

joules

PUTTING IT IN PRINT

ANNUAL REPORT & ACCOUNTS 2016/17

the colourful story continues



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the colourful story continues



CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained in this document, including any information as to the Group's strategy, plans or future financial or operating performance, constitutes "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "projects", "expects", "intends", "aims", "plans", "predicts", "may", "will", "seeks", "could", "targets", "assumes", "positioned" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things, the Group's results of operations, financial condition, prospects, growth, strategies and the industries in which the Group operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Group's control. Forward-looking statements are not guarantees of future performance. Even if the Group's actual results of operations, financial condition and the development of the industries in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

The forward-looking statements contained in this document speak only as of the date of this document. The Group and its Directors expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law, the AIM Rules for Companies or the Disclosure and Transparency Rules.

Note: The financial information contained in this document, including the financial information presented in a number of tables in this document, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figures given for that column or row. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.



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Corporate PR:	Hudson Sandler, 29 Cloth Fair, London, EC1A 7NN
Legal Advisors:	Eversheds LLP, 115 Colmore Row, Birmingham, B3 3AL
Auditor:	Deloitte LLP, 1 Woodborough Road, Nottingham, NG1 3FG
Registrars:	Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA

2 Highlights





HIGHLIGHTS

- Revenue increased by 19.6% to £157.0 million (18.6% constant currency)
- Underlying¹ Profit Before Tax increased by 34.0% to £10.1 million
- Underlying EBITDA² increased by 25.3% to £16.9 million
- Underlying basic EPS increased by 33.3% to 9.2 pence
- Gross margin increased by 190 basis points to 55.4%
- Active³ customers increased by 14% to 907,000
- International revenue increased by 36.2% (29.6% constant currency) - now representing 11.5% of Group revenue
- Final dividend of 1.2 pence per share proposed

1. Underlying excludes exceptional and non-recurring items, primarily related to the cost of admission to AIM and the capital structure in place prior to admission and the expense of share based compensation awards introduced following the IPO.

2. EBITDA is a non-GAAP measure, a reconciliation is provided in the Financial Review.

3. Active customer is a customer on our database who has made a transaction in the last 12 months. Prior periods are restated to exclude customers registered via third party websites and for data cleansing enhancements.

Reconciliation to statutory profit before tax:

£MILLION	FY17	FY16
Underlying profit before tax	10.1	7.5
IPO transaction costs	(0.3)	(2.7)
Shareholder loan note interest	-	(5.6)
Exceptional asset impairment	-	(0.3)
Share based compensation	(0.8)	-
Other non-recurring items	-	(0.1)
Statutory profit / (loss) before tax	8.9	(1.2)

OUR VALUES

The following values are things we have always stood for and are things we'll always stand for in everything we do.

COLOUR

“Making the ordinary extraordinary.

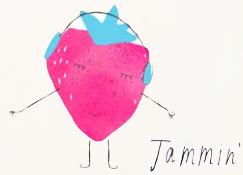
Our unique use of colour is what has made Joules stand out for three decades – and is still what makes Joules stand out today.”



HUMOUR

“Raising a smile.

Being British, we have a unique sense of humour and we never take ourselves too seriously.”



BRITISH

“It's who we are.

We celebrate Britishness in a modern way, in a way that shows real understanding of our customers, their dreams, challenges and aspirations.”



FAMILY

“Supportive and loyal.

Joules started as a family business and has grown into a true family lifestyle brand.”



QUALITY

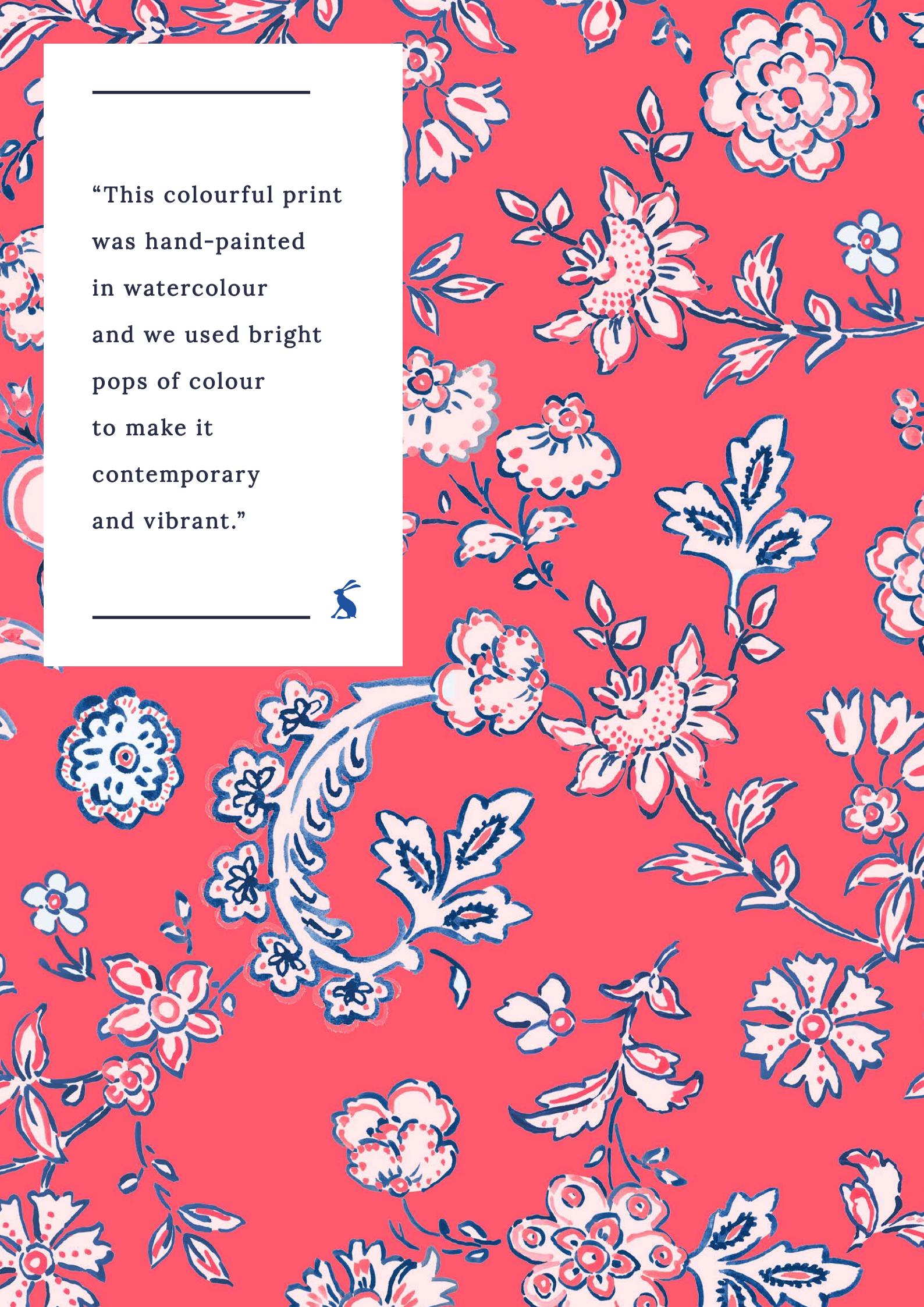
“Tried and trusted.

It's hard to define the meaning of quality, but when you pick up one of our garments, you'll know.”





"This colourful print
was hand-painted
in watercolour
and we used bright
pops of colour
to make it
contemporary
and vibrant."





CHAPTER

1

STRATEGIC
REPORT

Sitting Pretty

CHAIRMAN'S STATEMENT

JOULES GROUP PLC

INTRODUCTION

I am delighted to update the Group's stakeholders on what has been another very good year for the Joules brand. This is the Group's first full financial year as a public company and we have continued to make great progress by further expanding Joules as a premium lifestyle brand across product categories, distribution channels and geographic markets.

The brand's strong momentum during the year, coupled with continued cost control and margin improvement, has enabled the Group to record strong growth in profit before tax for the Period. We are very pleased with this result, which reflects the growing appeal of the Joules brand as well as the careful execution of our clear growth strategy.



STRATEGIC PROGRESS

Joules has a distinctive brand and unique product proposition. These qualities, supported by our first-class team across the Group, represent our strongest competitive advantages in what is a fast-changing and challenging retail environment.

We remain committed to our focused growth strategy to deliver the disciplined development and expansion of the Joules brand. At the same time we are challenging ourselves to explore new growth opportunities, find new ways to delight our customers and operate ever more efficiently. The Chief Executive's Strategic Report provides further details on our growth strategy and the progress made during the year.

The internet and new consumer technologies are changing the retail environment in exciting ways and creating new opportunities for brands and retailers. Joules now has more, and better, methods than ever before to engage and connect with its growing community of customers. At the same time, customers' expectations of brands are changing and the requirement to provide a seamless and satisfying experience across all channels at all times has never been more important. As a truly multi-channel brand with an innovative culture and very strong customer connection, I am confident that Joules will continue to grow, adapt and prosper in this dynamic market whilst always remaining true to its core values, and providing customers with the quality products and experiences we are known and loved for.

FINANCIAL RESULTS & DIVIDEND

Group revenue of £157.0 million increased by 19.6% compared to the prior period (FY16: £131.3m). Excluding the impact of currency, Group revenue grew by 18.6% in the period. This reflects strong growth in both the Retail and Wholesale segments. On a geographic basis, UK sales increased 17.8% to £139.0 million and International sales increased 36.2% to £18.0 million, now representing 11.5% of Group revenue. Underlying profit before tax increased by 34.0% to £10.1 million, and basic underlying EPS was 9.2 pence per share (FY16: 6.9 pence).

The Board has proposed a final dividend of 1.2 pence per share, which if approved at the shareholder's AGM, will take the dividend for the full year to 1.8 pence per share (FY16: nil).

The Strategic Report and Financial Review that follow provide a more in-depth analysis of the trading performance and financial results of the Group.

OUR TEAM

Central to Joules' continued success is our fantastic team of highly skilled, creative and driven people across the business. I never cease to be proud of the shared commitment to the brand and our customers which runs through the entire team at Joules, from our head office to the stores, distribution centres and across international markets. I would like to take this opportunity to thank everyone in the Joules team across the world for their continued hard work and dedication during this outstanding year for the business.

THE FUTURE

We have seen good growth in the first few weeks of our new financial year and have received positive early feedback on our Spring/Summer 2018 ranges from our wholesale customers.

The short to medium-term headwinds facing UK retailers are well documented. In particular, the final outcome of the UK's decision to leave the European Union remains unclear and, as a consequence, the specific macro-economic effects remain difficult to predict. However, I believe that Joules is well placed to meet these uncertainties through a combination of the strength of its brand and products; its target customer demographic; and the substantial investment that has been made in the Group's infrastructure and supply chain.

We have a loyal and engaged customer base, a committed and enterprising team and a well-invested infrastructure. These qualities make us confident of successfully delivering the Board's clear strategy for growing the Joules brand in the UK and internationally.

NEIL McCUSAUSLAND

Chairman

CHIEF EXECUTIVE'S STRATEGIC REPORT

BUSINESS MODEL

CHIEF EXECUTIVE OFFICER'S STRATEGIC REPORT

FY17 was another very exciting year for Joules as the brand continued to expand across distribution channels and product categories both in the UK and internationally. The strong progress delivered during the year was again underpinned by our focus on our customers and our dedication to provide quality products and engaging experiences across all channels.

THE JOULES BRAND

Ever since Tom Joule established the Joules brand nearly three decades ago, Joules has been committed to surprising and delighting its growing community of customers with a sense of quirky Britishness. The Joules brand remains distinctive not only for its exciting use of colour, proprietary hand-drawn prints and unexpected details but also for its values that truly connect with our customers. We aim to be an uplifting part of our customers' lives whenever they are spending quality time doing the things they love with the people who matter.

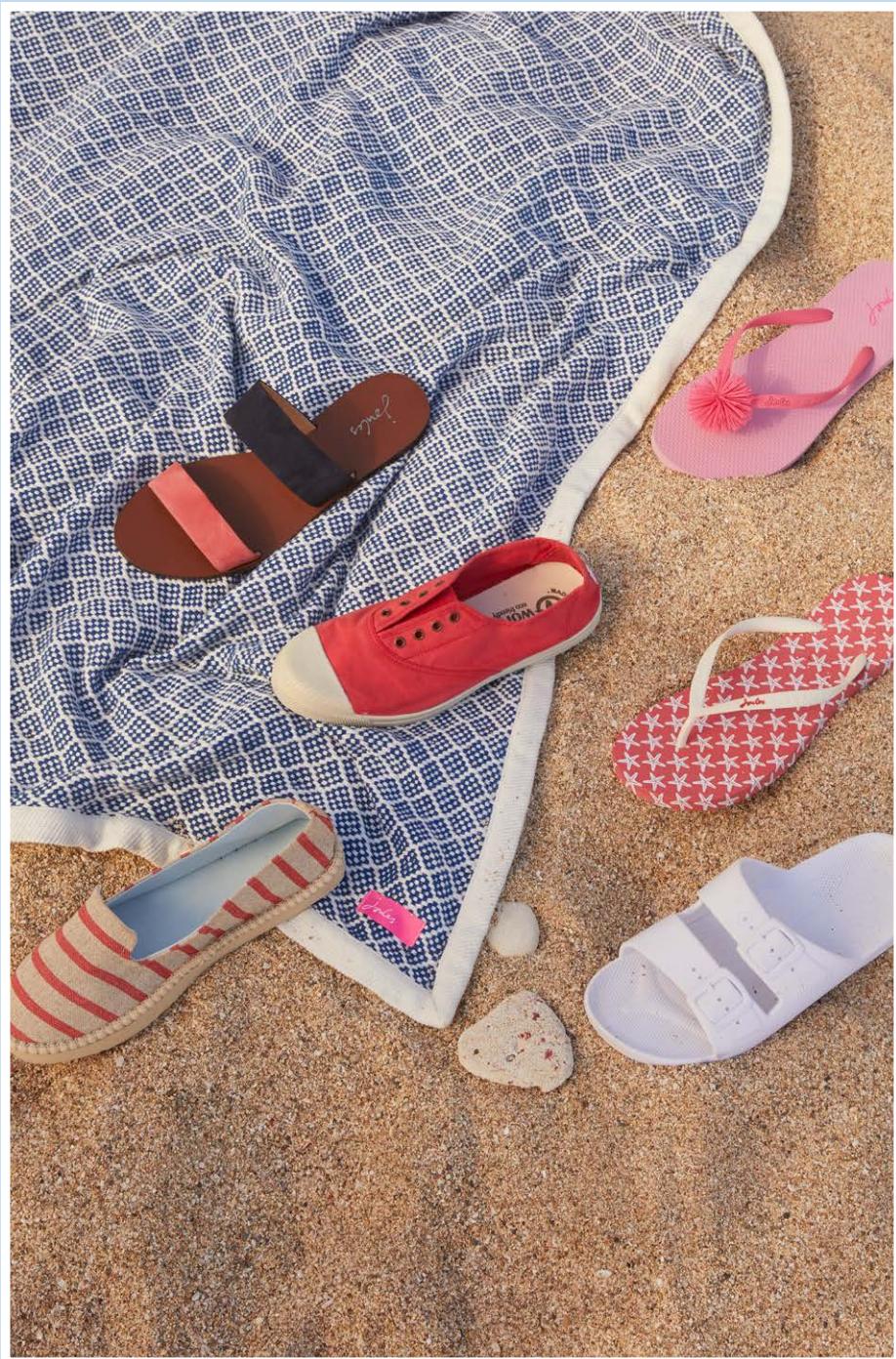
The brand's continued expansion and success was recognised at the 2016 Drapers Awards where Joules won Mainstream Brand of Year against strong competition from other leading lifestyle brands. This award represents a strong stamp of approval from the fashion industry for our brand and our talented and enterprising team.

OUR BUSINESS MODEL – BORN TO BE MULTI-CHANNEL

Joules was established as a multi-channel brand. Our distribution model enables our customers to easily engage with the Joules brand and to discover our products, shop, pay and collect their purchases in the way that suits their lifestyle.

This multi-channel approach is reflected in the Group's revenue mix between our two key, complementary distribution channels: Retail (including stores, e-commerce and the country shows and events circuit) and Wholesale. The Group has a small but growing product licencing channel which, given the strength of the Joules brand, we are confident will become increasingly important over time.

These complementary routes to market underpin our focused growth strategy. Being truly multi-channel enables the Group to expand its product offering, enter new markets efficiently and exploit further growth opportunities within existing ones while always maintaining flexibility to meet and exceed our customers' changing needs.



CHIEF EXECUTIVE'S STRATEGIC REPORT

STRATEGY

OUR GROWTH STRATEGY

We have a clear strategy for the long-term sustainable development of Joules as a premium lifestyle brand both in the UK and internationally. This strategy is built on the key pillars described below and is underpinned by our distinctive brand, unique products and customer focus. These pillars of growth are delivered by our exceptional team of people, supported by a well-invested infrastructure and supply chain.

1. INCREASING CUSTOMER VALUE - we intend to continue to grow our customer database, increase the number of active customers and develop the value of the average active customer through providing consistent and relevant cross-channel communication

2 DRIVE TOTAL UK BRAND SALES - as a multi-channel brand, we seek to grow total UK brand sales within target customer segments by increasing the availability and accessibility of our products across existing and emerging distribution channels - making it easy for our customers to discover, research, purchase and receive our products. Our priorities are:

- STORE ROLL-OUT - there is significant further growth potential for the brand in the UK and ROI. We target a net 10 to 12 new stores per year in the medium-term as well as relocating a number of existing stores to larger sites that better reflect our brand and product range
- E-COMMERCE - e-commerce is a fast growing and rapidly evolving channel. With ongoing enhancements to our e-commerce platform, the customer proposition and our customer management capability, we aim to increase the mix of e-commerce sales as a proportion of our total retail sales
- WHOLESALE - we broaden the reach of the Joules brand through wholesale customers that are closely aligned with our brand values and product categories - including independents, department stores and online retailers. Our wholesale capabilities position us well for emerging channels such as online marketplaces and 'Fulfilled by' models

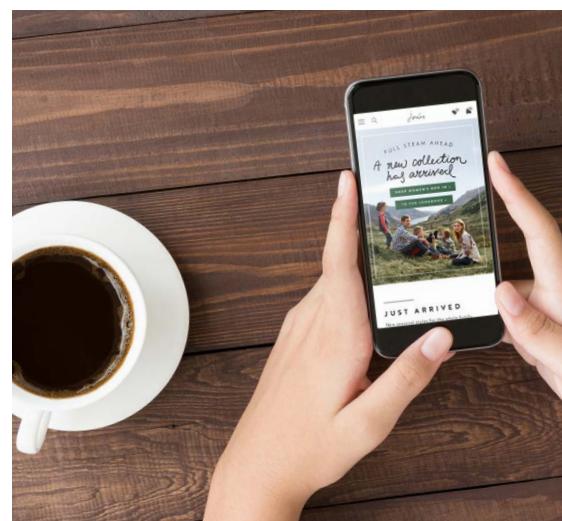
3. INTERNATIONAL EXPANSION - the Joules brand and products resonate well in international markets. We develop international markets via a wholesale model supported by e-commerce, leveraging our investment in central creative and design functions and our infrastructure. Our current priority markets are North America and Germany

4. PRODUCT EXTENSION - as a premium lifestyle brand, the Joules product offer naturally extends to meet many of the lifestyle needs of our customers. Joules has had success extending the product offer within existing categories and into new categories and we will continue to expand into new areas that are appropriate for the development of the Joules brand, both organically and through working with carefully selected licence partners

STRATEGIC PILLARS - PRIORITIES AND DEVELOPMENTS

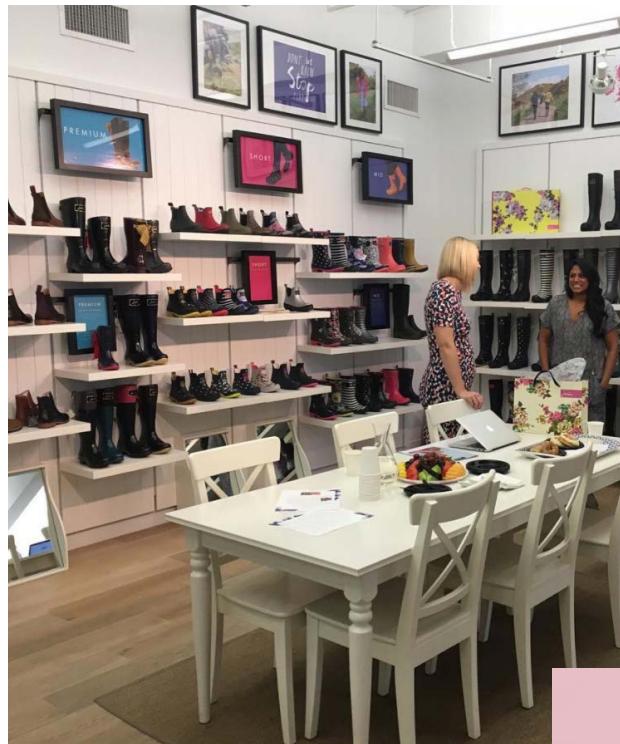
1. INCREASING CUSTOMER VALUE:

