joules

# A BREATH OF FRESH AIR

ANNUAL REPORT &
ACCOUNTS 2018/2019

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ANNUAL REPORT &
ACCOUNTS 2018/2019

## 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. Accordingly, undue reliance should not be placed on these statements.

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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| | |
|---|---|
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| Broker: | Liberum Capital Limited, Ropemaker Place, Level 12, 25 Ropemaker Street, London, EC2Y 9LY |
| Corporate PR: | Hudson Sandler, 25 Charterhouse Square, London, EC1M 6AE |
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Joules Group plc - Registered in England and Wales number: 10164829. Website - www.joulesgroup.com



## HIGHLIGHTS

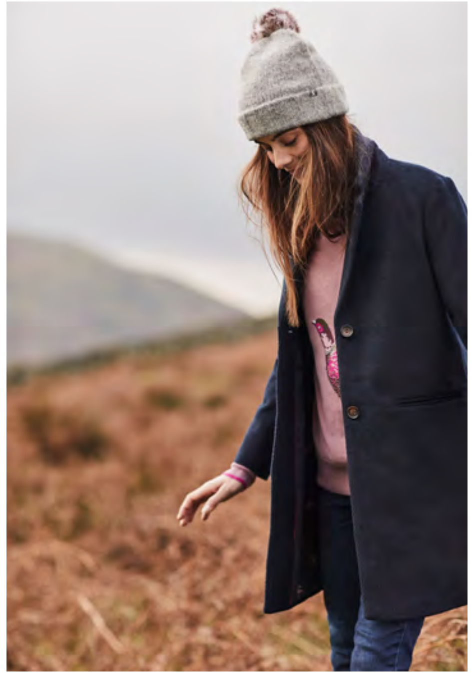
- Group revenue increased by 17.2% to £218.0 million - up 16.8% in constant currency[1]
  - Comparable revenue growth[2] of approximately 13% - excluding impact of transition of wholesale accounts to retail concession model in the Period
  - International revenue increased by 43.5% (40.1% constant currency) - now represents 16.1% of Group revenue
- Underlying profit before tax ('PBT')[3] increased by 19.4% to £15.5 million
- Statutory profit before tax increased by 14.9% to £12.9 million
- Group gross margin declined 90 bps to 54.8%, in line with expectations
- Underlying pro forma basic EPS[4] increased by 19.4% to 14.1 pence, with statutory basic EPS up by 17.3% to 11.6 pence
- Active customers[5] increased by 8% to 1.5 million
- Net cash of £5.8 million, an improvement of £5.8 million on the prior year
- Final dividend of 1.35 pence per share proposed; FY19 total 2.1 pence per share (FY18: 2.0 pence per share)

[1] Constant currency comparatives apply a consistent exchange rate to the translation of financial results of overseas subsidiaries.
[2] Comparable revenue growth is a non-GAAP measure, to facilitate meaningful comparison across periods, given the conversion of two large UK wholesale accounts to the Retail concession model during the Period. The growth is based on the prior period being restated as if the retail concession model had been operated consistently across both periods. Note, the restatement is unaudited and approximate.
[3] Underlying PBT is a non-GAAP measure that, to facilitate meaningful comparison across periods, excludes the expense of share-based compensation plans. A reconciliation to statutory PBT is shown below and further information is provided in the Financial Review.
[4] Underlying pro forma basic earnings per share ('EPS') excludes expense of share-based compensation plans and reflects a consistent tax rate across periods. Further information is provided in the Financial Review.
[5] Customer registered on our database who has transacted in the last 12 months.

**Reconciliation to statutory profit before tax:**

| £MILLION | FY19 | FY18 |
|---|---|---|
| Underlying profit before tax | 15.5 | 13.0 |
| Share-based compensation | (2.6) | (1.8) |
| Statutory profit before tax | 12.9 | 11.2 |

# OUR BRAND VALUES





OUR BRAND VALUES

## CONTEMPORARY COUNTRY LOVING
We celebrate our rural roots by designing clothing, accessories and homeware for today's family lifestyle.

## INSPIRED BY NATURE
We take inspiration from all of the flora and fauna that can be found in the countryside and along the coasts of Britain.

## RESPECT THE ENVIRONMENT
As a brand that was established in the countryside, we see it as our responsibility to look after the world around us.

## CONNECT WITH LIFE'S HAPPY FEELINGS
Life is busy. We want to slow down, stop and take pleasure in the simple things that make us happy.

## CLOTHES TO ENABLE YOUR LIFESTYLE
We blend style with practicality to create collections that are built to last.

## COLOUR AND PRINT
Our Print Team are experts in colour. All of our prints are hand-drawn or hand-painted in-house, and the unique way we use colour and print makes us stand out from the crowd.

## CAPTURING THE SEASONS
Spring, summer, autumn and winter. In Britain we're lucky to have four very different seasons. We always look to them for inspiration.

## FUN
Our upbeat and positive outlook on life can be seen in everything we do – from the way we use colour and print to our tone of voice and packaging.

## ATTENTION TO DETAIL
Our designs capture not only the eye but the imagination. Hidden details are set to surprise and delight people of all ages.

