered the level of headroom and the relative sensitivity to key assumptions, the Committee concurred with management's view that reasonably possible changes in the key assumptions would not result in an impairment charge where one had not been recorded, nor materially change the impairment charges that had been recorded.

Accordingly, the Committee considered that the disclosure of the estimation uncertainty as not significant was appropriate and balanced the inherent complexity and due focus of the reviews against the lack of sensitivity of the estimates to changes.

Assessment of Annual Report and Accounts

The Committee confirmed to the Board that it considered this Annual Report and Accounts as a whole to be fair, balanced and understandable, to the extent possible, while complying with all applicable legal, regulatory and reporting requirements.

Internal audit

A Head of Internal Audit & Loss Prevention was appointed in March 2022 to further enhance the Group's approach towards internal audit. The Head of Internal Audit & Loss Prevention is responsible for devising and coordinating the agreed programme of internal audit reviews and is supported by an independent accounting firm in the delivery of the annual plan. The main areas covered by the internal audit programme during the last year were:

- a review to assess the design and operating effectiveness of processes and controls relating to the quality assurance of products being sold in-store and online;
- payroll, focusing on the processing and payment of variable pay; and
- the closure of internal audit actions from the previous year.

Internal audit reports are shared with KPMG LLP, who are also invited to attend the Audit & Risk Committee's meetings, ensuring external auditors have full disclosure to allow them to account for internal audit findings in their audit scope.

In line with good practice, the Committee, supported by the Head of Internal Audit and Loss Prevention will continue to assess its approach to internal audit to ensure it supports a rigorous control framework across the Group.

Loss prevention

The loss prevention team and its programme of activities are embedded in the business. Direct engagement and regular communication with colleagues across the business remain critical to the team's effectiveness and the team's core fraud and theft detection activities are supplemented by a programme of data reviews, store audits, colleague education, training and development.

The Committee receives regular reports on the activities of the loss prevention team and during the period the Head of Internal Audit & Loss Prevention attended the Committee meetings.

External auditor

KPMG LLP have conducted the statutory audit for the financial year ended 31 January 2023 and have attended six of the seven Committee meetings held during that financial year, as well as the Committee meetings held in March and April 2023 (excluding the meetings (or parts of meetings) that related to the audit tender, which KPMG participated in). The Committee had the opportunity to meet privately with the auditors during the period.

The Audit Committee discussed and agreed the scope of the audit with KPMG in January 2023 and have since agreed their audit fees. The Committee reviewed the audit quality and the effectiveness of the external audit in line with the Financial Reporting Council's 'Practice aid for audit committees' (December 2019). It considered the results of external quality inspections by the Audit Quality Inspection Team on other KPMG clients. It also surveyed colleagues who were engaged in the audit process to receive feedback on how the audit was conducted, to allow it to make its own assessment of the effectiveness of the audit process with particular reference to audit planning, design and execution of the audit.

The Committee also considered the effectiveness of the audit through the reporting from and communications with the auditor and an assessment of the auditor's approach to key areas of judgement and any errors identified during the course of the audit. The Committee concluded that the audit was effective.

The fee paid to KPMG LLP for the statutory audit of the Group and Company financial statements and the audit of Group subsidiaries pursuant to legislation was £650,000. A breakdown of fees paid to KPMG LLP during the financial year is set out in note 3 of the financial statements on page 127.

The Committee considers that KPMG LLP is sufficiently independent, as it is only engaged in audit and there are no conflicts of interest effective in auditing the Group.

The Committee has taken appropriate steps to ensure that KPMG LLP is independent of the Company and has obtained written confirmation that it complies with guidelines on independence issued by the relevant accountancy and auditing bodies. The Committee took account of the auditor approach to the prior year and current year audit, the proposed audit strategy and the fact that the current audit is being led by the Audit Partner for his fourth year, within the five years provided for in FRC guidance. The Committee recognises that audit regulation has increased in recent years, to improve audit process and independence, which it recognises has been adopted by KPMG LLP, which includes greater independence of audit practices within accounting practices.

The Group has no contractual arrangements (for example, within borrowing arrangements) that restrict its choice of auditor.

Use of auditors for non-audit work

The Committee recognises that the use of audit firms for non-audit services can potentially give rise to conflicts of interest. The Group has a formal policy regarding its use of audit firms for non-audit services and the Committee, in addition to being responsible for the oversight of our auditor on behalf of the Board, also has responsibility for monitoring how this policy is implemented.

During FY23, KPMG LLP did not provide any non-audit services to the Group, other than its review of the half-year interim report and financial statements, which is considered closely related to the audit.

The aggregate fees paid to KPMG LLP for services closely related to the audit during the year were £50,000 (equivalent to 7.7% of the audit fee).

Further details are given in note 3 to the financial statements on page 127.

The Committee is satisfied that the overall levels of audit-related and non-audit fees and the nature of the services provided, are such that they will not compromise the objectivity and independence of our auditor. A copy of our current policy regarding the use of audit firms for non-audit services is available on cardfactory's investor website (cardfactoryinvestors.com).

External audit tender

As reported in the FY22 Annual Report and accounts, cardfactory proposed to carry out the external audit tender one year earlier than the mandatory requirement.

Following the FRC's audit tenders notes on best practice, in May 2023 a shortlist of eight external audit firms to invite to the tender process was discussed with the Chair of the Audit & Risk Committee. This longlist, which included the Big Four accountancy firms and four mid-tier firms was agreed and an invite to tender was issued.

A request for proposal was issued to three shortlisted firms which covered, but was not limited to, their ways of working, the firm's quality assurance processes, any conflicts or potential conflicts of interest, the proposal and presentation scoring criteria and the selection panel.

On receipt of the three proposals these were assessed against pre-defined and communicated scoring criteria with the results being discussed with the Audit & Risk Committee. Two firms were invited to a presentation with a pre-agreed interview panel and the result was that Mazars LLP were appointed.

Following the selection of Mazars LLP as proposed auditor, a resolution to appoint Mazars LLP as auditor and to authorise the Directors to agree their remuneration will be put to shareholders at the 2023 AGM.

This report was reviewed and approved by the Audit & Risk Committee on 2 May 2023.

Rob McWilliam
Chair of the Audit & Risk Committee
3 May 2023

REMUNERATION COMMITTEE

Chair's letter

Indira Thambiah

Chair of the Remuneration Committee

Committee members:

Indira Thambiah (Chair)
Paul Moody
Roger Whiteside
Rob McWilliam

Dear Shareholder

I am pleased to have taken over the Chair of the Remuneration Committee since 1 February 2023 and am extremely grateful to Octavia Morley for her support and insight on the recent activities of the Committee. I welcome the opportunity to present our Directors' Remuneration Report for the financial year ended 31 January 2023 (FY23).

Introduction

This Directors' Remuneration Report is divided into three sections: this Letter (pages 78 and 79; the Directors' Remuneration Policy (pages 80 to 85); and the Annual Report on Remuneration for the year to 31 January 2023 (pages 86 to 95).

This Letter and the Annual Report on Remuneration will be put to shareholders for approval at the AGM on 22 June 2023, although the vote is advisory.

The Remuneration Committee is pleased with the performance of the Executive Directors and the senior management team during FY23. The Committee consider that they have made good progress to grow sales to pre-pandemic levels in parallel with implementation of the early phases of the strategic plan to support the development of cardfactory into an omnichannel retailer, to unlock future growth for all stakeholders.

Remuneration Policy

Following adoption of the Remuneration Policy at the 2021 AGM, with 94.98% of shareholder votes supporting the revised Remuneration Policy, the Remuneration Committee considers that this policy continues to support the business strategy and operates as intended, with no changes required prior to the next triennial vote scheduled to be proposed at the 2024 AGM. Within the current policy framework, the Committee has included ESG criteria within the performance underpin condition to RSP awards granted in 2022.

Application of the Remuneration Policy during FY23

The Committee recognises the progress made in trading performance during the year, which resulted in two profit upgrades (November 2022 and January 2023) as cardfactory recovered to pre-pandemic level of sales, with positive momentum in foundations needed to support sales growth for the online business, and to support retail partnership growth.

The Committee agreed to payment of the annual bonus for FY23 that was earned, which amounted to 80% of maximum for the CEO and the former CFO (who worked for the entire financial year), as EBITDA stretch targets were achieved (70% of maximum bonus), after reduction of the actual EBITDA by £2.5 million on account of one-off improvements to EBITDA arising from a partial release of a provision for CJRS repayments to HMRC and the stretch strategic objective of driving sales growth from strategic initiatives being exceeded (10% of maximum bonus). The other two strategic objectives of sales growth for online and retail partnerships (each 10% of maximum bonus) were not achieved. The Committee considered whether the outcome was appropriate, taking account of the colleague, shareholder and other stakeholder experience and resolved no exercise of discretion was required: a large proportion of colleagues will receive bonus payments for the same period, including some realising up to 100% of their maximum bonus potential. The Committee recognise the improvement in liquidity and material reduction in net debt places the Company in a position to continue to repay debt to remove restrictions on dividends in January 2024.

Restricted Share awards granted in 2020 are scheduled to vest from October 2023, subject to the performance underpin and any discretion the Committee may exercise. The measurement period for the performance underpin for these awards was February 2020 to January 2023, which includes the period which was severely impacted by Covid-19 and mandatory store closures, followed by a period of recovery in sales to exceed pre-pandemic levels. The Committee considered whether it is appropriate to exercise discretion, including taking account of the share price prior to the decision being made to voluntarily close our stores, the share price at the time awards were made and the recovery of the share price since and the performance underpin conditions which include the progress made with the strategic plan and the platform for sustainable growth. The Committee recognised that Restricted Share awards were scaled back at the time of grant by 40% for Executive Directors. On this basis the Committee was comfortable that the award should vest in full and that there have not been any windfall gains due to the increase to the share price. The Committee consider that through management action over the performance period, cardfactory is now well positioned with a strong leadership team, to realise the strategic growth for the benefit of all stakeholders. Therefore the Committee resolved to approve vesting of the 2020 RSP awards and determined that it was not necessary to exercise any discretion in respect of the awards. Only Kris Lee held awards under the 2020 Restricted Share award.

Board changes

During the period, the Committee agreed the terms upon which Kris Lee, former CFO would leave the business and approved the remuneration package for Matthias Seeger, who will be appointed as CFO on 22 May 2023. Kris Lee left on terms that are consistent with the Remuneration Policy, which included payment of salary, benefits and FY23 bonus up to 31 January 2023, the date he left the Company; a one-off payment of £40,000 as compensation for loss of office; payment in lieu of unused annual leave; and treatment as a good leaver for RSP and SAYE awards, which results in pro-rating the number of shares that vest to take account of the proportion of the performance period that Kris was engaged in the business. It was agreed that any discretion exercised by the Committee in respect of Kris Lee's RSP awards vesting would be consistent with any discretion applied to the CEO. Kris Lee's pension contributions were also reduced to align with contributions for the workforce from 1 January 2023.

The remuneration package approved for Matthias Seeger includes a basic annual salary of £345,000, pension scheme contributions aligned with the workforce, and participation in the annual bonus plan and share awards consistent with the Remuneration Policy. The Committee approved, in accordance with the Remuneration Policy, a buy-out of Matthias' incentive arrangement with his current employer, which provides for payment of up to the amount of the annual bonus earned by Matthias for their financial year to 31 March 2023 which isn't paid by that employer. The Company has capped its obligation under this arrangement to £200,000. This buy-out award is to be paid by the Company in June 2023. In addition, all of this buy-out payment is subject to clawback if Matthias is not employed or is working his notice on the second anniversary of the start of his employment with the Company.

How we intend to apply the Remuneration Policy in FY24

Executive Directors' remuneration for FY24 will be as follows:

- The Committee reviewed the annual salary for the CEO, with any increase to take effect on 1 April 2023. In determining the salary increase for the CEO, the Committee took into market benchmarking data and took account the average salary increase across the workforce of 8.6%, noting the majority of colleagues had received an increase of 5%, however some higher increases had been awarded to taking account the increases in National Living Wage and National Minimum Wage for example. As a result, the Committee determined the CEO would receive a salary increase of 5% for FY24.
- The Committee undertook a review of the Chair's fees, taking into account market data for companies in the retail sector, and companies of a similar size, and resolved to increase the Chair's fee from £146,880 to £175,000, which, although greater than the percentage increase applied to the workforce, reflects the number of years during which no increases have been applied and ensures the Chair receives median market rate. The increased fee accounts for the increased time commitment and valuable contribution of the Chair, and the increased duties with this role. The Board also reviewed NED fees, adopting the same principles, details of which are set out on page 94.
- Pension entitlements will be maintained at current levels, which align with the current 3% of salary rate applicable to the majority of colleagues.
- The maximum annual bonus entitlement will be maintained at 125% and 100% of basic salary for the CEO and CFO (respectively). The FY24 annual bonus entitlement will be assessed based on achievement of threshold, target and stretch targets for (a) PBT realised over the financial year (for 70% of the maximum entitlement) and (b) the remaining 30% of total bonus will be determined by the following strategic objectives, aligned to the strategy:
  - cardfactory.co.uk sales growth (12.5% of maximum bonus entitlement);
  - retail partnership sales growth (12.5% of maximum bonus entitlement); and
  - improvement in NPS score over the year (5% of maximum bonus entitlement).
- The Committee proposes to proceed to award Restricted Shares after publication of the results for FY23. The awards will be subject to the same performance underpin adopted in previous years and will include assessment of improvement to the business's impact on society and the environment. We propose to retain the additional discretion to scale back awards on vesting, if necessary, to avoid excessive returns.

Conclusion

The Committee is comfortable that the Remuneration Policy continues to provide a strong link to the business strategy and provides an appropriate link between reward and performance. Future objectives and outcomes will be closely aligned, ensuring they support the delivery of the Group's strategy. The Committee will continue to take account of investor guidelines and the wider shareholder and other stakeholder experience in determining the operation of the Policy and remuneration outcomes each year.

I look forward to addressing any questions from shareholders in respect of this Report at or in advance of the AGM and look forward to your support on the resolution to approve the Annual Report on Remuneration.

Yours sincerely

Indira Thambiah
Chair of the Remuneration Committee
3 May 2023

DIRECTORS' REMUNERATION REPORT

Introduction

The Directors' Remuneration Policy section (pages 80 to 85) sets out the Remuneration Policy which was approved by shareholders at the 2021 AGM, which is intended to operate for the full three-year period as permitted under the regulations. A review is to be conducted during FY24 which will result in proposal of a new Remuneration Policy to shareholders at the 2024 AGM.

Directors' Remuneration Policy

cardfactory's policy for Executive Directors' remuneration aims to provide a competitive package of fixed and performance-linked pay, which supports the long-term strategic objectives of the business. The policy has been tested against the six factors listed in Provision 40 of the UK Corporate Governance Code:

- **Clarity** – the policy is as clear as possible and is described in straightforward concise terms to shareholders and the workforce in this report.
- **Simplicity** – remuneration structures are as simple and Restricted Shares are significantly simpler than long-term incentive plans operated in most other UK-listed companies.
- **Risk** – the remuneration policy has been shaped to discourage inappropriate risk taking through a weighting of incentive pay towards shares, an appropriate balance between financial and non-financial measures in the annual bonus, recovery provisions and in-employment and post-employment shareholding requirements.
- **Predictability** – elements of the policy are subject to caps and the Restricted Shares are significantly more predictable than long-term incentive plans operated in most other UK-listed companies. The Committee may exercise its discretion to adjust Directors' remuneration if a formula-driven incentive pay-out is inappropriate in the circumstances.
- **Proportionality** – there is a sensible balance between fixed pay and variable pay and incentive pay is weighted to shares rather than cash.
- **Alignment to culture** – there will be a strong emphasis on consistency of approach and fairness of remuneration outcomes across the workforce.

Policy table for Executive Director remuneration

The key components of Executive Directors' remuneration are as follows:

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
FIXED PAY			
Base salary To attract and retain talent by ensuring base salaries are competitive in the relevant talent market and to reflect an Executive's skills and experience.	Base salaries are reviewed annually, with reference to scope of role, individual performance, experience, market competitiveness of total remuneration, inflation and salary increases across the Group. Increases were normally effective from 1 May. In 2022, the Committee agreed to align annual pay reviews of the Executive Directors with the annual pay reviews for the majority of colleagues with effect from 1 April 2022.	While there is no maximum salary, Executive Directors' salary increases will normally be in line with the average percentage increase for the wider employee population. In certain circumstances (including, but not limited to, a material increase in job size or complexity, promotion, recruitment or development of the individual in the role or a significant misalignment with the market) the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain fair and competitive.	Business and individual performance are both considerations in setting base salary.
Pension To provide post-retirement benefits.	Executive Directors may receive a Company contribution into a pension plan or a cash allowance in lieu of pension.	The maximum Company contribution or cash allowance is the percentage rate available to the majority of the workforce (currently 3% of salary). This will apply to current and new Executive Directors. Kris Lee, former CFO received a pension contribution of 3.37% of basic salary until 31 December 2022, following which it was reduced to 3% of salary to align with the percentage rate available to the majority of the workforce.	None

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Benefits To provide Executive Directors with a reasonable level of benefits.	Benefits include private medical insurance, life insurance, income protection and the provision of a car or car allowance. Where appropriate, other benefits may be offered, for example including, but not limited to, relocation allowances.	There is no maximum opportunity for benefits, as there may be factors outside of the Company's control which change the cost to the Company (e.g. increases in insurance premiums). The cost of providing benefits for the year under review are disclosed in the Annual Report on Remuneration.	None
VARIABLE PAY			
Annual bonus To focus Executives on delivery of year-on-year financial and non-financial performance. The part of the bonus invested in shares helps towards achieving an appropriate balance between year-on-year financial performance and longer-term value creation and contributes to higher executive shareholdings.	Bonus payments will be determined based on performance in a single financial year and payment may be made in cash or in shares. If participants have not met the minimum shareholding requirement, one third of any bonus (after payment of tax) must be used to acquire shares in the Company, which must be held for three years. Robust clawback and malus provisions apply. The Committee has discretion to reduce the amount of any bonus potential and require repayment of any bonus paid within two years of payment, in the event of material misstatement, error, misconduct, company failure or reputational damage.	125% of salary.	Performance measures and targets are set by the Committee and the Committee determines the extent to which the targets have been achieved at the year-end. A majority of bonus will be based on financial measures. The Committee may scale back the bonus if it considers the outcome is not representative of the underlying performance of the Company or is otherwise not appropriate in the circumstances. For achievement of threshold performance for any financial measure, up to 15% of the maximum financial target element of the bonus is earned.
Restricted Shares To align the interests of Executives with shareholders in growing the value of the business over the long term.	The Committee may grant annual awards of Restricted Shares, structured as conditional awards or nil-cost options. 50% of an award vests after three years, 25% after four years and 25% after five years, subject to service. All shares will be held for at least five years from grant (except for sales to meet tax on vesting). The holding period and vesting period will continue post cessation of employment to the extent that awards do not lapse on cessation. An additional benefit is provided in cash or shares equal to dividends that would have been paid over the vesting period or holding period on awards that vest. Robust clawback and malus provisions apply. The Committee has discretion to reduce the amount of any unvested award and repayment of any vested award within two years of vesting, in the event of material misstatement, error, misconduct, company failure or reputational damage. The Remuneration Committee may exercise its discretion to override a formula-driven incentive plan outturn if this is inappropriate in the circumstances.	87.5% of salary face value at grant.	In order for Restricted Shares to be capable of vesting, the Committee must be satisfied that business performance is robust and sustainable and that management has strengthened the business over three financial years commencing with the year in which the award is made. In assessing performance, the Committee will consider financial and non-financial KPIs of the business as well as delivery against strategic priorities. To the extent it is not satisfied with performance or that the award would not reflect the shareholder and other stakeholder experience, the Committee may scale back the level of vested awards including to zero. Full disclosure of the Committee's assessment will be made in the Annual Report on Remuneration for the year in which the assessment is made.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
SAYE To encourage share ownership across the workforce.	A UK tax-qualified scheme under which eligible employees (including Executive Directors) may save up to the maximum monthly savings limit (as determined by prevailing legislation) over a period of three or five years. Participants are granted an option to acquire shares at up to a 20% discount to the price on grant. The number of shares under option is that which can be acquired at that price using savings made.	Savings are capped at the prevailing HMRC limit at the time eligible employees are invited to participate or such lower limit as determined by the Remuneration Committee.	None
Shareholding guidelines To encourage share ownership and ensure alignment of Executive interests with those of shareholders, both while they are in service and after cessation of employment (see page 85).	Requirement to build up and maintain a beneficial holding of shares in the Company defined as a percentage of salary. Executive Directors will be required to retain shares that vest from future Bonus and Restricted Share awards.	Details of the current guidelines and Executive Director shareholdings are included in the Annual Report on Remuneration	None

Performance measure selection and approach to target setting
The measures used in the annual bonus are selected to reflect the Company's main financial KPIs and other strategic objectives for the year. Performance targets are set to be stretching but achievable, considering the Company's strategic priorities and the economic environment in which the Company operates. Financial targets are set taking into account a range of both internal and external reference points including the Group's strategic and operating plan.

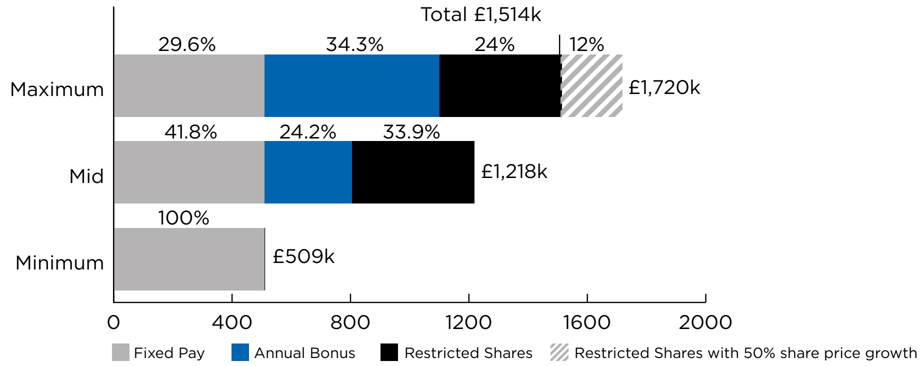
Adjustments and use of Remuneration Committee discretion
The Remuneration Committee will review formulaic annual bonus outcomes and may adjust these to ensure alignment of pay with the underlying performance of the business. The Remuneration Committee may also adjust the calculation of short- and long-term performance measures for outstanding LTIP (Restricted Share) awards in specific circumstances and within the limits of applicable plan rules. Such circumstances include changes in accounting standards, major corporate events such as rights issues, share buybacks, special dividends, corporate restructurings, mergers, acquisitions and disposals.