- Maintained average customer frequency and transaction value whilst significantly growing the customer base
- Maintained customer acquisition cost levels
- Increased targeted customer offers and personalisation of the online proposition
- Increased the number of store based customer events including VIP and new store opening events
- Appointed first Chief Customer Officer in September 2016



2. DRIVE TOTAL UK BRAND SALES:

- New stores: opened 13 new stores and closed two stores in the year
- Portfolio management: relocated three stores and expanded a further three stores
- E-commerce revenue: represented 35% of total retail sales
- E-commerce proposition: new payment options and site personalisation deployed in the year – helping drive improved conversion metrics
- Cross-channel: ‘Order in Store’ roll-out completed in H1 enabling store staff to place a customer order via a tablet device, facilitating access to our full product range in all stores
- Wholesale: Next Label converted to a ‘commission’ model. Continued strong growth in the independent specialist retailer channel



4. PRODUCT EXTENSION:

- Childrenswear category further developed with specific ranges for baby and younger and older age children
- Women's leather footwear launched with a range of Chelsea boots



CHIEF EXECUTIVE'S STRATEGIC REPORT

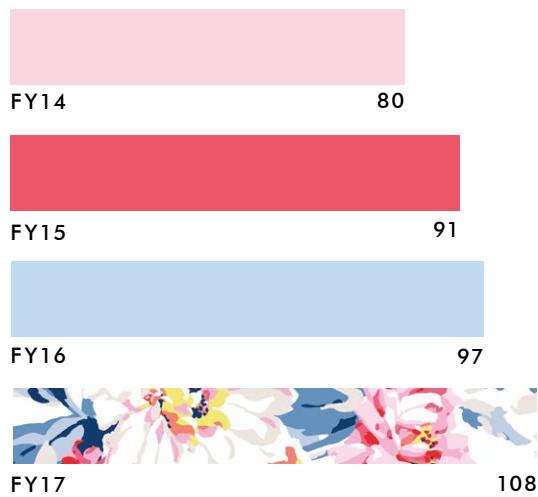
KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS

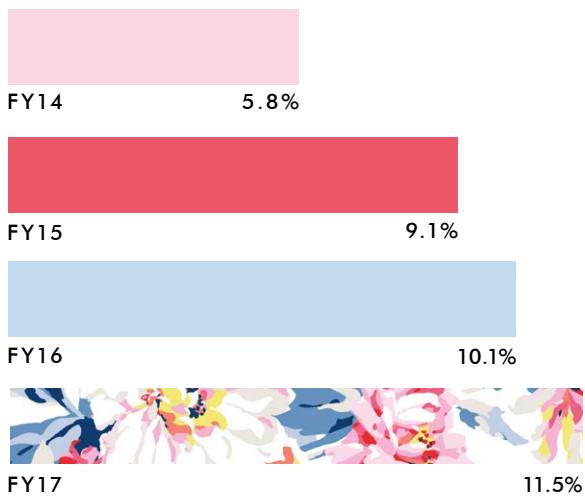
Our KPIs have been selected based on their link to the successful delivery of our strategy, they are monitored by the Board on a regular basis.

STRATEGIC KPIs

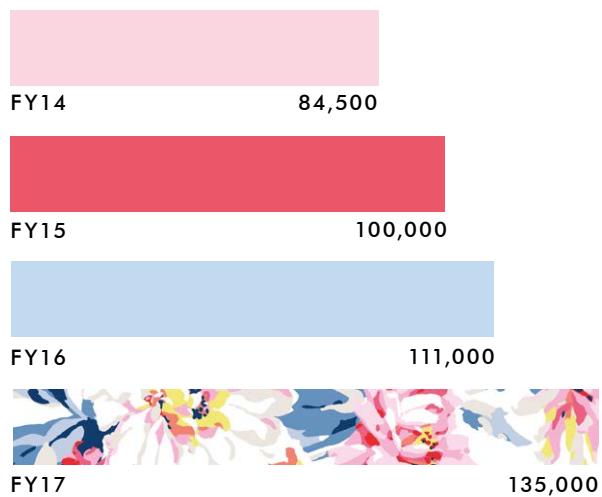
NUMBER OF STORES



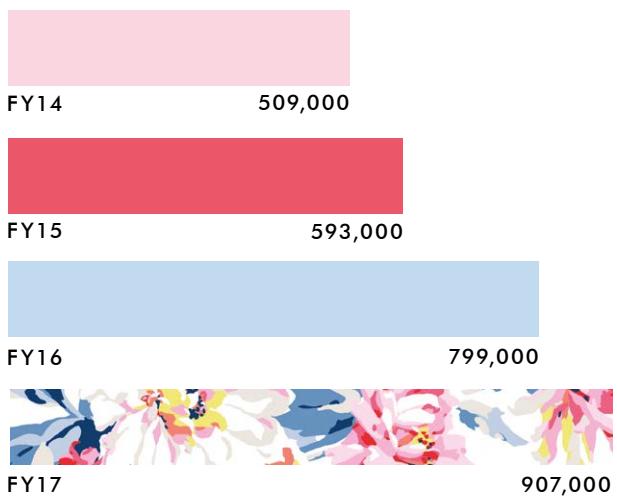
INTERNATIONAL AS % OF TOTAL REVENUE



TOTAL SELLING SPACE (SQ FT)



ACTIVE CUSTOMER NUMBERS¹

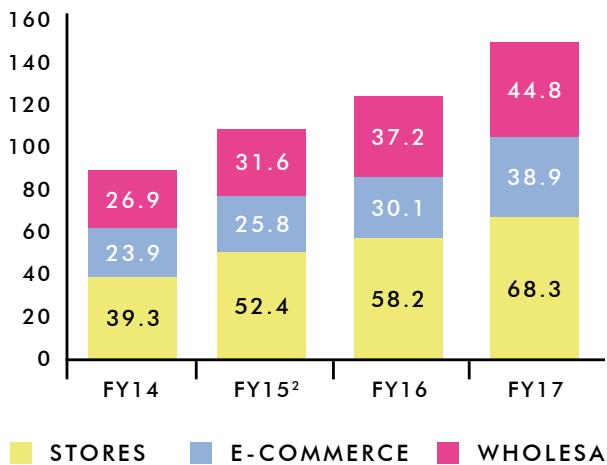


OUR FINANCIAL KPIs:

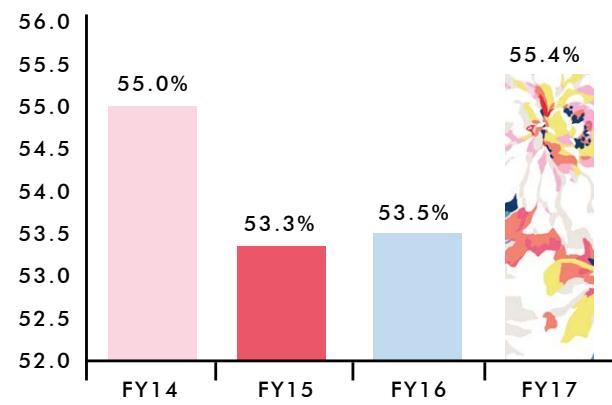
Our financial KPIs have been selected to complement our strategic KPIs and reflect our objective to deliver sales growth across channels and profit growth at a faster rate than sales growth, whilst delivering a strong return on our capital investments. Our financial KPIs, and their rationale, are:

- Revenue by channel - delivering balanced growth across our core sales channels
- Group gross margin - maintaining overall product level profitability whilst developing international wholesale markets
- EBITDA margin - how effectively we are leveraging our cost base and infrastructure
- Return on Capital Employed ('ROCE') - how we are managing working capital and growth capital investments

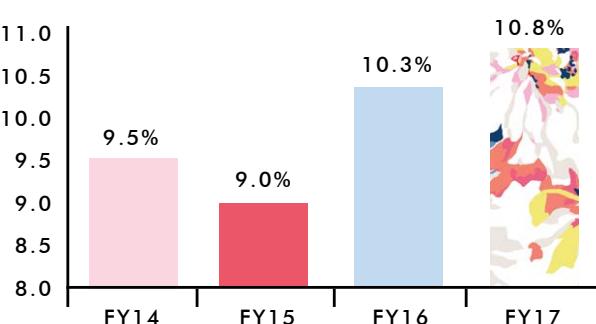
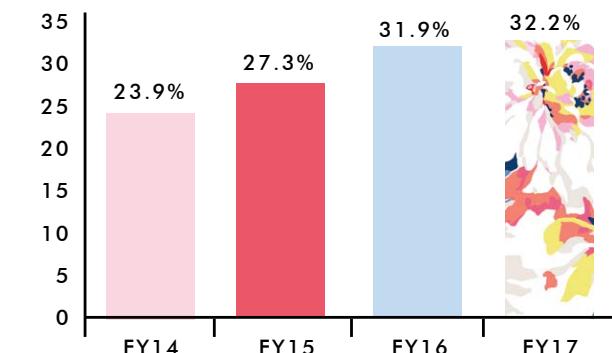
FINANCIAL KPIs

REVENUE BY CHANNEL⁴ £M

GROUP GROSS MARGIN %



UNDERLYING EBITDA MARGIN %

ROCE³ %

¹Active customer defined as a customer who is registered on our database and has transacted within the last 12 months. Prior periods are restated to exclude customers registered via third party websites and for data cleansing enhancements.

²FY15 was a 53 week period.

³Return on Capital Employed ('ROCE') is calculated as Underlying Operating Profit after Tax divided by Average Capital Employed (Capital Employed defined as Underlying Net Assets adjusted for excess cash balances).

⁴Revenue by channel excludes shows and licencing.

CHIEF EXECUTIVE'S STRATEGIC REPORT

BUSINESS REVIEW

RETAIL: MULTI-CHANNEL PROGRESS

Retail sales, which includes stores, e-commerce and shows, grew by an impressive 19.4% during the year (19.4% in constant currency). This reflected good growth from both stores and e-commerce, which increased by 29.4% to now represent 34.8% of total retail revenue (FY16: 32.1%).

The Group's store coverage across the UK and ROI continued to expand to 108 stores at the end of the period (FY16: 97). We opened 13 stores and closed two, with 10 of the net new stores being opened during the first half of the year. This expansion was in line with our previous guidance of 10-12 net new stores for the year. During the period we also relocated three stores and extended a further three to provide larger sites that better reflect the Joules brand proposition, showcase our product range, and enable multi-channel activities such as 'Click & Collect' and 'Order in Store'.

This activity resulted in total selling space increasing to 135,000 square feet (FY16: 111,000 square feet) at the Period end. The new openings were spread across our different store location types reflecting the breadth of appeal of the Joules brand:

- Lifestyle - Barnstaple;
- Local - Ashbourne, Ludlow, Woodbridge and Bishops Stortford;
- High Street - Chelmsford and Stratford-upon-Avon;
- Metro - Leeds, Derby, Bromley and Plymouth;
- Premium Outlet - Swindon and Bridgend.

The average payback on new stores, opened for more than one year, remained at less than 12 months, and all continuing stores delivered a positive contribution.

The Group continued to develop its online offering following the successful relaunch of the e-commerce platform in September 2015. In the period we added new functionality making it easier for our customers to shop and pay and continue to increase the use of personalisation. Traffic from mobile and tablet devices continued to grow, representing over 75% of the total number of visitors and we continued to see improved conversion rates. 'Click & Collect' and 'Order in Store' - where we completed the roll-out to stores in the first half of the year - continue to prove popular with our customers and demonstrate the importance of our multi-channel model and ability to deliver an integrated and consistent experience across channels.

WHOLESALE: UK AND INTERNATIONAL EXPANSION

Wholesale revenue experienced further good growth, up by 20.3% (17.6% in constant currency) year on year to £44.8 million (FY16: £37.2m), as the Joules brand continues to resonate strongly with wholesale customers both in the UK as well as within our targeted international markets: North America and Germany.

In the UK, wholesale expansion was driven through both national multi-channel retailers such as John Lewis and Next Label as well as through smaller, independent specialist retailers that have a good fit with the Joules brand.

Strong international wholesale growth helped to drive international sales (including international retail) up 36.2% (29.6% in constant currency) and they now represent 11.5% of total Group revenue. This growth was underpinned by our proprietary hand-drawn prints, colour and British character as the Joules brand continues to resonate in international markets.

In the US, we further expanded our presence in key department stores, with Dillards launching childrenswear for the Autumn/Winter 2016 season and Nordstrom increasing Joules' product range listings and the number of doors in response to customers' appetite for the brand. We continue to see exciting growth opportunities for the brand in the US market and during the year we started the process to bring the management of over 600 independent stockist accounts in-house, following the termination of our agreement with the third-party distributor that had previously been serving this channel. This new way of working will become effective from the Spring/Summer 2018 season and, under the management of our New York based sales and marketing team, will provide us with greater control over the long-term growth of the brand within the US.

In Germany we continued to perform in line with expectations and experienced good growth in the independent retailer segment where we now have over 400 stockists.

DEVELOPMENT AS A LIFESTYLE BRAND

Joules delivered sales growth across product categories with a particularly strong performance in the core womenswear category – with our distinctive and colourful “Right as Rain” outerwear and “Warm Welcome” coats and gilets all proving particularly popular with our customers. Further development of our footwear and childrenswear categories also contributed to the strong growth.

We continued to progress the development of our childrenswear range from baby through to toddler, younger and older girls and boys. Notable highlights in the year included our colourful ponchos, fun applique tops and beautifully designed dresses. Our childrenswear range is becoming increasingly popular with our international customers.

Our footwear offer continued to expand with good growth from our very popular leather Chelsea boot range and an increased range of wellington boot styles and designs.

Whilst licencing remains a small contributor to the Group, we are focused on continuing to build the brand through careful expansion with licensed partners for home - including bedding; toiletries; and eyewear. These product categories continue to perform well and highlight the exciting licence income potential available to the brand where we are able to identify opportunities that appeal to our customers and align with Joules’ distinctive values.

CUSTOMER ENGAGEMENT

Joules has a loyal and highly engaged customer community. Active customers, defined as customers who have purchased in the last twelve months, increased 14% against the prior year to 907,000 supported by effective marketing and CRM campaigns, and our total customer database now stands at 2.5 million. One example of a customer campaign, was our hugely successful ‘pass the parcel’ competition which we ran on the Joules Facebook channel in December 2016. The campaign encouraged potential and existing customers to unwrap a virtual present to potentially win a prize including a weekend stay at The Watergate Bay Hotel as well as Joules goodies. Customers were able to ‘pass the parcel’ onto a friend through social media, attracting new prospective customers to the brand.

Another notable and successful multi-channel campaign was our ‘win a Joules caravan’ competition that ran from February to April 2017 and attracted approximately 135,000 new and existing customers to take part and enter a prize draw to win a luxury caravan decorated externally with Joules prints and kitted out inside from the Joules homeware and bedding range. The campaign, which attracted a lot of social media engagement, was run on Facebook, the Joules website and by pitching the caravan at several of our country shows and events.

One of Joules’ key competitive advantages is our very strong customer connection and their engagement with the Joules brand. During the year we appointed our first Chief Customer Officer to help further develop our capability in this area and to increase brand awareness, customer loyalty and value across all channels.

PLATFORM FOR LONG TERM GROWTH

The Group’s strategy and focus is aimed towards the long term and sustainable development of the Joules brand. We continue to invest in our stores, infrastructure, systems and people to deliver this.

During the year we invested in our US operations by strengthening our US wholesale sales team, trade showroom and IT systems. This has supported the development of new and existing department store accounts during the year as well as facilitating the transition of managing the independent stockist channel in-house, which we are confident will support our long term growth in the US market.

Phase two of our company-wide ERP replacement programme continued through the year, with migration to the Microsoft Dynamics AX ERP platform scheduled for FY18. This represents a significant investment for the Group and will bring benefits including enhanced stock management across channels, process efficiencies and simplification of the IT environment.

The creativity, skill and commitment of the Joules team are key to the brand’s continued success. We continue to invest in skills and people development in all areas of the business including our customer facing colleagues and team leaders across the business.

Since the year-end we have completed the acquisition of the freehold for a new head office premises. The new site, which is located very close to our existing head office in Market Harborough, includes an existing 30,000 square foot office building and development land to support future growth. We expect to commence partial occupation towards the end of FY18 following a period of refurbishment. This investment will further strengthen our brand values and culture and create a flexible space to support modern ways of working across our head office teams. It is an important step to support the next phase of growth whilst solidifying our local roots and heritage.

COLIN PORTER
Chief Executive Officer

FINANCIAL REVIEW

JOULES GROUP PLC

PROFIT BEFORE TAX - UNDERLYING AND STATUTORY

Underlying profit before tax ('PBT') was £10.1 million for the 52 weeks to 28 May 2017, an increase of 34.0% on the prior period. Statutory PBT including exceptional IPO transaction costs and share based compensation was £8.9 million (FY16: £(1.2)m).

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION ('EBITDA')

Underlying EBITDA increased by 25.3% to £16.9 million (FY16: £13.5m). The underlying EBITDA margin increased by 50 basis points from 10.3% to 10.8%.

UNDERLYING AND STATUTORY RESULTS

During the prior period there were some costs that were exceptional or non-recurring in nature. These items related primarily to the IPO and to the capital structure that was in place prior to the IPO.

To provide a meaningful year-on-year comparison these items have been excluded from the underlying results reported in the front section of the Annual Report.

As detailed in the IPO Admission Document, executive and employee share based compensation plans have been established with the first awards made in the current financial period. Further detail on the plans is contained within the Director's Remuneration Report and the Consolidated Financial Statements. In accordance with IFRS 2, the expense related to the plans is accounted for within administrative expenses. As the share plan cycle matures over the three years following the IPO, the related expense is treated as non-Underlying to provide meaningful year-on-year comparability.

A reconciliation between Underlying and Statutory (GAAP) results is provided below.

£MILLION	52 WEEKS ENDED 28 MAY 2017			52 WEEKS ENDED 29 MAY 2016		
	UNDERLYING	SHARE BASED COMPENSATION		REPORTED	UNDERLYING	IPO COSTS
		IPO COSTS	INCLUDING NI			
Revenue	157.0	-	-	157.0	131.3	-
Gross profit	87.1	-	-	87.1	70.3	-
Admin expenses	(76.7)	(0.3)	(0.8)	(77.9)	(62.3)	(2.7)
Operating profit	10.3	(0.3)	(0.8)	9.2	8.0	(2.7)
Net finance costs	(0.2)	-	-	(0.2)	(0.5)	-
Profit before tax	10.1	(0.3)	(0.8)	8.9	7.5	(2.7)
Operating profit	10.3	(0.3)	(0.8)	9.2	8.0	(2.7)
Depreciation & Amortisation	6.6	-	-	6.6	5.5	-
EBITDA	16.9	(0.3)	(0.8)	15.8	13.5	(2.7)

REVENUE

Group revenue increased by 19.6% to £157.0 million from £131.3 million in FY16 (up 18.6% on a constant currency basis), with Retail revenue increasing by 19.4% and Wholesale revenue increasing by 20.3% (up 17.6% on a constant currency basis). Sales in International markets, which are predominantly Wholesale, increased by 36.2% (29.6% on a constant currency basis) and now represent 11.5% of Group revenues (FY16: 10.1%).

Retail - Stores

Store revenue at £68.3 million increased by 17.5%. During the year we opened 13 new stores and closed two stores, resulting in an increase in store numbers from 97 to 108. We also relocated three stores and extended a further three. We had three franchises at the end of FY17 (FY16: 3).

Retail - E-commerce

E-commerce revenue at £38.9 million increased by 29.4% and was 34.8% of total Retail revenue (FY16: 32.1%). The E-commerce channel continued to benefit from more visitors and higher conversion following the prior year re-launch of the content rich, mobile optimised website, as well as from further customer facing website enhancements and ongoing new customer acquisition and retention activity.