## QUALITY
It can be seen in the way we work and felt in what we create.

## AT THE START

The Joules story began in 1989, when Tom Joule started selling clothing on a stand at a country show in Leicestershire. Tom would constantly brave the elements in pursuit of delivering traditional clothing with a twist. The early days, facing driving rain and howling winds, have made us experts in outwitting the weather and made sure an adventurous spirit is woven throughout everything we create.

CHAPTER

# 1

## STRATEGIC REPORT

let's take a walk



# CHAIRMAN'S STATEMENT
## JOULES GROUP PLC

### INTRODUCTION
It gives me great pleasure to provide my first Chairman's Statement since joining the Group at the beginning of August 2018. I have thoroughly enjoyed working with the Joules team over the last 12 months and I share the Board's excitement about the significant future growth opportunities for the Joules brand.

The FY19 financial period has been another year of strong growth and strategic progress for Joules. The Group has continued to expand the brand across distribution channels and product categories, with particularly good progress made in our international markets and digital sales.

### STRATEGIC PROGRESS
Since the Group's admission to AIM in May 2016, the retail sector, particularly in the UK, has been incredibly dynamic. The continued growth of online shopping, in combination with a prolonged period of consumer uncertainty, has driven significant challenges and changes across the sector. Against this backdrop, the Group has delivered impressive growth and demonstrated outstanding progress against its ambitious strategy by becoming an increasingly international lifestyle brand operating seamlessly across sales channels with a significantly larger customer base. The Group's achievements, despite the challenges in the retail sector over recent years, speak volumes about the strength of our much-loved brand, the flexibility and adaptability of our business model, and the talent, skill and passion of our people.

The Group has a consistent strategy for the continued growth of the Joules brand which is expanded upon in the Chief Executive's review of this Annual Report. This strategy is built on four key pillars: increasing customer value; expanding brand sales in the UK market through appropriate channels; developing the brand in targeted international markets; and expanding the product range into new areas that are appropriate for Joules. I am pleased to report that the Group has made further progress in each of these areas during the Period.

### FINANCIAL RESULTS & DIVIDEND
Group revenue for the 52 weeks to 26 May 2019 increased by 17.2% to £218.0 million (FY18: £185.9m) reflecting growth across all product categories with a strong performance in the core Womenswear category and positive further development of our Accessories and Footwear categories.

The Group continued to expand in its target international markets, primarily the US and Germany, with sales from outside the UK growing by 43.5% to represent 16.1% of Group revenue (FY18: 13.1%).

The Group continued to benefit from its flexible and integrated 'Total Retail' model as well as a steadfast focus on delivering a seamless and enjoyable experience to customers, irrespective of how, when and where they choose to shop the Joules brand. E-commerce again performed particularly well, growing by 58% to represent approximately half of the Group's retail revenue.

Underlying profit before tax increased by 19.4% to £15.5m, and basic underlying EPS was 14.1 pence per share (FY18: 11.8 pence). Statutory profit before tax increased by 14.9% and Statutory EPS was 11.6 pence per share (FY18: 9.9 pence).

The Board has proposed a final dividend of 1.35 pence per share which, if approved at the shareholder's AGM, will take the dividend for the full year to 2.1 pence per share (FY18: 2.0 pence).

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

### BOARD CHANGES
In April 2019, Colin Porter informed the Board of his intention to retire following eight years in the business, the past five of which have been as Chief Executive Officer. Colin has been an outstanding leader at Joules since joining the business in 2010. During his tenure, Joules has achieved significant growth both in the UK and internationally and developed into a true lifestyle brand with appeal across channels and product categories.

At the same time, the Board was delighted to announce the appointment of Nick Jones as the Group's next Chief Executive Officer. Nick will be joining the Group from Asda where he has been a member of the Executive Board. The Board was extremely impressed with Nick's extensive retail, brand and strategy credentials which, in combination with his clear alignment to the Joules values, made him the outstanding candidate for the role. Nick will be joining the Board on 2 September 2019 and, following a handover period to ensure a smooth transition, Colin will then step down.

### OUR TEAM
When I joined the Joules team, I was immediately struck by the skill, energy, creativity and passion of our people across the Group. Joules' teams around the world remain key to the Group's ability to grow and prosper in this dynamic retail environment. I would like to take this opportunity to thank all colleagues across the world for their fantastic efforts throughout the year.

### OUTLOOK
We are pleased with the Group's performance to date in the early stages of our new financial year, with trading in line with our expectations. A major focus for the Group in the year ahead will be on continuing to expand the brand in our targeted international markets, through our wholesale and digital sales channels. In addition, we have an exciting pipeline of new products, partnerships and initiatives to expand the brand into new categories.

The Joules brand is highly distinctive and offers a unique product proposition that is truly aligned to our customers' lifestyles. The development of our entire brand proposition – from our products and marketing to the customer experience across channels – will remain critical to ensuring that Joules continues to exceed the expectations of our growing and loyal customer base however they choose to engage with our brand.

