

26 September 2023

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

Interim results for the six months ended 31 July 2023

Strong performance through HY24, driven by Stores and strategic progress.

cardfactory, the UK's leading specialist retailer of greeting cards, gifts and celebration essentials, announces its interim results for the six months ended 31 July 2023 ('HY24').

Business highlights

- Group revenue of £220.8 million in HY24, up by 11.5% compared to HY23, reflecting continued good momentum across the business, particularly in the core Stores business.
 - Revenue growth during the period was driven by cardfactory LFL¹ sales growth of +10.0%.
 - Store revenue saw strong growth at +10.5% LFL in HY24 reflecting the resonance of our value and quality proposition; store range and layout developments and the annualisation of targeted price increases.
 - Strong growth in gifts and celebration essentials of +13.1% LFL was a key driver of revenue growth in HY24 and builds on the continued greeting cards revenue growth +7.7% LFL in HY24.
 - As anticipated, cardfactory Online LFL sales were down 13.1% vs. HY23, reflecting investment phase of this channel and the continued rebalancing of retail sales between online and in Store across the sector.
 - Positive progress in Partnerships with total revenue of £6.4 million, including 23.5% increase from existing Partnerships to £4.2 million plus £2.2 million from SA Greetings. New agreements signed with Matalan in the UK and Liwa Trading Enterprises in the Middle East.
- Strong PBT growth of £10.4 million, up to £24.7 million reflecting the strong trading performance growth in HY24. Adjusted PBT of £22.1 million, an increase of £11.3 million compared to HY23, excluding one-off gains in both periods.
- Strengthened balance sheet with a reduction in net debt (excluding lease liabilities) to £71.9 million (HY23: £96.6 million) as a result of operating cash generation and normalisation of working capital.

Financial summary²

Financial Metrics	HY24	HY23	Change
Revenue	£220.8m	£198.0m	11.5%
EBITDA	£51.1m	£43.8m	16.7%
Profit Before Tax (PBT)	£24.7m	£14.3m	72.7%
Adjusted PBT ³	£22.1m	£10.8m	104.6%
Net Debt (exc. Leases)	£71.9m	£96.6m	(25.6%)
Leverage (exc. Leases)	0.6x	0.9x	(0.3x)
Cash from Operations	£36.3m	£19.7m	84.3%
Basic EPS	5.6 pence	3.4 pence	64.7%
Adjusted EPS ⁴	5.0 pence	2.5 pence	100.0%

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

² Figures include provisional post-acquisition trading results in respect of SA Greetings

³ Adjusted PBT excludes impact of one-off items of £2.6 million gain on purchase of SA Greetings in HY24 (HY23: £3.5 million of gains following release of provision for CJRS settlement and refinancing).

⁴ Adjusted EPS based on Adjusted PBT less tax at the effective tax rate for the period.

Highlights of our strategic progress

- **Channels**
 - Commenced rollout of Store Evolution Programme with positive initial results.
 - Completed the UK rollout of Click & Collect with early indications this is contributing to in-Store revenue growth.
 - 11 net new Stores opened in HY24 across the UK and the Republic of Ireland.
 - New customer service excellence programme introduced for all store colleagues.

- New long-term master franchise agreement signed with Middle East-based partner, Liwa and first four Stores opened in Abu Dhabi and Dubai since the end of the period.
 - New long-term partnership agreed with Matalan in the UK.
 - Completed the acquisition of South African-based SA Greetings, supporting our partnership strategy in the region.
- **Categories**
 - Ongoing insight-led innovation and range development driving greeting card revenue growth.
 - Strong performance in gifts and celebration essentials reflecting the introduction of new ranges, as well as expansion and refreshes of existing ranges.
 - **ESG**
 - Completed a greenhouse gas emissions assessment across the business and value chain, which has provided a clear picture of scope 1, 2 and 3 emissions.
 - Updated sustainability strategy to support the mitigation of ESG-related risks and identification of new opportunities across five focus areas: Climate; Waste and Circularity; Protecting Nature; People and Equity; and Governance.

Outlook:

- Strength of performance in the first half, together with our current outlook for the second half, the Board is confident in delivering a good outturn for the year.
- Trading since the August 2023 update has been in line with Board's expectations.
- Given the combination of good trading momentum across the business and the successful delivery against our strategic initiatives, we remain confident in the long-term financial and operational targets set out at our Capital Markets Strategy Update in May 2023.

Darcy Willson-Rymer, Chief Executive Officer, commented:

"We are delighted to announce a strong performance in the first six months of this year."

"We continue to build the key foundations for growth through the delivery of our 'Opening Our New Future' strategy. Our value and quality proposition and the strength of our store estate resonates with customers and positions us well to navigate the challenging economic backdrop in the run up to the Christmas trading season. Continued leveraging of the insights gathered from our investment in customer data is enabling us to evolve and optimise our store formats and ranges across cards, gifts and celebration essentials, all underpinned by our discipline in maintaining a resilient financial position."

"I would like to thank colleagues across the cardfactory business for their ongoing dedication in delivering on our strategic building blocks of growth. We continue to focus on the delivery of our long-term targets and in achieving our ambition of becoming a market leading omnichannel retailer of cards and gifts."

Interim results webcast

There will be a meeting for analysts and investors at 10 am on the morning of the announcement in central London. We will also provide a live video webcast of the presentation, available by registering via the following link:

https://storm-virtual-uk.zoom.us/webinar/register/WN_DBsqx1sWSDyTYfe2K8ObOQ

Those analysts who wish to join in person are requested to contact Teneo on the number provided below or by emailing cardfactory@teneo.com to receive full attendance details.

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

Enquiries

Card Factory plc

Darcy Willson-Rymer, Chief Executive Officer
Matthias Seeger, Chief Financial Officer

via Teneo (below)

Teneo

James Macey White / Jo Blackshaw

+44 (0) 207 353 4200

cardfactory@teneo.com

BUSINESS UPDATE

Performance in the period

A strong performance in the first half of the year was driven by the good momentum across cardfactory, particularly in our core Stores business and progress across our strategic building blocks of growth.

Our Store revenue, which represents 94% of total group revenue, grew strongly at +10.5% LFL in HY24. This reflects developments to the breadth and depth of store ranges, as well as improvements to merchandising layouts and the annualisation of targeted price increases. In addition, both transactions and average basket values increased compared to the same period last year. Our strong value-for-money offer across both Everyday and Seasonal ranges has continued to resonate with customers, with our offer across our Spring seasons in particular landing well with customers through HY24. Highlights included Valentine's Day +13.5% LFL and Fathers' Day +8.4% LFL.

The growing importance of gifts and celebration essentials has been a key driver of growth in the first half of the year, with LFL revenue growth of 13.1%. This has been the result of focused range development and the broadening of categories with the introduction of new ranges in stationery and toys and the expansion of branded confectionery ranges. The growth in gifts and celebration essentials builds on our continued strength in greetings cards, where we have seen revenue growth of +7.7% in HY24 reflecting ongoing insight-led innovation and range development. Our continued leadership in card is reflected in the growth we have seen across a number of Everyday and seasonal card ranges, including our Everyday male card range which saw +11.2% LFL growth in the period, following a successful range change at the end of February 2023 and an updated licensed offer. We have utilised customer data and insight to inform our card pricing strategy to ensure the right balance of targeted price increases whilst maintaining our long-standing value-for-money credentials, through a combination of low entry price points and rotating promotional offers.

As anticipated, cardfactory Online LFL sales were down -13.1% YOY in HY24 vs. HY23, due to the investment phase of this channel and the continued rebalancing of online/offline retail sales across the sector. Whilst we expect Online performance to continue this trend through the second half of the year, we will continue to invest in our digital offer and experience as part of our omnichannel ambition.

Partnerships also continued to perform well in HY24 with total revenue of £6.4 million. Excluding the contribution from newly-acquired SA Greetings, Partnerships sales were up by +23.5% to £4.2m compared to HY23. In April 2023 we completed the acquisition of South Africa-based SA Greetings, supporting our partnership strategy in the region by providing access to key wholesale accounts through the Group's printing, merchandising and warehousing capacity.

Strategy update

Progress continues at pace on the delivery of our 'Opening Our New Future' growth strategy which is transitioning cardfactory into an omnichannel retailer of cards, gifts and celebration essentials in the UK and internationally. Several significant strategy milestones were achieved in HY24 in line with the expectations we set out at our Capital Markets Strategy Update in May 2023.