Differences in remuneration policy operated for other employees
The policy and practice with regard to the remuneration of the senior management team below the Board will be consistent with that of the CEO. The senior management team will participate in the same annual bonus scheme and will receive Restricted Share awards alongside the Executive Directors.

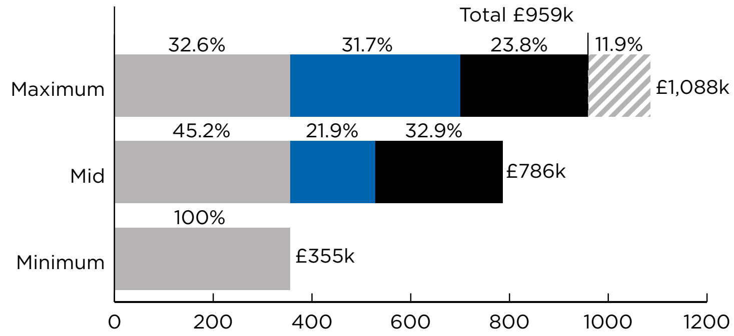
The Policy for our Executive Directors is considered alongside the remuneration philosophy and principles that underpin remuneration for the wider Group. The remuneration arrangements for other employees reflect the seniority of each role. As a result, the levels and structure of remuneration for different groups of employees will differ from the policy for Executives as set out above, but with the common intention that remuneration arrangements for all groups are fair.

Reward scenarios
The graphs opposite provide estimates of the potential future reward opportunities for Executive Directors and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'Mid' and 'Maximum'. The projected value for Restricted Shares excludes the impact of any dividend accrual. The following reflects annual entitlements (in respect of the CFO, reflecting the terms of appointment agreed with Matthias Seeger, who is to be appointed on 22 May 2023, without adjustment to reflect he will be appointed for a proportion of the financial year) and assumes that future Restricted Share awards are not scaled back:

Chief Executive Officer



Chief Financial Officer



In illustrating potential reward opportunities, the following assumptions are made:

	Fixed pay	Annual bonus	Restricted shares
Minimum	Salary as at 1 April 2023. The CEO & CFO each receive a pension contribution of 3% on income exceeding £6,240 p.a.	No annual bonus payable.	Assumes no restricted shares vest.
Mid		On-target annual bonus payable. (50% of maximum).	The Committee anticipates granting awards of Restricted Shares worth 87.5% and 75% of base salary for the Chief Executive and Chief Financial Officer, respectively.
Maximum	Benefits paid for the most recent financial year and an estimate of benefits for the new CFO. Annualised salary and benefits (assuming appointment on 1 February 2023) applied for the new CFO (actual start date 22 May 2023).	Maximum annual bonus payable of 125% and 100% of base salary for the Chief Executive and Chief Financial Officer, respectively.	In the maximum scenario the chart additionally shows the value of the Restricted Shares and total remuneration, if the share price increases by 50%.

Approach to remuneration for new Director appointments

In determining appropriate remuneration for a new Director, the Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both cardfactory and its shareholders and will be mindful not to overpay on recruitment. The Remuneration Committee will seek to ensure that the remuneration arrangements will be in line with those outlined in the policy table above, other than as follows:

Component	Approach	Maximum opportunity
Annual bonus	In line with the policy, albeit with the relevant maximum normally being prorated to reflect the proportion of employment over the year.	125% of salary.

The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining. The total value of any such 'buy out' incentive arrangements will not exceed that of awards forfeited on leaving the previous employer and time to vesting will be matched.

In cases of appointing a new Executive Director by way of internal promotion, the approach will be consistent with the policy for external appointees detailed above (save for 'buy outs'). Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these arrangements. Measures used for below Board employees may be different from those used for Executive Directors to tailor incentives to a particular division, role or individual.

Service contracts and exit payment policy

Executive Directors

The Committee sets notice periods for the Executive Directors of no more than 12 months. The Executive Directors may be put on garden leave during their notice period (for up to six months) and the Company can elect to terminate their employment by making a payment in lieu of notice equivalent to basic salary and benefits (including pension contributions). Any payment in lieu will be made on a monthly basis and subject to mitigation. Executive Directors' service contracts are available to view at the Company's registered office and at the forthcoming AGM.

Executive Director	Date of service contract	Notice period
Darcy Willson-Rymer	18 December 2020	9 months
Matthias Seeger	12 December 2022	9 months

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. In addition, the Committee may:

- settle any claims by or on behalf of the Executive Director in return for making an appropriate payment; and
- contribute to the legal fees incurred by the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement (as provided for below) and the individual must seek independent legal advice.

In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors including (but not limited to) settlement, confidentiality, outplacement services, restrictive covenants and/or consultancy arrangements. These will be used sparingly and only entered into where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

The Company's policy on termination payments is to consider the circumstances on a case-by-case basis, considering the Executive's contractual terms, the circumstances of termination and any duty to mitigate. The table opposite summarises how incentives are typically treated in different circumstances:

Plan	Scenario	Timing of vesting	Calculation of vesting/ payment
Annual bonus	Default treatment	No bonus is paid	n/a
	Death, injury, ill-health or disability, retirement or any other reason the Committee may determine.	Normal payment date, although the Committee has discretion to accelerate.	The Committee will determine the bonus outcome based on circumstances and the date of leaving. Performance against targets is typically assessed at the end of the year in the normal way and any resulting bonus will be prorated for time served during the year.
Shares acquired by Directors with annual bonus.			Not applicable as shares are purchased and owned outright by the Executive.
Restricted Shares	Default treatment	Awards lapse	n/a
	Death, injury or disability, redundancy, retirement, the sale of the employing company or business out of the Group or any other reason as the Committee may determine.	Normal vesting date and holding period would normally continue to apply, although the Committee has discretion to accelerate vesting and remove the holding requirement in exceptional circumstances.	Any outstanding awards will normally be prorated for service over the three financial years starting with the year in which the award is made and over which the underlying performance of the Company will be reviewed to determine vesting. The Committee may disapply time prorating in exceptional circumstances.
SAYE	Treated in line with HMRC rules.		

Any payments to Directors in excess of payments permitted by the Remuneration Policy in force from time to time may only be made with prior shareholder approval.

Post-employment shareholding

Executive Directors are required to hold the lower of:

- The number of shares held by the Director on the date their employment ends, where such shares had been (or are subsequently) acquired from Company share plan awards and investment of bonuses received before or after the termination of employment, other than permitted sales to meet tax liabilities (but excluding shares otherwise purchased in the market); and
- For each of the following periods following termination of the employment:
  - during the first 12-month period: such number of shares that had, on the date their employment ends, the value required to be held in accordance with the shareholding guideline applicable to that former Executive Director; and
  - for the subsequent 12-month period: 50% of the value of the number of shares that had, on the date their employment ends, the value required to be held in accordance with the shareholding guideline applicable to that former Executive Director; and
  - after 24 months: no shareholding requirement shall apply.

Non-Executive Directors

The Chair and Non-Executive Directors were appointed on the dates set out in the table below. Their letters of appointment set out the terms of their appointment and are available for inspection at the Group's registered office and at the AGM. Appointments are initially for three years (subject to annual re-election at the AGM) and unless agreed by the Board, they may not remain in office for a period longer than six years or two terms in office, whichever is shorter. The Chair and the Non-Executive Directors may resign from their positions but must serve the Board six and one months' written notice, respectively.

Non-Executive Director	Letter of appointment date
Paul Moody	19 October 2018
Roger Whiteside	27 November 2017
Nathan (Tripp) Lane	9 April 2020
Rob McWilliam	11 October 2021
Indira Thambiah	22 August 2022

Non-Executive Directors are not eligible to participate in the annual bonus or any equity schemes, do not receive any additional pension or benefits on top of their fees and are not entitled to a termination payment.

Consideration of employee remuneration and employment conditions in the Group

The Committee considers the remuneration and employment conditions elsewhere in the Group when determining remuneration for Executive Directors. The Combined Colleague Advisory Committee was consulted on the draft of this Remuneration Policy in May 2021 and considered the changes to align Executive Directors with the workforce to be appropriate.

Consideration of shareholder views

The Company is committed to engaging with significant investors on remuneration matters and consulted with 11 of its largest shareholders and three recognised investor bodies to receive their feedback and reflect their comments prior to proposal of this Remuneration Policy to shareholders at the 2021 AGM. The majority of those consulted were supportive of the proposals, as proposed. A small number of consultees suggested adjustments to the post-employment shareholding requirements which were considered by the Committee but were considered not to be incorporated in the current Remuneration Policy, taking account of guidance and other shareholder views. When determining remuneration policy and its application, the Committee considers the guidelines of shareholder bodies and shareholders' views. The Committee is open to feedback from shareholders on remuneration policy and arrangements and commits to consult in advance of any significant changes to remuneration policy or its operation. The Committee continues to monitor trends and developments in corporate governance and market practice to ensure the structure of Executive remuneration remains appropriate.

External directorships

The Committee acknowledges that Executive Directors may be invited to become Independent Non-Executive Directors of other quoted companies which have no business relationship with the Company and that these duties can broaden their experience and knowledge to the benefit of the Company.

Executive Directors are permitted to accept such appointments with the prior approval of the Chair. Approval will only be given where the appointment does not present a conflict of interest with the Group's activities and the wider exposure gained will be beneficial to the development of the individual. Where fees are payable in respect of such appointments, these would be retained by the Executive Director.

Policy table for Non-Executive Director remuneration

The key components of Non-Executive Directors' remuneration are as follows:

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Non-Executive Directors' fees To attract Directors with the appropriate skills and experience, and to reflect the time commitment in preparing for and attending meetings, the duties and responsibilities of the role and the contribution expected from the Non-Executive Directors.	Annual fee for Chair and Non-Executive Directors. Additional fees paid for additional roles or time commitment, e.g. chairing Board Committees. Non-Executive Directors do not participate in any incentive schemes or receive any other benefits (other than travel expenses, which may be grossed up for tax).	Any increases to NED fees will be considered following a thorough review process and considering wider market factors, e.g. inflation. The maximum aggregate annual fee for all Directors provided in the Company's Articles of Association is £1,000,000 pa.	Performance of the Board as a whole will be reviewed regularly as part of a Board evaluation process.

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual Report on Remuneration

This is the Annual Report on Remuneration for the financial year ended 31 January 2023. This report sets out how the Remuneration Policy has been applied in the financial year being reported on and how it will be applied in the coming year.

Single figure total remuneration paid to Executive Directors – audited

The table below sets out the total remuneration received by each Executive Director providing services to the Company for the year ended 31 January 2023 (FY23) and the prior year:

FY23 (£)	Salary	Benefits[1]	Pension[2]	Other[3]	FY23 earned Bonus[4]	Restricted Share value[5]	SAYE Value[6]	Total Remuneration	Total Fixed Remuneration	Total Variable Remuneration
Darcy Willson-Rymer[8]	450,000	26,996	13,313	–	450,000	–	2,250	942,559	490,309	452,250
Kris Lee[7]	355,311	15,639	11,849	40,000	268,580	356,224	398	1,048,031	422,799	625,202

FY22 (£)	Salary	Benefits[1]	Pension[2]	Other[3]	FY22 earned Bonus[4]	Restricted Share value[5]	SAYE Value[6]	Total Remuneration	Total Fixed Remuneration	Total Variable Remuneration
Darcy Willson-Rymer[8]	406,154	27,276	12,016	–	334,634	–	961	781,041	445,446	335,595
Kris Lee[9]	371,726	16,638	11,302	–	243,828	87,774	961	732,229	399,666	332,563
Paul Moody[10]	22,020	–	–	–	–	–	–	22,020	22,020	–

1 Benefits comprise car or car allowance and family private medical insurance (both of which are taxable) and also the value of insurance premiums paid (a non-taxable benefit) under the Group Life Assurance and Income Protection Schemes.

2 Pension benefit comprises payments to a stakeholder pension scheme (defined contribution) and/or a cash payment in lieu of pension contributions.

3 Compensation for loss of office of £40,000 was paid to Kris Lee in February 2023 following termination of his appointment on 31 January 2023.

4 See details of FY23 bonus payments in the Remuneration Committee Chair's letter and below.

5 The value for FY23 is the value of all Restricted Share awards granted in 2020, with a performance period that ended on 31 January 2023, which vest from 12 October 2023, applying the closing share price on 31 January 2023 of 95.0 pence. The value includes a dividend equivalent of nil and a nominal bonus award of 1 pence per share to fund the Companies Act requirement for payment of nominal value on allotment of the shares. The value for FY22 is the value of all Restricted Share awards granted in 2019, with a performance period that ended on 31 January 2022, which commenced vesting from 14 May 2022, applying the closing share price on 31 January 2022 of 58.5 pence. The value includes the dividend equivalent entitlement of 7.9 pence per share and a nominal bonus award of 1 pence per share to fund the Companies Act 2006 requirement for payment of nominal value on allotment of the shares.

6 Embedded value of SAYE options at grant. There are no performance conditions. The value of Kris Lee's SAYE award in FY23 reflects only those shares purchased in March 2023 following exercise of his option as a good leaver under the SAYE rules.

7 Payments to Kris Lee in January 2023 included £20,918.66 additional salary payment and £627.56 additional pension contribution as pay in lieu of accrued annual leave.

8 Darcy Willson-Rymer was appointed as an Executive Director (CEO) on 8 March 2021. Darcy Willson-Rymer did not have any Restricted Share awards eligible to vest for FY22 and FY23 due to his date of appointment in March 2021.

9 Kris Lee received a salary supplement of £4,000 per month until 31 December 2021 on account of additional responsibilities assumed in the absence of a permanent CEO and during Darcy Willson-Rymer's induction period.

10 Paul Moody held the position as Interim Executive Chair between 1 February 2021 and 8 March 2021 (FY22). During this period he was entitled to his Non-Executive Chair fee of £144,000 pa plus £30,000 per month supplement for assuming the Interim Executive Chair role, however, he waived his entitlement to this additional fee (£30,000 per month) as Executive Chair for the period from 1 January 2021 to 28 February 2021. Details of fees paid after 8 March 2021 are set out in the table 'Single figure total fees paid to Non-Executive Directors – audited'. The above table reports all fees paid to Paul Moody for the period of his interim appointment as Executive Chair, from 1 February 2021 to 8 March 2021.

Annual bonus payments and link to performance

Bonus opportunities for FY23 were 125% of salary for Darcy Willson-Rymer and 100% of salary for Kris Lee. The bonus was subject to achieving a range of EBITDA targets (70% of the opportunity) and Strategic Objectives (30% of the opportunity). As a result of strong financial performance and partial achievement of the strategic objectives, the total bonus payout for FY23 was 80% of maximum. This resulted in total bonus payments of £450,000 for the CEO and £268,580 for the CFO. In line with policy, one-third of the bonus (after payment of tax) must be used to acquire Card Factory plc shares which must be held for three years.

EBITDA (70% of bonus opportunity) - audited

The EBITDA (post-IFRS 16 adjustment for Leases) performance targets for the year and final performance achieved against this element are as set out of the chart on the right. The Committee reduced the actual EBITDA realised during FY23 by a further £2.5 million (for the purpose of determining the bonus payable) to remove the benefit from release of a provision in respect of a repayment of CJRS support received from HMRC.

Performance level	FY23 EBITDA target range	Percentage of total EBITDA bonus pool available if performance level achieved	EBITDA realised (after adjustments)	Percentage of total bonus pool payable (% of maximum)
Threshold	£90.033m	15%		
Target	£95.033m	50%	£109.6m	70% of 70%
Maximum	£100.033m	100%		

Achievement against strategic objectives (30% of bonus opportunity) – audited

The strategic objectives for the CEO and CFO were set at the start of the year and outlined in last year's report. The strategic objectives have been reviewed in detail with one objective being achieved and two objectives not being achieved, giving an achievement of 10% of the maximum 30% of the total bonus opportunity. The specific outcomes for each objective were as follows:

Strategic objective	Link to strategy	Target and Stretch performance set	Outcome	Bonus achieved (% of maximum)
cardfactory.co.uk growth.	Omnichannel is one of the key strategic sales channels targeting sales and market share growth.	Threshold: cardfactory.co.uk sales of £13.33 million (i.e. +22.3% from FY22) (for 15% of maximum potential bonus opportunity). Target: cardfactory.co.uk sales to achieve £14.42 million (i.e. +32.3% from FY22) (for 50% of maximum potential bonus opportunity). Stretch: cardfactory.co.uk sales to achieve £15.51 million (i.e. +42.3% from FY22) (for 100% of maximum potential bonus opportunity). Straight-line adjustment applies between Threshold, Target and Stretch.	£8.8 million.	nil of 15%
Retail partnership growth.	Development of retail partnerships is a key growth sales channel.	Threshold: One partner launched (for 15% of maximum potential bonus opportunity). Target: Two partners launched (for 50% of maximum potential bonus opportunity). Stretch: Two partners launched plus one signed (for 100% of maximum potential bonus opportunity). Launched requires opening of the first location; signed requires heads of terms, trial exceeding three months or full agreement to be signed.	No new partners were launched during the period.	nil% of 5%
Realisation of sales growth from strategic initiatives.	Realisation of key strategic priorities: model store trials, pricing changes and gifts and celebration essentials (both in stores and online).	Threshold: £19.6 million sales from four strategic initiatives (for 15% of maximum potential bonus opportunity). Target: £20.6 million sales from four strategic initiatives (for 50% of maximum potential bonus opportunity). Stretch: £21.6 million sales from four strategic initiatives (for 100% of maximum potential bonus opportunity). Straight-line adjustment applies between Threshold, Target and Stretch.	The strategic projects generated incremental sales of £29.4 million.	10% of 10%

Grants of Restricted Shares FY23 – audited

Conditional awards of Restricted Shares were granted to the Executive Directors on 12 May 2022. The Remuneration Policy provides for awards of shares worth 87.5% of basic salary for a CEO and 75% of salary for the CFO. The Remuneration Committee included an additional criteria in the performance underpin relating to an improved impact on society and the environment over the measurement period for the performance underpin.

Executive Director	Number of Restricted Shares awarded[1]	Face value of award value as a % of salary	Face/maximum value of Restricted Shares at grant date[1]	Measurement period for performance underpin
Darcy Willson-Rymer	780,197	87.5%	£393,750	1.2.22–31.1.25
Kris Lee	498,919[2]	75%	£251,795	1.2.22–31.1.25

1 Based on the average share price for the three months to and including 11 May 2022 of 50.468 pence.

2 The number of shares capable of vesting was reduced to 166,306 shares following Kris Lee's cessation of employment on 31 January 2023.

For Restricted Shares to vest, the Committee must be satisfied that business performance over the three years commencing 1 February 2022 is robust and sustainable, that the business improved its impact on society and the environment and that management has strengthened the business. In assessing performance, the Committee will consider financial and non-financial KPIs of the business as well as delivery against strategic priorities. To the extent it is not satisfied with performance the Committee may scale back the level of vested awards including to zero. An additional discretion allows scale back on vesting to minimise excess gains from share price increases between grant and vesting. There will be full disclosure in the Annual Report and Accounts of the Committee's determination of this 'performance underpin'.

Upon determination by the Company's Remuneration Committee of the full or partial satisfaction of the performance underpin condition, any Restricted Shares will vest as follows:

- 50% of the Restricted Shares on the third anniversary of the date of grant;
- 25% of the Restricted Shares on the fourth anniversary of the date of grant; and
- 25% of the Restricted Shares on the fifth anniversary of the date of grant.

100% of the vested Restricted Shares will be subject to a holding period which (save for permitted sales to meet tax liabilities from vesting) will normally end on the fifth anniversary of the date of grant.

2020 LTIP Restricted Share award vesting – audited

Restricted Share awards granted in October 2020 under the LTIP were subject to substantially the same performance underpin summarised above in respect of the FY23 Restricted Shares, for the three financial years to and including FY23, save that the performance underpin relating to society and the environment did not apply, and the further discretion on vesting to scale back to avoid excessive returns did not apply. Under the terms of the awards, 50% of any award that vests will vest on the third anniversary of grant (i.e. on 12 October 2023), 25% on the fourth anniversary and 25% on the fifth anniversary.

The Committee recognises the improvement in the business performance over the period, which has developed from extended periods of mandatory store closure in 2020 and 2021, which required extensive management action to manage liquidity and protect the business and its many stakeholders, including securing a series of refinancings with its banks, to substantially recover revenues to pre-pandemic levels by the end of the period to trading performance prior to the pandemic, with an improved net debt position and encouraging evidence that the revised strategy that has been adopted is beginning to realise the stated objectives. The Committee recognises that sales growth from two strategic growth channels: retail partnerships and online, are not yet realising the growth expected, but sees material progress in building the infrastructure, expertise and relationships to realise the sales growth targeted in the outer years of the strategic plan. On this basis, the Committee approved the vesting of the 2020 RSP awards.

Darcy Willson-Rymer did not receive a 2020 Restricted Share award due to his appointment in March 2021. Kris Lee did however receive a 2020 Restricted Share award grant and this award will vest in full on the third, fourth and fifth anniversary of grant. The Chair's statement sets out further detail of the Committee's assessment of the performance underpin and the overall vesting level.

SAYE – audited

Awards under the HMRC-approved SAYE plan were granted to all participating employees on 8 June 2022. Options were granted at a discount of 20% to the share price on grant and vest after three years subject to continued employment.

Executive Director	Number of SAYE options awarded	Face/maximum value of awards at grant date[1]	% of award vesting at threshold	Performance period
Darcy Willson-Rymer	18,419	£2,250	n/a	n/a
Kris Lee[2]	14,662	£1,791	n/a	n/a

1 Value stated is the value of the 20% discount to the exercise price based on the share value determined over the three days to and including 11 May 2022, of 61.07 pence.

