cardfactory

celebrate all life's moments

Annual Report and Accounts 2024

Welcome to cardfactory – where everyone can celebrate life's special 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 as well as an expanding international presence in South Africa, Australia and the Middle East, and a growing online and omnichannel offer.

To deliver on our purpose of making sharing in and celebrating life's moments special and accessible for everyone, we design and manufacture an extensive range of high quality cards, gifts and celebration essentials at exceptional value.

Contents

Strategic Report

Governance

Financial Statements

Company Information

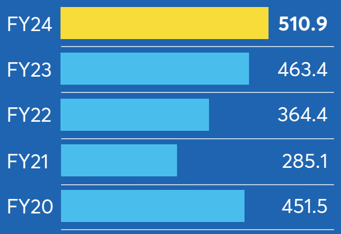
FY24 HIGHLIGHTS

Delivering the building blocks for growth

Financial Key Performance Indicators (KPIs)[1]

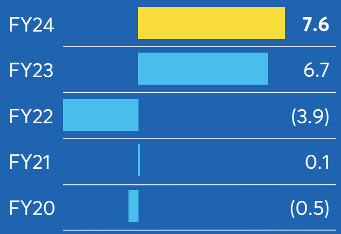
Revenue (£m)

£510.9m



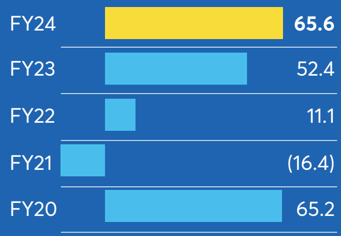
cardfactory LFL sales (%)[2]
(excluding periods of store closure)

+7.6%



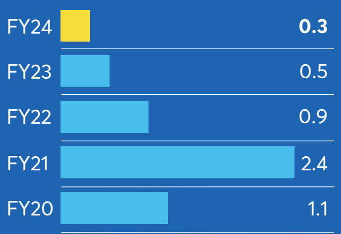
Profit Before Tax (£m)

£65.6m



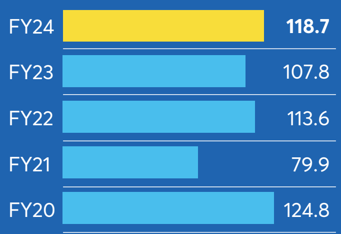
Leverage[2]
(excluding lease liabilities)

0.3x



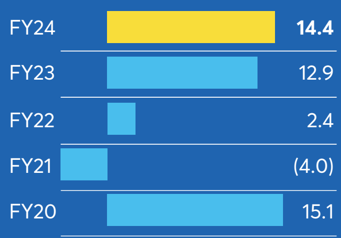
Operating Cash Flow (£m)

£118.7m



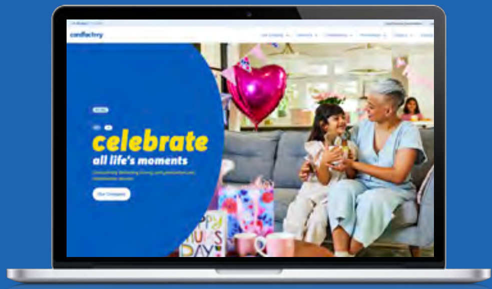
Basic EPS (p)

14.4p



Summary of the financial period

- Continued positive momentum across the business driving revenue and profit growth.
- Strong performance in stores underlines strategic role in our omnichannel ambition.
- Strategy delivering positive outcomes across all building blocks of growth.
- Cultural progress and new sustainability strategy launched.
- Further strengthening of the balance sheet with reduction in net debt.
- Updated capital allocation policy in place and resumption of dividend.



More about us online:
www.cardfactoryinvestors.com

1. The above financial KPIs are either measures calculated in accordance with IFRS (see financial statements starting on page 124) or are Alternative Performance Measures.
2. See the glossary on pages 161 to 164 for Alternative Performance Measures (APMs) and other explanatory information.

FY24 means the financial year to 31 January 2024.

OUR FOCUS

Delivering on our purpose is helping cardfactory unlock our future growth.

Through our extensive and expanding range of affordable and high-quality cards, gifts and celebration essentials we are helping customers create truly memorable celebrations that drive satisfaction and trust. Our extensive store network and the investments we are making in our online and omnichannel propositions make it easier to create a celebration. Through our partner network in the UK and internationally, we are more accessible to more customers in more places.

Delivering on our purpose

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

We are living our purpose

Our purpose is the thread that ties everything we do at cardfactory together, ensuring we deliver an exceptional experience for our customers, drive product innovation and achieve our online and omnichannel ambitions.

Within our extensive store network, colleagues are engaging customers to understand how we can help make the life moment they are celebrating special. As we transform into an omnichannel business, our offer has never been more accessible.

We are diversifying our product range, expanding our gifts and celebration essentials offer and ensuring that we provide the broadest selection of products and categories that can help our customers celebrate the special moment that they are planning both in the UK and internationally.

Delivering through our strategy

We are the leading omnichannel retailer of cards, gifts and celebration essentials, with an extensive UK & Ireland footprint and growing international presence.

FY24 was a year of delivery for our 'Opening Our New Future' strategy. We achieved significant milestones across all our areas of focus.

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.**

'Opening Our New Future'

Value & choice | Convenience | Experience

Scalable central model, driving organisational efficiency
Creative | Manufacturing | Technology

26
net new store openings

Find out more about Our strategy online

Delivering on our strategy

As we deliver on our 'Opening Our New Future' strategy, we are achieving significant milestones across our three primary areas of focus: 1. online and omnichannel; 2. gifts and celebration essentials and 3. partnerships. Core business growth continues with investment into the core of the business: our stores in the UK and Ireland, with highlights including 26 net new stores opening in FY24, with 43 stores opened or refurbished over the year.

Online & omnichannel

Our first omnichannel proposition, Click & Collect, which combines our online and stores channels, has been operating across our UK stores for almost 12 months. We also completed the replatforming of both cardfactory.co.uk and gettingpersonal.co.uk, which provides the foundation we are building on while we invest in our online future, expanding our online range, and improving our customer experience.

Gifts & celebration essentials

The continued expansion of our gifts and celebration essentials ranges is driving sales growth. This has been supported by a space realignment programme across 729 UK & Ireland stores that has created additional space for these products without sacrificing the breadth of range for our greeting cards.

Partnerships

FY24 saw two milestone partnership agreements signed. Through our partnership with Liwa, the first cardfactory stores are trading in the Middle East. With Matalan, we have expanded our partnership to full rollout across all their UK stores. Finally, our acquisition of SA Greetings added 6,500 partnership distribution points as well as company owned and franchise-operated Cardies stores in South Africa.

See our Strategy section on pages 20-31

OUR FOCUS CONTINUED

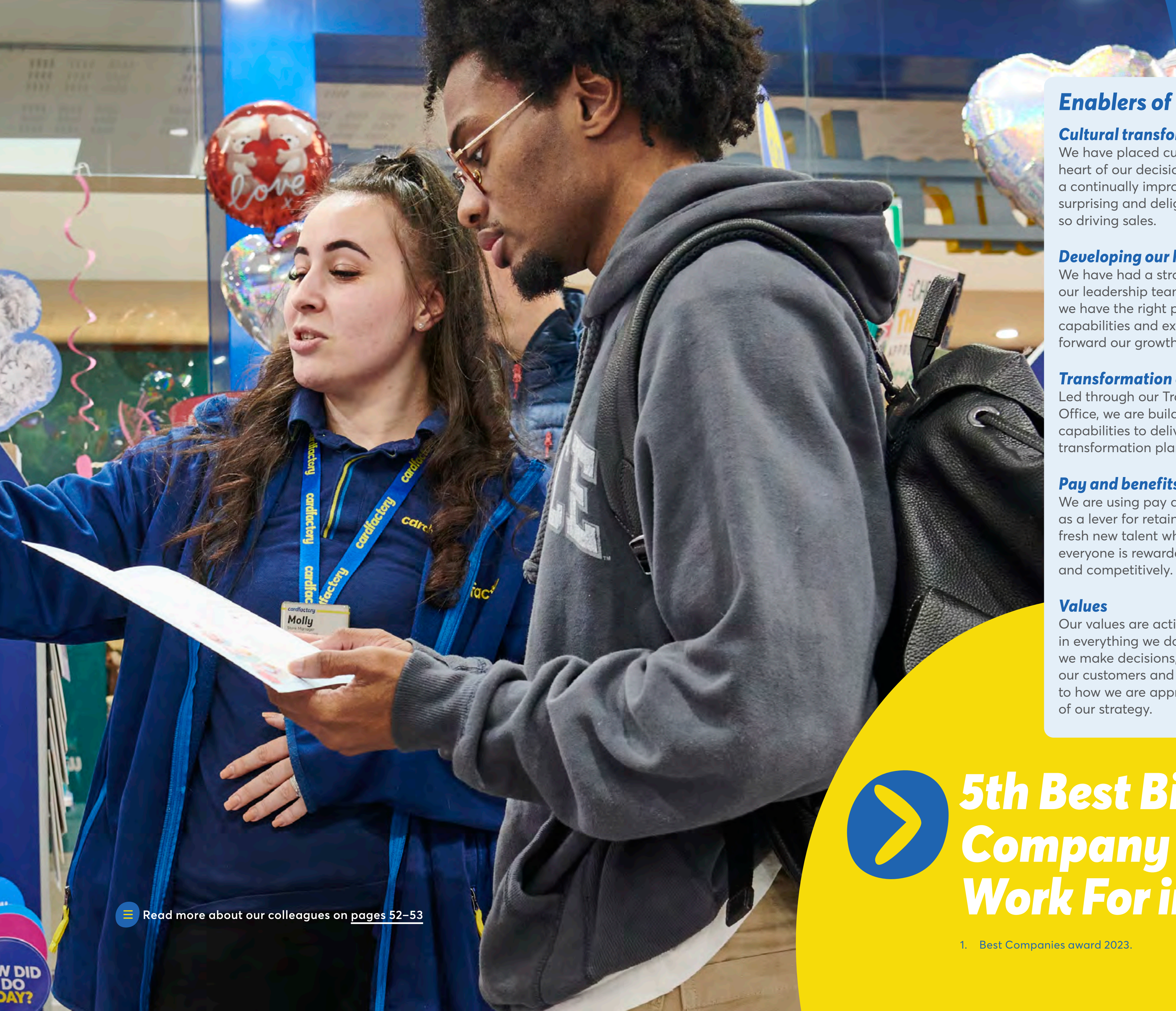
Creating a culture that is driving growth

Creating a culture that unlocks cardfactory's potential is fundamental for a business which is serious about a growth agenda. The milestones we have achieved on the delivery of our strategy, as outlined in our strategy section, pages 20 to 31, can be attributed to the incredible headway we have made evolving our culture and behaviours.

Transforming business culture is a journey. It is about understanding the fundamental challenges, unlocking a natural affinity for doing the right thing, and training to encourage the right outcomes.

We have made substantial progress on this cultural transformation journey and the progress we have made is already paying off.

Delivering through our people and culture



Read more about our colleagues on pages 52–53

Enablers of change

Cultural transformation
We have placed customer data at the heart of our decision-making, resulting in a continually improving range, which is surprising and delighting customers and so driving sales.

Developing our leadership
We have had a strong focus on building our leadership team capability, ensuring we have the right people with the right capabilities and experience to drive forward our growth agenda.

Transformation capability
Led through our Transformation Office, we are building the people-led capabilities to deliver on the five-year transformation plan.

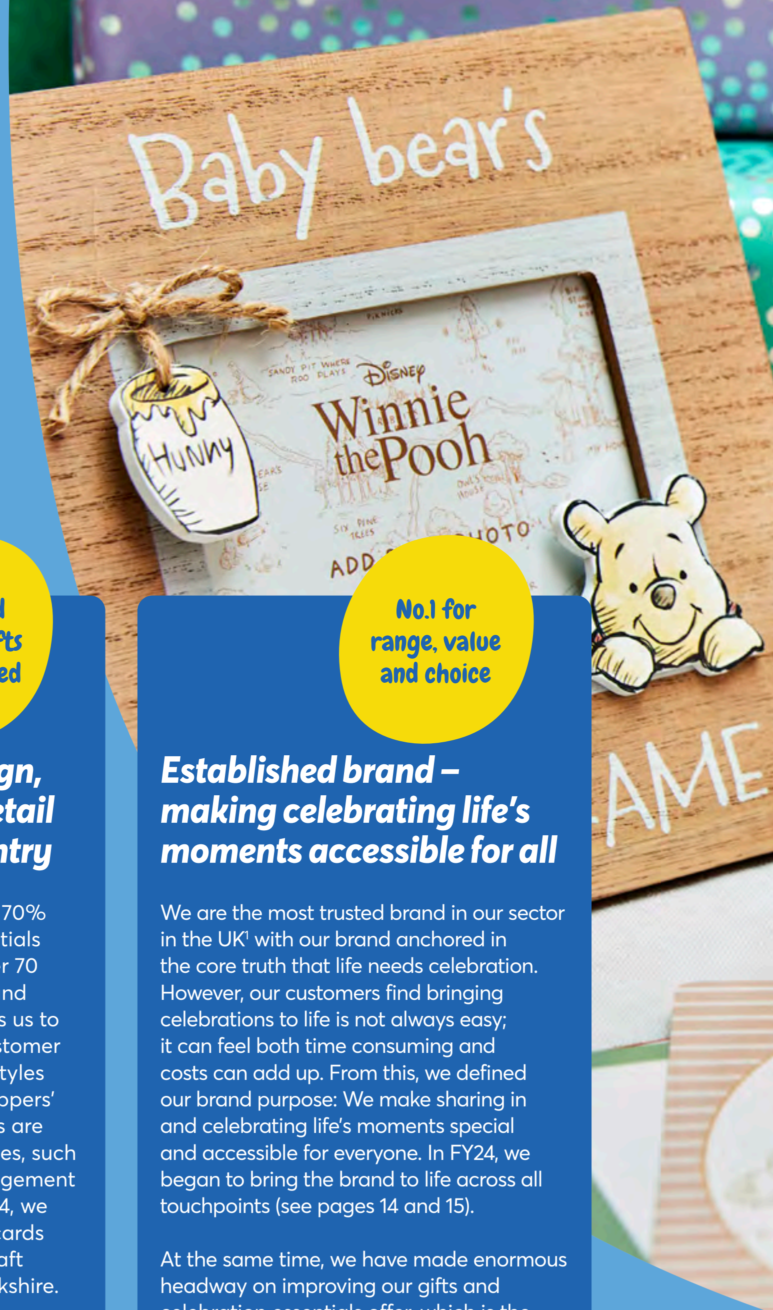
Pay and benefits
We are using pay and benefits changes as a lever for retaining and attracting fresh new talent while ensuring that everyone is rewarded fairly, inclusively and competitively.

Values
Our values are actively embraced in everything we do, from the way we make decisions, and interact with our customers and each other, through to how we are approaching the delivery of our strategy.

5th Best Big Company to Work For in 2023[1]

1. Best Companies award 2023.

OUR INVESTMENT CASE



Investing in growth

In FY25, we will continue delivering on our 'Opening Our New Future' strategy while maintaining growth across our market-leading store estate.

Expanding within c.£13.4 billion UK 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 addressing a c.£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 cards and 70% of our gifts and celebration essentials in-house through our team of over 70 creative designers, verse writers and creative management. This allows us to rapidly respond to changes in customer taste and needs, from changing styles and genres, attracting Gen Z shoppers' to understanding when customers are looking for support in difficult times, such as our range of cards for encouragement and wellbeing for children. In FY24, we manufactured 198 million of our cards and other products at our Printcraft production facility in Baildon, Yorkshire.

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 feel both time consuming and costs can add up. From this, we defined our brand purpose: We make sharing in and celebrating life's moments special and accessible for everyone. In FY24, we began to bring the brand to life across all touchpoints (see pages 14 and 15).

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 no.1 for 'good value' and ranked the no.1 for a 'wide range of products[1].'

1. Savanta BrandVue Feb 2023 to Jan 2024 (Awareness: 89%, Consideration: 37.4%). Key competitors are specialist UK card and gift retailers.
2. See the glossary on pages 161 to 164 for alternative performance measures ('APMs') and other explanatory information. FY23 means the financial year to 31 January 2023.

£62.1m adjusted PBT (up from £48.9m in FY23)[2]

Growing sales and profit

Group revenue of £510.9 million in FY24 was up +10.3% compared to FY23, reflecting continued positive momentum across the business and effective execution of our strategy. Total store revenue grew +8.8%, including the contribution from 26 net new store openings during the period. cardfactory's LFL[2] revenue grew +7.6%, driven by a strong store performance, with growth in card, gifts and celebration essentials, combined with positive traction in online. This led to an adjusted PBT growth of £13.2 million (+27.0%), excluding one-off gains, to £62.1 million (FY23: £48.8 million).

Final dividend of 4.5 pence recommended (record date 31 May 2024).

Click & Collect nationwide UK rollout completed

Proven sources of growth

Our online sales rose during the key Christmas trading period driven by range expansion, improved customer experience and the full rollout of Click & Collect across our UK stores – our first omnichannel proposition to go live.

We completed our space realignment programme across 729 stores in the UK & Ireland, which delivered significant growth across gifts and celebration essentials in the key Christmas trading season. Highlights included +25% LFL for gifts and +77% for confectionery, while still driving growth for cards.

Over 8,000 partnership distribution points

Significant progress made expanding our partnership relationships

Through our partnership programme, cardfactory now has presence across Australia, South Africa and the Middle East. This follows the opening of our franchisee's first stores in Dubai, Abu Dhabi and Al Ain, as well as the acquisition of SA Greetings, which includes 23 company-owned Cardies stores, an online store, and four franchise-operated stores, as well as 6,500 partnership distribution points across South Africa.

In the UK, as well as the continued strength of our relationship with Aldi, we expanded our agreement with Matalan to rollout across their 223 store network.

CHAIR'S STATEMENT

Driving results

Paul Moody
Non-Executive Chair

Introduction

The strong revenue growth we saw in the year demonstrates the strength of our customer proposition and the benefits of the 'Opening Our New Future' strategy. There is continued good momentum within the business with our offer is resonating well with our customers.

Our value offer remains crucial to our success, particularly during the ongoing cost-of-living challenge that dominated consumer spending decisions through 2023. Range development and innovation to broaden customer appeal ensured we remained relevant for customers to support growth.

Investments made in support of our strategy are now delivering positive outcomes across all growth areas with the store evolution programme, Click & Collect and new partnerships being particular highlights. This success can substantially be attributed to the cultural journey cardfactory has been on over the past three years, which has transformed our ability to understand the needs of our customers and execute at pace, thanks to the hard work and dedication of colleagues. In FY24, it was clear that as cardfactory transforms itself into a truly customer-centric business, we have been able to more effectively respond to the needs of our customers.

Year in review

Our store estate remains our greatest asset, with the revenue performance reflecting the strength of our value and quality proposition, combined with the positive contribution we saw from the store evolution programme. The market-leading performance of our stores underlines the importance of this customer channel with further opportunities for growth, driven by product and range development, whilst providing a competitive advantage in helping deliver our omnichannel strategic ambition.

Stable transaction volumes, and an increase in average basket value resulted in good levels of growth, which reflects our strategic focus to increase our share of the gifts and celebration essentials categories; they now represent over half of sales. At the same time, we continued to enjoy good levels of Like-for-like (LFL) card sales growth. We also saw strong seasonal performance across the year, especially Christmas, as customers responded well to our festive offer across cards and the expanded gifting range.

We were encouraged by the performance in cardfactory.co.uk, which gained traction in the year as a direct consequence of ongoing investment in online infrastructure and the customer experience. Notably, the successful launch of our Click & Collect service has reinforced our belief in the potential for omnichannel.

Progress in building our partnerships channel was evidenced by signing our Middle East partnership and the expansion of our Matalan trial to a full UK rollout across 223 stores.

In April 2023 we were pleased to complete the acquisition of SA Greetings. Performance has been in line with expectations and we remain positive about the wholesale opportunity that this acquisition provides.

Outlook and macro environment

We continue to operate within a resilient market, which demonstrates a continuing shift in card purchases back to physical stores. We remain focused on developing our core value and quality proposition and maintaining low price points as customers continue to seek value for money.

The Board is encouraged by trading since the start of the new financial year, which has been in line with expectations. We saw positive momentum continue across our FY25 Spring seasons of Valentine's Day and Mother's Day, with good growth across all product categories.

The planned capital expenditure of £25 million in FY25 will ensure that we are able to deliver further strategic progress including investment in stores, technology infrastructure and the next phase of the ERP implementation to support operational efficiency and effectiveness improvements.

Our clear focus on increased efficiencies and productivity, alongside targeted pricing action, will enable us to navigate the inflationary environment.

ESG strategy

In FY24 we launched our 'Delivering a Sustainable Future' plan outlining an updated and expanded sustainability plan to the end of 2028, with clear and transparent commitments and goals. The strategy is built around five important areas for our business, both now and in the future: (1) Climate; (2) Waste and Circularity; (3) Protecting Nature; (4) People & Equity; and (5) Governance; each aligned with the relevant UN Sustainable Development Goals (SDGs).

This ambitious plan is aligned to the outcomes of a materiality assessment refresh completed in FY24 and includes significant focus on reducing our Scope 1, 2 and 3 emissions; waste generated across our operations; understanding and addressing our impact on nature and biodiversity; and ensuring we continue to provide the right level of pay, benefits and support for colleagues across cardfactory.

Board appointments

In May 2023, the Board welcomed Matthias Seeger as Chief Financial Officer. Matthias brings extensive financial experience to the business with the expertise and values that will support cardfactory's strategic projects and significant change programme over the next few years.

Capital allocation policy

The Board is pleased to confirm that, following the repayment of CLBILs in September 2023 and Term Loan A at the end of January 2024, we are no longer restricted from paying dividends. Therefore, the Board has approved an updated capital allocation policy, which reflects our commitment to balancing investment in driving the growth of the business and delivering cash returns to shareholders, which together should drive shareholder value.

At the AGM on 20 June 2024, the Board will recommend reinstating an ordinary dividend of 4.5p per share for FY24, which includes an amount to reflect the fact that it was not able to pay an interim dividend in the year. Pending shareholder approval, the dividend will be paid on 28 June 2024 with a record date of 31 May 2024. This is a progressive dividend policy, targeting a dividend cover of between 2x and 3x Adjusted EPS with a target Adjusted Leverage (exc. Leases) of below 1.5x throughout the financial year.

Summary

With continued positive momentum across the business, the Board remains confident in the compelling growth opportunity for the Group and in the delivery of the FY27 targets outlined at the Capital Markets Strategy Update in May 2023.

Paul Moody
Non-Executive Chair
30 April 2024

Find out more about our approach to Governance

OUR MARKETS

To deliver the ambition of the 'Opening Our New Future' strategy, our focus is to grow within the celebration occasions market – both in the UK & Ireland and across our seven target international markets.

Celebrating life's moments is an important part of the way we live. 96%[1] of UK adults celebrate one or more life moment occasions, ranging from deeply personal life moments to significant collective cultural moments.

These occasions are much cherished, and shape individual, family and community habits and rituals. Helping customers celebrate these occasions is what cardfactory is here to do.

£13.4bn
Targeted UK celebration occasion opportunity[2,3,4]

+1.7%
Celebration occasion physical retail market value growth (UK)[8]

£80bn
Targeted international opportunity[5]

+1.2ppt
Celebration occasion customers shopping with cardfactory (UK)[8]

Overall Current Consumer Sentiment Index[7]

Overview of our markets

Our market is defined by everything customers need to celebrate a life moment – this is the celebration occasions market. It is made up of three categories: greeting cards, gifts and celebration essentials.

- Greeting cards – cards purchased in-store or online that help customers to celebrate all of life's moments and occasions, such as birthdays, weddings and Christmas.
- Gifts – items purchased to help celebrate a person or occasion, bought individually or with a card. Includes stationery (e.g. calendars and notebooks) and craft, small toys, books, candles, homewares such as mugs, glassware etc. and other small gift items such as keyrings and novelty gifts.
- Celebration essentials – all the products needed to turn a life moment into a celebration occasion. Includes balloons, party products, wrap, bags and accessories.

This broad celebration occasions market is significant in size and creates a targeted cardfactory market opportunity of c.£13.4 billion in the UK. This includes the UK greeting cards market worth c.£1.4 billion[2], UK celebration essentials at c.£2 billion[3] and the UK market (for these categories) of gifts at c.£10 billion[4].

Internationally, we have identified opportunities for cardfactory in seven priority markets.

The opportunity in these markets is significant – with an estimated £8 billion[5] addressable greeting cards opportunity, which increases to c.£80 billion[5] when celebration essentials and gifts are included.

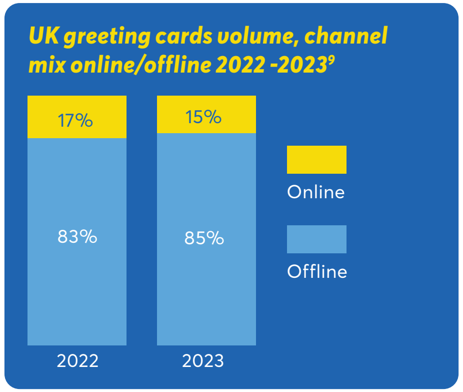
Over 27 years, we have established a strong foundation in the UK greeting cards market by consistently delivering great range and quality at low prices. We are using this foundation to grow successfully into adjacent categories across gifts and celebration essentials, for instance within balloons and soft toys.

Market trends – consumer and society

Over the past year, the celebration occasions market, like other retail markets, was and continues to be impacted by macro trends in the economy and in consumer behaviour. Cost-of-living pressure on households, driven by increased consumer prices and interest rates, has suppressed consumer spending power.

The cost of posting cards has also been impacted with Royal Mail price increases in April and October 2023 adding 30p to the cost of first-class standard postage. With 71% consumers posting at least one of their next five greeting cards[6], postage price inflation impacts the cost of card giving for the majority. Despite this inflationary pressure we have observed a gradual increase in consumer economic confidence across 2023. Globaldata's index of 'Overall Present Consumer Sentiment', although remaining negative, has increased from -6.5 to -3.7 between February 2023 and January 2024[7]. The celebration occasions market continues to be resilient. Kantar UK data indicates that in physical retail the market grew year-on-year by +1.7%. This increase is driven by growth in both consumer volume (+0.7%) and shopper spend (+2.8%)[8].

Consumers continue to seek value for money in their purchasing of greeting cards, which is maintained as a key driver of retailer choice alongside wide range, quality, convenience and availability[9].



In this context, the cardfactory core proposition continues to resonate strongly. Kantar data indicates that cardfactory has attracted more shoppers, increasing by 1.2ppts to 59.4%[8] of UK adults, outperforming the total celebration occasions market. Shopper behaviour continues to evolve with regards to online and physical retail channels and is returning to shopping patterns seen pre-2020, before the Covid pandemic. Physical retail channels are benefiting from this return, while the online retail market is still yet to find its new baseline. This continued rebalancing is evidenced through the volume of cards purchased online declining to 15% in 2023 versus 17% in 2022[9].

Evolving competitive mix with strong performance from celebration specialists

Competitors within the UK celebration occasions market can be categorised as: grocery multiples (e.g. Tesco, Asda), celebrations specialists (e.g. cardfactory, Clintons), discounters (e.g. B&M, Home Bargains) and online pure-plays (e.g. Moonpig, Funky Pigeon). The competitive context in 2023 has evolved. Within the physical retail celebration occasions market, grocery multiples and celebration specialists have experienced sales value growth of 1.5% and 2.5% respectively[10]. This contrasts with value decline of 4.1% for the discounter segment.

Greeting cards

The UK card market consumer volume continues to show resilience amid squeezed household budgets. 41.6 million UK adults purchased single greeting cards in 2023[9], slightly up on adults purchasing in 2022 (41.2 million). The value of greeting cards purchased has also grown with the average price paid increasing 16% from £1.66 to £1.93[9]. While the proportion of consumers purchasing cards remains consistently high, the volume of cards purchased in 2023 dropped by 8% from 851 million to 779 million[9] driven by cost-of-living pressures.

Against a challenging 2023 consumer backdrop, cardfactory has been successful in reinforcing our leadership position and building share of spend of the greeting cards market. While greeting cards continue to be a core focus, the dynamics and total size of the market at c.£1.4 billion highlights the importance of our strategy and the sizable opportunity to grow in the c.£12 billion celebration essentials and gifts markets.

Gifts

The UK gifts market has experienced growth in 2023. Kantar physical retail data[10] for gifts indicates +2.6% growth in consumer spending. Three sub-categories are driving this growth: stationery and craft (+9%), gift vouchers and experience days (+5.5%), and soft toys (+3.7%). With growing consumer confidence and decreasing inflationary pressure on household finances, we expect to see a continued growth trend within gift purchasing across 2024.

Celebration essentials

Consumers purchasing celebration essentials remains high at an overall level of 93.6% of the UK adult population. This represents a YOY participation growth of 0.4%. With more consumers, overall spending on celebration essentials has increased +3.1% across 2023[10].

1. Bespoke celebration occasions research commissioned with Disrupt (2000 consumers surveyed). Dec 2023.
2. cardfactory bespoke annual UK Greeting Card Market Survey FY23 (4,501 participants) commissioned with Dynata. Feb 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. Sept 2021.
5. GlobalData Global Expansion Project. Jul 2022.
6. cardfactory survey via OnePulse. Nov 2023.
7. GlobalDataRetail's UK Present Consumer Sentiment Report. Jan 2023.
8. Kantar Worldpanel Plus, Celebration Occasions Physical Retail, 52wk data to end Jan 2024.
9. cardfactory bespoke annual UK greeting cards market surveys Feb 2023 and Feb 2024 (3034+ participants annually) commissioned with Dynata.
10. Kantar Worldpanel Plus, Celebration Occasions Physical Retail, 52wk data to 24 Dec 2023.

OUR BRAND

A core enabler of the 'Opening Our New Future' strategy is the strength of the cardfactory brand. At its heart is our purpose – to make sharing in and celebrating life's moments special and accessible for everyone – which we have now embedded across our organisation.

We have a market leading and well-loved brand which has grown over 27 years since our first store opened in Wakefield in 1997.

Our appeal is nationwide and universal across consumer segments. Nine out of ten consumers are aware of cardfactory as a brand, and almost four in ten consumers would consider us when choosing a retailer for a celebration occasion[3].

Customers associate cardfactory with value and quality. Bespoke research conducted in 2023[1] reports that the cardfactory brand is strong in the main drivers of quality – including a wide range and cards that suit recipients. This combines with our bespoke value research from 2022[2] to highlight cardfactory's overall strength in value for money. Customers who shop with us show a high level of satisfaction, as reflected by our strong net promoter score relative to the competitor average[3].

Read more about our Brand online

Bringing our brand to life for customers and colleagues

Having defined and launched our purpose and values in 2022, we built on those foundations in 2023 to embed the brand in the experiences we create both internally and externally.

1. **Brand Board and ambassadors**
   In June 2023 we appointed a team of brand ambassadors from across the organisation. Their role includes championing the brand and promoting the delivery of the purpose within their respective functions. We also launched our Brand Board, a bi-monthly meeting of our ambassadors. The aim of the Brand Board is to facilitate the development of ideas, sharing of best practice and providing oversight to the delivery of functional brand plans.

2. **Brand marketing**
   An example of our ongoing focus on strengthening our brand is the 'celebrate a great deal' marketing campaign which launched in Q3 of 2023. The campaign aimed to reinforce perceptions of value for money and lowest price – both important drivers of retailer choice in the market.

   The campaign ran nationally in-store, across social media and digital display advertising. Additional selected regions ran radio advertising as part of a broader programme of media investment testing. The campaign succeeded in improving brand consideration and raising brand image attributes for value and quality. From consumer research completed before and after the campaign, non-cardfactory shopper consideration increased 4ppts. Brand image attribute strength for 'quality' and 'good value' increased by 7ppts and 8ppts respectively[4].

3. **Brand-led service experience**
   Our brand strategy also drives the experiences we deliver and features prominently in our customer service improvement initiative, known as 'The cardfactory Way' (see pages 30 and 31).

As we look forward into 2024 and beyond, we will continue to use our brand purpose for inspiration. It will guide all colleagues to focus on our customers' needs so we can continue helping customers celebrate all of life's moments.

1. Brand awareness

+19pp difference brand awareness vs key competitor average[3]

2. Brand consideration

+20pp difference in consideration vs key competitor average[3]

3. NPS

+14.1 difference in NPS score vs key competitor average[3]

1. Bespoke cardfactory quality research commissioned with boxclever (430+ consumers). June 2023.
2. cardfactory price and value research commissioned with boxclever, November 2022.
3. Savanta BrandVue Feb 2023 to Jan 2024. Key competitors are specialist UK card and gift retailers.
4. Savanta bespoke campaign impact research. September and October 2023.

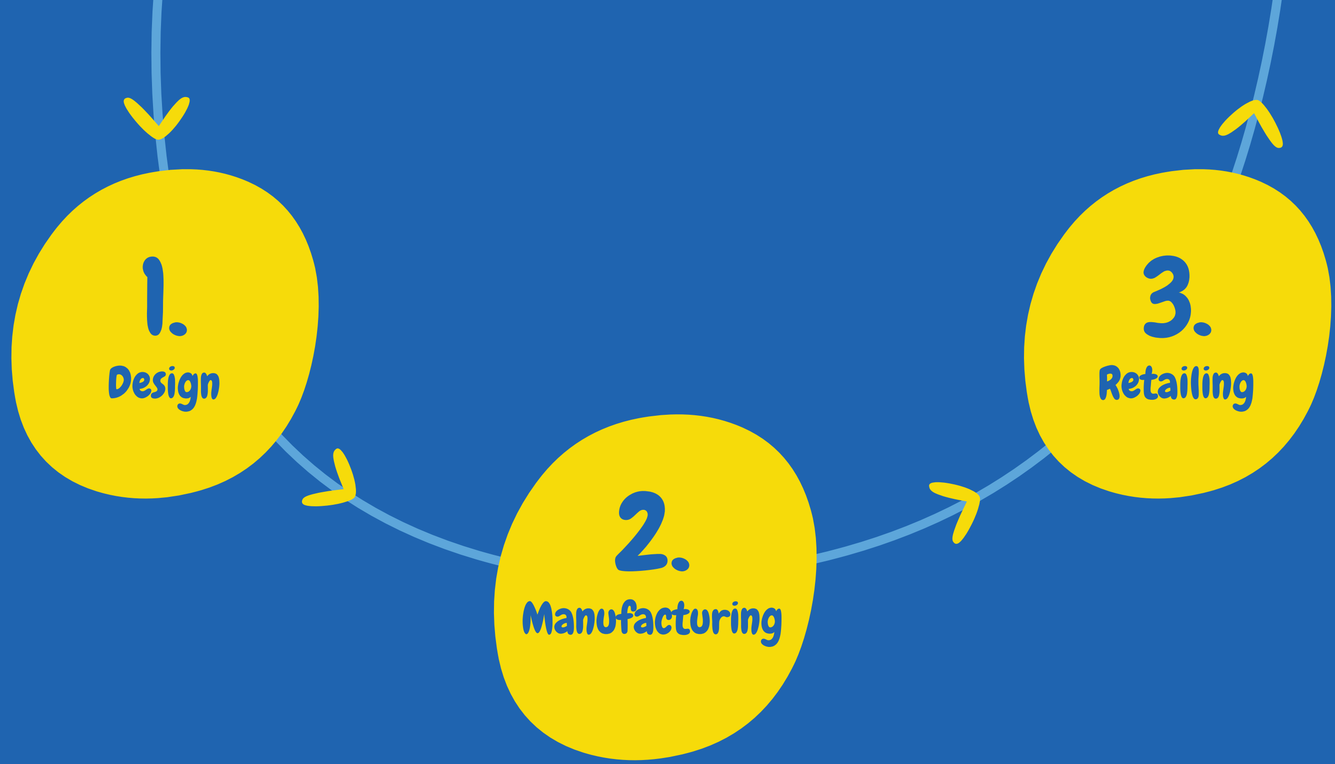
4. cardfactory no.1 metrics[3]

- 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

A unique vertically integrated model



1. *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').

80
Design colleagues

469
Support colleagues

2. *Large-scale print facility in Baildon, Yorkshire, (Printcraft) 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.

133
Manufacturing colleagues

237
Distribution colleagues

3. *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.

9,075
Retail colleagues

1,058
Retail stores

All data correct as at 31 January 2024.

As our business transforms itself into an omnichannel retailer with an international presence, our business model will evolve.

As we deliver on our 'Opening Our New Future' strategy, we are evolving our business model in five areas:

Our design capability

Our design capability is evolving to use more insights, sales data and trend analysis. This ensures our product offering for both card and gifts meets the needs of loyal customers while appealing to new demographics in the UK and for our partners internationally.

Insight-led design

Our production capability

Our in-house manufacturing facility produces cards for our UK, Ireland and international partner stores. We can produce new ranges in as little as four weeks and remanufacture quick selling lines in just days. This allows us to maintain both our quality and value for money credentials.

Speed to market from UK production

Our buying capability

As part of our expansion both internationally and across gifting, we are developing the sourcing and buying capability that we need to support a fully optimised global supply base. This ensures we can deliver at speed to market with a continual focus on sustainability, product development and cost management, enabling our offer to exceed customer expectations.

Supports global supply base

Our distribution capability

We are in the process of expanding our distribution capacity, providing the capacity headroom through the five year strategy for all omnichannel and partner needs.

Capacity headroom to meet demand

Our ongoing potential

We continue to grow our store estate of 1,000+ stores in the UK & Ireland while developing our omnichannel capabilities. We will have additional touchpoints through our online offer and via our UK and international retail partners.

Expanding customer touchpoints

Driving progress

Darcy Willson-Rymer
Chief Executive Officer

Introduction

Three years into cardfactory's transformation journey, we are seeing the positive impact of the changes that have been made across the business. The strong revenue growth we delivered in FY24 is testament to the successful delivery of our change programme and the hard work of colleagues throughout cardfactory.

By putting the customer first in our decision-making, we have continued to innovate and expand our offer while remaining true to our value for money credentials. As we broaden our appeal by extending our range across the celebrations occasions market, we are seeing positive responses from customers as they choose to pair their card purchases with gifts and celebration essentials products.

As we continue to invest in our 'Opening Our New Future' strategy, we are delivering on the key initiatives at pace and ensuring that we are maximising our growth opportunities in store, across our digital channels, and through our expanding partnership programme. Progress on our strategy delivery is ensuring we are on track to meet our growth targets over the five years of the plan.

FY24 performance

In FY24, revenue grew by +10.3% to £510.9 million for the twelve months with store revenue, which represented 93.8% of total Group revenue, growing by +8.7% compared to the prior year. On a Like-for-like (LFL) basis store revenue grew +7.7%, with development of our store layout, experience and ranges driving growth, alongside the annualisation of FY23 targeted price increases.

Transaction volumes remained stable and, combined with an increase in average basket value of +8.1% LFL, demonstrated the importance of focusing on growing our share of the gifts and celebration essentials categories.

The strong revenue growth we delivered in FY24 is testament to the successful delivery of our change programme and the hard work of colleagues throughout cardfactory."

As we continued to respond to changing customer needs through ongoing range enhancements, we have increased our average card selling price from £1.09 to £1.21. We saw card growth continue at +4.9% while still protecting our value-for-money proposition.

The positive impact of our store evolution programme enabled the optimisation of space within stores and balance between card, gifts and celebration essentials. This contributed to strong LFL growth in gifts +15.8% and celebration essentials +6.7%.

We continued to see strong seasonal performance across the year with our Christmas offer performing particularly well, leading to year-on-year increases in transactions and average basket value. Customer research is driving our greeting cards designs in response to consumer trends, leading to a wider breadth of celebratory captions with examples including cards from pets as well as broader diversity and inclusion.

Investment in our online capability, platform performance, and customer experience improvements, as well as further range expansion, led to improved performance in cardfactory.co.uk with LFL sales growth of +0.4%. This traction led to an encouraging performance in the second half of the year with 11.4% LFL sales growth with this positive performance continuing into FY25.

There was good progress on our partnership strategy with both new and existing retail partnerships, plus the acquisition of SA Greetings, driving revenue growth of £12.0 million to £17.0 million. this included positive contribution in FY24 from our new partnership with Liwa Trading Enterprises in the Middle East and from expanding our partnership with Matalan in the UK.

Strategy delivery

FY24 was a year of delivery for our 'Opening Our New Future' growth strategy. We are on track to meet our growth ambition of revenue of £650 million in FY27, as outlined at our Capital Markets Strategy Update in May 2023.

Growth within our core business continued with 26 net new stores in FY24, ensuring we remain on track to deliver 90 new stores over the course of the five-year plan to FY27. Our agile store optimisation programme ensures we continue to maintain an exceptional record on store profitability. Within our store evolution programme, we completed our space realignment project in 729 stores which saw everyday card space reduced by 7%. There was no negative impact seen, while gifts and celebration essentials were given additional space resulting in sales uplift.