Stores

- Successfully commenced rollout of our Store Evolution Programme, which is on track to achieve our targets. This consists of three components: capex light space realignment completed in over 700 stores with the programme due to be completed in 750 stores by the end of October 2023; display reorganisation is progressing well with 24 stores now complete, with a further five stores due to complete by Christmas 2023; and updated store design being applied to new Stores and a select number of existing Stores in line with current refit costs. Early results are showing increased customer satisfaction and a positive revenue impact with the reduction in space allocated to cards not adversely impacting category sales, while revenue growth resulted from increased space seen in celebration essentials and gifting.
- Introduced a new customer service excellence programme for all store colleagues, which focuses on enhanced customer interaction to enable tailored service and product recommendations and upsell.
- Continued development of our store portfolio, with 1,043 Stores across the UK and Republic of Ireland at the end of the half-year period. We opened 11 net new Stores in HY24.

Leadership in card

- Ongoing insight-led innovation and range development continues to deliver greetings card revenue growth of

+7.7% LFL in the half-year.

- Updated approach to generating newness for customers through increased refreshes of best-selling lines.

Gifts and celebration essentials

- Strong LFL growth in gifts and celebration essentials of +13.1% reflects strategic developments and new ranges introduced in the first half of the year.
- New ranges introduced in HY24 including stationery which saw growth of +68.5% LFL following the range refresh and soft toys achieving growth of +34.5% LFL including the introduction of Blue Nose Friends and Tatty Teddy ranges.
- Strong performance also seen in confectionery which delivered a +9.0% LFL growth from the expansion of our branded offering to include Lindor, Haribo, Cadburys and Guylian.

Omnichannel and Online

- Nationwide UK rollout of Click & Collect, our first omnichannel proposition, completed on 23rd April 2023.
- We are encouraged to see early indications that our omnichannel proposition is contributing to Store revenue growth, with 9% of Click & Collect customers making additional purchases when collecting their orders in-store. Basket spend of these customers is typically 25% higher than our average in-store basket spend.
- Investment in our Online platforms continues focused on developing our online capability, platform performance and customer experience.
- Work underway to clarify cardfactory online proposition and marketing strategy.

Partnerships

- New long-term master franchise agreement signed with Middle East based Liwa Trading Enterprises in April 2023. First four franchise Stores opened in August and September 2023 in Abu Dhabi and Dubai with plans to open around 36 Stores in total over the next five years.
- Agreed new long-term partnership with Matalan which will see cardfactory cards and celebration essentials available across their entire UK estate of 223 stores. Recently completed the first phase of the rollout to 22 Stores with the second phase now underway and due to complete by the end of 2023.
- Continue to progress conversations with other prospective partners across our seven markets of interest.
- Completed the acquisition of South African-based SA Greetings in April 2023. As well as an established retail estate of 28 Stores, this supports our partnership strategy in the region by providing access to key wholesale accounts through the Group's printing, merchandising and warehousing capacity.

ESG progress

Since our last update in May, we have continued to make good progress on our sustainability commitments and remain on-track to remove single-use plastic from 90% of products sold and ensure all new gift wrap sold is 100% recyclable by the end of FY25. We have also continued to reduce carbon emissions from our operations and deliver on our plans to ensure we are a diverse, equitable and inclusive employer and support our local communities.

As we continue the successful delivery of our 'Opening Our New Future' growth strategy, we are evolving our approach to sustainability, expanding our scope and working to embed this throughout our business. As a first step in this process, in HY24 we have developed the first stage of an ambitious new five-year ESG strategy: 'Delivering a Sustainable Future'. This strategy will be our most comprehensive yet, with focus areas and commitments that mitigate risk, address key material impacts, and provide differentiation and commercial opportunity. This strategy will be delivered through a detailed action plan which we are set to complete by the end of FY24 with clear metrics to deliver on the commitments set over the next five years. We will provide an update on the action plan in our Annual Report in May 2024.

Notable updates since the FY23 preliminary results in May 2023 include:

- Scope 1, 2 and 3 emissions assessment complete, with net-zero goals to published in our Annual Report in May 2024.
- Materiality Assessment refresh completed to update and prioritise material ESG impacts and risks, informing

ESG focus and strategy.

- New, evidence based five-year 'Delivering a Sustainable Future' ESG strategy published, focusing on five key areas: Climate; Waste and Circularity; Protecting Nature; People and Equity; Governance.

Preparations for Christmas

We are well prepared for our key Christmas trading season. Our Christmas programme has now launched and includes our first fully integrated marketing campaign. New products include an expanded gift offer to provide customers with new and exciting ranges in areas such as toys, food and confectionery, and own label. As part of the space realignment project, we have continued to optimise space to ensure the correct balance between Christmas card, Christmas gifting and Christmas celebration essentials.

From a supply perspective, all stock has been manufactured in line with the required delivery dates and there have been no issues with inbound logistics for any stock manufactured overseas. Recruitment of seasonal colleagues for the Christmas season has commenced and we are confident in our ability to not only meet staffing requirements for this seasonal peak but to also provide customers with an enhanced experience.

Current trading and outlook

Whilst we remain mindful of the challenging economic backdrop and the impact of the cost-of-living crisis on discretionary spend, we continue to be encouraged by the resilience of the celebration occasions market and the growth opportunity it presents. Our experience in the first half of the year confirms that our value and quality proposition across our card, gift and celebration essential ranges continues to resonate well with customers.

Based on our performance in the first half and our outlook for the second half, the Board is confident in delivering a good outturn for the year.

Trading since the August 2023 update has been in line with Board's expectations.

Given the combination of good trading momentum across the business and the successful delivery against our strategic initiatives, we remain confident in the long-term financial and operational targets set out at our Capital Markets Strategy Update in May 2023.

Group Financial Review

Financial Highlights

Against a continuing backdrop of challenging economic conditions for both business and consumers, cardfactory has continued to demonstrate momentum in sales and a strong financial performance in the six months ended 31 July 2023 (HY24).

The highlights of the period are as follows:

- Strong sales growth in Stores, with LFL sales of +10.5% (HY23: +6.1%), of which one-third was driven by targeted price activity in prior year, plus transaction gains and range development.
- Improved margins, with EBITDA for the six months of £51.1 million, £7.3 million ahead of the same period last year.
- Profit Before Tax of £24.7 million (HY23: £14.3 million). Adjusted PBT of £22.1 million (HY23: £10.8 million) excludes one-off gain on acquisition and represents a margin of 10.0%.
- Positive operating cash flows and reduction in net debt to £71.9 million, which has reduced by £24.7 million compared to the same time last year.
- Investing to deliver our strategy with capital expenditure of £15.3 million (HY23: £5.6 million).
- Acquisition of SA Greetings for fixed cash consideration of £2.5 million.

	HY24	HY23	Change	Change %
Revenue	£220.8m	£198.0m	£22.8m	11.5%
EBITDA	£51.1m	£43.8m	£7.3m	16.7%
EBITDA margin	23.1%	22.1%	1.0%	1 ppts
Profit Before Tax (PBT)	£24.7m	£14.3m	£10.4m	72.7%
Adjusted PBT ¹	£22.1m	£10.8m	£11.3m	104.6%
Adjusted PBT margin	10.0%	5.4%	4.6%	4.6 ppts
Basic earnings per share	5.6 pence	3.4 pence	2.2 pence	64.7%
Net debt (exc. Leases)	£71.9m	£96.6m	(£24.7m)	(25.6%)
Cash from Operations	£36.3m	£19.7m	£16.6m	84.3%
Leverage	0.6x	0.9x	(0.3x)	(33.3%)

¹ Adjusted PBT excludes impact of one-off items of £2.6 million gain on purchase of SA Greetings in HY24 (HY23: £3.5 million of gains following release of provision for CJRS settlement and refinancing)

Financial Performance

Sales

	Total Sales		
	HY24 £m	HY23 £m	Change %
cardfactory Stores	208.6	186.6	11.7%
cardfactory Online	3.4	4.0	(15.0%)
Getting Personal	2.4	4.0	(40.0%)
Partnerships	6.4	3.4	88.2%
Group	220.8	198.0	11.5%

	LFL Sales		
	HY24	HY23	Change %
cardfactory Stores	+10.5%	+6.1%	+4.5 ppts
cardfactory Online	-13.1%	-30.2%	+17.1 ppts
cardfactory LFL	+10.0%	+4.1%	+5.9 ppts
Getting Personal	-36.6%	-36.7%	+0.1 ppts

Total Group sales for HY24 were £220.8 million, an increase of £22.8 million compared to the same period last year.

Our Stores remain the core of our business and the source of a significant majority of our revenues. Like-for-like (LFL) sales in Stores were +10.5% compared to last year, including the annualised impact of targeted pricing actions taken in the second half of the prior financial year. Excluding this price impact, LFL sales were underpinned by growth in transaction numbers and our range development, particularly in gifts and celebration essentials.

Combined sales performance for our Spring seasons (Valentines, Father's Day, Mother's Day) demonstrated positive LFL performance. This was supported by a robust performance of our Everyday ranges, where we continue to focus on our value-for-money offer.