Wholesale

Wholesale revenue at £44.8 million increased by 20.3% (17.6% on a constant currency basis). Good revenue growth was seen in the UK and in international markets; and across the larger 'house account' and the smaller 'field account' customer bases.

GROSS MARGIN

Gross margin at 55.4% was 190 basis points higher than the prior year. Our commercial and buying activity; supported with volume growth, enabled us to offset the impact of weaker Sterling, relative to the US Dollar, and maintain overall intake margins. The revenue growth and gross margin improvement within our Retail segment more than offset the dilutive impact of our growing international wholesale business. Within the Retail segment, gross margin benefited from our increased focus on optimising full price sales and promotional activity.

ADMINISTRATIVE EXPENSES - UNDERLYING

Underlying administrative expenses increased by 23.2% from £62.3 million to £76.7 million and were 48.9% of revenue (FY16: 47.4%). During the year we increased investment in customer acquisition and digital marketing, the results of which are reflected in the e-commerce channel performance and our active customer numbers at the year end. Administration expenses in the period included the full year impact of investments made to strengthen several head office functions in the second-half of the prior year as well as the first year of post-IPO cost base.

The total rental expense, including service charges, for the period was £11.7 million (FY16: £9.3m) with the increase due to new store openings, an increase in the UK distribution centre rent, following a rent review at the start of FY17, the prior year relocation of our Shanghai sourcing office and New York showroom expansion.

Underlying depreciation and amortisation increased to £6.6 million (FY16: £5.5m) following the completion of the first phase of the Enterprise Resource Planning (ERP) programme in the prior period and the impact of our new store opening and relocation programme.

ADMINISTRATIVE EXPENSES - NON-UNDERLYING

Non-underlying administrative expenses totalled £1.1 million (FY16: £3.1m). This included IPO transaction related costs of £0.3 million (FY16: £2.7m), share based compensation expense of £0.8 million (FY16: £nil) and non-recurring costs of £nil (FY16: £0.4m).

Share based compensation expense, accounted for in accordance with IFRS 2, includes the anticipated expense in relation to the first cycle of the Company's new share plan arrangements, including awards made under the Long Term Incentive Plan 2016, Deferred Bonus Plan and the all-employee Save as You Earn (SAYE) Scheme. These plans are detailed more fully in the Directors' Remuneration Report and the Consolidated Financial Statements.

NET FINANCE COSTS - UNDERLYING

Underlying net finance costs of £0.2 million (FY16: £0.5m) related to interest and facility charges on the Group's revolving credit facility with Barclays Bank Plc.

FINANCIAL REVIEW

CONTINUED

NET FINANCE COSTS - NON-UNDERLYING

Non-underlying net finance costs totalled £nil (FY16: £5.6m). The prior year figures consisted primarily of interest on shareholder loan notes of £4.7 million and amortisation of the loan note arrangement fee of £0.9 million. The shareholder loan notes were converted to equity immediately prior to the IPO.

TAXATION

The tax charge for the period was £2.6 million (FY16: £0.6m). The effective tax rate was 28.8%. This was higher than the applicable UK corporation tax rate of 19.8% for the period due to the impact of non-deductible expenses including IPO costs and non-deductible amortisation and depreciation.

EARNINGS PER SHARE AND DIVIDEND

Statutory basic earnings per share for the period were 7.3 pence per share (FY16: -2.0 pence per share). Statutory diluted earnings per share for the period were 7.2 pence per share (FY16: -2.0 pence per share). On an underlying, pro forma basis the FY17 basic earnings per share were 9.2 pence (FY16: 6.9 pence).

To facilitate meaningful comparison of earnings per share the weighted average number of shares in issue has been restated on a pro forma basis to reflect the post-IPO capital structure. The pro forma assumes that the number of shares in issue post-IPO were in issue throughout. Earnings are adjusted for the non-underlying items detailed above and to reflect the statutory tax rate.

£MILLION	FY17	FY16
PBT - Underlying	10.1	7.5
Statutory tax rate	19.8%	20.0%
Tax - Underlying	(2.0)	(1.5)
Earnings - Underlying	8.1	6.0
Shares - Pro forma (million)	87.5	87.5
Underlying Basis EPS - Pence	9.2	6.9
Shares - Pro forma Diluted (million)	88.0	88.0
Underlying Diluted EPS - Pence	9.2	6.8

The Board is recommending a final dividend of 1.2 pence per share in respect of FY17 (FY16: nil pence per share). This brings the total dividend for FY17 to 1.8 pence per share (FY16: nil pence per share).

Following approval by shareholders at the AGM on 27 September 2017, the dividend is expected to be paid on 16 November 2017 to shareholders on the register at 27 October 2017.

CASH FLOW AND CASH POSITION

Net cash flow from operating activities was £14.4 million (FY16: £16.9m) including a net working capital outflow of £0.9 million (FY16: inflow £7.1m).

The Group ended the period with net cash of £6.3 million (FY16: £3.2m) an improvement of £3.1 million in the period. Gross cash was £7.0 million (FY16: £9.3m) and borrowings were £0.6 million (FY16: £6.1m), which includes borrowings under the Group's revolving credit facility and asset finance loans.

The Group has access to a £25 million revolving credit facility provided by Barclays Bank Plc to fund seasonal working capital requirements. Subsequent to the year-end, this facility was extended by 14 months and now matures in July 2021.

INVENTORY

Inventory at year-end was £21.2 million (FY16: £19.3m). The increase in inventory reflecting the growth in the business.

CAPITAL EXPENDITURE

Investment in property, plant, equipment and intangible assets totalled £10.7 million in FY17 (FY16: £7.1m). Major areas of expenditure in the year were new store openings and relocations and investment in our core IT infrastructure including phase two of our ERP implementation programme and ongoing enhancements to our customer facing website.

ACQUISITION OF FREEHOLD OFFICE

Subsequent to the year-end, in July 2017, the Group completed the acquisition of freehold land and 30,000 square foot office building for £4.4 million including fees and stamp duty. The office building is intended for use as the Group's head office following a period of refurbishment. The acquisition was part financed through a new £3.5 million, five-year term loan facility arranged with Barclays Bank Plc.



PRINCIPAL RISKS and UNCERTAINTIES

JOULES GROUP PLC

Set out below are the principal risks and uncertainties that the Directors consider could impact the business. The Board continually reviews the potential risks facing the Group and the controls in place to mitigate any potential adverse impacts.

The Board also recognises that the nature and scope of risks can change and that there may be other risks to which the Group is exposed and so the list is not intended to be exhaustive.

The Corporate Governance Report includes an overview of our approach to risk management and internal control systems and processes.

EXTERNAL RISKS

External risks reflect those risks where we are unable to influence the likelihood of the risk arising and therefore focus is on minimising the impact should the risk arise.

RISK AND IMPACT

MITIGATING FACTORS

Economy

The majority of the Group's revenue is generated from sales in the UK to UK customers. A deterioration in the UK economy may adversely impact consumer confidence and spending on discretionary items. A reduction in consumer expenditure could materially and adversely affect the Group's financial condition, operations and business prospects.

The expected exit of the UK from the EU has increased the likelihood and potential impact of this risk.

As a premium lifestyle brand with a geographically disperse retail store portfolio, a strong e-commerce channel and long standing wholesale customer accounts, the Directors consider that the UK business would be less affected by a reduction in consumer expenditure than many other clothing retailers.

In addition, the property portfolio has short lease terms, providing relative flexibility to close or relocate stores should it become necessary.

Competitor Actions

New competitors or existing clothing retailers or lifestyle brands may target our segment of the market. Existing competitors may increase their level of discounting or promotions and/or expand their presence in new channels. These actions could adversely impact our sales and profits.

Joules differentiates from competitors through its strong brand and products that are known for their quality, details, colour and prints. Our large customer database allows the Group to communicate effectively with customers, developing customer engagement and loyalty.

Foreign Exchange

The Group purchases the majority of its product stock from overseas and is therefore exposed to foreign currency risk, primarily the US Dollar.

Without mitigation, input costs may fluctuate in the short term, creating uncertainty as to profits and cash flows.

The anticipated exit of the UK from the EU has resulted in a devaluation of GBP to the US Dollar and increased volatility. This may be sustained or worsen going forward.

The Group's Treasury Policy sets out the parameters and procedures relating to foreign currency hedging. We currently seek to hedge a material proportion of forecasted US Dollar requirement 12 months ahead through the use of forward contracts.

The Group's US wholesale business generates US Dollar income which provides a degree of natural hedging.

Regulatory and Political

New regulations or compliance requirements may be introduced from time to time. These may have a material impact on the cost base or operational complexity of the business. Non-compliance with the regulation could result in financial penalties.

The anticipated exit of the UK from the EU has increased uncertainty in this area.

The Group has processes in place to monitor and report to the Board on new regulations and compliance requirements that could have an impact on the business. The impact of any new regulation is evaluated and reflected in the Group's financial forecasts and planning.

INTERNAL RISKS

Internal risks reflect those where we can influence the likelihood of the risk arising and the impact if the risk should arise.

RISK AND IMPACT	MITIGATING FACTORS
Brand and Reputation <p>The strength of our brand and its reputation are very important to the success of the Group. Failure to protect and manage this could reduce the confidence and trust that customers place in the business, which could have a detrimental impact on sales, profits and business prospects. Our brand may be undermined or damaged by our actions or those of our wholesale partners.</p>	<p>Brand and reputation are monitored closely by senior management and the Board. The Group's public relations are actively managed and customer feedback, both direct and indirect, is carefully monitored.</p> <p>We carefully consider each new trade customer with whom we do business and monitor on an ongoing basis.</p>
Product Sourcing <p>The Group's products are predominantly manufactured overseas. Failure to carry out sufficient due diligence, and to act in the event of any negative findings, especially in relation to ethical or quality related issues, could adversely impact our brand and reputation.</p>	<p>The Group has a policy and process for the selection of new suppliers. This includes a review of compliance with laws and regulations and that suppliers meet generally accepted standards of good practice. In addition, suppliers are required to sign up to Joules' code of conduct.</p> <p>The Group operates a programme of ethical audits across the product supply base supported by a third party agency.</p>
Design <p>As with all clothing and lifestyle brands there is a risk that our offer will not satisfy the needs of our customers or that we fail to correctly identify trends that are important to our customer base. These outcomes may result in lower sales, excess inventories and/or higher markdowns.</p>	<p>Joules has a long established in-house creative and design team who have a high level of awareness and understanding of our target customer segment. A large proportion of our product range is anchored in classic products that are evolved season to season. Early feedback from our trade customers can allow us to further refine our product range ahead of significant purchase commitments.</p>
Key Management <p>Our performance is linked to the performance of our people and in particular to the leadership of key individuals. The loss of a key individual at management level or within a specialist skill set could have a detrimental effect on our operations and, in some cases, the creative vision for the brand.</p>	<p>The Group's remuneration policy, which includes a long term incentive scheme and performance-related pay, is designed to attract and retain key management. The Group operates learning and development initiatives to increase the opportunities for internal succession.</p>
ERP System <p>We are in the process of implementing a new IT platform, Microsoft Dynamics AX, across the Group. With any project of this scale, there is a risk of a poorly managed implementation or take up of new systems, which could result in business disruption.</p>	<p>The first phase of our implementation went live in November 2015, supporting our US wholesale operations. A dedicated programme team with significant experience of our business processes and ERP implementation has been established. The programme team reports monthly to a steering committee comprised of Group senior management.</p>
IT Security and Systems Availability <p>Non availability of the Group's IT systems, including the website, for a prolonged period could result in business disruption, loss of sales and reputational damage.</p> <p>Malicious attacks, data breaches or viruses, could lead to business interruption and reputational damage.</p>	<p>A Business Continuity Plan exists to minimise the impact of a loss of key systems and to recover the use of the system and associated data. A regular assessment of vulnerability to malicious attacks is performed and any weaknesses rectified. All Group employees are made aware of the Group's IT security policies and we deploy a suite of tools (email filtering, antivirus etc) to protect against such events.</p>
Supply Chain <p>The disruption to any material element of the Group's supply chain, in particular the UK central distribution centre, could impact sales and impact on our ability to supply our wholesale customers, stores and consumers.</p>	<p>The Business Continuity Plan includes an established procedure in the event of the loss of the UK distribution centre. In addition the Group maintains insurance cover at an appropriate level to protect against the impact of such an interruption.</p>

SOCIAL RESPONSIBILITY

RESPONSIBLY JOULES

RESPONSIBLY JOULES

Our Responsibly Joules framework is central to our business and reflects our intrinsic brand values. The framework sets out our core beliefs about the way we want our business to operate; fairly, responsibly and sustainably. We believe it is not only the right thing to do, but that it also drives value for our many stakeholders, both internal and external, including our customers, employees, investors, local communities and suppliers.

This year we established the Responsibly Joules Steering Group, chaired by the Group CFO and comprising directors from across the business. Each director has responsibility for one element of our Responsibly Joules framework and is supported by a team from across the business. This approach is enabling us to raise the profile of Responsibly Joules and increase employee engagement.



Our Responsibly Joules framework has four core elements which align with the way we operate as a business:

- Charitably Joules
- Sourcing with Integrity
- Protecting our Environment from Shire to Shore
- Our Joules Family

CHARITABLY JOULES

We are proud that our stores sit at the heart of many communities and believe that we have a responsibility to play a positive role within those communities. We continue to support local community causes, charities and schools across the country with the local fundraising programmes that matter to our customers.

We also have four charity partners with whom we have ongoing relationships; The Princes Trust, The British Bee Keepers Association, Nuzzlets and Farms for City Children. All of these partners have a focus or purpose that closely aligns with Joules core values increasing the engagement with our employees and customers. This year we have expanded the level of support that we have been able to provide to these charity partners; both financially and physically. Our achievements include:

- Working with our employees to raise and donate over £70,000 for our Charitably Joules partners
- Donating nearly £100,000 in gifts-in-kind to our charity partners. This included providing Joules wellies to all of the Farms for City Children farms for adults and children to use as they are exploring the muddy outdoors and providing the uniform for the volunteers at Nuzzlets
- Facilitating both store and head office staff in volunteering with our charity partners, including our founder, Tom Joule, who has spent time mentoring young people with The Prince's Trust



THE
PRINCE'S
TRUST



FARMS FOR CITY
CHILDREN



THE
BRITISH BEEKEEPERS
ASSOCIATION



NUZZLETS

SUPPORTING THE PRINCES TRUST (case study)

We support The Prince's Trust Enterprise Programme in Leicester and Kettering, helping to fund an 'Introduction to Business' course for young people interested in setting up their own business. Our funding also helps provide mentors and business loans for those who take their business dream forwards into reality.

This year we ran an employee auction and raffle to raise money for The Prince's Trust. The auction saw employees from across the business offer auction 'lots' which ranged from a bespoke lunch menu for a week, to a holiday home for a weekend. Employees were invited to bid on lots with all proceeds going to The Prince's Trust. Bidding was fast, furious and engaging and raised over £6,400. This money, in addition to other funds donated by Joules in the last year, has helped to support the 249 young people that have taken part in the Enterprise programme in Leicester and Northamptonshire since our partnership commenced.

"We are delighted to be partnering with Joules to transform young lives. It's been great to see so many teams at Joules driving our partnership across stores and engaging customers. On behalf of everyone at The Prince's Trust and the young people you support – the biggest thank you!"

CATHERINE HUTCHINSON
Corporate Partnerships Manager



Charitably
JOULES

SOCIAL RESPONSIBILITY CONTINUED

SOURCING WITH INTEGRITY

Our customers, employees and shareholders have high expectations of us and our sourcing practices. Consequently, we have stringent standards in place which govern how we manage our supply chain and partners.

These include standards on working and labour practices, fair wages, health and safety, animal testing and material use and sourcing. All of our direct suppliers are required to sign up to the Joules Code and confirm that they are complying with these standards.

We recognise that simply communicating our standards and expectations isn't always enough, and we therefore regularly audit our product manufacturers for compliance with these requirements. All of our product suppliers are audited for ethical and social compliance using internationally recognised standards by a respected, independent, third party compliance organisation.

We endeavour to continually review our product supply chain to ensure our suppliers meet these requirements and strive for best practice in every area.

PROTECTING OUR ENVIRONMENT, FROM SHIRE TO SHORE

With our roots in the British countryside, the environment is very important to us, and we are committed to working to protect it by continually considering the environmental impacts of our operations and working to reduce them where we can. This includes:

Managing our logistics

We utilise third party distribution partners to deliver our product to our stores, wholesale customers and our customers' homes. In deciding who to partner with, the environmental credentials of these partners are an important factor. This includes considerations such as their fill rates, fuel efficiency, use of electric vehicles and long-term strategy and environmental targets. Our UK logistics partners have strong commitments in place to continuously improve their environmental performance. We review their environmental performance to ensure that they continue to meet our expectations.

Our packaging focus

In England, the quality and high levels of recycled content in our carrier bags means that we don't have to charge our customer the carrier bag tax. We are continuing to look at ways to further improve the environmental credentials of our packaging.

Tracking energy consumption

We continue to operate our biomass boiler which heats our Distribution Centre, as well as installing energy efficient lighting into all new, relocated and refurbished stores. We are working with our energy suppliers to enhance the reporting and insight available to enable us to identify opportunities to further reduce energy consumption across our business activities.

Measurement

We continue to focus on improving the coverage, quality and accuracy of the data to quantify the environmental impacts across all areas of our operations. This data is important to prioritise areas of focus as we continue to grow both in the UK and internationally.

"Joules have shown real passion and enthusiasm for giving back to their local communities through our Team Challenge programme. They have achieved great things and made such a difference to the projects they have supported. They are a great example of how business volunteering can have a positive and lasting impact on the community"

JULIETTE HEWITT
Leicestershire Cares

OUR JOULES FAMILY

It is our people that make our business the great success that it is today and we are committed to continuing to offer them a working life and benefits programme that builds our reputation as an employer of choice.

In the last year, we have continued to enhance our employee offering, expanding existing areas as well as launching several new programmes:

Building on the launch of our employee volunteering policy, we saw 64 employees participating in volunteering days during the last year. We were delighted that of these, over 30% were from senior management positions within the business, showing the strength of our leadership commitment.

We ran four team volunteering days through the year, in partnership with Leicestershire Cares. Teams from across the business spent a day supporting local communities doing everything from tree planting to clearing waterways of litter.

We launched a Save As You Earn (SAYE) scheme in the year with nearly a third of eligible staff participating.

The Joules Leadership Development Programme was launched during the year with over 250 employees participating in the programme that has been delivered from the top down, focusing on self-awareness, influencing, motivation and team effectiveness to those members who manage and influence teams.

We rolled out a series of 'Listening Groups' for employees across the business. The Listening Groups allow us to gather views on all aspects of working at Joules.

They cover many areas including culture, learning and development, and reward. Employees are given the chance to share with us how they think we're doing and what we are good at and what we could improve.

Employee engagement and communications is achieved through regular 'Directors briefings' to all head office and warehouse employees, a weekly newsletter and the Group intranet. We hold a store manager conference twice per year and issue a weekly newsletter for all store based employees. The communications aim to keep employees up to date on Group initiatives and financial performance. We encourage employee feedback through formal and informal channels.

We are an equal opportunities employer and give full and fair consideration to employment applications regardless of race, gender and/or disability, having regard to an applicant's aptitudes and abilities. We also strive to provide ongoing training, career development and promotion opportunities for all employees. In the unfortunate event that an employee should become disabled we are committed to continuing their employment and for arranging appropriate training.



“A trip to the fishing town of Whitstable was the story behind this print.

The flowers were first hand painted by our Print Team whilst sitting in a cottage garden by the beach”





CHAPTER

2

CORPORATE
GOVERNANCE

The Best of the Bunch

BOARD OF DIRECTORS

JOULES GROUP PLC



NEIL MCCAUSTRALD

Non-Executive Chairman

Neil joined Joules in 2013. He also chairs Karen Millen, Create Fertility and Skin Ltd. Neil was the Senior Independent Director of the Post Office Limited for four years until September 2015, where he chaired the remuneration committee and served on both the audit and nominations committees. Prior to that he was a non-executive Director of Nuffield Health. Over the last 15 years he has chaired a number of companies, including six years as chairman of Kurt Geiger.



TOM JOULE

Founder & Chief Brand Officer

Tom founded Joules in 1989 selling practical, high quality garments at shows and events around the UK. Tom's entrepreneurial spirit, and flair in giving products personality to match those of Joules customers' colorful and uplifting outlook, has been central to the brands' continued success and expansion. Now a global lifestyle brand, in his current role, Tom is focused on connecting with the Joules customer and category product direction. Between 2010 and 2016 Tom has featured four times in Drapers 100 Most Influential people in Fashion Retail. In 2015 he was a finalist in the Fashion Entrepreneur of the Year category at the Great British Entrepreneur Awards.