The successful rollout of 'The cardfactory Way' customer service excellence programme for all store colleagues led to increased customer interaction on the shop floor, enabling tailored customer service, product recommendations and improved basket value.

Range improvements and expansion continued for card, gifts and celebration essentials, with new own-label ranges, a new stationery range and the introduction of key licensed ranges.

Our omnichannel programme saw the successful nationwide rollout of our new Click & Collect service with customers opting for 7.8% of online orders to be collected in-store and 50% of these Click & Collect transactions were from customers new to cardfactory.co.uk. We have already reduced customer order to collection lead times from 3-5 days at rollout to 1-2 days on average by September 2023. Wider digital investment saw the completion of the replatforming project for cardfactory.co.uk and gettingpersonal.co.uk, enabling benefits of using consistent systems, tools and processes.

Our partnership programme in the UK continued to expand with the rollout across all 223 Matalan stores by December 2023. Internationally, the first four franchised stores were opened in the Middle East with up to 36 stores planned over the next four years. Response from customers in the Middle East has been positive and as expected, gifts and celebration essential ranges have performed well given the strong gifting culture in this market, with stationery, soft toys, balloons and gift bags contributing to almost 50% of total sales. The acquisition of SA Greetings has provided a leading presence in the South African market through 27 Cardies stores, an online store and 6,500 partnership distribution points (operated by wholesale partners), while opening up strategic wholesale growth opportunities.

People and culture

cardfactory has been on a transformative cultural journey over the past three years and the growth we are seeing as a business can be linked to the cultural progress we have made.

Today, our focus is on customer, community and purpose. By building a deep understanding of the celebratory needs of our customers, both in the UK and internationally, we are able to adapt and change so that we continue to lead the market. We are also building an inclusive community within cardfactory and one that is dedicated to giving something back to the communities we work within. Putting our purpose first in everything we do ensures we have a collective and collaborative approach to decision-making.

The cultural progress we have made has been considerable. This has been recognised through our externally facilitated Best Companies 'bHeard' colleague survey, where we received a two-star Outstanding to work for accreditation in September 2023 and were also recognised as the '5th Best Big Company to Work For'.

ESG progress

Following the launch of our 'Delivering a Sustainable Future' plan, we made good progress across all areas of focus within the strategy. One highlight was seeing the results of our waste reduction efforts coming through with the elimination of non-essential single use plastic in our own-label products and packaging, increasing recyclability and engaging with suppliers to reduce waste in products and packaging. In FY25 we will take our plans further by publishing our science-based, near-term targets to help deliver our goal of 'Net Zero by 2050'. We are embedding sustainability into business planning and decision-making to ensure our commitments are at the forefront of how we work and the decisions we make every day. See pages 32 to 39 for more detail on ESG and our sustainability plans.

Summary

With strong operating cash generation, a continually strengthening balance sheet, ongoing reductions in net debt and our updated capital allocation policy in place, we can continue to invest with confidence in the building blocks of growth. In addition, we continue to proactively manage risks from inflationary headwinds. Having made significant progress on our strategy delivery in FY24, we are confident that we will continue to make strategic and cultural progress in FY25 and meet our FY27 growth targets.

Darcy Willson-Rymer
Chief Executive Officer
30 April 2024

'OPENING OUR NEW FUTURE' STRATEGY

In FY24, key initiatives were delivered and started across all pillars within our 'Opening Our New Future' strategy. Major milestones were achieved across our three primary areas of focus:

1. *omnichannel (stores & online);*
2. *gifts & celebration essentials; and*
3. *partnerships.*

Our ability to execute on our strategy was achieved by focusing on the right capabilities, systems and structures across the business.

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.

cardfactory,
Westfield London.
Opened April 2024.

We have a clear strategic direction, detailed plans and a disciplined approach for delivery. This is built on the cultural and behavioural progress we made over the last two years, that removed barriers to change and created the environment to drive forward our transformation. We have a strong leadership team with relevant experience and capability in place to deliver on the building blocks of our growth.

Value & choice

Retaining our UK leadership position in cards while growing our gifts and celebration essentials categories.

Read more on pages 22- 24

Convenience

Providing cardfactory customers with an outstanding, seamless shopping experience in the UK and internationally.

Read more on pages 25-28

Experience

Delivering an exceptional experience for customers and a values-led culture of accountability and empowerment.

Read more on pages 29-31

> **Three years into cardfactory's transformation journey, we are seeing the positive impact of the changes that have been made across the business."**
>
> ***Darcy Willson-Rymer***
> *Chief Executive Officer*

'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

"Retaining our UK leadership position in cards while growing our gifts and celebration essentials categories."

Value & choice

Continued investment in customer insight is driving the cardfactory range development and product innovation across our cards, gifts and celebration essentials categories. By understanding our customers better than we have ever done before, we are achieving sales growth across all our existing and new categories.

Central to our card strategy is maintaining our value-for-money proposition, which sits at the heart of our brand purpose. As we continued to respond to changing customer needs through ongoing range enhancements we have increased our average selling price from 99p to £1.11 which has been achieved through a new higher price point balanced with a 15p price point (for limited periods). This has allowed us to retain our value proposition with greeting cards. We are also now delivering year-round relevant customer promotions.

However, where customers place greater value on the celebration, we have increased prices and this approach has proved successful.

By using customer research, we are adapting our greeting cards designs to respond to consumer trends. Our range is continually evolving to include a wider breadth of celebratory captions with examples including helping people celebrate a pet's birthday, supporting a wider breadth of religious festivals and broader diversity and inclusion such as cards for Pride.

For both cards as well as gifts and celebration essentials, we have invested in simplifying the in-store experience. Customers have responded positively to the work we have completed to improve the ease of shopping cards in fixtures, installing better store navigation, and improving our visual merchandising.

We are successfully delivering on our strategy to become an authority in the gifts and celebration essentials markets. This is a considerable opportunity for cardfactory with an identified addressable UK market of c.£12 billion. Over half of our sales are now from gifts and celebration essentials, with a range that offers both value for money own label ranges as well as well recognised footfall driving third party brands. It also capitalises on the 70% of UK customers looking for gifts to accompany their card purchase.

Q&A

Q: What is cardfactory's approach to pricing?

A It is essential that cardfactory retains its value-for-money credentials while staying true to our quality promise. Customers can still buy cards at just 29p and we have recently introduced cards for as little as 15p or 10 for £1, while continuing to deliver year-round relevant promotions. At the same time, we have continued to develop our range, broadening our customer appeal while offering cards at a range of price points as we know some customers place a higher value on quality and choice.

Q: How will cardfactory drive future growth across all three categories of cards, gifts and celebration essentials?

A At the heart of our growth strategy is our commitment to putting the needs of our customer first. Through our investment in customer insight, we are innovating our range to help customers celebrate an ever-increasing breadth of celebration and life occasions.

Adam Dury
Chief Commercial Officer

Read more about Value and Choice online

Q: What is the opportunity for gifts and celebration essentials?

A This is a significant growth opportunity for cardfactory. We are expanding into new categories, while maintaining a balance between own brand products and footfall driving third party brands. The changes to store layouts have been instrumental, enabling a greater range of products that are easy for customers to find.

Q: How is cardfactory maintaining its leadership in cards?

A We are taking a blended strategy that optimises customer choice with an easy to curate range of cards, intelligently stretching our average selling price. This ensures there is newness across the range to broaden customer appeal, and simplifying our in-store experience.

CASE STUDY

The store evolution programme has helped transform the customer experience in store while driving sales growth.

Between May and December 2023, we delivered the first most significant phase of our store evolution programme, completing space realignment across 729 stores in the UK & Ireland. This is a capex light initiative, expected to pay back within a year.

The programme involved reducing average card space within the store by 7%. As the average store had more space allocated to cards then gifts, reducing the card space made more space available for our gifts and celebration essentials ranges which were then able to increase by 16%. The work was completed in time for the key Christmas trading season contributing to our highest ever Christmas sales. The programme supported the growth of both cards and gifts sales with strong growth in key expanded categories such as gifting (+40%), soft toys (+32%), and stationery (+18%).

Another successful part of the store evolution programme was a greater investment to refit a smaller number of stores that builds upon a successful trial carried out in 2022. The refits involved an enhanced look and feel, easier navigation through the store and other design improvements, including increased store flexibility and operational efficiencies. The programme successfully delivered above the target 10% sales uplift while remaining within our target payback period of approximately three years. Over the peak Christmas period, the three trial stores saw sales growth of 30% compared to other stores. As a result, all future new stores and refits will now adopt to this updated store format.

Space realignment contributed to improved sales

STRATEGY IN ACTION CONTINUED

Value & choice

Initiative	Objective	Progress	Results	Next steps
Leadership in card	Retaining position as the UK's leading provider of cards.	• Maintained value for money proposition with cards still starting from just 29p. • Stretched the average selling price from 99p to £1.11. • Continued to deliver year-round relevant customer promotions including trialling 15p or 10 for £1 promotion. • Developed 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. • Simplified the in-store experience.	• Continued positive performance in everyday and seasonal card ranges, with +5.4% LFL growth. • Refined card range in response to changing customer demand.	Grow card market authority through continued range development and curation, including tailored ranges by regions and demographics, to further improve customer choice and value-for-money offer.
Authority in gifts and celebration essentials	Grow market share within c.£12 billion gifts and celebration essentials market.	• Over half of our sales are now from gifts and celebration essentials. • Space realignment in 729 stores provided 16% additional space for gifts and celebration essentials, while not impacting the ability to grow card sales.	• Strong growth in our gifts and celebration essentials ranges of +9.9% LFL, including double-digit growth in categories such as candles and soft toys. • Increased space in time for Christmas trading season leading to gifts +25% LFL & confectionery +77% LFL. • New Disney and licensed ranges resonated with customers.	As we continue to focus on growing UK market share of c.£12 billion gifts and celebration essentials market, we will expand key categories including baby gifting and stationery, alongside further space optimisation for growth ranges such as pet gifting.

"Providing cardfactory customers with an exceptional, seamless shopping experience in the UK and internationally."

Convenience

Significant progress was made across all the initiatives that deliver exceptional convenience for our customers in the UK and internationally. Building on our market-leading physical footprint in the UK, we are creating a seamless shopping experience for our customers anywhere and at any time they choose.

The transformation of cardfactory into an omnichannel business of greeting cards, gifts and celebration essentials began in FY24 with the successful nationwide rollout of our Click & Collect service, the first of our omnichannel propositions. Customers have responded positively with in-store collection representing 7.8% of all online orders in December 2023 and 50% of these Click & Collect transactions from new customers to cardfactory.co.uk.

Recognising that we have an opportunity to improve our online proposition, we are focusing on creating a competitive experience that meets and exceeds customer expectations. In FY24 we completed the replatforming project for our two sites, cardfactory.co.uk and gettingpersonal.co.uk, with both websites now on a common technology base so we can leverage the advantages of using consistent systems, tools and processes.

Having invested in new talent and by bringing on board a new technology partner, we are now expanding the online range, especially for gifting, and delivering improvement to the customer experience.

Our partnership programme in the UK continued to expand with the rollout across all 223 Matalan stores. Internationally we entered the Middle East market through a franchise partnership with Liwa. The first four stores have already opened, with up to 36 stores planned over the next five years. The acquisition of SA Greetings has also provided a leading presence in the South Africa market which includes 23 company-owned Cardies stores, an online store, and four franchise-operated stores, as well as 6,500 partnership distribution points operated by its wholesale partners.

Our UK store estate remains our greatest asset with successful, profitable stores on high streets, retail parks and other locations throughout the UK & Ireland. As of 31 January 2024 we had 1,058 stores across the UK & Ireland, of which 43 are new stores or fully refitted during the year, with a net increase of 26 stores year-on-year. Over the course of the five year plan, we will have added 90 additional new stores between FY23 and FY27. Our agile management of the store estate ensures we are responding to changing footfall trends on high streets.

Finally, in FY24 we embarked upon our store evolution programme making significant in-store improvements through a space realignment programme across 729 stores to make shopping for our cards and gifting range easier (see page 23 for more details).

Q&A

Syed Kazmi
Executive Director for Business Development

Read more about Convenience online

Q: What is cardfactory's partnership ambition?

A Expanding our retail partnerships are a key element of our future growth and for FY27 our annualised target for partnerships is to grow revenue to £80 million, mostly from international opportunities. The recent partnership agreements we have signed demonstrates the progress we are making.

Q: What are your next priorities?

A Our focus is to work with low to mid level complexity model partners, such as with Liwa in the Middle East. This will allow us to build the right infrastructure needed to support accelerated growth internationally.

Q: What is the franchise model?

A We have two partnership models: franchise, where the partner will operate everything using our brand and offer; and wholesale, where we'll have our products in store either cardfactory branded, such as in Matalan, or white labelled, such as in Aldi. This is based on a partner's specific requirements. Like franchise, this could also include a cardfactory branded shop in a shop.

Q: What are the target markets?

A We have identified seven international target markets. These markets were identified from GlobalData market research which sized the cards and gifting opportunities within each market.

CASE STUDY

The Middle East is the ideal market for expanding our international franchise footprint.

In April 2023, we signed a franchise partnership with Liwa in the Middle East. The first four stores are already open in Dubai, Abu Dhabi and Al Ain with up to 36 stores to be opened over the next five years.

Liwa is the ideal partner for cardfactory in the Middle East. As a franchisee, Liwa focuses on specialist retail brands across both value and premium. They have the franchise rights for a portfolio of international brands, with a strong presence across the Middle East region. Their business model is set up to work collaboratively with their partner brands, with Liwa managing the initial brand engagement into the Middle East market.

To support Liwa we are leveraging our in-house design studio to support their marketing calendar with Eid and Ramadan cards and gifts. At the same time, we're providing third party products as per customer demand. As we scale further we'll be looking to bring more of the design and sourcing in-house.

Our offer and approach are tailored to the needs of each market. In the Middle East, as well as in several other international markets, there is a greater opportunity for gifts and celebration essentials due to the strong gifting culture. On average 90% of customers buy a gift when they purchase a card, whereas in the USA, it's only around 45%.

Additionally, within the Middle East the average selling price of cards is around £4.20, compared to the cardfactory figure of just £1.11 in the UK[1]. This gives us the chance to disrupt the market with our value and quality offering.

1. Globaldata – July 2022.

In every way possible the stores look, feel and operate in exactly the same way as our newer cardfactory stores in the UK & Ireland. The stores were built with an updated store design concept based on the principles tested in the UK and elevated to the mall specifications in the market.

Response from customers in the Middle East has been positive with customer footfall conversion averaging 30% across the first stores. As expected, our gifts and celebration ranges have performed well as per the strong gifting culture in market, with stationery, soft toys, balloons and gift bags contributing to almost 50% of total sales.

Up to 36 Middle East stores in 5 years (UAE, Qatar, Kuwait, Saudi Arabia, Bahrain, Oman)

Convenience
Digital experience & innovation

Initiative	Objective	Progress	Results	Next steps
Click & Collect	To offer customers more convenience by giving them more choice in how they shop with us.	• National rollout completed April 2023.	• Customers choosing to collect in store, increasing from launch, to represent 7.8% of orders in December 2023. • Average order value (AOV) £5/40% higher than average online AOV. >10% of the orders resulted in an additional store sale. • Improved order to collection times from 3-5 days to 1-2 days.	• Working towards a pick-from-store solution that will enable same day collection.
Digitally engage customers in-store	To connect our online and retail channels to give customers a consistent and seamless experience across all touchpoints.	• Initial trials to engage with customers in-store. • Point of Sale (POS) upgrade/replacement programme – review and selection completed. • Loyalty – completed customer research to understand what's important and defined our strategic ambition.	• Trial ongoing.	• POS upgrade/replacement to enable future omnichannel capabilities. • Increase store awareness of online by trialling a range of new awareness initiatives. • Working to identify where loyalty fits within our broad technology roadmap.
Range expansion	To generate incremental sales by expanding the online range into new categories.	• Launched additional personalised gifting ranges in FY24 including a range of in-house alcohol gifts and a selection of drop-ship photo gifts.	• 16% growth in personalised gifting sales during Christmas.	• Focus on expansion of personalised card and gift ranges. • Focus on expanding celebration essentials range, including premium personalised balloons, fancy dress and personalised party accessories.
Online & App experience	To make cardfactory.co.uk and the cardfactory app (App) the easiest place to create unique celebrations.	• Significantly improved and enhanced the website user and delivery experience. • Launched attached gifting which recommends relevant gifts when a customer adds a card to basket. • Launched App-only promotions to allow us to incentivise customers to download the App. • Introduced tiered delivery pricing for multi-card orders to improve gross margin position.	• 5% increase in personalised card and gift basket mix. • AOV +11% YoY. • 19% growth in App sales YoY.	• Findability improvements. • Date picker functionality for flowers and balloons. • Online event reminder journey improvements. • Product personalisation journey improvements.

Convenience continued

Extensive UK & Ireland footprint

Initiative	Objective	Progress	Results	Next steps
Store evolution programme	In-store improvements to make shopping our gifting range easier, improve store navigation and overall appearance.	• Space realignment initiative rolled out across 729 stores. • Successfully trialled new store format with enhanced look and feel, easier navigation and other design improvements.	• Card space reduced by 7%, gifting and celebration essentials space increased by 16%. • Strong growth seen from key expanded categories: gifting (+40%), soft toys (+32%), and stationery (+18%). • Successfully maintained card sales from reduced space, improving density by 9%.	• All new stores and refits in FY25 to adhere to new store format.
Relocation strategy	Continually adapt to changing consumer footfall trends and ensure exceptionally few loss-making stores.	• Continue with our core principle of lower cost, flexible leases with a target three-to-five-year break clause.	• Less than 1% of the retail estate is loss making providing the business with an exceptionally strong store portfolio.	• Continue with relocation programme.
Central London stores	Test central London store format as underpenetrated market.	• Test and learn optimisation of three trial stores.	• Double digit LFL growth vs. FY23. • Improved trading margin. • London only ranges proving popular.	• One new London store confirmed in FY25 (Cheapside opened March 2024). Further openings under review.
Republic of Ireland stores	Expand Republic of Ireland store portfolio as underpenetrated market.	• Six new stores opened in the Republic of Ireland in FY24.	• All stores achieving profitability targets.	• Continue with plan for 40 Republic of Ireland stores by FY27.

Growing international presence

Initiative	Objective	Progress	Results	Next steps
UK & Ireland partnerships	Secure UK & Ireland wholesale partners that extend our UK & Ireland distribution point reach.	• Full rollout across Matalan's entire UK estate of 223 stores in FY24.	• Profitable contribution from existing and new partnerships.	• Identify additional partners in the UK & Ireland and progress preliminary discussions with current prospects.
International partnerships	Secure franchise and wholesale partners across our seven international markets of interest.	• Signed franchise partnership agreement with Liwa in the Middle East; acquired SA Greetings in South Africa.	• Profitable contribution from existing and new partnerships. • Four stores already opened in the Middle East. • SA Greetings successfully integrated into cardfactory.	• Identify additional partners in our seven international markets of interest. • Review of other potential international markets.

Delivering an exceptional experience for customers and a values-led culture of accountability and empowerment."

Experience

The transformation of cardfactory into a customer-centric business is unlocking our growth opportunity. Customer data is now at the heart of our decision-making and touches every part of the business.

The outcome is a continually improving range which is surprising and delighting customers and therefore driving sales. Customer data has driven the thinking behind the improved store layout and the experience that we are rolling out across our estate in different ways. At the same time, it is underpinning our omnichannel strategy with our first omnichannel service rollout, Click & Collect, demonstrating the positive impact that this will bring.

One of the most significant developments in FY24 was the rollout of our 'The cardfactory Way' customer experience training programme across all our stores. It is designed to transform the way colleagues engage customers in store, making them feel 'welcomed', 'wowed' and 'won over'.

As well as a customer-centric transformation, cardfactory is also on a cultural journey involving rapid and rewarding change that is benefiting colleagues across the business and providing the core foundation for delivering on our growth strategy.

We have had a strong focus on building our leadership team capability. This has included new talent, ensuring we have the right people with the right capabilities and experience to drive forward our growth agenda. In addition, we have been investing in the time and the training required for us to have the calibre of leadership we need at all levels of the business.

Our pay and benefits offer is being improved to ensure we retain and attract new talent while ensuring all colleagues are rewarded fairly, inclusively and competitively. We have made a commitment to continue investment into pay and benefits in order to reach our aspiration of being a market median employer.

The success of this cultural change can be seen through the two star 'Best Companies To Work For' rating we achieved in 2023, with cardfactory being ranked the fifth 'Best Big Company To Work For' in the UK. See more about our colleague engagement on pages 52 and 53.

Q&A

Q: How is cardfactory improving the customer experience in store?

A Through 'The cardfactory Way' we are creating a step change in the approach store colleagues take to engaging customers. More time is now spent on the shop floor engaging with customers and ensuring they are receiving the direct help they need to find the celebratory products they are after.

Q: How are you measuring success?

A As well as a new customer feedback forum, we have introduced a mystery shopper programme across our stores, which is driving positive change.

Q: How are you supporting colleague training?

A The implementation of our new Enterprise Resource Planning (ERP) system is helping to free up store colleague time while also improving the customer experience by ensuring the right stock is always available in store. It is also enabling our new omnichannel propositions, which further enhance the customer experience.

Q: What is coming next?

A All colleagues, especially those in store, recognise that to be successful we need to deliver on our purpose of making sharing in and celebrating life's moments special and accessible for everyone. That means engaging our customers to understand the life moment they want to celebrate and ensuring that we help them source the products they need to make that celebration as special as possible.

Steve Lilley
Executive Director
Retail Operations

Read more about Experience online

CASE STUDY

'The cardfactory Way' training programme is helping transform the customer experience in store.

The first phase of 'The cardfactory Way' training programme was rolled out in 2023, helping store colleagues ensure that customers are 'welcomed', 'wowed' and 'won over':

- To be Welcomed: When they come into store or whatever channel they use, feeling comfortable, reassured and at ease.
- To feel Wowed: To have our customers feeling inspired and delighted; where expectations are exceeded and memorable moments are created.
- And to be Won-over: For our customers' expectations to be exceeded, leaving them positive and upbeat, feeling valued and appreciated, and happy to have chosen cardfactory to help create their celebration.

This first phase of the programme has delivered positive customer engagement results. In Q3, we had our mystery shopper programme with scores improving by +5ppt, followed by +3ppt in Q4, versus the start of 2023.

One example of the impact the training can have is from the experience of Molly Rourke, store manager of our Manchester Arkwright store. The training for Molly and her team helped them put more focus on customer needs and how the team can improve both average units per basket and average basket value, as well as improve mystery shopper results. The team spends more time on the shop floor, engaging new systems to help colleagues work smartly on stock replenishment.

Experience
Customer & community focus

Initiative	Objective	Progress	Results	Next steps
Customer experience programme	Improve customer experience in store.	• Launched 'The cardfactory Way' customer experience training programme to transform the engagement of customers in store.	• Q3 Mystery Shopper programme scores improved by +5ppt, followed by +3ppt in Q4, versus the start of 2023.	• Second phase of programme being launched in FY25.
ESG	Continue to build upon our environmental social governance (ESG) credentials with our aim of being recognised as a socially and environmentally responsible business.	• Completion of Scope 1, 2 and 3 emissions assessment. • Completed refresh of materiality assessment. • Committed to updated five-year ESG strategy and roadmap.	• Targets set for five year 'Delivering a Sustainable Future' plan. • Adopted Net Zero target by 2050.	• Net Zero goals to be finalised and published in FY25.

Passionate colleagues

Initiative	Objective	Progress	Results	Next steps
Pay & benefits	Continue to focus on the right pay and benefits to attract and retain talent and an aspiration to be 'at market'.	• Increased colleague discount from 15% to 25%. • Continued with pay philosophy of being 'at market' by applying our pay review considering individual circumstance versus midpoint data whilst also considering ongoing inflation and cost-of-living.	• Our survey results reflecting pay and benefits which we call 'fair deal' showed the most significant increase in score – up 10% which suggests the work we are doing is impacting our colleagues positively.	• Introducing a trial of volunteering days across the business. • Build out year four of the roadmap with a likely focus on retirement savings.
Leadership	Our emphasis on leadership development continues to support on delivering our strategy.	• Brought in specific talent to support on delivering the strategy in several parts of the business including the IT and Digital teams. • Strengthened our leadership teams which supports decision making, widens communication channels and promotes development. • Clearly defined talent and succession approach which enables planning for success as well as mitigating risk by identifying clear successors and clear gaps.	• High levels of engagement with core leadership development programmes; Leading Self, and Leading Others. • Launch of 'women in leadership' offering. • Success in coaching programmes for senior managers.	• Launch of Women's Network and more activity specifically supporting 'women in leadership'. • Identification of 'high potential' colleagues and targeted programmes to support talent pipeline development. • Coaching skills development for all Regional Managers in our Retail field team.
Colleague experience	To elevate the colleague experience, weaving our purpose through everything that we do.	• Using data and insight from our survey and our forums we can hear our colleague voice and drive initiatives based on feedback. • Improved our induction and onboarding processes to improve the experience and bring through the spirit of celebration on accepting a new role and joining a new company. • Highlighted recognition against our values via our internal Colleague Moment Awards.	• Automation and visual uplift of job offer and onboarding, improving the experience. • Enhanced induction for our support centre colleagues, refreshing our material and highlighting our strategy and brand. • Enhanced induction for our 6,000 seasonal colleagues ensuring a smooth and engaging introduction to the business.	• To build a plan for 'giving something back' that reflects our colleagues and our communities. • To continue to elevate the colleague experience at key moments in their employment journey such as promotions, celebrating learning or personal family events ensuring they have the right support and infrastructure.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

"Our sustainability strategy is underpinned by strong governance to ensure we do the right thing, acting with integrity and transparency, in line with our values."

Our sustainability strategy

At cardfactory, we combine our commitment to value with an equal commitment to play our part in protecting the planet and supporting our colleagues and local communities."

We believe that operating sustainably is critical to the long-term health of our business and the world we operate in.

FY24 marked a significant step forward in advancing our sustainability ambition with the launch of our 'Delivering a Sustainable Future' plan. This plan was informed by an updated materiality assessment completed by a specialist consultancy in June 2023. This provided a refreshed view of cardfactory's most significant environmental and social impacts and risks and of the themes prioritised by our colleagues, customers, suppliers and other stakeholders. The assessment highlighted that our most material issues are:

- our Scope 3 supply chain and Scope 1 and 2 production emission levels;
- supply chain engagement and transparency in terms of nature impacts and maintenance of high labour standards as we drive growth;
- continuing to reduce waste across our business and for product end-of-life; and
- pay, benefits and cost-of-living support for colleagues.

'Delivering a Sustainable Future' addresses these material topics, outlining an updated and expanded sustainability plan for the next five years to the end of 2028, with clear and transparent commitments and goals. The strategy is built around four important pillars for our business, both now and in the future:

- ***1. Climate***
- ***2. Waste and Circularity***
- ***3. Protecting Nature***
- ***4. People and Equity***

We maintain a policy whereby each pillar is aligned with the relevant UN Sustainable Development Goals (SDGs) to ensure our strategy is aligned to global imperatives. This is supported by a comprehensive approach to governance to oversee progress and embed sustainability across our business. The goals against each of these pillars reflect both previous and new commitments to reflect materiality and our Net Zero journey and will evolve each year to build in longer-term targets, while maintaining full transparency of reporting against these.

Our sustainability strategy is fully aligned with our broader business strategy. The process of embedding sustainability into business planning and 'Opening Our New Future' strategy reviews will be a key priority in FY25 to ensure our commitments are at the forefront of how we work and the decisions we make every day.

Sustainability governance

Our sustainability strategy is underpinned by strong governance to ensure we do the right thing, acting with integrity and transparency, in line with our values.

Our 2023 materiality assessment refresh enabled us to update corporate risks and opportunities and assign appropriate actions within our core operations and strategy. The refresh also highlighted our most material governance requirements as incorporation of sustainability into core business planning, decision-making and into accountabilities and responsibilities across our organisation.

Good governance holds us accountable to delivering on these priorities, with clear sustainability ownership structures at Board and senior management team level. cardfactory's Chair has accountability for sustainability at a Board level, reviewing activity monthly and leading the Board in assessing strategy, progress and risks on a six-monthly basis. At the senior management team level, cardfactory's Chief Commercial Officer is responsible for leading our sustainability programme delivery across the business.

Our sustainability strategy, supporting roadmap and reporting are fully transparent in terms of actions and deliverables. We are developing an operationalisation plan and supporting dashboard to enable our Chief Commercial Officer and workstream owners to review progress against this monthly and the senior management team to review quarterly.

Our 'Delivering a Sustainable Future' strategy

Climate

We will play our part in tackling the climate crisis, and adapt our business to achieve Net Zero and remain resilient.

Read more on page 35

- Publish Net Zero goals in FY25.
- Work with our suppliers to align them to our Net Zero goals and reduce emissions.
- Build resilience to climate change into our operations and supply chain.

Waste and Circularity

We will continue our journey to become a circular business by redesigning products and packaging, using fewer materials, and finding new ways to increase recycling, recovery and re-use of our products.

Read more on page 36

- Minimise waste across all operations.
- Increase recycling and recyclability across operations, products and packaging.
- Redesign our products and packaging to use less materials.
- Address gifts and celebration product end-of-life, exploring opportunities for re-use or recycling.

Protecting Nature

We will operate in a way that reduces harm to our planet and helps restore our natural environment.

Read more on page 37

- Explore further opportunities to protect nature and biodiversity in all of the countries in which we operate.
- Reduce our use of scarce natural resources (such as helium and water) across operations and supply chain.

People and Equity

We will actively champion the wellbeing of everyone within our business, supply chain and communities by creating an environment that allows them to thrive.

Read more on pages 38-39

- Celebrate difference, ensuring equity of opportunity and reward for all colleagues.
- Deliver an excellent colleague support programme.
- Nurture our communities and ensure we deliver meaningful impact.
- Make sharing and celebrating life's moments accessible for everyone.

Governance

We will operate with transparency and integrity, embedding sustainability in everything we do.

Read more on page 33

- Do the right thing, ensuring our sustainability commitments are reflected across all operations and decision making.
- Increase transparency of supply chain activity to ensure people and environmental performance align with sustainability commitments.

Climate

We will play our part in tackling the climate crisis, achieving Net Zero to reduce our environmental impact and adapting our business to respond to the challenges of a changing climate.

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

9 Industry, innovation and infrastructure
12 Responsible consumption and production
13 Climate action

Goals

- Define and publish science-based Net Zero targets and pathway.
- All company cars to be electric/hybrid by end of FY24, reducing fleet carbon by 90%[1].
- Complete LED rollout in UK manufacturing by end of FY24.
- Align top suppliers to cardfactory Net Zero targets.

For additional information on Climate, please see TCFD (Task Force on Climate-Related Financial Disclosures) on pages 40-47

FY24 progress highlights

We completed a Scope 1, 2 and 3 GHG emissions inventory for cardfactory's entire operations and supply chain for FY22. ●

Scope 1	675 tCO_2e (1% of total)
Scope 2	(market-based): 5,172 tCO_2e (7% of total)
Scope 3	70,915 tCO_2e (92% of total)

- We have set a 'Net Zero by 2050' goal, and defined science-based near-term targets to help deliver this:
  - we will reduce absolute Scope 1 and 2 GHG emissions by 54.6% by 2033 (from a 2022 base year); and
  - we will reduce Scope 3 emissions by 61.1% by 2033 on an economic intensity basis (from a 2022 base year). ●
- Our Net Zero pathway currently includes the following initiatives, in line with previous goals set:
  - All our company cars are now electric or hybrid. ●
  - Our LED lighting rollout is complete across our Printcraft manufacturing facility and stores (excludes stockroom space). ●
  - 100% of our top suppliers have engaged with us on environmental goals. ●
  - Discussions are underway with our logistics partners to define options for electrification of last-mile delivery vehicles. The technology required for electrification of HGVs is not currently developed; this will continue to be reviewed as new technology becomes available. ●
- Stage one of embedding sustainability considerations into business planning has been completed; risks and opportunities associated with each strategic initiative have been identified and workshopped with the leadership team and will be reflected in the next review of 'Opening Our New Future' strategy. ●
- Targets for moving additional product manufacturing from the Far East to UK have not yet been defined due to changing sourcing requirements as celebration essentials and gifting ranges expand. ●

Plans for FY25

- Complete GHG emissions inventory for FY23 and FY24 data.
- Complete LED rollout across distribution centres and support buildings.
- Define our renewable energy transition plans, including potential for a corporate power purchase agreement.
- Engage with top suppliers on Net Zero targets.
- Review current risk and impacts of extreme weather across the supply chain to begin the mitigation planning process.
- Incorporate sustainability considerations into business planning and strategy review process, including sourcing and logistical considerations of international growth and category expansion.

Spotlight

Reducing emissions across our business

cardfactory's commitment to become a Net Zero business by 2050 is driving change across our operations and supply chain. Alongside switching to LED lighting and electric or hybrid company cars, we are defining plans to move to renewable energy sources and working with our major suppliers to understand how their own Net Zero plans align with cardfactory's. Responsibility for this change sits with colleagues across our business, including cardfactory's Head of Construction and Maintenance:

"As a major retailer, we must tackle climate change. As well as decarbonising our own operations and looking at how we can take less from nature, we can help motivate change across the companies who supply and transport our products. Playing our part is important to cardfactory colleagues and this is an example of this in action."

1. Compared to FY22 baseline.

Waste & Circularity

We will continue our journey to become a circular business by redesigning products and packaging, using less materials and finding ways to increase recycling, recovery and re-use of our products.

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

Goals

- Remove single-use plastic from 90% of own-label products sold[1] by end of FY24.
- Remove plastic-based glitter from all products by end of FY24.
- Reduce in-store, point-of-sale poster volume materials by 50% by end of FY24[1].
- All new gift wrap sold will be 100% recyclable by end of FY24.
- All new gift bags and gift boxes to be 100% recyclable by end of FY25.

FY24 progress highlights

- We have removed single-use plastic from 90% of our own-label products (excludes foil balloons) and packaging[1].
- We have eliminated plastic-based glitter from all products, replacing it with biodegradable or mica-based alternatives.
- We have reduced our in-store, point-of-sale poster volume materials by 50%[1].
- All our new gift wrap is now 100% recyclable.
- Paper banding trial underway at Printcraft to test viability of replacing plastic film tertiary packaging on cards.
- Review underway with suppliers to investigate feasibility of moving all paper-based product and logistics packaging to FSC-certified.
- We are on track to label all primary and secondary packaging to show components and recyclability of each component in line with new Extended Producer Responsibility of Packaging legislation.

Plans for FY25

- All new own-label soft toy fillings will be made from 100% recycled materials.
- Continue to review products and packaging on an ongoing basis, removing non-essential single-use plastic and ensuring any remaining plastic is recyclable.
- All our new gift bags and gift boxes will be 100% recyclable.
- Investigate potential measures and partnerships to address product end of life and further reduce waste.
- Complete Extended Producer Responsibility of Packaging legislation requirement by mid-FY25.

Spotlight

Redesigning our products and packaging

Over the last three years, cardfactory has made significant progress on our drive to reduce waste. Our first phase of work has focused on elimination of non-essential single use plastic in our own-label products and packaging, increasing recyclability and engaging with suppliers to reduce waste in products, packaging and logistics.

cardfactory's Buying Director oversees much of this activity:

"Our team's work to tackle waste reduction has already had a significant impact. For example, this year, we've removed 109.8 tonnes of plastic from our party products – equivalent to 11 million water bottles[2] and over the Christmas period we removed a further 4.8 tonnes of plastic by replacing cellophane wrap with labels on our festive wrapping paper.

Where removal isn't possible, we've introduced recyclable product and packaging components. Looking ahead, our ultimate goal is to use less raw materials in the first place and so we are actively re-designing products and packaging to help minimise our environmental impacts."

1. Compared to FY22 baseline.
2. 500ml water bottles weighing 10g each.

Protecting nature

We will operate in a way that reduces harm to our planet and helps restore our natural environment.

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

Goals

- All cardfactory paper party products to be FSC-certified by end of FY25.
- Woodland Trust partnership to plant more than 12,000 native trees in the UK, mitigating up to 3,200 tonnes of CO_2 during trees' lifetime.

FY24 progress highlights

- More than 60% of cardfactory paper party products are now FSC-certified.
- Woodland Trust partnership expanded to plant 25,105 native trees in the UK, removing 6,276 tonnes of CO_2 from the air over the lifetime of the trees.

Plans for FY25

- All cardfactory paper party products will be FSC-certified.
- Conduct review to understand the impact of our supply chain activity on the natural environment, including biodiversity loss, water use and chemical use and disposal.

Spotlight

Restoring nature with the Woodland Trust

Trees and woods are essential in the fight against climate change, absorbing carbon, reducing pollution and flooding and supporting people, wildlife and farming in adapting to the climate and nature crises. However, for the UK to minimise the pace and level of climate change to reach its carbon Net Zero target by 2050 and adapt to its unavoidable impacts, it needs a significant increase in native trees and woodland.

As a first step in our plans to protect and restore nature, cardfactory is partnering with the Woodland Trust to create new native woodland through their Woodland Carbon Scheme. Since October 2022, the partnership has supported the planting of 25,105 UK native trees, which have the potential to sequester 6,276 tonnes of CO_2 from the atmosphere throughout their lifetime.

cardfactory's support has enabled us to create new native woodland and essential green spaces, ensuring that everybody in the UK has equitable access to the benefits of trees where they live. The trees planted will act as important carbon stores, aiding the fight against climate change and assisting nature's recovery. Our partnership stands as a great example of how a business can actively contribute to environmental conservation efforts." The Woodland Trust partnership manager.

1. Compared to FY22 baseline.

People & equity

We will actively champion the wellbeing of everyone within our business, our supply chain and our communities by creating an environment that allows them to thrive.

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

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

Our colleagues

Goals

- Continue evolving cardfactory culture to embed our purpose, values and sustainability commitments.
- Expand diversity, equity and inclusion (DE&I) data to ensure our strategy and activity reflects our colleague and customer communities.
- Continue to support colleagues with our comprehensive wellbeing offer, covering mental, physical and financial wellbeing.

FY24 progress highlights

- We completed 'wellbeing leadership' workshops for all our senior leaders to make wellbeing integral to business leadership and operations. (Achieved)
- 90% of colleagues responded to our annual engagement survey. (Achieved)
- We were named fifth 'Best Big Company to Work' for in the UK by Best Companies. (Achieved)
- We secured 10% improvement on 'fair deal' ratings, reflecting colleagues' experience of reward, pay and benefits. (Partially achieved)
- We revised our DE&I strategy to drive colleague-owned activity and engagement across all areas of the business using the following framework pillars: 'Let's Talk About'; 'Let's Learn'; 'Let's Celebrate'; 'Let's Raise Awareness'. (Achieved)
- We delivered a DE&I focus on disability awareness.
- We increased mental health awareness across the business and added to our 'support' card range with a range of cards promoting children and young people's mental health awareness. (Achieved)

For more on our colleague initiatives, please see Our Colleagues on pages 52-53

Plans for FY25

- Launch 'count me in' campaign to collect colleague diversity data and develop diversity metrics based on insight (continuation of FY24 plans).
- Review talent strategy to define commitment and approach with alignment to purpose, to include internal mobility.
- Deliver the next phase of reward and benefit roadmap to ensure equity of reward across our diverse colleague population.
- Deliver training to secure family friendly employer accreditation.

Spotlight

Celebrating our differences

Making sure that every cardfactory colleague and customer feels welcome, valued and confident to share their perspective is fundamental to delivering on our purpose. Actively embracing people of all different backgrounds, cultures, communities and requirements brings a richness and strength to our team, our culture and our customers' experience when they visit our stores or interact with our marketing.

Our DE&I strategy encompasses how we recruit, welcome and develop colleagues, how we communicate and our range of cards and gifts. Colleagues of different communities and backgrounds are actively involved in developing ranges, making sure these reflect the communities we serve and the life moments they want to celebrate.

cardfactory's Editorial Manager is one of these team members:

"This aspect of my job is something I am very passionate about and proud of. This is about representation – making sure that everyone can go into cardfactory and see themselves reflected. For people who go through life feeling different, this is so important and can make a genuine difference in people's lives."

1. Compared to FY22 baseline.

Our communities

Goals

- Continue to support 'The Card Factory Foundation'.
- Continue to identify and support charity and community partners that align with our values and business.
- Continue to support colleagues who are engaged with local causes and charities.

FY24 progress highlights

- We donated £518,078 to Macmillan Cancer Support, taking the total raised since 2006 to £8.3 million.
- We donated more than £1 million to 'The Card Factory Foundation', contributing to the Foundation's Match Fund, Community Fund and Family Fund.
- We generated £125,000 in boxed Christmas card donations for four UK charities and donated €0.10 for every €1.00 raised in the Republic of Ireland to Make a Wish Ireland.