The challenges facing the wider UK retail sector are well documented and we anticipate that they will persist, as macroeconomic uncertainty, due in part to the ongoing possible exit of the UK from the EU, continues to weigh on consumer confidence, resulting in a highly promotional and competitive environment. Our contingency plans for the eventuality of a 'hard Brexit' are in place and have progressed over the year. Joules remains well positioned to continue to deliver against its strategic growth objectives, with a distinctive brand loved by our customers, great products, our flexible and integrated 'Total Retail' model accessing multiple routes to market, all supported by a well invested infrastructure and outstanding team.

**IAN FILBY**
**Chairman**

# CHIEF EXECUTIVE'S STRATEGIC REPORT

## BUSINESS MODEL

### INTRODUCTON

I am pleased to report that during FY19 Joules has continued to make very good progress against its strategic objectives. The Group has delivered growth across channels and product categories, both in the UK and internationally. This performance, achieved against a backdrop of particularly challenging external trading conditions in the UK market, reflects the appeal of the Joules brand, the strength and flexibility of our 'Total Retail' model, and the success of our continued international expansion.

### THE JOULES BRAND

The Joules story began in 1989, when Tom Joule started selling clothing on a stand at a country show in Leicestershire. Today, it is a truly multi-channel lifestyle brand with products available online, through our own retail stores, at country shows and events, and through wholesale partners both in the UK and internationally. In 2019, Joules is celebrating its 30th birthday, marking three decades of Joules delivering fun, quality clothing for families and friends to make lasting memories together. The brand is enjoying some exciting celebrations throughout the year, built around special moments shared with our customers since the Joules story began.

Our in-house creative team takes inspiration from nature and the changing British seasons to design clothing and accessories that enable our customers' lifestyles, come rain or shine. We stand out with our unique use of colour and print, with all our distinctive designs hand drawn by our in-house team. This approach, along with a relentless attention to detail and drive to surprise and delight customers with unexpected details, has been central to the brand's success and remains at the heart of everything Joules creates. The essence of the Joules brand is all about connecting with life's happy feelings and embracing quality time by doing the things we love with the people who matter. This approach and these values continue to enable Joules to develop into new product categories through its own collections and selected licensing partnerships.

Nurturing and expanding a strong brand that has real connection with customers remains critical in a challenging, competitive and dynamic retail sector. We continue to invest in our marketing and brand, with a particular focus on our digital channels, to continue to strengthen awareness of what Joules stands for and ensure consistency of brand experience across all customer touch points.

We were delighted that the brand's continued success was recognised at the 2018 Drapers Awards, where the business won the Fashion Retail Business of the Year (between £101m-£500m turnover) for a second time. The business also won two further accolades at the Brand & Lifestyle Licensing Awards, where Joules took home the Best Licensed Fashion or Talent Brand award, and our Joules gifting range was recognised by winning the Best Licensed Gifting Product Award. For a second year running, Joules also received a Mark of Excellence within The Best Fashion Retailer category at the Retail Week Awards.

### OUR BUSINESS MODEL - A TRULY MULTI-CHANNEL BRAND

Joules has been developed as a truly multi-channel business, with our carefully nurtured brand at the heart of everything we do. We distribute our products to customers seamlessly across multiple channels, enabling customers to engage with and shop the brand wherever, whenever and however they choose.

At the core of our multi-channel model is our 'Total Retail' platform, which provides a fully Joules-branded customer experience across our fast-growing e-commerce platform; our portfolio of stores and concessions; country shows and events; and, more recently, a range of selected online marketplaces.
In addition, and to further support our goal of ensuring the brand is present wherever our customers spend their time, we have a large network of wholesale customers in the UK and internationally. The Joules brand is also increasingly available through the online, store and wholesale channels of our brand licence partners. This flexible and integrated approach balances the Group's exposure to any single route to market, with e-commerce sales now representing approximately 50% of retail sales.

As the retail market continues to evolve, the lines between physical and digital commerce are becoming increasingly blurred. The Joules e-commerce and in-store propositions are converging and the development of these channels as part of an integrated, consistent and customer focused proposition is central to our growth strategy and continues to be reflected in our infrastructure investments. In what is set to remain a highly dynamic, competitive and increasingly digital-led retail environment, we believe the flexibility of our 'Total Retail' approach will remain critical to Joules' future growth and success.

# CHIEF EXECUTIVE'S STRATEGIC REPORT

## STRATEGY

### OUR GROWTH STRATEGY

We have a consistent strategy for the long-term development of Joules as a premium lifestyle brand, both in the UK and internationally. This strategy is built on the following four pillars, underpinned by our distinctive brand, unique products and unwavering customer focus and is delivered by our exceptional team of people, supported by well-invested systems and infrastructure.

#### 1. INCREASING CUSTOMER VALUE

Increasing customer value means two things for Joules: firstly, growing our active customer base and, secondly, increasing those customers' frequency of interaction and spend with the brand. Our goal is to increase awareness of the Joules brand amongst potential customers and for customers who are aware of our brand to allocate more of their clothing, footwear, accessories, home and gifting spend to our unique Joules-branded products. We do this by providing fantastic quality products and enjoyable experiences across all distribution channels, as well as relevant, authentic and targeted customer communications.