Optimisation of the Store portfolio continues to be an important source of sales growth. During HY24 we opened 18 new Stores and closed seven Stores, including one relocation. This resulted in a net increase in the overall store portfolio of 11 Stores. At 31 July 2023, our Store portfolio stood at 1,043 Stores, including 27 Stores in the Republic of Ireland and three central London Stores.

As outlined at our Capital Markets Strategy Update in May 2023, our Online businesses are in an investment phase as we build the technology infrastructure to support future growth. We also continue to see a rebalancing of online and offline sales as customers continued to return to the high street. In this context, revenues for cardfactory.co.uk and gettingpersonal.co.uk were both reduced compared to the same period last year at £3.4 million (HY23: £4.0 million) and £2.4 million (HY23: £4.0 million) respectively. We expect this trend in sales to continue through the remainder of the current financial year, as we focus on our digital offer and experience as part of our omnichannel ambitions.

We have driven good momentum in Partnerships, with the opening of the first Middle East franchise store through our partner Liwa Trading Enterprises and commencement of a full rollout to Matalan stores in the UK. Whilst these activities are yet to make a significant financial contribution at the half year, they represent important strategic milestones in our plan to grow Partnerships sales. Our existing Partnerships performed well, with sales from Partnerships increasing 23.5% when compared to HY23 to £4.2 million.

In addition, on 25 April 2023 we completed the acquisition of SA Greetings, providing the Group with access to the South African card and gifting market. SA Greetings is performing in line with our expectations and contributed £2.2 million of sales in the period between acquisition and the half year. We will report SA Greetings as part of our Partnerships results going forward, the majority of its revenue derived from sales to retail partners in South Africa.

Gross Profit

	HY24 £m	HY24 % Sales	HY23 £m	HY23 % Sales
Group Sales	220.8		198.0	
COGs	(64.5)	(29.2%)	(63.4)	(32.0%)
Product Margin – Constant Currency¹	156.3	70.8%	134.6	68.0%
FX gains / losses	(1.1)	(0.5%)	1.9	1.0%
Product Margin	155.2	70.3%	136.5	69.0%
Store & Warehouse Wages	(53.3)	(24.1%)	(48.3)	(24.4%)
Property Costs	(11.9)	(5.4%)	(12.2)	(6.2%)
Other Direct Costs	(8.7)	(3.9%)	(10.2)	(5.2%)
Gross Profit	81.3	36.8%	65.8	33.2%

¹Product 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.

Gross profit for the Group, when compared to the same period last year, increased by £15.5 million to £81.3 million, with a 3.6ppts improvement in gross margin to 36.8%.

Inflationary pressure has begun to reduce in the period, aided by a substantial reduction in international freight costs. The overall trend in gross margin reflects our continued active management of the cost base, we continue to see benefit from our longstanding energy hedge which will continue until September 2024 at current levels.

Product margin includes the purchase price of goods, along with inbound freight, carriage and packing. Calculated on a constant currency basis, product margin improved 2.8ppts from 68.0% in HY23 to 70.8% in HY24. This improvement largely reflects the annualised impact of targeted price increases implemented last year on sales, as well as the reduction in freight rates noted above. Product margin also benefitted from a reduction in stock provisions as overall inventory levels continue to normalise following the pandemic and our strong sales performance improves sell-through rates and reduces the risk of inventory obsolescence. The income statement impact from stock provisions was approximately £1.5 million during the period, improving margin by approximately 0.7ppts.

The Group purchases approximately 50% of its total goods for resale in US dollars and has a well-established hedging policy to manage the risk of adverse fluctuations in market GBPUSD rates. In the six months ended 31 July 2023, we achieved an average rate of approximately £1:\$1.31 on US dollar purchases, slightly adverse to the rate achieved in the equivalent period last year, reflecting the weakening of sterling in the period, but still significantly ahead of the average market spot rate for the year.

Direct wages, including store and warehouse colleagues, include a 9.6% increase in National Living Wage from April 2023 in addition to incremental costs as we have invested in improving our pay and benefits offer to colleagues. These increases were partially offset by productivity and efficiency benefits. When taking into account the effect of strong LFL sales improvement from the same Stores in the period, store and warehouse wages reduced slightly as a percentage

of sales. The prior year also included a one-off £2.5 million benefit relating to settlement of our CJRS position, which was equivalent to 1.3ppts.

Property costs reduced by 0.8ppts as a percentage of sales, as we begin to see the benefit of an average reduction in the rateable value of our Store portfolio from the start of the new rates year.

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

EBITDA & Operating Profit

	HY24 £m	HY24 % Sales	HY23 £m	HY23 % Sales
Group Sales	220.8		198.0	
Gross Profit	81.3	36.8%	65.8	33.2%
Operating Expenses	(30.2)	(13.7%)	(22.0)	(11.1%)
EBITDA	51.1	23.1%	43.8	22.1%
Depreciation & Amortisation	(5.1)	(2.3%)	(4.9)	(2.5%)
Right-of-use asset depreciation	(17.9)	(8.1%)	(17.4)	(8.8%)
Impairment Charges	–	–	(1.5)	(0.7%)
Operating Profit	28.1	12.7%	20.0	10.1%

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

Total operating expenses increased by £8.2 million compared to the same period last year, equivalent to 2.6ppts as a percentage of sales. This predominantly reflects investment in our colleagues, with approximately £5 million of the increase in relation to staff costs. The annual pay award effective in the period was higher than the prior year, reflecting the impact of the cost of living crisis. As we reported at our Capital Markets Strategy Update in May 2023, we have made significant progress in our plans to deliver a pay and benefits model that is fit for cardfactory's future, with an increase in median pay and significant benefits improvements which have already had a positive impact on staff retention. We have invested in our leadership and support capabilities, including in IT where technology is a key enabler to our omnichannel ambitions.

The acquisition of SA Greetings added £1.4 million of operating costs in the period.

Driven by the improved trading performance, effective management of inflationary pressures and carefully targeted investment for growth, Group EBITDA increased to £51.1 million in HY24.

Total depreciation and amortisation charges, including depreciation on right-of-use assets which are predominantly related to our Store portfolio, increased by £0.7 million compared to the same period last year.

Profit Before Tax

	HY24 £m	HY24 % Sales	HY23 £m	HY23 % Sales
Group Sales	220.8		198.0	
Operating Profit	28.1	12.7%	20.0	10.1%
Gain on acquisition	2.6	1.2%	–	–
Finance Costs	(6.0)	(2.7%)	(5.7)	(2.9%)
Profit Before Tax	24.7	11.2%	14.3	7.2%
Adjusting items	(2.6)		(3.5)	
Adjusted Profit Before Tax	22.1		10.8	

Total finance costs at £6.0 million increased slightly from the prior period. Market interest rates have risen sharply over the last 12 months – on 31 July 2023 the Sterling Overnight Index Average (SONIA) rate stood at 4.93%, compared to 1.19% on the same day last year.

	HY24 £m	HY23 £m
Interest on loans	2.9	3.1
Loan issue cost amortisation	0.3	0.6
IFRS 16 Leases interest	2.8	2.0
Total Finance Expenses	6.0	5.7

Our facilities, described in further detail below, were renewed and updated in April 2022 and provide much greater flexibility to the Group. This flexibility, in combination with continued delivery of operating cash flows, has enabled us to reduce levels of gross debt. Taken in conjunction with our interest rate hedging programme, which has provided a degree of protection from increases in market rates during FY24, the interest payable on our debt facilities reduced compared to the previous year. The average cost of debt, taking into account margin, indexation and the impact of hedging activity, in the period was 6.6% (HY23: 5.6%).

The interest cost associated with our lease portfolio increased to £2.8 million, reflecting the increase in market interest rates.

We recognised a one-off benefit in relation to the SA Greetings acquisition, due to the provisional fair value of the acquired net assets being £2.6 million greater than the consideration paid. See note 18 to the interim consolidated financial statements for more information regarding the acquisition.

As a result of the above factors, Profit Before Tax for the year was £24.7 million, up £10.4 million from £14.3 million for the previous year.

Adjusted Profit Before Tax, which excludes the impact of the gain on acquisition, was £22.1 million, compared to £10.8 million in the same period last year. See the "Alternative Performance Measures ("APMs") and other explanatory information" section, below, for further information regarding Adjusted Profit Before Tax and other alternative performance measures used by the Group.

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 the six months ended 31 July 2023 of £5.5 million is based on the expected effective tax rate for the full year of 22.2%. This rate is higher than the equivalent rate applied for the same period last year (19.6%) largely due to increases in corporation tax rates effective from 1 April 2023. The rate is slightly lower than the standard rate applicable to the current financial year (24%) due to the impact of capital allowances.

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 the six months ended 31 July 2023 were £6.1 million.

Earnings per share

The net result for the period was a profit after tax of £19.2 million, increased from £11.5 million in the same period last year. As a result, basic earnings per share (EPS) for the period was 5.6 pence, with diluted EPS of 5.5 pence.