Plans for FY25

- Launch colleague volunteering programme.
- Select FY25 charity partner(s) for Christmas boxed cards, aligned to purpose.
- Continue to support 'The Card Factory Foundation' and charity partners.

Spotlight

17 years of partnership with Macmillan Cancer Support

In FY24, cardfactory marked 17 years of our fundraising partnership with Macmillan Cancer Support. We have raised £8.3 million in total through colleague and customer donations and matched funding of colleagues' efforts by 'The Card Factory Foundation' wherever possible.

cardfactory's Head of Retail Operations and Communications has led the partnership since 2007:

In the UK, one in two people will be diagnosed with cancer in their lifetime and so we know supporting Macmillan will in turn support many colleagues and customers. The Macmillan team manages to make everyone's experience of their support feel personal and I am honoured to be able to play a part at a time when they are needed more than ever. The partnership is so successful because colleagues across the business get involved, coming up with new ways to raise funds. Macmillan is part of our culture and we are already looking forward to hitting £9 million in fundraising."

In partnership with

MACMILLAN CANCER SUPPORT

CLIMATE CHANGE AND TCFD

This section details the Group's climate-related disclosures, in alignment to the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. The overall format from the FY23 report has been retained with the aim of providing clarity and clearly demonstrating continued progress against the TCFD recommendations.

The Group has achieved compliance for all but one of the required disclosures, the exception concerning the Groups strategies and resilience to climate-related scenarios. Full compliance will be achieved within the next 12-24 months. 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. It is anticipated that this will include a deeper understanding and disclosure of the overall materiality of climate-related issues and improved links to overall business strategy.

The Group completed a materiality assessment refresh in June 2023 to understand potential climate-related risks, opportunities and the impact for cardfactory. The exercise, which included senior management team members, considered the likelihood of risks materialising and potential impacts including financial, reputational, operational or regulatory.

Business growth has also been considered in terms of potential impact on material risk, including the Group's international growth plans and expansion of celebration essentials and gift ranges. All identified risks have been incorporated into the Group's overall risk register and will form part of business decision-making.

The business is in the process of quantifying climate-related impacts, risks and opportunities as part of its Net Zero pathway planning and overall business planning and will report on these once this work is progressed. Therefore, the climate-related risks, opportunities and impacts detailed within this report are based on a qualitative analysis.

There has been significant progress made throughout FY24, with successful completion of many of the plans detailed in the FY23 report including the full Scope 1, 2 and 3 Greenhouse Gas (GHG) assessment and the setting of a science-based Net Zero goal.

Governance

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

● TCFD requirements met
● TCFD requirements not yet fully achieved

TCFD recommendation	Current status	Updates and plans for FY25
Describe the Board's oversight of climate-related risks and opportunities. TCFD progress ●	Climate-related risks and opportunities have previously been assessed by the Board as part of the general business risk management described on page 65. In FY24 the Group launched the 'Delivering a Sustainable Future' plan; as described in the sustainability strategy on page 34. cardfactory's Chair has accountability for sustainability at a PLC Board level, reviewing activity monthly and leading the Board in assessing strategy, progress and risks on a six-monthly basis. At the senior management team level, cardfactory's Chief Commercial Officer is responsible for leading our sustainability programme delivery across the business. cardfactory's Chair is accountable for the Group's sustainability plan with the Chief Commercial Officer responsible for leading the programme across the business. The senior management team reviews this on a quarterly basis.	Continued six-monthly reviews of the 'Delivering a Sustainable Future' plan by the Board. Quarterly reviews of progress, reporting and programme delivery by the cardfactory senior management team. Establish management processes for capturing data and incorporating SA Greetings climate impact future plans into the overall Group strategy (along with any other future potential business growth drivers).
Describe management's role in assessing and managing climate-related risks and opportunities. TCFD progress ●	cardfactory's Chair has accountability for sustainability at a PLC Board level, reviewing activity monthly and leading the Board in assessing strategy, progress and risks on a six-monthly basis. At the senior management team level, cardfactory's Chief Commercial Officer is responsible for leading our sustainability programme delivery across the business. The Chief Commercial Officer, members of the senior management team and external specialist consultants meet on a monthly basis to review progress to key aspects of the Climate pillar of The Groups Sustainability strategy. Further information regarding the Group's approach to managing climate-related priorities are detailed on pages 40 to 46.	The materiality assessment refresh completed in June 2023, along with the calculation of the Group's full GHG inventory, has provided deeper insight into the Group's climate-related risks and opportunities. In conjunction with the continued consultancy work, this will further inform the Group's strategy and future plans as part of the 'Delivering a Sustainable Future' plan. During FY25 there are plans to complete a climate impact review; this will form part of the Groups' risk mitigation plans and will be reviewed annually.

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 Term:

- S Short 1-2 years
- M Medium 3-9 years
- L Long 10-15 years

- ● TCFD requirements met
- ● TCFD requirements not yet fully achieved

TCFD recommendation

Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

TCFD progress: ● (TCFD requirements met)

Current status

	Risks	Opportunities	Risk Timeline
1.	cardfactory's supply chain relies extensively on imports from the Far East. There are limited opportunities for a 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.	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. We will continue to look for opportunities to move manufacturing from the Far East to the UK or Europe, to consolidate shipments and, where possible, to locate manufacturing close to the end market.	S M
2.	cardfactory fails to engage on climate risks to identify and pursue opportunities for competitive advantage, failing to meet expectations of investors, customers and other stakeholders.	Presentation of our climate-related credentials is expected to strengthen brand reputation which should deliver commercial benefit, as a result of meeting expectations of investors, customers and stakeholders.	S M
3.	cardfactory's international strategy, aimed at growing the Group's international presence, will increase our carbon footprint within our own operations and the associated supply chain.	The Group is in the process of incorporating ESG factors into all decision making, ensuring that international growth plans consider and mitigate environmental and social impact alongside commercial factors. In addition, learnings from the Group's UK & Ireland energy reduction initiatives, full GHG inventories and 'Delivering a Sustainable Future' plan could lead to an accelerated carbon mitigation programme within the international strategy.	S M
4.	Managing legacy stock, where recycling may not be economically viable and redundancy of stock results in increased waste.	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.	S M
5.	Businesses seeking to use 'green' raw materials are 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.	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.	S M
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.	Consumer behaviour and purchasing habits are reflecting an increasing desire to choose sustainable products from sustainable businesses. The Group's continued focus on disclosing and delivering on its ESG strategy and targets, and ensuring increasing visibility of these with consumers, has potential to positively impact revenue and market share.	S M
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.	By reducing waste and GHG emissions in advance of such levies applying, cost increases can be minimised. Significant progress already made (see sustainability section on page 36) in removing non-essential single-use plastic from gifting range, handmade cards and packaging.	S M L
8.	Energy costs are expected to increase over time, particularly with limited energy security in the UK that could affect availability for cardfactory's future needs.	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 and mitigate price risk from volatile wholesale electricity costs.	M L
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.	Opportunity for cardfactory to innovate on alternative product ranges and balloon filling components to anticipate availability falling and/or helium price increases.	M L
10.	Increased extreme weather events leading to flooding risk from higher water levels and extreme heat waves from global warming could impact cardfactory's key operational sites and supply chain.	In terms of cardfactory's own operations, the support centre and distribution centres are not at any material risk from flooding. While the Printcraft facility is next to a river which could be at risk of flooding without appropriate flood defences being adopted, the risk to Printcraft is deemed minimal at present. 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. cardfactory is aware that the increasing effects of climate change may start to impact its supply chain partners and will conduct annual reviews of risk and impacts of extreme weather as part of climate change mitigation measures.	M L

Risk Term: S Short 1-2 years; M Medium 3-9 years; L Long 10-15 years

● TCFD requirements met
● TCFD requirements not yet fully achieved

<table>
<tr><th>TCFD recommendation</th><th>Current status</th><th>Risk Timeline</th></tr>
<tr><td rowspan="10">Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.

TCFD progress ● (met)</td><td>Implications
1. Improving our credentials could enhance our profile and opportunity with new trade customers and shoppers. Through delivering 'Our Sustainable Future' plan, this may attract new investors, customers and stakeholders.</td><td>S M</td></tr>
<tr><td>2. Alternative ranges and sources will be constantly reviewed to balance climate risks with maintaining a value offer to our customers.</td><td>S M</td></tr>
<tr><td>3. Plans for the international strategy will consider country-specific climate-related legislation, property acquisitions and store fit out specifications along with the impact and location of key suppliers within the international supply chain.</td><td>S M</td></tr>
<tr><td>4. Improved stock management significantly reduces exposure to stock wastage. Any disposal of stock is managed through suppliers with green credentials for waste management, to minimise the need for landfill.</td><td>S M</td></tr>
<tr><td>5. Development of 'recycled card' products could be used as a unique selling proposition, whilst managing costs and improving cardfactory's sustainability credentials.</td><td>S M</td></tr>
<tr><td>6. Increased levels of sustainable design and materials in product and packaging development, and increased communication around ESG targets and strategy, will broaden customer appeal.</td><td>M L</td></tr>
<tr><td>7. Planned levies and surcharges to be monitored and action taken to minimise the implications for such charges on cardfactory.</td><td>M L</td></tr>
<tr><td>8. In addition to supporting development of additional green energy generation, this may mitigate future cost increases, whilst reducing the Group's GHG emissions.</td><td>M L</td></tr>
<tr><td>9. Long-term strategy to be developed to mitigate this risk while continuing to meet customer appetite for party and celebration events by developing alternative products and exploring innovations in balloon filling components.</td><td>M L</td></tr>
<tr><td>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. Climate resilience review will identify supply chain risk and outline measures to address this, including collaboration with suppliers and partners where needed.</td><td>M L</td></tr>
<tr><td>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

TCFD progress ● (not yet fully achieved)</td><td>Climate-related measures are a key pillar of our 'Delivering a Sustainable Future' plan and are incorporated into the risk management framework, however as reported last year the Group is not yet in a position to fully report on its resilience with respect to specific quantified climate scenarios.

While significant steps have been made with the calculation of the Group's first full Scope 1, 2 and 3 GHG emissions inventory and the development of a Net Zero target and draft transition plans, the Group recognises that it is likely to take a further 12-24 months to fully undertake a rigorous and quantified climate-related scenario planning assessment, tailored to cardfactory's business and supply chain, before being able to meet the requirements in this area. The climate risk review planned for FY25 will form part of this exercise and, along with a deeper understanding of key contributors to the Groups GHG emissions and overall operations in relation to climate risk, will inform the scenario assessments and subsequent strategies.

The transition and physical scenarios that will be explored in further detail are outlined below and have been selected to reflect a realistic and current scenario risk and a future 'worst case' scenario.

1.5°C scenarios
This is based on a 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. 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 across all territories relevant to the Group's operations and supply chain.

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 across all territories relevant to the Group's operations and supply chain.</td><td></td></tr>
</table>

Risk Management

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

● TCFD requirements met
● TCFD requirements not yet fully achieved

TCFD recommendation	Current status
Describe the organisation's process for identifying and assessing climate-related risks. TCFD progress ●	Climate-related risk is managed in accordance with the overall risk management framework and is one of the five pillars of our 'Delivering a Sustainable Future' plan (see page 35). Members of the Board and senior management team are primarily responsible for identifying emerging risks and assessing, managing and mitigating risks, with support from internal and external specialists, as appropriate. A climate impact review and mitigation plan is planned for FY25.
Describe the organisation's processes for managing climate-related risks. TCFD progress ●	The Board reviews progress on the overall strategy, including climate risks, twice per year, 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 who is responsible for the overall management of ESG and climate-related risks, led two substantial reviews during the year with the senior management team and provided this team with monthly updates of any relevant considerations.
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. TCFD progress ●	Led by the Chief Commercial Officer, the senior management team reviews all climate-related risks within the ESG plan twice during the year, 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 at six-monthly intervals and any risks requiring immediate action are addressed as a priority within operational activity. The climate-related priorities within the 'Delivering a Sustainable Future' plan take account of the impacts, risks and priorities for our stakeholders identified from the materiality refresh completed in FY24.

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 requirements met
- ● TCFD requirements not yet fully achieved

TCFD recommendation	Current status	Updates and plans for FY25
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process TCFD progress ●	***Climate*** i. In conjunction with our external consultants, cardfactory has completed the Group's first full GHG inventory covering Scopes 1, 2 and 3 for the FY22 year; a total of 76,762 tCO_2e. This will be the baseline for all future reduction targets. ii. Following the completion of the FY22 GHG emissions calculation (the baseline), various scenarios have been considered when setting Net Zero targets aligned with Science Based Targets methodology, and a 2033 near term has been set for the Group: – Reducing absolute Scope 1 and 2 GHG emissions by 54.6% – Reduce Scope 3 emissions (economic intensity basis) by 61.1% – Commitment to achieve Net Zero emissions ahead of the UK Government's 2050 national target iii. All company cars within the Group are now electric or hybrid. iv. Completion of LED rollout in Printcraft manufacturing and cardfactory store (excluding stockroom space). v. The Group has measured and disclosed mandatory Scope 1 and 2 GHG emissions and in this report a five-year trajectory can be seen; an absolute reduction of 13.17% in GHG emissions can be observed in FY24 when compared to FY20. vi. In relation to the mandatory GHG emissions, the Group has also measured and disclosed an intensity metric of tCO_2e per £m turnover. In FY24 it shows a reduction of 23.22% compared to FY20. vii. We will continuously improve our supply chain efficiencies and look for further opportunities to move product manufacturing from the Far East to the UK and Europe. ***Waste and circularity*** viii. All new gift wrap is 100% recyclable. ix. Single use plastics removed from 90% of own labelled products and packaging (excludes foil balloons). x. Target set to remove single-use plastic from 90% of our products sold to customers by end of FY24. xi. All products are 100% plastic glitter free. xii. Reduced point of sale poster volume materials by 50%. xiii. Reduced bubble wrap use across Printcraft and Logistics by 55%. ***Protecting nature*** xiv. All cards and gift wrap are FSC certified. xv. More than 60% of cardfactory paper party products are now FSC-certified. xvi. The partnership with the Woodland Trust been expanded, resulting in 25,105 native trees being planted in the UK, removing 6,276 tonnes of carbon dioxide (see page 37).	Completion of the full GHG inventory across Scopes 1, 2 and 3 covering the FY23 and FY24 periods will be completed in FY25. This will include the addition of capturing data for SA Greetings and incorporating the associated emissions into future targets and reduction pathways. Assessment of setting a Net Zero target no later than 2050 and further exploration of alignment with key milestones as detailed within the BRC Climate Action roadmap. Further scoping of preferred carbon reduction pathways required to meet near term and Net Zero targets including but not limited to: • A potential commitment to sources of renewable electricity; • Removal of natural gas and electrification of heat; • Further decarbonisation of the Group's fleet, with the most immediate potential opportunity focused on vehicles used for 'last mile' delivery; and • Improved methodologies for calculating Scope 3 GHG emissions by liaising more closely with the supply chain. Engaging with top suppliers to share environmental goals and capture specific relevant data to inform GHG calculations, with the ultimate aim of agreeing Net Zero goals with all tier one suppliers. Continue to develop the Woodland Trust partnership to restore UK native woodland. Conduct a review to understand the impact of supply chain activity on the natural environment, including biodiversity loss. Further embed sustainability considerations into international expansion and supply chain planning. Own-label soft toy fillings to be made with 100% recyclable materials. All new gift bags and gift boxes will be 100% recyclable. Further review of products to remove non-essential single use plastics and investigate potential for circular use of end-of-life products. All cardfactory paper party products will be FSC-certified. Maintain Woodland Trust partnership and explore further opportunities to protect nature and biodiversity across our value chain.

Metrics and Targets continued

● TCFD requirements met
● TCFD requirements not yet fully achieved

TCFD recommendation	Current status	Updates and plans for FY25
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. TCFD progress ●	See Scope 1 and Scope 2 emissions on page 47. Scope 3 emissions for FY22 have been calculated across all relevant Scope 3 categories. In FY22, cardfactory's Scope 3 emissions totalled 76,762 tCO_2e representing 92.4% of the Groups overall GHG footprint.	Full Scope 1, 2 and 3 assessments for FY23 and FY24 will be completed in FY25 with the aim of disclosing all relevant emissions and a three year trajectory in the FY25 Annual Report.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. TCFD progress ●	The Group has measured and disclosed mandatory Scope 1 and 2 GHG emissions and a five-year trajectory can be seen in this report. Previously no formal targets have been set, however as set out within this report, the Group has taken numerous active steps to reduce emissions. Significant progress has been made in FY24 as the Group has now set science-based near term and Net Zero targets. An absolute reduction of 13.17% in GHG emissions can be observed in FY24 when compared to FY20. The Group has also measured and disclosed an intensity metric of tCO_2e per £m turnover. In FY24 it shows a reduction of 23.22% compared to FY20. This year, the Group has delivered its first full Scope 3 assessment (for FY22 period) and will disclose Scope 3 GHG emissions for subsequent years in future reports.	With the full Scope 1, 2 and 3 assessment for FY22 now completed, the Group has explored science-based Net Zero pathways and has set a near term 2033 target (against a FY22 baseline) with the aim of setting a Net Zero target for 2050 or before early in FY25. During FY25 Q2 the Group expects to review the findings as a result of its compliance with phase 3 of the Energy Savings Opportunity Scheme (ESOS). Throughout FY24 and early FY25 physical assessments of a cross section of properties within the Group have been conducted; identifying areas for energy saving and carbon reduction. This exercise will assist in further informing our Net Zero pathways and investment decisions in order to meet the Group's reduction targets.

Greenhouse gas emissions

Total Scope 1 and 2 GHG emissions have increased by 26.4% compared to last year. Of the total increase in Scope 1 and 2 GHG emissions, 8.2% is attributable to the increased size of our store portfolio and expanded partnership activity in the UK. The remaining 18.2% of the increase relates to Rest of World, which is largely attributable to the acquisition of SA Greetings. Whilst total emissions have increased compared to last year, absolute emissions have reduced by 13.17% compared to FY20, this highlights the successful impact of the energy efficiency projects; absorbing significant business growth whilst reducing overall emissions.

Energy and Carbon	Country	FY24 tCO_2e	FY24 %	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	789	63%	724	99%	672	99.6%	777	99.6%	1,029	100.0%
	RoW	463	37%	4	1%	3	0.4%	3	0.4%	0	0.0%
	Total	***1,251***	***100%***	***728***	***100%***	***675***	***100%***	***780***	***100%***	***1,029***	***100%***
Scope 2 emissions (purchased energy – indirect emission) tCO_2e	UK	4,852	88%	4,479	96%	4,238	99%	4,245	99%	6,754	99%
	RoW	684	12%	163	4%	45	1%	44	1%	34	1%
	Total	***5,539***	***100%***	***4,642***	***100%***	***4,283***	***100%***	***4,289***	***100%***	***6,788***	***100%***
Total energy use (kWh)	UK	25,564,019	89%	25,651,206	98%	22,269,584	99%	20,476,623	99%	30,130,676	100%
	RoW	3,080,177	11%	449,480	2%	225,256	1%	189,524	1%	134,830	0%
	Total	***28,644,196***	***100%***	***26,100,686***	***100%***	***22,494,840***	***100%***	***20,666,147***	***100%***	***30,265,506***	***100%***

Intensity metric	FY24 tCO_2e	FY23 tCO_2e	FY22 tCO_2e	FY21 tCO_2e	FY20 tCO_2e	Variance(%)
Total emissions	6,788	5,370	4,958	5,069	7,817	-13.17%
Emissions intensity (tCO_2e/£m turnover)	13.30	11.59	13.61	17.78	17.31	-23.22%

Methodology and emissions data

The above emissions data has been produced in accordance with the Streamlined Energy and Carbon Reporting (SECR) framework, under the Companies (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).

Energy efficiency

During FY24 the Group continued and completed the upgrade and decarbonisation of the car fleet. There are now 25 fully electric cars and 35 hybrid cars in the fleet. In terms of other energy efficiency action, the LED rollout across our retail space was completed prior to FY24 (2022); the benefit of which can be observed in the in the reduction of UK Scope 2 emissions when compared to FY20.

Throughout FY24 the focus has been on establishing a Net Zero target and developing draft transition plans to achieve these targets. As a result, a range of technologies and efficiency measures are under consideration to not only reduce energy consumption, but also decarbonise the Group's activities. It is expected that the transition plans will be further developed during FY25 with key projects being identified for future implementation.

OUR STAKEHOLDERS

Strengthening stakeholder engagement

The Board identifies Shareholders, Customers, Colleagues and Suppliers as cardfactory's key stakeholders, whose interests significantly affect the accomplishment of our mission."

Effectively engaging with our stakeholders is crucial in ensuring their interests are acknowledged and incorporated into the decision-making processes of both our Board and senior management team. This approach promotes the long-term success of the Company and the Group as a whole.

Moreover, the Board and senior management team also consider the ramifications of their decisions on a broader range of stakeholders, such as landlords, regulators, HMRC, debt funders, local communities and the environment. The impact of relevant decisions on stakeholders is included in Board reports, for the Board and management team to deliberate on stakeholder viewpoints, alongside alignment of decisions with the strategic plan.

Addressing stakeholder impact

We actively recognise the repercussions of key choices on various stakeholder groups, ensuring their voices are acknowledged and understood and competing interests of stakeholder groups are accounted for as we ensure a balanced outcome in our decision-making. The Board takes on a proactive role in engaging with stakeholders while also receiving regular updates from the management team to remain appraised of stakeholder concerns and issues.

For certain stakeholders, particularly Suppliers, the Board deems it fitting for senior management or their direct reports to lead stakeholder engagement, provided that insights and feedback are communicated back to the Board.

Key performance indicators and reporting

Monthly updates on key performance indicators (KPIs) align with the interests of major stakeholder groups, such as Colleagues, Customers and Shareholders. The KPIs' structure and content are reviewed annually to ensure the Board and senior management team access the most relevant data, facilitating informed decision-making and identifying areas for improvement. Specific KPIs adopted and performance for the period are set out on pages 12 to 15 and 51 (Market, Brand and Customers), pages 1 and 50 (Shareholders), and page 52 (Colleagues).

Updated KPI reporting incorporates an increased focus on real-time data, in line with the Company's shift toward a more customer-centric mindset. This includes monthly customer research data, featuring customer optimism, switching data, net promoter scores and brand awareness comparisons between cardfactory and competing brands (see page 15).

Section 172 statement on stakeholder engagement

Stakeholder consultation and use of KPI reporting summarised on pages 49 to 55, provide the Board insight on the (often conflicting) priorities of key stakeholder groups, which the Board and senior management team assess and seek to balance in decision-making, with full regard to the long term consequences of decisions, impacts on the stakeholder groups and on cardfactory's 'doing the right thing' and being a good corporate citizen. This approach supports the Board in meeting their responsibilities under 172(1)(a) to (f) of the Companies Act 2006.

1 Read more about our Shareholders on page 50

2 Read more about our Customers on page 51

3 Read more about our Colleagues on pages 52-53

4 Read more about our Suppliers on pages 54-55

1

Our Shareholders

Shareholder engagement and value optimisation

The Board is careful to incorporate shareholder sentiment into its decision-making. Throughout the year, Directors are kept informed of shareholder perspectives through various channels, including feedback during Annual General Meetings (AGMs), discussions and enquiries post-financial results, the Capital Markets Update in May 2023 and other interactions.

Specifically, consultations with 17 top shareholders in December 2023 and January 2024 shaped the proposed Remuneration Policy amendments, allowing for the absorption of broader shareholder insight. Significant shareholders were also consulted on the capital allocation policy during March 2024. Feedback was shared with the entire Board and management team, ensuring that the views from our core investors and potential shareholders are respected in pursuit of long-term returns.

Enhancing shareholder communication

The Board has redoubled its efforts to elevate shareholder communications, prioritising transparency and the conveyance of strategic plans through public announcements and investor presentations. In May 2023 we shared a Capital Markets Strategy Update with shareholders and in FY25 and beyond we are committed to continually enhancing the updates we are able to provide.

Performance insight through KPIs

Monthly performance reviews during FY24 encompassed financial KPIs, as set out on page one and in the CFO Review on page 57, alongside a broader balanced scorecard of 20 performance metrics that not only resonate with our stakeholders but also offer foresight into focal points for the business. Notable shareholder centric measures include like-for-like sales, profit before tax (PBT), operating expenses and return on capital employed (ROCE). Additional non-financial measures tackle operation efficiency and customer and colleague metrics. The Board also conducts regular assessments of key strategic initiatives, which underpin sales growth and operational efficiencies. More extensive internal reporting of c.30 metrics has been adopted following a review of internal performance reporting at the end of the period. The extended scorecard includes measures specific to strategic growth areas for partnerships, omnichannel and online.

Policy updates and shareholder value

Throughout the year, key policies affecting shareholder value, such as hedging strategies (encompassing currency, interest rates, and energy costs – see note 24 on page 151), the Remuneration Policy (see page 88) alongside capital allocation and dividend policies (see page 63), have been reviewed and refined, taking account of the views of our shareholders, and including specific shareholder consultation.

Continuity in shareholder relations

Our commitment is to maintain the interactive shareholder relations. The approaching AGM will take place at 11am on 20 June, 2024, at the Company's registered office at Century House, Brunel Road, Wakefield 41 Industrial Estate, Wakefield, West Yorkshire WF2 0XG. The Board invites shareholders to raise queries before the AGM and aims to provide written answers before the final date for submission of proxy votes. This is intended to assist shareholders in making well-informed decisions. Subsequently, relevant queries and responses will be made available on the investor website after the AGM.

Balancing short term shareholder returns with longer term investment

The Board has conducted an extensive review of its capital allocation policy, with a view to improve total shareholder return in the longer term, in light of restrictions on dividends being lifted from 31 January 2024. The Board consulted a number of shareholders to ensure it had a clear appreciation for their preferences, to seek to develop a policy that balances alternate priorities between cash dividends, share buybacks, and augmenting value through share price appreciation.

The Board has carefully weighed options ranging from intensifying short- and medium-term yields to pursuing strategic avenues for resilient long-term returns. Historic, frequent special dividends have been dispensed with, as the Company primes for future growth through investments in omnichannel and partnership channels. Selective acquisitions are also considered for strategic expansion, all while preserving adaptability for unforeseen challenges.

Consequently, the Board has updated the Company's capital allocation policy (summarised in the CFO report on page 63) and adopted a clear framework that adopts a waterfall of priorities, comprising (1) maintaining a strong balance sheet; (2) investing for growth; (3) returns to shareholders (with a clear dividend cover proposal) and (4) disciplined use of surplus cash.

See our Corporate Governance Report on pages 73-79

2

Our Customers

Building on strong insight foundations

Understanding our customers and market has never been more important. In FY23 we extended our core insights capabilities to direct future growth which was built upon in FY24 to further refine, enrich and leverage our customer knowledge through fresh insights and new data sources.

Diverse insights for informed actions

We continue to use a broad range of leading insight tools and established sources to ensure we understand everything from macro trends (GlobalData) to market environment (Kantar Worldpanel) and understanding who our customers and potential customers are through segmentation. We look to understand how our customers perceive and experience us through sources such as Savanta Brandvue, Feefo, Hotjar and 'tellcardfactory', our key platform for customer experience feedback. We then examine their ensuing behaviour through Kantar data and internal basket analysis.

Our interaction with over 12,000 monthly respondents through our 'tellcardfactory' platform highlights our data-driven commitment to customer satisfaction, and net promoter score (NPS) remains a key KPI. We are continuously analysing changing market dynamics alongside our customers' evolving needs so we can refine our actions and respond appropriately at pace.

1. Source: Savanta: cardfactory's 'Celebrate a great deal' campaign analysis.

Elevating understanding through new initiatives and improved data integration

In FY23, we established our new customer segmentation. This is a framework that positioned us to better understand our customers, non-customers and the headroom available for growth. In FY24, that knowledge has been enriched. Integrating these segments with various data sources has identified insightful consumer trends, preferences in products and rich understanding of occasions and celebration-related behaviours. As market dynamics change, the ability to look wider and further out is critical.

Analysis undertaken to understand views about product quality highlighted the need for strategic action to move perception forwards with non-customers. In response, we developed more quality-centric marketing campaigns to reassert our brand ethos and 'value for money' credentials. This proved successful in challenging non-customer perceptions of the brand, as an example, doubling the levels of brand warmth pre to post campaign[1].

We've introduced new sources of consumer research – such as our panel of soon to be 2,000 celebration enthusiasts - giving us the ability to widen our insights on consumers, categories and occasions.

Group discussions, polls, diaries and surveys via this panel are not only insightful for us but serve as a platform to nurture customer-centric perspectives across the business.

Colleagues who join research sprints can observe, interact and collaborate with customers, driving customer closeness across the business.

Further, analysis on basket data has been pivotal in unlocking understanding of customer purchase behaviour, and then informing thinking on product range, placement, pricing and promotions.

Defining and executing our customer experience strategy

We continue to invest in our customer services function with recent improvements including system updates, chatbots, improved customer communications, enhanced contact centre availability and new customer contact channels – each contributing to an improved customer journey.

Looking ahead to FY25

In FY25, we will look to further understand our customers' wider celebration needs, ensuring that we are consistently serving them better. We will also look to maximise existing customer feedback on the cardfactory proposition and will seek to get additional customer feedback across all of our channels. A newly established 'voice of the customer' steering group, made up of a cross-functional group of colleagues, will focus on generating insight and driving action in response. We remain committed to enriching our knowledge, empowering our teams to be curious with data and to make better, customer focused decisions accordingly.

Insight driving action

Protecting our value proposition

While consumer anxieties have marginally lessened year on year, the cost of living crisis has had a significant impact. We have seen its impact on value perceptions at large and for many, the importance of price has grown. Despite cardfactory being recognised as a value for money leader, when early signs of increasing competitor challenge became evident, research swiftly guided us to the most impactful response. New pricing strategies, such as offering 15p cards or bundles of 10 for £1, paired with our 'Celebrate a great deal' campaign proved successful, delivering positive shifts in 'value' and 'quality' perceptions along with 'likelihood to recommend'. On the back of this, we mitigated the immediate threat and improved customer and non-customer perceptions of cardfactory alike.

Enhancing the Christmas experience

Christmas 2022's increased footfall and subsequent operational challenges highlighted areas for improvement. Insight into the customer experience during this peak period directed us to provide more support, resulting in additional festive recruitment and company-wide training in 'The cardfactory Way'. Despite more shoppers and the potential for increased pressure in 2023, positive outcomes were substantial; year-on-year higher service audit scores, stronger customer recommendation, more appreciation of our service and overall a notably enhanced festive customer experience.

3

Our Colleagues

Our ambition is to attract, develop and retain the best talent into our business."

Introduction

Our ambition is to attract, develop and retain the best talent into our business. With a highly engaged and high performing team, supported by an outstanding colleague experience, we can deliver on our strategy.

We continue to develop an inclusive culture empowered by exceptional leadership, with celebration at our core, and driven by passion and commitment. To build on and enhance our colleague proposition, we use data and insights from both our colleagues and external sources.

Engaging and communicating with our colleagues

Colleague voice

We value our colleagues' contribution and want to ensure their voices are heard. We listen to our colleagues in different ways to enable us to make informed decisions about how to invest and make improvements whilst also considering affordability.

Best Companies, a leading employee engagement specialist, supports in facilitating our internal 'bHeard' engagement survey which measures colleague engagement across all areas of the business. In our latest survey in September 2023, we received a two-star 'Outstanding to work for' accreditation and were also recognised as the fifth 'Best Big Company To Work For'.

Colleague forums and colleague listening group

Our colleague forums provide us with an opportunity to listen to colleagues and take on board feedback on how they feel.

In 2023 we refreshed the forum and created the combined listening group (CLG). We have functional forums (for colleagues within our stores, distribution centre and support centre), that then roll up to combine as the CLG which is chaired by Paul Moody, Chair. Colleagues are able to share their experiences and the feedback gathered from the groups they represent. The feedback from these groups in 2023 resulted in an increase in our colleague discount from 15% to 25%. This ensures we prioritise what is important to our colleagues as part of our ongoing benefits enhancements.

We have also used our colleague forums to consult on proposed changes to the Remuneration Policy and to discuss our smart working principles.

91%

of our population work in retail

Key performance indicators (KPIs)

Our colleague KPIs include colleague turnover rates, where we ended the year at 33.3% versus a target of 35%. As the employment market has steadied, we have seen less movement and reduced attrition. We have continued to measure the rate of internally filled vacancies and have achieved 32% against a target of 19%, driven by significant movement within retail, especially during Christmas. With 91% of our population working in stores, this represents a positive improvement on a more transient population. As we build out our talent strategy, we continue our aim to move internal talent and to develop our colleagues.

Colleague policies

In 2023 we continued to build on our suite of people policies that support and engage our colleagues and enable our leaders to use clear guidelines and processes. We updated some core people policies to simplify the tone and to clearly mirror the ACAS (The Advisory, Conciliation and Arbitration Service) guidelines – these policy updates included absence, disciplinary and grievance and compassionate leave. Flexible working and carer's leave have been updated to reflect changes to legislation in April 2024.

Reward – pay and benefits

Our ambition is to have a reward offering that is in line with the market while providing a differentiator that supports us in attracting and retaining the best talent in the industry. Over the last three years significant investment has been made, including the introduction of a death in service benefit for all, enhanced family friendly policies including kinship leave, and building a transparent framework around pay.

For pay, we have seen high inflation impacting pay and pay reviews alongside an increase to the National Living Wage of 9.8%. This has reduced the gap between lower earners and the next level up. A pay review has been applied to maintain a differential within our retail and supply teams and we have applied a pay review for our salaried colleagues that both reflects inflation and our continued ambition to be a mid market payer. We recognise that retirement benefits have scope for improvement, consistent with colleague feedback, however we have not been able to progress enhancements during FY24 given the detriment on shareholders.

We continue to evolve our colleague offer and, from feedback, it is clear from colleagues that there is an appetite to 'giving something back'. As we progress into FY25, we will introduce a trial of volunteering days to support our colleagues' desire to support their local communities.

Coaching leadership

Integral to our cultural journey is the way we lead and our commitment to leaders as they continue to raise their self-awareness and role model our leadership behaviours. A core skill to leadership at cardfactory is coaching.

This features in our 'leading others' programme and for senior leadership colleagues and others within the senior leadership group, we offer the L5 coaching qualification apprenticeship.

FInd out more about our Culture and Values online

Diversity, equity and inclusion

Since launching our diversity, equity and inclusion (DE&I) strategy and plan in 2021, we're committed to evolving our strategy to reflect the needs of our colleague communities and the communities we serve. We will continue to ensure our efforts are seen and felt throughout the business from product to accessibility in store and through being a family friendly employer. This coincides with our strategy to drive activity through specific learning opportunities such as: 'Let's Talk About', 'Let's Learn', 'Let's Raise Awareness' and 'Let's Celebrate'. These are colleague-led sessions that reflect topics that our colleagues want to engage with and discuss within the business. In 2023 we launched our Disability Awareness community network group, to guide the business on how to support colleagues with disabilities better, whether new to the business or those who become disabled during their appointment. This has included education and awareness events, and learning modules plus a manager toolkit and an improved induction. For more information on FY24 progress highlights and plans for FY25 see page 31.

Women in Leadership

We are determined to understand the challenges of women at work, both historically and in the current experiences of work. As in many other retail organisations, we know there is more to do to increase female representation in our senior leadership team.

To support career progression we have introduced a women's network and targeted leadership development including:

- Coaching for senior female leaders; and
- Investment in supporting women across work/life cycles from miscarriage to return to work and menopause, with education and awareness. The investment began in FY24 and will continue into FY25.

Wellbeing

Following feedback in our 'bHeard' survey in September 2023, wellbeing continues to be important to our colleagues. We have an extensive wellbeing colleague offer including access to an employee assistance programme; mental health first aiders and financial wellbeing products. At the beginning of FY25 we reminded colleagues of the support available through a 'We Care' card, which summarised our offer and the various services around financial, physical and mental wellbeing.

Our strategic approach to wellbeing ensures three things:

- Prevention – understanding how our leadership team can support or impact wellbeing;
- Protection – knowing what colleagues need to maintain their wellbeing at work; and
- Support - noticing when colleagues are struggling.

To support this strategy, we held wellbeing leadership workshops for 78 senior leaders in the second half of 2023. We also continue to support mental health awareness through our product ranges and charitable activity.

Talent acquisition

In 2023 over 6,000 colleagues joined our business, this included a mix of permanent and seasonal colleagues. Our focus is to build our direct sourcing model by creating candidate talent pools and networks. This will reduce our reliance on agencies and in turn reduce spend and will increase retention as we continue to invest in the colleague experience at this crucial time of starting a new job.

Talent and succession planning

In FY24 we focused on embedding talent and succession planning deeper in the organisation, with reviews completed down to our senior leader group level. We have driven talent and succession planning by building talent pipelines, identifying successors and creating robust development plans. This is supported by a continued focus on coaching, mentoring and creating opportunities to support development and to promote from within.

Values

We launched our refreshed values in 2022, and they continue to guide us in the way we do things. They are weaved into our performance management process so that 'how' we do things is measured and is as important as the 'what'. Our annual recognition event, the Colleague Moment Awards, has been elevated and is a yearly celebration of colleagues who live and breathe our values.

4

Our Suppliers

Building sustainable supplier relationships and bolstering ESG commitment

Our suppliers are a key stakeholder across our entire organisation and our objective is to build long-term strategic partnerships that are mutually beneficial for both parties. Our commercial function takes responsibility for managing supplier relationships effectively to deliver the right balance between realising the commercial opportunity, meeting environmental requirements and maintaining the importance of delivering products and services for our customers.

Supplier long term interests

Our supplier engagement and approach recognises the benefits of developing long term, mutually beneficial relationships with a range of trusted suppliers, who collectively are capable of meeting our current and future needs.

We partner with suppliers that demonstrate long term strategic investment in their businesses that can support our future growth plans. We work closely with suppliers to ensure that their strategic initiatives realise efficiencies and economies of scale that will, allow us to continually supply innovative products of great quality and value to our customers. This benefits our shareholders as we recognise the need to ensure a balanced return on the products we source from these suppliers.

Supplier sourcing strategy

Our sourcing focus aligns to our commercial strategy to expand our product offer on gifts and celebration essentials. We have formed strategic partnerships with key suppliers, specialists in their fields, to enable range expansion and support our sales growth and future ambitions as a celebration destination. We listen to our suppliers and make strategic supplier decisions that benefit all our stakeholders. Key to defining our supplier sourcing strategy, is the process we follow to enable us to source the right product, at the right quality from suppliers with the right capability, at the right price. Meeting all these requirements as part of a product strategy sign-off process ensures we meet customer needs, whilst producing good quality, legally and ethically compliant products, which maximise profits for our shareholders.

Supplier onboarding and requirements

Product suppliers, once selected, undergo a thorough onboarding process, ensuring they understand our policies, including:

- Ethical audit requirements (child labour, forced labour, disciplinary practices, health and safety, discrimination, freedom of association, collective bargaining, working hours, remuneration and environmental aspects) through:
  - SMETA (Sedex Members Ethical Trade Audit): A globally recognised ethical audit conducted by affiliate audit companies.
  - BSCI (Business Social Compliance Initiative): A globally recognised ethical audit, adhering to the International Labour Organization (ILO) standards, and conducted only by approved audit companies.
  - SA8000: A widely recognised set of ethical audit standards by Social Accountability International, applicable to factories and organisations worldwide.
- Technical audits (based on ISO 9001) covering products and product safety for initial factory setup and high-risk areas, ensuring the supplier has capability to produce products of the required quality.
- Forest Stewardship Council[R] (FSC[R], Licence code: FSC-C128081) licensing and compliance with the UK and EU Timber Regulations.
- Compliance with Anti Bribery and Corruption laws and regulations forms part of the supplier on boarding process.
- Compliance with the Modern Slavery Act; details are available in the modern slavery statements on the cardfactory investor website.

No audit, no order policy

We maintain a steadfast 'no audit, no order' policy, meaning suppliers must have completed the onboarding processes and received satisfactory ethical and technical audits before an order is placed.

In 2023, several members of our cardfactory commercial team visited East Asian suppliers, to review ways of working and supplier capability, as is standard practice.

FSC commitment and packaging review

In the last quarter of 2023, cardfactory successfully passed its seventh FSC audit. Across the supply base we continually explore ways to increase the percentage of FSC products across all of our product ranges including transportation packaging. Additionally, we will continue to work with our suppliers to review the correct balance between reducing plastic packaging (highly recycled and recyclable content) with non-recyclable packaging (landfill).

Quality assurance enhancement

We continually work with our suppliers to ensure we develop products that are aligned to our strategy both within the UK and internationally, ensuring a balance between commerciality whilst complying with all local legislation. In the third quarter of 2023, an additional technologist joined the Quality Assurance team to provide our supply base with the required support. We also started working with an internationally renowned testing company which ensures products are safe, legal and suitable for all current and future markets. The long-term goal is to establish a first-class Quality Assurance department.