COLIN PORTER

Chief Executive Officer

Colin joined Joules in 2010 from Crombie, where he was Joint Managing Director. Prior to this Colin spent over 10 years at House of Fraser, becoming Commercial Director on the main board. Colin has also held a number of senior positions within the retail sector including at Etam, Laura Ashley and Arcadia.



MARC DENCH

Chief Financial Officer

Marc joined Joules in 2015 from Walgreens Boots Alliance, where he was Chief Financial Officer of its International Retail & Global Consumer Brands division. Marc has previously held a number of senior financial and corporate development positions at Alliance Boots, Homeserve, Experian and Freeserve plc. Whilst at Freeserve, he was involved in the successful IPO process and the subsequent merger with Wanadoo. Marc is a chartered accountant and has an MBA from Sauder Business School.



DAVID STEAD

Senior Independent Non-Executive Director

David joined the Board in April 2016. David is currently on the board of Card Factory plc as an Independent Non-Executive Director and is a member of the Council at the University of Birmingham. He has many years experience as a director of companies in the UK retail sector. David was the CFO of Dunelm Group plc for 12 years from 2003 to 2015. Prior to this, David served as Finance Director for Boots The Chemists and Boots Healthcare International between 1991 and 2003. David is a chartered accountant, having spent the early part of his career with KPMG.



JILL LITTLE

Independent Non-Executive Director

Jill joined the Board in April 2016. Jill is currently the Senior Non-Executive Director of Shaftesbury plc and previously chaired their remuneration committee. Jill has spent the majority of her career in the retail industry, firstly at Simpsons of Piccadilly and then at the John Lewis Partnership (1975 to 2012). Jill became Merchandise Director on the board of John Lewis, moving roles to become the Strategy and International Director where she was responsible for developing the long-term strategy and international expansion of John Lewis. Thereafter Jill became Business Development Director of the John Lewis Partnership. Jill is also Chairman of National Trust Enterprises Ltd, National Trust Renewable Energy Ltd and their advisory Commercial Group. Since March of this year, Jill has also joined the board of Nobia AB, as a non-executive Director.

GOVERNANCE FRAMEWORK

JOULES GROUP PLC

CHAIRMAN'S INTRODUCTION

I have pleasure in introducing the Joules Group plc Corporate Governance Statement, our second since our admittance to trading on AIM on 26 May 2016. The Board is committed to supporting high standards of corporate governance and, for this reason, we have continued to operate appropriate measures to comply, as far as is practicable, with the April 2016 UK Corporate Governance Code (the "Code"). In this section of the Annual Report we set out our governance framework and describe the work we have done to ensure good corporate governance throughout Joules Group plc and its subsidiaries ('the Group').

NEIL MCCAUSTRALD
Non-Executive Chairman

BOARD SIZE AND COMPOSITION

For the financial year ended 28 May 2017, the Board has continued to comprise of six Directors: a Non-Executive Chairman, two further Non-Executive Directors and three Executive Directors.

ROLE OF THE BOARD

The Board is collectively responsible for the long term success of the Group. It provides entrepreneurial leadership, sets Group strategy, upholds the Group's culture and values, reviews management performance and ensures that the Group's obligations to shareholders are understood and met.

HOW THE BOARD OPERATES

The Executive Directors are responsible for business operations and for ensuring that the necessary financial and human resources are in place to carry out the Group's strategic aims. The Non-Executive Directors' role is to provide an independent view of the Group's business and to constructively challenge management and help develop proposals on strategy. The Board as a whole review all strategic issues and key strategic decisions on a regular basis. Control over the performance of the Group is maintained through evaluation of financial information; the monitoring of performance against key budgetary targets; and, by monitoring the return on strategic investments.

The chairman takes responsibility for ensuring that the directors receive accurate, timely and clear information.

Directors are aware of their right to have any concerns recorded in the board minutes.

The Board is satisfied that all directors are able to allocate sufficient time to the company to discharge their responsibilities effectively.

MATTERS RESERVED FOR THE BOARD

Certain matters are reserved for approval by the Board, these include:

- Strategy and business plans – including annual budget
- Acquisitions and disposals of businesses (including minority interests)
- Changes in share capital and dividends
- Board membership and Committees and delegation of authority
- Remuneration and employment benefits
- Corporate statutory reporting
- Appointment of auditors
- New debt facilities
- Major capital and revenue commitments
- Corporate governance, policy approval, internal control and risk management
- Certain litigation matters in line with the Joules litigation reporting policy
- Corporate social responsibilities

BOARD MEETINGS

The Board has met twelve times in the reporting period. For all Board meetings an agenda is established and a Board pack is circulated at least 48 hours ahead of the meeting. As a minimum, the items covered include:

- Financial performance review
- Management accounts and KPIs
- Update on governance, finance, legal & risk matters
- Updates on significant business initiatives
- Proposals on any major items of capital expenditure
- Health and Safety
- Compliance with banking covenants and cash flow forecast

The Board receives reports from the Executive directors to enable it to be informed of and supervise the matters within its remit. The Board considers at least annually the Group's strategic plan and, on a regular rolling basis, the Board receives presentations from management on key areas of the Group's operations.

GOVERNANCE FRAMEWORK

CONTINUED

BOARD MEETINGS

The following table shows Directors' attendance at scheduled Board and Committee meetings in the period under review:

	BOARD	AUDIT	REMUNERATION	NOMINATION
NEIL MCCausland	12/12	3/3	2/2	1/1
TOM JOULE	12/12	-	-	-
COLIN PORTER	12/12	-	-	-
MARC DENCH	12/12	-	-	-
DAVID STEAD	12/12	3/3	2/2	1/1
JILL LITTLE	11/12	3/3	2/2	1/1

BOARD DECISIONS AND ACTIVITY DURING THE YEAR

The Board has a schedule of regular business, financial and operational matters, and each Board Committee that has met to date has compiled a schedule of work, to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year. The Chairman, aided by the Company Secretary, is responsible for ensuring that the Directors receive accurate and timely information to enable the Board to discharge its duties. The Company Secretary compiles the Board and Committee papers which are circulated to Directors at least 48 hours prior to meetings. The Company Secretary also ensures that any feedback or suggestions for improvement on board papers is fed back to management. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted.

BOARD COMMITTEES

The Board has delegated specific responsibilities to the Audit, Remuneration and Nomination Committees. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities, with copies available on the Company's website (www.joulesgroup.com) or on request from the Company Secretary. The terms of reference of each Committee were put in place at the time of the Company's admission to AIM on 26 May 2016 and they are kept under review to ensure they remain appropriate and reflect any changes in legislation, regulation or best-practice. Each Committee comprises Non-Executive Directors of the Company. The Company Secretary is the secretary of the Audit and Nomination Committees and the Group Legal Counsel is secretary for the Remuneration Committee.

BOARD EFFECTIVENESS

The skills and experience of the Board are set out in their biographical details on page 30. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance.

SEPARATION OF DUTIES

There is a clear division of responsibilities between the Chairman and Chief Executive Officer. Neil McCausland, the Chairman, leads the Board and is responsible for its effectiveness and governance. He sets the Board agenda and ensures that sufficient time is allocated to important matters, in particular, strategic issues. Colin Porter, the Chief Executive Officer is responsible for the day-to-day management of Joules' operations and for recommending strategy to the Board. Colin is then responsible for implementing that strategy supported by the wider management team.

The Non-Executive Directors have responsibility for determining the remuneration of Executive Directors and have a prime role in appointing and, where necessary, removing Executive Directors, and in succession planning.

INDUCTION OF NEW DIRECTORS

No new directors were appointed during the year and there were no resignations. It is intended that, in the future, on joining the Board, new directors will undergo an induction programme which will be tailored to the existing knowledge and experience of the director concerned, including store and office visits; meetings with key employees; and presentations from management on topics such as strategy, finance and risk. The Chairman will be responsible for this process.

TIME COMMITMENTS

The Board is satisfied that the Chairman and each of the Non-Executive and Executive Directors continue to be able to devote sufficient time to the Company's business. There has been no change in the Chairman's other time commitments since his appointment.

EVALUATION

The Board conducted a thorough and formal board review during the year. This was led by the Chairman and consisted of interviews; the completion of questionnaires; and in-depth discussions between the Executive and Non-Executive Directors.

No major changes to the function and focus of the Board arose from this evaluation, however, the findings will be used as the basis of future discussions by the Board, and the Nomination Committee, when considering short and long term succession planning. The Chairman will continue to meet regularly with the Non-Executive Directors without the Executive Directors being present. The Senior Independent Non-Executive Director will also meet with his fellow Non-Executive Director, at least annually, to appraise the Chairman's performance and on such other occasions as are deemed appropriate.

DEVELOPMENT

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Group's advisers where appropriate. Executive Directors are subject to the Group's performance development review process through which their performance against objectives is reviewed and their personal and professional development needs considered.

EXTERNAL APPOINTMENTS

In the appropriate circumstances, the Board may authorise Executive Directors to take non-executive positions in other companies and organisations provided the time commitment does not conflict with the Director's duties to the Company. The appointment to such positions is subject to Board approval.

CONFLICTS OF INTEREST

At each meeting the Board considers Directors' conflicts of interest. The Company's Articles of Association ('Articles') provide for the Board to authorise any actual or potential conflicts of interest.

INDEPENDENT PROFESSIONAL ADVICE

Directors have access to independent professional advice at the Company's expense. In addition, they have access to the advice and services of the Company Secretary who is responsible for advice on corporate governance matters to the Board.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has purchased directors' and officers' liability insurance during the year as allowed by the Company's Articles.

ELECTION OF DIRECTORS

In accordance with the Code all Directors will offer themselves for election at each AGM.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The principal elements of the Group's internal control system include:

- Day to day management of the activities of the Group by the executive Directors
- A detailed annual budget is prepared including an integrated profit and loss, balance sheet and cash flow. The budget is approved by the Board
- Monthly reporting of performance against the budget is prepared and reviewed by the Board
- A schedule of delegated authority is maintained which defines levels of approval authority over such items as capital expenditure, commercial contracts, litigation and treasury matters
- Maintenance of a risk register which is reviewed at least annually by the Board

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available.

BOARD DIVERSITY

The Board does not have a formal board diversity policy but plans to continue to review the need for such a policy annually taking into account the size of the Board and skills required.

RELATIONS WITH SHAREHOLDERS

The Group maintains communication with institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's interim and full year preliminary results. All shareholders are encouraged to attend the Annual General Meeting at which the Group's activities will be considered and questions answered. General information about the Group is also available on the Group's website: www.joulesgroup.com. This includes an overview of activities of the Group and details of all recent Group announcements. The Non-Executive Directors are available to discuss any matters stakeholders might wish to raise, and the Chairman and Non-Executive Directors will attend meetings with investors and analysts as required. Investor relations activity and a review of the share register are standing items on the Board's agenda and the chairman ensures ongoing, effective communication with shareholders.

The Senior Independent Director is available to shareholders if they have any concerns which fail to be resolved through normal contact channels of the Chairman, Chief Executive or other Executive Directors or when such contact channels are inappropriate.

ANNUAL GENERAL MEETING ('AGM')

The Company's AGM will take place on 27 September 2017. The Annual Report and Accounts and Notice of the AGM will be sent to shareholders at least 20 working days prior to this date.

AUDIT COMMITTEE REPORT

JOULES GROUP PLC

On behalf of the Board, I am pleased to present the Audit Committee report for the 52 weeks ended 28 May 2017.

The Audit Committee has responsibility for, amongst other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group's auditors in the external audit process, together with providing oversight and advice to the Board in relation to current and potential future risk exposures of the Group, reviewing and approving various formal reporting requirements and promoting a risk awareness culture within the Group. The Audit Committee also provides advice to the board as to whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

MEMBERS OF THE AUDIT COMMITTEE

The Committee consists of three Non-Executive Directors: David Stead (Chair), Neil McCausland and Jill Little. The Auditor (Deloitte LLP), the Chief Executive Officer and Chief Financial Officer also attend Committee meetings by invitation. The Committee has met three times since 5 September 2016, being the date the Group's last Annual Report was approved.

The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am a chartered accountant and I have served as Finance Director in a number of companies including Dunelm Group plc. I report formally to the Board, as appropriate, on issues discussed by the Audit Committee and I present the Committee's recommendations.

The Committee also takes time to meet with the external auditors without any Executive Directors or senior management present.

DUTIES

The duties of the Audit Committee are set out in its Terms of Reference, which are available on the Company website (www.joulesgroup.com) and are also available on request from the Company Secretary.

The Committee meets a minimum of twice per year.

The main items of business considered by the Audit Committee during the year have included:

- Review of the financial statements and Annual Report
- Consideration of the external audit report and management representation letter
- Going concern review
- Review of the risk management and internal control systems
- Reviewing the need for an internal audit function
- Review of whistleblowing reports
- Review of the implications of forthcoming updates or changes to accounting standards

ROLE OF THE EXTERNAL AUDITOR

The Audit Committee monitors the Company's relationship with the external auditor, Deloitte LLP, to ensure that auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in note 5 of the Group's Consolidated Financial Statements. The non-audit fees related to tax advisory and Remuneration Committee advice. The Committee also assesses the auditor's performance. Having reviewed the auditor's independence and performance, the Audit Committee recommends that Deloitte LLP be re-appointed as the Company's auditor at the next AGM.

AUDIT PROCESS

The auditor prepares an audit plan that sets out the scope of the audit, key areas of audit focus, audit materiality and the audit timetable for audit work. This plan is reviewed and agreed in advance by the Audit Committee. Following the completion of its work, the auditor presents its findings to the Audit Committee for discussion.

INTERNAL AUDIT

At present the Group does not have an internal audit function. In view of the size and nature of the Group's business, the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without a formal internal audit function. This will be kept under review as the business evolves.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group has a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. The Committee has reviewed the framework and is satisfied that the internal control systems in place are currently operating effectively.

WHISTLEBLOWING

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Whistleblowing is a standing item on the Committee's agenda, and updates will be provided at each meeting. During the period, there were no incidents for consideration.

GOING CONCERN

The Directors have prepared a detailed financial forecast with a supporting business plan covering the medium term future. The forecast indicates that the Group will remain in compliance with covenants throughout the forecast period. As such, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing financial statements.

DAVID STEAD

Audit Committee Chairman



NOMINATION COMMITTEE REPORT

JOULES GROUP PLC

On behalf of the board I am pleased to present the Nomination Committee Report for the 52 weeks ended 28 May 2017 (FY17).

MEMBERS OF THE NOMINATION COMMITTEE

The Nomination Committee consists of three Non-Executive Directors; Neil McCausland (Chair), David Stead and Jill Little. Executive Directors attend by invitation.

DUTIES

In carrying out its duties, the Nomination Committee is primarily responsible for:

- Identifying and nominating candidates to fill Board vacancies
- Evaluating the structure and composition of the Board with regard to the balance of skills, knowledge and experience and making recommendations accordingly
- Drafting the job descriptions of all Board members
- Reviewing the time requirements of Non-Executive Directors
- Giving full consideration to succession planning
- Reviewing the leadership of the Group

The Committee is scheduled to meet once a year but it will meet more frequently if required.

The Committee reports to the Board on how it has discharged its responsibilities. The Committee's written Terms of Reference are available on the Group's website (www.joulesgroup.com).

ACTIVITY DURING THE YEAR

The Committee has met formally once during the year and at this meeting, the first since admission to AIM, members agreed the schedule of work for the upcoming year. There was no necessity for changes to Board appointments during the year and the Committee focussed its work on the following areas:

- The structure and composition of the Board and its Committees. The Committee discussed the skills, experience and diversity of the current Board and committee members taking into account the current and future needs of the Group, its culture and strategic objectives. The Committee believes that the Board has the necessary balance of skills, knowledge and experience for its current needs. The Committee believes that the Directors are able to devote sufficient time to the Group, taking into account their other Directorships
- The structure of the Operating Board. The Committee reviewed the current management structure of the Group and options for the future. In particular, the membership and work of the Operating Board, which consists of senior management of the Group and meets monthly to review performance and progress against strategic objectives and is responsible for the implementation of the Group's strategy
- Succession planning. The Committee discussed long term succession planning and emergency cover, and the need to identify and develop talent both within the Group and from the wider market. In its discussions the Committee recognised the importance of looking at a diverse range of candidates when considering future appointments

TERMS OF REFERENCE

The committee will keep its terms of reference under review with the main objective of ensuring that an appropriate management framework and governance structure is in place.

NEIL McCausland
Nomination Committee Chairman

DIRECTORS' REMUNERATION REPORT

JOULES GROUP PLC

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the 52 weeks ended 28 May 2017 (FY17). Although not subject to the reporting regulations of fully listed companies in the UK, the Remuneration Committee has taken account of these regulations in the preparation of the FY17 Directors' Remuneration Report as a matter of best practice. Therefore this report is presented as:

- A Directors' Remuneration Policy Report – setting out the parameters within which the remuneration arrangements for Directors operate; and
- An Annual Report on Remuneration – setting out the remuneration earned by Directors in respect of FY17 and how we intend to apply the policy for FY18

OUR APPROACH TO REMUNERATION – KEY PRINCIPLES

Our policy on executive remuneration adopted on admission to AIM is designed to:-

- Include a competitive mix of base salary and short and long term incentives, with an appropriate proportion of the package determined by stretching targets linked to the Group's performance;
- Promote the long-term success of the Group, in line with our strategy and focus on profitability and growth; and
- Provide appropriate alignment between the interests of shareholders and executives. Alignment is further enhanced through shareholding guidelines and the deferral of a proportion of the annual bonus as shares

FY17 was the first full year of operation of our Directors' Remuneration Policy.

FY17 PERFORMANCE AND ANNUAL BONUS OUTCOME

As detailed in the Strategic Report and Financial Review, Joules has delivered strong results and made continued progress against its stated strategic priorities. Growth was delivered across the brand's distribution channels and geographic markets, reflecting the growing appeal of the Joules brand and the quality and design of our products, both in the UK and internationally. Based on FY17 underlying PBT of £10.1 million the Executive Directors will receive 96.3% of their maximum annual bonus opportunity. Half the bonus earned being paid in cash and half as a share award deferred over three years. Further details are set out in the following pages.

The Company's first long-term incentive awards were granted under the LTIP in July 2016 ('LTIP 2016') and therefore there was no LTIP awards due to vest in respect of the year ended 28 May 2017.

EXECUTIVE DIRECTOR SALARIES AND NON-EXECUTIVE DIRECTOR FEES

In line with the salary review timetable for all other employees, the Executive Directors' base salaries were reviewed in December 2016. The base salary for C N Porter and T S L Joule set at IPO, £345,000 and £335,000 respectively, is unchanged. The base salary for M S Dench was increased from £220,000 to £250,000 with effect from 1 December 2016 taking into account his performance, development in role and contribution since he joined the business in 2015 and the competitiveness of his package against the market and his previous employer.

With effect from 29 May 2017, the Chairman's fee was increased to £75,000, as agreed prior to the IPO. No other changes have been made to Non-Executive Directors' fees.

REMUNERATION FOR THE YEAR COMMENCING 29 MAY 2017

A summary of the proposed application of our remuneration policy for FY18 is set out below:

- It is intended that Executive director's base salaries will be reviewed annually in December, at the same time as the pay review for the wider workforce
- The maximum annual bonus opportunity for FY18 will be 100% of salary for C N Porter, T S L Joule and, unchanged at 150% of salary for M S Dench. The annual bonus is subject to the achievement of stretching profit before tax ('PBT') performance targets
- The second awards under the LTIP ('LTIP 2017') will be granted following the announcement of the FY17 full year results. The maximum LTIP opportunity for C N Porter and T S L Joule is 100% of salary and, unchanged at 150% of salary for M S Dench. These awards are subject to stretching targets with 80% of the award linked to an EPS target and 20% of the award linked to a strategic target of international revenue
- The 150% of salary annual bonus and LTIP award to M S Dench is unchanged from FY17, however, the proportion of the FY18 annual bonus earned that will be paid in cash has been reduced to one third and the deferred share award element has been increased from half to two-thirds. This recognises his on-going contribution to the group whilst providing a long term alignment with the interests of shareholders.

DIRECTORS' REMUNERATION REPORT

CONTINUED

The Committee will continue to monitor our remuneration policy to ensure it remains aligned to the business strategy and the delivery of shareholder value.

We remain committed to a responsible approach to executive pay as I trust that this Remuneration Report demonstrates and hope that we can rely on your continued support at our AGM.