2 Following Kris Lee's resignation on 31 January 2023, the number of shares included in the 2022 SAYE award capable of being exercised (and exercised in March 2023) was reduced to 3,258 shares.

Single figure total fees paid to Non-Executive Directors – audited

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 January 2023 and the prior year.

	Base fee paid		Additional fees		Total	
Non-Executive Director	FY23	FY22	FY23	FY22	FY23	FY22
Paul Moody[1] (Chair)	£146,400	£128,903	£0	£0	£146,400	£128,903
Octavia Morley (SID)[2]	£49,817	£48,183	£8,133	£7,867	£57,950	£56,050
Roger Whiteside	£45,750	£44,250	£0	£0	£45,750	£44,250
Nathan (Tripp) Lane	£45,750	£45,000	£0	£0	£45,750	£45,000
Rob McWilliam[3]	£45,750	£11,250	£8,133	£2,000	£53,883	£13,250
Indira Thambiah[4]	£19,125	–	£0	–	£19,125	–

1 The figures report only the fees paid to Paul Moody in his capacity as a Non-Executive Director after 8 March 2021. Additional fees paid in respect of his interim executive role are reported above on page 86 (Total remuneration paid to Executive Directors – audited).

2 Octavia Morley stepped down from the Board on 31 January 2023.

3 Rob McWilliam was appointed on 1 November 2021.

4 Indira Thambiah was appointed on 1 September 2022 and assumed the role as Chair of the Remuneration Committee from 1 February 2023.

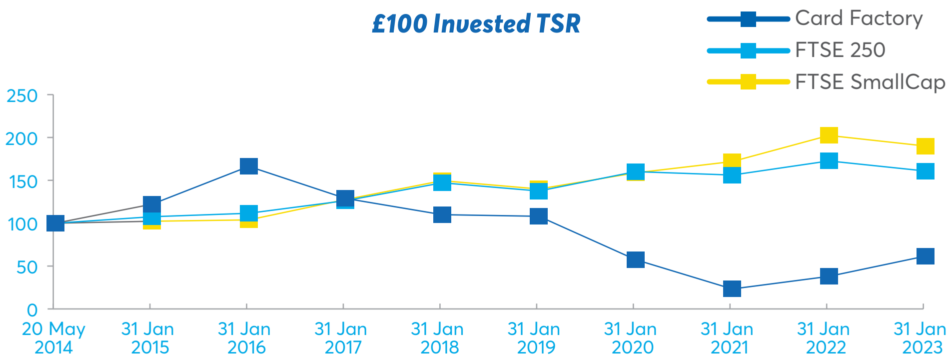
Payments to former Directors – audited

No payments were made to former Directors during the year. However, the Board and Kris Lee agreed to Kris' leaving the Company following a transition period (announced in July 2022) following which Kris elected to terminate his employment on 31 January 2023. Since the year end, in February 2023, Kris was paid £40,000 as compensation for loss of office. Kris will be entitled to payment of the annual bonus for FY23 of £268,580 (details of which are set out on pages 86 and 87), one third of which (after tax) is required to be applied in purchasing Card Factory plc shares. The Committee has also agreed to treat Kris as a good leaver in respect of Restricted Share awards granted under the Company's Long Term Incentive Plan and options under the SAYE plan. Kris shall be entitled to awards subject to the terms of the schemes, which will include scale back to reflect the proportion of the measurement period for the performance underpin for restricted share awards during which Kris was employed by the Company. Details of the share awards that remain subject to vesting are set out on page 92.

No other payments for loss of office have been paid.

Historical TSR performance and CEO remuneration

The graph below illustrates the total shareholder return (TSR) of Card Factory against the FTSE 250 Index and FTSE Small Cap Index over the period since the Group listed on 20 May 2014. These indices have been chosen as they are recognised, broad-equity market indices of which the Group has been a member for this period.



CEO	***2022/23 (FY23)***	2021/22[1] (FY22)	2020/21[2] (FY21)	2019/20 (FY20)	2018/19 (FY19)	2017/18 (FY18)	2016/17[3] (FY17)	2015/16 (FY16)	2014/15 (FY15)
Single figure of remuneration (£'000)	***943***	829	525	593	611	496	1,005	951	884
Annual bonus outcome (% of max)	***80%***	66%	–	10%	15%	–	20%	79%	77%
LTIP vesting (% of max)	***n/a***	n/a	50%	–	–	n/a	46.6%	n/a	n/a

1 For FY22, the amounts set out in the single figure table on page 86 are grossed up, on a pro rata basis to show the position for comparison purposes assuming Darcy Willson-Rymer had been appointed from 1 February 2021 rather than 8 March 2021 (the date of his actual appointment).

2 For FY21 this represents all remuneration paid to Karen Hubbard to 30 June 2020 (the date of her resignation) and payments to Karen Hubbard during her period of garden leave to 31 December 2020 and the proportion of the pro rata Restricted Share award that vested in July 2021.

3 For FY17 this represents the aggregate single figure for Karen Hubbard (from date of appointment as CEO) and Richard Hayes (to date of stepping down as CEO).

Percentage change in remuneration of Directors and all employees

The table below shows the change each year for each Director's salary/fees, benefits and bonus, for each of the last three financial periods, as compared to the salary change for all employees (excluding such Directors), based on a total full-time equivalent reward for the relevant financial year. Where a Director was appointed or resigned part way through the financial year, their salary/fees, benefits and bonus are grossed up to reflect as full-year equivalent to provide for meaningful reflection for the year-on-year change:

		Executive Directors		Non-Executive Directors					
Year-on-Year change %	Average employee[1]	Darcy Willson-Rymer[2]	Kristian Lee	Paul Moody	Octavia Morley	Roger Whiteside	Nathan (Tripp) Lane	Rob McWilliam	Indira Thambiah
FY23 compared to FY22									
Salary/Fees	13.25%	0%	-4.41%	-3.0%	3.4%	3.4%	1.7%	1.7%	n/a
Bonus	46.57%	34.5%	10.15%	n/a	n/a	n/a	n/a	n/a	n/a
Benefits[4]	-15%	5.7%	263.5%	n/a	n/a	n/a	n/a	n/a	n/a
FY22 compared to FY21									
Salary/Fees	4.7%	1.0%	4.5%	-54.0%	0%	0%	0%	n/a	–
Bonus	45.9%	100%	100%	n/a	n/a	n/a	n/a	n/a	–
Benefits	-35%	-60.8%	77%	n/a	n/a	n/a	n/a	n/a	–
FY21 compared to FY20									
Salary/Fees	5.3%	–	9.07%	127.88%	-1.67%[3]	-1.67%[3]	n/a	–	–
Bonus	-64.3%	–	-100%	n/a	n/a	n/a	n/a	–	–
Benefits	12.8%	–	91.83%	n/a	n/a	n/a	n/a	–	–

1 The Average Employee is the FTE for all UK Group employees.

2 Darcy Willson-Rymer's remuneration information change for FY22 compared to FY21 reflects the annualised salary and benefit for Darcy (who was appointed 8 March 2021) compared to the annualised data for the former CEO, Karen Hubbard, for FY21, on the basis stated in note 2 to the preceding table.

3 Reduction in fees received during FY21 (compared to FY20) is attributable to waivers of fees by Directors over the periods of lockdown due to the Covid-19 pandemic.

4 Benefits includes all income in the Single Figure tables excluding Salary/Fees and Bonus.

CEO to employee pay ratio

FY23	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Ratio	Option A	44.7 : 1	43.6 : 1	42.1 : 1
Employee salary		£20,288	£20,995	£21,724
Employee total remuneration		£21,096	£21,625	£22,376
FY22 ratio (restated)	Option A	51.9 : 1	40.3 : 1	38.2 : 1
FY21 ratio	Option A	31.4 : 1	30.6 : 1	29.5 : 1

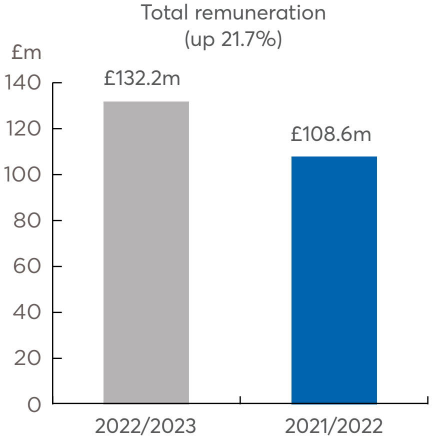
cardfactory has chosen Option A (pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended)), which provides a comparison of the Company's full-time equivalent total remuneration for all UK employees against the CEO for the FY23 financial year as the most appropriate methodology to report the ratio, in line with the recommendation from the UK Government Department for Business, Energy and Industrial Strategy and shareholder and proxy-voting bodies.

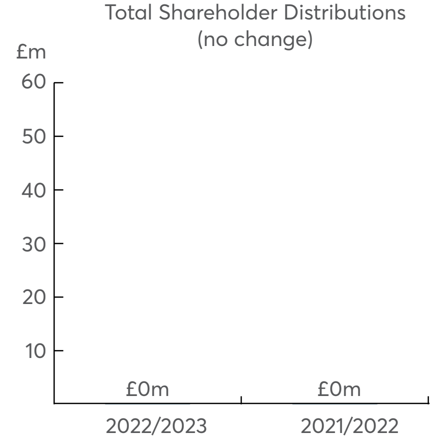
The CEO pay ratio for FY22 has been restated this year to adopt the CEO remuneration from the single figure table on page 86. The CEO pay ratio reported in last year's report was calculated using the actual payments received by the CEO during FY22, which did not include the FY22 annual bonus payment which was paid after the end of FY22, but was included in the single figure table. We have therefore restated this figure and the ratios. Employee remuneration as at 31 January 2023 was used for determination of the FY23 pay ratio information reported above.

The Committee considers pay ratios as one of many reference points when considering remuneration. Throughout the Group, pay is aligned with our pay principles, is structured to be as consistent as possible and is market-competitive in the context of the sector in which we operate. The Committee notes the limited comparability of pay ratios across companies and sectors, given the diverse range of business models and employee population profiles which exist across the market. A significant proportion of the CEO's potential pay is delivered in variable remuneration which may therefore fluctuate significantly on a year-to-year basis. The ratios have moved slightly year-on-year, primarily due to changes in incentive plan pay-outs for the CEO. The Committee recognises the reduction in the CEO pay ratio from FY22 (restated) to FY23 for the lowest earners in the business (as represented by the lower quartile), which reflects the increase in National Minimum Wage and National Living Wages applicable from April 2022 and the further enhancements to pay and benefits that are part of an ongoing programme to provide a fair deal for colleagues on our journey to becoming a median market payer, which are being implemented alongside business efficiencies and take account of colleague priorities based on ongoing consultation. Although the FY23 ratios for median and upper percentile colleagues have increased, these ratios are impacted by a higher CEO bonus in FY23 and the Committee places emphasis on the increases to salary and remuneration for employees, where employee total remuneration is £6,051 higher at the 25th percentile; £2,261 higher at the median level; and £1,941 higher at the 75th percentile, than the equivalent total remuneration in the prior year.

Distribution statement

The charts below illustrate the year-on-year change in total remuneration for all employees and total shareholder distributions ('TSD').





Statement of shareholder voting

The following table shows the results of the shareholder votes on the Annual Report on Remuneration at the 2022 AGM and for the Directors' Remuneration Policy at the 2021 AGM:

	Remuneration Policy 2021		Annual Report on Remuneration 2022	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	189,960,737	94.98	169,968,698	83.3
Against	10,033,932	5.02	34,070,430	16.7
Total votes cast (excluding withheld votes)	199,994,669	–	204,039,128	–
Total votes withheld	29,676	–	2,113,595	–
Total votes cast[1] (including withheld votes)	200,024,345	–	206,152,723	–

1 A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

The Committee acknowledges the notable vote against the Remuneration Report in 2022 is primarily attributed to the decision to pay reduced annual bonus to the Executive Directors for the FY22 year. The Committee's evaluation of the Director and business performance over this period, and balance of stakeholder interests in the long term, were considered at length by the Committee and are documented in detail in the 2022 Annual Report. The Committee will continue to exercise discretion, where appropriate, taking account of all stakeholder interests and guidance available.

Directors' shareholdings and interest in shares – audited

The Committee sets shareholding guidelines for Executive Directors. Executive Directors are required to retain shares that vest from future Restricted Share awards and acquire shares with one-third of any bonus (after payment of tax) under the shareholding requirement is met. The current guideline is to build and maintain, over time, a holding of shares in the Company equivalent in value to at least 250% and 200% of base salary for the CEO and CFO, respectively. The Executive Directors have not yet met the shareholding guideline.

	Shares held		Options held					
Director	Owned outright[1]	Unvested and not subject to performance	Unvested and subject to performance	Vested but not exercised	Unvested and subject to continued employment	Current shareholding (% of salary/fee[2])	Shareholding requirement (% of salary/fee)	Guideline met?
Executive Directors								
Darcy Willson-Rymer	178,188	–	514,436	–	31,945	35.8%	250%	No
Kris Lee[3]	174,439	371,067	380,394	–	–	49.4%	200%	No
Non-Executive Directors								
Paul Moody	200,000	–	–	–	–			
Octavia Morley[3]	13,333	–	–	–	–			
Roger Whiteside	22,520	–	–	–	–			
Nathan (Tripp) Lane	200,000	–	–	–	–			
Rob McWilliam	32,578	–	–	–	–			
Indira Thambiah	–	–	–	–	–			

1 Including shares owned by connected persons.

2 Calculated using the closing share price of the Company on Friday 31 January 2023 of 95.0 pence.

3 Kris Lee and Octavia Morley stepped down from the Board on 31 January 2023.

During the year, no share options under the SAYE plan were exercised by the Directors. Since the end of the year, Kris Lee exercised options under the SAYE Plan pursuant to which he acquired 20,337 shares on 17 March 2023. Otherwise, there have been no changes in the numbers of shares owned by the Directors and their connected persons between the end of the year and the date of this report.

Details of Directors' interests in shares in incentive plans – audited

	Date of grant	Share price at grant	Exercise price[7]	Number of shares awarded	Face value at grant	Performance period	Exercise period
Darcy Willson-Rymer							
Restricted shares[1]	12.05.22	50.468p	n/a	780,197	£393,750	01.02.22 – 31.01.25	n/a
Restricted shares[1]	14.06.21	76.54p	n/a	514,436	£393,750	01.02.21 – 31.01.24	n/a
SAYE	08.06.22	61.07p	48.86p	18,419	£2,249	–	01.07.25 – 31.12.25
SAYE	08.07.21	66.87p	53.496p	13,526	£1,814	–	01.08.24 – 31.01.25
Kris Lee[6]							
Restricted shares[1]	12.05.22	50.468p	n/a	498,919[5]	£251,794.50	01.02.22 – 31.01.25	n/a
Restricted shares[1]	14.06.21	76.54p	n/a	321,132[5]	£245,794	01.02.21 – 31.01.24	n/a
Restricted shares[1 2]	12.10.20	39.74p	n/a	371,067	£147,475[2]	01.02.20 – 31.01.23	n/a
Restricted shares[1 3]	14.05.19	188.74p	n/a	65,115	£122,898	01.02.19 - 31.01.22	n/a
Restricted shares[1 4]	11.07.18	214.1p	n/a	13,794	£29,533	01.02.18 – 31.01.21	n/a

1 The number of shares comprising each RSP award was calculated based on the average, middle-market quotation of a share in the capital of the Company over the three months prior to the date of grant.

2 Restricted Share award to Kris Lee made in 2020 was scaled back by 40% of the policy level, following exercise of discretion by the Remuneration Committee, having regard to the change in share price as a result of the then current market environment.

3 Kris Lee's original award in 2019 was granted over 130,229 shares. 50% of this award vested on 14 May 2022 with the balance subject to future vesting.

4 Kris Lee's original award in 2018 was granted over 110,346 shares. This award was reduced to 55,173 following the Remuneration Committee's decision to permit only 50% of the award to vest. 50% of the award vested 11 July 2021, and a further 25% vested on 11 July 2022 with the balance indicated subject to future vesting on 11 July 2023.

5 Following termination of Kris Lee's employment with the Company on 31 January 2023, as a result of Kris Lee being deemed to be a "good leaver", the number of Restricted Shares capable of vesting has been reduced pro-rata based on the proportion of the performance period that he was employed by the business. Consequently, the maximum number of shares capable of vesting in respect of the grant in 2021 was reduced from 321,132 to 214,088 shares; and for the award granted in 2022 was reduced from 498,919 shares to 166,306 shares.

6 Following termination of Kris Lee's employment on 31 January 2023, he has exercised his options to acquire ordinary shares pursuant to the SAYE scheme, as a good leaver, by applying savings under the SAYE plan, at the option price. In aggregate, 20,337 shares were issued on 17 March 2023. No SAYE options remain exercisable by Kris Lee as at the date of this report.

7 In respect of Restricted share awards, the employer pays a nominal bonus of 1 pence per share at the time of vesting. This nominal bonus is applied to pay the subscription price to meet the Companies Act requirements for payment of nominal value on allotment.

How the Policy will be applied in FY24

Salary

The salaries of the Executive Directors with effect from 1 April 2023 are as follows:

Executive Director	*1 April 2023*	1 April 2022
Darcy Willson-Rymer	***£472,500***	£450,000[1]
Matthias Seeger	***£345,000***[2]	n/a

1 Darcy Willson-Rymer declined a 2% increase to basic salary which was approved by the Committee for the period commencing 1 April 2022.

2 Salary from 1 April 2023 is the annual salary that will be paid to Matthias Seeger who is to be appointed as CFO from 22 May 2023. For comparison purposes, the annual salary payable to the former CFO from 1 April 2022 was £335,725.

Benefits and pension

These will be paid in line with the Policy.

Annual bonus

The annual bonus for FY24 is capped at 125% and 100% of salary for the CEO and CFO (respectively), up to 70% of which can be realised if financial target of Group PBT is achieved and the remaining 30% can be realised from achievement of strategic objectives.

The financial targets have been set by the Committee and will require Executive Directors to deliver significant stretch performance compared to market expectations at the start of the financial year and the financial performance realised in FY23. Given the close link between these targets and cardfactory's competitive strategy, financial targets are considered commercially sensitive but will be published in next year's Annual Report on Remuneration.

The objectives set for both the CEO and CFO for FY24, which are shared by all of the senior management team are as follows:

Objective	Link to strategy	Target and Stretch performance set[1]	Bonus potential (% of maximum bonus opportunity)
Financial objectives			***70% total***
PBT based target	Group financial performance and improvement in profitability.	15% of full opportunity if Threshold is achieved; 50% of opportunity if Target is achieved; and 100% of opportunity if Stretch is achieved. Straight-line adjustment for results between Threshold, Target and Stretch.	70%
Strategic objectives			***30% total***
cardfactory.co.uk sales growth	Online sales (including certain omnichannel initiatives) is one of the key strategic sales channels targeting sales growth.	Net sales targets for cardfactory.co.uk: 15% of full opportunity if Threshold is achieved; 50% of opportunity if Target is achieved; and 100% of opportunity if Stretch is achieved. Straight-line adjustment for sales between Threshold, Target and Stretch.	12.5%
Retail partnership sales growth	Development of retail partnerships is a key growth sales channel.	Net sales targets for retail partnerships: 15% of full opportunity if Threshold is achieved; 50% of opportunity if Target is achieved; and 100% of opportunity if Stretch is achieved. Straight line adjustment for sales between Threshold, Target and Stretch.	12.5%
Net Promoter Score improvement in FY24 compared to FY23	Realisation of key strategic priorities to make the business customer centric.	Average monthly NPS score (as assessed by Savanta Brand Vue: 15% of opportunity if Threshold is achieved; 50% of opportunity if Target is achieved; and 100% of opportunity if Stretch is achieved. Straight line adjustment for sales between Threshold, Target and Stretch.	5%

1 Quantums for Target and Stretch for each objective are commercially sensitive and will be published in the Annual Report on Remuneration for the year to 31 January 2024.

Restricted Shares

The precise grant levels have not yet been finalised, but we anticipate that Restricted Shares will be granted over shares with a value at the time of grant of up to 87.5% of salary and 75% of salary for the Chief Executive and Chief Financial Officer, respectively, after Matthias Seeger joins the Board on 22 May 2023.

In order for Restricted Shares to vest, the Committee must be satisfied that business performance is robust, sustainable, that the business has improved its impact on society and the environment and that management has strengthened the business. In assessing performance, the Committee will consider financial and non-financial KPIs of the business as well as delivery against its strategic priorities. To the extent it is not satisfied with performance, or to address any excessive gains from share price increases, the Committee may scale back the level of vested awards.

There will be full disclosure in the Annual Report and Accounts of the Committee's determination of the performance underpin.

Non-Executive Director fees

As explained in the Remuneration Committee's letter, the Chair and NED fees have fallen behind market levels significantly and, having considered the increase to scope and complexity of the NED roles and the importance of being able to attract and retain NEDs of sufficient calibre, the fee levels have been reviewed for FY24 resulting in a correctional increase to fee levels.

Going forwards, the Company proposes to review all fees on an annual basis to ensure market median rates are maintained, whilst taking account of colleague and other stakeholder experience. The agreed Chair and Non-Executive Director fees are set out below.

	From 1 April 2023	Prior to 1 April 2023
Base fees		
Chair	£175,000	£146,880
Senior Independent Director	£60,000	£49,980
Non-Executive Director	£50,000	£45,900
Additional fees		
Chair of the Remuneration Committee	£10,000	£8,160
Chair of the Audit & Risk Committee	£10,000	£8,160

Remuneration Committee membership and advisors

The Remuneration Committee membership during the period is set out in the Corporate Governance Report on page 70.

The Committee fulfils its duties with a combination of both formal meetings and informal consultation with relevant parties, both internal and external. Its principal external advisors are Korn Ferry, who were appointed by the Committee following a tender process during 2018. Korn Ferry does not provide any other services to the Company. Korn Ferry is a signatory to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consultants Group's website at remunerationconsultantsgroup.com. Accordingly, the Committee is satisfied that the advice received is objective and independent. Fees of £27,006 (inc. VAT) were paid to Korn Ferry during the financial year.