"Our suppliers are a key stakeholder across our entire organisation and our objective is to build long-term strategic partnerships with them."

Supplier viewpoint survey and environmental focus

Based on feedback from supplier viewpoint surveys in previous years, the focus has shifted towards environmentally friendly practices and products. We now request information such as environmental policies and carbon reduction programmes. The survey will be completed by the end of Q1 of 2024, with the collated information guiding buying and supplier selection.

Upcoming legislation in 2025

The Quality Assurance team works collaboratively with suppliers to identify a pathway that mitigates risk and adheres to the legislative requirements. This approach ensures that the processes put in place work for suppliers, for cardfactory and for customers. We are aware of several new environmental protection legislations, including the Deposit Return Scheme, Packaging Waste (Extended Producer Responsibility) and Single Use Plastic Ban (England, Wales and Northern Ireland). There have been delays to certain legislation coming into effect, but we are expecting implementation from 2025.

Printcraft

We have recently invested in new finishing machinery at our vertically integrated card manufacturing site (Printcraft). This new machinery will drive efficiency gains through improved automation which will speed up finishing and ease capacity flow during peak. This not only supports the future growth of our partnerships business, but also enables us to deliver on our ambitions to bring more card production back to the UK.

Delivering growth

Matthias Seegar
Chief Financial Officer

Financial highlights

The Group delivered a strong performance and made good progress towards our strategic ambition to deliver £650 million sales, 14% PBT margin and 90 net new stores by FY27.

- Across our stores we continued to grow with both higher revenues and positive and like-for-like (LFL) sales compared to last year, providing a strong platform for our strategic growth plans and omnichannel ambitions.
- We continued to strengthen our balance sheet, with a reduction in closing net debt of £22.8 million year-on-year (YOY) and the repayment of CLBILs in September 2023 and Term Loan A at the end of January 2024 resulting in the lifting of dividend restrictions.
- Total sales of £510.9 million increased +10.3% from prior year, underpinned by LFL sales of +7.7% in cardfactory stores.
- Adjusted PBT of £62.1 million up £13.2 million, reflecting a margin of 12.2% up from 10.5% in FY23.
- Store portfolio stands at 1,058 stores at 31 January 2024, up 26 from 31 January 2023.
- Acquisition of SA Greetings for £2.5 million fixed cash consideration, which is performing in line with expectations.
- Strong end to the year for online sales and a positive LFL for cardfactory.co.uk for the year of +0.4%.
- Recommencement of dividend – proposed ordinary dividend for FY24 of 4.5 pence per share.

£510.9m
Revenue

£65.6m
Profit Before Tax

£118.7m
Cash from operations

Financial performance

	FY24	FY23
Revenue	*£510.9m*	£463.4m
EBITDA	*£122.6m*	£112.0m
Profit Before Tax	*£65.6m*	£52.4m
Adjusted Profit Before Tax	*£62.1m*	£48.9m
Basic earnings per share	*14.4 pence*	12.9 pence
Adjusted earnings per share	*13.5 pence*	12.1 pence
Dividend per share	*4.5 pence*	0.0 pence
Net debt	*£34.4m*	£57.2m
Cash from operations	*£118.7m*	£107.8m
Adjusted Leverage (exc. Leases)	*0.4x*	0.8x

Adjusted PBT excludes one-off transactions, which in FY24 include a one-off gain arising on the acquisition of SA Greetings (£2.6 million), a gain resulting from the release of provisions related to the Group's Covid grants position (£2.0 million), and a charge relating to impairment of assets in Getting Personal (£1.1 million), a net gain of £3.5 million.

Following the cessation of capital expenditure and dividend restrictions from 31 January 2024, we have reviewed and updated our capital allocation policy. The Board is committed to balancing delivery of sustainable long-term growth in shareholder value with progressive cash returns, whilst being cognisant of the needs of its other stakeholders. On 26 April 2024, the Group successfully refinanced its debt facilities, agreeing a new £125 million revolving credit facility with a syndicate of banks, with an initial four-year term to April 2028.

Sales

	Total Sales		
	FY24 £m	FY23 £m	Change %
Stores	*478.9*	440.4	+8.7%
cardfactory online	*8.8*	8.8	–
Getting Personal	*5.9*	8.5	-30.6%
Partnerships	*17.0*	5.0	+240.0%
Other	*0.3*	0.7	-57.1%
Group	***510.9***	***463.4***	***+10.3%***

Partnerships includes £10.4 million of sales from SA Greetings post-acquisition (FY23: £nil).

	LFL Sales		
	FY24	FY23	Change %
cardfactory Stores	*+7.7%*	+7.6%	+0.1 ppts
cardfactory Online	*+0.4%*	-18.8%	+19.2 ppts
cardfactory LFL	***+7.6%***	***+6.7%***	***+0.9 ppts***
Getting Personal	*-26.1%*	-34.7%	+8.6 ppts

Total Group sales for FY24 were £510.9 million, an increase of £47.5 million or +10.3% when compared to the previous year. This represents good progress on our strategic ambition to add £190 million of sales from the FY23 base by FY27. We are ahead of the compound annual growth rate required of +8.85%. The sales growth in FY24 was underpinned by LFL sales in cardfactory stores of +7.7% and a £10.4 million contribution to SA Greetings which we acquired in the year.

Financial Performance continued

Sales continued

Store sales across the UK & Ireland of £478.9 million increased by £38.5 million or +8.7% compared to the prior year, with LFL sales of +7.7%. Everyday ranges performed well, with gifts and celebration essentials showing strong momentum with LFL sales of +9.8%, supported by positive LFL growth in both everyday and seasonal card. Approximately a third of the total LFL growth was delivered through annualisation of targeted price increases implemented in the second half of FY23.

Transactions remained stable in the UK and increased +3.0% in the Republic of Ireland on an LFL basis. Average basket values increased by +8.1%. The increase in basket values was supported by higher average selling prices, delivered via a combination of the price activity described above and continuing to expand and develop our range, particularly in gifting and celebration essentials. Our range development has clearly resonated with customers, as party and gifts both delivered higher sales volumes than in FY23.

We continue to optimise our store portfolio and during FY24 opened 39 new stores and closed 13, including three relocations. As a result, the total store portfolio increased by 26 stores to 1,058. This reflects good progress in delivering our target of 90 net new stores by FY27. The value of our flexible approach to the store portfolio is illustrated in the incremental sales growth delivered by non-LFL sales in the year.

Our partnerships business, which focuses on B2B sales, delivered total sales of £17.0 million in FY24, compared to £5.0 million in FY23. This included a £10.4 million contribution from SA Greetings since acquisition in April 2023. Other partnerships delivered total sales of £6.8 million, including increased contributions from the rollout of our offer across the Matalan store estate in the UK and the new franchise stores opened in the Middle East with our partner in the region, Liwa Trading Enterprises.

In online, we are beginning to see positive traction from the investments made over recent years, with cardfactory.co.uk delivering positive sales growth towards the end of the year resulting in a LFL for the full year of +0.4%. Sales at Getting Personal fell YOY, but remain an important factor in online volume and contribute to shared fulfilment costs. The cardfactory platform remains our strategic investment focus, with an increasing proportion of our total online range offered via cardfactory.co.uk.

Click & Collect is a key component of our omnichannel offer, differentiating cardfactory.co.uk from pure play online and bricks and mortar retailers. The rollout was completed across all UK stores in April 2023 and we have seen customers opting for 7.8% of all orders from cardfactory.co.uk to be collected in store. Average basket values for Click & Collect were more than double the average basket value of an online order.

Gross profit

	FY24 £m	**FY24 % Sales**	FY23 £m	FY23 % Sales
Group sales	**510.9**		463.4	
COGs	**(155.9)**	**(30.5%)**	(146.8)	(31.7%)
Product margin – constant currency	**355.0**	**69.5%**	**316.6**	**68.3%**
FX gains	**0.6**	**0.1%**	1.5	0.3%
Product margin	**355.6**	**69.6%**	**318.1**	**68.6%**
Store & warehouse wages	**(124.0)**	**(24.3%)**	(109.6)	(23.7%)
Property costs	**(24.7)**	**(4.8%)**	(26.3)	(5.7%)
Other direct costs	**(22.0)**	**(4.3%)**	(21.5)	(4.7%)
Gross profit	**184.9**	**36.2%**	**160.7**	**34.7%**

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

Overall gross profit for the Group increased by £24.2 million, or +15.1%, to £184.9 million.

Product margin, when calculated using a constant GBPUSD exchange rate YOY, improved by +1.2ppts to 69.5%. This improvement includes a normalisation in international freight rates when compared to the prior year. This saving helped to offset price inflation in material costs and the effect of a slight shift towards lower-margin non-card products in sales mix.

The Group purchases approximately half of its goods for resale in US Dollars from suppliers in the Far East. Currency gains associated with this activity of £0.6 million were lower than in the prior year. Our well-established currency hedging policy continues to protect us against volatility in GBPUSD exchange rates. Our average USD delivered rate in FY24 of 1.3121 was lower than the prior year (1.3241), but ahead of the average spot exchange rate for the period.

Store and warehouse wages increased by £14.4 million (13.1%), which included the impact of the national living wage increasing by +9.7% from April 2023, as well as expanding the store portfolio. Property costs, which cover business rates, insurance and service charges (rent is reflected in depreciation and interest costs as a result of the lease accounting rules in IFRS 16) reduced by £1.6 million including a net saving in business rates costs following the most recent revaluation exercise effective from April 2023.

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, meaning whilst overall costs increased slightly, in line with the increase in number of stores in the period, they fell as a percentage of sales given the improved trading performance in the year. The Group has continued to benefit from its long-term energy hedge in FY24, which fixed commodity unit costs at FY22 levels. All of the Group's UK energy costs will continue to benefit from this hedge until September 2024.

EBITDA & operating profit

	FY24 £m	FY24 % Sales	FY23 £m	FY23 % Sales
Group sales	**510.9**		**463.4**	
Gross profit	**184.9**	**36.2%**	**160.7**	**34.7%**
Other operating income	2.0	0.4%	–	–
Operating expenses	(64.3)	(12.6%)	(48.7)	(10.5%)
EBITDA	**122.6**	**24.0%**	**112.0**	**24.2%**
Depreciation & amortisation	(10.4)	(2.0%)	(10.3)	(2.2 %)
Right-of-use asset depreciation	(34.7)	(6.8%)	(35.1)	(7.5%)
Impairment charges	(1.1)	(0.2%)	(2.8)	(0.6%)
Operating profit	**76.4**	**15.0%**	**63.8**	**13.8%**

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 have increased £15.6 million compared to the prior year, which reflects up-front investment in capability, capacity, systems and processes to enable us to deliver the strategy. These investments are principally in central staff costs, supporting major IT projects and in marketing where spend has historically been very low. This increase also includes a contribution of £2.6 million due to the acquisition of SA Greetings.

As a result, driven primarily by the improved trading performance, EBITDA improved to £122.6 million (FY23: £112.6 million); however the investment for future growth means EBITDA margin fell slightly from 24.2% to 24.0%. Excluding the one-off impact of other income from the release of provisions related to government support received during the pandemic, EBITDA margin would have been 23.4%.

It should be noted that EBITDA does not include any benefit from reduced store rental costs as these are reflected in depreciation and interest costs under IFRS accounting.

Right of use asset depreciation continues to fall reflecting our flexible approach to managing the store portfolio. We maintain an average lease term of five years, with a break clause at three years. On average 20% of the lease portfolio renews each year enabling us to capture reductions in market rents where available. During FY24, we achieved rent reductions on renewal of up to 20% which will flow through depreciation charges in future years.

EBITDA after deducting depreciation and interest charges relating to store leases, was £81.8 million (a margin of 16.0%) in FY24 compared to £71.1 million in FY23 (a margin of 15.4%).

Depreciation and amortisation, at £10.4 million, remained broadly in line with the prior year. Impairment charges reflect a write down in respect of Getting Personal assets, following a further period of reduced sales.

Profit Before Tax

	FY24 £m	FY24 % Sales	FY23 £m	FY23 % Sales
Group sales	**510.9**		**463.4**	
Operating profit	**76.4**	**15.0%**	**63.8**	**13.8%**
Gain on acquisition	2.6	0.5%	–	–
Finance costs	(13.4)	(2.6%)	(11.4)	(2.5%)
Profit Before Tax	**65.6**	**12.8%**	**52.4**	**11.3%**
One-off transactions	(3.5)	(0.6%)	(3.5)	(0.8%)
Adjusted Profit Before Tax	**62.1**	**12.2%**	**48.9**	**10.5%**

The total reported result for the year includes an acquisition gain in respect of SA Greetings of £2.6 million, and a further £2.0 million gain as a result of releasing provisions no longer considered to be required in respect of Covid business support grants received subject to subsidy control. These items, along with the impairment charge in respect of Getting Personal of £1.1 million, are considered to be one-off in nature and have been excluded from Adjusted PBT. (FY23: One-off gains in relation to CJRS settlement and refinancing excluded totalling £3.5 million from Adjusted PBT).

Total finance costs increased by £2.0 million to £13.4 million.

Financial Performance continued

Profit Before Tax continued

The composition of our finance costs is set out in the table below. The increase in both interest payable on loans and interest in respect of leases reflects the increase in SONIA interest rates during the period, from 3.4% at 31 January 2023 to 5.2% at 31 January 2024.

	FY24 £m	FY23 £m
Interest on loans	6.5	6.0
Loan issue cost amortisation	0.6	0.9
IFRS 16 leases interest	6.3	4.5
Total finance expenses	**13.4**	**11.4**

	FY24 £m	FY23 £m
IFRS 16 depreciation	34.5	36.3
IFRS 16 leases interest	6.3	4.5
Total IFRS 16	**40.8**	**40.8**

IFRS 16 depreciation includes impairment and gains/losses on disposal. Total costs in this table reflect lease costs not included in the calculation of EBITDA, above.

The average cost of debt, taking into account margin, indexation and the impact of hedging activity, in the period was 7.4% (FY23: 5.7%). The impact of this increase on our overall debt service cost was mitigated by the Group continuing to deleverage and lower levels of gross debt drawn when compared to FY23. As a result, Profit Before Tax for the year was £65.6 million, up £13.2 million from £52.4 million for the previous year.

Adjusted PBT, which excludes the impact of one-off transactions in the period that are not reflective of the Group's underlying trading performance, was £62.1 million compared to £48.9 million in FY23.

Taxation

In March 2023, the results of our latest business risk review were confirmed with HMRC, at which we achieved a 'Low' risk rating in all of the categories assessed. The tax charge for FY24 of £16.1 million reflects an effective tax rate of 24.5% and has increased £7.9 million compared to FY23.

The effective rate of tax for the year is higher than the equivalent rate applied for the same period last year (15.6%) largely due to increases in corporation tax rates effective from 1 April 2023 and the impact of prior year adjustments that reduced the FY23 charge. The rate is slightly higher than the standard rate applicable to the current financial year (24.0%).

The Group makes UK corporation tax payments under the 'Very Large' companies' regime and thus pays its expected tax bill for the financial year in quarterly instalments in advance. Corporation tax payments in FY24 totalled £13.5 million (FY23: £7.9 million).

Earnings per share

The net result for the year was a Profit after tax of £49.5 million, increased from £44.2 million in FY23. As a result, basic earnings per share (EPS) for the year was 14.4 pence, with diluted EPS of 14.3 pence.

	FY24	FY23
Profit after tax (£m)	49.5	44.2
Basic EPS (pence)	14.4 pence	12.9 pence
Diluted EPS (pence)	14.3 pence	12.8 pence

Adjusted EPS, which excludes the post-tax effect of one-off transactions in the period, was 13.5 pence compared to 12.1 pence in FY23. A reconciliation of all Alternative Performance Measures is set out in the appendix on page pages 161 to 164.

Cash flows

	FY24 £m	FY23 £m
Cash from Operating Activities (after tax)	105.2	99.9
Cash used in Investing Activities	(30.0)	(18.2)
Cash used in Financing Activities	(73.2)	(110.1)
Impact of foreign currency exchange rates	(0.8)	–
Net Cash Flow for Year	**1.2**	**(28.4)**
Operating cash flows less lease repayments	**61.5**	**42.9**
Operating cash conversion (%)	**96.8%**	**96.3%**
Free Cash Flow	**27.1**	**16.7**

The Group continued to deliver strong cash performance in FY24, with cash from operations (before corporation tax payments) of £118.7 million increased from £107.8 million in the prior year, reflecting the improved trading performance described above. There was a small decrease in working capital outflow, with deployment of working capital normalised following the impact of the pandemic. FY23 also included a one-off cash benefit from the alignment of VAT payments with our financial year end that did not recur in FY24.

Operating cash conversion, which is the ratio of Cash from Operations to EBITDA, improved slightly as a result to 96.8% (FY23: 96.3).

Capital expenditure increased to £27.8 million in the year, as we invested in infrastructure and growth projects to support our strategy.

Free cash flow, which we define as net cash before M&A activity, distributions or debt repayments, was £27.1 million. We invested £2.5 million in the acquisition of SA Greetings (see below) and made net debt repayments of £23.6 million. The increase in free cash flow supports the recommencement of dividend payments, as described in further detail below.

Balance sheet

Acquisition of SA Greetings

As reported in the FY23 preliminary results, on 25 April 2023 the Group acquired 100% of the issued equity of SA Greetings Corporation (Pty) Ltd ('SA Greetings') for fixed cash consideration of £2.5 million, funded from existing cash reserves.

SA Greetings is the leading wholesaler of greetings cards and gift packaging in South Africa. It also operates 27 'Cardies' retail stores including four stores operated by franchisees, an online store 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.

SA Greetings delivered sales of £10.4 million during the period from acquisition to the end of the year and made a small positive contribution to Profit Before Tax. We look forward to exploring the full range of 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.

The Group has concluded the accounting for the acquisition and recognised a gain on acquisition of £2.6 million. See note 30 to the consolidated financial statements for more information.

Capital expenditure

Total capital investments to grow the business and deliver the strategy were £27.8 million in FY24, increased from £18.2 million in FY23 and slightly ahead of our capital markets update guidance as we accelerated certain investment plans and including the impact of capital expenditure in SA Greetings.

Key investments included the continued delivery of our long term project to upgrade our business support systems, with extended ERP functionality in relation to inventory management, developing our network infrastructure in stores, enhancing platform functionality in cardfactory.co.uk, and expanding our online fulfilment capacity in Printcraft.

In addition, we continue to invest in opening new stores and refreshing the store estate – including delivery of our space realignment programme, which, as part of our store evolution programme, has expanded the amount of space in store available for gifts and celebration essentials, without negatively impacting card LFLs.

Looking forward, in line with the guidance given at our Capital Markets Strategy Update in May 2023, we expect annual capital expenditure to remain around the £25 million mark. FY25 priorities include a point of sale (POS) upgrade in stores and other infrastructure projects to enable us to deliver online and partnerships growth.

Net debt

	FY24 £m	FY24 Leverage	FY23 £m	FY23 Leverage
Current borrowings	7.1		27.1	
Non-current borrowings	37.9		40.4	
Total Borrowings	**45.0**		**67.5**	
Add back capitalised debt costs	0.7		1.4	
Gross Bank Debt	**45.7**		**68.9**	
Less cash	(11.3)		(11.7)	
Net Debt (exc. Leases)	**34.4**		**57.2**	
Leverage (exc. Leases)		**0.3x**		**0.5x**
Adjusted Leverage (exc. Leases)		**0.4x**		**0.8x**
Lease Liabilities	100.8		105.4	
Net Debt (inc. Leases)	**135.2**		**162.6**	
Leverage (inc. Leases)		**1.2x**		**1.4x**

We continued to strengthen our balance sheet in FY24, with a further reduction in net debt at 31 January 2024 of £22.8 million supported by strong operating cash flow combined with careful allocation of capital to invest and deliver future growth.

The Group focuses on net debt excluding lease liabilities, this reflects the way the Group's covenants are calculated in its financing facilities. Leverage compares the ratio of net debt to EBITDA as calculated above, Adjusted Leverage reflects adjustments in the Group's bank facilities to deduct lease-related EBITDA charges from EBITDA. A full description, calculation and reconciliation of Alternative Performance Measures is provided in the appendix on pages 161 to 164.

Balance sheet *continued*

Net debt *continued*

The Group's banking facilities and amounts drawn in the current and prior periods are summarised in the table below:

Facility	31 January 2024 £m	31 January 2023 £m
£11.25m Term Loan 'A'	–	9.0
£18.75m Term Loan 'B'	18.8	18.8
£20m CLBILs	–	16.1
£100m Revolving Credit Facility	26.0	23.0
Overdraft facilities	0.2	1.8
Property mortgage	0.6	–
Accrued interest	0.1	0.2
Gross Bank Debt	**45.7**	**68.9**

During FY24, we made repayments of £16.1 million in respect of the CLBILs facilities and £9.0 million in respect of term loans. At 31 January 2024 the Group had undrawn committed facilities of £74.0 million (FY23: £75.2 million).

The CLBILs facilities were fully extinguished on 25 September 2023 and Term Loan 'A' fully extinguished on 31 January 2024. Following these repayments, restrictions in the Group's financing facilities relating to capital expenditure and distributions were released.

Subsequent to the year end, on 26 April 2024, the Group successfully concluded a refinancing of its debt facilities, having agreed a new four-year £125 million committed revolving credit facility with a syndicate of banks. The existing revolving credit facility and Term Loan B have been fully repaid and cancelled.

The new facilities have an initial maturity date in April 2028, with options to extend by up to 19 months, subject to lender approval. The facilities include a £75 million accordion, which can be drawn subject to lender approval. The interest margin on the facilities is dependent upon the Group's leverage position, with margins between 1.9-2.8% which is lower than the previous facilities. The new facilities include covenants for a maximum leverage ratio (calculated as net debt excluding leases divided by EBITDA less rent costs for the prior 12 months) of 2.5x and a fixed charge cover ratio of at least 1.75x. The leverage covenant is consistent with the Group's definition of Adjusted Leverage. The Group expects to operate comfortably within these covenant levels for the foreseeable future.

The new facilities are on what we consider to be market standard terms, marking an end to the more restrictive conditions applied during the pandemic years and providing a firm platform from which we can execute our strategy. Notably, dividend and capital expenditure limitations are now removed.

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 led 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. During FY24, Adjusted Leverage at the intra-year peak was approximately 1.2x.

Capital structure and distributions

The Group has reviewed and updated its capital allocation policy as outlined below. The Board is focused on delivering attractive, progressive, sustainable returns to shareholders, whilst continuing to drive the growth of the business.

The Board confirms that it has decided to recommend the payment of an ordinary dividend. Whilst any dividend will be dependent on, inter alia, the performance and prospects of the Group, the Board will target a progressive dividend policy, which it expects to deliver a dividend cover over time of between 2x and 3x Adjusted EPS.

The ordinary dividend will comprise interim and final dividends; the Board currently expects the interim dividend to be around one quarter of the total dividend for the previous year, each year.

For the financial year ending 31 January 2024, the Board is cognisant of the fact that it was not able to pay an interim dividend in the year. The Board is therefore recommending a dividend of 4.5 pence per share, an amount which would have been split between interim and final dividends if the Board had been able to pay an interim dividend. This dividend is covered by Adjusted EPS to 31 January 2024 by 3x.

At the Annual General Meeting on 20 June 2024, the Board will recommend to shareholders a resolution to pay the dividend for the year. If approved, the dividend will be paid on 28 June 2024 with a record date of 31 May 2024.

Where the Board concludes that the Group has excess cash, taking into account, inter alia, the performance and prospects of the Group, together with any potential investment opportunities, the Board expects to make additional returns to shareholders. The Board will consider at the time the most appropriate method of returning such cash to shareholders.

The Board is committed to funding ordinary and additional shareholder returns from the free cash generation of the Group, and will target maintaining an Adjusted Leverage (exc. Leases) ratio below 1.5x throughout the financial year.

Outlook

The Board remains confident in the compelling growth opportunity for our business, and our medium-term ambitions to deliver £650 million of sales, Profit before tax margins of 14% and 90 net new stores by the end of FY27.

We expect to see continued top line growth in FY25, driven largely by same store sales and the continued growth of our store portfolio.

Whilst the cost-of-living crisis has eased, inflationary challenges remain for retailers – particularly in wages, freight and energy.

We are well placed to manage these challenges and remain confident in offsetting cost inflation over the course of the year through ongoing improvements in efficiencies and productivity and leveraging our vertically integrated business model.

Profit before tax growth in FY25 is expected to be weighted to the second half of the year, reflecting phasing of planned investments and inflation recovery actions.

Matthias Seeger
Chief Financial Officer
30 April 2024

Capital allocation policy

cardfactory aims ***to balance delivery of sustainable, long-term growth in shareholder value*** against cash returns to shareholders and the needs of its other stakeholders.

Each year, the Group will assess the appropriate use of free cash after allocating funds to investments that will deliver the stated strategy. ***The Group is committed to a transparent, systemic and disciplined use of cash.***

Business expenditures and investment opportunities will change over time. The Board will, as part of its annual planning cycle, ***review investment opportunities and allocate capital between strengthening the balance sheet, investment to deliver the strategy and returns to shareholders*** in line with the below principles and taking into account prevailing wider macro-economic factors.

Maintain a strong balance sheet:
Retain sufficient cash and committed facilities to ensure liquidity headroom throughout the annual operating cycle; maintain Adjusted Leverage below 1.5x throughout the year.

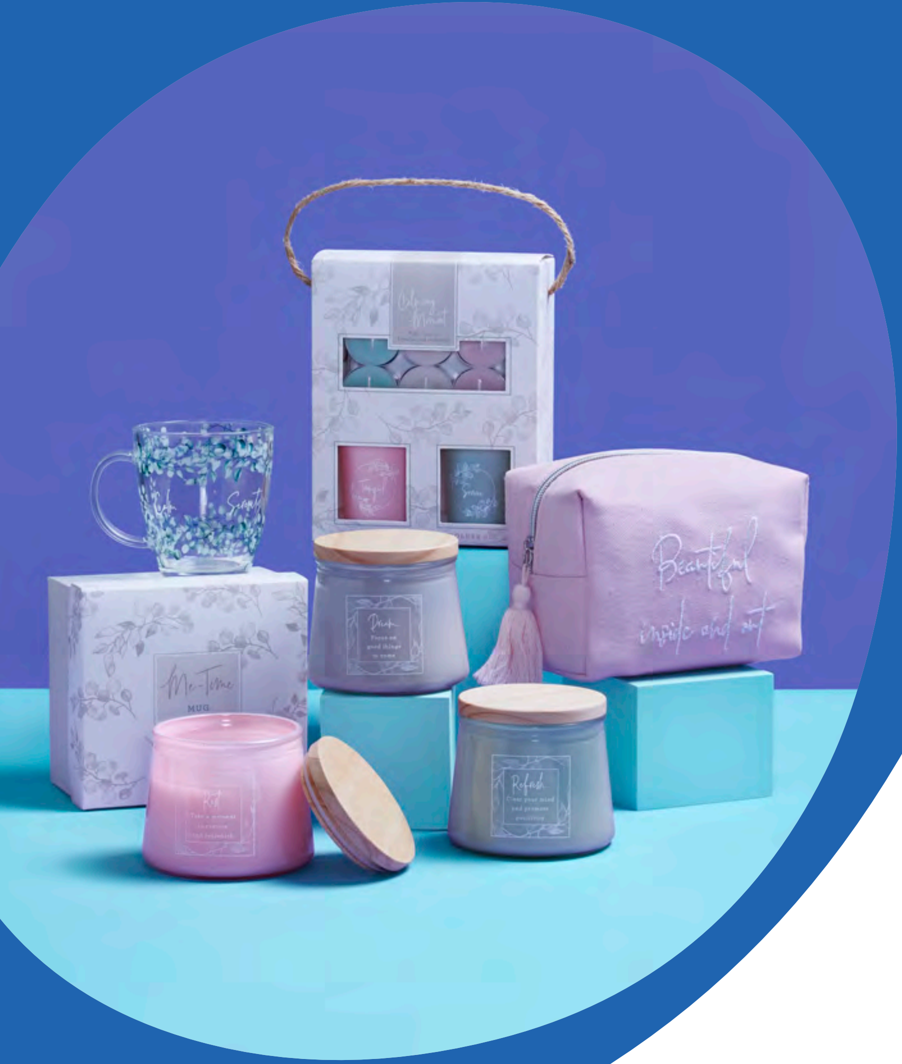
Invest to deliver the strategy:
Capital will be invested each year to ensure the Group complies with obligations and delivers its business plans; investments to accelerate business progress need to deliver attractive returns in excess of cost of capital.

Regular, progressive returns to shareholders:
The Board anticipates an ordinary dividend, targeting dividend cover between 2-3x Adjusted EPS, paid as interim (c.25%) and final (c.75%) dividends. The Board will consider, from time to time, share purchases to offset dilution from employee share schemes.

Disciplined use of surplus cash:
Total returns will not exceed free cash generated.

Any dividend will depend on, inter alia, the performance and prospects of the Group. Adjusted Leverage is defined under Alternative Performance Measures in the Glossary on pages 161 to 164.

RISK MANAGEMENT



Managing our risks

Risk management, an integral aspect of conducting business, involves striking a balance between risk and reward, dictated by careful assessment of potential outcomes, impacts and risk appetite.

Approach to risk management

cardfactory's risk management framework establishes the identification, assessment, mitigation and monitoring of risks that could potentially impede our objectives. This framework uses a top-down approach to pinpoint the Group's principal risks and a bottom-up strategy for identifying operational risks.

A Group risk register evaluates the business' gross level of risk (likelihood and impact), the extent of mitigating controls and the resultant net level of risk. It also details any forthcoming plans to mitigate or reduce risks. Risk appetite and target risk are designated to each risk.

Each risk has an assigned senior management team member. Critical rated risks are examined and updated twice yearly, while all others undergo an annual review. Risks are discussed at the senior management team's monthly meeting on a rolling basis.

The Head of Internal Audit & Loss Prevention produces a risk management update at each Audit & Risk Committee meeting, including an overview of changes to specific risks reviewed during the period and a summary of the Group risk register.

With 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 executing mitigation plans. A comprehensive review of all risks and the adequacy of the process to identify up and coming risks was conducted at the end of the financial year.

> **Risk management, is an integral aspect of conducting business."**

The Audit & Risk Committee assists the Board in maintaining a robust risk management framework by approving the risk management process and frequently reviewing the Group's principal risks and risk appetite. More information on risk governance can be found in the Audit & Risk Committee Report on pages 81 to 83.

Internal Audit also offers independent assurance to management and the Audit & Risk Committee over specific risk areas as part of the Group's annual audit plan.

Risk management process

01 Identify
- Risk registers compiled.
- Risk mapping to identify emerging issues.

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

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

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

Top down

Card Factory plc Board
Maintains sound risk management and internal control systems.
Assesses principal risks.

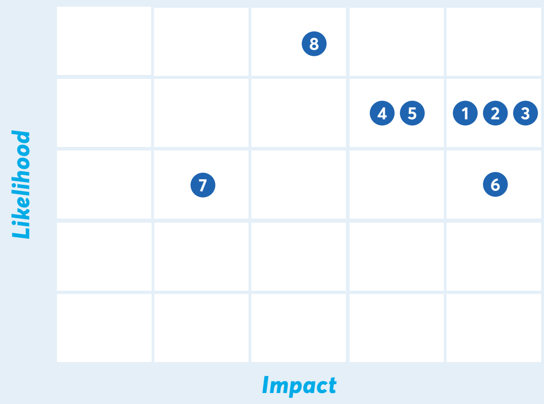
Audit & Risk Committee
Sets out the risk management framework.
Assesses the effectiveness of risk management and internal control systems.
Maintains oversight of risk monitoring activities.

Senior Management Team
Manages risks within each of their respective areas of responsibility.
Is accountable for mitigating risks where appropriate.
Reviews and updates risks on a rolling monthly basis.
Is primarily responsible for monitoring, identifying and reporting emerging risks.

Internal Audit
Coordinates risk management activities.
Reviews risk registers.
Agrees on risk mitigation plans.
Prepares risk reporting.

Operational Management
All colleagues are responsible for managing risks within their area, overseen by their respective senior management team member.

Bottom up



1 IT infrastructure & security
2 Business continuity
3 Supply chain
4 Cyber
5 Geopolitical instability
6 Regulatory compliance
7 ESG compliance & climate change risks
8 Cost price inflation

The risks noted above are shown on a net basis.

See pages 66 to 68 for a detailed review of our principal risks and uncertainties

Principal risks and uncertainties

In October 2023, the Audit & Risk Committee sponsored a review of the risk management framework. This review, led by the Head of Internal Audit & Loss Prevention and one of our internal audit partners, identified several opportunities to further enhance the framework, including updating risk management roles and responsibilities and introducing supplementary impact criteria to guide risk owners when assessing risks.

Moreover, a risk management workshop with the senior management team was conducted, reviewing existing risks to affirm their validity, considering the removal or merging of any risks and evaluating any new risks to be included in the Group risk register. The outcome was the consolidation of several risks and the addition of four new risks to the register, as outlined in our principal risks and uncertainties below.

The Audit & Risk Committee has carried out a thorough assessment of the emerging and principal risks facing the Group. Modifications to the Group risk register have been made including the addition of four new risks, including cost price inflation. On the contrary, ERP (Enterprise Resource Planning) implementation has been removed due to its successful implementation in the year. Furthermore, the risks associated with Corporate Social Responsibility breach, retail partner exposure, customer preference and brand customer experience have been consolidated and merged within into other principal risks or functional risks.

As stated in last year's report, target risk has now been assigned to all risks and is monitored and reported at each Audit & Risk Committee meeting.

RISK MANAGEMENT CONTINUED

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

Risk	Trend	Description	Mitigation
ESG compliance and climate change risks Strategy 01 03	Stable	Failure to meet requirements of Institutional Investors, customers and other stakeholders on ESG requirements may have an adverse impact on our colleagues, customers, suppliers and our reputation which could lead to a decline in sales and profits.	• 'Delivering a Sustainable Future' plan launched which outlines our sustainability strategy. The strategy is built around four key areas where we want to deliver a positive impact: climate, waste & circularity, protecting nature and people & equity. • Each pillar has a roadmap, detailing commitments and targets with owners assigned. • Various other actions in relation to ESG can be found on pages 32 to 39.

Operational Risks

Risk	Trend	Description	Mitigation
IT infrastructure and security Strategy 02 03	Stable	Outdated, unsupported IT systems and software could expose the business to security incidents, unauthorised access and data breaches resulting in fines/ censure/outages/disruption/lost sales/ revenue etc.	• An IT strategy is in place that includes the approach being taken regarding the removal / migration of out of date / legacy systems, including ringfencing systems to provide an additional layer of security. Also, IT specialists support out of date / legacy systems and back up arrangements and an IT disaster recovery plan is in place.
Business continuity Strategy 02 03	Increasing	Significant disruption to the operation, including support centre, distribution centres, the Printcraft site, design studio and IT systems could severely impact the Group's ability to supply stores and retail partners or fulfil online sales resulting in financial loss, fines, loss of sales and/or reputational damage.	• A 'Business Continuity Management Framework' and a 'Business Continuity Policy' are in place, which are reviewed annually and approved by the senior management team. • 'Crisis Management Plan' and business continuity plans are in place for all operations of the business which are reviewed annually or when major changes to processes occur or incidents arise. These plans include business impact analysis, crisis response teams, recovery techniques, resources etc. • An IT disaster recovery plan is in place for all operations of the business which is reviewed annually or when major changes to processes occur or incidents arise. • The business continuity and IT disaster recovery plans are tested annually with lessons learned being produced and plans updated accordingly.

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

Risk	Trend	Description	Mitigation
Cyber Strategy 02 03	***NEW***	Prolonged loss or disruption to IT capability which could result in unauthorised access/data breaches, void of insurance cover, malware, ransomware, significant IT disruption, fines for negligence by the ICO, legal prosecution from customers, settlements, leading to a loss of sales, reduction in share price and lack of confidence by shareholders.	• The IT strategy includes our approach regarding the removal / migration of out of date / legacy systems as noted in the IT Infrastructure and Security risk. • Point of Sale meets all payment card industry (PCI) compliance requirements and PCI training is refreshed annually and completion rates tracked. • Two-factor authentication (2FA) has been implemented across the majority of our systems. • 'Bring Your Own Device' policy approved and in place with a mobile device management system rolled out to senior management and 2FA in place for password changes. • 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. • Data Protection Officer in place. • Crisis management and IT disaster recovery plans in place for all operations of the business which are reviewed annually or when major changes to processes occur or incidents arise.
Supply Chain Strategy 01	***NEW***	The Group uses many third parties for the supply of products, predominantly based in China. Risks include the potential for supplier failures, risks associated with manufacturing and importing goods from overseas, potential disruption at various stages of the supply chain and suppliers failing to act or operate ethically which could result in unavailability of stock leading to reduced sales.	• Multiple suppliers utilised across product and category ranges to off-set supply or cost pressures. • Detailed critical path process in place for each season detailing plans from design through to delivery, which is reviewed weekly and actions taken if issues arise. • All overseas suppliers sign up to an online compliance platform providing all necessary documentation including adherence to the Modern Slavery Act. • External and ethical audits and Sedex membership performed with a 'no audit, no order' policy. • All product testing and quality control inspections undertaken by authorised accredited providers. • Active monitoring of shipping channels and when issues arise these are discussed by the senior management team as to potential impact with plans drawn up to off-set any delays in goods being received. • Multiple shipping agents and lines are utilised.

RISK MANAGEMENT CONTINUED

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

Risk	Trend	Description	Mitigation
Regulatory compliance Strategy 01 03	NEW	The Group is exposed to a diverse number of legal and regulatory compliance requirements including Modern Slavery Act, the General Data Protection Regulation (GDPR), Listing Rules, employment law, tax, FSC, product safety, competition law, etc. Failure to comply with these laws and regulations could lead to financial claims, penalties, awards of damages, fines or reputational damage which could significantly impact the financial performance of the business.	• Compliance responsibilities matrix in place detailing all compliance-related matters across the organisation with assigned owners. • Ongoing review of regulatory changes monitored by relevant owners to identify developments and ensure changes to operations, processes, training, as applicable. • External advisers in place who provide ad hoc information updates or highlight changes to existing legislation or new regulations coming into force that may impact the organisation. • Access to external bodies who provide updates on specific regulations e.g. product labelling and product safety. • Governance, Listing Rules, DTRs, Market Abuse etc. overseen by the General Counsel. • Quality assurance process in place to ensure that products comply with legal / ethical regulations / legislation etc.

Financial Risks

Risk	Trend	Description	Mitigation
Geopolitical instability Strategy 03	Stable	Geopolitical instability may result in cardfactory being unable to secure the products required to fulfil customer demand on time and at acceptable prices. This could result in customer dissatisfaction, reputational impact, loss of market share, loss of sales and erosion of expected profit margins.	• Continual review of supply base to understand best route to market (and to protect prices and impact on trading performance) including options to move supply to new territories and using UK-based suppliers to assist in mitigating any supply issue. • Price elasticity assessments undertaken to provide insights on consequences of future price increases. • Review of import tariff duties and 'live' Government legislative changes in the UK and new territories to ensure we are always sourcing from the best source to support the overall business. • Continual review of global matters that may affect supply.
Cost price inflation Strategy 03	NEW	Increasing input costs without mitigating actions will either result in lower levels of profitability/generation of cash or forces higher prices resulting in possible impact on value perception and/or customers choosing to buy elsewhere.	• Input costs are monitored and proactive plans are developed as part of the annual planning and monthly review process to mitigate cost price inflation. • Hedging in place for foreign exchange, interest and energy; policies reviewed annually and hedging position reviewed monthly. • Management of freight rates process in place and market monitored to identify any potential increases so that these can be factored into pricing decisions.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

Non-financial and sustainability information statement

In accordance with Sections 414CA and 414CB of the Companies Act 2006, the following table summarises where you can find further information in this Annual Report on each of the key areas of disclosure that these sections require.

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, sustainability and climate-related information (including governance arrangements, the impact of the Company's business on the environment).	Pages 32 to 47	Page 54
2. The Company's employees.	Pages 38, 52 and 53	Page 52
3. Social matters.	Pages 39, 54	Page 54
4. Respect for human rights.	Pages 54 and 55	Page 54
5. Anti-corruption and anti-bribery matters.	Pages 54 and 55, 68, 79,	Pages 54 and 79
Required information		
6. Description of the Company's business model.	Pages 16 and 17	
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 64 to 68	
10. Description of the non-financial key performance indicators relevant to the Company's business.	Pages 48 to 55	
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 pages 161 to 164 for alternative performance measures.	

The Strategic Report, which was approved by the Board on 29 April 2024 and is set out on pages 1 to 69.