JILL LITTLE
Remuneration Committee Chairman

DIRECTORS' REMUNERATION POLICY REPORT

The following section sets out our Directors' Remuneration Policy (the "Policy").

The aim of the Policy is to align the interests of Executive Directors with the Group's strategic vision and the long-term creation of shareholder value. The Policy is intended to remunerate Executive Directors competitively and appropriately for effective delivery and allows them to share in this success and the value delivered to shareholders.

EXECUTIVE DIRECTORS' REMUNERATION POLICY

The table below sets out the elements of Executive Directors' compensation and how each element operates, as well as the maximum opportunity of each element and any applicable performance measures.

Fixed Remuneration

ELEMENT, PURPOSE & STRATEGIC LINK	OPERATION	MAXIMUM OPPORTUNITY
BASIC SALARY To provide a competitive base salary for the market in which the Group operates to attract and retain Executive Directors of a suitable calibre.	Usually reviewed annually taking account of: <ul style="list-style-type: none"> • Group performance • Role, experience and individual performance • Competitive salary levels and market forces • Pay and conditions elsewhere in the Group 	Increases will normally be in line with the range of salary increases awarded (in percentage terms) to other Group employees. Increases above this level may be awarded to take account of individual circumstances, such as: <ul style="list-style-type: none"> • Promotion • Change in scope or increase in responsibilities • An individual's development or performance in role • Alignment with the market over time • A change in the size or complexity of the business
BENEFITS To provide market competitive benefits as part of the total remuneration package.	Executive Directors currently receive private medical insurance, company car or allowance, staff discounts and the right to participate in the Save As You Earn (SAYE) scheme. Other benefits may be provided based on individual circumstances. For example, relocation or travel expenses.	Whilst the Committee has not set a maximum level of benefits that Executive Directors may receive the value of benefits is set at a level which the Committee considers appropriate, taking into account market practice and individual circumstances.
RETIREMENT BENEFITS To provide an appropriate level of retirement benefit (or cash allowance equivalent).	Executive Directors are eligible to participate in the Group defined contribution pension plan. In appropriate circumstances (e.g. if contributions exceed the annual or lifetime pension allowance in the UK), Executive Directors may be permitted to take the benefit as additional salary instead of pension contributions.	The contribution level for FY18 is set at 5% of salary (there is an overall limit of up to 10% of salary).

Variable Remuneration

ELEMENT, PURPOSE & STRATEGIC LINK	OPERATION	MAXIMUM OPPORTUNITY AND PERFORMANCE METRICS
ANNUAL BONUS Rewards performance against targets which support the strategic direction of the Group. Deferral provides a retention element through share ownership and direct alignment to shareholders' interests.	Awards are based on performance (typically measured over one year). Pay-out levels are determined by the Committee after the year end. The Committee has discretion to amend pay-outs should any formulaic output not reflect their assessment of performance. A proportion (normally 50%) of any bonus is paid in cash with the balance paid in the form of shares (subject to a de-minimis amount of £10,000) usually deferred for three years. For M S Dench, the proportion of the FY18 annual bonus earned will be paid in cash and has been reduced to one third and the deferred share award element has been increased to two thirds. Awards may include dividend equivalents earned between grant and vesting date.	The annual bonus opportunity is up to a maximum of 150% of base salary. For FY18 the maximum bonus opportunity for C N Porter and T S L Joule is 100% of salary, and 150% of salary for M S Dench. Performance measure: Targets are set annually and aligned with key financial, strategic and/or individual targets with the weightings between these measures determined by the Committee each year considering the Group's priorities at the time. The FY18 bonus is based on a PBT target.
LONG-TERM INCENTIVE ('LTIP') To create alignment between the interests of Executive Directors and shareholders through the delivery of performance based awards in Group shares.	Awards can be made over conditional shares or nil cost options (or cash equivalent). Vesting is subject to the achievement of specified performance conditions normally over three years. Awards may include dividend equivalents earned between grant and vesting date. Awards may be structured as Qualifying LTIP awards comprising of a HMRC tax-qualifying option and an LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on the exercise of the tax-qualifying option.	The maximum LTIP opportunity is 150% of base salary. The maximum LTIP 2017 award for C N Porter and T S L Joule is 100% of salary and 150% of salary for M S Dench. Where an award is structured as a Qualifying LTIP, the shares subject to the tax-qualifying option element are excluded for the purposes of this limit, reflecting the scale back. Performance measure: Set to reflect longer term strategy and business performance. Performance measures and their weighting are reviewed annually to maintain appropriateness and relevance. For threshold levels of performance 25% of the award will vest rising to 100% for maximum performance. Below threshold the award will not vest. The LTIP 2017 awards are subject to stretching targets with 80% of award based on EPS and 20% based on international revenue.

INFORMATION SUPPORTING THE POLICY TABLE

EXPLANATION OF PERFORMANCE MEASURES CHOSEN

Performance measures for the annual bonus and long-term incentive are selected that reflect the Group's strategy. Stretching performance targets are set each year by the Committee, taking into account a number of different factors.

For FY18, the annual bonus is based on PBT. Stretch targets for the maximum awards under the bonus are set against outperformance of internal company forecasts. The performance measure for the LTIP 2017 grant is adjusted diluted Earnings Per Share (EPS) (80% of award weighting) and international revenue (20% of award weighting).

The Committee considers EPS to be the key measure of sustainable business performance and international revenue growth to be a key strategic priority.

The Committee retains the discretion to adjust or set different performance measures or targets where it considers it appropriate to do so (for example, to reflect a change in strategy, a material acquisition and/or a divestment of a Group business or change in prevailing market conditions and to assess performance on a fair and consistent basis from year to year). Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the LTIP.

DIRECTORS' REMUNERATION REPORT

CONTINUED

APPLICATION OF MALUS AND CLAWBACK

For up to three years following the payment of an annual bonus award (and two years after the vesting of an LTIP award), the Committee may require the repayment of all or some of the award if there is corporate failure, a material error or misstatement of the financial results, gross misconduct or if information comes to light which, had it been known, would have affected a decision as to the extent to which an award would have vested.

The Committee also has the right to reduce, cancel or impose further restrictions on unvested LTIP and deferred bonus shares in similar circumstances (including material failure of risk management).

SHAREHOLDING GUIDELINES

To promote further alignment to shareholders interests and share ownership, each Executive Director is required to build and maintain a shareholding equal to two times the value of their annual base salary.

Until this guideline is met Executive Directors will be required to retain half of any shares which vest under the deferred bonus or LTIP (after sales to cover tax).

LEGACY REMUNERATION

The Committee has the right to settle remuneration arrangements that were put in place prior to this Policy being created and in respect of remuneration awarded to individuals prior to becoming an Executive Director (and which was not awarded in anticipation of becoming an Executive Director).

NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

The remuneration Policy for the Chairman and Non-Executive Directors is to pay fees necessary to attract the individual of the calibre required, taking into consideration the size and complexity of the business and the time commitment of the role, without paying more than is necessary. Details are set out in the table below:

APPROACH TO SETTING FEES	<ul style="list-style-type: none"> The fees of the Non-Executive Directors are agreed by the Chairman and CEO and the fees for the Chairman are determined by the Board as a whole Fees are set taking into account the level of responsibility, relevant experience and specialist knowledge of each Non-Executive Director and fees at companies of a similar size and complexity
BASIS OF FEES	<ul style="list-style-type: none"> Non-Executive Directors are paid a basic fee for membership of the Board with additional fees being paid for chairmanship of Board Committees Additional fees may also be paid for other Board responsibilities or roles Fees are normally paid in cash
OTHER	<ul style="list-style-type: none"> Non-Executive Directors may be eligible to receive benefits such as travel and other expenses Neither the Chairman nor any of the Non-Executive Directors are eligible to participate in any of the Group's incentive arrangements

APPROACH TO RECRUITMENT REMUNERATION

The Policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business and execute the strategy effectively for the benefit of shareholders. When appointing a new Executive Director the Committee seeks to ensure that arrangements are in the best interests of the Company and not to pay more than is appropriate. The Committee will take into consideration relevant factors, which may include the calibre of the individual, their existing remuneration package, and their specific circumstance, including the jurisdiction from which they are recruited.

The Committee will typically seek to align the remuneration package with the Group's Remuneration Policy. The Committee may make payments or awards to recognise or 'buy-out' remuneration packages forfeited on leaving a previous employer. The Committee's intention is that such awards would be made on a 'like-for-like' basis as those forfeited.

The remuneration package for a newly appointed Chairman or Non-Executive Director will normally be in line with the structure set out in the Non-Executive Directors' Remuneration Policy.

SERVICE CONTRACTS

Each of the Executive Directors have service contracts with the Group. The notice period of Executive Directors' service will not exceed 12 months. All Non-Executive Directors have initial fixed term agreements with the Group for no more than three years. Details of the Directors' service contracts, are set out below:

NAME	COMMENCEMENT	NOTICE PERIOD
T S Joule	20 May 2016	12 months
C N Porter	20 May 2016	12 months
M S Dench	20 May 2016	6 months
N W McCausland	20 May 2016	1 month
J C Little	20 May 2016	1 month
D A Stead	20 May 2016	1 month

CONSULTATION WITH SHAREHOLDERS

The Committee will consider shareholder feedback received on remuneration matters including issues raised at the AGM as well as any additional comments received during any other meeting with shareholders. The Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the Policy.

Annual Report on Remuneration

SINGLE TOTAL FIGURE OF REMUNERATION

The tables below detail the total remuneration earned by each Director in respect of FY17.

FY17 EXECUTIVE DIRECTORS	SALARIES /FEES £000	TAXABLE BENEFITS £000	PENSION £000	ANNUAL BONUS (INCLUDING DEFERRED BONUS) £000	TOTAL REMUNERATION £000
T S L Joule	335.0	35.5	16.8	332.3	719.6
C N Porter	345.0	22.6	17.3	337.1	722.0
M S Dench	235.0	12.0	11.8	339.5	598.3

NON-EXECUTIVE DIRECTORS	ADMISSION AWARD & DEFERRED BONUS ¹ £000				
N W McCausland	75.0	-	-	-	
J C Little	50.0	-	-	-	50.0
D A Stead	55.0	-	-	-	55.0
Total	1,095.0	70.1	45.9	1,008.9	2,219.9

FY16 EXECUTIVE DIRECTORS	ADMISSION AWARD & DEFERRED BONUS ¹ £000				
T S L Joule	290.1	35.3	14.5	-	
C N Porter	287.3	20.4	14.4	-	322.1
M S Dench ¹	128.3	5.1	6.4	288.2	428.0

NON-EXECUTIVE DIRECTORS	ADMISSION AWARD & DEFERRED BONUS ¹ £000				
N W McCausland	40.0	-	-	-	
J C Little ²	7.1	-	-	-	7.1
D A Stead ²	7.8	-	-	-	7.8
Total	760.5	60.8	35.3	288.2	1,144.8

¹ In FY16 M S Dench was granted (i) an option over 312,500 shares with an exercise price of £1.60 per share on Admission (the face value of this award at grant was £500,000 and the fair value of the award included in the table is £68,231); and (ii) a deferred share bonus with a face value at grant of £220,000.

² J S Little and D A Stead were appointed as Non-Executive Directors on 20 May 2016.

DIRECTORS' REMUNERATION REPORT

CONTINUED

BASE SALARIES

The base salaries for the Executive Directors will normally be reviewed with effect from December.

EXECUTIVE DIRECTORS	BASE SALARY AT 1 DECEMBER 2016	BASE SALARY APPLICABLE ON ADMISSION
T S L Joule	£335,000	£335,000
C N Porter	£345,000	£345,000
M S Dench	£250,000	£220,000

As noted above, the base salary for C N Porter and T S L Joule set at IPO is unchanged. The base salary for M S Dench was increased with effect from 1 December 2016 taking into account his performance, development in role and contribution since he joined the business in 2015 and the competitiveness of his package against the market and his previous employer.

TAXABLE BENEFITS

The taxable benefits for the Executive Directors included a company car or car allowance, private fuel and private medical insurance.

ANNUAL BONUS

For FY17 the maximum annual bonus opportunity for the Executive Directors was 100% of salary (and 150% of salary for M S Dench) subject to the achievement of stretching PBT performance targets. The following table set out the bonuses earned by the Executive Directors for FY17 and how this reflects performance for the year.

PERFORMANCE MEASURE	TARGET PERFORMANCE	ACTUAL PERFORMANCE	BONUS EARNED (% OF SALARY)
PBT	£9.2m	£10.1m	96.3%

For FY17 the values of each Executive Directors' annual bonus paid in cash and deferred into shares for three years were as follows:

EXECUTIVE DIRECTORS	CASH PAYMENT £000	DEFERRED INTO SHARES £000	TOTAL ANNUAL BONUS SHOWN IN SINGLE FIGURE TABLE ABOVE FOR FY17 £000
			FIGURE TABLE ABOVE FOR FY17 £000
T S L Joule*	166.1	166.1	332.3
C N Porter	168.5	168.5	337.1
M S Dench	169.7	169.7	339.5

*Because T S L Joule's existing shareholding in the business is greater than 30%, the deferred share award to be granted to T S L Joule will be conditional on approval of a separate resolution at the AGM in relation to Rule 9 of the Takeover Code.

For FY18 the annual bonus opportunity for C N Porter and T S L Joule will be 100% of salary and for M S Dench 150% of salary. Annual bonus is subject to the achievement of stretching PBT performance targets, with payment made 50% in cash and 50% deferred into shares (vesting after a further three years). For M S Dench payment will be 33% cash and 67% deferred into shares (vesting after a further three years).

The Committee considers PBT to be the key short term financial measure. The actual targets are not disclosed due to commercial confidentiality reasons but the PBT target will be disclosed when we report the performance out-turn in the FY18 Directors' Remuneration Report.

LONG-TERM INCENTIVES

There were no LTIP awards due to vest in respect of the year ended 28 May 2017.

In FY17, the Committee granted LTIP awards as set out in the table below.

LTIP 2016	DATE OF GRANT	% OF SALARY	NUMBER OF SHARES
T S L Joule*	6 July 2016	100%	194,767
C N Porter	6 July 2016	100%	200,581
M S Dench	6 July 2016	150%	191,860

*Note: Because T S L Joule's existing shareholding in the business is greater than 30%, it is intended that the LTIP 2016 awards will be cancelled and re-issued after the AGM subject to approval of a separate resolution at the AGM in relation to Rule 9 of the Takeover Code.

Vesting of the awards will be based upon the amount of the adjusted diluted Earnings Per Share (EPS) delivered in the final Financial Year of the three year performance period (FY19). Below the threshold vesting target of 11.5p, none of this component of the award will vest. 25% of this component will vest if adjusted diluted EPS is 11.5p, with 100% vesting at 14p, and vesting determined on a straight-line basis between these figures.

For FY18, the Committee intends to grant LTIP awards as set out in the table below.

LTIP 2017	% OF SALARY
T S L Joule*	100%
C N Porter	100%
M S Dench	150%

*Because T S L Joule's existing shareholding in the business is greater than 30%, the LTIP to be granted to T S L Joule will be conditional on approval of a separate resolution at the AGM in relation to Rule 9 of the Takeover Code.

Vesting of the awards will be based upon the amount of the adjusted diluted Earnings Per Share (EPS) and the level of international revenue delivered in the final Financial Year of the three year performance period (FY20).

- EPS target (80% of award): Below the threshold vesting target of 14p, none of the award will vest. 25% of the award will vest if adjusted diluted EPS is 14p, with 100% vesting at 18p, and vesting determined on a straight-line basis between these figures.
- International revenue target (20% of award): Below the threshold vesting target of £36 million, none of the award will vest. 25% of the award will vest if international revenue is £36 million, with 100% vesting at £46 million. Vesting is determined on a straight-line basis between these figures.

EPS is the most suitable performance measure for the Group supporting a focus on profitability and growth, and has therefore been chosen as the primary LTIP metric.

NON-EXECUTIVE DIRECTOR FEES

Details of Non-executive Directors' fees for FY18 are set out below:

- Chairman's fee: £75,000
- Non-executive director fee: £50,000 for D A Stead and £45,000 for J C Little
- Additional fee for chair of a Board Committee: £5,000

PAYMENTS MADE TO FORMER DIRECTORS DURING THE YEAR

No payments were made in the year to any former Director of the Group.

PAYMENTS FOR LOSS OF OFFICE MADE DURING THE YEAR

No payments for loss of office were made in the year to any Director of the Group.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS

The interests of the Directors and their immediate families in the Group's ordinary shares as at 29 May 2016 were as follows.

EXECUTIVE DIRECTORS	BENEFICIALLY OWNED AT 29 MAY 2016 NUMBER	BENEFICIALLY OWNED AT 28 MAY 2017 NUMBER	UNVESTED SHARE AWARDS AT 28 MAY 2017 NUMBER ¹
T S L Joule	28,147,210	28,147,210	194,767
C N Porter	2,129,142	2,269,822	200,581
M S Dench	62,500	82,500	636,492
NON-EXECUTIVE DIRECTORS			
N W McCausland	625,375	625,375	-
J C Little	15,625	15,625	-
D A Stead	31,250	31,250	-

¹ESOP, LTIP, Deferred share awards and SAYE.

DIRECTORS' REMUNERATION REPORT

CONTINUED

The interests of the Directors and their immediate families in the Group's ordinary shares did not change between 28 May 2017 and the date these accounts were signed on 25 July 2017.

OUTSTANDING DIRECTORS' SHARE AWARDS

Each Executive Director holds awards under the Company's LTIP, Deferred Bonus Plan (DBP), SAYE Scheme and Executive Share Option Plan (ESOP) as follows.

DIRECTOR	SHARE PLAN	DATE OF GRANT	SHARE PRICE AT GRANT	EXERCISE PRICE	NUMBER OF SHARES / OPTIONS AWARDED	PERFORMANCE PERIOD	VESTING DATE
T S L Joule	LTIP 2016	6 July 2016	£1.72	£0.01	194,767	3 years to end of FY19	6 July 2019
C N Porter	LTIP 2016 ¹	6 July 2016	£1.72	£0.01	200,581	3 years to end of FY19	6 July 2019
M S Dench	LTIP 2016 ¹	6 July 2016	£1.72	£0.01	191,860	3 years to end of FY19	6 July 2019
DBP		14 July 2016	£1.66	£0.01	132,132	-	14 July 2019
ESOP		26 May 2018	£1.60	£1.60	312,500	-	26 May 2018

¹C N Porter and M S Dench also received tax qualifying options of up to a maximum of £30,000, which were granted under the Tax Qualifying LTIP, and subject to the same performance conditions as the LTIP award. The tax qualifying options have an exercise price of £1.72 per share (being the market value on the date of grant). The vesting of the LTIP award will be scaled back to take account of any gain made under the tax qualifying option.

REMUNERATION COMMITTEE

The members of the Committee are J C Little (Chair), N W McCausland and D A Stead. The Group's General Counsel attends the meeting as secretary to the Committee.

The Committee meets at least once a year and has responsibility for:

- Maintaining the remuneration policy;
- Reviewing and determining the remuneration packages of the Executive Directors;
- Monitoring the level and structure of the remuneration of Senior Management; and
- Production of the annual report on Directors' remuneration.

The Chief Executive Officer and Chief Financial Officer occasionally attend meetings and provide information and support as requested. Neither Executive Director is present when their remuneration package is considered.

The duties of the Remuneration Committee are set out in its Terms of Reference, which are available on the Group's website (www.joulesgroup.com) and are also available on request from the Company Secretary.

This report was approved by the Board on 25 July 2017 and signed on its behalf by:

J C LITTLE
Chairman of the Remuneration Committee



DIRECTORS' REPORT

JOULES GROUP PLC

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and Auditors' Report, for the 52 weeks ended 28 May 2017. The Governance Framework Section on pages 31 to 33 also forms part of this Directors' Report.

DIRECTORS

The Directors of the Company during the period under review, and subsequently to the date of this report, were:

NEIL MCCausland
TOM JOULE
COLIN PORTER
MARC DENCH
DAVID STEAD
JILL LITTLE

RESULTS AND DIVIDENDS

Results for the 52 weeks ended 28 May 2017 are set out in the Consolidated Income Statement on page 54. The Directors are recommending a final dividend of 1.2 pence per share which, if approved, at the AGM will result in a full year dividend of 1.8 pence per share for FY17.

ARTICLES OF ASSOCIATION

A copy of the full articles of association are available on request from the Company Secretary and are also available on the Group's website www.joulesgroup.com. Any amendments to the articles of association can be made by a special resolution of the Shareholders.

SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

Details of the issued share capital, together with details of the movements during the year, are shown in Note 18 to the Consolidated Financial Statements. The Company has one class of ordinary share and each ordinary share carries the right to one vote at general meetings of the Company.

At 28 May 2017 the Company had been notified of the following substantial shareholders comprising 3% or more of the issued ordinary share capital of the Company:

	% of issued share capital
TOM JOULE	32.17%
BLACKROCK INVESTMENT MANAGEMENT	11.43%
STANDARD LIFE INVESTMENTS	9.49%
OLD MUTUAL GLOBAL INVESTORS	7.24%
HARGREAVE HALE	6.61%
COLUMBIA THREADNEEDLE INVESTMENTS	3.69%
1798 VOLANTIS	3.31%
AXA INVESTMENT MANAGERS	3.01%

ACQUISITION OF THE COMPANY'S OWN SHARES

At the AGM held on 26 October 2016, the Company was authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of up to 8,749,979 Ordinary Shares (being approximately 10 per cent of the Share Capital) on such terms and in such manner as the Directors of the Company may from time to time determine. This authority was not used during the year or up to the date of this report. Shareholders will be asked to renew these authorities at the AGM as detailed in the next AGM Notice. The Company held no treasury shares during the year.

DIRECTORS' INTERESTS

Details of the Directors' beneficial interests are set out in the Remuneration Report on pages 37 to 44.

DIRECTORS' INDEMNITIES AND DIRECTORS AND OFFICERS' LIABILITY INSURANCE

The Company has purchased directors' and officers' liability insurance during the year as allowed by the Company's articles.

FINANCIAL RISK MANAGEMENT

Details of the Directors' assessment of the principal risks and uncertainties which could impact the business are outlined in the Principal Risks & Uncertainties section on pages 22 and 23. The Board manages internal risk through the on-going review of the Group's risk register and the Board manages external risk through the monitoring of the economic and regulatory environment and market conditions.

GOING CONCERN

The Company's going concern statement can be found in the Consolidated Financial Statements on page 59.

POST BALANCE SHEET EVENTS

There have been no material post balance sheet events.

ANNUAL GENERAL MEETING

The Company's AGM will be held on 27 September 2017.

FUTURE DEVELOPMENTS IN THE BUSINESS OF THE COMPANY

The Strategic Report on pages 8 to 27 sets out the likely future developments of the Company.

CHANGE OF CONTROL

So far as the Directors are aware, there are no arrangements in place that the operation of which at a later date may result in a change of control of the Company.

BRANCHES OUTSIDE THE UK

The Group has branches in France, Germany and the Republic of Ireland.

POLITICAL DONATIONS

No political donations were made during the period under review.

EMPLOYEE INVOLVEMENT

The Directors' recognise that communication with the Group's employees is essential and the Group places importance on the contributions and view of its employees. Details of employee involvement are set out in the Social Responsibility Report on pages 24 and 27.

DISABLED EMPLOYEES

Details of the Group's policy in relation to disabled employees is set out in the Social Responsibility Report on pages 24 and 27.

DISCLOSURE OF INFORMATION TO THE AUDITORS

In the case of each Director in office at the date the Directors' Report is approved, the following applies:

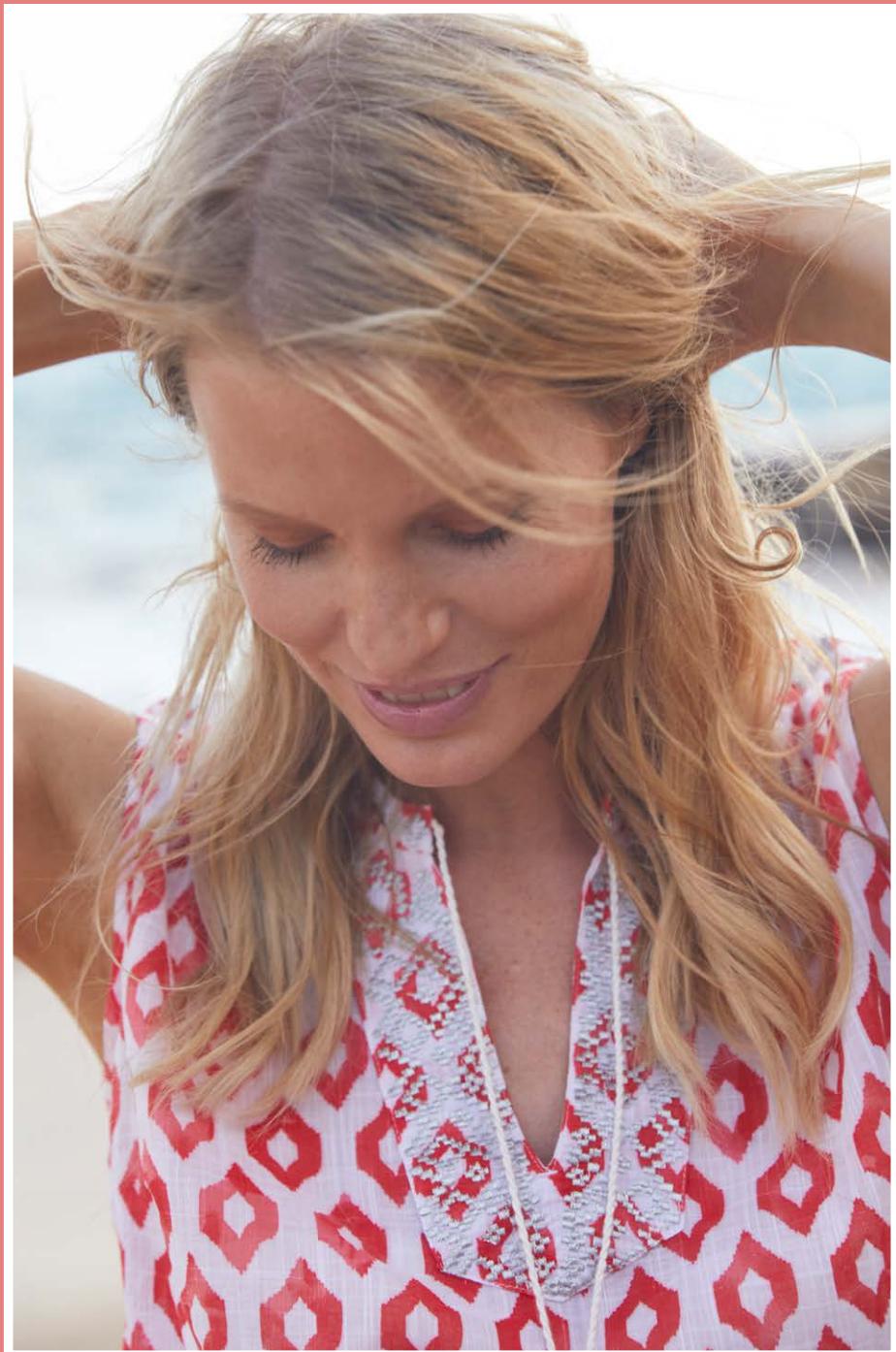
- The Director knows of no information, which would be relevant to the auditors for the purpose of their audit report, of which the auditors are not aware; and
- The Director has taken all steps that he/she ought to have taken as a director to make him/herself aware of any such information and to establish that the auditors are aware of it

AUDITOR

The Auditor, Deloitte LLP, has indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the AGM.

This Directors' report was approved by the Board of Directors and authorised for issue on 25 July 2017.

**JONATHAN DARGIE
Company Secretary**



STATEMENT OF DIRECTORS' RESPONSIBILITIES

JOULES GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Accounts, including the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group's Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether they have been prepared in accordance with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEBSITE PUBLICATION

The Directors are responsible for ensuring the Directors' Report and financial statements are made available on a website. Financial statements are published on the Company's website (www.joulesgroup.com) in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

MARC DENCH

Chief Financial Officer

25 July 2017

“Our Print Team
captured the
British seaside
wonderfully in
this border print.
Whilst adding a
few little touches
of their own.”





CHAPTER

3

CONSOLIDATED
FINANCIAL STATEMENTS

Making a Splash

AUDITOR'S REPORT

JOULES GROUP PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOULES GROUP PLC

We have audited the financial statements of Joules Group plc (the 'Company') and its subsidiaries (the 'Group') for the 52 week period ended 28 May 2017 ('period') which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash flows and the related notes 1 to 28, the Company Balance Sheet, the Company Statement of Changes in Equity and the related notes 29 to 36. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS101 'Reduced Disclosure Framework' applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 28 May 2017 and of the group's profit for the period then ended
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements for the group and parent company have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- The parent company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit

ANDREW HALLS FCA

Senior statutory auditor

for and on behalf of Deloitte LLP

Statutory Auditor

Nottingham, UK

25 July 2017



CONSOLIDATED INCOME STATEMENT

JOULES GROUP PLC

	NOTE	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
REVENUE	2	157,032	131,262
Cost of sales	5	(69,981)	(61,003)
GROSS PROFIT		87,051	70,259
Other administrative expenses	5	(76,729)	(62,296)
Share based payments	27	(829)	-
Exceptional administrative expenses	5	(341)	(3,128)
Total administrative expenses		(77,899)	(65,424)
OPERATING PROFIT		9,152	4,835
Finance costs and similar charges	6	(241)	(6,015)
PROFIT/(LOSS) BEFORE TAX		8,911	(1,180)
Income tax expense	7	(2,568)	(613)
PROFIT/(LOSS) FOR THE PERIOD		6,343	(1,793)
Basic earnings/(loss) per share (pence)	26	7.25	(2.04)
Diluted earnings/(loss) per share (pence)	26	7.22	(2.04)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

JOULES GROUP PLC

	NOTE	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
Profit/(loss) for the period		6,343	(1,793)
Items that may be reclassified subsequently to profit or loss:			
Net loss arising on changes in fair value of hedging instruments entered into for cash flow hedges	20	(640)	(26)
Exchange difference on translation of foreign operations	20	11	(48)
Gains arising during the period on deferred tax on cash flow hedges	20	112	15
Gains arising during the period on deferred tax on share options	7	177	-
TOTAL COMPREHENSIVE INCOME / (EXPENSE) FOR THE PERIOD		6,003	(1,852)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JOULES GROUP PLC

	NOTE	28 MAY 2017 £'000	29 MAY 2016 £'000
NON-CURRENT ASSETS			
Property, plant and equipment	8	11,646	11,151
Intangibles	9	9,499	5,903
Deferred tax	17	612	653
TOTAL NON-CURRENT ASSETS		21,757	17,707
CURRENT ASSETS			
Inventories	10	21,194	19,253
Trade and other receivables	12	14,013	10,856
Current corporation tax receivable		-	231
Cash and cash equivalents	22	6,964	9,278
Derivative financial instruments	11	1,345	962
TOTAL CURRENT ASSETS		43,516	40,580
TOTAL ASSETS		65,273	58,287
CURRENT LIABILITIES			
Trade and other payables	13	32,256	27,919
Current corporation tax payable		1,018	-
Borrowings	15	333	5,461
Provisions	14	636	773
Derivative financial instruments	11	1,502	488
TOTAL CURRENT LIABILITIES		35,745	34,641
NON-CURRENT LIABILITIES			
Borrowings	15	294	627
TOTAL LIABILITIES		36,039	35,268
NET ASSETS		29,234	23,019
EQUITIES			
Share capital	18	875	875
Hedging reserve	20	(139)	389
Translation reserve	20	(61)	(72)
Merger reserve	19	(125,807)	(125,807)
Retained earnings	19	142,956	136,224
Share premium	19	11,410	11,410
TOTAL EQUITY		29,234	23,019

These financial statements of Joules Group plc (Company Registration Number 10164829) were approved by the Board of Directors and authorised for issue on 25 July 2017 and were signed on behalf of the Board of Directors by -

MARC DENCH
Chief Financial Officer

25 July 2017

**CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY**
JOULES GROUP PLC

	MERGER RESERVE £'000	HEDGING RESERVE £'000	TRANSLATION RESERVE £'000	SHARE CAPITAL £'000	SHARE PREMIUM £'000	RETAINED EARNINGS £'000	TOTAL EQUITY £'000
Balance at 31 May 2015	(125,662)	400	(24)	91,510	-	10,302	(23,474)
Loss for the period	-	-	-	-	-	(1,793)	(1,793)
Other comprehensive income for the period	-	(11)	(48)	-	-	-	(59)
Share buyback (note 18)	(145)	-	-	-	-	-	(145)
Share issue (note 18)	-	-	-	37,009	-	-	37,009
Share capital reduction (note 18)	-	-	-	(127,715)	-	127,715	-
Share issue (note 18)	-	-	-	71	11,410	-	11,481
Balance at 29 May 2016	(125,807)	389	(72)	875	11,410	136,224	23,019
Profit for the period	-	-	-	-	-	6,343	6,343
Other comprehensive income for the period	-	(640)	11	-	-	-	(629)
Gains arising during the period on deferred tax on cash flow hedges	-	112	-	-	-	-	112
Dividends Issued (note 28)	-	-	-	-	-	(525)	(525)
Shares issued (note 27)	-	-	-	-	-	-	-
Credit to equity for equity settled share based payments excl. NI (note 27)	-	-	-	-	-	737	737
Gains arising during the period on deferred tax on share based payments	-	-	-	-	-	177	177
Balance at 28 May 2017	(125,807)	(139)	(61)	875	11,410	142,956	29,234

CONSOLIDATED CASH FLOW STATEMENT

JOULES GROUP PLC

	NOTE	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
Net cash inflow from operating activities			
Profit before interest and income taxes		9,152	4,835
Adjustments for:			
Depreciation	8	4,920	4,516
Amortisation	9	1,688	1,011
Share based payments	27	829	-
Impairment of fixed assets		-	380
Finance expense		(241)	(461)
Tax paid		(997)	(500)
Increase in inventory		(1,941)	(1,601)
Increase in receivables		(3,157)	(700)
Increase in payables		4,108	9,389
Net cash from operating activities		14,361	16,869
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets	8/9	(10,700)	(7,087)
Net cash used in investing activities		(10,700)	(7,087)
Cash flow from financing activities			
Proceeds from new share capital subscribed	18	-	11,481
Redemption of shares	18	-	(145)
Repayment of borrowings	21	(5,461)	(13,913)
Dividend paid	28	(525)	-
Net cash used in financing activities		(5,986)	(2,577)
Net (decrease)/increase in cash and cash equivalents	21	(2,325)	7,205
Cash and cash equivalents at beginning of period		9,278	2,121
Effect of foreign exchange rate changes		11	(48)
Cash and cash equivalents at end of period	22	6,964	9,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JOULES GROUP PLC

1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The particular accounting policies adopted and applied are described below.

The Group financial statements comprise the financial information of the parent undertaking and its subsidiary undertakings.

The principal activity of the group is the design and sale of lifestyle clothing, related accessories and a homeware range, through the multi-channel business structure embracing retail stores, e-commerce, country shows and events and wholesale. The company's registered office is Joules Building, The Point, Rockingham Road, Market Harborough, Leicestershire, LE16 7QU.

(IFRSs) Application of new and revised International Financial Reporting Standards (IFRSs)

Adoption of new and revised standards

There have been no new IFRSs adopted in the current year which have impacted the Group's financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 1 (amendments)	Annual improvements
IFRS 2 (amendments)	Share-based payment
IFRS 4 (amendments)	Insurance contracts
IFRS 9	Financial instruments
IFRS 12 (amendments)	Annual improvements
IFRS 17 (amendments)	Insurance contracts
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IAS 7 (amendments)	Cash flow statements
IAS 12 (amendments)	Share-based payment
IAS 28 (amendments)	Annual improvements
IAS 40 (amendments)	Investment properties

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except that

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments; and
- IFRS 16 will have a material impact on the reported assets, liabilities and income statement for the Group. Furthermore, extensive disclosures will be required by IFRS 16.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation

The historical financial information incorporates the financial statements of the group and entities controlled by the Group (its subsidiaries) to 28 May 2017 and 29 May 2016.

The historic financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out below.

The annual financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are carried at fair value or amortised cost as appropriate.

The preparation of financial statements in conformity with International Financial Reporting Standards adopted by the European Union requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power over the entity.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Going concern

The Directors have prepared a detailed forecast with a supporting business plan for the foreseeable future. The forecast indicates that the Group will remain in compliance with covenants throughout the forecast period. As such, the Directors have a reasonable expectation the Company and Group will have adequate resources to continue in operational existence for the foreseeable future. As such, they continue to prepare the financial statements on the basis of going concern.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods

- Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:
- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their fair value, being the deemed cost at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease term, whichever is the shorter.

Leasehold improvements	- straight line over the lease period, typically 5-10 years
Fixtures and fittings	- straight line over 3 – 5 years
Motor vehicles	- straight line over 4 years

Intangible assets

IT projects

Software and IT represent computer systems and processes used by the Group in order to generate future economic value through normal business operations. The underlying assets are amortised over the period from which the Group expects to benefit, which is typically between three to eight years.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for any obsolete or slow moving items.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, following the relevant accounting for utilising temporary differences.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

Transactions entered into by the Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transaction occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated statement of comprehensive income.

Hire purchase and leasing commitments (Leasing)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

The Group operates a defined contribution pension scheme. Contributions payable for the period are recognised as an expense when employees have rendered service entitling them to the contributions.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Returns provision

Present obligations arising under sales returns are recognised and measured as provisions, reducing revenue, when it is probable that the Group will be required to settle the obligation under sales contracts. The returns provision is based on Management's best estimates and the actual returns could differ from these estimates.

Lease dilapidation

The Group recognises present obligations arising from lease contracts where it is required to restore the stores to their pre-lease condition upon the expiry of leases.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

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1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Trade and other receivables

Trade and other receivables originated by the company are stated at amortised cost as reduced by appropriate allowances for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the statement of financial position and include overdrafts where these are used on a day-to-day basis to manage cash.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities

Other financial liabilities, including loans payable, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost.

Loans payable

Interest-bearing loans are initially recorded on the day that the loans are advanced at the net proceeds received.

At subsequent reporting dates, interest-bearing borrowings are measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on the accrual basis in the statement of comprehensive income using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are stated at amortised cost.

Derivative financial instruments and cash flow hedges

The Group holds derivative financial instruments to hedge its foreign currency exposures. These derivatives, classified as cash flow hedges, are initially recognised at fair value and then re-measured at fair value at the end of each reporting date. Hedging instruments are documented at inception and effectiveness is tested throughout their duration. Changes in the value of cash flow hedges are recognised in other comprehensive income and any ineffective portion is immediately recognised in the statement of comprehensive income. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then at the time the asset is recognised, the associated gains or losses on the derivative that had been previously recognised on other comprehensive income are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in other comprehensive income are recognised in the statement of comprehensive income in the same period in which the hedged item affects net profit.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Critical accounting judgements and key sources of estimation uncertainty

Drawing up the financial statements in accordance with IFRS requires management to make the necessary estimates and assessments. Estimates are based on past experience and other reasonable assessment criteria. There remains a probability, however, that the estimates and assessments will bring about an adjustment in the value of the assets and liabilities in future financial years.

The Directors have made significant accounting estimates and judgements in applying the Group's accounting policies in the following areas:

Impairment

Stores are identified for further impairment testing primarily on the basis of current performance, with growth assumptions based on directors' knowledge and experience. The Directors have used forecast models and an appropriate pre-tax weighted average cost of capital in its property, plant and equipment impairment calculations.

Inventory valuation

The Directors have used their knowledge and experience of the retail industry in determining the level and rates of provisioning required to calculate the appropriate inventory carrying values. Inventory is carried in the financial statements at the lower of cost and net realisable value. Sales in the retail industry vary with changes in consumer demand. As a result there is a risk that the cost of inventory exceeds its net realisable value. Management calculate the inventory provision on the basis of the ageing profile of what is in stock. Adjustments are made where appropriate based on directors' knowledge and experience to calculate the appropriate inventory carrying values.

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2. REVENUE

The revenue and profit before taxation are attributable to the one principal activity of the Group.

	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
Sale of goods	157,032	131,262
	157,032	131,262

3. SEGMENT REPORTING

The Group has three reportable segments; Retail, Wholesale and Other. For each of the three segments, the Group's chief operating decision maker (the "Board") reviews internal management reports on a monthly basis. Each segment can be summarised as follows:

- **Retail:** Retail includes sales and costs relevant to stores, e-commerce, shows and franchises.
- **Wholesale:** Wholesale includes sales and costs relevant to the sale of products to other retail businesses or distributors for onward sale to their customer.
- **Other:** Other includes income from licencing, central costs and items that are not distinguishable into categories above.