Committee activities

During FY23 and up to the approval of this Report, the Committee met to consider the following remuneration matters:

- Review the operation of the Remuneration Policy in FY23 and assess appropriateness of the policy.
- Consider performance against targets and resulting bonus payments for FY22 and vesting of the 2019 Restricted Share awards under the Long Term Incentive Plan.
- Finalise the financial targets and (since the year-end) consider the performance against the targets and resulting bonus payments and consideration of the exercise of discretion for the FY23 annual executive bonus plan and to agree the measures and targets for the FY24 annual executive bonus.
- Approve the terms of Kris Lee's departure from the Company.
- Consider the remuneration package for the appointment of Matthias Seeger as the new CFO.
- Consider and approve annual salary increases for the senior management team, the CEO and the Chair, and the wider workforce salary and benefit reviews.
- Assess good leaver designations and approval of terms for certain leavers.
- Review developing trends in remuneration market practice, investor guidelines and governance.
- Review and consider wider Group remuneration policies and practices and the approach to employee engagement as it relates to remuneration matters.
- Undertake various other reviews and approvals (as appropriate) in accordance with the terms of reference for the Committee adopted by the Company.
- Formally approve the Directors' Remuneration Report as set out in this Annual Report.

The work of the Remuneration Committee

Set out below are those areas of the Committee's work that it is required to report under the Code and reporting regulations and which are not covered elsewhere in this Directors' Remuneration Report.

Engagement with stakeholders

The Committee completed its consultation with shareholders on the changes proposed to be made to the Directors' Remuneration Policy that was approved by shareholders at the 2021 AGM. Support for the Directors' Remuneration Policy, that was adopted at the 2021 AGM, was almost 95% and the FY22 Directors' Remuneration Report at the 2022 AGM received support from shareholders holding 83.3% of the votes cast. There were no material concerns for the Committee to consider from the AGM voting outcomes. Encouragingly our employee engagement scores increased significantly during the year, as assessed using a 'b-Heard' survey, assessed by Best Companies Limited (see pages 32 and 33). cardfactory continues to work on some of the key themes and outputs from the survey and we continue with the Combined Colleague Advisory Group (CCAG) which complements existing forms of employee engagement. It also forms the basis of engagement on those matters specifically required under the Code, including to explain the alignment of the Executive Directors' Remuneration Policy to the wider Group. Paul Moody is the Designated Director to lead the Board's consultation of colleagues via the CCAG. Further details of stakeholder engagement are set out on pages 26 to 35.

There were no matters arising during the year that required consultation by the Remuneration Committee with shareholders.

Determining Executive Director remuneration

The Committee considers the appropriateness of the Executive Directors' remuneration, not only in the context of overall business performance and environmental, governance and social matters, but also in the context of wider workforce pay conditions (taking into account workforce policies and practices as well as the ratio of CEO pay to all-employee pay) and external market data, to ensure that it is fair and appropriate for the role, experience of the individual, responsibilities and performance delivered.

More specifically the Committee will continue to consider the application of discretion in application of the Directors' Remuneration Policy to adjust for any excessive returns from general market changes, and to account for wider stakeholder experience, in particular in respect of the exercise of discretion in respect of bonus and share awards and in setting any new targets for future annual bonus schemes.

Wider workforce matters

The Committee, as part of its wider remit under the Code, considers workforce remuneration policy and practices. This includes our Gender Pay statistics, which are published on our investor relations website (cardfactoryinvestors.com) and our DE&I strategy (see pages 31 to 33) and our DE&I policy which is summarised on page 97. The Committee has also considered the Group's wider review of remuneration across the entire workforce following an extensive grading of roles and benchmarking of remuneration and benefits associated with each role.

This report was reviewed and approved by the Remuneration Committee on 2 May 2023.

Indira Thambiah
Chair of the Remuneration Committee
3 May 2023

NOMINATION COMMITTEE

Chair's letter

Paul Moody

Chair of the Nomination Committee

Committee members:

Paul Moody (Chair)
Roger Whiteside
Rob McWilliam
Indira Thambiah

Dear Shareholder

The Nomination Committee's activities during the year have focused on:

- appointment of Indira Thambiah as a Non-Executive Director, with relevant remuneration experience to succeed Octavia Morley as Chair of the Remuneration Committee;
- appointment of Matthias Seeger as Chief Financial Officer of the Company, who will take up this post on 22 May 2023;
- review of recent and proposed senior appointments;
- review of succession planning for the Board, the senior management team and their direct reports and approach to succession plans being undertaken throughout the business;
- review of the size and skills of the Board, resulting in the decision not to seek to appoint a Non-Executive Director following the resignation of Octavia Morley;
- approval of appointments of Roger Whiteside as Senior Independent Director and of Indira Thambiah as Chair of the Remuneration Committee; and
- effecting the internally moderated annual Board effectiveness review, setting new Board objectives and review of performance against prior year objectives.

The Committee has been active over the last year with a number of senior appointments, succession planning and with an internal Board effectiveness review.

The Committee recognises the importance of ensuring cardfactory is a truly diverse and inclusive employer and supports customers of all backgrounds to celebrate all occasions that are important to them. The Board aspires to achieve the gender and ethnic minority diversity targets set by the FCA in April 2022, despite these rules not being directly applicable to the Company (as a FTSE AllShare company). The Company has elected to voluntarily disclose in its report, the Board and the senior management team diversity as at the year end, in addition to the gender data at the year end. As two Directors left the Board on this date, the data is also disclosed as at the latest practicable date prior to publication of this Report, to ensure full transparency.

The Company retained Odgers Berndtson to undertake a market search to recommend candidates for the role of Non-Executive Director and potential Chair of the Remuneration Committee. The Committee reviewed a range of candidates and undertook multiple interviews of those shortlisted which resulted in the unanimous resolution to appoint Indira Thambiah. Ridgeway Partners Limited, trading as Teneo, were appointed to undertake a comprehensive market search for a Chief Financial Officer candidate. Following a rigorous selection process, including multiple interviews, presentations and psychometric testing, the Committee unanimously agreed the appointment of Matthias Seeger who will join the Board on 22 May 2023. Neither Odgers Berndtson nor Teneo have any connection to the Company or any of the Directors.

In addition to further progressing the Group's DE&I strategy, the Committee will focus on addressing further supporting development opportunities identified from the succession planning undertaken for the senior management team and their direct reports. An internally conducted Board effectiveness review will also be undertaken.

There remains much to be done throughout the organisation, but the Committee is pleased with progress to date and we will further update shareholders in next year's Annual Report.

Yours sincerely

Paul Moody
Chair
3 May 2023

Nomination Committee Report

This report provides details of the role of the Nomination Committee, the work it has undertaken during the year and details of how it intends to carry out its responsibilities going forward.

Role of the Nomination Committee

The purpose of the Committee is to:

- Assist the Board by keeping the composition and performance of the Board and its Committees under continuous review to ensure it has the necessary balance of skills and experience to fulfil its purpose.
- Ensure a thorough and transparent process is adopted for making new appointments to the Board.
- Oversee diversity, inclusion and succession, not only within the Board but across the Group's senior management team.

A more detailed explanation of the Nomination Committee's role, membership, meeting frequency and terms of reference are set out in the Corporate Governance Report on pages 68 and 70.

Committee activity

The Committee's main activity during the year, and its plans for the year ahead, are as described in more detail in the introductory letter to this report.

DE&I Policy

Our policy is that the Board and the Group's senior management team should always be diverse, with selection being made irrespective of personal attributes, but we feel that quotas are not appropriate as they are likely to lead to compromised decisions on Board and senior management team membership, quality and size.

We will, however, seek to ensure that specific effort is made, both at Board and senior management team level, to bring forward female candidates and those from a range of ethnic and social backgrounds for appointments.

We are committed to providing equal opportunities for all our colleagues and to having a diverse workforce of gender, age, nationality, education and background. We are a founding signatory, alongside 50 other leading retailers, to the British Retail Consortium's Diversity and Inclusion Charter. Details of some of our commitments and progress during the year can be found in the ESG Report from page 36.

We published our Gender Pay Gap Report in April 2023, which reports on the gender pay gap as at 5 April 2022. A copy of the report has been published on cardfactory's investor website (cardfactoryinvestors.com).

Our latest data on gender and (for the Board and senior management team) ethnicity is as follows:

Gender composition:

	Number of Board members		Percentage of the Board		Number of senior positions on the Board (CEO, CFO, SID, Chair)		Number in executive management (excl. Board members)		Percentage of executive management (excl. Board members)	
	31 Jan 2023	2 May 2023	31 Jan 2023	2 May 2023	31 Jan 2023	2 May 2023	31 Jan 2023	2 May 2023	31 Jan 2023	2 May 2023
Men	6	5	75%	83.3%	3	3	7	6	77.7%	75%
Women	2	1	25%	16.7%	1	0	2	2	22.2%	25%

Ethnic diversity:

	Number of Board members		Percentage of the Board		Number of senior positions on the Board (CEO, CFO, SID, Chair)		Number in executive management		Percentage of executive management	
	31 Jan 2023	2 May 2023	31 Jan 2023	2 May 2023	31 Jan 2023	2May 2023	31 Jan 2023	2 May 2023	31 Jan 2023	2 May 2023
White British or other White (including minority-white groups)	7	5	87.5%	83.3%	4	3	9	8	81.8%	80%
Mixed/Multiple Ethnic Groups	0	0	0	0	0	0	0	0	0	0
Asian/Asian British	1	1	12.5%	16.7%	0	0	1	1	9.1%	10%
Black/African/Caribbean/Black British	0	0	0	0	0	0	1	1	9.1%	10%
Other ethnic group, including Arab	0	0	0	0	0	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0	0	0	0	0	0

For the 48 direct reports to the executive management team as at 31 January 2023, 50% (24 individuals) are women 50% (24 individuals) are male. Of the entire workforce of 9433 as at 31 January 2023, 82.5% (7,778 individuals) are women and 17.5% (1,655 individuals) are male.

Board evaluation

The Company undertook an internal Board effectiveness evaluation (having completed an external review in 2021). Further details are set out in the Corporate Governance Report on page 71. Board evaluation will continue to be conducted on an annual basis, with an internally facilitated evaluation scheduled to be completed during the financial year to 31 January 2024.

Tenure and re-election of Directors

In accordance with the UK Corporate Governance Code, all the Directors will seek election or re-election (as appropriate) at the next AGM on 22 June 2023.

Paul Moody
Chair of the Nomination Committee
3 May 2023

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 January 2023.

Introduction

This section of the Annual Report and Accounts includes additional information required to be disclosed under the Companies Act 2006 ('the Companies Act'), the UK Corporate Governance Code 2018 (the 'Code' or the 'UK Corporate Governance Code'), the Disclosure Guidance and Transparency Rules (the 'DTRs') and the Listing Rules (the 'Listing Rules') of the Financial Conduct Authority.

Some of the information we are required to include in the Directors' Report is included in other sections of this Annual Report and Accounts and is referred to below. Where reference is made to these other sections, they are incorporated into this report by reference.

Incorporation, listing and structure

The Company was incorporated and registered in England and Wales on 17 April 2014 under the Companies Act with registration number 9002747.

The entire issued ordinary share capital of the Company is admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange main market for listed securities. The liability of the members of the Company is limited.

The Company is domiciled in the United Kingdom and its registered office is at Century House, Brunel Road, Wakefield 41 Industrial Estate, Wakefield, West Yorkshire, WF2 0XG. The telephone number of the Company's registered office is +44 1924 839150.

Strategic Report

The Strategic Report, which was approved by the Board on 2 May 2023 and is set out on pages 1 to 63, contains a fair review of the Group's business, a description of the emerging and principal risks and uncertainties facing the Group and an indication of the likely future developments of the Group.

The review is intended to be a balanced and comprehensive analysis of the development and performance of the Group's business during the financial year and the position of the Group's business at the end of that year. The report includes, to the extent necessary for an understanding of the development, performance or position of the Group's business, analysis using financial key performance indicators.

The Strategic Report also includes the main trends and factors likely to affect the future development, performance and position of the Group's business. It also includes information about environmental matters (including reporting in accordance with the Task Force on Climate-Related Financial Disclosures (TCFD)), the Group's employees, social and community issues and about how we engage with our stakeholders.

This Directors' Report should be read in conjunction with the Strategic Report, which also contains details of the principal activities of the Group during the year. When taken together, the Strategic Report and this Directors' Report constitute the management report for the purposes of DTR 4.1.8 R.

Results and dividends

The consolidated profit/(loss) for the Group for the year after taxation was £44.2 million (FY22: £8.1 million). The results are discussed in greater detail in the Chief Financial Officer's Review on pages 52 to 57.

No final dividend is proposed in respect of the period ended 31 January 2023 (FY22 final dividend: nil). No interim dividend has been paid in respect of the period ended 31 January 2023 (FY22: nil).

Post year-end events

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

Otherwise, there have been no other significant post year-end events.

Share capital, shareholders and restrictions on transfers of shares

The Company has only one class of shares: ordinary shares of 1 pence each.

Further details of the Company's share capital, including changes in the issued share capital in the year under review, are set out in note 19 to the financial statements which form part of this report on page 135. On 17 March 2023 the Company issued 20.337 shares to satisfy entitlements under the Company's SAYE plan. Save for this issue, no additional shares have been issued between the end of the financial year under review and the date of approval of this Report. The total issued share capital of the Company as at 2 May 2023 (being the latest practical date before publication of this report) is 342,656,427. No shares are held in treasury.

Details of awards outstanding under share-based incentive schemes are given in note 25 to the financial statements which form part of this report on page 141. Details of the share-based incentive schemes in place are provided in the Directors' Remuneration Report on pages 81 and 82.

The rights and obligations attaching to the ordinary share capital of the Company are contained within the Company's Articles of Association ('Articles') which were adopted on 28 July 2021.

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements) and requirements of the Listing Rules whereby Directors and certain employees of the Company require approval of the Company in order to deal in the Company's shares.

Shareholder and voting rights

All members who hold ordinary shares are entitled to attend and vote at the AGM. On a show of hands at a general meeting every member present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every ordinary share held. No shareholder holds ordinary shares carrying special rights relating to the control of the Company.

Substantial shareholders

At 2 May 2023 the following had notified the Company of a disclosable interest of 3% or more of the nominal value of the Company's ordinary shares:

Shareholder	No. of ordinary shares	Percentage of issued share capital
Teleios Capital Partners LLC	68,397,212	19.96
Artemis Investment Management LLP	29,731,077	8.68
Aberforth Partners LLP	22,753,964	6.64
Mr Stuart Middleton	18,035,477	5.26
Jupiter Asset Management	17,133,053	5.00
Majedie Asset Management Limited	16,819,832	4.91
The Wellcome Trust	10,733,554	3.13

The shareholdings noted above reflect the notifications received as at 31 January 2023.

Change of control

There are no agreements between the Company and its Directors or employees providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a takeover bid.

The only significant agreement to which the Company is a party that takes effect, alters or terminates upon a change of control of the Company following a takeover bid, and the effect thereof, is the Company's committed bank facilities dated 17 April 2014 (as amended and restated) and the Coronavirus Large Business Interruption Loans, which contain a provision such that, in the event of a change of control, the facilities may be cancelled and all outstanding amounts, together with accrued interest, will become repayable on the date falling 30 days following written notice being given by the lenders that the facility has been cancelled.

Transactions with related parties

The only material transactions with related parties during the year were those transactions detailed in note 28 on page 142 of the Annual Report and Accounts.

Directors

The Directors of the Company and their biographies are set out on pages 64 and 65. Details of changes to the Board during the period are set out in the Corporate Governance Report on page 67. Details of how Directors are appointed and/or removed are set out in the Corporate Governance Report on page 71.

Powers of Directors

Specific powers of the Directors in relation to shares and the Company's Articles of Association are referred to in the Corporate Governance Report on pages 71 and 72.
As at 31 January 2023, the Directors had shareholder authority, granted at the AGM in 2022, to effect a purchase by the Company of up to 34,187,834 of its own shares. None of this authority had been used during FY23. This authority is proposed to be renewed at the AGM to be held in 2023.

Directors' indemnities and insurance

Information relating to Directors' indemnities and the Directors' and Officers' liability insurance that the Company has purchased is set out in the Corporate Governance Report on page 72.

Employees

Information relating to employees of the Group is set out on pages 31 to 33. Share incentive schemes in which employees participate are described in the Directors' Remuneration Report on pages 81 and 82 and in note 25 to the financial statements on page 141.

Greenhouse gas emissions

The TCFD Report on page 50 sets out the greenhouse gas emissions disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Political donations

The Group has not made any political donations in the past and does not intend to make any in the future.

Treasury and risk management and financial instruments

The Group's approach to treasury and financial risk management is explained in note 23 to the accounts on page 137. These risks are managed in accordance with the risk management framework described on pages 58 to 62, which includes a list of the principal risks and uncertainties that affect or are likely to affect the Group. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the CFO's review on pages 52 to 57.

Tax

The Group pays corporation tax on its operations in the United Kingdom and does not operate in any tax havens or use any tax avoidance schemes. A copy of the Group's tax strategy is available on cardfactory's investor website (cardfactoryinvestors.com).

Disclosures required under Listing Rule 9.8.4 R

In accordance with Listing Rule 9.8.4C, the information required to be disclosed in the Annual Report by Listing Rule 9.8.4 R is detailed in the following sections:

Disclosure	Cross reference
Amount of interest capitalised by the Group during FY23 and the amount and treatment of any related tax relief.	Not Applicable
Any information required by Listing Rule 9.2.18 R (publication of unaudited financial information).	Not Applicable
Details of any long-term incentive schemes.	Page 81
Details of any arrangements under which any Director has waived or agreed to waive any emoluments for FY23 or any future emoluments.	Not Applicable
Details of cash allotments of shares by Card Factory plc or any major subsidiary undertaking, during FY23.	See note 7 to the notes to the Parent Company financial statements on page 148
Details of any contract of significance subsisting during FY23.	Not Applicable
Details of any contract for the provision of services to the Group by a controlling shareholder subsisting during FY23.	Not Applicable
Details of any arrangement under which a shareholder has waived or agreed to waive any dividends.	Not Applicable
A statement by the Board in respect of any agreement with a controlling shareholder.	Not Applicable

Disclosure required under Listing Rule 7 (Corporate Governance)

The Corporate Governance Report on pages 67 to 73 contains disclosures required under Listing Rules 7.2.2, 7.2.3, 7.2.5, 7.2.6 and 7.2.7, which form part of this Directors' Report.

Disclosure required under Listing Rule 9.8.6(8) R

The Company has included climate-related disclosures consistent with the TCFD recommendations and recommended disclosures (dated June 2017) as updated by the Task Force's 2021 Annex, on pages 44 to 49 of this Annual Report. The Company's compliance with the TCFD reporting and identification of the matters which the Company is not yet compliant with are set out on pages 44 to 49. The sections identified in green or amber in the table on pages 44 to 49 explain the status of the Company's progress to be able to fully report against the TCFD requirements in future years.

Going concern

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.

More information in respect of going concern, including the factors considered in reaching this conclusion, is provided in note 1 to the consolidated financial statements in pages 119 and 120.

Longer-term viability

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a period longer than that required in respect of going concern. The assessment has been made taking into account the Group's current position, business plan, and the principal risks and uncertainties described in the Strategic Report on pages 58 to 62.

In making this statement, the Board has carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Viability period

The Directors have determined that the five years to 31 January 2028 is an appropriate period over which to provide its viability statement, being the timeframe used by the Board in its strategic planning process and consistent with the Group's investment cycles. Five years extends beyond the period covered by the Group's existing financing facilities; however at present the Board have no reason to believe that the Group's existing facilities would not be renewed or replaced on broadly similar terms at that time.

Board assessment

The Board has reviewed the Group's detailed five-year strategic plan (the 'Plan'), including an assessment of the key operational and financial assumptions, and considered downside scenarios and stress testing.

The Plan was updated to reflect the positive trading performance in FY23 and assumes a conservative model of sales growth across the five year horizon that reflects delivery of key strategic projects to support growth in online and partnerships. In addition, the Plan includes expected cost headwinds arising, in particular, from material and wage inflation, lower GBPUSD exchange rates that may be applicable from the end of the Group's existing hedge, and the impact of rising prices on energy and utility costs from the end of the Group's exiting price fix in September 2024. The plan indicates that the Group will remain profitable, cash generative, maintain adequate liquidity headroom against its available financing facilities, and, to the extent applicable, be compliant with the financial covenants set out in its facilities agreed in April 2022 across the five-year viability horizon.

In assessing viability, the Board has considered a variety of downside scenarios arising from the Group's principal risks and uncertainties (see pages 60 to 62). These downside risks included severe, but plausible, scenarios with the ability to reduce the Group's sales, profitability and cash flow both over sustained periods and, in particular, over the Christmas season which still delivers a higher proportion of the Group's sales and profits compared to other periods in the year. Reverse stress test scenarios were also considered that considered the extent to which such a scenario would need to persist or extend in order to result in a breach. In all cases, the review concluded that the extent of scenario required to result in a breach was of such severity such that the scenario was not considered reasonable plausible.

Whilst these reviews do not consider all the possible scenarios that the Group might face, the Directors consider that this assessment of the Group's prospects is reasonable in light of the particular uncertainties facing the Group at this time.

In particular, the Directors noted that in all of the scenarios considered, a reasonable degree of further actions would be available to the Group to mitigate the effects of downside risks. Such mitigating actions could include further curtailing of discretionary operating and capital expenditure. It was noted that the Group has successfully taken significant mitigating actions to preserve liquidity during the Covid-19 pandemic.

Whilst there continue to be inherent risks and uncertainties in the Group's wider operating environment, the Board is confident that the Group continues to have access to sufficient liquidity to meet its liabilities as they fall due and manage reasonably foreseeable downside scenarios if they should arise. This assessment is based upon the Group's current financial position and the headroom in the Group's financing facilities.

Accordingly, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due in the period to 31 January 2028.