Adjusted EPS, which is based on earnings calculated by applying the effective tax rate to Adjusted PBT for the period, was 5.0 pence for HY24 (HY23: 2.5 pence).

We remain focused on delivering value for shareholders via execution of our strategy.

	HY24	HY23
Profit after tax (£m)	19.2	11.5
Basic EPS (pence)	5.6 pence	3.4 pence
Diluted EPS (pence)	5.5 pence	3.3 pence

Cash flows

	HY24 £m	HY23 £m
Cash from Operating Activities	30.2	19.8
Cash used in Investing Activities	(17.5)	(5.6)

Cash used in Financing Activities	(1.4)	(44.0)
Net Cash Flow for period	11.3	(29.8)
Operating cash flows less lease repayments	10.3	(11.1)
Operating cash conversion	71.0%	45.0%

The Group continued to deliver positive cash performance in the six months ended 31 July 2023, cash from operations (before lease repayments and tax) was £36.3 million (HY23: £19.7 million) which contributed to an overall reduction in net debt (see below).

The increase in operating cash flows reflects our improved trading performance and the normalisation of our working capital profile as we have exited and recovered from the effects of the Covid pandemic. The Group's trading pattern is seasonal, with greater sales and thus cash inflows in the second half of the year. The inverse is true in the first half, as stock builds ahead of the key Christmas season. In that context the working capital outflow in the six months ended 31 July 2023 of £17.1 million was in line with expectations and improved by £5.8 million compared to the same period last year.

Operating cash conversion (which is cash from operations expressed as a percentage of EBITDA for the period) was 71.0% (HY23: 45.0%).

Capital expenditure increased from £5.6 million to £15.3 million. Our consistently positive operating cash performance and strengthening of the balance sheet since the pandemic has enabled us to drive investment in the key projects to help deliver our strategy which is covered in further detail below. Total cash used in investing activities includes the £2.5 million consideration paid in respect of the SA Greetings acquisition.

Cash generated from financing activities includes a net £24.7 million draw on our debt facilities (HY23: £6.9 million of debt repayments) and £19.9 million of payments in respect of lease liabilities for the Store portfolio (HY23: £30.9 million).

Lease repayments were significantly lower than the same period last year. FY23 represented the final year where we were making payments in respect of rents deferred during the pandemic. Lease payments in the current year have thus returned to a more normalised level.

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 24 'Cardies' retail stores with four further stores operated by franchisees and owns and operates a roll wrap production facility. Its head office and main warehouse are located in Johannesburg, with sales offices in Durban and Cape Town.

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

The Group has provisionally concluded the accounting for the acquisition and recognised a gain on acquisition of £2.6 million. See note 18 to the consolidated interim financial statements for more information.

Capital Expenditure

Total capital expenditure in the six months ended 31 July 2023 was £15.3 million, increased from £5.6 million in HY23 as we invested in both infrastructure and growth projects.

During the six months ended 31 July 2023, we continued to invest in our Group-wide ERP implementation, the second major phase of which successfully went live in August 2023 and will deliver supply chain and inventory management benefits.

Alongside investment in our Store Evolution Programme, we are also delivering a network infrastructure upgrade, which is key to delivering future technology projects in Store to enhance the omnichannel experience.

Ongoing investment in our Online platforms and digital experience remains a key focus area.

Net Debt

	HY24 Net Debt £m	HY24 Leverage	HY23 Net Debt £m	HY23 Leverage
Current borrowings	23.6		18.6	
Non-current borrowings	74.8		84.9	
Total Borrowings	98.4		103.5	
Add back capitalised debt costs	1.0		1.6	
Gross Bank Debt	99.4		105.1	
Less cash	27.5		(8.5)	
Net Debt (exc. Leases)	71.9		96.6	
Leverage (exc. Leases)		0.6x		0.9x
Lease Liabilities	101.6		109.4	
Net Debt (inc. Leases)	173.5		206.0	
Leverage (inc. Leases)		1.5x		1.9x

The Group focuses on net debt excluding lease liabilities, this reflects the way the Group's covenants are calculated in its financing facilities. During the first six months of the year, growth in sales and profitability has continued to drive positive operating cash flows and enabled continued reduction in net debt, with a £24.7 million reduction year on year.

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

Facility	31 July 2023 (HY24)	31 July 2022 (HY23)	31 January 2023 (FY23)
£11.25m Term Loan 'A'	£4.6m	£11.2m	£9.0m
£18.75m Term Loan 'B'	£18.8m	£18.8m	£18.8m
£20m CLBILs	£8.2m	£20.0m	£16.1m
£100m Revolving Credit Facility ¹	£60.0m	£55.0m	£23.0m
Overdraft facilities	£7.2m	–	£1.8m
Other Term Facilities	£0.5m	–	–
Accrued interest	£0.3m	£0.1m	£0.2m
Gross Bank Debt	£99.4m	£105.1m	£68.9m

¹ Overdraft facilities from part of, and to the extent utilised reduce available commitment under, the £100 million RCF.

During the six months ended 31 July 2023, we have made repayments of £4.4 million in respect of term loans and £7.9 million in respect of the CLBILs facilities. At 31 July 2023, the Group had undrawn committed facilities of £33 million.

Following the half-year end, on 25 September 2023, the Group made the final repayments in respect of the CLBILs facilities which are now fully extinguished.

The Group's cash generation profile typically follows an annualised pattern, cash outflows are higher 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.

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

Capital Structure & Distributions

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

Although the CLBILs have been repaid following the half-year end, the Group remains prohibited from making distributions under the terms of its financing facilities until such time as tranche 'A' of the term loans is fully repaid. Accordingly, there were no dividend payments made in either HY24 or the preceding year.

The final maturity date for tranche 'A' of the term loans is 31 January 2024, and accordingly the earliest that dividend payments will be considered is during the FY25 financial year.

Consolidated income statement

For the six months ended 31 July 2023

	<i>Note</i>	Six months ended 31 July 2023	Six months ended 31 July 2022	Year ended 31 January 2023
		£m	£m	£m
Revenue		220.8	198.0	463.4
<i>Cost of sales</i>		(139.5)	(132.2)	(302.7)
Gross profit		81.3	65.8	160.7
Operating expenses		(53.2)	(45.8)	(96.9)
Operating profit		28.1	20.0	63.8
Gain on bargain purchase	18	2.6	–	–
Finance expense	6	(6.0)	(5.7)	(11.4)
Profit Before tax		24.7	14.3	52.4
Taxation	7	(5.5)	(2.8)	(8.2)
Profit for period		19.2	11.5	44.2

Earnings per share		pence	pence	pence
- Basic	8	5.6	3.4	12.9
- Diluted	8	5.5	3.3	12.8

All activities relate to continuing operations.

Consolidated statement of comprehensive income

For the six months ended 31 July 2023

	Six months ended 31 July 2023 £m	Six months ended 31 July 2022 £m	Year ended 31 January 2023 £m
Profit for the period	19.2	11.5	44.2
<i>Items that are or may be recycled subsequently into profit or loss:</i>			
Exchange differences on translation of foreign operations	0.1	–	(0.2)
Cash flow hedges - changes in fair value	(3.4)	7.8	8.2
Cost of hedging reserve - changes in fair value	0.2	(0.4)	(0.2)
Tax relating to components of other comprehensive income	0.8	(1.4)	(1.2)
Other comprehensive (expense)/income for the period, net of income tax	(2.3)	6.0	6.6
Total comprehensive income for the period attributable to equity shareholders of the parent	16.9	17.5	50.8

Consolidated statement of financial position

As at 31 July 2023

	Note	31 July 2023	31 July 2022	31 January 2023
		£m	£m	£m
Non-current assets				
Intangible assets	10	331.0	321.6	326.3
Property, plant and equipment	11	40.8	29.9	32.2
Right of use assets	12	98.6	101.4	100.5
Deferred tax assets		2.9	2.5	2.1
Derivative financial instruments	15	0.7	2.0	0.5
		474.0	457.4	461.6
Current assets				
Inventories	13	49.5	46.2	45.3
Trade and other receivables		23.6	18.4	13.3
Tax receivable		0.9	–	–
Derivative financial instruments	15	1.7	8.2	5.3
Cash at bank and in hand		27.5	8.5	11.7
		103.2	81.3	75.6
Total assets		577.2	538.7	537.2
Current liabilities				
Borrowings		(23.6)	(18.6)	(27.1)
Lease liabilities	12	(26.0)	(29.3)	(27.3)
Trade and other payables		(78.7)	(76.8)	(84.7)
Provisions	17	(9.2)	(7.4)	(9.5)
Tax payable		–	(4.4)	–
Derivative financial instruments	15	(2.5)	(0.1)	(1.4)
		(140.0)	(136.6)	(150.0)
Non-current liabilities				
Borrowings		(74.8)	(84.9)	(40.4)
Lease liabilities	12	(75.6)	(80.1)	(78.1)
Derivative financial instruments	15	(1.0)	(0.3)	(0.5)
		(151.4)	(165.3)	(119.0)
Total liabilities		(291.4)	(301.9)	(269.0)
Net assets		285.8	236.8	268.2
Equity				
Share capital		3.4	3.4	3.4
Share premium		202.3	202.2	202.2
Hedging reserve		0.6	6.9	3.5
Cost of hedging reserve		–	(0.4)	(0.1)
Reverse acquisition reserve		(0.5)	(0.5)	(0.5)
Merger reserve		2.7	2.7	2.7
Retained earnings		77.3	22.5	57.0
Equity attributable to equity holders of the parent		285.8	236.8	268.2