Darcy Willson-Rymer
Chief Executive Officer
30 April 2024

BOARD OF DIRECTORS

Paul Moody
Non-Executive Chair

R N

Date of appointment
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.

Paul is the designated Non-Executive Director for workforce engagement and is the member of the Board accountable for sustainability and ESG.

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.

Matthias Seeger
Chief Financial Officer

Date of appointment
22 May 2023

Matthias was CFO of Ambassador Cruise Line Limited between February 2022 and May 2023, having previously been CFO of Costcutter Supermarkets Group from September 2015 to September 2021. Previous roles include senior finance roles with Procter & Gamble, in Germany, the UK, Belgium and Switzerland, between 1991 and 2013. Matthias has a Master's Degree in Engineering and an MBA from the University of Texas.

Committee membership

- AR Audit & Risk
- R Remuneration
- N Nomination
- Chair

Roger Whiteside OBE
Senior Independent Non-Executive Director

AR R N

Date of appointment
4 December 2017

Roger has extensive retail experience, latterly Chief Executive Officer of Greggs plc, prior to 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 & 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., CellC Limited, Quoizel, LLC; LB New Holdco, LLC and Matrix Holdco, LLC.

Robert (Rob) McWilliam
Independent Non-Executive Director

AR R N

Date of appointment
1 November 2021

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 Audit Committee chair of the Solicitors Regulation Authority, Non-Executive Director of Venture Simulations Limited and part time CFO of Fruugo plc (unlisted).

Indira Thambiah
Independent Non-Executive Director

AR R N

Date of appointment
1 September 2022

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 and Non-Executive Director of Warpaint London plc (AIM:W7L).

CORPORATE GOVERNANCE
CHAIR'S LETTER

Paul Moody
Non-Executive Chair

Governance has played its role in supporting the business and management team to realise these objectives."

Dear Shareholder

The latest financial year has been a period of investment as the 'Opening Our New Future' strategy is pursued and refined, and a period of growth, as the benefits of the increased focus on gifts and celebration essentials from the stable and growing Store estate combined with progress on the two strategic growth areas: partnerships and our online and omnichannel priorities.

Governance has played its role in supporting the business and management team to realise these objectives and to support planning for future growth as this strategy continues to be reviewed and refined.

The Board has been largely stable during the year, which commenced with Roger Whiteside taking on the role as Senior Independent Director; Indira Thambiah assuming the chair of the Remuneration Committee; and the arrival of Matthias Seeger as CFO from May 2023. Following a review of the Board's composition and succession planning, we are actively progressing a proposed appointment of an additional non-executive director and hope to update the market soon, when this is complete.

The period has afforded us many opportunities to engage with our shareholders and to ensure we understand their views and preferences.

This included a consultation on the terms of our Remuneration Policy, as part of the triennial review. Following the removal of restrictions on shareholder returns being lifted from our debt facilities, at the year-end, we have also consulted our larger shareholders as we assess and refine the capital allocation policy, described in the CFO Review on page 63.

We have also listened to feedback from our retail investors and commissioned Edison Group to produce independent analyst research on Card Factory plc, which will be available to retail and many current and prospective investors.

As the Board member appointed with accountability for sustainability, I am pleased with the significant milestones achieved during the period in assessing our Scope 3 emissions for FY22 and establishment of our Net Zero targets and the pathway to improving our impact on nature and the environment (see page 37).

The award of '5th Best Big Company to Work For' from Best Companies recognised the investment over the last number of years in improving the culture, transparency and equality for all our colleagues, which continues to be an area for future improvement, as we focus on 'giving back' and supporting our communities, which our colleagues tell us are the next key areas for improvement.

As we build on year-on-year improved financial performance as we pursue our 'Opening Our New Future' strategy, we continue to review the strategic priorities and improve use of insights to respond to evolving customer preferences and to market challenges, to balance the priorities of our stakeholders, as we pursue our Vision.

Paul Moody
Chair
30 April 2024

Committed to the highest standards

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:

- Annual review of the five-year strategy and the budget and annual operating plan, priority strategic projects for long-term growth and investment priorities for the current financial year.
- Review of the Remuneration Policy and stakeholder consultation on the proposed Remuneration Policy (see pages 84 and 85).
- Assessment of acquisition opportunities and strategy (including the acquisition of SA Greetings in April 2023) and alignment with strategic priorities.
- Material progress in further development of our ESG strategy, including assessment of our Scope 3 greenhouse gas emissions for the base year of 2022, to support target setting to reduce our impact on the environment. Paul Moody, Chair, assumed accountability for the cardfactory ESG programmes, to ensure appropriate Board representation and leadership.
- 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 ongoing improvement of our colleague engagement, support and development, including progressive updates to reward and benefits to support recruitment and retention.
- Development and finalisation (post year end) of a refreshed capital allocation policy, with input from shareholder consultation.

Compliance statement – Code principles

The following table references sections of this report that demonstrate compliance with the principles of the Code:

	Pages		Pages		Pages
Board leadership and company purpose		***Division of responsibilities***		***Audit, risk and internal control***	
Promoting and preserving long-term value	8, 9	Board structure and independence	73, 74	Audit and Risk Committee report	80–83
Purpose, values, strategy and culture	2–7	Board responsibilities	74	Independence and effectiveness of external auditor and internal audit	83
Section 172 statement	49	Board experience	70, 71	Fair, balanced and understandable	83
Board engagement with shareholders and stakeholders	50–55	***Composition, succession, and evaluation***		Risk management and internal control framework	64–68
Managing director conflicts of interests	77	Nominations Committee report	108, 109	***Remuneration***	
Workforce policies and practices	52, 53	Board succession planning	72, 73, 77, 108	Remuneration Committee report (including Policy)	84–107
		Board evaluation	77		

Code compliance

During FY24, the Company fully complied with the principles and provisions of 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 intend to adopt the updated UK Corporate Governance Code, published in January 2024, which will apply to the Company from the financial year to commence in February 2025.

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 Company does not currently meet the gender diversity targets specified in LR 9.8.6 R(9) as less than 40% of the Board are women and a woman does not hold one of the senior board positions. The Board recognises the benefits of securing greater diversity across all aspects of the business and intends to seek to improve the diversity of the Board and the senior management team, as part of its succession planning. Further detail can be found in the Nomination Committee report on page 109.

TCFD reporting

For the purposes of LR 9.8.6(8) R, please see pages 41 to 46, which assesses the consistency of our climate-related financial disclosures against the TCFD Recommendations and Recommended Disclosures and identifies one amber item where reporting is not yet in full compliance with TCFD Recommendations, namely development of our strategy to account for climate related scenarios, which we expect to complete in the next 12 to 24 months.

Board composition, balance and independence

The Board currently comprises seven members. During the FY24 financial year, seven Directors served on the Board: Paul Moody, Roger Whiteside, Tripp Lane, Rob McWilliam, Indira Thambiah, Darcy Willson-Rymer and Matthias Seeger (from 22 May 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. 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 11.7%) 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.

Paul Moody was independent prior to his appointment as Chair in October 2018. Paul held the position as interim Executive Chair between July 2020 and March 2021, following the resignation of the previous CEO, pending appointment of Darcy Willson-Rymer as CEO. The Board has considered whether the Chair's independence may have been compromised as a result of his interim role as Executive Chair, but concurred that he remains appropriately independent, but with additional insights to support his challenge of the management team.

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) three 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. Following review of succession planning the Company is progressing the recruitment of an additional independent Non-Executive Director.

The skills and experience of the Board 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 Fruugo plc (where he had held the office of Non-Executive Director, prior to this appointment) and various additional appointments of Tripp Lane to the boards of a number of companies. 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 nine scheduled meetings and ten 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	Other Board or Committee meetings	Remuneration Committee (6 meetings)	Audit & Risk Committee (6 meetings)	Nomination Committee (1 meeting)
Paul Moody	Non-Executive Chair & Chair of Nomination Committee	9 of 9	5 of 6	5 of 6	–	1 of 1
Roger Whiteside	Senior Independent Non-Executive Director	9 of 9	4 of 4	5 of 6	5 of 6	1 of 1
Nathan (Tripp) Lane	Non-Independent Non-Executive Director	9 of 9	4 of 4	–	–	–
Rob McWilliam	Independent Non-Executive Director	9 of 9	4 of 4	6 of 6	6 of 6	1 of 1
Indira Thambiah	Independent Non-Executive Director	9 of 9	4 of 4	6 of 6	6 of 6	1 of 1
Darcy Willson-Rymer	Chief Executive Officer	9 of 9	10 of 10	–	–	–
Matthias Seeger[1]	Chief Financial Officer	6 of 6	6 of 6	–	–	–

1. Matthias Seeger was appointed 22 May 2023.

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 on the right. 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 and annual operating plan. • Shareholder engagement on Strategy including approach to the May 2023 Capital Markets Strategy Update. • Group budget. • Commercial strategy and priorities in delivery of strategic projects. • People strategy and colleague engagement. • Retail estate location strategy (leased / business partner locations). • Omnichannel strategy. • IT strategy, cyber security and ERP investment review. • Hedging, capital and dividend policies.	• Annual results. • Interim results. • Key project updates. • KPIs and balanced scorecard performance. • Capital investment review. • Operational reviews. • Seasonal, divisional and strategic initiative trading reviews. • Market performance including customer data and insights. • SA Greetings acquisition and review of performance. • Remuneration Committee assessment of business performance for variable pay awards (annual bonus and share awards). • Health and safety performance.	• Remuneration Policy review and stakeholder consultations. • Internally conducted Board and Committee effectiveness evaluations. • Regular reviews of performance against Board objectives. • Senior management appointments. • Colleague engagement, including diversity, equity and inclusion, culture and values. • Shareholder value creation and shareholder feedback. • ESG strategy, engagement, including activity via 'The Card Factory Foundation'. • Succession planning. • Governance and legal updates and approvals. • Board meeting priorities. • Organisational design. • Principal risks reviews. • Internal audit reviews. • Committee reviews as required by applicable terms of reference and updates to Committee 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 General Counsel & 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 with the senior management team in July 2023. This focused primarily on understanding market insights, particularly in respect of our value and quality perceptions, and a review and assessment of opportunities to evolve the cardfactory strategy over the medium and longer term.

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 colleague listening group (CLG), which the Chair attends as designated Director for workforce engagement, and also ad hoc discussions with colleagues as part of Director store and site visits. 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, most recently achieving the accolade in November 2023 of being the fifth 'Best Big Company To Work For'), 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, CLG consultations and specific consultations e.g. on DE&I.

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 & 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 Roger Whiteside and Indira Thambiah.

The Audit & Risk Committee met six 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 80 to 83 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 at the end of the recent financial year and are presenting the new Remuneration Policy to shareholders at the 2024 AGM.

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 Indira Thambiah. The Committee's other members during the period were Paul Moody, Roger Whiteside, and Rob McWilliam.

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

The Board and the Remuneration Committee have engaged Deloitte LLP, the professional services firm, to advise and assist in connection with the Group's executive remuneration arrangements and its reporting obligations. Deloitte LLP provide a number of other consultancy services to the cardfactory Group, including Debt Advisory.

A report on the Remuneration Committee's activities during the year, together with the Directors' Remuneration Report is set out on pages 84 to 107 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, Roger Whiteside, Rob McWilliam and Indira Thambiah. The Directors therefore consider that the Company is in compliance with the Code.

The Company adopts a rigorous process when recruiting Executive Directors and members of the senior management team, which includes multiple interviews with the Board and peers; psychometric test and interviews with an occupational psychologist, with a focus on making appointments where emotional intelligence, leadership and cultural fit are key requirements in addition to role-specific skills and experience.

The Nomination Committee met one time 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 108 and 109 of the Governance section of this Annual Report.

Board evaluation

The Chair and Company Secretary undertook an internal Board evaluation during 2023, comprising a comprehensive review of the all aspects of the Board's effectiveness. 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 and key roles on each Board or Committee (but without making assessments of individual Director performance). Data and supporting comments were collated, anonymised and shared with the Directors, with comparisons to prior year scores (where available). The Chair also held meetings with each of the Directors to discuss the Board effectiveness and individual contributions. The conclusions and recommendations were presented to the Board for discussion, which were 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:

- Progress made in developing the strategic focus of the Board and better use of meetings;
- Members of the Board have a good mix of skills and experience, and provide constructive challenge to support effective decision making; and
- Areas for further improvement include increased focus on creation of shareholder value and succession planning for the Board and executive management team, which should include enhancing the Board's diversity.

The Board set the following collective objectives in October 2023, which are to be progressed during the subsequent 12 month period, which are subject to regular reviews:

- Strategic Plans: Closer oversight and scrutiny by the Board on the key strategic priorities:
  - Omnichannel and online;
  - Partnerships; and
  - Infrastructure and systems, to demonstrate progress and update stakeholders to build shareholder value.
- To improve shareholder returns, including development of capital allocation policy, investment priorities, and shareholder returns and communicate final terms, once resolved.
- Ensure a cohesive plan towards achieving Net Zero using science-based targets which can be achieved without compromising published financial targets for FY27.
- Further improve the Board's diversity to achieve Listing Rules requirements by December 2024. Develop a clear succession plan for Board Directors, and narrow the gap on succession planning for senior management.

In addition to the Board effectiveness review, the Board reflected on the achievement of the objectives adopted in November 2022. It was agreed that good progress was made in meeting these objectives, in particular in improving the size of the Board, frequency of meetings and more focused agenda management. Clear improvements have been made in Board papers and the process and clarity in shareholder communications.

On completion of the Board effectiveness review, the Nomination Committee resolved to commence recruitment of an additional Non-Executive Director, which would increase the size of the Board in the short term, whilst ensuring continuity and succession in advance of any current Non-Executive Director choosing to stand down.

Board evaluation will continue to be conducted on an annual basis. The Company will conduct an externally facilitated evaluation in the financial 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 93 and 94.

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 themself 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 themself 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 (and had, during the financial year to 31 January 2024) the benefit of a qualifying third-party indemnity provision, as defined by section 236 of the Companies Act 2006, as permitted by 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 64 and 65 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 2024 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 adopts the three lines of defence methodology and continuously assesses the performance of its internal controls and, where necessary, looks to enhance its control environments. The Head of Internal Audit & Loss Prevention coordinates the Group's programme of internal audit activity, supported by two independent accounting firms.

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 the external auditor. • Approves the annual 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 on page 81.

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 2024 and up to the date of approving the Annual Report & 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 110 to 114.

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 the 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 29 April 2024.

Paul Moody
Chair
30 April 2024

AUDIT & RISK COMMITTEE
CHAIR'S LETTER

Rob McWilliam
Chair of the Audit & Risk Committee

Committee members	FY24 Meeting attendance
Rob McWilliam (Chair)	6/6
Roger Whiteside	5/6
Indira Thambiah	6/6

We have continued to focus our energy on Risk Management this year, resulting in a refreshed Group risk register."

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. In the year, the Committee has overseen a comprehensive review of the Group's risk management framework, which was supported by one of our internal audit partners and has resulted in a refreshed Group risk register which focuses on the key risks that the Company is facing. Further details of this review can be seen on pages 64 and 65.

The Committee approved a retender of the internal audit service this year. A detailed tender exercise has been performed, resulting in the appointment of two professional services firms to support the Head of Internal Audit & Loss Prevention in delivering the annual internal audit plan. An Internal Audit Manager has also been appointed to further strengthen the internal audit and governance capability within the Group.

The Committee, in addition to its focus on risk management, has allocated a significant proportion of its time during the year to internal audit, specifically, the delivery of the annual internal audit plan and implementation of recommendations. 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 and management have reviewed the new UK Corporate Governance Code and have commenced activity to ensure compliance from 1 February 2025, including the FRC's Audit Committee Minimum Standard. A project has also commenced in relation to provision 29, i.e. monitoring the Group's risk management and internal controls framework and review of its effectiveness to ensure that we comply with this provision commencing 1 February 2026. The Committee will take an active role in this to ensure compliance with the new requirements.

Over the course of the next 12 months, the Committee will continue to develop and refine its work on the effectiveness of the risk management process, the delivery of the annual internal audit plan and the adoption of the UK Corporate Governance reforms. In addition 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 2024.

Yours sincerely

Rob McWilliam
Chair of the Audit & Risk Committee
30 April 2024

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 & 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 74 and 76.

The Chief Executive Officer, the Chief Financial Officer, the Chair of the Board, the Head of Internal Audit & Loss Prevention and the Controller – Corporate Finance usually attend meetings of the Committee by invitation, along with representatives from our auditor, Mazars LLP. In addition, subject matter experts and external accounting firms engaged to support internal audit 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 2023, 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 & Accounts for the year ending January 2023, 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 2023.
- Overseeing the Group's approach to risk management, ensuring that the principal risks are regularly reviewed by the senior management team.
- Reviewing the Group's risk register in March, April, September, November and January.
- Monitoring developments in legislation, reporting and practice which affect matters for which the Committee is responsible.
- Approval of the FY24 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 Group's tax strategy.
- 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 April 2024 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 page 112) 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 2024, including the appropriateness of accounting policies and going concern assumptions.
- The external auditor's report.
- Whether this Annual Report & 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 meeting in April 2024, the Committee reviewed the FY24 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 FY24 were:

- Inventory counts, 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. An inventory count is undertaken at both the half-year and the year end which covers a significant majority of the value of stock on hand at each date, with stock not counted at these dates typically counted recently at the end of a season (for example, any residual Christmas stock is counted during January). 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 Committee will continue to develop and refine its work on the effectiveness of the risk management process..."

The Group continues to hold material inventory provisions which, by their nature, involve a significant degree of estimation; however as a result of lower gross stock holdings, better than previously anticipated sell-through rates and a reduction in the volume of legacy or discontinued stock lines, provision values have reduced compared to the prior year

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. Whilst the overall methodology is unchanged year-on-year, the Group has updated assumptions regarding stock turn and sell through rates based on the latest available sales data. 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 reasonably possible 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 sell through rates in FY24 had been better than in the prior year and better than expected when the FY23 accounts were approved. Accordingly, management's assessment of the provisioning percentages to apply to each provision category were reduced compared to the prior year. The Committee also noted that, reflecting the findings of the most recent sales data covering FY24, management had extended the period over which historical sales are considered when determining whether the stock holding at year end was high compared to historical sales levels. The Committee considered the underlying data and challenged management regarding their assessment to extend this period.

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

During the Covid-19 pandemic, 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 meant application of these conditions was, and remains, subject to a degree of interpretation.

The Group recognised grant income of £8.0 million in FY22 and recorded a provision of £7.4 million in respect of amounts that may need to ultimately be repaid. During FY24, the Group has continued discussions with its advisors and government to seek a settlement of the amounts outstanding and, having reached an agreement in principle prior to 31 January 2024, subsequent to the year-end agreed a partial settlement of the amounts outstanding with the Department of Business and Trade. The partial settlement amounted to £3.3 million, which was repaid on 5 April 2024. A further amount remains outstanding which the Group continues to discuss with the relevant government departments with the support of its external advisors.

Management's assessment of the unsettled amount still outstanding is £2.2 million and, as a result, has released £2.0 million from the provision value at 31 January 2024, leaving a provision value of £5.3 million at 31 January 2024.

The Committee reviewed management's assessment of the provision value and challenged the assumptions made around retention of both the amounts recognised in respect of income and the residual provision value. The Committee also considered and challenged the timing of recognition of the additional income, management's decision to exclude the £2.0 million of income from Adjusted PBT and the presentation of this amount as Other Income in the accounts.

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 balanced interpretation of available guidance but included an appropriate element of caution in light of the remaining 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 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 CF Online CGU. However, impairment charges were recorded in respect of the Getting Personal CGU (£1.1 million). The Group recorded a net nil impairment charge in respect of individual store assets, which is comprised of £2.7 million of impairment charges and £2.7 million of impairment charge reversals.

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 & Accounts

The Committee confirmed to the Board that it considered this Annual Report & 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

The Head of Internal Audit & Loss Prevention is responsible for devising and coordinating the agreed programme of internal audit reviews and is supported by two independent accounting firms in the delivery of the annual plan.

Internal audit reports are shared with Mazars 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 & 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, KPI monitoring, colleague education, training and development.

External auditor

Mazars LLP have conducted the statutory audit for the financial year ended 31 January 2024 and have attended all scheduled Committee meetings held during that financial year, as well as the Committee meeting held during April 2024. The Committee had the opportunity to meet privately with the auditors during the period.

The Audit & Risk Committee discussed and agreed the scope of the audit with Mazars in January 2024 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 Mazars clients, and received representations from management as to 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 auditors approach to key areas of judgement and any errors identified during the audit, in addition to the work performed as part of Mazars' first year transition. The Committee concluded that the audit was effective.

The fee paid to Mazars LLP for the statutory audit of the Group and Company financial statements and the audit of the Company's subsidiaries pursuant to legislation was £553k. A breakdown of fees paid to Mazars LLP during the financial year is set out in note 3 to the financial statements on page 137.

The Committee received representations from Mazars LLP during the year with regard to its independence from the Company. Having considered these representations and that Mazars are only engaged to perform the audit and there are no conflicts of interest effective in auditing the Group, the Committee considers that Mazars LLP is sufficiently independent.

The Committee has taken appropriate steps to ensure that Mazars 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 auditors approach to the current year audit, the proposed audit strategy and the fact that this is the first year Mazars have undertaken the audit following a tender process and therefore the audit is led by a Partner on her first year of the engagement.

The Group has no contractual 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.

During the year the Committee reviewed and approved an updated policy regarding the use of audit firms for non-audit services, which is published on the Group's investor website (cardfactoryinvestors.com). In addition to responsible for oversight of the Group's auditor on behalf of the Board, the Committee also monitors the implementation of the non-audit services policy.

The updated policy contained no material changes to the substance of the policy; which sets out the Group's general principle that non-audit work shall not be allocated to the external auditor unless a number of stringent criteria are met, such criteria being designed to ensure any non-audit or audit-related work awarded to the external auditor should not compromise independence.

During FY24, Mazars 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. Such a review is pre-approved by the Group's non-audit services policy.

The aggregate fees paid to Mazars LLP for services closely related to the audit was £85k, equivalent to 15.4% of the audit fee.

Further details are given in note 3 to the financial statements on page 137.

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 the auditor.

This report was reviewed and approved by the Audit & Risk Committee on 29 April 2024.

Rob McWilliam
Chair of the Audit & Risk Committee
30 April 2024

REMUNERATION COMMITTEE
CHAIR'S LETTER

Indira Thambiah
Chair of the Remuneration Committee

Committee members	FY24 Meeting attendance
Indira Thambiah (Chair)	6/6
Paul Moody	5/6
Roger Whiteside	5/6
Rob McWilliam	6/6

In developing our Policy, we consulted with our largest shareholders, the proxy agencies and our colleagues and received useful feedback on the proposed policy and our approach to implementation which helped shape the final proposal."

Dear Shareholder

I am pleased to present the Remuneration Report for the financial year to 31 January 2024 (FY24) and to propose a new Remuneration Policy for the next three years, which is being put to shareholders for approval at the 2024 AGM.

Introduction

This Directors' Remuneration Report is divided into three sections: (1) this Letter outlining key decisions (pages 84 to 86); (2) the proposed Directors' Remuneration Policy (pages 88 to 95); and (3) the Annual Report on Remuneration for the year to 31 January 2024 (pages 96 to 107).

This proposed Remuneration Policy (Policy) will be put to shareholders for approval at the AGM to be held on 20 June 2024, and subject to shareholder approval, shall take effect from that date. This Letter and the Annual Report on Remuneration will also be put to an advisory shareholder vote at this AGM.

Remuneration Policy review

During the year the Committee, supported by our external advisors, Deloitte, has undertaken a thorough review of the current approach to remuneration to ensure that our pay arrangements continue to support cardfactory's strategy and the delivery of long-term sustainable returns for our shareholders. As part of this review we considered a range of alternative approaches, however, we concluded that the current combination of the annual bonus and our RSP continues to be the best incentive framework for cardfactory for the following reasons:

- Since 2018, the RSP has worked well to support us in appropriately aligning executive pay with the strategic ambition of the Group and subsequent delivery of the Group's strategy. It has allowed us to be flexible in where we direct our focus, enabling us to effectively execute on our longer-term strategic priorities that can change over the course of a three-year policy period and beyond.
- In FY22, we launched our 'Opening Our New Future' strategy with the aim of becoming the leading omnichannel retailer in our sector. The Board is pleased with Management's progress to date in delivering on our strategic blocks of growth across the business. While we now have a broader and more established strategy, we are still exposed to a significant amount of external market volatility, and the RSP allows us to continue to focus on our longer-term ambitions and be agile in our decision-making.
- The RSP provides a focus on long-term, sustainable business growth and is complemented by our annual bonus, which allows us to drive and reward key annual financial and strategic priorities of the Group which provide the foundations of long-term sustainable shareholder value delivery.
- The RSP provides an effective alignment of participants' interests with shareholders, promoting direct share ownership among the senior management team and below and rewarding for delivering strong, sustainable share price growth. The underpin ensures there is no reward for failure.
- It is simple to operate, well understood, and is seen as motivational by participants, who value the line of sight on vesting outcomes. Our current executive team have been recruited since the introduction of the RSP and all have been positively engaged with it.

We are therefore not proposing any significant changes to the Policy including no change to the maximum incentive opportunities under the Policy. However, some minor updates are proposed as follows:

- **Simplification of vesting period:** to align with market practice, to remove complexity for participants and for the Committee and the teams that administer the plan, 100% of the RSP awards will vest on the third anniversary of grant and will be subject to a holding period (save for a sale of shares to satisfy tax and national insurance arising from vesting) that expires on the fifth anniversary of grant. Under the previous policy, 50% vested on the third anniversary, 25% on the fourth anniversary and the balance on the fifth anniversary. In practice, this change does not affect when the Executive Directors' awards are released to them, since under both arrangements, all awards are held until the fifth anniversary of grant; and
- **Enhancements to the RSP underpin to strengthen reference to ESG performance:** our growth strategy is underpinned by our commitment to operate sustainably across all areas of our business. The new underpin wording states that in assessing performance for the Restricted Shares, the Committee will consider financial and non-financial KPIs of the business as well as delivery against its strategic priorities and ESG commitments.

In developing our Policy, we consulted with our largest shareholders, the proxy agencies (who represent wider shareholder interests) and our colleagues via the colleague listening group (CLG) and received useful feedback on the proposed policy and our approach to implementation which helped shape the final proposal. We are confident that the proposed Policy achieves an appropriate balance between the Director and management team interests and the wider stakeholder groups, whilst aligning the longer term interests of Directors with shareholders.

Application of the Remuneration Policy during FY24

The Committee considers the Remuneration Policy to be effective and that it operated as intended during FY24, stretching the Executive Directors and management team to improve profitability and focus on core strategic growth areas whilst enhancing the customer experience. The Committee welcomes the improvements in trading performance during the year, which resulted in a profit upgrade in August 2023.

The annual bonus is due to pay out at 82.5% of maximum for the CEO and CFO (before pro-rating for the proportion of the period the CFO was employed). The Group's PBT performance during the year was £65.6 million. For the purpose of determining the annual bonus, the Committee made certain adjustments to PBT (outlined below) to ensure that the PBT used for bonus purposes fairly reflected the underlying performance on which it considers management should be rewarded on. The adjusted PBT for annual bonus purposes was £62.1 million, which is lower than the Group reported PBT. The adjusted PBT exceeded the stretch target of £60 million and vested in full (70% of maximum bonus). The adjusted PBT was post (a) reduction of the actual PBT by £2.6 million on account of one-off gain recognised on the purchase of SA Greetings and (b) a reduction of £2.0 million in respect of the gain from the release of a provision for repayment of Covid grants following part resolution of the grant receipts exceeding state aid limits, on settlement of the overpayment being agreed with HM Treasury and (c) which were partly offset by a £1.1 million impairment charge (see page 59). The remaining 30% of the annual bonus was assessed based on three strategic objectives:

1. The stretch target set for driving sales growth in the key strategic growth channels for cardfactory.co.uk (12.5% of maximum bonus), which was not achieved, and therefore no portion of this element of the annual bonus will pay out.
2. Performance against the retail partner sales growth (12.5% of maximum bonus) exceeded the stretch target and therefore will pay out in full.
3. The Net Promoter Score threshold target (5% of maximum bonus) was not achieved and no portion of this element of the annual bonus will pay out.

Further details are disclosed on page 97.

The Committee considered whether the outcome was appropriate, taking account of the colleague, shareholder and other stakeholder experience and resolved that the payout was fair and therefore no exercise of discretion was required. Although two of the strategic objectives were not achieved, the foundations for future growth have been made. 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 significant trading performance over the period and significant improvement in profitability in excess of stretch targets, in parallel with ongoing investment for future growth and reduction in net debt.

Restricted Share awards granted in 2021 are scheduled to vest from June 2024, subject to the performance underpin and any discretion the Committee may exercise. The measurement period for the performance underpin for these awards was 1 February 2021 to 31 January 2024. For the performance underpin to be met, the Committee must be satisfied that business performance over the underpin period is robust and sustainable. In assessing the underpin, the Committee considered financial and non-financial KPIs of the business as well as delivery against strategic priorities. The Committee considered that cardfactory's performance over the underpin period has been strong and that through management action, cardfactory is now well positioned with a strong leadership team, to realise the strategic growth for the benefit of all stakeholders. The Committee was mindful of the shareholder guidance to assess vesting of awards to avoid windfall gains. The 2021 RSP awards share price at grant was 76.45 pence, higher than the 2020 RSP awards share price at grant of 39.74 pence, therefore the Committee judged that there was no need to adjust award levels at grant for 'windfall gains'. The Committee also considered that the growth in share price since that grant is attributable to successful implementation of the strategic plan by the Executive Directors and senior management team and is satisfied that the outcome is in-line with shareholders and wider stakeholder experience. On this basis the Committee was comfortable that the award should vest in full. Therefore, the Committee resolved to approve vesting of the 2021 RSP awards and determined that it was not necessary to exercise any discretion in respect of the awards. Further details are disclosed on page 99.

"The Committee considers the Remuneration Policy to be effective and that it operated as intended during FY24."

Board changes

As previously announced, Matthias Seeger, took up his role as CFO from 22 May 2023. Roger Whiteside assumed the role of Senior Independent Director and Indira Thambiah was appointed as Chair of the Remuneration Committee from 1 February 2023.

How we intend to apply the Remuneration Policy in FY25

Base Salary

The Committee reviewed the annual salary for the management team, including the CEO, CFO and Chair. In determining increases, the Committee took into account market data as well as the average salary increase across the workforce of 9.1%, noting the majority of colleagues had received an increase of at least 4%, however some higher increases had been awarded to take account of the increases in National Living Wage and National Minimum Wage (+9.8%). As a result, the Committee determined the CEO, the CFO, the Chair and other members of the management team would receive a salary increase of 4% for FY25 with increases taking effect on 1 April 2024. The Board also reviewed NED fees, also awarding a 4% increase. Details of these increases are set out on pages 104 and 106.

Pension and benefits

Pension entitlements will be maintained at current levels, which align with the current 3% of salary rate (for salary above the lower earnings threshold of £6,240 p.a.) applicable to the majority of colleagues. There are no changes to benefits proposed.

Annual bonus

The maximum annual bonus entitlement will be maintained at 125% and 100% of basic salary for the CEO and CFO, respectively. The FY25 annual bonus entitlement will be assessed based on achievement of (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 (15% of maximum bonus entitlement); and
- retail partnership sales (15% of maximum bonus entitlement).

Taking into account the increasing importance of ESG to the business and to our shareholders as well as feedback received through the Policy consultation process, the Committee has introduced an ESG underpin as part of the annual bonus whereby the Committee may reduce the annual bonus payout by up to 10% if the Committee considers that there has not been sufficient progress in delivering our ESG strategy. To inform its decision making at year-end, the Committee will review a dashboard summarising progress against our ESG commitments, which may include but is not limited to:

- progression of our customer and employee experience;
- progression in reducing the Group's carbon footprint, waste reduction and progression of sustainability initiatives within the Group;
- progression against the Group's commitment to act responsibly with respect to the environment, aiming for a sustainable approach to the use of resources, avoiding irresponsible disposal of products and unnecessary waste;
- progression against our refreshed DE&I strategy; and
- the Group's compliance against industry standard ESG guidelines and best practices and active management of ESG considerations and risks.

RSP

The maximum RSP award will be maintained at 87.5% and 75% of basic salary for the CEO and CFO, respectively. The Committee proposes to proceed to award Restricted Shares after the 2024 AGM, once the new Policy with the revised vesting period for awards is in place. The awards will be subject to the same performance underpin adopted in previous years which will include assessment of improvement to the business's impact on society. As noted above, the underpin for FY25 awards will be enhanced to include consideration of our progress against our ESG commitment. We propose to retain the additional discretion to scale back awards on vesting, if necessary, to reflect the shareholder experience.

Share plan rules

Our current long-term incentive plan rules are due to expire and therefore the Committee took this opportunity to review and update the rules to ensure that they reflect current market practice and are sufficiently flexible going forwards. As part of this review, we have enhanced the malus and clawback provision to reflect prevailing best practice (see page 90). Our SAYE rules were also due to expire next year so we are also taking the opportunity to renew these rules to ensure that we can continue to offer this benefit to our UK employee base and to provide us with an ability to extend this on equivalent terms to colleagues outside the UK. Shareholders will be asked to approve these rules at the AGM and details will be provided in the notice of AGM.

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 proposed Remuneration Policy and the Annual Report on Remuneration.

Yours sincerely

Indira Thambiah
Chair of the Remuneration Committee
30 April 2024

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


Happy
Mother's Day
AMAZING
Mum

DIRECTORS' REMUNERATION REPORT

Introduction

The Directors' Remuneration Policy section (pages 88 to 95) sets out the proposed Remuneration Policy which shall be put to shareholders for approval at the AGM of the Company to be held on 20 June 2024, which will apply from this date and is intended to operate for the full three-year period as permitted under the regulations.

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** – our remuneration structures are simple and Restricted Shares are significantly simpler than other types of 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 performance-based 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. The illustration of the application of the Policy is set out on page 92 and indicates the potential values that may be earned through the remuneration structure.
- **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 normally reviewed annually, with reference to factors including scope of role, individual performance, experience, market competitiveness of total remuneration, inflation and salary increases across the Group. Increases are normally effective from 1 April.	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, facilitating the attraction and retention of executive talent.	Executive Directors may receive a Company contribution into a pension plan and/or a cash allowance in lieu of pension.	The maximum Company contribution or cash allowance will not exceed the percentage rate available to the majority of the workforce (currently 3% of salary).	None

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Benefits To provide Executive Directors with a reasonable level of benefits.	Benefits may include private medical insurance, life insurance, income protection and the provision of a car or car allowance. The Committee may introduce other benefits if it is considered appropriate to do so. Executive Directors shall be reimbursed for all reasonable expenses and the Company may settle any tax incurred. Where an Executive Director is required to relocate to perform their role, the appropriate one-off or ongoing expatriate benefits may be provided (e.g. housing, schooling etc).	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; contributes to higher executive shareholdings; and supports alignment with shareholder interests.	Bonus payments will normally be determined based on performance in a single financial year and payment will normally be made in cash or in shares or a combination of the two. If participants have not met the minimum shareholding requirement, one third of any bonus (after payment of tax) would normally be required to be used to acquire shares in the Company, which would normally be required to be held for three years. 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 or error in accounts or in calculation of bonus, misconduct, corporate failure, serious reputational damage, material failure of risk management or in other circumstances where the Committee consider it appropriate.	Maximum award level under the annual bonus in respect of any financial year is 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. A majority of bonus will normally be based on financial measures. For achievement of threshold performance for any financial measure, up to 15% of the maximum financial target element of the bonus is earned (though the Committee may increase this to up to 25% of maximum if this is considered appropriate). Normally 50% of the bonus shall pay out for on-target levels of performance. The Committee may adjust the bonus if it considers the outcome is not representative of the underlying financial or non-financial performance of the Company or the participant or is otherwise not appropriate in the circumstances. When making this judgement, the Committee may take into account such factors as it considers relevant.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
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. Awards normally vest after three years, subject to continued employment. All shares will normally be held for at least five years from grant (except for sales to meet tax and social security on vesting). The holding period and vesting period will normally continue post cessation of employment to the extent that awards do not lapse on cessation. An additional benefit may be provided in cash or shares related to dividends that would have been paid over the vesting period or holding period on awards that vest. Clawback and malus provisions apply. The Committee has discretion to reduce the amount of any unvested award and require repayment of any vested award within two years of vesting, in the event of material misstatement or error in accounts or in calculation of the share award, misconduct, corporate failure, serious reputational damage, material failure of risk management or in other circumstances where the Committee consider it appropriate. In accordance with the Companies Act, in order to fund the nominal value on the allotment of shares to participants on vesting, the participant will receive a 'nominal bonus' which is paid to Card Factory plc equivalent to the nominal value of the number of shares that will vest.	Maximum award level under the Restricted Shares in respect of any financial year is 87.5% of salary face value at grant plus the nominal bonus, on vesting.	In order for Restricted Shares to be capable of vesting, the Committee must be satisfied that a performance underpin has been achieved. It is currently intended that the performance underpin will be that the Committee must be satisfied that business performance is robust, sustainable, that the business has improved its impact on society and the environment and 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 and ESG commitments. The Committee may determine that alternative performance underpins shall apply. The Committee may in its discretion adjust incentive plan outturn levels, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant over the relevant period or that such vesting level is not appropriate in the context of relevant circumstances. When making this judgement, the Committee may take into account such factors as it considers relevant. 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.
SAYE To encourage share ownership across the workforce.	Executive Directors may participate in the SAYE Plan – a UK tax-qualified scheme. Executive Directors may participate in any other all-employee plans on the same basis as other employees as appropriate.	Participation may be up to HMRC approved limits.	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 94).	Executives are expected to build up and maintain a beneficial holding of shares in the Company defined as a percentage of salary, which is currently 250% of base salary for the CEO and 200% of base salary for the CFO. Executive Directors will normally be required to retain shares that vest from future Bonus and Restricted Share awards until the shareholding guideline has been met.	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 to targets

The Remuneration Committee may adjust the calculation of short- and long-term performance underpins for outstanding Restricted Share awards in specific circumstances and within the limits of applicable plan rules, provided that the revised conditions are not materially less challenging than the original conditions. Such circumstances include changes in accounting standards, major corporate events such as rights issues, share buybacks, special dividends, corporate restructurings, mergers, acquisitions and disposals.

Other uses of discretion

The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the Policy. These include (but are not limited to) the following:

- Selecting who participates in the incentive plans;
- Determining the timing of award grants and/or payments;
- Determining the quantum of awards and/or payments (within the limits set out in the Policy table above);
- Determining the form of awards (which may be granted as conditional share awards, nil or nominal cost options, forfeitable awards or, exceptionally, in cash);
- Adjusting awards in the event of any variation of the Company's share capital or any demerger, special dividend or any other corporate event that may affect the current or future value of the award;
- Granting good leaver status (in addition to any specified categories) for incentive plan purposes based on the rules of the plan;
- Determining the treatment of awards in the event of corporate transactions, such as a takeover or restructuring, including measurement of performance conditions/underpins, approach to pro-rating for time and whether existing share awards may, instead of vesting, be replaced by an equivalent grant of a new award in a different company, as determined by the Committee; and
- Determining whether (and to what extent) malus and/or clawback shall apply to any incentive.

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 normally be consistent with that of the CEO and CFO. The senior management team will normally 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.

Summary of decision-making process and changes to policy

During the year, the Committee undertook a review of the Directors' Remuneration Policy and its implementation to ensure that the Policy supports the execution of strategy and the delivery of sustainable long-term shareholder value. The Committee discussed the content of the Policy at Remuneration Committee meetings during the year. Throughout the review process, the Committee took into account the 2018 UK Corporate Governance Code, wider workforce remuneration and emerging best practice in relation to Executive Director remuneration. To minimise any potential conflicts of interest, the Committee also considered input from management and our independent advisers through an open and transparent internal consultation process. The Committee considers that the overall remuneration framework – based on an annual bonus plan plus a RSP – remains appropriate to continue to incentivise management to drive long-term sustainable performance for shareholders.

The Committee has simplified the vesting schedule for the RSP. Previously, awards vested in tranches (50% after three years, 25% after four years and 25% after five years); this has been simplified such that 100% of awards vest after three years. The impact on the timing of release of awards is unchanged, since vested awards must still all be held until the fifth anniversary of grant. The underpin for the RSP has also been expanded to incorporate consideration of ESG commitments. Minor changes have been made to the wording of the Policy to aid operation, to increase clarity and to align with typical market practice.