Assumption	Assumption limitations
Available funding	
The Group renegotiated its financing facilities with its banking syndicate in April 2022 (see page 135), with the overall size of facilities reduced to £150 million over an extended term to September 2025. The strategic plan assumes that these facilities are maintained on similar terms throughout the five-year horizon; however is not highly sensitive to the renewal terms from September 2025. There are no new facilities assumed in the plan.	The key limitation in respect of financing relates to the ability of the Group to meet its covenant requirements in order to continue to access available facilities. The Board is satisfied that, under the current facilities, the Group should have sufficient headroom to meet covenant requirements across the viability period, including in downside scenarios. Liquidity and covenant headroom is at its tightest during the first 12-18 months of the plan, with cash inflows across the five-year term gradually increasing headroom over time.
Capital investment	
The Group's capital investment plans remain focused on supporting key strategic initiatives to deliver the Plan. Capital investment increases in FY24 and then remains at broadly similar levels across the plan duration.	Capital investment is entirely within the control of the Board. Reducing capital expenditure, if required, reflects a key mitigation in severe downside scenarios.
Strategic initiatives	
The Plan reflects the Group's strategic initiatives and assumes gradual revenue growth across the five-year term.	The Board undertakes a full review of principal risks, uncertainties and downside scenarios taking into account the impact of the Group's ability to deliver its strategy are reviewed.
Distributions to shareholders	
The Group is currently prohibited from making distributions to shareholders until such time as its CLBILS facilities are fully repaid. The strategic plan was prepared on the basis that no dividends are paid, with a sensitivity considered to reflect possible distribution values in line with the Board's current view on capital management policy should distributions be permitted in line with the expected timetable (See page 57 for more information regarding future distribution expectations).	Capital management is entirely within the control of the Board and accordingly there are no limitations to these assumptions.

DIRECTORS' REPORT CONTINUED

Disclosure of information and appointment of auditors

So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Directors have taken all the steps which they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act.
On behalf of the Board, the Audit & Risk Committee has reviewed the effectiveness, performance, independence and objectivity of the existing external auditor, KPMG LLP, for the year ended 31 January 2023 and concluded that the external auditor was in all respects effective, as explained on page 77. Following completion of an audit tender described on page 77, the Company has selected Mazars LLP as its proposed auditor. Mazars LLP has expressed its willingness to be appointed as auditor. Accordingly, and in accordance with Section 489 of the Companies Act, resolutions to appoint Mazars LLP as auditor and to authorise the Directors to determine its remuneration will be proposed at the forthcoming AGM of the Company.

Information regarding forward-looking statements

The reports and financial statements contained in this Annual Report and Accounts contain 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 and forecasts. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

AGM

The AGM of the Company will be held at 11.00am on 22 June 2023 at the Company's registered office at Century House, Brunel Road, Wakefield 41 Industrial Estate, Wakefield WF2 0XG. A formal notice of meeting, explanatory circular and a form of proxy will accompany this Annual Report and Accounts. Shareholders are encouraged to submit their questions in advance and to submit their votes by proxy in accordance with the instructions in the enclosed documents.

Responsibility statement of the Directors in respect of the Annual Report and Accounts

This statement is set out on page 103.

Approval of the Annual Report

The Strategic Report and the Corporate Governance Report were approved by the Board on 2 May 2023.

Ciaran Stone
Company Secretary
3 May 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14 R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the Annual Report and Accounts

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Darcy Willson-Rymer
Chief Executive Officer
3 May 2023

INDEPENDENT AUDITOR'S REPORT
to the members of Card Factory plc

1. Our opinion is unmodified

We have audited the financial statements of Card Factory plc ("the Company") for the year ended 31 January 2023 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated cash flow statement, Parent Company statement of financial position, Parent Company statement of changes in equity, Parent Company cash flow statement and the related notes, including the accounting policies in note 1 to both the Group and Parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 30 April 2014. The period of total uninterrupted engagement is for the 9 financial years ended 31 January 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: group financial statements as a whole		£2.4 million (2022:£2.3 million) 5.0% of normalised PBTCO (2022: 4.9% of averaged PBTCO)
Coverage		96% (2022: 98%) of total profits and losses that made up Group profit before tax
Key audit matters		vs 2022
Recurring risks	Inventory costing and store inventory quantities	◀▶
	Net realisable value of inventories	◀▶
	Provision for repayment of government grant support relating to Covid-19	◀▶
	Recoverability of Group goodwill	▼
	Recoverability of Parent's investment in subsidiaries	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2022), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Inventory costing and store inventory quantities (Stock: £45.3 million; 2022: £33.1 million) *Refer to page 75 (Audit Committee Report), page 118 (key sources of estimation uncertainty, page 124 (accounting policy) and page 133 (financial disclosures).*	***Physical quantities of store stock:*** Store inventory quantities held at the year end are determined by year end physical counts. Controls over the year end counts of store inventory are manual in nature. Given the high volume and broad range of inventory held, there is a risk that quantities of store inventory could be incorrectly recorded. ***Calculation error:*** The inventory costing calculations across both store and warehouse stock are manual in nature. Given the high volume and broad range of inventory held there is a risk that cost could be incorrectly recorded.	Our procedures included: • ***Count design and attendance:*** Assessed the design and implementation of the store count procedures through attendance at a sample of store inventory counts. • ***Physical inspection:*** Physically inspected stock on a sample basis, through attendance at all warehouse counts and a sample of store stock counts at year end. • ***Test of details – Quantities:*** Selected a sample of stock lines to assess whether the counted quantities on the Hand Held Terminals (HHT's) agreed to the stock system and followed up on how variances (if any) within our sample were resolved. • ***Test of details – completeness:*** For a sample of counts that we did not attend, we assessed whether the results of these counts have been appropriately captured within the year end stock listing by agreeing the quantities back to submitted count results. • ***Re-performance:*** For a sample of inventory lines held in stores and in warehouses, reperformed the standard cost calculations and agreed each input to invoice or other supporting documentation. We performed the detailed tests above rather than seeking to rely on operating effectiveness of any of the Group's controls because our knowledge of these controls indicated that we would be unable to obtain the required evidence to support reliance on controls. ***Our results*** • The results of our procedures were satisfactory (2022: satisfactory).

	The risk	Our response
Net realisable value of Inventories (Stock: £45.3 million; 2022: £33.1 million, total provision £16.1 million; 2022: £20.7 million) *Refer to page 75 (Audit Committee Report), page 118 (key sources of estimation uncertainty, page 124 (accounting policy) and page 133 (financial disclosures).*	***Subjective estimate*** The Group has significant levels of inventory and estimates are made in the valuation of slow moving and discontinuing inventory. The Group applies judgement in determining classification of stock into various groups in order to apply a provision percentage estimate. The effect of these matters is that we determined that the net realisable value of inventory has a high degree of estimation uncertainty with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (page 118) disclose the sensitivity of the Group's estimate.	Our procedures included: • ***Our sector experience:*** Assessed the appropriateness of the Group's inventory provisioning policies based on our understanding of the business. • ***Retrospective evaluation:*** Critically assessed the in-year sell through of stock lines provided against to evaluate the historical accuracy of the inventory provision estimate. • ***Re-performance:*** Reperformed the provision calculations based on the Group's provisioning policy and for a sample of stock lines, agreed the categorisation of each line to underlying documentation. • ***Expectation vs. outcome:*** We formed our own expectation of the inventory provision using our own view of the key assumptions and compared our expectation to the actual provision amount. This included consideration of historical experience, post year end sales data and any changes in the Group's stock holding strategy. • ***Test of detail:*** Compared, by product, for a sample of inventory lines, inventory levels to sales data in the period leading up to the year end to assess whether slow moving and discontinued inventories, with a focus on those with a limited shelf life, had been appropriately identified and provided for by the Group based on the provisioning policy. • ***Assessing transparency:*** Assessed the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the net realisable value of inventories. We performed an assessment of whether an overstatement of the provision identified through these procedures was material. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. ***Our results*** • We consider the inventory provision to be acceptable (2022: acceptable).

	The risk	Our response
Provision for repayment of government grant support related to Covid 19 (2022: £7.4 million; 2021:£12.2 million) *Refer to page 76 (Audit Committee Report), page 118 (key sources of estimation uncertainty, page 121 (accounting policy) and page 136 (financial disclosures).*	***Subjective estimate*** The Group continues to hold a provision of £7.4 million in relation to COVID-19 related grant support, reflecting the Group's best estimate of support grants received in excess of relevant subsidy control thresholds. The reduction from £12.2 million in prior year reflects settlement of the element in relation to CJRS. The remaining £7.4 million relates to other covid related support received and the government eligibility guidance in this area remains complex. In response to the outperformance of the current year's profit target, and considering the complexity of government eligibility guidance, we identified a fraud risk related to overstatement of the provision for repayment of government grant support related to Covid-19. The effect of these matters is that we determined that the range of possible outcomes, with respect to the amounts the Group will be eligible to keep, exceeds our materiality for the financial statements as a whole. The financial statements (page 121) disclose the sensitivity of the Group's estimate.	Our procedures included: • ***Our sector experience:*** Assessed Group's position against our interpretation of the available external guidance, with the assistance of our internal subject matter experts. • ***Methodology implementation:*** Critically assessed the directors' calculation of possible outcomes and directors' point estimate to determine whether these aligned with the available external guidance. • ***Re-performance:*** Independently prepared our best estimate, through consultation with our internal subject matter experts, using our interpretation of the guidance in place and compared our expectation to the actual provision amount. • ***Inquiry of lawyers:*** Independently obtained a confirmation from the Group's external lawyers in relation to the legal advice provided to the Group. • ***Assessment of Group's experts:*** We assessed the competence, capabilities and objectivity of the external lawyers engaged by the Group. • ***Assessing transparency:*** Assessed the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision for lockdown grants related to Covid 19 to be recognised in the financial statements. ***Our results*** • We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. • We found the amounts provided in respect of excess government grant support received to be acceptable (2022: acceptable).
Recoverability of group goodwill (Group goodwill: £313.8 million; 2022: £313.8 million) *Refer to page 76 (Audit Committee Report), page 118 (accounting policy) and page 129 (financial disclosures).*	***Forecast-based assessment:*** Goodwill in the group is significant. There is a risk that the business may not meet expected growth projections in order to support the carrying value of the goodwill. Forecasting future levels sales and costs is challenging in the current economic environment. The directors considered the recoverability of the goodwill balance through a value in use calculation that had underlying assumptions of varying sensitivity. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, a part of our risk assessment, we determined that the value in use of goodwill has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statement as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality.	Our procedures included: • ***Historical Comparisons:*** We assessed the reasonableness of the forecast cash flows considering the historical accuracy of previous forecasts by comparing to actual financial information. • ***Our sector experience:*** Evaluating assumptions used, in particular those relating to the discount rate using our own valuation tool by comparing the Group's assumptions to externally derived data, including comparable companies' earnings multiples. • ***Benchmarking assumptions:*** Challenged and compared the Group's assumptions, on EBIT growth to, externally derived data such as projections of economic growth and inflation, sector analyses, and analysts' reports. For the terminal value assumption, we compared to external inflation projections. • ***Sensitivity analysis:*** Performed breakeven analysis on the key assumptions. • ***Comparing valuations:*** Compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cashflows. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balances are such that we would expect to obtain audit evidence primarily through the detailed procedures described. ***Our results*** • We found the Group's conclusion that there is no impairment of goodwill to be acceptable (2022: acceptable).

	The risk	Our response
Recoverability of Parent Company's investment in subsidiaries (Parent Company Investment in subsidiaries: £316.2 million; 2022: £316.2 million) *Refer to page 76 (Audit Committee Report), page 145 (accounting policy) and page 146 (financial disclosures).*	***Forecast-based assessment:*** The carrying amount of the parent Company's investment in subsidiaries represents 98.7% (2022: 99.1%) of the Company's total assets. There is a risk that the business may not meet expected growth projections in order to support the carrying value of the investments. Forecasting future levels sales and costs is challenging in the current economic environment. The directors considered the recoverability of the investment balance through a value in use calculation that had underlying assumptions of varying sensitivity. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, a part of our risk assessment, we determined that the value in use of the investments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statement as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality.	***Our procedures included:*** • ***Tests of detail:*** Comparing the carrying amount of the investments, with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount. • ***Comparing valuations***: For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the value in use prepared by the Group in relation to the goodwill impairment. We also assessed whether any adjustments were required to this value in use estimate to reflect the subsidiary' equity value. • ***Sensitivity analysis:*** Performed breakeven analysis on the key assumptions. We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. ***Our results*** • We found the Company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2022: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2.4 million (2022: £2.3 million), determined with reference to a benchmark of normalised Group profit before tax of £49.1 million (2022: £47.4 million), of which it represents 5.0% (2022: 4.9%). We normalised Group profit before tax in current year by adding back this year's CJRS release of £2.5 million and VAT settlement of £0.8 million. We adjusted for these items because they do not represent the normal, continuing operations of the Group. In 2022 we normalised Group profit before tax by averaging over the previous five years mainly due to volatility caused by the Covid-19 pandemic, which did not exist in the current year.

Materiality for the Parent Company financial statements as a whole was set at £1.2 million (2022: £1.4 million), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.38% (2022: 0.4%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £1.8 million (2022: £1.7 million) for the Group and £0.9 million (2022: £1.05 million) for the Parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.12 million (2022: £0.115 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 6 (2022: 6) reporting components, we subjected 4 (2022: 4) to full scope audits for group purposes.

3. Our application of materiality and an overview of the scope of our audit continued

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 4% (2022: 5%) of total Group revenue, 4% (2022: 2%) of total profits and losses that made up Group profit before tax and 2% (2022: 1%) of total Group assets is represented by 2 (2022: 2) reporting components, none of which individually represented more than 4% (2022: 5%) of any of total Group revenue, total profits and losses that made up Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

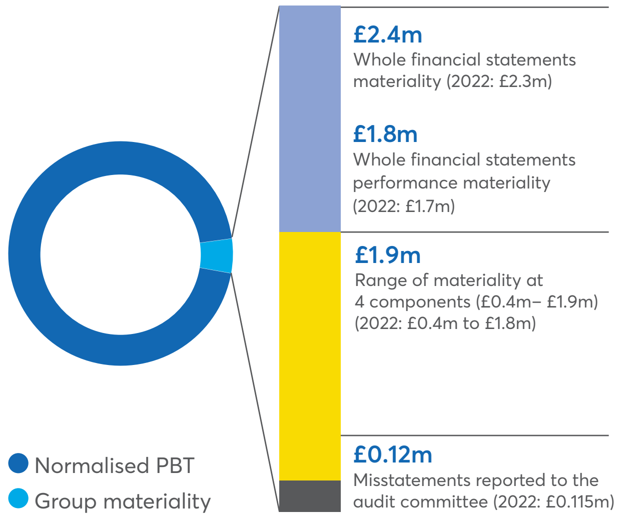
The work on all components subject to full scope audits for Group purposes, including the audit of the parent Company, was performed by the Group team.

The Group team set the component materialities, which ranged from £0.4 million to £1.9 million (2022: £0.4 million to £1.8 million), having regard to the mix of size and risk profile of the Group across the components.

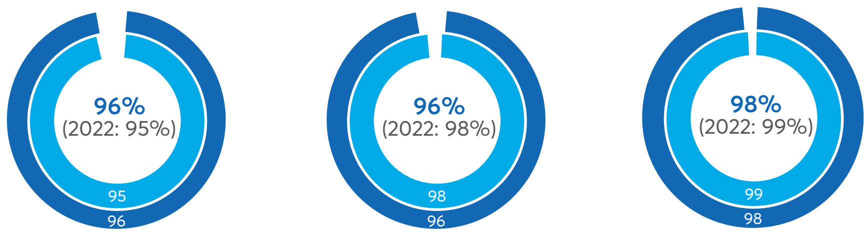
The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Normalised Group profit before tax
£49.1m (2022: £47.4m)

Group materiality
£2.4m (2022: £2.3m)



Group revenue | *Total profits and losses that made up group profit before tax* | *Group total assets*



Full scope for group audit purposes 2023
Full scope for group audit purposes 2022
Residual components

4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Parent Company's available financial resources and metrics relevant to debt covenants over this period were:

- The impact of continued uncertainty in economic conditions and consumer confidence.

We considered whether this risk could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

In particular, our procedures included:

- Critically assessing the reasonableness of the Group's budgets and forecasts, evaluating future trading assumptions by comparing to external projections of economic growth and inflation, sector analyses, and analysts' reports, and assessing whether the downside scenarios reflect plausible impacts of the cost of living crisis and the inflationary environment on the business. We also compared past budgets to actual results to assess the directors' track record of budgeting accurately.
- Considering the availability and sufficiency of the financing arrangements in place at the Group, including the headroom on financial covenants in place on the Group's financing facility.

We considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on pages 119 and 120 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, management and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the provision related to the repayment of government grants.

Further detail in respect of the provision related to the repayment of government grants are set out in the key audit matter disclosures in section 2 of the report.

On this audit we do not believe there is a fraud risk related to revenue recognition because revenue transactions have low individual value with high volume, are routine and process driven and do not involve significant judgement or estimation. This reduces the opportunities for fraudulent activity.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted with unusual account combinations (for cash and loans), rounded amounts to stock provision and rounded amounts to expenses close to year end.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and employment law, recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:
- the directors' confirmation within the viability statement on pages 110 and 111 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on pages 110 and 111 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:
- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 113, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
2 May 2023

CONSOLIDATED INCOME STATEMENT

For the year ended 31 January 2023

	Note	2023 £m	2022 £m
Revenue		***463.4***	364.4
Cost of sales		***(302.7)***	(247.9)
Gross profit		***160.7***	116.5
Other operating income	3	***–***	8.0
Operating expenses		***(96.9)***	(92.9)
Operating profit	3	***63.8***	31.6
Finance expense	6	***(11.4)***	(20.5)
Profit before tax		***52.4***	11.1
Taxation	7	***(8.2)***	(3.0)
Profit for the year		***44.2***	8.1

Earnings per share		***pence***	pence
– Basic	9	***12.9***	2.4
– Diluted	9	***12.8***	2.4

All activities relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2023

	2023 £m	2022 £m
Profit for the year	***44.2***	8.1
Items that may be recycled subsequently into profit or loss:		
Exchange differences on translation of foreign operations	***(0.2)***	–
Cash flow hedges – changes in fair value	***8.2***	4.1
Cost of hedging reserve – changes in fair value	***(0.2)***	–
Tax relating to components of other comprehensive income (note 13)	***(1.2)***	(0.6)
Other comprehensive income for the period, net of income tax	***6.6***	3.5
Total comprehensive income for the period attributable to equity shareholders of the Parent	***50.8***	11.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2023

	Note	2023 £m	2022 £m
Non-current assets			
Intangible assets	10	***326.3***	320.7
Property, plant and equipment	11	***32.2***	31.6
Right of use assets	12	***100.5***	98.5
Deferred tax assets	13	***2.1***	3.6
Derivative financial instruments	24	***0.5***	1.3
		461.6	455.7
Current assets			
Inventories	14	***45.3***	33.1
Trade and other receivables	15	***13.3***	8.1
Derivative financial instruments	24	***5.3***	0.8
Cash at bank and in hand	16	***11.7***	38.3
		75.6	80.3
Total assets		***537.2***	536.0
Current liabilities			
Borrowings	17	***(50.1)***	(25.5)
Lease liabilities	12	***(27.3)***	(41.1)
Trade and other payables	18	***(84.7)***	(71.7)
Provisions	22	***(9.5)***	(12.2)
Tax payable		***–***	(1.5)
Derivative financial instruments	24	***(1.4)***	(0.2)
		(173.0)	(152.2)
Non-current liabilities			
Borrowings	17	***(17.4)***	(85.5)
Lease liabilities	12	***(78.1)***	(78.7)
Derivative financial instruments	24	***(0.5)***	–
		(96.0)	(164.2)
Total liabilities		***(269.0)***	(316.4)
Net assets		***268.2***	219.6

	Note	2023 £m	2022 £m
Equity			
Share capital	19	***3.4***	3.4
Share premium	19	***202.2***	202.2
Hedging reserve		***3.5***	1.3
Cost of hedging reserve		***(0.1)***	–
Reverse acquisition reserve		***(0.5)***	(0.5)
Merger reserve		***2.7***	2.7
Retained earnings		***57.0***	10.5
Equity attributable to equity holders of the Parent		***268.2***	219.6

The financial statements on pages 114 to 142 were approved by the Board of Directors on 2 May 2023 and were signed on its behalf by

Darcy Willson-Rymer
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2023

	Share capital £m	Share premium £m	Hedging reserve £m	Cost of hedging reserve £m	Reverse acquisition reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 31 January 2021	3.4	202.2	(3.1)	0.4	(0.5)	2.7	1.4	206.5
Total comprehensive income for the period								
Profit or loss	–	–	–	–	–	–	8.1	8.1
Other comprehensive income	–	–	3.3	–	–	–	0.2	3.5
	–	–	3.3	–	–	–	8.3	11.6
Hedging gains/(losses) and costs of hedging transferred to the cost of inventory	–	–	1.4	(0.5)	–	–	–	0.9
Deferred tax on transfers to inventory	–	–	(0.3)	0.1	–	–	–	(0.2)
Transactions with owners, recorded directly in equity								
Share-based payment charges (note 25)	–	–	–	–	–	–	0.8	0.8
Dividends (note 8)	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–	–	0.8	0.8
At 31 January 2022	***3.4***	***202.2***	***1.3***	***–***	***(0.5)***	***2.7***	***10.5***	***219.6***
Total comprehensive income for the period								
Profit or loss	***–***	***–***	***–***	***–***	***–***	***–***	***44.2***	***44.2***
Other comprehensive income	***–***	***–***	***6.1***	***(0.1)***	***–***	***–***	***0.6***	***6.6***
	–	***–***	***6.1***	***(0.1)***	***–***	***–***	***44.8***	***50.8***
Hedging gains/(losses) and costs of hedging transferred to the cost of inventory	***–***	***–***	***(5.2)***	***–***	***–***	***–***	***–***	***(5.2)***
Deferred tax on transfers to inventory	***–***	***–***	***1.3***	***–***	***–***	***–***	***–***	***1.3***
Transactions with owners, recorded directly in equity								
Share-based payment charges (note 25)	***–***	***–***	***–***	***–***	***–***	***–***	***1.7***	***1.7***
Dividends (note 8)	***–***	***–***	***–***	***–***	***–***	***–***	***–***	***–***
Total contributions by and distributions to owners	***–***	***–***	***–***	***–***	***–***	***–***	***1.7***	***1.7***
At 31 January 2023	***3.4***	***202.2***	***3.5***	***(0.1)***	***(0.5)***	***2.7***	***57.0***	***268.2***

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 January 2023

	Note	2023 £m	2022 £m
Cash from operations	20	***107.8***	113.6
Corporation tax paid		***(7.9)***	0.1
Net cash inflow from operating activities		***99.9***	113.7
Cash flows from investing activities			
Purchase of property, plant and equipment	11	***(8.8)***	(3.6)
Purchase of intangible assets	10	***(9.4)***	(3.3)
Net cash outflow from investing activities		***(18.2)***	(6.9)
Cash flows from financing activities			
Interest paid on bank borrowings		***(6.2)***	(6.5)
Proceeds from bank borrowings		***27.8***	57.0
Repayment of bank borrowings		***(72.9)***	(65.0)
Other financing costs paid		***(1.8)***	(8.7)
Payment of lease liabilities		***(52.5)***	(54.5)
Interest in respect of lease liabilities		***(4.5)***	(3.3)
Net cash outflow from financing activities		***(110.1)***	(81.0)
Net (decrease)/increase in cash and cash equivalents		***(28.4)***	25.8
Cash and cash equivalents at the beginning of the year		***38.3***	12.5
Closing cash and cash equivalents	16	***9.9***	38.3

NOTES TO THE FINANCIAL STATEMENTS

1 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, Wakefield 41 Industrial Estate, Wakefield WF2 0XG.