Consolidated statement of changes in equity

For the six months ended 31 July 2023

	Share capital	Share premium	Hedging reserve	Cost of hedging reserve	Reverse acquisition reserve	Merger reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Six months ended 31 July 2023								
At 31 January 2023	3.4	202.2	3.5	(0.1)	(0.5)	2.7	57.0	268.2
Total comprehensive expense for the period								
Profit or loss	–	–	–	–	–	–	19.2	19.2
Other comprehensive expense	–	–	(2.5)	0.1	–	–	0.1	(2.3)
	–	–	(2.5)	0.1	–	–	19.3	16.9
Hedging gains and losses and costs of hedging transferred to the cost of inventory	–	–	(0.5)	–	–	–	–	(0.5)
Deferred tax on transfers to inventory	–	–	0.1	–	–	–	–	0.1
Transactions with owners, recorded directly in equity								
Share-based payment charges	–	0.1	–	–	–	–	1.0	1.1
Dividends (note 9)	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	0.1	–	–	–	–	1.0	1.1
At 31 July 2023	3.4	202.3	0.6	-	(0.5)	2.7	77.3	285.8
Six months ended 31 July 2022								
At 31 January 2022	3.4	202.2	1.3	–	(0.5)	2.7	10.5	219.6
Total comprehensive expense for the period								
Profit or loss	–	–	–	–	–	–	11.5	11.5
Other comprehensive expense	–	–	6.3	(0.3)	–	–	–	6.0
	–	–	6.3	(0.3)	–	–	11.5	17.5
Hedging gains and losses and costs of hedging transferred to the cost of inventory	–	–	(0.9)	(0.1)	–	–	–	(1.0)
Deferred tax on transfers to inventory	–	–	0.2	–	–	–	–	0.2
Transactions with owners, recorded directly in equity								
Share-based payment charges	–	–	–	–	–	–	0.5	0.5
Dividends (note 9)	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–	–	0.5	0.5
At 31 July 2022	3.4	202.2	6.9	(0.4)	(0.5)	2.7	22.5	236.8

Year ended 31 January 2023								
At 31 January 2022	3.4	202.2	1.3	–	(0.5)	2.7	10.5	219.6
Total comprehensive expense 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 and losses and costs of hedging transferred to the cost of inventory	–	–	(5.2)	–	–	–	–	(5.2)
Deferred tax on transfers to inventory	–	–	1.3	–	–	–	–	1.3
Transactions with owners, recorded directly in equity								
Share-based payment charges	–	–	–	–	–	–	1.7	1.7
Dividends (note 9)	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–	–	1.7	1.7
At 31 January 2023	3.4	202.2	3.5	(0.1)	(0.5)	2.7	57.0	268.2

Consolidated cash flow statement
For the six months ended 31 July 2023

	<i>Note</i>	Six months ended 31 July 2023	Six months ended 31 July 2022	Year ended 31 January 2023
		£m	£m	£m
Cash from operations	16	36.3	19.7	107.8
Corporation tax paid		(6.1)	0.1	(7.9)
Net cash inflow from operating activities		30.2	19.8	99.9
Cash flows from investing activities				
Purchase of property, plant and equipment	11	(9.0)	(2.6)	(8.8)
Purchase of intangible assets	10	(6.3)	(3.0)	(9.4)
Acquisition of SA Greetings net of cash acquired	18	(2.2)	–	–
Net cash outflow from investing activities		(17.5)	(5.6)	(18.2)
Cash flows from financing activities				
Proceeds from bank borrowings		37.0	73.8	(6.2)
Interest paid		(3.4)	(3.5)	27.8
Repayment of bank borrowings		(12.3)	(80.7)	(72.9)
Other financing costs paid		–	(0.7)	(1.8)
Payment of lease liabilities		(19.9)	(30.9)	(52.5)
Interest in respect of lease liabilities	6	(2.8)	(2.0)	(4.5)
Net cash inflow/(outflow) from financing activities		(1.4)	(44.0)	(110.1)
Net increase/(decrease) in cash in the period		11.3	(29.8)	(28.4)
Cash and cash equivalents at the beginning of the period		9.9	38.3	38.3
Exchange gains on cash and cash equivalents		0.2	–	–
Closing cash and cash equivalents		21.4	8.5	9.9

Notes to the condensed consolidated interim financial statements

1 General information

Card Factory plc ('the Company') is a public limited company incorporated in the United Kingdom. The Company is domiciled in the United Kingdom and its registered office is Century House, Brunel Road, 41 Industrial Estate, Wakefield WF2 0XG.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

2 Basis of preparation

These unaudited condensed consolidated interim financial statements ('interim financial statements') for the six months ended 31 July 2023 comprise the Company and its subsidiaries (together referred to as the 'Group'). The interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and the requirements of IAS 34 Interim Financial Reporting as adopted by the United Kingdom. The interim report was approved by the Board of Directors on 25 September 2023.

These condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 January 2023 ('Annual Report') which have been prepared in accordance with UK-adopted international financial reporting standards (UK IFRS) and applicable law.

The comparative figures for the financial year ended 31 January 2023 are an extract from the Annual Report and are not the Group's statutory accounts for that financial year within the meaning of section 434 of the Companies Act 2006. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report was (i) unqualified, (ii) did not contain an emphasis of matter paragraph and (iii) did not contain any statement under section 498 of the Companies Act 2006. The statutory accounts for the year ended 31 January 2023 were approved by the Board of Directors on 2 May 2023 and delivered to the Registrar of Companies.

Significant judgements and sources of estimation uncertainty

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

Estimates and assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected. Judgements are also reviewed on an ongoing basis to ensure they remain appropriate.

There were no judgements made in the six months ended 31 July that had a material effect on the Group's interim financial statements.

The review of estimates and assumptions in the period concluded that the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 January 2023. In each case, estimates were made using a consistent methodology, with inputs and assumptions updated to reflect the Group's latest forecasts and prevailing market conditions at the balance sheet date where appropriate.

As part of this process, the Group amended assumptions in respect of inventory provisions where sales data for the six months ended 31 July 2023 indicated a lower provisioning requirement for certain categories of inventory than had previously been applied. Changes to these assumptions reduced the value of inventory provisions by approximately £1.1 million, compared to the provision value had it been calculated using the previous assumptions. The total inventory provision at 31 July 2023 was £12.3 million (see note 13).

Comparative information

The Group provides comparative financial information in these interim financial statements for both the six months ended 31 July 2022 ('HY23') and the year ended 31 January 2023 ('FY23'). Where included within text, income statement comparatives refer to the six months ended 31 July 2022 and balance sheet comparatives are as at 31 January 2023, unless otherwise stated.

Going concern basis of accounting

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

The Group has delivered a strong financial performance in the six months ended 31 July 2023, with encouraging sales momentum, improving profit margins and positive operating cash generation. In addition, net debt levels have continued to fall (compared to the equivalent period last year) and the Group has reduced its leverage ratio year-on-year. See the Business Update and Group Financial Review in this report for more information regarding trading in the first half of the year.

The Group's current financing facilities (see note 14) extend to September 2025. The Board believes that the current facilities provide adequate headroom for the Group to execute its strategic plan. At 31 July 2023, net debt (excluding lease liabilities) was £71.9 million and the Group had £33.9 million of undrawn facilities.

The Group's most recent cash flow forecasts, which cover the period extending 12 months from the date these interim financial statements were approved, indicate that the Group expects to have significant headroom within its agreed financing arrangements, comfortably meet all covenant tests within those arrangements, and would be able to settle its liabilities as they fall due for the duration of the forecasts, including repayment of borrowings in line with the amortising repayment schedule set out in the terms of the 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 Group's 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. At the half-year, the forecast has been updated to reflect current performance and expectations for the remainder of the current financial year. Given the strong performance in the six months ending 31 July 2023, the Group's forecast for the 12 month period has improved from that considered at the FY23 year-end.

Beyond the 12-month period, the Group has qualitatively considered whether any factors (for example the timing of debt repayments, or longer-term trading assumptions) indicate a longer period warrants consideration.