#### 2. DRIVE TOTAL UK BRAND SALES

We aim to grow sales of Joules products in the UK by increasing availability and accessibility across existing and emerging distribution channels. Our goal is to make it easy for our customers to discover, be inspired by, purchase, receive and, if necessary, exchange or return, our products. We achieve this by being available to our customers however they wish to engage with our brand, including being located where our customers choose to spend their time. Our priorities are:

**'TOTAL RETAIL'**

Our Joules branded retail proposition spans e-commerce, stores, country shows and events and online marketplaces. Our 'Total Retail' proposition is delivered through both owned and third-party platforms including concessions and marketplaces.

**E-commerce** - is a fast-growing and evolving channel for Joules. We expect to continue to increase the mix of e-commerce sales as a proportion of our total retail sales through ongoing enhancements to the customer journey, proposition and engagement, delivered through our e-commerce platform and enhanced Customer Data Platform.

**Stores** - Joules operates a portfolio of stores across the UK that enables our customers to shop and interact with the brand. As well as being important sales channels, our increasingly digitally enabled stores offer valuable touch points to showcase the brand to both existing and potential customers. We believe this integrated 'Total Retail' approach is critical in the evolving and competitive UK retail market.

**Country shows and events** - Joules has a strong brand presence at a wide range of country shows and events across the UK. The channel continues to be an important part of the Joules heritage and provides real customer connectivity.

**Marketplaces & concessions** - we continue to leverage our wholesale capabilities and relationships to support emerging new retail channels such as online marketplaces and 'fulfilled by' models that offer new routes to reach our target customer base in the UK and internationally, as well as supporting the more traditional concession model.

**WHOLESALE**

We continue to broaden the reach of the Joules brand through selected wholesale partners that are closely aligned with our brand values and product categories - including specialist independents, department stores, destination lifestyle retailers, subscription services and online retailers. Wholesale is an important capability that facilitates our international growth strategy.

#### 3. INTERNATIONAL EXPANSION

The Joules brand and products have demonstrated their appeal in our primary international markets, the US and Germany. We have entered, and continue to develop, these markets via a wholesale model supported by e-commerce, leveraging investments made in our central creative and design functions, supply chain and infrastructure with support from local teams, sales agents and product showrooms.

Our international wholesale model provides us with multiple routes to attract and engage with potential and existing customers, through online retailers, independent stockists, department stores and subscription models, supported by our capability to manage the newer marketplace and 'drop ship' models. We continue to evaluate new markets to expand the brand through the most appropriate channels.

#### 4. PRODUCT EXTENSION

The strength of the Joules brand and our understanding of, and connection with, our customers mean that Joules-branded products can extend into new areas to meet many of their lifestyle needs. Joules has successfully extended the product offer within existing categories and into new product categories. We are focused on continuing to expand carefully into new product categories that are appropriate for the development of the Joules brand both organically and by working with carefully selected licence partners, with particular focus on home and gifting categories and products that are complementary to our clothing ranges.

Product extension through licensing also drives brand awareness and new customer growth by presenting our brand where our current and potential customers like to spend their time, leveraging the attractive distribution provided by our selected licence partners.

# CHIEF EXECUTIVE'S STRATEGIC REPORT
## STRATEGIC PRIORITIES AND DEVELOPMENTS IN FY19

### INCREASING CUSTOMER VALUE

- Launched new Customer Data Platform at the end of the Period, which will enable targeted relevant communication to improve customer engagement and retention
- Investment into digital and social media capabilities
- 1.5 million active customers at the end of the year with c.700,000 new customers acquired during the year
- Increased frequency of purchase and higher average customer spend
- Increasing proportion of multi-channel customers and customers buying multiple categories
- Over 530,000 Facebook followers and over 240,000 Instagram followers with high levels of daily engagement
- 30th Birthday campaigns, centred on customer generated content, have delivered strong response and engagement

**Key challenges in executing the strategy (see next section): 3 5 6**

### DRIVE TOTAL UK BRAND SALES - 'TOTAL RETAIL'

- Continued investment in the e-commerce platform and customer proposition
- E-commerce now approximately 50% of retail sales
- John Lewis womenswear and Next Label successfully converted from wholesale to retail concession model
- Six net new store openings in desirable locations
- Approximately 20% of store transactions now directly support a digital sale (e.g. click & collect, order in store)
- Increased mix of online and lifestyle wholesale partners

**Key challenges in executing the strategy (see next section): 1 2 3 5 6**

### INTERNATIONAL EXPANSION

- International now represents 16.1% of total Group revenue (FY18: 13.1%)
- Further expansion in US and Germany through wholesale and e-commerce
- US wholesale growth with existing partners such as Dillard's, Neiman Marcus and Bloomingdales and addition of online and subscription partners such as Stitch Fix
- Germany wholesale continues to grow through independent accounts and online partners
- International e-commerce platform (rest-of-world) enhanced with localised payment and fulfilment options driving improved conversion
- Middle East franchise agreement - first store in Dubai (Autumn 2019)

**Key challenges in executing the strategy (see next section): 2 4 5 6**

### PRODUCT EXTENSION

- Licensing revenue up 147% to £1.8m
- Joules toiletries and gifting range successfully further developed and extended in the Period
- Continued strong performance of the Joules sofa range - new and extended ranges
- New categories launched, including dog pet products, gifting and men's formalwear

**Key challenges in executing the strategy (see next section): 1 5 6**



# CHIEF EXECUTIVE'S STRATEGIC REPORT
## STRATEGIC PRIORITIES AND DEVELOPMENTS IN FY19

### KEY CHALLENGES

The Board's assessment of the main challenges in the successful continued delivery of our strategic priorities is summarised below. A comprehensive summary of the key risks facing the Group is provided in the Principal Risks & Uncertainties section of this Annual Report.