These consolidated financial statements consolidate the financial statements of the Company and its subsidiaries (together referred to as 'the Group'). A full list of the Group's subsidiaries is provided in note 4 to the Parent Company accounts.

Throughout these financial statements, references to 'FY23' refer to the financial year ending 31 January 2023, and references to 'FY22' refer to the financial year ending 31 January 2022.

Basis of preparation

These financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards ('UK IFRS') and applicable law.

The financial statements have been prepared on a going concern basis under the historical cost convention, except for certain assets and liabilities that are measured at fair value (principally derivative financial instruments).

Accounting judgements and estimates

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

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

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

Key sources of estimation uncertainty

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

1 Accounting policies *continued*

Inventories

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

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

At the end of FY23, the total inventory provision was £16.1 million (FY22: £20.7 million), comprised of fully-provided stock lines of £4.3 million and partially provided lines of £11.8 million. The reduction in the value of the provision year-on-year generally reflects the normalisation of stock levels following the Covid-19 pandemic and supply chain challenges experienced in the prior year (which have resulted in a reduction in the value of stock lines provided for in full), as well as the reduction due to changes in provisioning percentages described above. As a result, the overall proportion of gross inventory provided for reduced compared to the prior year.

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

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

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

Grant income

During the previous financial year, the Group received financial assistance under various Government schemes intended to support businesses affected by local and national restrictions during the Covid-19 pandemic, including CJRS payments, business rates relief and lockdown grant payments. IAS 20 requires that the Group has reasonable assurance that the various conditions attached to Government grants will be complied with before recognising the income in its financial statements. Income received under the lockdown grant schemes is subject to conditions applied by the UK's subsidy control regime, in addition to the rules and conditions attached to each individual grant. The most material of these conditions relate to determining the eligible period for grant receipts and the calculation of the Group's 'uncovered fixed costs' in the eligible period, upon which the value of permitted relief is based. The nature of the grants received, and the unprecedented nature of the pandemic and the support mechanisms available, means the conditions and rules attached to each payment are complex and open to a degree of interpretation at the balance sheet date. Accordingly, the Group had to make certain assumptions regarding which of the payments received it is reasonably certain to have met all of the conditions, and thus that the grants are unlikely to be repaid in a future period.

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

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

Other sources of estimation uncertainty

Impairment testing

An impairment review is conducted annually in respect of goodwill, and as required for other assets and cash-generating units ('CGUs') where an indicator of potential impairment exists. The carrying amounts of the assets involved and the level of estimation uncertainty inherent in determining appropriate assumptions for the calculation of the assets' recoverable amounts means impairment reviews are an area of significant management focus. However, whether that estimation uncertainty is significant to the financial statements is not known until the analysis is concluded. The Group generally considers the estimation uncertainty in impairment reviews to be significant if a reasonably possible change in the key assumptions would lead to a material change in the accounting outcome. In FY23, the Group conducted an impairment review in respect of goodwill. The carrying amount of goodwill in the consolidated balance sheet of £313.8 million is allocated in its entirety to the group of CGUs, shared assets and functions that comprise the Group's stores business.

1 Accounting policies *continued*

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

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

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

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

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

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

Climate change

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

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

Going concern basis of accounting

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

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

The Group renewed its financing facilities with its banking partners in April 2022, reducing the quantum of the Group's term loan facilities to £150 million and extending the tenure of the Group's debt to September 2025 (see note 17). The first scheduled repayments under these facilities were made in January 2023, with full repayment of the Coronavirus Large Business Interruption Loan Scheme ('CLBILS') facilities by September 2023. Following the final repayment of the CLBILs facilities, the Group does not expect to utilise further government backed support going forward, other than those schemes that are generally available in the ordinary course of business (such as rates reliefs). The Board believes the renewed facilities provide adequate liquidity and headroom for the Group to execute its strategic plan. At 31 January 2023, net debt excluding lease liabilities was £57.2 million.

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

1 Accounting policies *continued*

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

The results of this analysis were:

- The Group's base case forecasts indicate that the Group will continue to trade profitably, generate positive operating cash flows and make scheduled debt repayments whilst retaining substantial liquidity headroom against current facility limits and meet all covenant requirements on the relevant test dates (see note 17 for more information in respect of covenant requirements) in the 12 month period.
- Whilst debt repayments continue in the period following the going concern assessment, they are much lower in the 12 months immediately following (c.£9 million) than those occurring in the going concern period itself (c.£27 million).
- In the Board's view, there are no other factors arising in the period immediately following 12 months from the date of these accounts that warrant further consideration.
- Scenario analysis, which considered a reduction in sales, profitability and cash flows on both a permanent basis of circa 10%, or a significant one-off event affecting the Christmas period and reducing sales by 20%, indicated that the Group would maintain liquidity headroom and covenant compliance throughout the 12 month period. The analysis did not consider any potential upside from mitigating actions that could be taken to reduce discretionary costs and provide further headroom.

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

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

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

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

Principal accounting policies

The principal accounting policies, set out below, have been applied consistently to all periods presented in these consolidated financial statements.

Changes in significant accounting policies

The following new standards and amendments to IFRS were effective for the first time in the current financial year:

- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 – Annual Improvements to IFRS 2018-2020
- Amendments to IAS 37 – Onerous contracts – cost of fulfilling a contract
- Amendments to IAS 16 – Property, plant & equipment – proceeds before intended use
- Amendments to IFRS 3 – Reference to the conceptual framework
- Amendment to IFRS 16 – Covid-19-related rent concessions beyond 30 June 2021

New standards and amendments to existing standards effective in the period have not had a material effect on the Group's financial statements.

UK endorsed standards and amendments issued but not yet effective

The following new standards and amendments to IFRS have been issued but are not yet effective.

- IFRS 17 – Insurance Contracts[1],
- Amendments to IFRS 17 – Initial application of IFRS 17 and IFRS 9 – comparative information[1],
- Amendments to IFRS 4 – Extension to the temporary exemption from applying IFRS 9[1]
- Amendments to IAS 1 – Disclosure of accounting policies[1]
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction[1],
- Amendments to IAS 8 – Definition of accounting estimates[2]

1 Effective for annual periods starting on or after 1 January 2023.

2 Effective for annual periods starting on or after 1 January 2024.

The application of these standards and amendments in future periods is not currently expected to have a material impact on the Group's financial statements.

1 Accounting policies *continued*

Basis of consolidation

These consolidated financial statements incorporate the financial results of the Company and all of its subsidiaries made up to 31 January each year. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to direct the activities that affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intercompany transactions and balances between Group companies are eliminated upon consolidation.

Business combinations

Subject to the transitional relief in IFRS 1, all business combinations have historically been accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group, as set out in IFRS 3.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred less the fair value of identifiable assets acquired and liabilities assumed. Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. Costs related to the acquisition are expensed to the income statement as incurred.

Acquisitions prior to 1 February 2011 (date of transition to IFRS)

IFRS 1 grants certain exemptions from the full requirements of IFRS in the transition period. The Group and Company elected not to restate business combinations that took place prior to 1 February 2011. In respect of acquisitions prior to the transition date, goodwill is included at 1 February 2011 on the basis of its deemed cost at that date, which represents the amount recorded under UK GAAP.

Revenue

Group revenue is principally attributable to the retail sale of cards, dressings and gifts subject to a single performance obligation fulfilled by receipt of goods at the point of payment with minimal returns and refunds. Revenue is recognised at the point the customer is deemed to have taken delivery of the goods.

Revenue attributable to retail partners and non-retail customers currently represents a small percentage of Group Revenue and is typically characterised by single performance obligations and standard Group products.

Certain contracts with retail partners may be subject to a cost of entering into the contract along with a minimum order quantity and/or volume related rebate for an initial period of the contract. Revenue subject to potential rebate is deferred as a contract liability to the extent the volume related terms are yet to be satisfied. Costs of entering into a contract are treated as a contract asset and expensed to the income statement as performance obligations are fulfilled for goods subject to the minimum order quantity. These amounts are not material in the current year reflecting the small proportion of revenue arising under such contracts.

Government grants

Income associated with Government support initiatives is recognised where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants are recognised in the income statement over the period necessary to match them with the related costs for which they are to compensate. If costs have already been incurred, the grant income is recognised immediately at the point the above criteria are met.

Government support received by the Group in the previous year principally reflect amounts received under Covid-19 support initiatives, including the CJRS, business rates relief, and various other grants available to non-essential retailers that were forced to close during periods of local and national lockdown (collectively referred to in these financial statements as 'lockdown grants'). When considering its entitlement to grant income, the Group has considered the extent to which the amount received is within the limits imposed by relevant state aid and subsidy control rules.

Employee costs and business rates charges in the income statement are presented net of CJRS support and rates relief received respectively. Grant income received in relation to Covid-19 lockdown grants is presented separately as other operating income.

Where the Group has received income in connection with government grants but does not believe it will comply with all of the attached conditions, a provision is made for the Group's best estimate of amounts that will be repaid.

In addition, Group has accessed, and continues to benefit from, financing facilities under the CLBILS. The CLBILS facilities are backed by a government guarantee. As this guarantee cannot reasonably have a value placed upon it, the Group considers the guarantee a form of government assistance under IAS 20. The Group has accounted for its CLBILS facilities in accordance with its usual policy for bank borrowings, described below under 'non-derivative financial liabilities'. The key terms of the CLBILS facilities are described in note 17.

Finance expense

Finance expense comprises interest charges, including interest on leases under IFRS 16, and losses on interest rate derivative financial instruments. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest expense is recognised in the income statement as it accrues, using the effective interest method. The effective interest method takes into account fees, commissions or other incremental transaction costs integral to the yield. Accounting policies for leases are detailed separately.

1 Accounting policies *continued*

Foreign currencies

Functional and presentation currency

The consolidated financial statements are presented in pound Sterling, which is the functional currency of the Company.

Foreign operations

The Group has one foreign subsidiary with a Euro functional currency. On consolidation, assets and liabilities of foreign operations are translated into Sterling at the prevailing market exchange rate on the balance sheet date. The results of foreign operations are translated into Sterling at average rates of exchange for the year.

Transactions and balances

The Group has currency transactions in respect of inventory purchases and certain sales to retail partners that are denominated in US Dollars. Transactions in foreign currencies are recorded at the exchange rate on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within cost of sales, except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or through other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Dividends

Dividends are recognised as a liability in the period in which they are approved.

Financial instruments

Non-derivative financial assets

Non-derivative financial assets comprise trade and other receivables and cash and cash equivalents. The Group classifies all its non-derivative financial assets as financial assets at amortised cost. Financial assets at amortised cost are initially measured at fair value plus directly attributable transaction costs, except for trade and other receivables without a significant financing component that are initially measured at transaction price. Subsequent to initial recognition non-derivative financial assets are carried at amortised cost less allowances for expected credit losses.

Cash and cash equivalents comprise cash in hand, at bank and on short-term deposit for less than three months. Bank overdrafts, within borrowings, that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Non-derivative financial liabilities

Non-derivative financial liabilities comprise bank borrowings and trade and other payables. Non-derivative financial liabilities are initially recognised at fair value, less any directly attributable transaction costs and subsequently stated at amortised cost using the effective interest method. Accounting policies for lease liabilities are detailed separately.

Where bank borrowings are refinanced, the Group assesses whether the transaction results in new facilities or a modification of the previous facilities. Where the transaction results in a modification of the facilities, the Group assesses whether that modification is substantial by reference to whether the present value of the cash flows of the new facilities is more than 10% different to the present value of the cash flows of the previous facilities. Where a modification is substantial, the Group derecognises the original liability and recognises a new liability for the modified facilities with any transaction costs expensed to the income statement. Where the modification is non-substantial, the Group amends the carrying amount of the liability to reflect the updated cash flows and amends the effective interest rate from the modification date.

The modification of the Group's borrowings as a result of the refinancing in April 2022 was assessed to be non-substantial.

Derivative financial instruments

Derivative financial instruments are mandatorily categorised as fair value through profit or loss ('FVTPL') except to the extent they are part of a designated hedging relationship and classified as cash flow hedging instruments.

The Group utilises foreign currency derivative contracts and US Dollar denominated cash balances to manage the foreign exchange risk on US Dollar denominated purchases and interest rate derivative contracts to manage the risk on floating interest rate bank borrowings.

1 Accounting policies *continued*

Derivative financial instruments not designated as an effective hedging relationship principally relate to structured foreign exchange options that form part of the foreign exchange risk management policy detailed in note 23 of the financial statements. Gains and losses in respect of foreign exchange and interest rate derivative financial instruments that are not part of an effective hedging relationship are recognised within cost of sales and net finance expense.

Cash flow hedges

The Group applies cash flow hedge accounting in respect of certain derivative financial instruments for the forward purchase of foreign currency, and interest rate swaps. The Group's hedging activities are described in further detail in note 23.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income ('OCI') and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows, applying a hedge ratio of 1:1. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:
- changes in the timing of the hedged transactions; and
- the effect of the counterparties' and the Group's own credit risk on the fair value of derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When foreign exchange hedged forecast transactions subsequently result in the recognition of inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the inventory.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is included in the cost of inventory on its initial recognition or, for interest cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged interest future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Fair value estimation

The techniques applied in determining the fair values of financial assets and liabilities are disclosed in note 24.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives as follows:

• buildings	25–50 years
• leasehold improvements	shorter of 5 years and lease term
• plant and equipment	3–10 years
• fixtures and fittings	5 years
• motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to CGUs (as described in note 10) and is not amortised but is tested annually for impairment.

Software

Computer software is carried at cost less accumulated amortisation and any provision for impairment. Costs relating to development of computer software are capitalised if the recognition criteria of IAS 38 'Intangible Assets' are met or expensed as incurred otherwise.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful life of software is three to five years.

1 Accounting policies *continued*

Impairment of non-financial assets

The carrying values of non-financial assets are reviewed for impairment where there is an indication of impairment. If an impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the impairment loss is recognised in the income statement.

Goodwill and intangible assets not yet ready for use or with an indefinite useful economic life are reviewed for impairment annually.

Provisions

A provision is recognised where the Group has a present legal or constructive obligation as a result of a past event, which will more likely than not result in the Group being required to make a payment (or other outflow of economic benefits) in order to settle the obligation.

Provisions are valued at the Group's best estimate of the amount that will be required to settle the obligation.

Specific information in respect of the provisions recorded in each financial year covered by these accounts is provided in the provisions note.

Inventories

Inventories are stated at the lower of cost and net realisable value.

For inventories manufactured by the Group, cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production costs and other costs in bringing them to their existing location and condition. For manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Given the significant volumes involved, for inventories held in and for retail stores the Group applies a standard costing methodology. Standard costs are based on agreed costs with suppliers (or the Group's internal cost of production) and are updated frequently. Where components of the standard are based on market prices, such as for freight, the Group reviews and updates the standard at least annually at the balance sheet date.

Provisions are made for obsolete, slow-moving and discontinued inventories, based on experience and the Group's merchandising plans for current and future seasons.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Merger reserve

On 30 April 2014 Card Factory plc acquired 100% of the share capital of CF Topco Limited in a share for share exchange, thereby inserting Card Factory plc as the Parent Company of the Group. The shareholders of CF Topco Limited became 100% owners of the enlarged share capital of Card Factory plc. The premium arising on the issue of shares is recognised in the merger reserve.

Share-based payments

The Company issues equity-settled share-based payments to employees within the Group through the Card Factory Restricted Share Awards Scheme ('RSA') (previously through the ('LTIP')) and the Card Factory SAYE Scheme ('SAYE'), see note 25 for further details. The cost of equity-settled share awards is measured as the fair value of the award at the grant date using the Black-Scholes model.

The cost of the awards is expensed to the income statement, together with a corresponding adjustment to equity, on a straight-line basis over the vesting period of the award. The total income statement charge is based on the Group's estimate of the number of share awards that will eventually vest in accordance with the vesting conditions. The awards do not include market-based vesting conditions. At each balance sheet date, the Group revises its estimate of the number of awards that are expected to vest. Any revision to estimates is recognised in the income statement, with a corresponding adjustment to equity.

Leases

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 February 2019.

The Group has assessed that its entire store lease portfolio, some warehousing locations, an office location and motor vehicles are lease contracts. Other contracts assessed, 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. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For property leases containing a non-lease component (for instance a lease inclusive of rates and service charge), the Group has elected to apply the practical expedient not to separate the non-lease component from the lease component and treat the whole contract as a lease. 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. The Group does not have any significant lessor contracts.

1 Accounting policies *continued*

Accounting as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically reduced by any impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Typically, the Group uses its incremental borrowing rate, at the date of lease commencement, as the discount rate.

The Group determines its incremental borrowing rate by reference to its own funding arrangements, which are subject to leverage margin ratchets, variable three-month SONIA interest rates and periodic refinancing, thereby ensuring they remain a reasonable reflection of the Group's current borrowing costs. The Group's leases are predominantly in respect of its store portfolio, which represent the majority of the Group's revenue and therefore the Group's borrowing costs, as at the date of lease commencement, are deemed to be representative of the incremental borrowing costs for additions to right-of-use assets. The Group does not believe there are significant differences between the risk margins that would apply across its lease portfolio. The term and payment profile are reflected in the discount rate applied to each individual lease by virtue of the variable interest-curve component of the incremental borrowing rate.

The assessment of lease term may include the application of judgement, particularly in respect of options to break often included in the Group's property leases. The Group assesses lease term as the non-cancellable period of the lease plus an assessment of reasonably certain continued tenancy in respect of tenant options to break or renew. This period usually equates to the full term of the lease. The Group considers that lease renewal is reasonably certain when it has determined whether the store meets its strategic requirements, and is confident the landlord is supportive of lease renewal and on terms acceptable to the Group. This typically occurs in the latter stages of an existing lease.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index, rate or contractual market rent review or if there is a significant event or change in circumstances as a result of which the Group changes its assessment of whether it will exercise a break option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From time to time, a lease may expire without a new lease being agreed. In such circumstances, if the Group has not served or received notice under the terms of the lease, it may continue to occupy the store whilst a new lease is agreed, referred to as a 'holdover arrangement'. Most of the store portfolio is protected by the Landlord and Tenant Act (1954), under which as tenant the Group has an automatic right to a new lease subject to certain specific grounds under which the landlord can cancel. Under a holdover arrangement, the lease typically continues on a rolling basis on the same financial terms as the previous lease until new terms are formally agreed. The Group accounts for holdover arrangements by assuming a new five-year lease with payments equivalent to those previously agreed. Five years represents the average term of a lease across the Group's store portfolio, inclusive of break periods considered reasonably likely not to be exercised. In rare circumstances, the holdover lease may be calculated using alternative assumptions that better reflect the Group's expectations regarding the likely cost and term of the new lease being negotiated. When new terms are agreed, the holdover lease is modified according to the Group's normal accounting policy for lease modifications, as described above.

Where a lease expires at the end of its contractual term, including where the store in question enters a holdover arrangement, the right-of-use asset cost and accumulated depreciation associated with that lease is treated as a disposal.

2 Segmental reporting

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

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

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

2 Segmental reporting *continued*

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

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

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

2022 – £m	cardfactory stores	cardfactory Online	Getting Personal	Partnerships	Other	Group
Segment Revenue	335.1	10.9	12.9	4.6	0.9	364.4
Segment EBITDA	82.0	0.6	1.0	2.3	(0.3)	85.6
Depreciation, amortisation & impairment						(54.0)
Consolidated Operating Profit						31.6

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

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

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

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

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

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

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

3 Operating profit

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

	2023 £m	2022 £m
Staff costs (note 5)	***138.2***	113.8
Government grant income	***–***	(8.0)
Depreciation expense		
– owned fixed assets (note 11)	***8.0***	8.8
– right of use assets (note 12)	***35.7***	37.4
Amortisation expense (note 10)	***2.3***	2.9
Impairment of right-of-use assets (note 12)	***1.3***	5.0
Impairment of intangible assets (note 10)	***1.5***	–
Profit on disposal of fixed assets	***(0.6)***	–
Foreign exchange gain	***1.5***	2.6

3 Operating profit *continued*

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

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

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

4 EBITDA

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

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

5 Employee numbers and costs

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

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

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

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

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

Key management personnel

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

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

Remuneration of Directors

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

The table above includes the remuneration of Directors in each year. Director's remuneration for the period includes £40k in respect of compensation for loss of office for Kris Lee following his resignation on 31 January 2023. Amounts receivable under long-term incentive schemes reflects the value of options exercised during the year. Further details of the remuneration of the current Directors are disclosed in the Directors' Remuneration Report on pages 80 to 95. The basis of calculation for certain items described in the Directors' Remuneration Report may differ to that used in this note, reflecting differences in the relevant regulations.