The results of this analysis were:

- The Group's base case forecasts indicate that the Group will continue to trade profitably, generate positive operating cash flows and make scheduled debt repayments whilst retaining substantial liquidity headroom against current facility limits and meet all covenant requirements on the relevant test dates in the 12 month period.
- Debt repayments continue in the 12 months following the going concern period and the Group's current facilities expire in September 2025. The Board currently expects the Group will be able to renew its facilities at a level commensurate with its requirements from this point.
- In the Board's view, there are no other factors arising in the period immediately following 12 months from the date of these accounts that warrant further consideration.
- The Group performed a desktop review of the scenario analysis performed for, and originally described on page 120 of, its FY23 Annual Report & Accounts. Given the improved performance in the six months ending 31 July 2023, headroom on all of the scenarios considered (which included a permanent drop in sales, profitability and cash flows, or an acute, severe event occurring in the peak Christmas season) had increased.

The Group also conducted a desktop review of the reverse stress test analysis originally performed for the FY23 Annual Report & Accounts, which considered the extent of sales loss or cost increase that would be required to result in either a complete loss of liquidity headroom, or a covenant breach during the period. Seasonality of the Group's cash flows, with higher purchases and cash outflows over the summer to build stock for Christmas, means liquidity headroom is at its lowest in September and October ahead of the Christmas season. Conversely, covenant compliance is most sensitive early in the year.

Updating the reverse stress test analysis to reflect actual performance in the period to 31 July 2023 demonstrated that the level of sales loss or cost increase required (either on a sustained basis or as a significant one-off downside event) to result in a breach would require circumstances akin to a pandemic lockdown for a period of several weeks, or other events with a similar quantum of effect that would be unprecedented in nature. Accordingly, such scenarios are not considered to be reasonably likely to occur. As with the scenario analysis above, the stress test was conducted before considering any potential benefit from available mitigating actions.

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

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

3 Principal accounting policies

The interim financial statements have been prepared under the historical cost convention except for certain assets and liabilities (principally derivative financial instruments) which are stated at their fair value. The accounting policies are consistent with those applied in the consolidated financial statements for the year ended 31 January 2023.

Amended standards and interpretations effective in the period do not have a material effect on the Group's financial statements.

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.

Comparatives for the year ending 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.

4 Segmental reporting and revenue

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 18). The results of SA Greetings have been provisionally included in the Partnerships segment for the six months ended 31 July 2023.

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

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

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

	Six months ended 31 July 2023	Six months ended 31 July 2022	Year ended 31 January 2023
	£m	£m	£m
Revenue:			
cardfactory Stores	208.4	186.2	440.4
cardfactory Online	3.4	4.0	8.8
Getting Personal	2.4	4.0	8.5
Partnerships	6.4	3.4	5.0
Other	0.2	0.4	0.7
Consolidated Group revenue	220.8	198.0	463.4
Of which derived from customers in the UK	210.2	192.4	451.6
Of which derived from customers overseas	10.6	5.6	11.8
EBITDA:			
cardfactory Stores	55.2	46.0	116.1
cardfactory Online	(1.9)	(0.9)	(2.2)
Getting Personal	(1.1)	(0.4)	(1.5)
Partnerships	1.5	1.2	1.4
Other	(2.6)	(2.1)	(1.8)
Consolidated Group EBITDA	51.1	43.8	112.0
Consolidated Group depreciation, amortisation & impairment	(24.0)	(24.2)	(48.7)
Consolidated Group gain on disposal	1.0	0.4	0.5
Consolidated Group Operating Profit	28.1	20.0	63.8

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

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.

Revenue from overseas reflects revenue earned from i) the Group's Stores in the Republic of Ireland, ii) the Group's wholesale and retail activities in South Africa (via its SA Greetings subsidiary), and iii) from other retail partners based outside of the UK.

5 EBITDA

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

	Six months ended 31 July 2023	Six months ended 31 July 2022	Year ended 31 January 2023
	£m	£m	£m
Operating profit	28.1	20.0	63.8
Depreciation, amortisation and impairment	24.0	24.2	48.7
Gain on disposal	(1.0)	(0.4)	(0.5)
EBITDA	51.1	43.8	112.0

6 Finance expense

	Six months ended 31 July 2023	Six months ended 31 July 2022	Year ended 31 January 2023
	£m	£m	£m
Finance expense			
Interest on bank loans and overdrafts	2.9	3.1	6.0
Amortisation of debt issue costs	0.3	0.6	0.9
Lease interest	2.8	2.0	4.5
	6.0	5.7	11.4

7 Taxation

The tax charge for the six months ending 31 July 2023 has been calculated on the basis of the estimated effective tax rate on Profit Before Tax for the full financial year to 31 January 2024, which has been assessed as 22.2% (HY23: 19.6%).

The estimated effective tax rate is lower than the standard rate of corporation tax in the UK applicable for the period (24%), principally due to deductions for capital allowances being greater than the equivalent depreciation charge for the period.

8 Earnings per share

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

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

	Six months ended 31 July 2023	Six months ended 31 July 2022	Year ended 31 January 2023
	(Number)	(Number)	(Number)
Weighted average number of shares in issue	342,701,920	342,098,789	342,328,622
Weighted average number of dilutive share options	4,586,823	1,449,318	1,604,107
Weighted average number of shares for diluted earnings per share	347,288,743	343,548,107	343,932,729
	£m	£m	£m
Profit for the financial period	19.2	11.5	44.2
	pence	pence	pence
Basic earnings per share	5.6	3.4	12.9
Diluted earnings per share	5.5	3.3	12.8

9 Dividends

The Directors have not declared an interim dividend for the period ended 31 July 2023. There were no dividends paid in the previous financial year ended 31 January 2023.

Whilst the Group's CLBILS and certain of its term loan facilities, as drawn at 31 July 2023, remain outstanding, the Group is prohibited from making distributions.

10 Intangible assets

	Goodwill	Software & Other intangible assets	Total
	£m	£m	£m
Cost			
At 1 February 2023	328.2	26.0	354.2
Additions	–	6.3	6.3
Transfers	–	–	–
At 31 July 2023	328.2	32.3	360.5
Amortisation and impairment			
At 1 February 2023	14.4	13.5	27.9
Amortisation in the period	–	1.6	1.6
Impairment in the period	–	–	–
At 31 July 2023	14.4	15.1	29.5
Net book value			
At 31 July 2023	313.8	17.2	331.0
At 31 January 2023	313.8	12.5	326.3

11 Property, plant and equipment

	Freehold property	Leasehold improvements	Plant, equipment, fixtures & vehicles	Total
	£m	£m	£m	£m
Cost				
At 1 February 2023	18.6	40.8	78.2	137.6
Additions	0.7	0.2	8.1	9.0
Acquisition of SA Greetings (note 18)	2.7	–	0.4	3.1
Disposals	–	–	–	–
At 31 July 2023	22.0	41.0	86.7	149.7
Depreciation and impairment				
At 1 February 2023	4.9	39.0	61.5	105.4
Depreciation in the period	0.2	0.6	2.7	3.5
Depreciation on disposals	–	–	–	–
At 31 July 2023	5.1	39.6	64.2	108.9
Net book value				
At 31 July 2023	16.9	1.4	22.5	40.8
At 31 January 2023	13.7	1.8	16.7	32.2

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	Buildings	Motor Vehicles	Total
	£m	£m	£m
Cost			
At 1 February 2023	279.3	0.8	280.1
Additions	15.0	0.8	15.8
Disposals	(23.6)	(0.6)	(24.2)
Acquisition of SA Greetings	1.5	–	1.5
Effect of foreign exchange rates	0.1	–	0.1
At 31 July 2023	272.3	1.0	273.3
Depreciation and impairment			
At 1 February 2023	179.0	0.6	179.6
Depreciation in the period	18.7	0.2	18.9
Depreciation on disposals	(22.9)	(0.6)	(23.5)
Impairment on disposals	(0.3)	–	(0.3)
At 31 July 2023	174.5	0.2	174.7
Net book value			
At 31 July 2023	97.8	0.8	98.6
At 31 January 2023	100.3	0.2	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.

Lease liabilities	Six months ended 31 July 2023	Six months ended 31 July 2022	Year ended 31 January 2023
	£m	£m	£m
Current lease liabilities	(26.0)	(29.3)	(27.3)
Non-current lease liabilities	(75.6)	(80.1)	(78.1)
Total lease liabilities	(101.6)	(109.4)	(105.4)

Lease expense	Six months ended 31 July 2023	Six months ended 31 July 2022	Year ended 31 January 2023
	£m	£m	£m
Depreciation expense on right of use assets	18.9	17.8	35.7
Impairment of right of use assets	–	–	1.3
Profit on disposal of right of use assets	(1.0)	(0.4)	(0.5)
Lease interest	2.8	2.0	4.5
Expense relating to short term and low value leases	–	–	–
Expense relating to variable lease payments	0.1	0.1	0.2
Total lease related income statement expense	20.8	19.5	41.2

13 Inventories

	31 July 2023	31 July 2022	31 January 2023
	£m	£m	£m
Finished Goods	48.4	45.3	44.7
Work in progress	1.1	0.9	0.6
	49.5	46.2	45.3

Inventories are stated net of provisions totalling £12.3 million (FY23: £16.1 million. HY23: £18.5 million). The value of inventories written down in the period was £6.6 million.