1 UK macroeconomic uncertainty, due in part to the ongoing potential exit of the UK from the EU, may adversely impact consumer confidence and spending on discretionary items thereby impacting the Group's ability to drive increased brand sales in the UK.

We manage macroeconomic challenges by delivering distinctive and high-quality products that represent outstanding value for money and evolving our distribution channels to continue to reach new and retain existing customers.

2 Structural changes are impacting the retail and clothing sector, resulting in a very competitive and promotional environment and an increasing shift away from physical retail.

We navigate the structural changes and competitive environment through our product focus (described above) and our flexible 'Total Retail' model that allows Joules to adjust to changing shopping behaviours and enables customers to engage with the brand however they choose to shop.

3 Emergence of new competitors and moves by existing competitors who may seek to replicate our success by targeting our segment of the market or imitating our model.

We closely monitor the competitive landscape; our primary focus is on maintaining our close and engaging connection with our customers and continuing to evolve the Joules offering with new, distinctive products and collections.

4 International markets each have their own distinctive dynamics, competitive and regulatory landscapes and consumer preferences. Global trading and product flow are increasingly volatile with uncertainty on tariff structures, import restrictions and currency volatility.

The flexibility of the Joules model enables the Group to develop new markets with a low risk, low investment approach. We seek to manage global trading risks by closely monitoring for potential changes and planning our pricing, sourcing and logistics strategy appropriately. Foreign currency transaction risks are hedged in line with the Group's policy.

5 Extending the Joules brand into new areas and with new partners presents a potential risk of brand dilution or reputational damage.

We only take the brand into new areas, and work with new partners, that are appropriate and additive for Joules and our customers. We select partners who share our values, vision and integrity to ensure that all products meet the quality and design standards associated with and expected of our brand.

6 Increased understanding and awareness of the direct and indirect environmental impacts of the fashion industry are driving a significant shift in consumer expectations for increased transparency and commitments to sustainable supply chains from the brands with which they engage.

The Joules brand is rooted in the British countryside and our 'Responsibly Joules' approach is central to how we work across our business. Our commitment, focus and achievements are set out in the Responsibly Joules section of this Annual Report and on www.joulesgroup.com.

# CHIEF EXECUTIVE'S STRATEGIC REPORT

## KEY PERFORMANCE INDICATORS

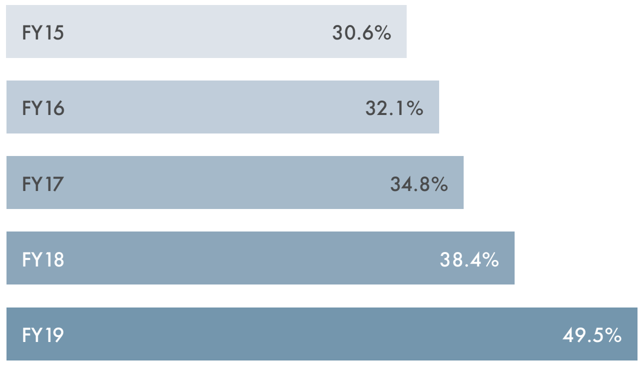
### KEY PERFORMANCE INDICATORS (KPIs)

The Group's 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.

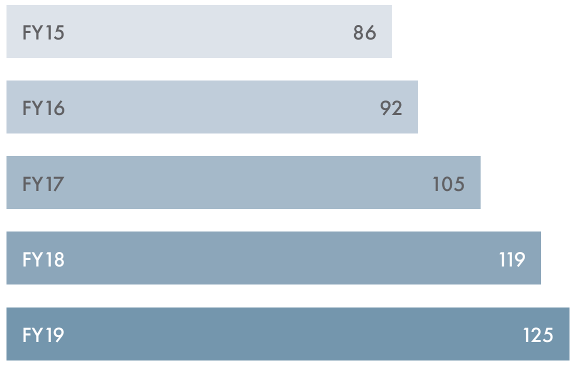
### STRATEGIC KPIs:

**FY19 KPIs**

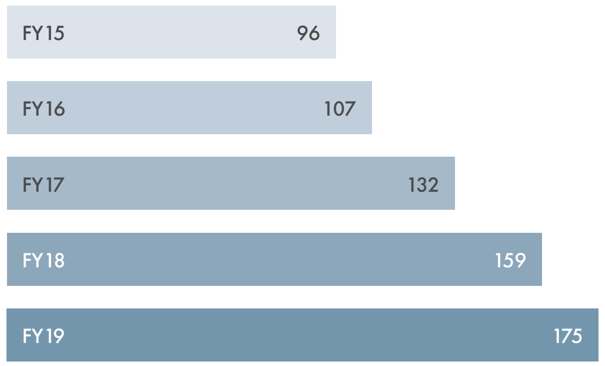
Online % of Retail



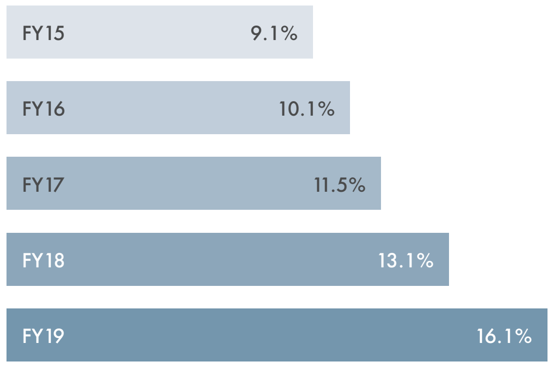

Number of stores[1]



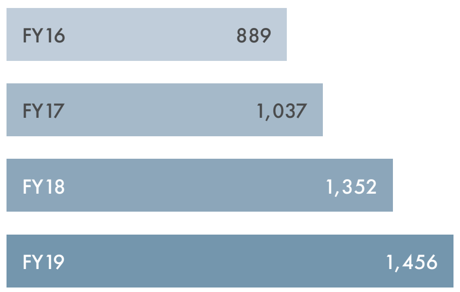

Total selling space ('000 Sq. ft.)




International as % of total revenue




Active customer numbers ('000)[2]




[1] Excludes concessions and franchise stores; 34 concessions operated at May 2019 (5 at May 2018 and in all previous years) and 3 franchises.

[2] Customer registered on our database who has transacted in the last 12 months.



# CHIEF EXECUTIVE'S STRATEGIC REPORT

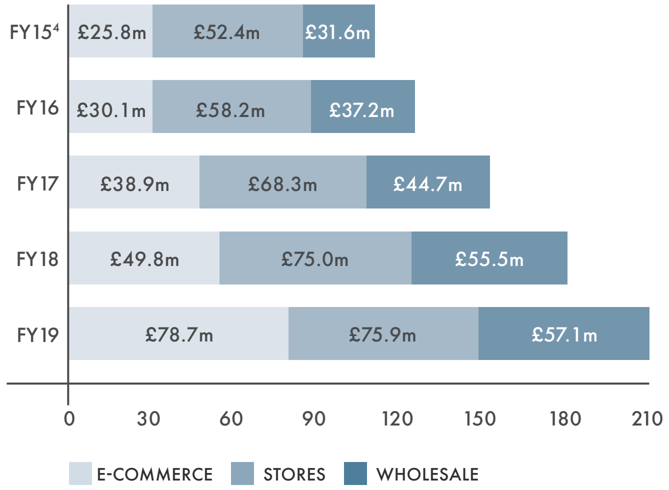
## KEY PERFORMANCE INDICATORS

### FINANCIAL KPIs:

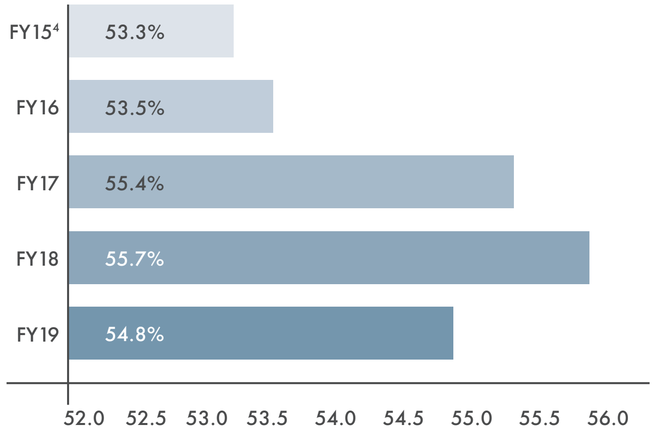
Our financial KPIs are:

- Revenue by channel - delivering balanced growth across our core sales channels
- Group gross margin - maintaining overall product level profitability whilst developing the different channels to market
- Underlying EBITDA margin – how effective we are at leveraging our cost base and infrastructure
- Return on Invested Capital ('ROIC') – how we are managing working capital and growth capital investments