6 Finance expense

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

7 Taxation

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

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

Recognised in the income statement

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

The effective tax rate of 15.6% (2022: 27.0%) on the profit before taxation for the year is lower than (2022: higher than) the average rate of mainstream corporation tax in the UK of 19% (2022: 19%). The lower effective tax rate is principally due to adjustments in respect of prior periods following the allocation of brought-forward losses and reliefs when the tax computations for that period were finalised subsequent to the publication of the consolidated financial statements for the FY22 financial year, partially offset by the effect of higher rates applicable to deferred tax balances (see note 13).

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

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

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

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

8 Dividends

There were no dividends paid in either the current or the previous year. The Board is not recommending a final dividend in respect of the financial year ended 31 January 2023 (2022: no final dividend). Whilst the Group's CLBILS and tranche A of the term loan facilities remain outstanding (see note 17), the Group is prohibited from making distributions under the terms of its financing arrangements.

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 employee share incentive awards and save as you earn share options.

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

	£m	£m
Profit for the financial period	44.2	8.1

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

10 Intangible assets

	Goodwill £m	Software £m	Total £m
Cost			
At 1 February 2022	328.2	17.0	345.2
Additions	–	9.4	9.4
Disposals	–	(0.4)	(0.4)
At 31 January 2023	**328.2**	**26.0**	**354.2**
Amortisation/impairment			
At 1 February 2022	14.4	10.1	24.5
Amortisation in the period	–	2.3	2.3
Impairment in the period	–	1.5	1.5
Amortisation on disposals	–	(0.4)	(0.4)
At 31 January 2023	**14.4**	**13.5**	**27.9**
Net book value			
At 31 January 2023	**313.8**	**12.5**	**326.3**
At 31 January 2022	313.8	6.9	320.7

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

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

Impairment Testing: Goodwill

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

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

As described in note 2, the Group updated its view of operating segments in the period. The cardfactory stores business previously formed part of the 'Card Factory' operating segment, which has been divided into 'cardfactory stores', 'cardfactory Online' and 'Partnerships' segments in FY23. The cardfactory stores business is comparable to the 'cardfactory stores' operating segment. Within the previous, aggregated segment, the assets attributable to each of these lines of business was clearly identifiable given the different nature of the sales platforms and customers to each. Goodwill of £313.8 million was previously allocated to the cardfactory business within the 'Card Factory' segment. Accordingly, upon amending the segmental analysis, the allocation of assets to each CGU has not changed as the assets attributable to the cardfactory stores business were identifiable within the previous Card Factory segment.

10 Intangible assets *continued*

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

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

The key assumptions used in determining the recoverable amount are:

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

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

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

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

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

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

Impairment Testing: Intangible assets not yet available for use

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

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

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

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

11 Property, plant and equipment

	Freehold property £m	Leasehold improvements £m	Plant, equipment, fixtures & vehicles £m	Total £m
Cost				
At 1 February 2022	17.9	40.8	70.3	129.0
Additions	0.9	–	7.9	8.8
Disposals	(0.2)	–	–	(0.2)
At 31 January 2023	***18.6***	***40.8***	***78.2***	***137.6***
Depreciation				
At 1 February 2022	4.4	37.3	55.7	97.4
Depreciation in the period	0.5	1.7	5.8	8.0
Depreciation on disposals	–	–	–	–
At 31 January 2023	***4.9***	***39.0***	***61.5***	***105.4***
Net book value				
At 31 January 2023	***13.7***	***1.8***	***16.1***	***32.2***
At 31 January 2022	13.5	3.5	14.6	31.6

11 Property, plant and equipment *continued*

	Freehold property £m	Leasehold improvements £m	Plant, equipment, fixtures & vehicles £m	Total £m
Cost				
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
Depreciation				
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
Net book value				
At 31 January 2022	13.5	3.5	14.6	31.6
At 31 January 2021	13.9	5.4	17.5	36.8

12 Leases

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

Right-of-use assets

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

12 Leases *continued*

	Buildings £m	Motor vehicles £m	Total £m
Cost			
At 1 February 2021	316.3	1.6	317.9
Additions	29.7	0.1	29.8
Disposals	(45.2)	(0.4)	(45.6)
Effect of foreign exchange rates	(0.2)	–	(0.2)
At 31 January 2022	300.6	1.3	301.9
Depreciation and impairment			
At 1 February 2021	205.7	0.8	206.5
Depreciation in the period	37.0	0.4	37.4
Impairment in the period	5.0	–	5.0
Depreciation on disposals	(44.3)	(0.3)	(44.6)
Impairment on disposals	(0.8)	–	(0.8)
Effect of foreign exchange rates	(0.1)	–	(0.1)
At 31 January 2022	202.5	0.9	203.4
Net book value			
At 31 January 2022	98.1	0.4	98.5
At 31 January 2021	110.6	0.8	111.4

Disposals and depreciation/impairment on disposals includes fully depreciated right-of-use assets where the lease term has expired, including amounts in respect of leases that have expired but the asset remained in use whilst a new lease was negotiated. The Group's full accounting policy in respect of leases and right-of-use assets is set out in note 1.

Impairment testing: Store assets

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

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

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

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

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

Lease liabilities

	2023 £m	2022 £m
Current lease liabilities	***(27.3)***	(41.1)
Non-current lease liabilities	***(78.1)***	(78.7)
Total lease liabilities (note 21)	***(105.4)***	(119.8)

Lease expense:

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

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

2 A small proportion of the store lease portfolio are subject to an element of turnover-linked variable rents that are excluded from the definition of a lease under IFRS 16.

13 Deferred tax assets and liabilities

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of an asset or liability in the financial statements and the corresponding tax bases used in the computation of taxable profit/loss.

Movement in deferred tax during the year:

	Fixed assets £m	Share-based payments £m	Derivative financial instruments and hedge accounting £m	IFRS 16 Leases £m	Tax losses £m	Other timing differences £m	Total £m
At 1 February 2021	0.3	0.1	0.6	1.4	1.7	1.2	5.3
Credit/(charge) to income statement	0.5	0.2	–	(1.4)	0.5	(0.8)	(1.0)
Credit/(charge) to other comprehensive income	–	0.2	(0.8)	–	–	–	(0.6)
Charge to equity	–	–	(0.2)	–	–	–	(0.2)
At 31 January 2022	0.8	0.5	(0.3)	–	2.2	0.4	3.6
Credit/(charge) to income statement	(0.2)	–	–	–	(2.2)	0.8	(1.6)
Credit/(charge) to other comprehensive income	–	0.9	(2.1)	–	–	–	(1.2)
Charge to equity	–	–	1.3	–	–	–	1.3
At 31 January 2023	***0.6***	***1.4***	***(1.1)***	***–***	***–***	***1.2***	***2.1***

Deferred tax assets and liabilities are offset to the extent they are levied by the same tax authority and the Group has a legally enforceable right to do so, otherwise they are shown separately in the balance sheet.

Deferred tax assets and liabilities are offset as follows:

	2023 £m	2022 £m
Deferred tax assets	***3.2***	3.9
Deferred tax liabilities	***(1.1)***	(0.3)
Net deferred tax asset	***2.1***	3.6

The Finance Act 2021 contained legislation to increase the mainstream corporation tax rate in the UK from 19% to 25%, which came into effect from 1 April 2023. The Group has therefore measured deferred tax assets and liabilities at this higher rate of tax. The impact of deferred tax items expected to unwind between the balance sheet date and 1 April 2023 at the lower rate of 19% is not material.

14 Inventories

	2023 £m	2022 £m
Finished goods	***44.7***	32.7
Work in progress	***0.6***	0.4
	45.3	33.1

Inventories are stated net of provisions totalling £16.1 million (2022: £20.7 million). The value of inventories written down in the period was £14.0 million (2022: £11.6 million).

The cost of inventories recognised as an expense and charged to cost of sales in the year, net of movements in provisions, was £145.3 million (2022: £121.6 million).

15 Trade and other receivables

	2023 £m	2022 £m
Current		
Trade receivables	***2.0***	3.0
Prepaid property costs	***2.9***	2.3
Other prepayments	***8.4***	2.8
	13.3	8.1

The Group has net US Dollar denominated trade and other receivables of £0.8 million (2022: £1.0 million).

Group revenue is principally attributable to the retail sale of cards, dressings and gifts. Revenue is subject to a single performance obligation fulfilled by receipt of goods at the point of payment with minimal returns and refunds. Trade receivables are attributable to retail partnerships and non-retail sales which generated revenue of £5.6 million (2022: £5.6 million) in the year. No significant impairment loss has been recorded against trade receivables.

16 Cash and cash equivalents

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

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

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

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

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

17 Borrowings

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

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

Bank loans

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

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

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

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

17 Borrowings continued

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

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

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

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

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

18 Trade and other payables

	2023 £m	2022 £m
Current		
Trade payables	***29.2***	31.1
Other taxation and social security	***20.6***	4.6
Contract liabilities	***–***	2.4
Property accruals	***7.8***	4.9
Payroll accruals	***13.9***	15.8
Other accruals	***13.2***	12.9
	84.7	71.7

The Group has net US Dollar denominated trade and other payables of £10.1 million (2022: £8.5 million).

During FY23, the Group aligned its UK VAT quarters with its financial year, resulting in the final payment in respect of each year moving from January to February. As a result, payables in respect of other taxation and social security significantly increased in FY23, owing to inclusion of the full quarterly payment made in February 2023.

19 Share capital and share premium

	2023 (Number)	2022 (Number)
Share capital		
Allotted, called up and fully paid ordinary shares of one pence:		
At the start of the period	***341,878,341***	341,626,396
Issued in the period (note 25)	***757,749***	251,945
At the end of the period	***342,636,090***	341,878,341

	£m	£m
Share capital		
At the start of the period	***3.4***	3.4
Issued in the period (note 25)	***–***	–
At the end of the period	***3.4***	3.4

	£m	£m
Share premium		
At the start of the period	***202.2***	202.2
Issued in the period (note 25)	***–***	–
At the end of the period	***202.2***	202.2

Shares issued in the period relate entirely to those issued upon vesting of employee share schemes. See note 25.

20 Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations:

	2023 £m	2022 £m
Profit before tax	**52.4**	11.1
Net finance expense	**11.4**	20.5
Operating profit	**63.8**	31.6
Adjusted for:		
Depreciation and amortisation	**46.0**	49.1
Impairment of right-of-use assets	**1.3**	5.0
Impairment of intangible assets	**1.5**	–
Gain on disposal of fixed assets	**(0.5)**	–
Cash flow hedging foreign currency movements	**0.8**	(1.4)
Share-based payments charge	**1.7**	0.8
Operating cash flows before changes in working capital	**114.6**	85.1
(Increase)/decrease in receivables	**(5.2)**	1.1
(Increase)/decrease in inventories	**(12.2)**	3.3
Increase/(decrease) in payables	**13.3**	11.9
Movement in provisions	**(2.7)**	12.2
Cash inflow from operating activities	**107.8**	113.6

21 Analysis of net debt

	At 1 February 2022 £m	Cash flow £m	Non-cash changes £m	At 31 January 2023 £m
Secured bank loans and accrued interest (note 17)	(111.0)	51.4	(6.1)	**(65.7)**
Lease liabilities	(119.8)	57.0	(42.6)	**(105.4)**
Total debt	(230.8)	108.4	(48.7)	**(171.1)**
Add: debt costs capitalised	(1.5)	(1.8)	1.9	**(1.4)**
Add: bank overdraft	–	(1.8)	–	**(1.8)**
Less: cash and cash equivalents (note 16)	38.3	(26.6)	–	**11.7**
Net debt	(194.0)	78.2	(46.8)	**(162.6)**
Lease liabilities	119.8	(57.0)	42.6	**105.4**
Net debt excluding lease liabilities	(74.2)	21.2	(4.2)	**(57.2)**

	At 1 February 2021 £m	Cash flow £m	Non-cash changes £m	At 31 January 2022 £m
Secured bank loans and accrued interest (note 17)	(119.0)	8.0	–	(111.0)
Lease liabilities	(144.9)	57.8	(32.7)	(119.8)
Total debt	(263.9)	65.8	(32.7)	(230.8)
Add: debt costs capitalised	(1.2)	(8.7)	8.4	(1.5)
Less: cash and cash equivalents (note 16)	12.5	25.8	–	38.3
Net debt	(252.6)	82.9	(24.3)	(194.0)
Lease liabilities	144.9	(57.8)	32.7	119.8
Net debt excluding lease liabilities	(107.7)	25.1	8.4	(74.2)

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

22 Provisions

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

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

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

22 Provisions *continued*

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

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

23 Financial risk management

The principal financial risks faced by the Group are liquidity, foreign currency, interest rate and counterparty credit risk.

The Board have overall responsibility for managing risks and uncertainties across the Group. The principal financial risks and uncertainties and the actions taken to mitigate them are reviewed on an ongoing basis. Further details of the Group's approach to managing risk are included in the Principal Risks and Uncertainties section of the Strategic Report on pages 58 to 62 and in the Corporate Governance Report on pages 67 to 73.

Liquidity risk

The Group has continued to generate significant operating cash inflows. Cash flow forecasts are prepared to assist management in identifying future liquidity requirements. At the balance sheet date, the Group had net debt (note 21) of £57.2 million (2022: £74.2 million) and undrawn RCF facility of £75.2 million (see note 17).

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

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

Until the business has no outstanding CLBILS or Term Loan 'A', there will be a prohibition of any payment to shareholders by way of dividend or share buy-back.

The table below analyses the contractual cash flows of the Group's non-derivative financial liabilities as at the balance sheet date. The amounts disclosed in the tables are the contractual undiscounted cash flows, including contractual interest. Where amounts are not yet fixed, principally in respect of interest payments linked to SONIA in the Group's bank facilities, the values have been determined with reference to forward curves at the balance sheet date.

	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
At 31 January 2023					
Bank loans	***52.4***	***18.8***	–	–	***71.2***
Lease liabilities	***32.7***	***31.3***	***47.9***	***7.8***	***119.7***
Trade and other payables	***84.7***	–	–	–	***84.7***
	169.8	***50.1***	***47.9***	***7.8***	***275.6***
At 31 January 2022					
Bank loans	31.7	88.9	–	–	120.6
Lease liabilities	46.8	32.0	44.7	6.7	130.2
Trade and other payables	71.7	–	–	–	71.7
	150.2	120.9	44.7	6.7	322.5

The table below analyses the contractual cash flows of the Group's derivative financial instruments as at the balance sheet date. The amounts disclosed represent the total contractual undiscounted cash flows at the balance sheet date exchange and interest rates.

	Less than one year £m	One to two years £m	Two to five years £m	More than five years £m	Total £m
At 31 January 2023					
Foreign exchange contracts					
– Inflow	***76.4***	***21.9***	–	–	***98.3***
– Outflow	***(72.6)***	***(21.2)***	–	–	***(93.8)***
Interest rate contracts					
– Inflow	***1.1***	–	–	–	***1.1***
– Outflow	–	***(0.2)***	***(0.2)***	–	***(0.4)***
At 31 January 2022					
Foreign exchange contracts					
– Inflow	60.4	37.3	–	–	97.7
– Outflow	(59.7)	(36.4)	–	–	(96.1)
Interest rate contracts					
– Outflow	0.4	0.6	–	–	1.0

23 Financial risk management *continued*

Foreign currency risk

The Group has an exposure to foreign currency risk due to a significant proportion of the Group's retail products being procured from overseas suppliers with purchases denominated in US Dollars. The Group has an established currency hedging policy which aims to mitigate the risk of adverse currency movements whilst providing sufficient flexibility and available credit lines to act when markets are volatile.

The Group's policy requires forward cover, using a combination of currency on hand, expected receipts and derivative contracts, of between 50% and 100% of the next 12 months' rolling forecast US Dollar requirements, between 20% and 80% forward cover for the period 12 to 24 months, and up to 40% for the period 24 to 36 months. The policy permits a proportion of each year's US Dollar requirement to be covered by structured options and similar instruments.

The table below analyses the sensitivity of the Group's US Dollar denominated financial instruments to a 10 cent movement in the USD to GBP exchange rate at the balance sheet date, holding all other assumptions constant.

	2023		2022	
	Impact on profit after tax £m	**Impact on cash flow hedging reserve £m**	Impact on profit after tax £m	Impact on cash flow hedging reserve £m
10 cent increase	**(2.9)**	**(3.3)**	(1.2)	(5.3)
10 cent decrease	**2.1**	**4.0**	1.6	6.3

The Group generates a small proportion of its total revenue in Euros as a result of its operations in the Republic of Ireland. Euro receipts are used to settle obligations denominated in Euros, or are converted to GBP using either spot or forward contracts to manage liquidity.

Interest rate risk

The Group's principal interest rate risk arises from its long-term borrowings. Bank borrowings are denominated in Sterling and are borrowed at floating interest rates (see note 17). The Group has an established policy that permits the use of interest rate derivative financial instruments to mitigate the interest rate risk on an element of these borrowing costs. Current Group policy requires between 25% and 75% of forecast floating interest rate borrowings to be hedged for the next 24 months, up to 50% for the period 24 to 36 months and up to 25% for periods greater than 36 months.

The table below shows the impact on the reported results of a 50 basis point increase or decrease in the interest rate for the year.

	2023		2022	
	Impact on profit after tax £m	**Impact on cash flow hedging reserve £m**	Impact on profit after tax £m	Impact on cash flow hedging reserve £m
50 basis point interest rate increase	**(0.2)**	**0.3**	(0.3)	0.3
50 basis point interest rate decrease	**0.2**	**(0.3)**	0.3	(0.3)

Counterparty credit risk

The Group is exposed to counterparty credit risk on its holdings of cash and cash equivalents and derivative financial assets. To mitigate the risk, counterparties are limited to high credit-quality financial institutions and exposures are monitored on a monthly basis. Sterling cash balances have historically been maintained at near zero or overdrawn within the facility to minimise interest expense on the RCF, thereby reducing counterparty credit risk on cash balances.

The Group is also exposed to counterparty credit risk in relation to certain payments in advance of goods to overseas suppliers. To limit this exposure, goods from overseas suppliers are not paid until after shipment, except for a limited number of deposit payments in prepayments.

Credit risk in respect of trade receivables on revenues from retail partners and non-retail customers, and other receivables and prepayments, is not significant to the Group. Revenues from retail partners and non-retail customers represented £5.6 million in the year (2022: £4.6 million) and trade receivables at 31 January 2023 were £2.4 million (2022: £3.0 million). Total trade and other receivables at 31 January 2023 are £13.3 million (FY22: £8.1 million). The Group considers expected credit losses as not material and no impairment allowances have been recognised in respect of credit risk.

Capital management

The Group's capital management policy is to maintain a capital structure that is conservative yet efficient in terms of providing long-term returns to shareholders. The Board monitors the Group's capital structure principally through reviewing leverage – the ratio of net debt (excluding lease liabilities) to EBITDA. The Group's long-term target is to maintain leverage between 0.5 to 1.5 times.

The Group defines capital as equity attributable to the equity holders of the Parent plus net debt. Net debt is shown in note 21.

The Group has prioritised de-levering the business during and since the Covid-19 pandemic, protecting liquidity to ensure it can continue to meet the needs of all stakeholders in the longer term. Alongside the restrictions imposed by the Group's financing facilities (see note 17), this has resulted in no distributions to shareholders being made during FY22 and FY23.

23 Financial risk management *continued*

Whilst the CLBILs and term loan tranche 'A' remain outstanding, the Group is prohibited from making distributions. Following the refinancing of the Group's facilities in April 2022, the remaining CLBILs facilities are due to be repaid over the period to September 2023 and term loan tranche 'A' over the period to January 2024. Therefore, the Board envisages the earliest point for dividend payments to be considered will be the end of FY24. Providing leverage remains within the range above, it is the Board's intention to pay annual ordinary dividends based on a targeted dividend cover of between 2.0 and 3.0 times the Group's consolidated post-tax profit.

Details on Group borrowings are set out in notes 17 and 29 of the consolidated financial statements. The Group has a continued focus on free cash flow generation. The Board monitors a range of financial metrics together with banking covenant ratios, maintaining suitable headroom to ensure that the Group's financing requirements continue to be serviceable. Further detail regarding covenant restrictions and liquidity forecasts are provided on pages 119 to 120 and pages 134 to 135.

24 Financial instruments

Fair value

IFRS 13 requires categorisation of the Group's financial instruments, where measured at fair value, in accordance with the fair value hierarchy to illustrate the basis upon which the fair value has been determined:

- Level 1: fair value measurements are derived from quoted prices in active markets for identical assets or liabilities;
- Level 2: fair value measurements are based on 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: fair value measurements derived from valuation techniques that use inputs that are not based on observable market data (unobservable inputs).

The fair value of the Group's foreign currency and interest rate derivative financial instruments are largely determined by comparison between forward market prices and the contract price; therefore, these contracts are categorised as Level 2.

Derivative financial instruments

The balance sheet date fair value of derivative financial instruments is as follows:

	2023 £m	2022 £m
Derivative assets		
Non-current		
Interest rate contracts	**0.2**	0.3
Foreign exchange contracts	**0.3**	1.0
	0.5	1.3
Current		
Interest rate contracts	**1.1**	0.2
Foreign exchange contracts	**4.2**	0.6
	5.3	0.8
Derivative liabilities		
Current		
Interest rate contracts	**–**	–
Foreign exchange contracts	**(1.4)**	(0.2)
	(1.4)	(0.2)
Non-current		
Interest rate contracts	**(0.2)**	–
Foreign exchange contracts	**(0.3)**	–
	(0.5)	–
Net derivative financial instruments		
Interest rate contracts	**1.1**	0.5
Foreign exchange contracts	**2.8**	1.4
	3.9	1.9

24 Financial instruments *continued*

Interest rate contracts

At 31 January 2023 the Group held fixed for floating SONIA interest rate swaps to hedge a portion of the variable interest rate risk on bank borrowings. Notional principal amounts for interest hedges totalled £50.0 million for the period to October 2023 at an average fixed rate of 0.9%, then reducing to £20.0 million for the period to October 2024 at an average fixed rate of 3.95%, then reducing to £10 million for the period to October 2025 at an average fixed rate of 5.1% (2022: £60.0 million for the period to October 2022, reducing to £40.0 million for the period to October 2023).