The cost of inventories recognised as an expense and charged to cost of sales in the period, net of movements in provisions, was £65.6 million (HY23: £61.3 million).

14 Analysis of net debt

Six months ended 31 July 2023	At 1 February 2023	Cash flow	Non-cash changes	At 31 July 2023
	£m	£m	£m	£m
Unsecured bank loans and accrued interest	(65.7)	(21.7)	(4.9)*	(92.3)
Lease liabilities	(105.4)	21.3	(17.5)	(101.6)
Total debt	(171.1)	(0.4)	(22.4)	(193.9)
Debt costs capitalised	(1.4)	–	0.4	(1.0)
Bank overdraft	(1.8)	(4.3)	–	(6.1)
Cash and cash equivalents	11.7	15.8	–	27.5
Net debt	(162.6)	11.1	(22.0)	(173.5)
Lease liabilities	105.4	(21.3)	17.5	101.6
Net debt excluding lease liabilities	(57.2)	(10.2)	(4.5)	(71.9)

*Non-cash changes include bank loans and interest acquired as a result of the acquisition of SA Greetings (see note 18).

Six months ended 31 July 2022	At 1 February 2022	Cash flow	Non-cash changes	At 31 July 2022
	£m	£m	£m	£m
Unsecured bank loans and accrued interest	(111.0)	7.0	0.5	(103.5)
Lease liabilities	(119.8)	32.9	(22.5)	(109.4)
Total debt	(230.8)	39.9	(22.0)	(212.9)
Debt costs capitalised	(1.5)	(0.7)	0.6	(1.6)
Cash and cash equivalents	38.3	(29.8)	–	8.5
Net debt	(194.0)	9.4	(21.4)	(206.0)
Lease liabilities	119.8	(32.9)	22.5	109.4
Net debt excluding lease liabilities	(74.2)	(23.5)	1.1	(96.6)

Year ended 31 January 2023	At 1 February 2022	Cash flow	Non-cash changes	At 31 January 2023
	£m	£m	£m	£m
Unsecured bank loans and accrued interest	(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)
Debt costs capitalised	(1.5)	(1.8)	1.9	(1.4)

Bank overdraft	–	(1.8)	–	(1.8)
Cash and cash equivalents	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)

The Group's banking facilities, when agreed in April 2022, comprised term loans of £30 million (Term Loan 'A' of £11 million and Term Loan 'B' of £19 million), CLBILs of £20 million and a Revolving Credit Facility (RCF) of up to £100 million.

The CLBILs facilities are subject to an amortising repayment profile, with the final repayments due in September 2023. The term loan facilities are also subject to an amortising repayment profile with final maturity in September 2025. The RCF is available to draw to meet the Group's working capital requirements as needed, with the final maturity also due in September 2025. The first scheduled repayments under the term loan and CLBILs facilities occurred in January 2023. At 31 July 2023, the Group had made total repayments of £6.6 million in respect of Term Loan A, and £11.8 million in respect of the CLBILs facilities. Following the balance sheet date, on 25 September 2023, the Group made the final repayments due in respect of the CLBILs facilities, which are now fully extinguished.

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

The Term Loan and CLBILS facilities were drawn in full from the refinancing date, with the RCF drawn to replace the existing term loans and CLBILs that were paid down. The RCF was subsequently drawn during the period to support liquidity when needed and includes up to £17.5 million that can be utilised as an overdraft facility on certain of the Group's bank accounts. The full RCF remains available to draw on if required, with £33.9 million of undrawn committed facilities available to the Group at the balance sheet date.

At the balance sheet date, the Group remained subject to two financial covenants, tested quarterly, in relation to leverage (ratio of net debt to EBITDA) and interest cover (ratio of interest and rent costs to EBITDA). Covenant thresholds are phased to return to 2.5x leverage and 1.75x interest cover by January 2024.

In addition, the terms of the facilities prevent the Group from making any distributions to shareholders whilst the CLBILS and Term Loan 'A' remain outstanding and places a limit on the total value of capital expenditure the Group can make in each financial year to FY25. The Group expects to be able to operate and have sufficient headroom within these covenants to deliver its strategy.

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

15 Financial instruments

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

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

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

	31 July 2023	31 July 2022	31 January 2023
	£m	£m	£m
Derivative assets			
<i>Non-current</i>			
Interest-rate contracts	0.2	0.3	0.2
Foreign exchange contracts	0.5	1.7	0.3
	0.7	2.0	0.5
<i>Current</i>			
Interest-rate contracts	0.8	0.7	1.1
Foreign exchange contracts	0.9	7.5	4.2
	1.7	8.2	5.3
Derivative liabilities			
<i>Current</i>			
Interest rate contracts	-	-	-
Foreign exchange contracts	(2.5)	(0.1)	(1.4)
	(2.5)	(0.1)	(1.4)
<i>Non-current</i>			
Interest rate contracts	-	-	(0.2)
Foreign exchange contracts	(1.0)	(0.3)	(0.3)
	(1.0)	(0.3)	(0.5)
Net derivative financial instruments			
Interest rate contracts	1.0	1.0	1.1
Foreign exchange contracts	(2.1)	8.8	2.8
	(1.1)	9.8	3.9

16 Notes to the cash flow statement

Reconciliation of operating profit to cash generated from operations:

	31 July 2023	31 July 2022	31 January 2023
	£m	£m	£m
Profit Before Tax	24.7	14.3	52.4
Gain on bargain purchase	(2.6)	–	–
Net finance expense	6.0	5.7	11.4
Operating profit	28.1	20.0	63.8
Adjusted for:			
Depreciation and amortisation	24.0	22.7	46.0
Impairment of right-of-use assets	–	1.5	1.3
Impairment of intangible assets	–	–	1.5
Gain on disposal of fixed assets	(1.0)	(0.4)	(0.5)
Cash flow hedging foreign currency movements	1.3	(1.7)	0.8
Share-based payments charge	1.0	0.5	1.7
Operating cash flows before changes in working capital	53.4	42.6	114.6
Decrease in receivables	(8.5)	(10.3)	(5.2)
Increase in inventories	(0.4)	(13.0)	(12.2)
(Decrease)/increase in payables	(7.9)	5.2	13.3
Movement in provisions	(0.3)	(4.8)	(2.7)
Cash from Operations	36.3	19.7	107.8

Changes in working capital differ from the absolute amounts shown in the consolidated statement of financial position due to the impact of balances acquired as part of the transaction to acquire SA Greetings (see note 18). The net cash outflow in respect of acquisition consideration net of cash balances acquired of £2.2 million is included in cash used in investing activities in the consolidated cash flow statement.

17 Provisions

Six months ended 31 July 2023	Covid-19- related support	Property Provision	Total
	£m	£m	£m
At 1 February 2023	7.4	2.1	9.5
Transfer from contract liabilities	–	–	–
Provisions utilised during the period	–	(0.1)	(0.1)
Provisions released during the period	–	(0.4)	(0.4)
Provisions provided during the period	–	0.2	0.2
At 31 July 2023	7.4	1.8	9.2

Six months ended 31 July 2022	Covid-19- related support	Property Provision	Total
	£m	£m	£m
At 1 February 2022	12.2	–	12.2
Transfer from contract liabilities	–	–	–
Provisions utilised during the period	(2.3)	–	(2.3)
Provisions released during the period	(2.5)	–	(2.5)
Provisions provided during the period	–	–	–
At 31 July 2022	7.4	–	7.4

Year ended 31 January 2023	Covid-19- related support	Property Provision	Total
	£m	£m	£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)
Provisions provided during the year	–	1.4	1.4
At 31 January 2023	7.4	2.1	9.5

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

In July 2022, following an unprompted disclosure to HMRC and resulting investigation, the Group made a payment of £2.3 million in final settlement of its CJRS position. As a result of this settlement, the Group released a further £2.5

million from the provision that is no longer expected to be required, as the matter is now closed. This release has been recognised as a one-off benefit in the income statement in the period.

The remaining provision relates to covid-related lockdown grants and similar support schemes. The Group is taking steps to confirm amounts repayable and settle its positions.