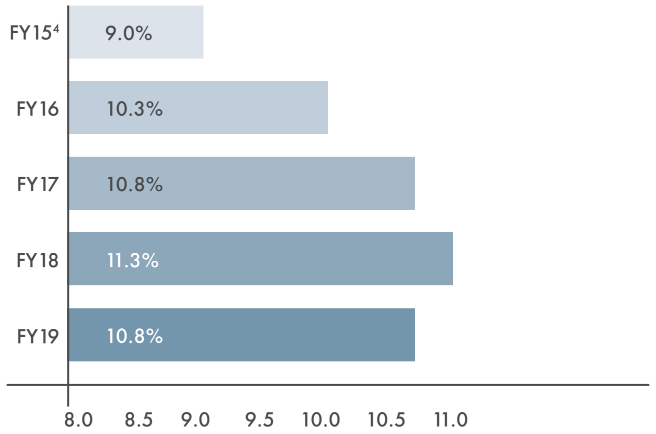
Revenue by channel[3] £m



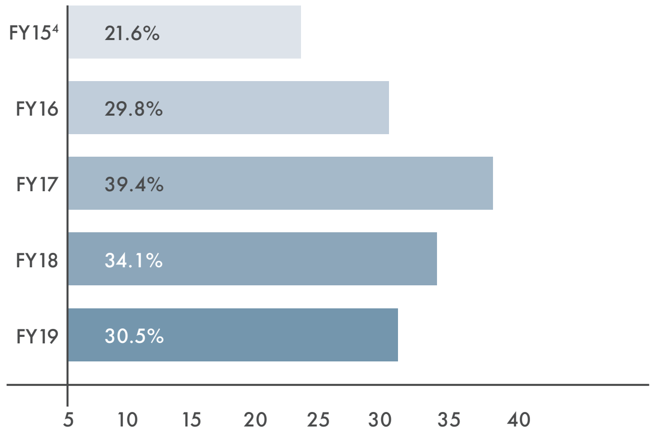

Group gross margin




Underlying EBITDA[5] margin




Return on Invested Capital - ROIC[6]




[3] Revenue by channel excludes Shows (Retail) and Licensing (Other). FY19 is impacted by the transition of two large wholesale accounts to the retail concession model.

[4] FY15 was a 53-week period.

[5] Underlying EBITDA is a non-GAAP measure and excludes the expense of share-based compensation plans which is non-comparable across periods, to facilitate more meaningful comparison. Further information is provided in the Financial Review.

[6] Return on Invested Capital ('ROIC') is calculated as underlying operating profit after tax divided by average invested capital, with invested capital equal to fixed assets plus net working capital.



# CHIEF EXECUTIVE'S STRATEGIC REPORT

## BUSINESS REVIEW

### INTRODUCTION

During the year we successfully transitioned our wholesale accounts with John Lewis womenswear and Next Label to the retail concession model that provides us with greater control over brand execution, product assortment and trading flexibility. For comparative purposes, the summary below provides the approximate segment revenue growth as if the retail concession model was in place in the prior period.

**52 WEEKS ENDED 26 MAY 2019**

| Revenue | £million | Reported growth % | Approx. comparative growth[1] % |
|---|---|---|---|
| Retail | 159.1 | 22.7% | 10% |
| Wholesale | 57.1 | 2.8% | 22% |
| Other (Licensing) | 1.8 | 147.3% | N/a |
| **Group** | **218.0** | **17.2%** | **13%** |

[1] Comparative growth percentages show the approximate growth for Retail and Wholesale on the basis of the prior period being restated to reflect the impact of the retail concession model. Note, the prior period restatement is unaudited and approximate.

### RETAIL: SUCCESSFUL 'TOTAL RETAIL' MODEL

Our 'Total Retail' model enables Joules to meet evolving customer expectations and behaviours. Our model provides customers with a seamless online/in-store experience including services such as click & collect and order in store fulfilment options, easy in-store returns and exchanges for e-commerce orders and consistent cross-channel communications and promotions. We have seen an increasing number of in-store transactions directly supporting our customers' digital sales journey, helped by our store colleagues and systems that fully enable a seamless cross channel experience for customers.

Retail revenue, which includes e-commerce, stores and shows, increased by 22.7% during the year to £159.1 million (FY18: £129.7m) on a reported basis. On a comparative basis, excluding the retail concession transition, Retail revenue increased by approximately 10%. This underlying growth was driven by e-commerce.

E-commerce revenue increased by 58.1% to now represent 49.5% of total retail revenue (FY18: 38.4%). Growth benefitted from the transition of John Lewis womenswear and Next Label to the retail concession model. Underlying growth from our owned e-commerce sites in the UK and internationally was very strong in the Period reflecting the impact of our customer acquisition and retention activity, improvements in our e-commerce platform as well as the sector wide shift from physical retail to digital. During the Period we continued to invest to enhance the online and 'Total Retail' experience for our customers including new payment options, improved search functionality, product merchandising, logistics and cloud hosting. We also improved the platform for our international customers, outside of the core US and German markets, with the introduction of local payment and fulfilment options. These enhancements, combined with ongoing developments to targeted and personalised customer communications and marketing, have helped us to drive increased website traffic and improve conversion rates. Mobile continues to be the most important e-commerce channel for our customers, with traffic from a mobile device (including tablets) representing over three quarters of total traffic.

During the year we opened six net new stores to close the year with 125 stores across the UK and ROI (FY18: 119 stores). We converted our John Lewis womenswear account to the retail concession model in the first half of the year. We now operate 34 concessions (FY18: 5). Our stores continue to play an important role in our 'Total Retail' model, driving awareness of and showcasing the Joules brand, providing great service to support the way a customer chooses to shop our brand – be it online or in-store, as well as being important sales channels in their own right.

The average payback on new stores, opened for more than one year, continues to be well within our appraisal threshold of 24 months, with 95% of our stores delivering a positive profit contribution based on store sales alone, and all stores delivering a greater contribution when the value of digital transactions and customer acquisition is taken into account.