Unhedged fair value movements of £nil (2022: £nil) were expensed to the income statement within financial expense.

Foreign exchange contracts

At 31 January 2023 the Group held a portfolio of foreign currency derivative contracts with notional principal amounts in GBP totalling £93.8 million (2022: £97.7 million) to mitigate the exchange risk on future US Dollar denominated trade purchases.

Foreign currency derivatives with a notional value of £47.0 million were designated in cash flow hedging relationships at 31 January 2023 (2022: £74.6 million). Of this amount, £37.2 million is expected to unwind in the next 12 months with an average strike price of 1.34 and £9.8 million is expected to unwind between 13 and 24 months at an average strike price of 1.23. The average strike prices reflect only those derivatives designated into hedging relationships, and not the Group's whole portfolio of currency purchase contracts.

Foreign currency derivative contracts with a notional value of £46.8 million representing a fair value liability of £0.4 million (2022: £23.1 million representing a fair value asset of £0.1 million) were not designated as hedging relationships.

Fair value movements in foreign currency derivatives are recognised in other comprehensive income to the extent the contract is part of an effective hedging relationship. The fair value movements of £0.5 million that do not form part of an effective hedging relationship have been charged to the income statement (2022: £1.3 million) within cost of sales.

Classification of financial instruments

The table below shows the classification of financial assets and liabilities at the balance sheet date. Fair value disclosures in respect of lease liabilities are not required.

At 31 January 2023	*Mandatorily at FVTPL £m*	*Cash flow hedging instruments £m*	*Financial assets at amortised cost £m*	*Other financial liabilities £m*
Financial assets measured at fair value				
Derivative financial instruments	***0.5***	***5.3***	***–***	***–***
Financial assets not measured at fair value				
Trade and other receivables	***–***	***–***	***13.3***	***–***
Cash and cash equivalents	***–***	***–***	***11.7***	***–***
Financial liabilities measured at fair value				
Derivative financial instruments	***(0.9)***	***(1.0)***	***–***	***–***
Financial liabilities not measured at fair value				
Secured bank loans	***–***	***–***	***–***	***(65.7)***
Unsecured bank overdrafts	***–***	***–***	***–***	***(1.8)***
Trade and other payables	***–***	***–***	***–***	***(84.7)***
	(0.4)	***4.3***	***25.0***	***(152.2)***

At 31 January 2022	Mandatorily at FVTPL £m	Cash flow hedging instruments £m	Financial assets at amortised costs £m	Other financial liabilities £m
Financial assets measured at fair value				
Derivative financial instruments	0.1	2.0	–	–
Financial assets not measured at fair value				
Trade and other receivables	–	–	8.1	–
Cash and cash equivalents	–	–	38.3	–
Financial liabilities measured at fair value				
Derivative financial instruments	–	(0.2)	–	–
Financial liabilities not measured at fair value				
Unsecured bank loans	–	–	–	(111.0)
Trade and other payables	–	–	–	(71.7)
	0.1	1.8	46.4	(182.7)

The fair values of financial instruments have been assessed as approximating to their carrying values. Derivative financial instruments are utilised to mitigate foreign exchange risk on the requisition of inventory and interest rate risk on borrowings. Derivatives not designated as a hedging relationship are mandatorily classified at FVTPL.

25 Equity-settled share-based payment arrangements

Card Factory Restricted Share Awards and Long Term Incentive Plan

The Company grants restricted share awards ('RSAs') to the Executive Directors, members of the senior management team and senior employees within the Group under the terms of the Group's LTIP. Grants are made annually under the scheme, subject to approval by the Board. The award comprises a right to receive free shares or nil cost options. The shares are to be issued within 30 days, or as soon as practicable, after the vesting date. Grants awarded in the year to Executive Directors and senior management vest in stages over three, four and five years and vested shares may not be sold (other than to pay taxes due on vesting) until the end of the five-year period. Grants awarded in the year to senior employees are subject to a three-year vesting period. All restricted share awards are subject to a performance underpin through which the Remuneration Committee can exercise discretion to reduce the number of awards that will vest based on certain defined criteria.

Grants awarded prior to 31 January 2018 under the LTIP were subject to a three-year vesting period with performance conditions and a two-year holding period for awards in favour of senior management. Further details on Executive Director share awards are provided in the Remuneration Report on pages 86 to 95.

Card Factory SAYE Scheme ('SAYE')

The SAYE scheme is open to all employees (in years prior to FY19 length of service eligibility applied). Grants are made annually under the scheme, subject to approval by the Board. Options may be exercised under the scheme within six months of the completion of the three-year savings contract. There is provision for early exercise in certain circumstances such as death, disability, redundancy and retirement.

Reconciliation of outstanding awards

	RSA/LTIP		SAYE	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 February 2021	3,681,075	£0.01	3,961,409	£0.40
Granted during the year	1,911,815	£0.01	1,499,150	£0.29
Exercised during the year	(239,943)	£0.01	(12,002)	£0.27
Forfeited during the year	(903,945)	£0.01	(1,324,356)	£0.48
Outstanding at 31 January 2022	***4,449,002***	***£0.01***	***4,124,201***	***£0.37***
Granted during the year	***3,799,855***	***£0.01***	***2,267,990***	***£0.49***
Exercised during the year	***(736,764)***	***£0.01***	***(20,985)***	***£0.27***
Forfeited during the year	***(664,953)***	***£0.01***	***(1,178,977)***	***£0.56***
Outstanding at 31 January 2023	***6,847,140***	***£0.01***	***5,192,229***	***£0.42***

Fair value of awards

The fair value of awards granted during the year has been measured using the Black-Scholes model assuming the inputs below.

	2023			2022	
	RSA/LTIP (1)	RSA/LTIP (2)	SAYE	RSA/LTIP (1)	SAYE
Granted during the year	***3,417,583***	***382,272***	***2,267,990***	1,911,815	1,499,150
Fair value at grant date	***£0.62***	***£0.64***	***£0.34***	£0.68	£0.29
Share price at grant date*	***£0.62***	***£0.64***	***£0.63***	£0.68	£0.61
Exercise price*	***£0.01***	***£0.01***	***£0.49***	£0.01	£0.54
Expected volatility	***72%***	***72%***	***72%***	66%	67%
Expected term (years)	***2.5 to 5***	***3 to 5***	***3***	3 to 5	3
Expected dividend yield	***N/A*****	***N/A*****	***0%***	N/A**	0%
Risk free interest rate	***1.20%***	***1.69%***	***1.81%***	0.16%	0.16%

* The exercise price for SAYE awards is set at a 20% discount to an average market price determined in accordance with scheme rules. The share price at the grant date is the closing price on the grant date.

** RSA/LTIP awards have a £0.01 exercise price (covered via a nominal bonus award from the Group) and accrue dividend equivalents over the vesting period, consequently the fair value at grant date is equal to the grant date share price.

The expected volatility is based on historical volatility of the Company over the expected term at the grant date.

Impact on the income statement

The total expense recognised in the income statement arising from share-based payments is as follows:

All amounts exclude national insurance costs	2023 £m	2022 £m
RSA or LTIP	***1.4***	0.6
SAYE	***0.3***	0.2
Total share-based payment expense	***1.7***	0.8

26 Capital commitments
The Group had capital commitments at 31 January 2023 of £2.3 million (2022: £nil).

27 Contingent liabilities
There were no material contingent liabilities at 31 January 2023 (2022: £nil).

28 Related party transactions
The Group has taken advantage of the exemptions contained within IAS 24 'Related Party Disclosures' from the requirement to disclose transactions between Group companies as these have been eliminated on consolidation.

A full listing of the Group's subsidiary undertakings is provided in the notes to the Company accounts on page 147.

Transactions with 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. Disclosures relating to remuneration of key management personnel are included in note 5 of the financial statements. Further details of Directors' remuneration are set out in the Directors' Remuneration Report on pages 78 to 95. Directors of the Company and their immediate families control 0.02% of the ordinary shares of the Company.

There were no other related party transactions in the year.

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

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

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

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

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

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 January 2023

	Note	2023 £m	2022 £m
Non-current assets			
Investments	4	***316.2***	316.2
Deferred tax assets		***1.3***	0.5
		317.5	316.7
Current assets			
Trade and other receivables	5	***2.9***	2.5
Total assets		***320.4***	319.2
Current liabilities			
Trade and other payables	6	***(3.8)***	(4.2)
Net assets		***316.6***	315.0
Equity			
Share capital	7	***3.4***	3.4
Share premium	7	***202.2***	202.2
Merger reserve		***2.7***	2.7
Retained earnings		***108.3***	106.7
Equity attributable to equity holders of the Parent		***316.6***	315.0

The financial statements on pages 143 to 148 were approved by the Board of Directors on 2 May 2023 and were signed on its behalf by

Darcy Willson-Rymer
Chief Executive Officer

Company number 09002747

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 January 2023

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 31 January 2021	3.4	202.2	2.7	106.7	315.0
Total comprehensive income for the year					
Profit or loss	–	–	–	(0.8)	(0.8)
Transactions with owners, recorded directly in equity					
Share-based payments	–	–	–	0.8	0.8
At 31 January 2022	3.4	202.2	2.7	106.7	315.0
Total comprehensive income for the year					
Profit or loss	–	–	–	(0.2)	(0.2)
Transactions with owners, recorded directly in equity					
Share-based payments	–	–	–	1.8	1.8
At 31 January 2023	***3.4***	***202.2***	***2.7***	***108.3***	***316.6***

The notes that accompany these financial statements are included on pages 145 to 148.

PARENT COMPANY CASH FLOW STATEMENT
For the year ended 31 January 2023

	Note	2023 £m	2022 £m
Cash (outflow)/inflow from operating activities	10	–	–
Corporation tax paid		–	–
Net cash (outflow)/inflow from operating activities		–	–
Cash flows from investing activities		–	–
Dividends received		–	–
Net cash inflow from investing activities		–	–
Cash flows from financing activities		–	–
Dividends paid	3	–	–
Net cash outflow from financing activities		–	–
Net increase in cash and cash equivalents		–	–
Cash and cash equivalents at the beginning of the year		–	–
Closing cash and cash equivalents		–	–

The notes that accompany these financial statements are included on pages 145 to 148.

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards ('UK IFRS') and applicable law.

The financial statements have been prepared under the historical cost convention and on the going concern basis. The Directors' assessment of going concern is set out on pages 119 and 120 of the consolidated financial statements.

Significant judgements and estimates

The preparation of financial statements in conformity with UK IFRS requires the use of judgements, estimates and assumptions that affect the application of the Company's accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The Company has not identified any significant judgements or areas of significant estimation uncertainty in the current year. However, reflecting the degree of management focus, notes the following in respect of impairment testing:

Investment in subsidiaries impairment testing

The impairment testing of investment in subsidiaries requires judgement in determining the assumptions to be used to estimate the value-in-use, including estimates of future revenues, operating costs, terminal value growth rates, and the pre-tax discount rate to be applied. Whether or not the estimation used in determining these assumptions is significant depends upon the outcome of the assessment and the level of headroom in the analysis and sensitivity to changes in those assumptions.

Further detail is provided in note 4 to the Company financial statements. There were no reasonably possible changes in key assumptions in the impairment test performed that would result in an impairment charge.

Principal accounting policies

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Changes in significant accounting policies

New standards and amendments to existing standards effective in the period, which are set out in full on page 120 of the consolidated financial statements, have not had a material effect on the Company's financial statements.

UK endorsed standards and amendments issued but not yet effective

A full list of standards and amendments that are in issue but not yet effective is provided on page 120 of the consolidated financial statements.

The adoption of these standards and amendments in future periods is not expected to have a material impact on the Company's financial statements.

Income statement

The Company made a loss after tax of £0.1 million for the year ended 31 January 2023 (2022: £0.8 million loss), including £nil dividends received from subsidiary undertakings (2022: £nil). As permitted by section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of the financial statements.

Investments

Investments in subsidiary undertakings are held at cost less any provision for impairment.

Financial instruments

Non-derivative financial assets

Non-derivative financial assets comprise trade and other receivables classified as financial assets at amortised cost. The trade and other receivables do not have a significant financing component and are initially measured at transaction price. At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company measures loss allowances at an amount equal to lifetime expected credit loss.

Non-derivative financial liabilities

Non-derivative financial liabilities comprise trade and other payables. Trade and other payables are initially recognised at fair value, less any directly attributable transaction costs and subsequently stated at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Merger reserve

On 30 April 2014 Card Factory plc acquired 100% of the share capital of CF Topco Limited in a share for share exchange, thereby inserting Card Factory plc as the Parent Company of the Group. The shareholders of CF Topco Limited became 100% owners of the enlarged share capital of Card Factory plc. The premium arising on the issue of shares is recognised in the merger reserve.

Share-based payments

The Company issues equity-settled share-based payments to employees within the Group through the Card Factory Restricted Share Awards Scheme ('RSA') and the Card Factory SAYE Scheme ('SAYE'), see note 25 of the consolidated financial statements for further details. The cost of equity-settled share awards is measured as the fair value of the award at the grant date using the Black–Scholes model.

1 Accounting policies *continued*

The cost of awards to employees of the Company is expensed to the income statement, together with a corresponding adjustment to equity, on a straight-line basis over the vesting period of the award. The cost of awards to employees of subsidiary undertakings is recognised as a capital contribution, immediately reimbursed by the subsidiary. The total cost of the awards is based on the Company's estimate of the number of share awards that will eventually vest in accordance with the vesting conditions. The awards do not include market-based vesting conditions. At each balance sheet date, the Company revises its estimate of the number of awards that are expected to vest. Any revision to estimates is recognised in the income statement, with a corresponding adjustment to equity. The expense recognised in the Company income statement is subsequently charged to subsidiary entities to the extent that management services are provided to those subsidiary entities.

Dividends

Dividends are recognised as a liability in the period in which they are approved such that the Company is obliged to pay the dividend.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or through other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2 Employee costs

The Company has no employees other than the Board of Directors. Full details of Directors' remuneration are set out in the Directors' Remuneration Report on pages 78 to 95.

3 Dividends

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

4 Investments in subsidiaries

	£m
At 31 January 2022 and 31 January 2023	316.2

The recoverable amount of the Company's investments in its subsidiaries have been determined based on value-in-use calculations which require the use of estimates. Management has prepared discounted cash flows based on the latest approved budget and five-year strategic plan. The Directors are satisfied that there is no impairment of the investment in subsidiaries.

The key assumptions and sensitivity to those assumptions are consistent with those described in note 10 to the consolidated financial statements, adjusted as appropriate to determine an equity valuation of the Company's investments.

4 Investments in subsidiaries *continued*

Subsidiary undertakings

At 31 January 2023 the Company controlled 100% of the issued ordinary share capital of the following subsidiaries, all of which are included in the consolidated financial statements. All subsidiaries are registered in England and Wales with the exception of Card Factory Ireland Limited which is registered in the Republic of Ireland. The registered office of the Company is Century House, Brunel Road, Wakefield 41 Industrial Estate, Wakefield, West Yorkshire, WF2 0XG.

Subsidiary undertaking	Nature of business	Registered office
CF Bidco Limited*	Intermediate holding company	Same as the Company
Sportswift Limited	Sale of greeting cards and gifts	Same as the Company
Printcraft Limited	Printers	Same as the Company
Getting Personal Limited	Online sale of personalised products and gifts	Same as the Company
Card Factory Ireland Limited	Sale of greeting cards and gifts	**
CF Topco Limited*	Dormant	Same as the Company
CF Interco Limited	Dormant	Same as the Company
Short Rhyme Limited	Dormant	Same as the Company
Heavy Distance Limited	Dormant	Same as the Company
Getting Personal Group Limited	Dormant	Same as the Company
Getting Personal (UK) Limited	Dormant	Same as the Company
Lupfaw 221 Limited	Dormant	Same as the Company
Sportswift Properties Limited	Dormant	Same as the Company
CF Midco Limited	Dormant	Same as the Company
Century Cards Limited	Dormant	Same as the Company
Rose Card Limited	Dormant	Same as the Company
Celebration Cards Limited	Dormant	Same as the Company
Sportswift Trading Limited	Dormant	Same as the Company
CF Newco Limited	Dormant	Same as the Company
321 Cards Limited	Dormant	Same as the Company
Card Concepts Limited	Dormant	Same as the Company
Excelsior Graphics Limited	Dormant	Same as the Company
Card Factory stores Limited	Dormant	Same as the Company
Card Factory Retail Limited	Dormant	Same as the Company
Card Factory Online Limited	Dormant	Same as the Company
Card Factory Greetings Limited	Dormant	Same as the Company

* Shares held directly. All other subsidiaries shares are held indirectly through subsidiary undertakings.

** 6th Floor, 2 Grand Canal Square, Dublin 2, Dublin, Republic of Ireland.

5 Trade and other receivables

	2023 £m	2022 £m
Amounts owed by Group undertakings	2.7	1.9
VAT recoverable	–	0.1
Prepayments and other debtors	0.2	0.5
	2.9	2.5

Trade and other receivables of the Company principally relate to balances due on demand from subsidiary undertakings. The Company has assessed the expected credit loss as very low and has made no provision for impairment.

6 Trade and other payables

	2023 £m	2022 £m
Amounts owed to Group undertakings	1.0	2.9
Trade payables	2.0	1.0
Accruals	0.8	0.3
	3.8	4.2

7 Share capital and share premium

	2023 (Number)	2022 (Number)
Share capital		
Allotted, called up and fully paid ordinary shares of one pence:		
At the start of the period	***341,878,341***	341,626,396
Shares issued in the year	***757,749***	251,945
At the end of the period	***342,636,090***	341,878,341

	£m	£m
Share capital		
At the start of the period	***3.4***	3.4
Shares Issued in the year	***–***	–
At the end of the period	***3.4***	3.4

	£m	£m
Share premium		
At the start of the period	***202.2***	202.2
Shares issued in the year	***–***	–
At the end of the period	***202.2***	202.2

The company has only one class of shares, which are ordinary shares of 1 pence each, carrying no right to a fixed income. No shareholders have waived their rights to dividends.

During the 2023 financial year, 757,749 shares (2022: 251,945 shares) were issued in satisfaction of options vesting in accordance with the rules of the Group's employee share schemes. Full details in respect of the Group's employee share schemes, including remaining options outstanding, are included in note 25 to the consolidated financial statements.

8 Financial risk management

The financial risk management strategy of the Company is consistent with the Group strategy detailed in note 23 of the consolidated financial statements. Company exposure to liquidity, interest rate, foreign exchange and credit risk are principally to the extent they impact the trade of its subsidiary investments. Trade and other receivables of the Company principally comprise amounts due from Group undertakings.

9 Financial instruments

Classification of financial instruments

Financial assets have all been classified as financial assets at amortised cost. Financial liabilities have all been classified as other financial liabilities.

Maturity analysis

All financial instrument assets and liabilities fall due in less than one year.

Fair values

The fair values of financial instruments have been assessed as approximating to their carrying values.

10 Notes to the cash flow statement

	2023 £m	2022 £m
Loss before tax	***(0.6)***	(1.2)
Dividends received	***–***	–
Operating loss	***(0.6)***	(1.2)
Adjusted for:		
Share-based payment charge	***0.4***	0.2
Operating cash flows before changes in working capital	***(0.2)***	(1.0)
(Increase)/decrease in receivables	***(0.4)***	0.3
Increase in payables	***0.6***	0.7
Cash inflow/(outflow) from operating activities	***–***	–

The increase in payables stated above is adjusted to reflect amounts analysed elsewhere in the cash flow statement, which are included within amounts owed to Group undertakings in the statement of financial position.

11 Related party transactions

Amounts due to and from Group undertakings are set out in notes 5 and 6 of the financial statements. Transactions between the Company and its subsidiaries were as follows:

	2023 £m	2022 £m
Management services	***2.1***	1.1
Dividends received from Group undertakings	***–***	–
Inter-company working capital cash flows from Group undertakings	***2.1***	1.1

Transactions with key management personnel

The key management personnel of the Company comprise the Card Factory plc Board of Directors. Disclosures relating to Directors' remuneration are set out in the Remuneration Report on pages 78 to 95. Directors of the Company control 0.02% of the ordinary shares of the Company.

GLOSSARY

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

Introduction

In the reporting of the financial statements, the Directors have adopted various 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 in the Annual Report and Accounts are consistent with measures used internally by the Board and management for performance analysis, planning, reporting and incentive setting purposes.

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

'EBITDA' is earnings before interest, tax, gains or losses on disposal, depreciation, amortisation and impairment charges. Earnings is equivalent to profit after tax calculated in accordance with IFRS and each adjusting item is calculated in accordance with the relevant IFRS. A reconciliation of EBITDA to operating profit is provided in note 3 to the 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 financial review on page 56 of this report.

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

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

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

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

In addition, the Group reports combined like-for-like sales measures for certain components of the business as follows:
- **'cardfactory LFL'** is defined as like-for-like sales in stores plus like-for-like sales from the cardfactory website www.cardfactory.co.uk; and
- **'Online'**: like-for-like sales for cardfactory.co.uk and gettingpersonal.co.uk combined.

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

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

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

Percentage movements have been calculated before figures were rounded to £0.1 million.

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Wakefield West Yorkshire WF2 0XG
Company Registration No: 9002747

1 Lines are open 8.30am to 5.30pm (UK time), Monday to Friday, excluding English public holidays.

FSC LOGO TBC

WORLD LAND TRUST™

www.carbonbalancedprinter.com
Registration No. CBP2269

Printed by a carbon balanced, FSC®-recognised printer, certified to ISO 14001 environmental management system using 100% renewable energy. This product has been made of material from well-managed, FSC®-certified forests and other controlled sources. Both paper and production are measured and carbon balanced, based on a third party, audited, calculation.

100% of the inks used are HP Indigo ElectroInk which complies with RoHS legislation and meets the chemical requirements of the Nordic Ecolabel (Nordic Swan) for printing companies, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

The printer contributes to the World Land Trust's 'Conservation Coast' project in Guatemala. This scheme supports many landowners and local communities to register and obtain their own land and thereby protect thousands of acres of threatened coastal forest. The local organisation FUNDAECO works with over 3000 families to help transform local livelihoods through job creation and ecotourism.

Designed and produced by **emperor**
Visit us at **emperor.works**

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