The accounting policies of the reportable segments are the same as described in note 1. Information regarding the results of each reportable segment is included below. Segment results before exceptional items are used to measure performance as management believes that such information is the most relevant in evaluating the performance of certain segments relative to other entities that operate within these industries.

There are no discontinued operations in the period.

52 WEEKS ENDED 28 MAY 2017	RETAIL £'000	WHOLESALE £'000	OTHER £'000	TOTAL £'000
Revenue	111,884	44,749	399	157,032
Cost of sales	(42,389)	(27,592)	-	(69,981)
GROSS PROFIT	69,495	17,157	399	87,051
Administration expenses	(39,171)	(8,246)	(22,704)	(70,121)
SEGMENT RESULT	30,324	8,911	(22,305)	16,930
RECONCILIATION OF SEGMENT RESULT TO PROFIT BEFORE TAX				
Segment result	30,324	8,911	(22,305)	16,930
Depreciation and amortisation	(3,901)	(364)	(2,344)	(6,609)
Share based payments (incl NI)				(828)
Exceptional costs				(341)
Net finance expense				(241)
PROFIT BEFORE TAX				8,911

3. SEGMENT REPORTING (continued)

52 WEEKS ENDED 29 MAY 2016	RETAIL £'000	WHOLESALE £'000	OTHER £'000	TOTAL £'000
Revenue	93,687	37,196	379	131,262
Cost of sales	(36,616)	(24,387)	-	(61,003)
GROSS PROFIT	57,071	12,809	379	70,259
Administration expenses	(34,146)	(5,998)	(16,625)	(56,769)
SEGMENT RESULT	22,925	6,811	(16,246)	13,490
RECONCILIATION OF SEGMENT RESULT TO PROFIT BEFORE TAX				
Segment result	22,925	6,811	(16,246)	13,490
Depreciation and amortisation	(3,306)	(258)	(1,963)	(5,527)
Exceptional costs				(3,128)
Net finance expense				(6,015)
LOSS BEFORE TAX				(1,180)

Geographical Information

The Group's revenue from external customers by geographical location are as detailed below. Predominantly all non-current assets (excluding financial instruments, deferred tax assets and other financial assets) are situated in the UK, therefore separate geographical disclosure of non-current assets is not considered necessary.

	UK £'000	INTERNATIONAL £'000	TOTAL £'000
52 weeks ended 28 May 2017	139,030	18,002	157,032
52 weeks ended 29 May 2016	118,041	13,222	131,262

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
Staff costs during the period		
Wages and salaries	26,321	22,841
Social security costs	2,393	1,885
Other pension costs	232	227
Equity-settled share-based payment charges (incl. NI)	829	-
	29,775	24,953

Prior year wages and salaries adjusted to include warehouse salary costs.

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4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	NUMBER	NUMBER
Average number of persons employed		
Head office	416	353
Stores and Shows	1,010	998
Warehousing	120	88
	1,546	1,439

Directors' remuneration

The tables below detail the total remuneration earned by each Director.

52 WEEKS ENDED 28 MAY 2017	SALARIES /FEES £000	TAXABLE BENEFITS £000	PENSION £000	CASH BONUS £000	BONUS DEFERRED INTO SHARES £000	TOTAL REMUNERATION £000
Executive Directors						
T S L Joule	335.0	35.5	16.8	166.2	166.2	719.6
C N Porter	345.0	22.6	17.3	168.6	168.6	722.0
M S Dench	235.0	12.0	11.8	169.8	169.8	598.3
Non-Executive Directors						
N W McCausland	75.0	-	-	-	-	75.0
J C Little	50.0	-	-	-	-	50.0
D A Stead	55.0	-	-	-	-	55.0
Total	1,095.0	70.1	45.9	504.5	504.5	2,219.9

52 WEEKS ENDED 29 MAY 2016	SALARIES /FEES £000	TAXABLE BENEFITS £000	PENSION £000	CASH BONUS £000	BONUS DEFERRED INTO SHARES £000	TOTAL REMUNERATION £000
Executive Directors						
T S L Joule	290.1	35.3	14.5	-	-	339.9
C N Porter	287.3	20.4	14.4	-	-	322.1
M S Dench	128.3	5.1	6.4	-	288.2	428.0
Non-Executive Directors						
N W McCausland	40.0	-	-	-	-	40.0
J C Little	7.1	-	-	-	-	7.1
D A Stead	7.8	-	-	-	-	7.8
Total	760.5	60.8	35.3	1,008.9	288.2	1,144.8

The number of directors to whom retirement benefits have accrued during the period was 3 (2016: 3).

5. PROFIT FOR THE YEAR

Profit (before tax) is stated after charging:

	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
Cost of inventories recognised as expense	61,851	51,376
Staff costs (see note 4)	29,775	24,953
Transportation, carriage and packaging	8,354	6,905
Property, rent and service charges	11,658	9,267
Depreciation of property, plant and equipment	4,920	4,516
Amortisation of internally-generated intangible assets included in other operating expenses	1,688	1,011
Impairment of property, plant and equipment	-	380
Impairment loss recognised on trade receivables	240	16
Net foreign exchange (gains)/losses	(247)	304
Gain on disposal of property, plant and equipment	-	(15)
Write down of inventory in the period	126	196
Other expenses	29,515	27,518
Total	147,880	126,427

Other expenses include £341,000 for May 2017 (May 2016: £3,128,000) of exceptional items which have been disclosed separately on the face of the income statement in order to summarise the underlying results. The exceptional costs in the period of £341,000 relate to IPO transaction costs (2016: £2,748,000 of IPO related transaction costs and £380,000 of other non-recurring costs, including asset impairment). Neither 'underlying profit or loss' nor 'exceptional items' are defined by IFRS, however, the Directors believe that the disclosures presented in this manner provide a clear presentation of the financial performance of the group.

5. PROFIT FOR THE YEAR (continued)

Auditors' remuneration	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
The analysis of auditors' remuneration is as follows:		
Audit of these financial statements	6	4
Audit of financial statements of subsidiaries of the Company	74	40
Total audit fees	80	44
Other services pursuant to legislation:		
Tax compliance	27	66
Tax advice	32	74
Services relating to IPO	-	803
Remuneration and share plan advisory	54	-
Audit related assurance services	13	5
Total non-audit fees	126	948

6. INTEREST PAYABLE AND SIMILAR CHARGES

	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
Bank loan interest	176	378
Finance loan interest	65	83
Shareholder loan note interest	-	4,676
Amortisation of debt costs	-	878
	241	6,015

During the prior period the Shareholder loan note debt was settled and all remaining unamortised debt costs were expensed. Amortisation of debt costs relates to fees incurred in 2013 with regard to the Shareholder loan notes, as these fees related to a debt facility they were amortised over the expected life of the facility.

7. INCOME TAX

	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
a) Analysis of charge in the period		
Current tax		
UK corporation tax based on the profit/(loss) for the period	2,563	869
Adjustment in respect of prior periods	(347)	(438)
Overseas tax	21	17
Total current tax charge	2,237	448
Deferred taxation (note 17)		
Adjustment in respect of prior periods	366	225
Origination and reversal of timing differences	(50)	(142)
Effect of adjustment in tax rate	15	82
Total deferred taxation charge	331	165
Tax charge for the period (note 7b)	2,568	613

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income.

	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
Deferred taxation (note 17)		
Gains arising during the period on deferred tax on cash flow hedges	112	15
Gains arising during the period on deferred tax on share options	177	-
Total income tax gain recognised in other comprehensive income	289	15

b) Factors affecting the tax charge for the period

There are reconciling items between the expected tax charge and the actual which are shown below:

	52WKS ENDED 28 MAY 2017 £'000	52WKS ENDED 29 MAY 2016 £'000
Profit / (loss) before taxation	8,911	(1,180)
UK corporation tax at the standard rate	19.8%	20.0%
	1,767	(236)
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	399	73
IPO expenses not deductible for tax purposes	60	739
Depreciation and amortisation on non-qualifying assets	287	151
Difference in overseas tax rate	21	17
Effect of adjustment in tax rate	15	82
Adjustment in respect of prior period	19	(213)
Tax expense for the period (note 7a)	2,568	613

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7. INCOME TAX (continued)

The Finance Act 2015 included provisions to reduce the rate of UK corporation tax to 19% with effect from 1 April 2017. The Finance Act 2016 included provisions to further reduce the rate of UK corporation tax to 17% with effect from 1 April 2020. Deferred taxation is measured at tax rates that are expected to apply in the periods in which temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Accordingly the rate used to calculate deferred tax assets and liabilities is the effective rate at the date the deferred tax is expected to be realised.

The UK corporation tax at the standard rate for the year is therefore 19.8% (2016: 20.0%).

8 & 9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

COST	PROPERTY, PLANT AND EQUIPMENT				INTANGIBLES	
	LEASEHOLD IMPROVEMENTS £'000	FIXTURES AND FITTINGS £'000	MOTOR VEHICLES £'000	TOTAL £'000	IT SYSTEMS £'000	TOTAL £'000
At 31 May 2015	155	26,761	530	27,446	5,929	5,929
Additions	-	4,589	-	4,589	2,498	2,498
Disposals	(55)	(8,570)	(404)	(9,029)	(674)	(674)
At 29 May 2016	100	22,780	126	23,006	7,753	7,753
Additions	-	5,415	-	5,415	5,284	5,284
Disposals	-	-	-	-	-	-
At 28 May 2017	100	28,195	126	28,421	13,037	13,037
ACCUMULATED DEPRECIATION/ AMORTISATION						
At 31 May 2015	119	15,361	508	15,988	1,513	1,513
Charge for the period	5	4,504	7	4,516	1,011	1,011
Disposals	(55)	(8,570)	(404)	(9,029)	(674)	(674)
Impairment	-	380	-	380	-	-
At 29 May 2016	69	11,675	111	11,855	1,850	1,850
Charge for the period	8	4,906	6	4,920	1,688	1,688
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
AT 28 MAY 2017	77	16,581	117	16,775	3,538	3,538
NET BOOK VALUE						
At 31 May 2015	36	11,400	22	11,458	4,416	4,416
At 29 May 2016	31	11,105	15	11,151	5,903	5,903
At 28 May 2017	23	11,614	9	11,646	9,499	9,499

Property, Plant and Equipment and Intangibles

During the prior period the Directors conducted a detailed review of the Group's fixed assets, as a result of this review £9,703,000 (£9,029,000 of Property, Plant and Equipment and £674,000 of Intangibles) of nil book value items which were no longer in existence or use as at the balance sheet date were identified, these were recorded as a disposal in that period.

10. INVENTORIES

	28 MAY 2017 £'000	29 MAY 2016 £'000
Goods for resale	18,768	14,594
Goods in transit	2,426	4,659
	21,194	19,253

There is no material difference between the balance sheet value of stocks and their replacement cost.

The cost of inventories recognised as an expense during the year in respect of continuing operations in the 52 weeks ended 28 May 2017 was £61,851,000 (2016: £51,376,000).

The cost of inventories recognised as an expense includes £126,000 for 52 weeks ended 28 May 2017 (2016: £196,000) in respect of write-downs of inventory to net realisable value. During the period £39,000 (2016: £33,000) of stock previously provided for was sold and the provision was therefore released.

Product is purchased on a seasonal basis with the intention of selling that stock within 12 months of the balance sheet date. Any aged stock is appropriately provided for.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Forward contracts and options

The Group enters into forward foreign exchange contracts and options to manage the risk associated with anticipated sale and purchase transactions which are denominated in foreign currencies.

As at 28 May 2017, the Group has 136 (2016: 65) forward foreign exchange contracts outstanding. Derivative financial instruments are carried at fair value, further detailed in note 24.

Prior year derivatives have been restated to separately disclose the financial derivative gross asset and gross liability as they are not permitted to be settled net.

The following table details the USD foreign currency contracts outstanding as at the balance sheet date.

OUTSTANDING CONTRACTS	AVERAGE EXCHANGE RATE		FOREIGN CURRENCY		NOTIONAL VALUE		FAIR VALUE	
	2017 £/\$	2016 £/\$	2017 \$'000	2016 \$'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Buy U.S. Dollars								
Less than 3 months	1.3125	1.5394	25,500	13,500	18,985	8,960	920	300
3 to 6 months	1.2819	1.4764	13,500	20,000	10,485	13,524	24	149
6 months and above	1.2734	1.4430	90,700	29,150	71,225	19,908	(1,101)	25
	1.2822	1.4778	129,700	62,650	100,695	42,392	(157)	475

The Company does not hold Euro to GBP forward options (2016: 2 Euro to GBP forward options).

The US Dollar spot rate at 28 May 2017 was \$1.2791/£1.

The fair value of cash flow hedges of the Group as at 28 May 2017 was an asset of £1,345,000 (2016: £962,000) and a liability of £1,502,000 (2016: £488,000) resulting in a net liability of £157,000 (2016: net asset £474,000), further detailed in note 24.

12. TRADE AND OTHER RECEIVABLES

	28 MAY 2017 £'000	29 MAY 2016 £'000
Trade receivables – gross	2,852	2,915
Allowance for doubtful debts	(405)	(165)
Trade receivables – net	2,447	2,750
Other receivables	1,984	824
Prepayments	9,582	7,282
Total trade and other receivables	14,013	10,856

	28 MAY 2017 £'000	29 MAY 2016 £'000
Movement in the allowance for doubtful debts		
Balance at beginning of period	(165)	(149)
Bad debt write off	80	119
Movement in doubtful debt estimate	(320)	(135)
Balance at end of period	(405)	(165)

AGEING OF PAST DUE TRADE RECEIVABLES	28 MAY 2017			29 MAY 2016		
	GROSS £'000	PROVISION £'000	NET £'000	GROSS £'000	PROVISION £'000	NET £'000
Current	1,574	-	1,574	1,730	-	1,730
0-30 days overdue	629	(90)	539	706	(27)	679
31-60 days overdue	283	(169)	114	357	(56)	301
>60 days overdue	366	(146)	220	122	(82)	40
Total trade receivables	2,852	(405)	2,447	2,915	(165)	2,750

All of the other receivables and prepayment balances above are deemed to be current; the disclosures above relate only to the trade receivables balance. The Directors review the recoverability of trade receivables on a regular basis and calculate the allowance for doubtful debts on both a specific, customer by customer basis and a general basis.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Accordingly, the Directors believe that there is no further credit provision risk required in excess of the allowance for doubtful debts.

Included within the Group's trade receivables (gross) balance are debtors with a carrying value of £873,000 (2016: £1,020,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

13. TRADE AND OTHER PAYABLES

	28 MAY 2017 £'000	29 MAY 2016 £'000
Trade payables	14,074	15,353
Other taxation and social security	1,931	1,069
Other payables	1,888	1,159
Accruals and deferred income	14,363	10,338
	32,256	27,919

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider that the fair value of trade and other payables is not materially different from the carrying value.

14. PROVISIONS

	28 MAY 2017 £'000	29 MAY 2016 £'000	
	DILAPIDATIONS £'000	RETURNS PROVISION £'000	TOTAL £'000
Returns provision	405	506	
Dilapidations	231	267	
	636	773	
At 29 May 2016	267	506	773
Additional provision during the period	60	206	266
Utilisation of provision	(96)	(307)	(403)
At 28 May 2017	231	405	636

Returns provision

Present obligations arising under sales returns are recognised and measured as provisions when it is probable that the Group will be required to settle the obligation under sales contracts. Returns provisions in existence at the balance sheet date are expected to be utilised within 12 months, the provision is recalculated at each balance sheet date taking into account recent sales and anticipated levels of returns.

Lease dilapidation

The Group recognises present obligations arising from lease contracts where it is required to restore leased properties to their pre-lease condition upon the expiry of leases. Lease dilapidations provisions are expected to be utilised between 0-3 years in line with the expiry of the leases.

76 Notes to the Consolidated Financial Statements

15. BORROWINGS

	28 MAY 2017 £'000	29 MAY 2016 £'000
Bank loans	-	5,009
Finance loans	627	1,079
	627	6,088
Borrowings are repayable as follows:		
Bank loans		
Within one year	-	5,009
Finance loans		
Within one year	333	452
Between one and two years	210	333
Between two and five years	84	294
	627	1,079
Total borrowings		
Between one and two years	210	333
Between two and five years	84	294
After five years	-	-
Financing costs capitalised	-	-
	294	627
On demand or within one year	333	5,461
	627	6,088

Summary of borrowing arrangements

The bank loan is a Revolving Credit Facility in which amounts drawn down are generally repayable within three months. The facility matures in July 2021 following an amendment and extension that was completed after the year end in July 2017. The finance loans are secured against the assets to which they relate. Interest is paid at varying rates above base rate.

The weighted average interest rates paid during the period were as follows:

	52 WKS ENDED 28 MAY 2017 %	52 WKS ENDED 29 MAY 2016 %
Finance loans	7.7	7.4
Bank loans	2.1	3.0

16. FINANCIAL COMMITMENTS**Operating lease commitments**

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	28 MAY 2017 £'000	29 MAY 2016 £'000
LAND & BUILDINGS		
Leases expiring:		
Not later than 1 year	10,394	8,040
Later than 1 year and not later than 5 years	34,669	27,881
Later than 5 years	20,061	17,550
	65,124	53,471
OTHER		
Leases expiring:		
Not later than 1 year	483	333
Later than 1 year and not later than 5 years	772	359
Later than 5 years	151	-
	1,406	692

17. DEFERRED TAXATION

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	28 MAY 2017 £'000	29 MAY 2016 £'000
Difference between depreciation and capital allowances		
Balance brought forward	704	535
(Charge)/credit to income statement	(444)	169
Balance at end of period	260	704
Other short term timing differences		
Balance brought forward	(51)	268
Credit/(charge) to income statement	113	(334)
Credit due to cash flow hedges	112	15
Credit due to share options	177	-
Balance at end of period	351	(51)
Total deferred tax asset at end of period	612	653
Movement		
Balance brought forward	653	803
Charge to income statement (note 7)	(331)	(165)
Credit to other comprehensive income (note 7)	289	15
Balance at end of period	612	653

There is no unprovided deferred tax in the current period for the Group (2016: £nil).

The deferred tax asset recognised in the current period is expected to be utilised against future taxable profits.

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18. CALLED UP SHARE CAPITAL

	28 MAY 2017 £'000	29 MAY 2016 £'000
Allotted and issued	875	875

The company was incorporated on 1 May 2016. The acquisition of Joules Investments Holdings Limited by Joules Group plc on 26 May 2016 has been accounted for using reverse acquisition accounting principles. The effect of using reverse acquisition accounting principles on share capital and reserves of the Group is that the capital that existed as at the point Joules Group plc legally acquired Joules Investments Holdings Limited is accounted for as if it had been in existence as at the comparative period end date of the company's first accounting period end (31 May 2015) and as at the opening balance sheet date of the period end (25 May 2014).

Share capital and reserves of the company are therefore a result of the following transactions:

The company was incorporated on 1 May 2016, upon incorporation the company issued 1 Ordinary B share of £827.22 at par.

On 26 May 2016 the shareholders of Joules Investments Holdings Limited transferred their shares to Joules Group plc in exchange for new shares issued by Joules Group plc, the new shares issued by Joules Group plc mirrored the shares transferred by the previous shareholders of Joules Investments Holdings Limited.

The share capital issued as part of this share for share exchange consisted of 138,188 shares of varying classes with a nominal value of £91,508,871. The varying classes were then converted to a single class of ordinary share in Joules Group plc. The company then had a share capital of 57,193,545 ordinary £1.60 shares, with a nominal value £91,509,672.

The movements in the 52 week period to 29 May 2016, which are not accounted for using the reverse acquisition accounting principles, are as follows:

As part of this share for share exchange, certain shareholders of Joules Investments Holdings Limited ultimately received cash for their shareholdings in Joules Investments Holdings Limited, rather than receiving shares in Joules Group plc, these shares equated to 90,980 ordinary £1.60 shares with a par value, and settlement value of £145,568. This is adjusted through the merger reserve as it is considered part of the consideration paid by Joules Group plc to acquire Joules Investments Holdings Limited.

On 26 May 2016 Joules Group plc issued 23,130,400 ordinary £1.60 shares, with a total nominal value of £37,008,644. The shares were issued in order to settle the loan notes which existed at the time and had a book and fair value of £37,008,644 excluding accrued interest.

On 26 May 2016 Joules Group plc (when legally still 'Joules Group Limited') entered into a capital reduction, converting the 80,323,945 ordinary £1.60 shares into 80,323,945 ordinary £0.01 shares. The reduction in share capital of £127,715,102 was transferred to retained earnings.