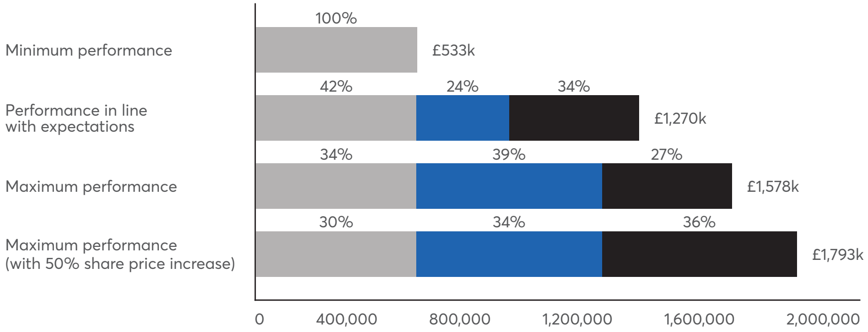
Approved payments

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with any shareholder-approved Directors' remuneration policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company or such other person. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' no later than at the time the award is granted. This Policy applies equally to any individual who is required to be treated as a Director under the applicable regulations.

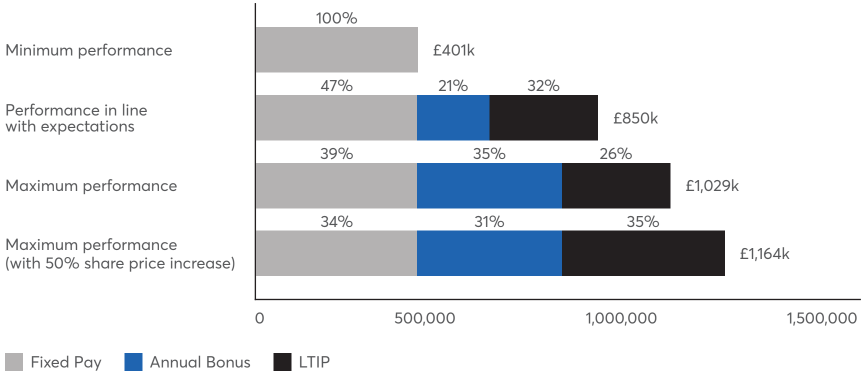
Reward scenarios

The graphs below provide estimates of the potential future reward opportunities for Executive Directors and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum performance', 'Performance in line with expectations' and 'Maximum performance' and 'Maximum performance (with 50% share price increase)'. The projected value for Restricted Shares excludes the impact of any dividend accrual. The following reflects annual entitlements 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[1]	Annual bonus	LTIP: Restricted shares
Minimum	Salary and benefits as at 1 April 2024. 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	As above.	On-target annual bonus payable. (50% of maximum).	87.5% and 75% of base salary for the CEO and CFO vest, respectively. Assumes all RSP awards vest
Maximum	As above.	Maximum annual bonus payable of 125% and 100% of base salary for the CEO and CFO, respectively.	As above.
Maximum performance with 50% share price increase	As above.	As above.	In the maximum scenario the chart additionally shows the value of the Restricted Shares and total remuneration, if the share price increases by 50%.

1. Benefits paid for the most recent financial year. As noted on page 97, the FY24 single figure values for the CFO is from his appointment on 22 May 2023, therefore the value has been annualised to give an indicative annual value.

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 to pay at the appropriate level 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. Executives may participate in the incentive plan for their financial year of appointment and such participation maybe be pro-rated taking into account the period of the year in employment.

The maximum level of variable remuneration which may be awarded (excluding any 'buyout' awards referred to below) in respect of recruitment is 125% of salary (in respect of annual bonus) and 87.5% of salary (in respect of RSP awards), which is in line with the current maximum limit under the annual bonus and RSP.

The Committee may make an award in respect of a new appointment to 'buy out' outstanding variable pay opportunities or contractual rights 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. When determining any such 'buyout', the guiding principle would be that awards would generally be on a 'like-for-like' basis unless this is considered by the Committee not to be practical or appropriate.

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.

Where an Executive Director has been appointed to the Board at a lower than typical market salary to allow for growth in the role, larger increases may be awarded to move salary positioning closer to typical market level as the Executive Director gains experience.

To facilitate any 'buyout' awards outlined above, in the event of recruitment, the Committee may grant awards to a new Executive Director relying on the exemption in the Listing Rules which allows for the grant of awards to facilitate, in unusual circumstances, the recruitment of an Executive Director without seeking prior shareholder approval or under any other appropriate Company incentive plan.

The remuneration package for a newly appointed Non-Executive Director would normally be in line with the structure set out in the policy table for Non-Executive Directors on pages 94 and 95, and on page 106.

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 normally be made on a monthly basis and subject to mitigation but the Committee retains discretion to pay any payment in lieu of notice in a lump sum if appropriate in the circumstances. 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 only be 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 on the next page summarises how incentives are typically treated in different circumstances:

Plan	Scenario	Timing of vesting/payment	Calculation of vesting/payment
Annual bonus	Default treatment	No bonus is paid	n/a
	Any reason the Committee may determine.	Normal payment date, although the Committee has discretion to accelerate. The Committee has discretion to remove the requirement to acquire shares with annual bonus earned in year of departure.	The Committee will normally 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 normally be prorated for time served during the year. The Committee may disapply time prorating in exceptional circumstances.
Shares acquired by Directors with annual bonus.			Not applicable as shares are purchased and owned outright by the Executive. The three-year restriction on sale of shares will normally continue to apply.
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 or reduce 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.		

Post-employment shareholding

Executive Directors are normally expected to hold the lower of:

- The number of shares held by the Director on the date they step down from the Board, 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 held, on the date their employment ends, plus shares acquired under employee awards during that period, 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 or number of shares held, at the end of the first 12 month period, 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, other than any outstanding holding periods applying under this policy in respect of specific awards or purchases using bonus proceeds.

The Committee retains discretion to waive or reduce this guideline if is not considered to be appropriate in the specific circumstance.

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 colleague listening group (CLG) and the wider colleague forums (which feed into the CLG) were consulted on the draft of this Remuneration Policy in January and February 2024 and considered the changes to align Executive Directors with the workforce to be appropriate. The Group uses Willis Tower Watson benchmarking data to review salary and benefits for all pay grades, with this data being supplemented by executive benchmarking data for other UK listed companies (primarily a wide range of companies with comparable market capitalisation and constituents of these Companies that are primarily retail businesses), compiled by Deloitte, as its remuneration adviser.

Consideration of shareholder views

The Company is committed to engaging with significant investors on remuneration matters and consulted with 17 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 2024 AGM. The majority of those consulted were supportive of the proposals, as proposed. 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 may be 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). Benefits may be introduced if considered appropriate.	Any increases to NED fees will be considered following a thorough review process and considering wider market factors. The maximum aggregate annual fee for all Directors provided in the Company's Articles of Association is currently £1,000,000 pa.	Performance of the Board as a whole will be reviewed regularly as part of a Board evaluation process.

Minor changes

The Committee may make minor amendments to the Policy set out above (if required for legal, regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without requiring prior shareholder approval for that amendment.

Annual Report on Remuneration

This is the Annual Report on Remuneration for the financial year ended 31 January 2024. This report sets out how the current Remuneration Policy (adopted in 2021) has been applied in the financial year being reported on and how the proposed Remuneration Policy (set out on pages 88 to 95) will be applied in the coming year (on the basis it is adopted by shareholders at the 2024 AGM).

Remuneration at a Glance

Overview of Executive Director Remuneration for FY24 and FY25.

Element	FY24		FY25
Basic Salary	From 1 April 2023: CEO: £472,500 CFO: £345,000		From 1 April 2024: (+4%): CEO: £491,400 CFO: £358,800 Average workforce change: +9.1%
Pension	3% of basic salary in excess of £6,420 pa.		No Change
Benefits	Car Allowance and family private medical insurance.		No Change
Annual Bonus opportunity	CEO: Maximum of 125% of basic salary.		No Change
	CFO: Maximum of 100% of basic salary.	Bonus earned:	No Change
	• 70% based on PBT performance.	70% of 70%	• 70% based on PBT performance.
	• 12.5% based on online sales (strategic growth objective).	0% of 12.5%	• 15% based on online sales (strategic growth objective).
	• 12.5% based on retail partner sales (strategic growth objective).	12.5% of 12.5%	• 15% based on retail partner sales (strategic growth objective).
	• 5% based on NPS increase.	0% of 5%	ESG underpin: Up to 10% of earned bonus may be forfeited if there has not been sufficient progress on delivering our ESG strategy.
	Subject to malus and clawback within two years of payment.		No Change
	One third of bonus (after tax) to be invested in shares if shareholding target not achieved.		No Change
RSP opportunity and time frames	CEO: Maximum of 87.5% of basic salary.		No Change
	CFO: Maximum of 75% of basic salary.		No Change
	Awards (subject to underpin) vest as follows: 50% after three years (subject to underpins), 25% after four years and balance after five years. Holding period applied to fifth anniversary of grant (save for sale to fund tax on vesting).		Awards to vest after three years (subject to underpins) with a further two year holding period (save for sale to fund tax and national insurance on vesting). Underpin enhanced to include consideration of progress against ESG commitments.
	Subject to malus and clawback within two years of vesting.		No Change
SAYE participation	In line with HMRC rules.		No Change
Shareholding target	CEO: 250% of basic salary (not yet achieved).		No Change
	CFO: 200% of basic salary (not yet achieved).		No Change
Post termination shareholding	Holding requirement reduces to 50% after 12 months with no minimum requirement after 24 months.		No Change
Notice Period	9 months		No Change

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 2024 (FY24) and the prior year:

	Financial Year	Salary	Benefits[1]	Pension[2]	Other[3]	FY24 earned Bonus[4]	Restricted Share value[5]	SAYE Value[6]	Total Remuneration	Total Fixed Remuneration	Total Variable Remuneration
Darcy Willson-Rymer	***FY24***	***468,750***	***27,347***	***13,313***	–	***483,398***	***531,567***	***440***	***1,524,815***	***509,410***	***1,015,405***
	FY23	450,000	26,996	13,313	–	450,000	–	2,250	942,559	490,309	452,250
Matthias Seeger[7]	***FY24***	***240,615***	***9,739***	***5,081***	***130,000***	***198,848***	–	***2,241***	***586,524***	***255,436***	***331,088***
	FY23	–	–	–	–	–	–	–	–	–	–

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) or a cash payment in lieu of pension contributions.
3. In accordance with the agreed terms of appointment, summarised in the FY23 Annual Report, the Company paid the sum of £130,000 to Matthias Seeger in July 2023 in lieu of an equivalent bonus forfeited by him that he would have received from his previous employer.
4. See details of FY24 bonus payments in the Remuneration Committee Chair's letter and below. This annual bonus is due to be paid in May 2024. One-third of the bonus (after payment of tax) must be used to acquire Card Factory plc shares.
5. The value for FY24 is based on the average share price over the three-month period to 31 January 2024 (102.33 pence), as the 2021 RSP awards, with a performance period that ended on 31 January 2024, will vest from 14 June 2024, see page 99 for details. The value includes 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. Of the £531,567 restricted shares value for Darcy Willson-Rymer, £127,529 is attributable to share price growth.
6. Embedded value of SAYE options at grant (i.e. the value of the discount). There are no performance conditions.
7. Matthias Seeger was appointed as an Executive Director (CFO) on 22 May 2023 and the remuneration disclosed is from this date. Matthias Seeger did not have any Restricted Share awards eligible to vest for FY24.

Annual bonus payments and link to performance

Bonus opportunities for FY24 were 125% of salary for Darcy Willson-Rymer and 100% of salary for Matthias Seeger pro-rated for the proportion of the financial year in which he was in-post. The bonus was subject to achieving Profit Before Tax 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 FY24 was 82.5% of maximum. This resulted in total bonus payments of £483,398 for the CEO and £198,848 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.

PBT (70% of bonus opportunity) – audited

The PBT performance targets for the year and final performance achieved against this element are as set out of the table below. The Committee reduced the actual PBT realised during FY24 by £3.5 million (for the purpose of determining the bonus payable) to remove the benefit from the one off £2.6 million benefit from revaluation of SA Greetings; the £2.0 million profit realised from release of a provision relating to repayment of Covid grants, which were partly offset by an impairment charge of £1.1m.

Performance level	FY24 PBT target range	Percentage of total PBT bonus pool available if performance level achieved	PBT realised (after adjustments)	Percentage of total bonus pool payable (% of maximum)
Threshold	£50m	15%	£62.1m	70% of 70%
Target	£57m	50%		
Maximum	£60m	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 12.5% 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 sales.	Omnichannel is one of the key strategic sales channels targeting system updates to improve the customer journey to improve customer retention and sales.	Threshold: cardfactory.co.uk sales of £9.54 million (i.e. +8.4% from FY23). Target: cardfactory.co.uk sales to achieve £10.6 million (i.e. +20.4% from FY23). Stretch: cardfactory.co.uk sales to achieve £11.66 million (i.e. +31.8% from FY23).	£8.8 million.	nil of 12.5%
Retail partnership sales.	Development of retail partnerships is a key growth sales channel.	Threshold: business partner sales (excluding SA Greetings) of £5.13m (i.e. +2.6% from FY23). Target: business partner sales (excluding SA Greetings) of £5.7m (i.e. +14% from FY23). Stretch: business partner sales (excluding SA Greetings) of £6.27m (i.e. +25.4% from FY23).	£6.3 million	12.5% of 12.5%
Customer brand improvement through improvement in net promoter score (NPS).	Realisation of key strategic priorities: model store trials, pricing changes and gifts and celebration essentials (both in stores and online).	Threshold: NPS score of +42.699. Target: NPS score +43.699. Stretch: NPS score of +44.699.	Average NPS score was 41.4	nil of 5%

For each element of the bonus, 15% of the maximum potential bonus opportunity pays out for threshold performance, 50% of maximum potential bonus opportunity paying out for target performance with 100% of the maximum potential bonus opportunity paying out for maximum performance. Straight-line payout applies between Threshold, Target and Stretch.

The Committee considered whether the outcome was appropriate, taking account of the colleague, shareholder and other stakeholder experience and resolved that the payout was fair and therefore no exercise of discretion was required. Although two of these strategic objectives have not been realised (and the bonus paid being reduced accordingly), progress has been made during the year to support future sales growth in the online business.

Grants of Restricted Shares FY24 – audited

Conditional awards of Restricted Shares were granted to the Executive Directors on 24 May 2023. In line with our approach in previous years, annual RSP awards of shares worth 87.5% of basic salary for the CEO and 75% of salary for the CFO.

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	428,432	87.5%	£413,437	1.2.23–31.1.26
Matthias Seeger	268,134	75%	£256,750	1.2.23–31.1.26

1. Based on the average share price for the three months to and including 23 May 2023 of 96.5 pence.

For these Restricted Shares to vest, the Committee must be satisfied that business performance over the three years commencing 1 February 2023 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 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.

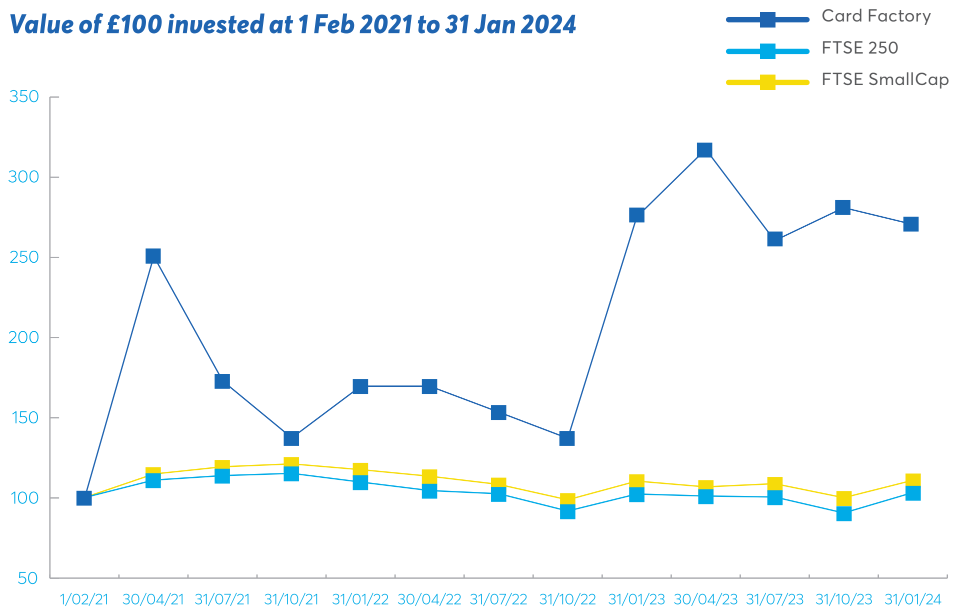
2021 LTIP Restricted Share award vesting – audited

Restricted Share awards granted in June 2021 are scheduled to vest from June 2024, subject to the performance underpin and any discretion the Committee may exercise. The measurement period for the performance underpin for these awards was 1 February 2021 to 31 January 2024. For the performance underpin to be met, the Committee must be satisfied that business performance over the performance period was robust and sustainable. In assessing the underpin, the Committee considered financial and non-financial KPIs of the business as well as delivery against strategic priorities. The Committee considered that cardfactory's performance over the performance period has been strong and that through management action, cardfactory is now well positioned with a strong leadership team, to realise the strategic growth for the benefit of all stakeholders. The Committee was mindful of the shareholder guidance to assess vesting of awards to avoid windfall gains. It was noted that share price when the 2021 grant was granted (76.45 pence) was higher than the grant price for the 2020 award (39.74 pence) and therefore the Committee judged that there was no need to adjust award levels at grant for 'windfall gains'. The Committee also considered that the growth in share price since that grant is attributable to successful implementation of the strategic plan by the Executive Directors and senior management team and is satisfied that the outcome is in-line with shareholders and wider stakeholder experience.

The Committee also noted that over the period:

- the significant improvement in the business performance over the performance period, with all financial key performance indicators (including Revenue, PBT, Basic EPS, Leverage and Share Price) being materially improved over the period;
- Total Shareholder Return (TSR) over the period significantly exceeded of the FTSE Small Cap and FTSE 250 indexes;
- although not formally incorporated in the underpin assessment, the material progress made in respect of sustainability priorities, including reduction in waste and packaging, assessment of wider Scope 3 emissions and significant improvement in colleague engagement scores based on Best Companies 'bHeard' scoring; and
- that vesting of the awards in full reflects the performance of the business over that period and delivery of the strategic plan.

Value of £100 invested at 1 Feb 2021 to 31 Jan 2024



On this basis the Committee was comfortable that the award should vest in full. Therefore, the Committee resolved to approve vesting of the 2021 RSP awards and determined that it was not necessary to exercise any discretion in respect of the awards.

Under the terms of these 2021 awards, 50% of any award that vests will vest on the third anniversary of grant (i.e. on 14 June 2024), 25% on the fourth anniversary and 25% on the fifth anniversary.

SAYE – audited

Awards under the HMRC-approved SAYE plan were granted to all participating employees on 27 June 2023. 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[2]	2,467	£2,203	n/a	n/a
Matthias Seeger	12,587	£11,240	n/a	n/a

1 Value stated is the value of the shares under option, being the number of shares times the value determined over the three days to and including 1 June 2023, of 89.3 pence.

2 Darcy Willson-Rymer's participation in the SAYE plan was limited to ensure HMRC maximum monthly savings thresholds were not exceeded, taking account of participation in other SAYE annual awards.

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 2024 and the prior year.

	Base fee paid		Additional fees		Total	
Non-Executive Director	**FY24**	FY23	**FY24**	FY23	**FY24**	FY23
Paul Moody (Chair)	***£170,313***	£146,400	–	–	***£170,313***	£146,400
Roger Whiteside (SID)[1]	***£58,330***	£45,750	–	–	***£58,330***	£45,750
Nathan (Tripp) Lane	***£49,317***	£45,750	–	–	***£49,317***	£45,750
Rob McWilliam	***£49,010***	£45,750	***£10,000***	£8,133	***£59,010***	£53,883
Indira Thambiah[2]	***£49,010***	£19,125	***£10,000***	–	***£59,010***	£19,125

1. Roger Whiteside assumed the role of Senior Independent Director from 1 February 2023.

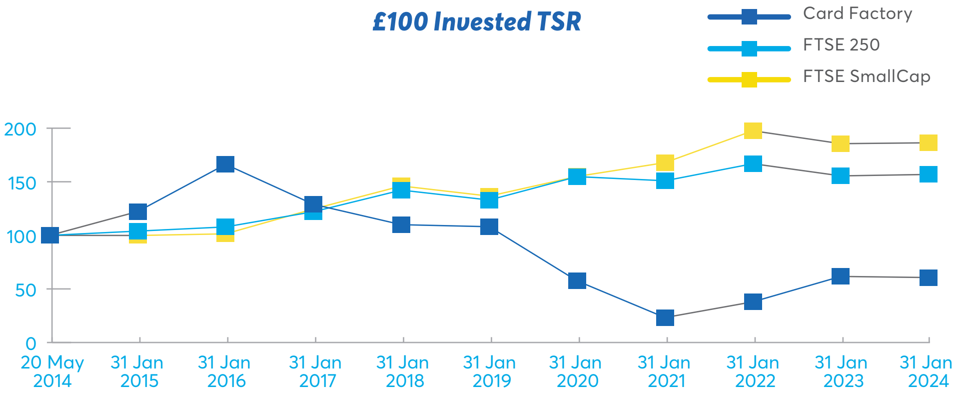
2. Indira Thambiah was appointed on 1 September 2022 and assumed the role as Chair of the Remuneration Committee from 1 February 2023.

Payments for loss of office and payments to former Directors – audited

No payments for loss of office or payments to past Directors have been paid during the year which have not already been disclosed in previous years.

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	***2023/24 (FY24)***	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)	***1,525***	943	829	525	593	611	496	1,005	951	884
Annual bonus outcome (% of max)	***82.5%***	80%	66%	–	10%	15%	–	20%	79%	77%
LTIP vesting[4] (% of max)	***100%***	n/a	n/a	50%	–	–	n/a	46.6%	n/a	n/a

1. For FY22, the amounts set out in the FY23 Annual Report 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).

4. All LTIP awards vesting from and including FY21 were restricted share awards granted under the LTIP. Awards vesting to and including FY20 were performance share awards under the LTIP.

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 four 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]	Matthias Seeger	Paul Moody	Roger Whiteside	Nathan (Tripp) Lane	Rob McWilliam	Indira Thambiah
FY24 compared to FY23								
Salary/Fees	***10.27%***	***4.17%***	***n/a***	***16.33%***	***27.5%***	***7.8%***	***9.51%***	***28.56%***
Bonus	***9.77%***	***7.42%***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***
Benefits[4]	***3.45%***	***1.3%***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***	***n/a***
FY23 compared to FY22								
Salary/Fees	13.25%	0%	–	-3.0%	3.4%	1.7%	1.7%	n/a
Bonus	10.81%	34.5%	–	n/a	n/a	n/a	n/a	n/a
Benefits	17.75%	5.7%	–	n/a	n/a	n/a	n/a	n/a
FY22 compared to FY21								
Salary/Fees	4.7%	1.0%	–	-54.0%	0%	0%	n/a	–
Bonus	89.36%	100%	–	n/a	n/a	n/a	n/a	–
Benefits	28.7%	-60.8%	–	n/a	n/a	n/a	n/a	–
FY21 compared to FY20								
Salary/Fees	5.3%	–	–	127.88%	-1.67%[3]	n/a	–	–
Bonus	-64.3%	–	–	n/a	n/a	n/a	–	–
Benefits	12.8%	–	–	n/a	n/a	n/a	–	–

1. The Average Employee is the FTE for all UK Group employees. Data for FY23 compared to FY22 and for FY22 compared to FY21 for the average employee bonus and benefits have been restated to ensure the bonus amount reported is the bonus earned in the financial year, rather than the date on which the bonus is paid (which relates to the amount earned in the prior financial year).
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. The increase in Benefits for the average employee in FY24 reflects the increase to national minimum/living wage effected in April 2023 (with many other benefits being applied to these increased rates).

CEO to employee pay ratio

FY24	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Ratio	***Option A***	***67.6 : 1***	***64.3 : 1***	***61.8 : 1***
Employee salary		***£21,969***	***£23,028***	***£23,979***
Employee total remuneration		***£22,564***	***£23,719***	***£24,665***
FY23 ratio	Option A	44.7 : 1	43.6 : 1	42.1 : 1
FY22 ratio	Option A	51.9 : 1	40.3 : 1	38.2 : 1
FY21 ratio	Option A	31.4 : 1	30.6 : 1	29.5 : 1
FY20 ratio	Option A	35.2 : 1	33.1 : 1	32.2 : 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 FY24 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 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.

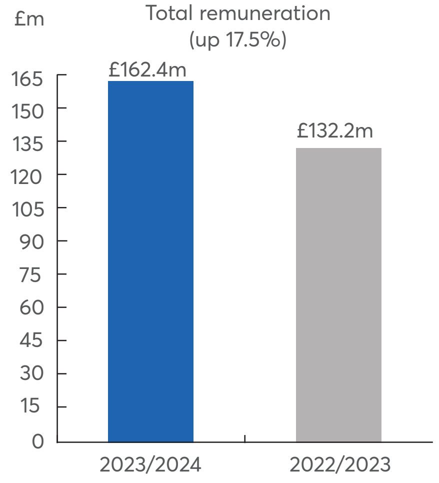
The ratios are impacted by the demographic makeup of our workforce. Over 93% of our colleagues work in our retail stores and warehouses where rates of pay are lower than those for management roles and those colleagues based at our support centre. This reflects the retail sector more broadly. In addition, while warehouse and retail colleagues are eligible to participate in SAYE plans and have access to incentive and bonus schemes, the CEO's higher bonus and RSP opportunities reflect the nature and complexity of the role as well as the remuneration levels in retail businesses of a similar size. The variable pay component of CEO pay and specifically RSPs earned in this financial year account for the increase in the pay ratio in 2024 compared to 2023.

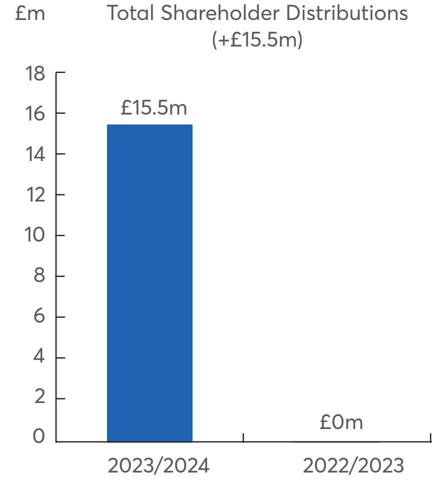
As such and as required in the regulations the Company is satisfied that the ratios are appropriate and fair and is consistent with the Company's wider pay, reward and progression policies affecting our colleagues.

The Committee recognises that the material increase in the CEO pay ratio in FY24 arises from the CEO having now completed three successful years' service, over which time financial performance has improved and progress on the strategic priorities as a foundation for future growth have been realised. The CEO will now receive shares under the Restricted Share awards granted in 2021. Whilst the CEO single figure earnings has therefore increased significantly, the majority of the Group's employees are not subject to equivalent variable pay awards. Many employees earn National Minimum Wage and National Living Wages (which were subject to a +9.8% increase applicable from April 2023) and have also benefited from further enhancements to pay and benefits as part of an ongoing programme to provide a 'fair deal' for colleagues on our journey to becoming a median market payer, which included an investment of £2.5 million in 2023 to ensure salaries align with benchmark data applicable to their specific roles. The Committee notes the CEO pay ratio, although much greater for FY24, is below reported CEO pay ratios by comparable retail or high-street businesses which also pay NMW/NLW or marginally above to a large proportion of their workforce.

Distribution statement

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





The total remuneration paid in respect of FY24 (as set out in note 5 to the financial statements which form part of this report on page 138) was £162.4 million (FY23: £138.2 million).

Statement of shareholder voting

The following table shows the results of the shareholder votes on the Annual Report on Remuneration at the 2023 AGM and for the Directors' Remuneration Policy at the 2021 AGM:

	Remuneration Policy 2021		Annual Report on Remuneration 2023	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	189,960,737	94.98	220,865,634	99.94
Against	10,033,932	5.02	126,084	0.06
Total votes cast (excluding withheld votes)	199,994,669	–	220,891,718	–
Total votes withheld	29,676	–	9,651	–
Total votes cast[1] (including withheld votes)	200,024,345	–	220,882,067	–

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.

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) until 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	RSP awards held		SAYE options held			
Director	Owned outright[1]	Unvested and not subject to performance	Unvested and subject to performance	Unvested and subject to continued employment	Current shareholding (% of salary/ fee[2])	Shareholding requirement (% of salary/ fee)	Guideline met?
Executive Directors							
Darcy Willson-Rymer	265,753	514,436	1,208,629	34,412	52.53%	250%	No
Matthias Seeger	–	–	268,134	12,587	0%	200%	No
Non-Executive Directors							
Paul Moody	200,000	–	–	–			
Roger Whiteside	22,250	–	–	–			
Nathan (Tripp) Lane	200,000	–	–	–			
Rob McWilliam	32,578	–	–	–			
Indira Thambiah	–	–	–	–			

1. Including shares owned by connected persons.
2. Calculated in respect of shares 'owned outright', by applying the closing share price of the Company on Wednesday 31 January 2024 of 93.4 pence and applying annual salary as at this date.

During the year, no RSP awards vested and no share options under the SAYE plan were exercised by the Directors. Since the end of the year, the Committee approved the vesting (subject to the LTIP rules and terms of the awards) of all awards granted in 2021, which includes RSP awards over 514,436 shares granted to Darcy-Willson Rymer which are now classified as unvested awards not subject to performance conditions (as reflected in the table above). 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[2]	Number of shares awarded	Face value at grant[3]	Performance period	Exercise period
Darcy Willson-Rymer							
Restricted shares[1]	24.05.23	96.5p	n/a	428,432	£413,437	01.02.23 – 31.01.26	n/a
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	27.06.23	89.3p	71.5p	2,467	£440.6	–	01.07.26 – 31.12.26
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
Matthias Seeger							
Restricted shares[1]	24.05.23	96.5p	n/a	268,134	£256,750	01.02.23 – 31.01.26	n/a
SAYE	27.06.23	89.3p	71.5p	12,587	£2,248	–	01.07.26 – 31.12.26

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. Performance conditions and underpins for the restricted share awards granted in 2021 and 2023 are set out on page 99. The restricted share awards made in 2022 are subject to the same performance conditions and underpin applicable to the awards made in 2023, save the performance period is 1 February 2022 to 31 January 2025.
2. 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.
3. Face value of SAYE awards at grant is the value of the 20% difference between the share value at grant and the exercise price, across all shares under option.

How the Policy will be applied in FY25

Salary

The Committee reviewed the annual salary for the management team, including the CEO, CFO and Chair. In determining increases, the Committee took into account market data with comparisons to other UK listed retail businesses and to UK listed companies with similar market capitalisations as well as taking into account the average salary increase across the workforce of 9.1%, noting the majority of colleagues had received an increase of at least 4%, however some higher increases had been awarded to take account the increases in National Living Wage and National Minimum Wage (+9.8%). As a result, the Committee determined the CEO, the CFO, the Chair and other members of the management team would receive a salary increase of 4% for FY25 with increases taking effect on 1 April 2024.

The salaries of the Executive Directors with effect from 1 April 2024 are as follows:

Executive Director	**1 April 2024**	1 April 2023
Darcy Willson-Rymer	**£491,400**	£472,500
Matthias Seeger	**£358,800**	£345,000[1]

1. Salary from 1 April 2023 is the annual salary that will be paid to Matthias Seeger who was appointed as CFO from 22 May 2023.

Benefits and pension

These will be paid in line with the Policy.

Annual bonus

The annual bonus for FY25 is capped at 125% and 100% of salary for the CEO and CFO (respectively), up to 70% is based on Group PBT performance and the remaining 30% can be realised from achievement of strategic objectives. The annual bonus is also subject to an ESG underpin which has been introduced from FY25 in response to shareholder feedback.

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 FY24. 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 FY25, which are shared by all of the senior management team are as follows:

Objective	Link to strategy	Bonus potential (% of maximum bonus opportunity)
Financial objectives		***70% total***
PBT based target	Group financial performance and improvement in profitability.	70%
Strategic objectives		***30% total***
cardfactory.co.uk sales	Online sales (including certain omnichannel initiatives) is one of the key strategic sales channels targeting sales growth.	15%
Retail partnership sales	Development of retail partnerships is a key growth sales channel.	15%

1. Quantums for Threshold, 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 2025.

For each element of the bonus, 15% of the maximum potential bonus opportunity pays out for threshold performance, 50% of maximum potential bonus opportunity paying out for target performance with 100% of the maximum potential bonus opportunity paying out for maximum performance. Straight-line payout applies between Threshold, Target and Stretch.

Taking into account the increasing importance of ESG to the business and to our shareholders as well as feedback received through the consultation process the Committee has introduced an ESG underpin whereby the Committee may reduce the annual bonus payout by up to 10% if the Committee considers that there has not been sufficient progress in delivering our ESG strategy. To inform its decision making at year-end the Committee will review a dashboard summarising progress against our ESG commitments, which may include but is not limited to: progression of our customer and employee experience; progression in reducing the Group's carbon footprint, waste reduction and progression of sustainability initiatives with the Group; progression against the Group's commitment to act responsibly with respect to the environment, aiming for a sustainable approach to the use of resources, avoiding irresponsible disposal of products and unnecessary waste; progression against our refreshed DE&I strategy; the Group's compliance against industry standard ESG guidelines and best practices and active management of ESG considerations and risks.

Restricted Shares

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, subject to a performance underpin and the other terms described in the new Remuneration Policy and under the renewed LTIP Scheme Rules, both of which are subject to approval by shareholders at the AGM to be held on 20 June 2024. Any awards are proposed to be granted following the AGM.

The Restricted Share Awards will be subject to a performance underpin whereby in order for the 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 management has strengthened the business. In assessing performance, the Committee will consider financial and non-financial KPIs as well as delivery against strategic priorities and ESG commitments.

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

Non-Executive Director fees

The Chair and Non-Executive Director fees, in line with other members of the management team, will be subject to a 4% increase to be effective from 1 April 2024:

	From 1 April 2024	From 1 April 2023
Base fees		
Chair	***£182,000***	£175,000
Senior Independent Director	***£62,400***	£60,000
Non-Executive Director	***£52,000***	£50,000
Additional fees		
Chair of the Remuneration Committee	***£10,400***	£10,000
Chair of the Audit & Risk Committee	***£10,400***	£10,000

Remuneration Committee membership and advisors

The Remuneration Committee membership during the period is set out in the Corporate Governance Report on page 76.

The Committee fulfils its duties with a combination of both formal meetings and informal consultation with relevant parties, both internal and external. The Committee appointed Deloitte LLP as principal external advisors in August 2023, who were appointed by the Committee following a tender process. Prior to this appointment, Korn Ferry had been retained as the Committee's advisors. Korn Ferry does not provide any other services to the Company. Deloitte LLP provide other services to the Group, including debt advisory services. Both Deloitte LLP and Korn Ferry are signatories 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. During the financial year to 31 January 2024, fees of £4,788 (inc. VAT) were paid to Korn Ferry and fees of £67,578 (inc. VAT) were paid to Deloitte LLP in respect of advice to the Committee. The Committee is comfortable that the Deloitte and Korn Ferry engagement partners and team that provides remuneration advice to the Committee do not have connections with the Company or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Committee activities

During FY24 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 FY24, assess appropriateness of the policy, review of alternative approaches to remuneration as part of the triennial review of the Remuneration Policy, consult with shareholders on the proposed changes and finalise the proposed Remuneration Policy, taking account of feedback received.
- Consider and finalise the terms for renewal of the LTIP Rules and SAYE Rules and approval of the resolutions proposed at the 2024 AGM.
- Consider performance against targets and resulting bonus payments for FY23 and proposed bonus awards for FY24 and vesting of the 2020 and 2021 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 FY24 annual executive bonus plan and to agree the measures and targets for the FY25 annual executive bonus.

- 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 consulted with shareholders and the Colleague Listening Group on the changes proposed to be made to the Directors' Remuneration Policy (set out on pages 88 to 95). Further details of the consultation are set out on page 95. Support for the current Directors' Remuneration Policy, that was adopted at the 2021 AGM, has the support of 94.98% and the FY23 Directors' Remuneration Report at the 2023 AGM received support from shareholders holding 99.94% 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 'bHeard' survey, assessed by Best Companies Limited (see page 52). cardfactory continues to work on some of the key themes and outputs from the survey and we continue with the Colleague Listening Group 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 CLG. Further details of stakeholder engagement are set out on pages 48 to 55.

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 page 53) and our DE&I policy which is summarised on page 109. 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 29 April 2024.

Indira Thambiah
Chair of the Remuneration Committee
30 April 2024

NOMINATION COMMITTEE
CHAIR'S LETTER

Paul Moody
Chair of the Nomination Committee

Committee members	FY24 Meeting attendance
Paul Moody (Chair)	1/1
Roger Whiteside	1/1
Rob McWilliam	1/1
Indira Thambiah	1/1

FY24 has been a year of further progress, particularly on succession planning and board effectiveness evaluation."

Dear Shareholder

Introduction
FY24 has been a year of further progress for the Nomination Committee, particularly on succession planning and board effectiveness evaluation. The key activities of the Committee during the period include:

- The internally conducted evaluation of the Board's effectiveness (July to October 2023) culminating in review of performance against the Board objectives set in November 2022 and setting new Board objectives (see page 77).
- Review of the Board's, the senior management team and their direct report's succession planning and actions to support the future internal promotion of internal candidates. One of the outcomes of this review included appointment of Odgers Berndtson to support the appointment of an additional Non-Executive Director, which is ongoing at the time of publication of this Annual Report. Save for prior appointments of Odgers Berndtson by the Company for Board appointments, and appointment of Odgers Berndtson by boards that each of Rob McWilliam and I are Non-Executive Directors, Odgers Berndtson do not have any other connections with either the Company or the Directors.
- Review and assessment of the recruitment and appointment of the Chief Information Officer (a member of the senior management team), who joined the business in December 2023.
- Oversight and engagement on the sustainability and ESG agenda, in particular supporting progress on ensuring cardfactory is a genuine diverse and inclusive place to work and to review the progress in improving the culture within the business (see page 38).
- The Board recognises that changes in the composition of the Board and senior management team early in the year resulted in a reduced diversity, inconsistent with the diversity reflected across the entire colleague base. The Board recognise the need for much improvement and aspire to achieve the gender targets and maintain the ethnicity targets arising from the Parker review. A specific objective of the Board (following the Board effectiveness review completed in October 2023) is to enhance the Board's diversity and meet the Listing Rules requirements by December 2024. The current recruitment of an additional Non-Executive Director is expected to support progress towards meeting this objective.
- We are scheduled to undertake an externally moderated Board effectiveness assessment later in 2024, and will progress our succession planning and diversity and inclusion agenda.

Yours sincerely

Paul Moody
Chair
30 April 2024

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 page 77.

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 pages 32 to 39 and in respect of our Colleague engagement on pages 52 and 53.

We published our Gender Pay Gap Report in April 2024, which reports on the gender pay gap as at 5 April 2023. 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 as at the reference date of 31 January 2024, 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)
Men	6	85.7%	4	8	88.8%
Women	1	14.3%	–	1	11.1%

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
White British or other White (including minority-white groups)	6	85.7%	4	8	88.8%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	1	14.3%	–	1	11.1%
Black/African/Caribbean/ Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

For the 39 direct reports to the executive management team as at 31 January 2024, 54% (21 individuals) are women 48% (18 individuals) are male. Of the entire workforce of 9991 as at 31 January 2024, 81% (8,141 individuals) are women and 19% (1,850 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 77. Board evaluation will continue to be conducted on an annual basis, with an externally facilitated evaluation scheduled to be completed during the financial year to 31 January 2025.

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 20 June 2024.

Paul Moody
Chair of the Nomination Committee
30 April 2024

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements for the year ended 31 January 2024.

Introduction

This section of the Annual Report & 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.

The Company indirectly owns subsidiaries incorporated overseas. See note 4 to the Company Financial Statements on page 158.

Strategic Report

The Strategic Report, which was approved by the Board on 29 April 2024 and is set out on pages 1 to 69, 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 (on pages 49 to 55) details of how we engage with suppliers, customers and other 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 for the Group for the year after taxation was £49.5 million (FY23: £44.2 million). The results are discussed in greater detail in the CFO's pages 56 to 63.

The Directors propose a final dividend of 4.5 pence per share in respect of the period ended 31 January 2024, to be paid on 28 June 2024 to shareholders on the register on the record date of 31 May 2024, subject to shareholder approval at the AGM to be held on 20 June 2024 (FY23 final dividend: nil). No interim dividend has been paid in respect of the period ended 31 January 2024 (FY23: nil).

Post year-end events

On 26 April 2024, the Group entered into new debt facilities, details of which are set out in the CFO Review on page 62.