The Group maintains provisions in respect of its Store portfolio to cover both the estimated cost of restoring properties to their original condition upon exit of the property and any non-lease components of lease contracts (such as service charges) that may be onerous. Despite the size of the Group's Store portfolio, such provisions are generally small which is consistent with the Group's experience of actual dilapidations and restoration costs. Such provisions are usually made where the Group has a reasonable expectation that the related property may be exited, or is at a higher risk of exiting, in the near future. Accordingly such provisions are generally expected to be utilised in the short-term. Amounts relating to property provisions, previously recognised and presented within contract liabilities, were reclassified to provisions in the year ended 31 January 2023. Comparative balances have not been reclassified as the amounts were not considered material.

18 Business Combinations

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 £2.5M, all of which paid on the acquisition date, with no further contingent or deferred consideration payable.

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	3.0
Right-of-use assets	1.6
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	(4.1)
Borrowings	(1.5)
Lease liabilities	(0.8)
Trade & other payables	(1.8)
Tax payable	-
Contingent liabilities	(0.1)
Non-current liabilities	(1.4)
Borrowings	(0.6)
Lease liabilities	(0.8)
Total liabilities	(5.5)
Net assets	5.1

Note – figures in the above table may not fully cast due to rounding.

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 assets and liabilities included in the acquiree's local financial records in arriving at the provisional fair values required by IFRS 3 were:

- Removing non-identifiable assets of £0.1 million in respect of pre-existing goodwill.
- Converting the local financial records from IFRS for SMEs to full IFRS by 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.
- A fair value adjustment to recognise 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 £5.1M, which is higher than the fair value of the consideration paid of £2.5M, therefore a gain on bargain purchase of £2.6M has been recognised in the Consolidated Income Statement in the period.

The fair values in the table above are provisional and remain subject to finalisation. In particular, independent valuations of certain items of property, plant and equipment remain in progress at 31 July 2023. The Group expects to conclude the assessment of fair values ahead of publishing its preliminary results for the FY24 financial year.

SA Greetings Corporation (Pty) Ltd contributed revenue of £2.2 million and a loss of £0.3 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 period to 31 July 2023 would have been £223.1M and Group profit after tax would have been £16.7M. 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.

19 Principal risks and uncertainties

The principal risks and uncertainties facing the Group are materially unchanged since the publication of the Annual Report (as published and explained in more detail on pages 58 to 62 of the Group's Annual Report for the year ended 31 January 2023) and are set out below for each category of risk.

Financial Risks:

- Geopolitical Instability

Operational Risks:

- ERP Implementation
- IT Infrastructure and risk of IT/security disruption
- Retail partner exposure
- Supplier CSR breach
- Business Continuity

Strategic Risks:

- ESG Compliance and climate change risks
- Adapting to customer preferences
- Brand customer experience

The Board also consider that these risks are the principal risks and uncertainties affecting the remainder of the current financial year, with the exception of ERP Implementation where the risk has reduced following the implementation of the second major phase of this project in August 2023.

20 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 consolidated.

A full listing of the Group's subsidiary undertakings is provided in the 2023 Annual Report and Accounts on page 147. Since 31 January 2023, the Group has added five new subsidiaries, in connection with the acquisition of SA Greetings, as set out below:

- CF SA Holdings (Pty) Limited – holding company
- SA Greetings Corporation (Pty) Limited – holding company

- SA Greetings (Pty) Limited – trading company
- CNA Properties (Baragwanath) (Pty) Ltd – property company
- Funny Paper (Pty) Ltd – dormant

The Group owns 100% of each of these entities, all of which are incorporated in South Africa at the registered address 2 Aeroton Road, Aeroton, Johannesburg, Gauteng 2001.

The key management personnel of the Group comprise the Card Factory plc Board of Directors, the Executive Board and the Senior Leadership Team. Disclosures relating to remuneration of key management personnel are included in note 5 of the 2023 Annual Report and Accounts financial statements. Further details of Directors' remuneration are set out in the Directors' Remuneration Report of the Annual Report and Accounts on pages 74 to 97. Directors of the Company and their immediate families control 0.02% of the ordinary shares of the Company.

There were no other related party transactions in the period.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the United Kingdom;
- the interim management report includes a fair review of the information required by:
 - a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Darcy Willson-Rymer
Chief Executive Officer

Matthias Seeger
Chief Financial Officer

26 September 2023

INDEPENDENT REVIEW REPORT TO CARD FACTORY PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2023 which comprises consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement and related notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 July 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410 (Revised), however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of the review report

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Mazars LLP

Chartered Accountants

One St Peter's Square

Manchester

M2 3DE

26 September 2023

Alternative Performance Measures (“APMs”) and other explanatory information

In the reporting of the preliminary results and condensed consolidated financial statements, the Directors have adopted various Alternative Performance Measures (‘APMs’) of financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (‘IFRS’).

These measures are not defined by IFRS and therefore may not be directly comparable with other companies’ APMs, including those in the Group’s industry 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 Earnings per Share (EPS)
Financial Position APMs	Net Debt Leverage
Cash Flow APMS	Operating Cash Conversion

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 HY24 to HY23, 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 HY24	208.6	3.4	212.0	2.4
VAT	40.4	0.8	41.2	0.6
Adjustment for Stores not open in both periods	(4.6)	–	(4.6)	–
LFL Sales HY24	244.4	4.2	248.6	3.0
Revenue HY23	186.6	4.0	190.6	4.0
VAT	36.2	0.8	37.0	0.8
Adjustment for Stores not open in both periods	(1.6)	–	(1.6)	–
LFL Sales HY23	221.2	4.8	226.0	4.8
LFL Sales Growth	+10.5%	-13.1%	+10.0%	-36.6%

Note percentages are calculated based on absolute figures before rounding.

Profitability APMs

EBITDA

Closest IFRS Equivalent: Operating Profit¹

¹ Whilst operating profit is not defined formally in IFRS, it is considered a generally accepted accounting measure.

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		
	HY24 £m	HY23 £m
Operating Profit	28.1	20.0
<i>Add back:</i>		
Depreciation	22.4	21.5
Amortisation	1.6	1.2
Gains on disposal	(1.0)	(0.4)
Impairment charges	–	1.5
EBITDA	51.1	43.8

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 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 the six months ended 31 July 2023, the Directors have identified the following items that they believe to meet the definition of 'one-off' for this purpose:

- The provisional gain on bargain purchase related to the acquisition of SA Greetings of £2.6 million.

The following items are taken into account in arriving at Adjusted PBT for the equivalent period last year (HY23):

- 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		
	HY24	HY23
	£m	£m
Profit Before Tax	24.7	14.3
<i>Add back / (Deduct):</i>		
Acquisition gain	(2.6)	–
CJRS settlement	–	(2.5)
Refinancing benefit	–	(1.0)
Adjusted PBT	22.1	10.8

Adjusted EPS

Closest IFRS Equivalent: Basic Earnings per Share

Adjusted EPS calculates Earnings per Share with an amended earnings figure 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 calculation applies the effective tax rate for the period (determined by dividing the tax charge by Profit Before Tax for the period), to Adjusted PBT (as calculated above) to determine an adjusted earnings figure. No adjustments are made to the weighted average number of shares used in the EPS calculation.

The Group uses Adjusted EPS to assess performance and shareholder value on a basis excluding one-off transactions; and believe measures adjusted in this manner provide additional information about the impact of unusual or one-off transactions on the Group's performance in the period.

Reconciliation of Adjusted EPS to Basic EPS.		
	HY24	HY23
Weighted average number of shares in issue (A)	342,701,920	342,098,789
Profit for the period (B)	£19.2m	£11.5m
Basic EPS (B)/(A)	5.6 pence	3.4 pence
Adjusted PBT	£22.1m	£10.8m
Effective tax rate	22.2%	19.6%
Tax charge on Adjusted PBT	(£4.9m)	(£2.1m)
Adjusted Profit for the period (C)	£17.2m	£8.7m
Adjusted EPS (C)/(A)	5.0 pence	2.5 pence

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		
	HY24 £m	HY23 £m
Current Borrowings	23.6	18.6
Non-Current Borrowings	74.8	84.9
Add back Debt Issue Costs	1.0	1.6
Gross Borrowings	99.4	105.1
Cash	(27.5)	(8.5)
Net Debt (exc. Leases)	71.9	96.6
Lease Liabilities	101.6	109.4
Net Debt (inc. Leases)	173.5	206.0

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 to EBITDA for the previous 12 months expressed as a multiple. 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. Leverage is also a covenant defined within the Group's financing facilities.

The Group targets a longer-term Leverage ratio of around 0.5x to 1.5x when calculated across a financial year. As described in the Group Financial Review, 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		
	HY24 £m	HY23 £m
Net Debt (as calculated above)	71.9	96.6
EBITDA for H1 (as calculated above)	51.1	43.8
EBITDA for H2 of prior year	71.2	62.0
EBITDA (last 12 months)	122.3	105.8
Leverage	0.6x	0.9x

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		
	HY24 £m	HY23 £m
Cash from Operations	36.3	19.7
EBITDA	51.1	43.8
Operating Cash conversion	71.0%	45.0%

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.