On 26 May 2016 in an initial public offering Joules Group plc issued 7,175,851 ordinary £0.01 shares at a price of £1.60, resulting in an increase in share capital of £71,758 and share premium of £11,409,603.

All ordinary shares carry equal rights.

19. OTHER RESERVES**Share premium**

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses incurred by the company. On 26 May 2016 in an initial public offering Joules Group plc issued 7,175,851 ordinary £0.01 shares at a price of £1.60, resulting in share premium of £11,409,603.

	£'000
Balance at 29 May 2016	11,410
Balance at 28 May 2017	11,410

Retained earnings

The movement on retained earnings is as set out in the consolidated statement of changes in equity. Retained earnings represent cumulative profits or losses, net of dividends and other adjustments.

Merger reserve

The movement on the merger reserve is as set out in the consolidated statement of changes in equity.

The effect of reverse acquisition accounting on the merger reserve is that the share capital, share premium and other distributable reserves that existed in Joules Group plc (the company) as at the point Joules Group plc legally acquired Joules Investments Holdings Limited is accounted for as if it had been in existence as at the comparative period end (31 May 2015) and as at the opening balance sheet date (25 May 2014). The corresponding entry being the merger reserve so the overall net assets as at the comparative dates are not affected.

The movement on the merger reserve during the 52 weeks ended 29 May 2016 period arose due to certain shareholders of Joules Investment Holdings Limited transferring their shares to Joules Group plc in exchange for cash, with a settlement value, of £145,568. This is adjusted through the merger reserve as it is considered part of the consideration paid by Joules Group plc to acquire Joules Investments Holding Limited.

20. HEDGING AND TRANSLATION RESERVE

GROUP	HEDGING RESERVE £'000	TRANSLATION RESERVE £'000
Balance as at 29 May 2016	389	(72)
Other comprehensive income for the period	(640)	11
Losses arising during the period on deferred tax on cash flow hedges	112	-
Balance as at 28 May 2017	(139)	(61)

Hedging reserve

The reserve represents the cumulative gains and losses on hedging instruments in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedge transaction impacts the profit or loss or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation reserve

Exchange differences relating to the translation of the net asset of the Group's foreign operations which relate to subsidiaries only, from their functional currency into the Group's presentational currency being Sterling, are recognised directly to the translation reserve.

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21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	28 MAY 2017 £'000	29 MAY 2016 £'000
(Decrease)/increase in cash in the period	(2,325)	7,205
Effect of foreign exchange rate changes	11	(48)
Cash flow from movement in debt	5,461	13,913
Change in net debt resulting from cash flows	3,147	21,070
Non cash interest on loan notes	-	(4,676)
Non cash movement on amortised deal fees	-	(878)
Non cash settlement of loan notes	-	37,009
Net funds/(debt) at start of the year	3,190	(49,335)
Net funds at end of year	6,337	3,190

22. CASH AND CASH EQUIVALENTS

	28 MAY 2017 £'000	29 MAY 2016 £'000
Cash and cash at bank	6,964	9,278

23. ANALYSIS OF NET CASH/(DEBT)

	29 MAY 2016 £'000	NON-CASH CHANGES £'000	CASH FLOW £'000	28 MAY 2017 £'000
Cash at bank and in hand	9,278	-	(2,314)	6,964
Bank loans	(5,009)	-	5,009	-
Finance loans	(1,079)	-	452	(627)
Total	3,190	-	3,147	6,337

24. FINANCIAL INSTRUMENTS

FAIR VALUES	NOTE	28 MAY 2017 £'000	29 MAY 2016 £'000
Categories of financial instruments			
Carrying value of financial assets:			
Cash and cash equivalents	22	6,964	9,278
Trade and other receivables	12	14,013	10,856
		20,977	20,134
Cash flow hedges	11	1,345	962
Total financial assets		22,322	21,096
Carrying value of financial liabilities:			-
Trade creditors	13	(14,074)	(15,353)
Other payables	13	(18,182)	(12,566)
Borrowings	15	(627)	(6,088)
		(32,883)	(34,007)
Cash flow hedges	11	(1,502)	(488)
Total financial liabilities		(34,385)	(34,495)

Interest rate sensitivity analysis

If interest rates on all borrowings had been 1% higher/lower and all other variables were held constant, the Group's profit for the period ended 52 weeks to 28 May 2017 would decrease/increase by £41,000 (2016: £57,000).

This has been calculated by applying the amended interest rate to the weighted average rate of borrowings for the period to 28 May 2017, other than borrowings which are held at a fixed interest rate as those borrowings are not sensitive to external variables, such as movement in interest rates.

Foreign currency sensitivity analysis

The Group is mainly exposed to fluctuations in the US \$, which is used for stock purchases. If the US \$ exchange rate, on average through the period, weakened/strengthened by 10 percent and all other variables were held constant, the Group's profit for the period ended 52 weeks to 28 May 2017 would increase/decrease by £82,000 and £101,000 respectively (2016: £369,000 and £451,000). This has been calculated by applying the amended currency rate to the US \$ value of financial assets and financial liabilities held at the period end, an amended rate has not been applied to US \$ purchases in the period as they have been effectively hedged against currency fluctuations via forward contracts.

Maturity of financial liabilities

The maturity of borrowings is included in note 15. All other financial liabilities are expected to mature within six months of the year-end.

Carrying value of financial assets

The Directors have assessed that, on the basis of the net assets of the owing companies, the intercompany receivables are fully recoverable.

As noted in note 12 the Directors do not believe any of the trade receivables to be impaired. A significant decrease in the net assets and trade of the owing company or a decline in the financial position of customers would trigger an impairment review.

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24. FINANCIAL INSTRUMENTS (continued)

Credit risk

In the opinion of the Directors, the only financial instrument that is subject to credit risk is the trade receivables. The directors believe that the bad debt provision as disclosed in note 12 represents the Directors' best estimate of the maximum exposure to credit risk at period-end.

Fair value of financial instruments

Financial instruments are measured in accordance with the accounting policy set out in note 1. All Financial instruments are considered to be Level 3 with the exception of foreign currency forward contracts and options which are considered Level 2. In the opinion of the Directors, the fair value of the financial assets and liabilities are equal to their book values.

Liquidity risk management

The Directors believe that the receivables are not impaired and that the owing companies have sufficient net assets to repay the balances. Therefore the Directors believe that liquidity risk is minimal.

Capital risk management

The Directors maintain detailed cash forecasts which are frequently revised to actuals to ensure that the Group has sufficient liquid resources to meet its requirements.

Foreign currency financial assets and liabilities

Included within the above table are £4,667,000 (2016: £4,116,000) of assets and £984,000 (2016: £1,903,000) of liabilities relating to the overseas subsidiaries which have been translated in the consolidation at the period-end rate. These balances are subject to movements in exchange rates, as shown in the statement of changes in equity. The Directors do not believe the risk is significant enough to warrant hedging against the investments in overseas companies.

Also included within the above table are foreign currency denominated external trade payables and receivables of £613,681 (2016: £1,300,565) and £1,114,357 (2016: £903,916) respectively, relating to foreign entities. The Group mitigates a significant amount of the exchange rate risk via purchases of forward foreign currency contracts.

25. RELATED PARTY TRANSACTIONS

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation.

The remuneration of the Directors, who are the key management personnel of the Group, is disclosed in note 4 and the Directors' Remuneration Report. In addition, Directors and key management participate in share schemes, further details of which can be found in note 27. The Directors control 31,171,782 shares (2016: 31,011,102 shares) in Joules Group plc, which represents 35.6% (2016: 35.4%) of the issued share capital.

26. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the period.

The acquisition of Joules Investments Holdings Limited by Joules Group plc on 26 May 2016 has been accounted for using reverse acquisition accounting principles.

26. EARNINGS PER SHARE (continued)

The weighted average number of shares in issue for the current and prior year has therefore been stated to reflect the post-IPO share capital structure, this adjustment assumes the total shares issued during the IPO were in issue throughout the whole of the current and previous period presented.

For the calculation of diluted earnings per share, the weighted average number of shares in issue is further adjusted to assume conversion of all potentially dilutive ordinary shares. The Company has one category of potentially dilutive ordinary shares, being management shares not yet vested.

	52 WEEKS ENDED 28 MAY 2017	52 WEEKS ENDED 29 MAY 2016
Basic earnings/(loss) per share (pence)	7.25	(2.04)
Diluted earnings/(loss) per share (pence)	7.22	(2.04)

The calculation of basic and diluted earnings per share is based on the following data:

Earnings	52 WEEKS ENDED 28 MAY 2017 £'000	52 WEEKS ENDED 29 MAY 2016 £'000
Earnings/(loss) for the purpose of basic and diluted earnings per share	6,343	(1,793)
Number of shares		
Weighted number of ordinary shares for the purpose of basic earnings per share	87,500,690	87,499,796
Potentially dilutive share awards	294,295	2,431
Weighted number of ordinary shares for the purpose of diluted earnings per share	87,794,985	87,502,227

27. SHARE BASED PAYMENTS

Summary of movement in awards:

Number of shares	ESOP	LTIP	SAYE	TOTAL
Oustanding at 29 May 2016	446,875	-	-	446,875
Granted during the year	268,164	1,896,938	377,757	2,542,859
Lapsed during the year	-	-	(37,110)	(37,110)
Exercised during the year	-	-	(894)	(894)
Outstanding at 28 May 2017	715,039	1,896,938	339,753	2,951,730
Exercisable at 28 May 2017	-	-	-	-

All share options were valued using the Black-Scholes model. Expected volatility was determined by management, using comparator volatility as a basis. The expected life of the options was determined based on management's best estimate. The expected dividend yield was based on the anticipated dividend policy of the Company over the expected life of the options. The risk free rate of return input into the model was a zero coupon government bonds with a life in line with the expected life of the options.



27. SHARE BASED PAYMENTS (continued)

The fair value of the total shares issued during the period, and measured as at issue date is £5,314,000.

The inputs into the model were as follows:

	ESOP	LTIP	SAYE
Weighted average share price	1.83	1.77	1.67
Weighted average exercise price	1.32	Nil - 0.01	1.34
No. of employees	10	80	202
Shares under option	715,039	1,896,938	377,577
Expected volatility	28.0%	28.0%	28.0%
Expected life (Years)	3-10	2.8-3	3
Risk-free rate	0.06%	0.08%	0.08%
Possibility of ceasing employment before vesting	0%	0%-10%	10%
Expectations of meeting performance criteria	100%	60%-100%	100%
Expected dividend yields	1.9%	1.9%	1.9%

The Group recognised a total expense of £829,000 during the year (2016: Nil) relating to equity-settled share based payments, including employer's National Insurance contributions of £92,000 (2016: Nil).

Executive Share Option Plan ("ESOP")

The Group operated a share option scheme during the period for certain employees under the Executive Share Option Plan ("ESOP"). The different options vest between two years and three years and have an exercise life between three and ten years from grant date. All option schemes are subject to continued employment over the vesting period.

Long Term Incentive Plan ("LTIP")

The Board approved Long Term Incentive Plan 2016 ('LTIP 2016') allows the grant of options to executive directors and senior management of the Group in the form of nil-cost options over ordinary shares in Joules Group plc. The options are exercisable three years after the date of grant subject to achieving certain stretching targets. For the Executive directors and members of the operating board, the target is based on an EPS target in the final year of the plan, ending May 2019. For other senior management awards the target is based on the cumulative PBT over the three years to May 2019. The calculation includes an assumption that 10% of senior managers on the scheme would cease employment before vesting.

Save As You Earn Scheme ("SAYE")

Under the terms of the SAYE scheme, the Board grants options to purchase ordinary shares in the company to employees who enter into the HMRC-approved SAYE scheme for a term of three years. Options are granted at up to 20% discount to the market price of the shares on the day proceeding the date of offer and are exercisable for a period of six months after completion of the SAYE contract.

28. DIVIDENDS

In the period an interim dividend of 0.60 pence per share was paid with a total value of £525,001. No dividends were declared or paid in the prior period. The directors are proposing a final dividend of 1.20 pence per share with a total value of £1,050,008. This dividend has not been accrued in the consolidated statement of financial position and will be put for approval at the AGM on 27 September 2017. This would bring total dividends for the period to 1.8 pence per share with a total value of £1,575,009.





COMPANY BALANCE SHEET

JOULES GROUP PLC

	NOTE	28 MAY 2017 £'000	29 MAY 2016 £'000
NON-CURRENT ASSETS			
Investments	30	139,980	139,980
CURRENT ASSETS			
Other debtors	31	5	1
Cash at bank and in hand		11	-
TOTAL CURRENT ASSETS		16	1
TOTAL ASSETS		139,996	139,981
LIABILITIES			
CURRENT LIABILITIES			
Other payables	32	(906)	-
NET ASSETS		139,090	139,981
CAPITAL AND RESERVES			
Called up share capital	33	875	875
Share premium	34	11,410	11,410
Loss for the period		(366)	(19)
Profit and loss account		127,171	127,698
SHAREHOLDERS' FUNDS		139,090	139,981

The parent company loss for the period was £(366,000), (2016: loss of £(19,000)).

These financial statements of Joules Group plc (Company Registration Number 10164829) were approved by the Board of Directors and authorised for issue on 25 July 2017 and were signed on behalf of the Board of Directors by -

MARC DENCH
Chief Financial Officer

25 July 2017

COMPANY STATEMENT OF CHANGES IN EQUITY

JOULES GROUP PLC

	NOTE	SHARE CAPITAL £'000	SHARE PREMIUM £'000	RETAINED EARNINGS £'000	TOTAL EQUITY £'000
Upon incorporation		-	-	-	-
Share issue	33	1	-	-	1
Share issue	33	91,509	-	-	91,509
Share issue	33	37,009	-	-	37,009
Capital reduction	33	(127,715)	-	127,715	-
Share issue	33/34	71	11,410	-	11,481
Loss for the period		-	-	(19)	(19)
Balance at 29 May 2016		875	11,410	127,696	139,981
Dividend paid	35	-	-	(525)	(525)
Loss for the year and total comprehensive income		-	-	(366)	(366)
Balance at 28 May 2017		875	11,410	126,805	139,090

NOTES TO THE COMPANY FINANCIAL STATEMENTS

JOULES GROUP PLC

29. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Company was incorporated on 1 May 2016, the first period of account was therefore, the 29 days ending 29 May 2016. These separate financial statements of Joules Group plc were prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101).

The Company's financial statements are presented in GBP.

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- income statement
- a statement of cash flows
- the effect of future accounting standards not yet adopted
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with wholly owned fellow group companies

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Joules Group plc. These financial statements do not include certain disclosures in respect of:

- share based payments
- business combinations
- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value)
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value)

As permitted by section 408 of the Companies Act 2006, the profit and loss account is not presented. The loss for the year amounted to £(366,000) (2016: loss of £(19,000)).

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as set out below.

Investments

Fixed asset investments are stated at cost less provisions for diminution in value.

Going concern

Going concern for the company has been considered along with the Group by the Directors. The consideration is set out in note 1 of the consolidated financial statements.

30. INVESTMENTS

	£'000
Cost and Net Book Value	
At 29 May 2016	139,980
At 28 May 2017	139,980

On 26 May 2016 Joules Group plc acquired the entire share capital of Joules Investments Holdings Limited.

30. INVESTMENTS (continued)

Joules Group plc acquired Joules Investments Holdings Limited as set out below:

- On 26 May 2016 certain shareholders of Joules Investments Holdings Limited transferred their shares to Joules Group plc in exchange for 57,193,545 ordinary £1.60 shares, with a nominal value £91,509,672
- On 26 May 2016 certain shareholders of Joules Investments Holdings Limited transferred their shares to Joules Group plc in exchange for cash, with a settlement value, of £145,568
- On 26 May 2016 Joules Group plc issued 23,130,400 ordinary £1.60 shares, with a total nominal value of £37,008,644. The shares were issued in order to settle the existing loan notes which had a book and fair value of £37,008,644. In substance, this forms part of the cost of the investment in Joules Investments Holdings Limited, free of shareholder loan note debt
- On 26 May 2016 Joules Group plc used the funds generated from the initial public offering to settle the shareholder loan note debt in Joules Group plc of £11,316,364. In substance, this is part of the cost of the investment in Joules Investments Holdings Limited, free of shareholder loan note debt

The company subsidiaries, as at the period end are shown in the table below. All subsidiaries have been in existence for the whole of the reporting period.

Subsidiaries

As at the period-end the Group has the following subsidiaries, those marked with * being indirect holdings:

SUBSIDIARY NAME	NATURE OF BUSINESS	PLACE OF INCORPORATION AND OPERATION	REGISTERED ADDRESS	PROPORTION OF OWNERSHIP INTEREST	PROPORTION OF VOTING POWER HELD
Joules Investments Holdings Limited	Holding company	England and Wales	Joules Building, 16 The Point, Rockingham Road, Market Harborough, LE16 7QU	100%	100%
Joules Limited*	Retailer	England and Wales	Joules Building, 16 The Point, Rockingham Road, Market Harborough, LE16 7QU	100%	100%
Joules Hong Kong Limited*	Overseas trading entity	Hong Kong	18/F, United Centre, 95 Queensway, Admiralty, Hong Kong	100%	100%
Joules Clothing Shanghai Company Limited*	Overseas office	China	Room 1401-1404, No.432 West Huaihai Road, Changning district, Shanghai, China	100%	100%
Joules USA Inc.*	Overseas trading entity	USA	103 Foulk Road, Suite 202, Wilmington, DE19803, USA	100%	100%

On 26 May 2016, the company acquired 100% of the issued share capital of Joules Investments Holdings Limited. All the other entities detailed above have been in existence for the whole of the reporting period.

31. OTHER DEBTORS

	28 MAY 2017 £'000	29 MAY 2016 £'000
Prepayments and accrued income	5	1
	5	1

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32. OTHER PAYABLES

	28 MAY 2017 £'000	29 MAY 2016 £'000
Trade creditors	11	-
Payables due to subsidiary	862	-
Taxation and social security	5	-
Accruals	28	-
	906	-

The payables due to subsidiary relates to administrative expenses incurred by Joules Limited on behalf of Joules Group Plc. The terms of this intercompany payable is at nil interest, payable on demand.

33. CALLED UP SHARE CAPITAL

	28 MAY 2017 £'000	29 MAY 2016 £'000
Allotted and issued		
87,500,690 Ordinary shares of £0.01 each (2016: 87,499,796)	875	875

The company was incorporated on 1 May 2016, upon incorporation the company issued 1 Ordinary B share of £827.22 at par.

On 26 May 2016 the shareholders of Joules Investments Holdings Limited transferred their shares to Joules Group plc in exchange for new shares issued by Joules Group plc, the new shares issued by Joules Group plc mirrored the shares transferred by the previous shareholders of Joules Investments Holdings Limited.

The share capital issued as part of this share for share exchange consisted of 138,188 shares of varying classes with a nominal value of £91,508,871. The varying classes were then converted to a single class of ordinary share in Joules Group plc. The Company then had a share capital of 57,193,545 ordinary £1.60 shares, with a nominal value £91,509,672.

On 26 May 2016 Joules Group plc issued 23,130,400 ordinary £1.60 shares, with a total nominal value of £37,008,644. The shares were issued in order to settle the existing loan notes which had a book and fair value of £37,008,644.

On 26 May 2016 Joules Group plc (when legally still Joules Group Limited) entered into a capital reduction, converting the 80,323,945 ordinary £1.60 shares into 80,323,945 ordinary £0.01 shares. The reduction in share capital of £127,715,102 was transferred to other reserves.

On 26 May 2016 in an initial public offering Joules Group plc issued 7,175,851 ordinary £0.01 shares at a price of £1.60, resulting in an increase in share capital of £71,758 and share premium of £11,409,603.

All ordinary shares carry equal rights.

34. SHARE PREMIUM

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses incurred by the company. On 26 May 2016 in an initial public offering Joules Group plc issued 7,175,851 ordinary £0.01 shares at a price of £1.60, resulting in share premium of £11,409,603.

	£'000
Balance at 29 May 2016	11,410
Balance at 28 May 2017	11,410

35. DIVIDEND

Details of the dividend paid is shown in note 28 of the consolidated financial statements.

36. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the disclosure of related party transactions with wholly owned fellow group companies. Related party transactions with key management personnel (including Directors) are shown in note 25 of the Consolidated Financial Statements.

COMPANY INFORMATION

JOULES GROUP PLC

JOULES GROUP plc

Registered in England and Wales number: 10164829

COMPANY SECRETARY

Jonathan William Dargie

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