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 pages 145 to 146. Since the end of the FY24 financial year, to 29 April 2024 (being the latest practicable date prior to publication of this report), the Company issued 68,256 shares to satisfy awards granted and vesting 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 29 April 2024 (being the latest practical date before publication of this report) is 345,644,617. 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 pages 152 to 153. Details of the share-based incentive schemes in place are provided in the Directors' Remuneration Report on pages 88 to 95. Awards granted under the share-based incentive schemes are generally satisfied on vesting or exercise by the allotment of new shares.

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 are accessible from Companies House and the cardfactoryinvestors.com website.

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 29 April 2024 the following had notified the Company on form TR1 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	37,998,886	10.99%
Artemis Investment Management LLP	29,731,077	8.61%
Aberforth Partners LLP	22,753,964	6.59%
JP Morgan Asset Management	18,650,368	5.40%
Jupiter Asset Management	17,133,053	4.96%
Majedie Asset Management Limited	16,819,832	4.87%
The Wellcome Trust	10,733,554	3.11%

The notified shareholding for Teleios Capital Partners LLC as at 31 January 2023 was 40,115,038 shares which amounted to 11.61% of the then issued share capital. Otherwise, the shareholdings noted above reflect the notifications received as at 31 January 2024.

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 26 April 2024 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 153 of the Annual Report and Accounts.

Directors

The Directors of the Company and their biographies are set out on pages 70 and 71. Details of changes to the Board during the period are set out on page 72. Details of how Directors are appointed and/or removed are set out in the Corporate Governance Report on page 78.

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 78. As at 31 January 2024, the Directors had shareholder authority, granted at the AGM in 2023, to effect a purchase by the Company of up to 34,265,427 of its own shares. None of this authority had been used during FY24. This authority is proposed to be renewed at the AGM to be held in 2024.

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 78.

Employees

Information relating to employees of the Group, including the colleague listening group and employee forums which facilitate understanding colleague views in decision making, is set out on pages 52 and 53. Share incentive schemes in which employees participate are described in the Directors' Remuneration Report on pages 88 to 95 and in note 25 to the financial statements on pages 152 and 153.

We recognise that a diverse workforce is important to our culture and this includes the employment of disabled persons. Full and fair consideration is given to applications from disabled persons and support is available for colleagues who have become disabled during their employment. Our approach is non-discriminatory and proactive. At any point during the colleague lifecycle from recruitment through job changes or promotions and with training and development opportunities we will support disabled colleagues by making adjustments to accommodate their requirements and would seek professional occupational health advice when required. We have a broad offering of wellbeing support including an employee assistance programme and a mental health first aiders network. We encourage any colleague with a disability to talk to their manager or to get support from the People Team to ensure that they can successfully balance a health condition with work.

Getting a job at cardfactory and access to training and career development is based on merit on we would not consider any protected characteristic as a barrier to recruitment or progression. For more information on our approach to disability in the workplace see page 53.

Greenhouse gas emissions

The TCFD Report on pages 40 to 46 sets out the greenhouse gas emissions disclosures and the energy efficiency action taken during the financial year are summarised on page 47.

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 pages 148 to 150. These risks are managed in accordance with the risk management framework described on pages 64 and 65, 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 56 to 63.

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 FY24 and the amount and treatment of any related tax relief. R1	Not Applicable
Any information required by Listing Rule 9.2.18 R (publication of unaudited financial information). R2	Not Applicable
Details of any long-term incentive schemes. R4	Page 90
Details of any arrangements under which any Director has waived or agreed to waive any emoluments for FY24 or any future emoluments. R5 R6	Not Applicable
Details of cash allotments of shares by Card Factory plc or any major subsidiary undertaking, during FY24. R7 R8	See note 7 to the notes to the Parent Company financial statements on page 159
Details of any placing of shares by Card Factory plc during FY24. R9	Not Applicable
Details of any contract of significance in which a Director or controlling shareholder is materially interested, subsisting during FY24. R10	Not Applicable
Details of any contract for the provision of services to the Group by a controlling shareholder subsisting during FY24. R11	Not Applicable
Details of any arrangement under which a shareholder has waived or agreed to waive any dividends. R12	Not Applicable
A statement by the Board in respect of any agreement with a controlling shareholder. R14(a)	Not Applicable

Disclosure required under Listing Rule 7 (Corporate Governance)

The Corporate Governance Report on pages 73 to 79 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 40 to 47 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 40 to 47. The sections identified in green or amber in the table on pages 40 to 47 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 127 to 136.

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 66 to 68.

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 2029 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 would require extension options in the Group's newly agreed financing facilities to be successfully exercised, but the Board currently have no reason to believe that the Group's existing facilities would not be extended, 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 FY24 and assumes a conservative model of sales growth across the five year horizon, and 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 wage inflation, lower GBPUSD exchange rates that may be applicable from the end of the Group's existing hedge, and the impact of potential rising prices on freight and utilities. The plan indicates that the Group will remain profitable, cash generative and demonstrated that the Group would have headroom and comply with covenants equivalent to those set out in our April 2022 facilities. These April 2024 financing package extend the available facilities to £125 million with a relative easing of restrictions and covenant requirements in relation to the 2022 financing package.

In assessing viability, the Board has considered a variety of downside scenarios arising from the Group's principal risks and uncertainties (see pages 66 to 68). 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 of our covenants or liquidity position. 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 or postponement or cancellation of dividend payments. 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 2029.

Assumption	Assumption limitations
Available funding The strategic plan was developed assuming that the covenants and headroom under the current facilities available in the 2022 financing package were consistent throughout the five years. These facilities have since been replaced in April 2024 as a new financing package has been agreed, extending the available facilities to £125 million over an extended term, with a relative easing of restrictions and covenant requirements in relation to the 2022 financing package.	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 was high relative to prior years as we invest in order to deliver our strategy as set out in May 2023. Investment is expected to remain at approximately £25 million from FY25 and through the remainder of the plan.	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 Following the cessation of previous restrictions and successful deleveraging of the balance sheet over a number of years, the Board has assessed cash flow forecasts, the availability of financing and the Group's plans to return surplus cash to shareholders in its' strategic plan. A final dividend of 4.5 pence per share is proposed in respect of the period ended 31 January 2024 subject to Shareholders' approval at the AGM on 20 June 2024 and is to be paid on 28 June 2024 to shareholders on the register on the record date of 31 May 2024 (See page 63 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. The Group's Capital Allocation Policy requires that the Board balances investment and returns against protecting the balance sheet.

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, Mazars LLP, for the year ended 31 January 2024 and concluded that the external auditor was in all respects effective, as explained on page 83. The Company first appointed Mazars LLP on June 2023 as its auditor following a competitive tender undertaken in 2022 resulting in Mazars LLP first audit being the audit of the accounts for the 12 months to 31 January 2024. Mazars LLP has expressed its willingness to be re-appointed as auditor. Accordingly, and in accordance with Section 489 of the Companies Act, resolutions to re-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 20 June 2024 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.

Approval of the Annual Report

The Strategic Report and the Corporate Governance Report were approved by the Board on 29 April 2024.

Ciaran Stone
Company Secretary
30 April 2024

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
30 April 2024

INDEPENDENT AUDITOR'S REPORT
to the members of Card Factory Plc

Opinion
We have audited the financial statements of Card Factory Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2024 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 notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2024 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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 under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standards as applied to listed entities and public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the group's and the parent company's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts, as described in note 1, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. We have challenged reverse stress tests performed by management and assessed the viability of mitigating actions within the directors' control;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Engaging in regular discussions with the directors regarding the status of negotiations in respect of new financing options;
- Considering the consistency of the directors' forecasts with other areas of the financial statements and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to Card Factory Plc's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to Card Factory Plc's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting; and
- the directors' identification in the financial statements of the material uncertainty related to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key audit matter	How our scope addressed this matter
Store inventory completeness and existence *Refer to page 134 (accounting policy), and page 143 financial disclosures.* We have identified a significant risk over the existence of store inventory due to the level of manual processing involved to determine the inventory quantities held at the year-end. Stores do not have a full stock loop process and store inventory quantities held at the year-end are determined by year end physical counts which rely on manual count procedures. The high volume and large range of inventory inherently increases the likelihood of error. Based on our assessment of the inherent risk and the audit effort that was required to obtain sufficient and appropriate evidence over the balance at the year end, we have determined store inventory completeness and existence to be a Key audit Matter.	Our audit procedures included but were not limited to: • Testing the design and implementation of key controls related to this business process. • Performing independent inventory counts for a selection of stores. We traced the results of the inventory counts we attended through to the accounting system. In performing these counts, we incorporated unpredictability regarding the location of the stores visited. • Performing independent counts over seasonal inventory post year end and performing roll back procedures. • Where management counts were performed on a date other than the year end, testing management's reconciliation of their count results by recalculating the mathematical accuracy of this analysis and agreeing the movement including sales and receipts to the stores to supporting evidence. • Performing risk assessment procedures to identify unusual movements and trends in inventory values. ***Our observations*** The results of our procedures were satisfactory. Control recommendations relevant to store inventory counts were communicated to the Audit Committee.

Key audit matter	How our scope addressed this matter
Inventory valuation *Refer to page 128 (key sources of estimation uncertainty, 134 (accounting policy), and page 143 financial disclosures.* The Group has significant levels of inventory and management exercise judgement to estimate the value of stock that is considered slow moving or discontinued, and the required provision per the requirements of IAS 2 – Inventories. We have identified a risk of fraud relating to inventory valuation estimates. The determination of the Net Realisable Value ('NRV') of inventory has a high degree of estimation uncertainty and there is an increased risk of fraud and error due to the manual nature of the process.	Our audit procedures included but were not limited to: • Assessing the appropriateness of the Group's inventory provisioning policies based on our understanding of the business. • Testing the design and implementation of key controls related to this business process. • Inspecting historical sales per stock line and challenging the group on the extent to which historical sales inform the provision estimated per stock line at the year-end date. • Re-calculating provision rates applied to each stock line. • Reperforming the provision calculations based on the Group's provisioning methodology. • Inspecting a sample of stock lines in each seasonal category to validate that the determination of category was appropriate. • Comparing sales data in the period to the stock quantities recorded at year end to assess whether slow moving stock line and discontinued inventories were appropriately considered in the provisioning methodology. ***Our observations*** The results of our procedures were satisfactory. Control recommendations relevant to inventory provisioning were communicated to the Audit Committee.

Key audit matter	How our scope addressed this matter
Recoverability of Goodwill *Refer to page 134 (accounting policy), and page 140 financial disclosures.* The carrying value of Card Factory plc's goodwill is a material balance of £313.8m at 31 January 2024. There is a risk of error relating to the calculation of the recoverable amount. There is a significant risk that the assessment may not have been performed in line with the requirements of IAS 36 and that the assumptions used such as discount and growth rates are not supported by qualitative or quantitative information. Management exercise judgement and there is inherent estimation uncertainty when projecting cash flows into the future to determine value in use. We have identified this as a Key Audit Matter based on the levels of audit attention in this area and the significant quantum of this balance to the group's balance sheet (56% of total assets).	Our audit procedures included, but were not limited to: • Testing the design and implementation of key controls related to this business process. • Inspecting management's inputs and key assumptions in VIU calculations, including the mathematical accuracy of the calculations. • Agreeing assumptions to supporting documentation such as board's approved budgets. • Assessing the underlying assumptions behind the impairment assessment, and challenging management on alternative assumptions and estimates by using alternative data sources. • Assessing and challenging the discount rate calculated by management. • Performing sensitivity analysis on the key assumptions, including consulting with valuation experts in our review of discount rates used. ***Our observations*** The results of our procedures were satisfactory. Control recommendations relevant to Goodwill impairment were communicated to the Audit Committee.

Key audit matter	How our scope addressed this matter
Recoverability of parent company's investment in subsidiary *Refer to page 157 (accounting policy), and page 158 financial disclosures.* The parent company holds a material investment in subsidiaries of £316.2m at 31 January 2024. There is a risk of error relating to the identification of impairment triggers, and the judgement required when assessing for impairment. There is a risk of material misstatement of asset values if management's assessment does not accurately consider potential triggers. We have identified recoverability of parent company's investment in subsidiaries as a Key Audit Matter. This is based on the quantum of this balance relative to the parent company Statement of financial position (99% of total assets).	Our audit procedures included, but were not limited to: • Testing the design and implementation of key controls related to this business process. • Inspecting and challenging management's impairment trigger assessment including but not limited to the following procedures: • Inspecting of the carrying value with specific reference to the year-end market capitalisation. • Considering other internal and external triggers per IAS 36 Impairment of Assets. ***Our observations*** The results of our procedures were satisfactory with no matters to report to the Audit Committee.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality

Overall materiality	£3.2m
How we determined it	5% of profit before tax
Rationale for benchmark applied	Profit Before Tax is the primary benchmark for Public Interest Entities. The entity is profit orientated and we have determined that Profit Before Tax is of principal interest to the users of the financial statements.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £1.9m, which represents 60% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £0.1m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Parent company materiality

Overall materiality	£1.5m
How we determined it	0.5% of total assets
Rationale for benchmark applied	Card Factory Plc is a holding entity, and therefore not profit or revenue focused. Total assets is deemed to be the most appropriate benchmark for the users of the financial statements. We have selected 0.5% of Total Equity which is capped at component materiality.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £0.9m, which represents 60% of overall materiality.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £45k as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the group and the parent company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our group audit scope included an audit of the group and the parent company financial statements. Based on our risk assessment, three components including the parent company were subject to full scope audit performed by the group audit team and one component was subject to the audit of one or more balances and/or class of transactions. The component scoped in for audit procedures over one or more account balances and/or disclosures were not individually financially significant enough to require a full scope audit for group purposes, but the group audit risk assessment identified specific material balances and/or disclosures to be addressed. In addition, two components were subject to analytical procedures and review of financial information by the group audit team.

We set out below a summary of the group approach to demonstrate the coverage of group revenue, profit before tax, and total assets resulting from auditing the components including the parent company.

	Revenue	Profit before tax	***Total assets***
Full scope audit	95%	94%	***98%***
Audit procedures over one or more account balances and/or disclosures	2%	0%	***1%***
Review of financial information	3%	6%	***1%***

The audit of the component financial information was performed by the same group engagement team under the group engagement partner's direct supervision. Component materiality ranges from between £0.3m to £3.2m.

At the parent company level, the group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the parent company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the:

- strategic report or the directors' report; or
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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; or
- a corporate governance statement has not been prepared by the parent company.

Corporate governance statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to Card Factory Plc's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 130;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate, set out on page 130;
- Directors' statement on fair, balanced and understandable, set out on page 115;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 115;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 78; and
- The section describing the work of the audit committee, set out on page 80.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 115, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors 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 for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the group and the parent company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19 and data protection.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the group and the parent company, the industry in which they operate, and the structure of the group, and considering the risk of acts by the group and the parent company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the group and the parent company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities;
- Reviewing minutes of directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the estimate of stock lines that may require writing down to realisable value, revenue recognition (which we pinpointed to the occurrence of stores and online revenue), and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Seeking disconfirming evidence by obtaining external records to assess management assumptions against.
- Incorporating an element of unpredictability in the selection of the nature, timing, and extent of audit procedures performed.
- Including the use of data analytics to identify outliers in testing performed.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Audit and Risk committee on 3 May 2023 to audit the financial statements for the year ending 31 January 2024 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the years ending 1 February 2023 to 31 January 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

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.

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules, these financial statements will form part of the electronic reporting format prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority. This auditor's report provides no assurance over whether the annual financial report will be prepared using the correct electronic reporting format.

Charlene Lancaster (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
One St Peter's Square
Manchester
M2 3DE

30 April 2024

CONSOLIDATED INCOME STATEMENT

For the year ended 31 January 2024

	Note	2024 £m	2023 £m
Revenue	2	***510.9***	463.4
Cost of sales		***(326.0)***	(302.7)
Gross profit		***184.9***	160.7
Other operating income	22	***2.0***	–
Operating expenses	3	***(110.5)***	(96.9)
Operating profit	3	***76.4***	63.8
Gain on bargain purchase	30	***2.6***	–
Finance expense	6	***(13.4)***	(11.4)
Profit before tax		***65.6***	52.4
Taxation	7	***(16.1)***	(8.2)
Profit for the year		***49.5***	44.2

Earnings per share		***pence***	pence
– Basic	9	***14.4***	12.9
– Diluted	9	***14.3***	12.8

All activities relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2024

		2024 £m	2023 £m
Profit for the year		***49.5***	44.2
Items that may be recycled subsequently into profit or loss:			
Exchange differences on translation of foreign operations		***(0.5)***	(0.2)
Cash flow hedges – changes in fair value	***24***	***(2.9)***	8.2
Cost of hedging reserve – changes in fair value	***24***	***0.1***	(0.2)
Tax relating to components of other comprehensive income	***13***	***0.7***	(1.2)
Other comprehensive income for the period, net of income tax		***(2.6)***	6.6
Total comprehensive income for the period attributable to equity shareholders of the parent		***46.9***	50.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2024

	Note	2024 £m	2023 £m
Non-current assets			
Intangible assets	10	***331.4***	326.3
Property, plant and equipment	11	***45.9***	32.2
Right of use assets	12	***99.2***	100.5
Deferred tax assets	13	***1.2***	2.1
Derivative financial instruments	24	***0.6***	0.5
		478.3	461.6
Current assets			
Inventories	14	***50.0***	45.3
Trade and other receivables	15	***11.6***	13.3
Derivative financial instruments	24	***0.9***	5.3
Cash at bank and in hand	16	***11.3***	11.7
		73.8	75.6
Total assets		***552.1***	537.2
Current liabilities			
Borrowings	17	***(7.1)***	(27.1)
Lease liabilities	12	***(25.3)***	(27.3)
Trade and other payables	18	***(80.1)***	(84.7)
Provisions	22	***(7.5)***	(9.5)
Tax payable		***(0.4)***	–
Derivative financial instruments	24	***(1.7)***	(1.4)
		(122.1)	(150.0)

	Note	2024 £m	2023 £m
Non-current liabilities			
Borrowings	17	***(37.9)***	(40.4)
Lease liabilities	12	***(75.5)***	(78.1)
Derivative financial instruments	24	***(0.8)***	(0.5)
		(114.2)	(119.0)
Total liabilities		***(236.3)***	(269.0)
Net assets		***315.8***	268.2
Equity			
Share capital	19	***3.5***	3.4
Share premium	19	***202.7***	202.2
Hedging reserve		***(0.6)***	3.5
Cost of hedging reserve		***–***	(0.1)
Reverse acquisition reserve		***(0.5)***	(0.5)
Merger reserve		***2.7***	2.7
Retained earnings		***108.0***	57.0
Equity attributable to equity holders of the parent		***315.8***	268.2

The financial statements on pages 124 to 154 were approved by the Board of Directors on 30 April 2024 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 2024

	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 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***
Total comprehensive income for the period								
Profit or loss	–	–	–	–	–	–	***49.5***	***49.5***
Other comprehensive income	–	–	***(2.2)***	***0.1***	–	–	***(0.4)***	***(2.5)***
	–	–	***(2.2)***	***0.1***	–	–	***49.1***	***47.0***
Hedging gains/(losses) and costs of hedging transferred to the cost of inventory	–	–	***(2.5)***	–	–	–	–	***(2.5)***
Deferred tax on transfers to inventory	–	–	***0.6***	–	–	–	–	***0.6***
Deferred tax related to Share-based payments	–	–	–	–	–	–	***(0.2)***	***(0.2)***
Transactions with owners, recorded directly in equity								
Shares issued (note 19)	***0.1***	***0.5***	–	–	–	–	–	***0.6***
Share-based payment charges (note 25)	–	–	–	–	–	–	***2.1***	***2.1***
Dividends (note 8)	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	***0.1***	***0.5***	–	–	–	–	***2.1***	***2.7***
At 31 January 2024	***3.5***	***202.7***	***(0.6)***	–	***(0.5)***	***2.7***	***108.0***	***315.8***

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 January 2024

	Note	2024 £m	2023 £m
Cash from operations	20	***118.7***	107.8
Corporation tax paid		***(13.5)***	(7.9)
Net cash inflow from operating activities		***105.2***	99.9
Cash flows from investing activities			
Purchase of property, plant and equipment	11	***(18.8)***	(8.8)
Purchase of intangible assets	10	***(9.0)***	(9.4)
Acquisition of SA Greetings net of cash acquired	30	***(2.2)***	
Net cash outflow from investing activities		***(30.0)***	(18.2)
Cash flows from financing activities			
Interest paid on bank borrowings	6	***(6.5)***	(6.2)
Proceeds from bank borrowings	21	***167.0***	27.8
Repayment of bank borrowings	21	***(190.6)***	(72.9)
Other financing costs paid	6	***–***	(1.8)
Shares issued under employee share schemes	25	***0.6***	–
Payment of lease liabilities	21	***(37.5)***	(52.5)
Interest paid in respect of lease liabilities	21	***(6.2)***	(4.5)
Net cash outflow from financing activities		***(73.2)***	(110.1)
Impact of changes in foreign exchange rates		***(0.8)***	–
Net increase/(decrease) in cash and cash equivalents		***1.2***	(28.4)
Cash and cash equivalents at the beginning of the year		***9.9***	38.3
Closing cash and cash equivalents	16	***11.1***	9.9

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.

The principal activities of the Group and the nature of the Group's operations are as a vertically integrated, omnichannel retailer of cards, gifts and celebration essentials.

These financial statements are presented in Sterling, which is also the Company's functional currency, and are rounded to the nearest million. Foreign operations are included in accordance with the policies set out within this note.

Throughout these financial statements, references to 'FY24' refer to the financial year ended 31 January 2024, and references to 'FY23' refer to the financial year ended 31 January 2023.

Basis of preparation

These financial statements have been prepared in accordance with UK-adopted International Accounting Standards ('UK IFRS'), applicable law and with the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has considered the financial position of the Group, its cash flows, liquidity position and borrowing facilities as set out in CFO's review on pages 56 to 63.

The financial statements have been prepared under the historical cost convention, except for certain assets and liabilities that are measured at fair value (including derivative financial instruments and assets and liabilities valued as part of the acquisition of SA Greetings).

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.

Judgements are also reviewed on an ongoing basis to ensure they remain appropriate. The Group does not consider there to be any judgements made in the current period that have had a significant material effect on the amounts recognised in the financial statements.

1 Accounting policies *continued*

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.

Inventory provisioning

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.

In FY24, 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 FY24, the total inventory provision was £9.6 million (FY23: £16.1 million), comprised of fully-provided stock lines of £1.3 million and partially provided lines of £8.3 million. The reduction in the value of the provision year-on-year generally reflects the continued normalisation of stock levels following the Covid pandemic as well as the reduction due to changes in provisioning percentages as a result of higher sell through rates in FY24 compared with the prior year. 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 balanced 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 2024, and could require a material adjustment to the carrying amount of the provision in the next financial year.

The element of the provision which is most sensitive to estimation is the percentages applied to the various categories of stock in stores and distribution centres. A 5% change in the percentages applied to each category would cause a +/-£0.7 million movement in the overall value of the provision.

Other sources of estimation uncertainty

Grant income

During the Covid-19 pandemic, the Group received financial assistance under various Government schemes intended to support businesses affected by local and national restrictions, 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 for, 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.

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 was recognised as a one-off benefit in the income statement in FY23.

Subsequent to the balance sheet date, the Group has reached a proposed settlement with the Department for Business and Trade for a portion of the provision that relates to business support grants received by the Group during FY21 and FY22. The value of the proposed settlement is £3.3 million and following a review of the residual position, the Group has released a further £2.0 million from the provision which reflects a proportionate reduction in the value of the provision for the amounts still to be settled. This release has been recognised as a one-off benefit in other operating income in the FY24 income statement. The business support grants settlement of £3.3 million was paid in April 2024.

The Group continues to hold discussions regarding settlement of the remaining element of the provision and to date has received no new substantive evidence regarding its position in respect of other support received relating to business rates relief. A further provision of £2.2 million is held at the balance sheet date in respect of potential repayment of support received in excess of subsidy control thresholds for business rates relief, consistent with the nature of the provision held in the prior year. The minimum requirement for this element of the provision is expected to be £1.2 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 reasonable assessment of the amount that may be repayable. The Group does not believe that any position within the range of reasonably possible outcomes would reflect a material change to the provision held at the balance sheet date.

1 Accounting policies *continued*

Other sources of estimation uncertainty *continued*

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.

Goodwill

In FY24, 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 and noted no reasonably possible change in assumptions that would lead to a material change in the accounting outcome.

Right of use assets and tangible assets

In addition, the Group conducted a store-level impairment review specifically covering right-of-use assets and property, plant and equipment insofar as they are directly allocable to stores. As below, the Group estimates the value in use of ROU and tangible assets at a store level based on future cash flows derived from forecasts included within the Group's approved budget. 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 around 1% of the store portfolio can be loss-making at any time, the Group concluded this condition was met for FY24.

Intangible assets

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.

Approach and results

The Group assessed the recoverable amount of these 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 (intangible assets) and note 12 (leases) which includes the key assumptions considered. The impairment test 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 a material impairment. The impairment tests show that reasonably possible changes in the assumptions relating to the Online assets could lead to an immaterial impairment charge in the future if Online sales do not grow in line with our expectations in future years.

The Group recorded a net nil impairment charge in respect of stores, which is comprised of £2.7 million of impairment charges and £2.7 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 and outlook. The net impairment charge in the current year included a net reversal to impairment on Right of use assets of £0.2 million and a net charge to PPE of £0.2 million. 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 of £1.1 million. The charge relates to costs incurred in developing the Online Platform within the Getting Personal CGU that is considered to be impaired as a result of the expected future cash flows expected to be derived from the Getting Personal CGU. Although an impairment has been recorded against the intangible asset carrying value, the Getting Personal platform continues to trade and provides valuable support to the overall strategy of growing online sales across both platforms and makes an important contribution to total online sales volumes. The Group's strategic focus online continues to be the CF Online platform where the Group is investing and is encouraged by recent positive LFL (Like-for-like) sales performance.

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 2024.

1 Accounting policies *continued*

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 second full year of trading after two consecutive years that were materially affected by the Covid-19 pandemic. LFL sales have been positive and the Group has delivered robust operating cash flows allowing the Group to reduce 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 adversely affected the Group's liquidity headroom.

The Group's financing facilities at the balance sheet date (see note 17) extended to September 2025 which covers a period greater than the minimum assessment period of 12 months from the date of approval of the financial statements. Subsequent to the year end, on 26 April 2024, the Group entered into an updated £125 million revolving credit facility with an initial term to April 2028 (see note 17). The Board believes that the updated facilities provide adequate headroom for the Group to execute its strategic plan. At 31 January 2024, net debt (excluding lease liabilities) was £34.9 million and the Group had £74.0 million of undrawn facilities.

The UK Corporate Governance Code requires that an assessment is made of the Group's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements; however it is not specified how far beyond 12 months should be considered. For the purpose of assessing the going concern assumption, the Group has prepared cash flow forecasts for the 12 month period following the date of approval of these accounts, which incorporate the updated debt facilities and related covenant measures. These forecasts are extracted from the Group's approved budget and strategic plan which covers a period of five years. Within the 12-month period, the Group has considered qualitative scenarios and the Group's ability to operate within its existing banking facilities and meet covenant requirements. Beyond the 12-month period, the Group has qualitatively considered whether any factors (for example the timing of debt repayments, or longer-term trading assumptions) indicate a longer period warrants consideration.

The results of this analysis were:

- The Group's base case forecasts indicate that the Group will continue to trade profitably, generate positive operating cash flows and retain substantial liquidity headroom against 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.
- In the Board's view, there are no other factors arising in the period immediately following 12 months from the date of signing 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 25%, 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 breach of covenants associated with the Group's financing. 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 either a covenant breach or exhausting liquidity 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. Such scenarios, in excess of the scenarios considered above, are not considered reasonably plausible and the analysis did not consider any potential upside from mitigating actions that could be taken to reduce discretionary costs and provide further headroom or the increased headroom afforded by the new facilities agreed.

Over recent 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.

Subsequent to the year end on 26 April 2024, the Group successfully concluded a refinancing of its debt facilities, having agreed a new four-year £125 million committed revolving credit facility with a syndicate of banks. The existing revolving credit facility and Term Loan B have been fully repaid and cancelled.

The new facilities have an initial maturity date in April 2028, with options to extend by up to 19 months, subject to lender approval. The facilities include a £75 million accordion, which can be drawn subject to lender approval. The interest margin on the facilities is dependent upon the Group's leverage position, with margins between 1.9-2.8% which is lower than the previous facilities. The new facilities include covenants for a maximum leverage ratio (calculated as net debt excluding leases divided by EBITDA less rent costs for the prior 12 months) of 2.5x and a fixed charge cover ratio of at least 1.75x. The Group expects to operate comfortably within these covenant levels for the foreseeable future. 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.

1 Accounting policies *continued*

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:

- IFRS 17 – Insurance Contracts
- Amendments to IFRS 17 – Initial application of IFRS 17 and IFRS 9 – comparative information
- Amendments to IFRS 4 – Extension to the temporary exemption from applying IFRS 9
- Amendments to IAS 1 – Disclosure of accounting policies
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12 – International Tax Reform - Pillar Two Model Rules
- Amendments to IAS 8 – Definition of accounting estimates

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.

- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback[1]
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current[1]
- Amendments to IAS 1 – Non-current liabilities with Covenants[1]
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements[1]

1. Effective for annual periods starting on or after 1 January 2024.

In the period the Group has early-adopted the requirements of Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1). These amendments clarify the treatment of non-current liabilities with covenants attached to them – in particular, that when assessing whether a liability with covenants is current or non-current, an entity should classify a liability as non-current if it has the right to defer settlement of an obligation for a period of at least 12 months from the balance sheet date. Covenants shall affect this analysis only if the entity is required to comply with the covenant on or before the end of the reporting period.

As a result, the Group has reclassified amounts due under its revolving credit facility (see note 17) as non-current on the basis that it has the right to roll over such obligations until September 2025 and is compliant with all relevant covenant requirements at the balance sheet date. Comparatives for the year ended 31 January 2023 in these financial statements have been restated on the same basis.

The adoption of these amendments has had no other impact on the Group's financial statements.

The application of the remaining standards and amendments in future periods is not currently expected to have a material impact on the Group's financial statements.

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. Where net assets acquired are in excess of the fair value of consideration, a gain on bargain purchase is recognised in the Consolidated Income Statement immediately, which is the case for the acquisition of SA Greeting in the year. 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.

1 Accounting policies *continued*

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 online sales is recognised on delivery of goods to the customer. Revenue attributable to retail partners and non-retail customers currently represents a small percentage of Group revenue and revenue is typically recognised at a point in time based on a single performance obligations supplying standard Group products. The single performance obligation varies by Partnership agreement, including from the point of dispatch to delivery to end customer. Payment terms for retail partners are typically 30-60 days from invoicing. Payment terms for wholesale revenue are typically 30-90 days from invoicing.

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. These contracts also give rise to performance-based variable consideration including license and franchise fees. 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.

In addition, the Group has accessed financing facilities under the Coronavirus Large Business Interruption Loan Scheme (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 and this facility has been repaid in full as at 31 January 2024.

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.

Cash and cash equivalents

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, cash held in stores in the form of till floats, money market funds and credit card payments where cash is received into the bank within 2 working days of the transaction. Bank transactions are recorded on their settlement date.

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.

1 Accounting policies *continued*

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.

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.

1 Accounting policies *continued*

Derivative financial instruments *continued*

Cash flow hedges *continued*

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, fixtures and fittings	3 – 10 years
• Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Depreciation on assets under construction does not commence until they are complete and available for use and the asset has been classified into one of the categories as above.

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 ten years.

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. Similarly, if an impairment reversal arises, the asset value is adjusted to its carrying amount, provided this exceeds the recoverable amount, and the impairment reversal 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 moving average price methodology based on the cost of inventory purchases. The moving average price is updated to reflect the latest cost each time inventory is purchased. Intra-Group profit on inventory (i.e. the difference between the retail standard cost and actual manufactured cost) is eliminated on consolidation.

Provisions are made for obsolete, slow-moving and discontinued inventories, based on experience and the Group's merchandising plans for current and future seasons.

1 Accounting policies *continued*

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.

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.

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.

1 Accounting policies *continued*

Leases *continued*

Accounting as a lessee *continued*

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

The Group acquired SA Greetings on 25 April 2023 (see note 30). The results of SA Greetings have been included in the Partnerships segment for the year ended 31 January 2024.

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

The Board reviews revenue and EBITDA by segment, with the exception of Printcraft by virtue of its operations being predominantly intra-group in nature. Note that under IFRS EBITDA is considered to be a non-GAAP measure as considered in the appendix to these financial statements. 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:

Revenue:	2024 £m	2023 £m
cardfactory Stores	478.9	440.4
cardfactory Online	8.8	8.8
Getting Personal	5.9	8.5
Partnerships	17.0	5.0
Other	0.3	0.7
Consolidated Group revenue	510.9	463.4
Of which derived from customers in the UK	484.8	451.6
Of which derived from customers overseas	26.1	11.8

EBITDA[1]:	2024 £m	2023 £m
cardfactory Stores	127.4	116.1
cardfactory Online	(3.7)	(2.2)
Getting Personal	(2.0)	(1.5)
Partnerships	1.2	1.4
Other	(0.3)	(1.8)
Consolidated Group EBITDA	122.6	112.0
Consolidated Group depreciation, amortisation & impairment	(47.4)	(48.7)
Consolidated Group gain on disposal	1.2	0.5
Consolidated Group Operating Profit	76.4	63.8

1. This is an Alternative Performance Measure not defined under IFRS.

2 Segmental reporting *continued*

The 'Other' category principally reflects central overheads, Printcraft sales to third parties and consolidation adjustments not impacting another operating segment.

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:

	2024 £m	2023 £m
Revenue derived from customers in the UK	484.8	451.6
Revenue derived from customers overseas	26.1	11.8
Consolidated revenue	**510.9**	463.4

Revenue from overseas reflects revenue earned from i) the Group's Stores in the Republic of Ireland (£11.1 million in FY24 and £8.1 million in FY23), ii) the Group's wholesale and retail activities in South Africa (£10.4 million in FY24), and iii) from other retail partners based outside of the UK (£4.6 million in FY24 and £3.7 million in FY23).

Of the Group's non-current assets, £10.0 million (2023: £5.0 million) relates to assets based outside of the UK, principally in relation to the Group's stores in the Republic of Ireland and in South Africa. Non-current assets based in the Republic of Ireland are £4.8 million as at 31 January 2024 (FY23: £5.0 million) and non-current assets based in South Africa are £5.2 million (FY23: nil). The increase compared to the prior year reflects the impact of the acquisition of SA Greetings.

3 Operating profit

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

	2024 £m	2023 £m
Staff costs (note 5)	162.4	138.2
Depreciation expense		
– owned fixed assets (note 11)	7.6	8.0
– right of use assets (note 12)	35.9	35.7
Amortisation expense (note 10)	2.8	2.3
Impairment of right-of-use assets (note 12)	(0.2)	1.3
Impairment of tangible assets (note 11)	0.2	–
Impairment of intangible assets (note 10)	1.1	1.5
Profit on disposal of fixed assets (note 12)	(1.2)	(0.6)
Foreign exchange gain	0.6	1.5

The total fees payable by the Group to Mazars LLP (2023: KPMG LLP) and their associates during the period was as follows:

	2024 £'000	2023 £'000
Audit of the consolidated and Company financial statements	55	30
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	498	620
Audit-related assurance services	85	50
Total fees	**638**	700

4 EBITDA

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

	2024 £m	2023 £m
Operating profit	**76.4**	63.8
Depreciation, amortisation and impairment	47.4	48.8
Gain on disposal	(1.2)	(0.6)
EBITDA[1]	**122.6**	112.0

1. This is an Alternative Performance Measure not defined under IFRS.

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:

	2024 Number	2023 Number
Management and administration	534	482
Operations	9,797	9,367
	10,331	9,849

5 Employee numbers and costs *continued*

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

	2024 £m	2023 £m
Employee wages and salaries	143.1	120.5
Equity-settled share-based payment expense	2.0	1.7
Social security costs	9.3	8.2
Defined contribution pension costs	2.1	1.8
Total employee costs	156.5	132.2
Agency labour costs	5.9	6.0
Total staff costs	162.4	138.2

Key management personnel

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

	2024 £m	2023 £m
Salaries and short-term benefits	7.4	6.1
Equity-settled share-based payment expense	1.6	1.4
Social security costs	1.0	0.8
Defined contribution pension costs	0.2	0.2
	10.2	8.5

Remuneration of Directors

	2024 £m	2023 £m
Directors' remuneration	1.6	1.9
Amounts receivable under long-term incentive schemes	0.5	0.1
Company contributions to defined contribution pension plans	–	–
	2.1	2.0

The table above includes the remuneration of Directors in each year. Director's remuneration for the prior 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 96 to 107. 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

	2024 £m	2023 £m
Finance expense		
Interest on bank loans and overdrafts	6.5	6.0
Amortisation of loan issue costs	0.6	0.9
Lease interest	6.3	4.5
	13.4	11.4

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 ended 31 January 2024 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

	2024 £m	2023 £m
Current tax charge/(credit)		
Current year	13.8	8.3
Adjustments in respect of prior periods	0.2	(1.6)
Total current tax charge	14.0	6.7
Deferred tax charge/(credit)		
Origination and reversal of temporary differences	2.1	2.5
Adjustments in respect of prior periods	–	(1.8)
Effect of change in tax rate	–	0.8
Total deferred tax charge	2.1	1.5
Total income tax charge	16.1	8.2

The effective tax rate of 24.5% (2023: 15.6%) on the profit before taxation for the year is slightly higher than (2023: lower than) the average rate of mainstream corporation tax in the UK for the year of 24% (2023: 19%).

7 Taxation *continued*

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

	2024 £m	2023 £m
Profit before tax	**65.6**	52.4
Tax at the standard UK corporation tax rate of 24%[1] (2023: 19.0%)	**15.8**	10.0
Tax effects of:		
Expenses not deductible for tax purposes	**0.6**	0.7
Income not taxable for tax purposes	**(0.6)**	–
Adjustments in respect of prior periods	**0.3**	(3.3)
Effect of change in tax rate	**–**	0.8
Total income tax charge	**16.1**	8.2

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

	2024			2023		
	Current £m	Deferred £m	Total £m	Current £m	Deferred £m	Total £m
Income statement	**14.0**	**2.1**	**16.1**	6.7	1.5	8.2
Other comprehensive income	**–**	**(0.7)**	**(0.7)**	–	1.2	1.2
Equity	**–**	**(0.4)**	**(0.4)**	–	(1.3)	(1.3)
Total tax	**14.0**	**1.0**	**15.0**	6.7	1.4	8.1

1. In October 2022, the Government announced changes to the Corporation Tax rate increasing the main rate of Corporation Tax to 25% (previously 19%). This became effective as at 1 April 2023 giving an average Corporation Tax rate of 24.03% for the year to 31 January 2024.

8 Dividends

There were no dividends paid in either the current or the previous year. Following the cessation of restrictions in the Group's financing facilities in relation to dividend payments, at the forthcoming Annual General Meeting, the Board will recommend to shareholders that a resolution is passed to approve payment for a final dividend for the year ended 31 January 2024 of 4.5 pence per share (equivalent to approximately £15.5 million) payable on 28 June 2024. The dividend has not been recorded as a liability at 31 January 2024.

The Board is cognisant of the fact it was unable to pay an interim dividend for the year ended 31 January 2024 and therefore the final dividend for the year reflects an amount that would have been split between interim and final dividends, had an interim dividend been able to be paid. The proposed final dividend is therefore also the total dividend payable in respect of the 2024 financial year.

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.

	2024 (Number)	2023 (Number)
Weighted average number of shares in issue	**343,339,468**	342,328,622
Weighted average number of dilutive share options	**3,940,467**	1,604,107
Weighted average number of shares for diluted earnings per share	**347,279,935**	343,932,729

	£m	£m
Profit for the financial period	**49.5**	44.2

	pence	pence
Basic earnings per share	**14.4**	12.9
Diluted earnings per share	**14.3**	12.8

10 Intangible assets

	Goodwill £m	Software £m	Total £m
Cost			
At 1 February 2023	328.2	26.0	354.2
Additions	–	9.0	9.0
At 31 January 2024	***328.2***	***35.0***	***363.2***
Amortisation/impairment			
At 1 February 2023	14.4	13.5	27.9
Amortisation in the period	–	2.8	2.8
Impairment in the period	–	1.1	1.1
At 31 January 2024	***14.4***	***17.4***	***31.8***
Net book value			
At 31 January 2024	***313.8***	***17.6***	***331.4***
At 31 January 2023	313.8	12.5	326.3

During the year, the Group recognised an impairment charge of £1.1 million in respect of the online platform for Getting Personal. The charge to the Getting Personal assets reflects the more focused investment being targeted at the CF Online platform as considered in note 1. As at 31 January 2024, the Group held £1.9 million of assets under construction within Software.

	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

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 asset impairment testing purposes), associated central functions and shared assets.

Cardfactory Stores is the lowest level at which the Group's management monitors goodwill internally. 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 2024 was £341.1 million (2023: £315.5 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% (2023: 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 13.0% (2023: 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.

10 Intangible assets continued

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 2024.

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 2024 was not material individually. The value of intangible assets not yet available for use included in the carrying amount was £1.1 million for Getting Personal and £2.7 million for CF Online.

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.

The CF Online valuation indicated sufficient headroom such that any reasonably possible change in assumptions would not result in a material impairment charge. The Group booked an impairment charge in respect of intangible assets in Getting Personal of £1.1 million, reflecting costs incurred in developing a new Online Platform that is considered to be impaired as a result of the outlook for the Getting Personal CGU. The Group's strategic focus online continues to be the CF Online platform where the Group is investing and is encouraged by recent positive LFL sales performance.

11 Property, plant and equipment

	Freehold property £m	Leasehold improvements £m	Plant, equipment, fixtures & vehicles £m	Total £m
Cost				
At 1 February 2023	18.6	40.8	78.2	137.6
Additions	1.3	–	17.5	18.8
Acquisition of SA Greetings (note 30)	2.7	–	–	2.7
At 31 January 2024	***22.6***	***40.8***	***95.7***	***159.1***
Depreciation				
At 1 February 2023	4.9	39.0	61.5	105.4
Depreciation in the period	0.4	1.0	6.2	7.6
Impairment in the period	–	–	0.2	0.2
At 31 January 2024	***5.3***	***40.0***	***67.9***	***113.2***
Net book value				
At 31 January 2024	***17.3***	***0.8***	***27.8***	***45.9***
At 31 January 2023	13.7	1.8	16.7	32.2

	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
At 31 January 2023	4.9	39.0	61.5	105.4
Net book value				
At 31 January 2023	13.7	1.8	16.7	32.2
At 31 January 2022	13.5	3.5	14.6	31.6

As at 31 January 2024, the Group held assets under construction of £2.2 million within Plant, equipment, fixtures and vehicles.

12 Leases

The Group has lease contracts, within the definition of IFRS 16 leases, in relation to its entire Store lease portfolio, some warehousing locations 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.

Right of use assets

	2024 £m	2023 £m
Buildings	***98.2***	100.2
Motor Vehicles	***1.0***	0.3
	99.2	100.5

12 Leases *continued*

The right-of-use assets movement in the year is as follows:

	2024 £m	2023 £m
At the beginning of the year	**100.5**	98.5
Acquisition of SA Greetings	**1.9**	–
Additions:		
Buildings	**32.0**	39.4
Motor vehicles	**1.2**	0.2
Disposals	**(0.7)**	(0.6)
Depreciation charge:		
Buildings	**(35.4)**	(35.3)
Motor Vehicles	**(0.5)**	(0.4)
Net Impairment Reversal/(Charge)	**0.2**	(1.3)
At the end of the year	**99.2**	100.5

Disposals and depreciation on disposals include fully depreciated right of use assets in respect of expired leases where the asset remained in use whilst a lease renewal was negotiated. The net impairment reversal and disposals above relate entirely to Buildings.

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 2024 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. Such costs are allocated on the basis of the relative contribution of each individual store.

Application of these assumptions resulted in a net impairment charge of £nil (2023: £1.3 million), comprised of impairment charges of £2.7 million (2023: £3.7 million) and the reversal of previous impairment charges of £2.7 million (2023: £2.4 million). The net impairment charge in the current year included a net reversal to impairment on Right of use assets of £0.2 million and a net impairment charge to PPE of £0.2 million.

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

Lease liabilities

	2024 £m	2023 £m
Current lease liabilities	**(25.3)**	(27.3)
Non-current lease liabilities	**(75.5)**	(78.1)
Total lease liabilities	**(100.8)**	(105.4)

Lease expense

	2024 £m	2023 £m
Depreciation expense on right of use assets	**35.9**	35.7
(Reversal of Impairment)/impairment of right of use assets	**(0.2)**	1.3
Profit on disposal of right of use assets	**(1.2)**	(0.5)
Lease interest	**6.3**	4.5
Expense relating to short-term and low value leases[1]	**–**	–
Expense relating to variable lease payments[2]	**0.6**	0.2
Total lease related income statement expense	**41.4**	41.2

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.

Accounting policies for leases are detailed in note 1. Assets, liabilities and the income statement expense in relation to leases are detailed above.

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. Profits on disposal arise where leases that have been exited before the end of the lease term where the asset has been previously impaired. The Group's full accounting policy in respect of leases and right-of-use assets is set out in note 1.

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 temporary differences £m	Total £m
At 1 February 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
Acquisition of subsidiary	0.1	–	–	–	–	–	0.1
Credit/(charge) to income statement	(2.4)	–	–	–	–	0.3	(2.1)
Credit/(charge) to other comprehensive income	–	–	0.7	–	–	–	0.7
Charge to equity	–	(0.2)	0.6	–	–	–	0.4
At 31 January 2024	***(1.7)***	***1.2***	***0.2***	***–***	***–***	***1.5***	***1.2***

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:

	2024 £m	2023 £m
Deferred tax assets	***2.9***	3.2
Deferred tax liabilities	***(1.7)***	(1.1)
Net deferred tax asset	***1.2***	2.1

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.

14 Inventories

	2024 £m	2023 £m
Finished goods	***49.5***	44.7
Work in progress	***0.5***	0.6
	50.0	45.3

Inventories are stated net of provisions totalling £9.6 million (2023: £16.1 million). The cost of inventories recognised as an expense and charged to cost of sales in the year, net of movements in provisions, was £155.8 million (2023: £145.3 million).

15 Trade and other receivables

	2024 £m	2023 £m
Current		
Trade receivables	***3.1***	2.0
Other receivables	***0.2***	–
Prepaid property costs	***3.8***	2.9
Other prepayments	***4.5***	8.4
	11.6	13.3

The Group has net US Dollar denominated trade and other receivables of £0.3 million (2023: £0.8 million) and net South African Rand denominated trade and other receivables of £2.3 million (2023: nil).

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. No significant impairment loss has been recorded against trade receivables.

The Group has net US Dollar denominated trade and other receivables of £0.3 million (2023: £0.8 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 (2023: £5.6 million) in the year. No significant impairment loss has been recorded against trade receivables.

16 Cash and cash equivalents

	2024 £m	2023 £m
Cash at bank and in hand	11.3	11.7
Cash presented as current assets in the balance sheet	11.3	11.7
Bank overdraft	(0.2)	(1.8)
Overdraft presented as current liabilities in the balance sheet	(0.2)	(1.8)
Net cash and cash equivalents	11.1	9.9

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:

	2024 £m	2023 £m
Sterling	6.8	0.2
Euro	3.3	4.8
US Dollar	1.2	4.9
South African Rand	(0.2)	–
	11.1	9.9

17 Borrowings

	2024 £m	2023 £m
Current liabilities		
Bank loans and accrued interest	6.9	25.3
Bank overdraft	0.2	1.8
Total current liabilities	7.1	27.1
Non-current liabilities		
Bank loans	37.9	40.4

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). Following early adoption of amendments to IAS 1, the Group has reclassified amounts due under its secured revolving credit facility as non-current on the basis that it has the right to roll over such obligations until September 2025 and is compliant with all relevant covenant requirements at the balance sheet date. Comparatives for the year ended 31 January 2023 in these financial statements have been restated on the same basis. The amount reclassified as non-current liabilities in the comparative period is £23.0 million, there would have been no reclassification in FY22 as the balance drawn on the RCF was nil.

Bank loans

Bank borrowings as at 31 January 2024 are summarised as follows:

	Liability £m	Interest rate %	Interest margin ratchet range %	
31 January 2024				
Secured term loans – Tranche 'A'	–	5.00 + SONIA	–	
Secured term loans – Tranche 'B'	18.8	5.50 +SONIA	–	
Secured CLBILs	–	See note	–	
Secured revolving credit facility	26.0	Margin + SONIA	2.75 – 4.50	Total facility size = £100 million
Accrued interest	0.1			
Property mortgage	0.6			
Bank overdraft	0.2			
Debt issue costs	(0.7)			
	45.0			

17 Borrowings *continued*

	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			

The Group's primary financing facilities at the balance sheet date were entered into as part of a refinancing exercise in April 2022. During FY24, the Group made repayments in respect of the revised Term Loan and CLBILS facilities of £25.1 million and as a result the Term Loan 'A' and CLBILs facilities were fully repaid. The term of the remaining Term Loan 'B' and RCF extended to September 2025. The Group had undrawn, committed facilities at 31 January 2024 of £74 million.

As part of the transaction to acquire SA Greetings (see note 30) the Group acquired a property mortgage and overdraft facility, which are denominated in South African Rand. The carrying amount of these facilities at 31 January 2024 was £0.8 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 were 2.5x leverage and 1.75x interest cover. In addition, the terms of the facilities prevented the Group from making any distributions to shareholders whilst the CLBILS and Term Loan 'A' remained outstanding and places a limit on the total value of capital expenditure the Group can make in each financial year to FY25.

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.

Subsequent to the year end on 26 April 2024, the Group successfully concluded a refinancing of its debt facilities, having agreed a new four-year £125 million committed revolving credit facility with a syndicate of banks. The existing revolving credit facility and Term Loan B have been fully repaid and cancelled as part of refinancing.

The new facilities have an initial maturity date in April 2028, with options to extend by up to 19 months, subject to lender approval. The facilities include a £75 million accordion, which can be drawn subject to lender approval. The interest margin on the facilities is dependent upon the Group's leverage position, with margins between 1.9-2.8% which is lower than the previous facilities. The new facilities include covenants for a maximum leverage ratio (calculated as net debt excluding leases divided by EBITDA less rent costs for the prior 12 months) of 2.5x and a fixed charge cover ratio of at least 1.75x tested semi-annually. The Group expects to operate comfortably within these covenant levels for the foreseeable future.

18 Trade and other payables

	2024 £m	2024 £m
Current		
Trade payables	***25.1***	29.2
Other taxation and social security	***21.8***	20.6
Property accruals	***7.4***	7.8
Payroll accruals	***12.8***	13.9
Other accruals	***13.0***	13.2
	80.1	84.7

The Group has net US Dollar denominated trade and other payables of £10.1 million (2023: £10.1 million) and net South African Rand denominated trade and other payables of £1.2m (2023: nil).

19 Share capital and share premium

	2024 (Number)	2023 (Number)
Share capital		
Allotted, called up and fully paid ordinary shares of one pence:		
At the start of the period	***342,636,090***	341,878,341
Issued in the period (note 25)	***2,940,271***	757,749
At the end of the period	***345,576,361***	342,636,090

19 Share capital and share premium *continued*

	£m	£m
Share capital		
At the start of the period	**3.4**	3.4
Issued in the period (note 25)	**0.1**	–
At the end of the period	**3.5**	3.4

	£m	£m
Share premium		
At the start of the period	**202.2**	202.2
Issued in the period (note 25)	**0.5**	–
At the end of the period	**202.7**	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:

	2024 £m	2023 £m
Profit before tax	**65.6**	52.4
Gain on bargain purchase	**(2.6)**	–
Net finance expense	**13.4**	11.4
Operating profit	**76.4**	63.8
Adjusted for:		
Depreciation and amortisation	**46.3**	46.0
Impairment of right-of-use assets	**(0.2)**	1.3
Impairment of tangible assets	**0.2**	–
Impairment of intangible assets	**1.1**	1.5
Gain on disposal of fixed assets	**(1.2)**	(0.5)
Cash flow hedging foreign currency movements	**(0.4)**	0.8
Unrealised foreign exchange (gains) / losses	**0.5**	–
Share-based payments charge	**2.1**	1.7
Operating cash flows before changes in working capital	**124.8**	114.6
Decrease/(increase) in receivables	**3.6**	(5.2)
Decrease/(increase) in inventories	**(1.2)**	(12.2)
(Decrease)/increase in payables	**(6.5)**	13.3
Movement in provisions	**(2.0)**	(2.7)
Cash inflow from operating activities	**118.7**	107.8

21 Analysis of net debt

	At 1 February 2023 £m	Cash flow £m	Non-cash changes £m	*At 31 January 2024 £m*
Secured bank loans and accrued interest (note 17)	(65.7)	30.1	(9.2)	***(44.8)***
Lease liabilities	(105.4)	43.7	(39.1)	***(100.8)***
Total debt	(171.1)	73.8	(48.3)	***(145.6)***
Add: debt costs capitalised	(1.4)	–	0.7	***(0.7)***
Add: bank overdraft	(1.8)	1.8	(0.2)	***(0.2)***
Less: cash and cash equivalents (note 16)	11.7	(0.4)	–	***11.3***
Net debt	(162.6)	75.2	(47.8)	***(135.2)***
Lease liabilities	105.4	(43.7)	39.1	***100.8***
Net debt excluding lease liabilities	(57.2)	31.5	(8.7)	***(34.4)***

	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)

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 2022	12.2	–	12.2
Transfer from contract liabilities	–	2.5	2.5
Provisions utilised during the year	(2.3)	(0.9)	(3.2)
Provisions released during the year	(2.5)	(0.9)	(3.4)
Amounts provided during the year	–	1.4	1.4
At 31 January 2023	7.4	2.1	9.5
Provisions utilised during the year	–	(0.2)	(0.2)
Provisions released during the year	(2.0)	0.2	(1.8)
Amounts provided during the year	–	–	–
At 31 January 2024	***5.4***	***2.1***	***7.5***

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. Although the actual amount that will be repaid is not certain, events through the year to 31 January 2024 have added a level of comfort that the outstanding provision is materially correct.

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 FY23.

Subsequent to the balance sheet date, the Group have reached a proposed settlement with the Department for Business and Trade for a portion of the provision that relates to regarding business support grants received by the Group during FY21 and FY22. The value of the proposed settlement is £3.3 million and following a review of the residual position, the Group has released £2.0 million from the provision which reflects a proportionate reduction in the value of the provision for the amounts to be settled. The business support grants settlement was paid in April 2024 but was unpaid at the year-end and £3.3 million remains in the provision held on the balance sheet.

22 Provisions *continued*

The Group continues to hold discussions regarding settlement of the remaining element of the provision and to date has received no new substantive evidence regarding its position in respect of other support received relating to business rates relief. A further provision of £2.2 million is held at the balance sheet date in respect of potential repayment of support received in excess of subsidy control thresholds for business rates relief, consistent with the nature of the provision held in the prior year. The minimum requirement for this element of the provision is expected to be £1.2 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 reasonable assessment of the amount that may be repayable. The Group does not believe that any position within the range of reasonably possible outcomes would reflect a material change to the provision held at the balance sheet date and this provision is classified as current as the Group is actively aiming to resolve this settlement in the next 12 months.

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. Specific 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 and are generally expected to be utilised in the short-term. Any non-current portion of the provision is considered immaterial.

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 64 to 68 and in the Corporate Governance Report on pages 73 to 79.

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 £34.4 million (2023: £57.2 million) and undrawn RCF facility of £74.0 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 has been fully repaid in the year to 31 January 2024. The Term Loans are set in two tranches, both with an amortising repayment profile. Tranche 'A' has a final maturity in January 2024 and has been fully repaid in the year, Tranche 'B' is coterminous with the RCF in September 2025.

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 2024					
Bank loans	***8.5***	***38.3***	–	–	***46.8***
Lease liabilities	***29.5***	***29.7***	***49.4***	***6.9***	***115.5***
Trade and other payables	***80.1***	–	–	–	***80.1***
	118.1	***68.0***	***49.4***	***6.9***	***242.4***
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

On 26 April 2024, the Group concluded a refinancing of its debt facilities, replacing the existing facilities with a £125 million revolving credit facility with an initial term to April 2028. See note 17 for further detail.

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.

23 Financial risk management *continued*

	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 2024					
Foreign exchange contracts					
– Inflow	***63.6***	***28.3***	***–***	***–***	***91.9***
– Outflow	***(64.5)***	***(28.1)***	***–***	***–***	***(92.6)***
Interest rate contracts					
– Inflow	***0.1***	***–***	***–***	***–***	***0.1***
– Outflow	***–***	***(0.1)***	***–***	***–***	***(0.1)***
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)

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 reviewed annually 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 25% and 75% forward cover for the period 12 to 24 months, and up to 50% 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.

	2024		2023	
	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	***(2.6)***	***(2.7)***	(2.9)	(3.3)
10 cent decrease	***3.0***	***3.2***	2.1	4.0

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.

	2024		2023	
	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	***(0.3)***	***0.1***	(0.2)	0.3
50 basis point interest rate decrease	***0.3***	***(0.1)***	0.2	(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.

23 Financial risk management *continued*

Counterparty credit risk *continued*

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 £14.5 million in the year (2023: £5.6 million) and trade receivables at 31 January 2024 were £3.1 million (2023: £2.4 million). Total trade and other receivables at 31 January 2024 are £11.0 million (FY23: £13.3 million). The Group considers expected credit losses as not material and no impairment allowances have been recognised in respect of credit risk.

Capital management

Following the cessation of investment and dividend restrictions contained within its financing facilities, the Board has reviewed and approved an updated capital management policy for the Group.

The aim of the updated policy is to balance delivery of sustainable, long-term growth in shareholder value against cash returns to shareholders and the needs of the Group's other stakeholders. Each year, the Group will assess the appropriate use of free cash after allocating funds to investments that will deliver the stated strategy. The Group is committed to a transparent, systemic and disciplined use of cash. The Board will, as part of its annual planning cycle, review investment opportunities and allocate capital between strengthening the balance sheet, investment to deliver the strategy and returns to shareholders.

The Board monitors the Group's capital structure principally through reviewing free cash generation and Adjusted Leverage – the ratio of net debt (excluding lease liabilities) to EBITDA (after deducting rent-related costs). The Group's long-term target is to maintain a maximum Adjusted Leverage position of 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, FY23 and FY24. Following the cessation of restrictions from 31 January 2024, the Board has proposed a final dividend of 4.5 pence per share in respect of the 2024 financial year (see note 8).

Details on Group borrowings are set out in note 17 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 in notes 1 and 17.

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.

24 Financial instruments *continued*

Derivative financial instruments

The balance sheet date fair value of derivative financial instruments is as follows:

	2024 £m	2023 £m
Derivative assets		
Non-current		
Interest rate contracts	–	0.2
Foreign exchange contracts	0.6	0.3
	0.6	0.5
Current		
Interest rate contracts	0.2	1.1
Foreign exchange contracts	0.7	4.2
	0.9	5.3
Derivative liabilities		
Current		
Interest rate contracts	(0.1)	–
Foreign exchange contracts	(1.6)	(1.4)
	(1.7)	(1.4)
Non-current		
Interest rate contracts	(0.1)	(0.2)
Foreign exchange contracts	(0.7)	(0.3)
	(0.8)	(0.5)
Net derivative financial instruments		
Interest rate contracts	–	1.1
Foreign exchange contracts	(1.0)	2.8
	(1.0)	3.9

Interest rate contracts

At 31 January 2024 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 £20.0 million for the period to October 2024 at an average fixed rate of 3.9%, then reducing to £10.0 million for the period to October 2025 at an average fixed rate of 5.1% (2023: £50.0 million for the period to October 2023, then reducing to £20.0 million for the period to October 2024, then reducing to £10 million for the period to October 2025).

Unhedged fair value movements of £nil (2023: £nil) were expensed to the income statement within financial expense.

Foreign exchange contracts

At 31 January 2024 the Group held a portfolio of foreign currency derivative contracts with notional principal amounts in GBP totalling £92.6 million (2023: £93.8 million) to mitigate the exchange risk on future US Dollar denominated trade purchases.

Foreign currency derivatives with a notional value of £41.6 million were designated in cash flow hedging relationships at 31 January 2024 (2023: £47.0 million). Of this amount, £32.2 million is expected to unwind in the next 12 months with an average strike price of 1.24 and £9.4 million is expected to unwind between 13 and 24 months at an average strike price of 1.27. 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 £51.0 million representing a fair value liability of £0.3 million (2023: £46.8 million representing a fair value liability of £0.4 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 £0.1 million that do not form part of an effective hedging relationship have been charged to the income statement (2023: £0.5 million) within cost of sales.

24 Financial instruments *continued*

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 2024	Mandatorily at FVTPL £m	Cash flow hedging instruments £m	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m
Financial assets measured at fair value				
Derivative financial instruments	**0.9**	**0.6**	–	–
Financial assets not measured at fair value				
Trade receivables	–	–	**3.1**	–
Cash and cash equivalents	–	–	**11.3**	–
Financial liabilities measured at fair value				
Derivative financial instruments	**(1.2)**	**(1.3)**	–	–
Financial liabilities not measured at fair value				
Secured bank loans	–	–	–	**(44.8)**
Unsecured bank overdrafts	–	–	–	**(0.2)**
Trade and other payables	–	–	–	**(80.1)**
	(0.3)	**(0.7)**	**14.4**	**(125.1)**

At 31 January 2023	£m	£m	£m	£m
Financial assets measured at fair value				
Derivative financial instruments	0.5	5.3	–	–
Financial assets not measured at fair value				
Trade receivables	–	–	2.0	–
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	13.7	(152.2)

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. Prepayments do not meet the definition of Financial Instruments and as such are not disclosed in the above table, the FY23 figures have been updated to reflect this.

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 96 to 107.

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 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**
Granted during the year	**2,162,869**	**£0.01**	**1,476,343**	**£0.72**
Exercised during the year	**(1,170,305)**	**£0.01**	**(1,769,966)**	**£0.27**
Forfeited during the year	**(210,756)**	**£0.01**	**(901,863)**	**£0.56**
Outstanding at 31 January 2024	**7,628,948**	**£0.01**	**3,996,743**	**£0.56**

25 Equity-settled share-based payment arrangements *continued*

Reconciliation of outstanding awards *continued*

The weighted average remaining contractual for options under the SAYE scheme is 1.4 years and under the RSA/LTIP scheme is 1.9 years.

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.

	2024		2023		
	RSA/LTIP (1)	SAYE	RSA/LTIP (1)	RSA/LTIP (2)	SAYE
Granted during the year	2,162,869	1,476,343	3,417,583	382,272	2,267,990
Fair value at grant date	£0.92	£0.43	£0.62	£0.64	£0.34
Share price at grant date*	£0.92	£0.87	£0.62	£0.64	£0.63
Exercise price*	£0.01	£0.72	£0.01	£0.01	£0.49
Expected volatility	63%	58%	72%	72%	72%
Expected term (years)	3 to 5	3	2.5 to 5	3 to 5	3
Expected dividend yield	N/A**	0%	N/A**	N/A**	0%
Risk free interest rate	4.32%	5.05%	1.20%	1.69%	1.81%

* 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. The outstanding SAYE awards as at 31 January 2024 have an exercise price ranging from £0.49 to £0.72.

** 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	2024 £m	2023 £m
RSA or LTIP	1.7	1.4
SAYE	0.4	0.3
Total share-based payment expense	2.1	1.7

26 Capital commitments

The Group had capital commitments at 31 January 2024 of nil (2023: £2.3 million).

27 Contingent liabilities

There were no material contingent liabilities at 31 January 2024 (2023: £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.

The Card Factory Foundation is considered a related party of the Group due to one common individual considered as key management personnel. In the year ended 31 January 2024 the Group donated £1.5 million (FY23: £1.4 million) to the Foundation from carrier bag sales and has an outstanding balance owed to the Foundation of £0.5 million at 31 January 2024. A full listing of the Group's subsidiary undertakings is provided in the notes to the Company accounts on page 158.

Transactions with key management personnel

The key management personnel of the Group comprise the Card Factory plc Board of Directors, and the Executive 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 96 to 107. Directors of the Company and their immediate families control 0.2% of the ordinary shares of the Company.

There were no other related party transactions in the year.

29 Subsequent events

Subsequent to the year end, on 26 April 2024, the Group successfully concluded a refinancing of its debt facilities, having agreed a new four-year £125 million committed revolving credit facility with a syndicate of banks. The existing revolving credit facility and Term Loan B have been fully repaid and cancelled. See note 17 for further detail.

30 Business Combination

Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are recognised at their fair values at the acquisition date. Acquisition-related costs totalling £0.2 million have been expensed and included within operating expenses in the Consolidated Income Statement.

Acquisition of SA Greetings Corporation (Pty) Ltd

On 25 April 2023, the Group acquired 100% of the share capital of SA Greetings Corporation (Pty) Ltd and its subsidiaries, which trade as SA Greetings. SA Greetings is a wholesaler and retailer of greeting cards and gift packaging based in South Africa, and the acquisition gives the Group access to the South African cards and gifts market, expanding the international partnerships business, and provides opportunities to grow and develop the business through synergies with the Group's existing range, production and supply chain. The total cash consideration for the transaction was £2.5 million, all of which was paid on the acquisition date, with no further contingent or deferred consideration payable.

30 Business Combination *continued*

Acquisition of SA Greetings Corporation (Pty) Ltd *continued*

The purchase price allocation was prepared on a provisional basis in accordance with IFRS 3 with the fair values of the assets and liabilities set out below:

	Fair value £m
Non-current assets	**4.7**
Intangible assets	–
Property, plant & equipment	2.7
Right-of-use assets	1.9
Deferred tax assets	0.1
Current assets	**5.9**
Inventories	3.8
Trade & other receivables	1.8
Cash at bank and in hand	0.3
Total assets	**10.6**
Current liabilities	**(4.2)**
Borrowings	(1.5)
Lease liabilities	(0.8)
Trade & other payables	(1.8)
Tax payable	–
Contingent liabilities	(0.1)
Non-current liabilities	**(1.3)**
Borrowings	(0.5)
Lease liabilities	(0.8)
Total liabilities	**(5.5)**
Net assets	**5.1**

The gross contractual amounts receivable for trade & other receivables is £2.1 million and, at the acquisition date, the Group's best estimate of the contractual cash flows not expected to be collected is £0.3 million.

The adjustments made to the identifiable assets and liabilities in the acquiree's local financial records in arriving at the provisional fair values required by IFRS 3 were:

- Recognising and measuring the acquiree's lease liabilities as defined in IFRS 16, as if the leases were a new lease at the acquisition date (£1.6 million adjustment to right-of-use assets and lease liabilities). No adjustments were required to reflect lease terms that were favourable or unfavourable to market terms.
- Recognising a contingent liability (£0.1 million) in relation to a legal process that remains in progress. A corresponding contingent asset has not been recognised.

The fair value of the assets and liabilities acquired is £5.1 million, which is higher than the fair value of the consideration paid of £2.5 million, therefore a gain on bargain purchase of £2.6 million has been recognised in the Consolidated Income Statement in the period.

SA Greetings Corporation (Pty) Ltd contributed revenue of £10.4 million and a profit of £0.2 million to the Group's profit after tax for the period between the date of acquisition and the reporting date.

If the acquisition of SA Greetings Corporation (Pty) Ltd had been completed on the first day of the financial year, Group revenues for the year to 31 January 2024 would have been £513.2 million and Group profit after tax would have been £47.0 million. SA Greetings has a similar seasonal trading pattern to the rest of the Group and generates the majority of its sales and profits in the second half of the financial year.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 January 2024

	Note	2024 £m	2023 £m
Non-current assets			
Investments	4	***316.2***	316.2
Deferred tax assets		***0.3***	1.3
		316.5	317.5
Current assets			
Trade and other receivables	5	***3.3***	2.9
Total assets		***319.8***	320.4
Current liabilities			
Trade and other payables	6	***(2.8)***	(3.8)
Net assets		***317.0***	316.6
Equity			
Share capital	7	***3.5***	3.4
Share premium	7	***202.7***	202.2
Merger reserve		***2.7***	2.7
Retained earnings		***108.1***	108.3
Equity attributable to equity holders of the parent		***317.0***	316.6

The Company's loss for the year to 31 January 2024 was £2.3 million (2023: loss of £0.2 million). The financial statements on pages 155 to 160 were approved by the Board of Directors on 30 April 2024 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 2024

	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total equity £m
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***
Total comprehensive income for the year					
Profit or loss	–	–	–	(2.3)	(2.3)
Transactions with owners, recorded directly in equity					
Shares issued	0.1	0.5	–	–	0.6
Share-based payments	–	–	–	2.1	2.1
At 31 January 2024	***3.5***	***202.7***	***2.7***	***108.1***	***317.0***

The notes that accompany these financial statements are included on pages 156 to 160.

PARENT COMPANY CASH FLOW STATEMENT

For the year ended 31 January 2024

	Note	2024 £m	2023 £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 156 to 160.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with UK-adopted International Accounting 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 page 130 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, the 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 131 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 131 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.

1 Accounting policies *continued*

Income statement

The Company made a profit after tax of £2.3 million for the year ended 31 January 2024 (2023: £0.2 million loss), including £nil dividends received from subsidiary undertakings (2023: £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.

The cost of awards to employees of the Company is expensed to the income statement of relevant subsidiary companies, 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 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 96 to 107.

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 2024 (2023: no final dividend).

4 Investments in subsidiaries

Subsidiary undertaking	£m
At 31 January 2023 and 31 January 2024	316.2

The Company evaluates its investments in subsidiary undertakings annually for any indicators of impairment. Management have considered that there are no indicators of impairment linked to the Company investment in subsidiaries. The Directors are satisfied that there is no impairment of the investment in subsidiaries.

Subsidiary undertakings

At 31 January 2024 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 SA Holdings (Pty) Limited	Intermediate holding company	***
SA Greetings Corporation (Pty) Ltd	Intermediate holding company	***
SA Greetings (Pty) Limited	Sale of greeting cards	***
CNA Properties (Baragwanath) (Pty) Limited	Property Company	***
Funny Paper (Pty) Limited	Dormant	***
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.

*** 2 Aeroton Road, Aeroton, Johannesburg 2013.

**** These Dormant entities have been struck off subsequent to the year end in March 2024.

5 Trade and other receivables

	2024 £m	2023 £m
Amounts owed by Group undertakings	3.2	2.7
VAT recoverable	–	–
Prepayments and other debtors	0.1	0.2
	3.3	2.9

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

	2024 £m	2023 £m
Amounts owed to Group undertakings	–	1.0
Trade payables	2.2	2.0
Accruals	0.6	0.8
	2.8	3.8

7 Share capital and share premium

	2024 (Number)	2023 (Number)
Share capital		
Allotted, called up and fully paid ordinary shares of one pence:		
At the start of the period	342,636,090	341,878,341
Shares issued in the year	2,940,271	757,749
At the end of the period	345,576,361	342,636,090

	£m	£m
Share capital		
At the start of the period	3.4	3.4
Shares issued in the year	0.1	–
At the end of the period	3.5	3.4

	£m	£m
Share premium		
At the start of the period	202.2	202.2
Shares issued in the year	0.5	–
At the end of the period	202.7	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 2024 financial year, 2,940,271 shares (2023: 757,749 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

	2024 £m	2023 £m
Loss before tax	(1.3)	(0.6)
Dividends received	–	–
Operating loss	(1.3)	(0.6)
Adjusted for:		
Share-based payment charge	1.3	0.4
Operating cash flows before changes in working capital	–	(0.2)
Decrease/(increase) in receivables	0.4	(0.4)
(Decrease)/increase in payables	(1.0)	0.6
Cash outflow from operating activities	(0.6)	–
Issue of share capital	0.6	–
Cash inflow/(outflow) from financing activities	0.6	–
Net cash flow	–	–

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:

	2024 £m	2023 £m
Management services	2.1	2.1
Dividends received from Group undertakings	–	–
Inter-company working capital cash flows from Group undertakings	2.1	2.1

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 96 to 107. Directors of the Company control 0.02% of the ordinary shares of the Company.

GLOSSARY

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

In the reporting of the consolidated financial statements, the Directors have adopted various Alternative Performance Measures ('APMs') of financial performance, position or cash flows other than those defined or specified under International Accounting 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 or that appear to have similar titles or labels. APMs should be considered in addition to IFRS measures and are not intended to be a substitute for IFRS measurements.

The Directors believe that these APMs provide additional useful information on the performance and position of the Group and are intended to aid the user in understanding the Group's results. The APMs presented are consistent with measures used internally by the Board and management for performance analysis, planning, reporting and incentive setting purposes.

The table below sets out the APMs used in this report, with further information regarding the APM, and a reconciliation to the closest IFRS equivalent measure, below.

Sales APMs	Like-for-like sales (LFL)
Profitability APMs	EBITDA Adjusted Profit Before Tax (PBT) Adjusted EPS
Financial position APMs	Net Debt Leverage and Adjusted Leverage
Cash flow APMS	Operating Cash Conversion

Following the approval of the Group's updated capital allocation policy, Adjusted Leverage and Adjusted EPS have been included in this report for the first time. These measures play an important role in the Group's capital allocation decisions.

Sales APMs

LFL Sales

Closest IFRS Equivalent: Revenue.

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.

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 FY24 to FY23, unless otherwise stated.

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

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

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

Reconciliation of Revenue to LFL Sales	cardfactory Stores £m	cardfactory Online £m	cardfactory LFL £m	Getting Personal £m
Revenue FY24	478.9	8.8	487.7	5.9
VAT / other	89.9	1.9	91.8	1.5
Adjustment for Stores not open in both periods	(7.6)	–	(7.6)	–
LFL Sales FY24	561.2	10.7	571.9	7.4
Revenue FY23	440.4	8.8	449.2	8.5
VAT / other	83.4	1.9	85.3	1.4
Adjustment for Stores not open in both periods	(2.7)	–	(2.7)	–
LFL Sales FY23	521.1	10.7	531.8	9.9
LFL Sales Growth	***7.7%***	***+0.4%***	***7.6%***	***-26.1%***

Note percentages are calculated based on absolute figures before rounding.

Profitability APMs

EBITDA

Closest IFRS Equivalent: Operating Profit[1]

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.

The Group uses EBITDA as a measure of trading performance, as it usually closely correlates to the Group's operating cash generation.

Reconciliation of EBITDA to Operating Profit	FY24 £m	FY23 £m
Operating Profit	76.4	63.8
Add back:		
Depreciation	43.5	43.7
Amortisation	2.8	2.3
Gains on disposal	(1.2)	(0.6)
Impairment charges	1.1	2.8
EBITDA	122.6	112.0

1. Whilst operating profit is not defined formally in IFRS, it is considered a generally accepted accounting measure.

Adjusted PBT

Closest IFRS Equivalent: Profit Before Tax.

Adjusted PBT is Profit Before Tax adjusted to exclude the effect of transactions that, in the opinion of the Directors, are one-off in nature and as such are not expected to recur in future period and could distort the impression of future performance trends based on the current year results. The adjustments are consistent with those made in calculating Adjusted EBITDA, above, and similarly the Group uses Adjusted PBT to assess its performance on an underlying basis excluding these items and believe measures adjusted in this manner provide additional information about the impact of unusual or one-off items on the Group's performance in the period.

In FY24 the Directors have identified the following items that they believe to meet the definition of 'one-off' for this purpose:

- The gain on bargain purchase related to the acquisition of SA Greetings of £2.6 million.
- A gain relating to the release of covid-related provisions of £2.0 million.
- An impairment charge relating to Getting Personal of £1.1 million.

The following items are taken into account in arriving at Adjusted PBT for the equivalent period last year (FY23):

- A £2.5 million benefit arising as a result of releasing provisions no longer required following settlement of the Group's CJRS position with HMRC.
- A £1.0 million benefit arising as a result of the refinancing of the Group's debt facilities in April 2022.

Reconciliation of Adjusted PBT to Profit Before Tax	FY24 £m	FY23 £m
Profit Before Tax	65.6	52.4
Add back / (Deduct):		
Acquisition gain	(2.6)	–
COVID provision release	(2.0)	–
GP Intangible impairment	1.1	–
CJRS settlement	–	(2.5)
Refinancing benefit	–	(1.0)
Adjusted PBT	62.1	48.9

Adjusted EPS

Closest IFRS Equivalent: Basic EPS.

Adjusted EPS is earnings per share adjusted to exclude the post-tax effect of items identified as one-off and excluded from Adjusted PBT in the period. The Group calculates adjusted EPS as it is the basis of dividend calculations under its capital allocation policy, under which the Board targets a dividend cover ratio of between 2-3x Adjusted EPS.

The starting point of the calculation is Adjusted PBT, as calculated above.

Calculation of Adjusted EPS	FY24 £m	FY23 £m
Adjusted PBT	62.1	48.9
Tax charge	(16.1)	(8.2)
Tax impact of non-underlying items	0.5	0.7
Adjusted PAT	46.5	41.4
Weighted average number of shares	343,339,468	342,328,622
Adjusted EPS	13.5p	12.1p

Financial position APMs

Net Debt

Closest IFRS Equivalent: No equivalent; however is calculated by combining IFRS measures for Cash and Borrowings.

Net Debt is calculated by subtracting the Group's cash and cash equivalents from its gross borrowings (before debt-issue costs). Net Debt is a key measure of the Group's balance sheet strength, and is also a covenant in the Group's financing facilities. The Group presents Net Debt both inclusive and exclusive of lease liabilities, but focusses upon the value exclusive of lease liabilities, which is consistent with the calculation used for covenant purposes.

Calculation of Net Debt	FY24 £m	FY23 £m
Current Borrowings	7.1	27.1
Non-Current Borrowings	37.9	40.4
Add back Debt Issue Costs	0.7	1.4
Gross Borrowings	45.7	68.9
Cash	(11.3)	(11.7)
Net Debt (exc. Leases)	34.4	57.2
Lease Liabilities	100.8	105.4
Net Debt (inc. Leases)	135.2	162.6

Leverage & Adjusted Leverage

Closest IFRS Equivalent: No equivalent; however is calculated with reference to Net Debt and EBITDA, which are reconciled to relevant IFRS measures in this section.

Leverage is the ratio of Net Debt (excluding lease liabilities) to EBITDA for the previous 12 months expressed as a multiple. Adjusted Leverage is calculated in the same way, but deducts lease-related charges from EBITDA. The Group monitors and reports leverage as a key measure of its financing position and as an assessment of the Group's ability to manage and repay its debt position. Adjusted Leverage is consistent with a covenant defined within the Group's financing facilities.

Under its capital allocation policy, the Group targets Adjusted Leverage below 1.5x throughout the financial year. As described in the financial review above, the Group's cash flows and earnings are materially affected by seasonality, with higher sales and cash flows in the second half of the year linked to the Christmas season. As a result, net debt levels are lower and Leverage improved at the year end, after the Christmas season.

Calculation of Leverage	FY24 £m	FY23 £m
Net debt (as calculated above) (A)	34.4	57.2
EBITDA (as calculated above) (B)	122.6	112.0
IFRS 16 depreciation	(35.9)	(35.7)
IFRS 16 impairment	(0.2)	(1.3)
Gains on modification/disposal	1.2	0.5
IFRS 16 interest	(6.3)	(4.5)
EBITDA less rent costs (C)	81.4	71.0
Leverage (A/B)	0.3x	0.5x
Adjusted Leverage (A/C)	0.4x	0.8x

Cash flow APMs

Operating cash conversion

Closest IFRS Equivalent: No equivalent; however is calculated with reference to Cash from Operating Activities (an IFRS measure) and EBITDA, which is reconciled to Operating Profit in this section

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.

Calculation of Operating Cash Conversion	FY24 £m	FY23 £m
Cash from Operations	118.7	107.8
EBITDA	122.6	112.0
Operating Cash conversion	96.8%	96.3%

Other financial calculation information

Unless otherwise stated, amounts in this report are presented in Pound Sterling (GBP), and have been rounded to the nearest £0.1 million.

Information in tables or charts may not add down or across, or calculate precisely, due to rounding.

Percentage movements, where provided, are based on amounts before they were rounded to the nearest £0.1 million.

ADVISERS AND CONTACTS

Corporate brokers
UBS Limited

5 Broadgate
London EC2M 2QS
Tel: 020 7567 8000

Investec Bank plc

2 Gresham Street
London EC2V 7QP
Tel: 020 7597 4000

Auditor
Mazars LLP

One St Peter's Square
Manchester M2 3DE
Tel: 0161 238 9200

Principal bankers
National Westminster Bank plc

Leeds Corporate Office
3rd Floor
2 Whitehall Quay
Leeds LS1 4HR

Registrars
Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Tel: 0371 384 2030[1]

Investor relations
Teneo

The Carter Building
11 Pilgrim Street
London EC4V 6RN
Tel: +44 020 7260 2700

Registered office

Century House
Brunel Road
Wakefield 41 Industrial Estate
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.

MIX Paper from responsible sources FSC® C022913

www.carbonbalancedpaper.com
CBP00019082504183028

Printed by a CarbonNeutral® Company certified to ISO 14001 environmental management system.

Printed on material from well-managed, FSC® certified forests and other controlled sources.

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 paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land. Through protecting standing forests, under threat of clearance, carbon is locked-in, that would otherwise be released.

Designed and produced by emperor
Visit us at emperor.works

Card Factory plc
Century House
Brunel Road
Wakefield 41 Industrial Estate
Wakefield West Yorkshire WF2 0XG

www.cardfactoryinvestors.com