We evaluate the shape, locations and size of our stores and concessions portfolios as part of our 'Total Retail' model given the increasing customer shift towards e-commerce. Going forward, we will continue to carefully appraise new openings in attractive locations that are appropriate for our brand and product range, as well as selected relocations of existing stores to new sites. We continue to actively manage our store portfolio, taking opportunities to relocate and renegotiate terms; we also have a short and decreasing store lease length, now at an average of c3.5 years to lease break, enabling flexibility in our portfolio.

# CHIEF EXECUTIVE'S STRATEGIC REPORT
## BUSINESS REVIEW

### WHOLESALE: GROWTH DRIVEN BY FURTHER INTERNATIONAL EXPANSION

Underlying wholesale growth, adjusting for the transition of John Lewis womenswear and Next Label to the retail concession model, was approximately 22%. On a reported basis, including the impact of this transition, wholesale revenue increased 2.8% to £57.1m (FY18: £55.5m).

UK wholesale performed to our expectations, with the addition of several new accounts that have further evolved the mix of our UK wholesale business away from traditional department stores towards online multi-brand and lifestyle destination retailers, subscription models and stockists located where our customers choose to spend their time.

Our primary international markets of the US and Germany saw strong growth, reflecting the strength and growing appeal of the Joules brand.

### INTERNATIONAL

International revenue increased by 43.5% to £35.1 million (FY18: £24.4m), now representing 16.1% of Group revenue (FY18: 13.1%). This growth is testament to our focused strategy to establish and grow the Joules brand in selected international markets, primarily the US and Germany, through wholesale partnerships and e-commerce channels.

Continued wholesale growth with an increasing number of international partners was supported by strong e-commerce performance in the Period reflecting effective, increasingly localised digital marketing activities as well as growing awareness of the Joules brand.

In the US, we doubled the size of our trade showroom in New York due to the increased interest in the Joules brand and product ranges and further strengthened the local team. Our proven expansion strategy of both deepening category penetration and developing new categories with existing partners as well as extending our brand presence with new wholesale partners continued to be effective during the year. We benefitted from the first full year of trading with Dillard's following the launch of womenswear in the prior Spring/Summer season, piloted a 'drop ship' model with Nordstrom – allowing us to broaden the online range of Joules products listed - and continued to add new accounts including Stitch Fix, the fast-growing clothing subscription service. Our wholesale partnerships are evolving, reflecting changes in consumer shopping behaviours.

In Germany, we continued to perform well in the independent stockist channel, serviced through our highly valued network of local sales agents.

In the year, we focussed on developing partnerships with online retailers and marketplaces, including integrating with Zalando's Partner Programme, initially launching with a limited range on their platform.

Whilst the Group will remain firmly focused on developing the Joules brand and achieving our potential in the significant US and German markets, the brand's international success has given the Group additional confidence to explore measured expansion into new international markets.

During the year, we established a franchise agreement for Joules stores in the Middle East region, with the first franchise store due to open in Dubai in the Autumn. We believe that the Joules brand will resonate well in the Middle East market and have teamed up with an experienced partner with extensive local market expertise to explore the potential opportunity.

### DEVELOPMENT AS A LIFESTYLE BRAND

Joules continues to expand as a lifestyle brand by driving growth in its core categories and expanding into new product areas. During the Period, Joules delivered sales growth across all product categories with a particularly good performance in the core Womenswear category with strong customer demand for Joules dresses, tops, outerwear and knitwear. The Accessories category achieved impressive growth and Joules Footwear continued to be well received by our customers with our famous wellington boot ranges remaining popular, whilst our extended footwear range continued to perform well with positive customer reactions to our expanded casual shoes and boots collections.

We extend our product offer into core categories where the brand is relevant to our customer base. In the year we saw developments within women's knitwear, leather bags and casual footwear, as well as extension within already popular ranges. We carefully manage the overall size of our global product catalogue, ensuring an appropriate level of new and continuity products, as well as diligently removing options each season.

We also develop the brand through entering new product categories that are relevant to our customers' lifestyles by partnering, typically on a licence basis, with carefully selected businesses that align to Joules' values. We take a very disciplined approach to establishing partnerships that we then develop over several years whilst managing a pipeline of attractive new categories and partners. Our focus is on home and gifting categories and products which complement our clothing ranges.

Our existing partnerships performed well during the year. The Joules sofa range, launched in partnership with DFS during the prior year, has performed very well and is now available in 60 DFS stores across the UK and online. The range has developed with new sofa styles, chairs and the successful addition of a Joules bed. Our toiletries and gifting range developed with Boots performed well amongst both Boots and Joules customers, with continued expansion of both the range and offering.

During the year we expanded into new categories including distinctive Joules DAB radios, Joules watches, stationery and gifting and, just before the end of the year, an enhanced range of dog pet products that will be available online, in Joules stores and across a wide range of pet retailers in the UK.

Since the year end, we launched a men's formalwear range in partnership with Next, with a collection comprising suits, jackets, shirts, ties, pocket squares and shoes. Each item in the collection features Joules distinctive designs and attention to detail with classic British tweeds and tailoring, reflecting the heritage of the Joules brand being rooted in the British countryside.



# CHIEF EXECUTIVE'S STRATEGIC REPORT
## BUSINESS REVIEW

### CUSTOMER COMMUNITY AND CONNECTIVITY

Joules has a loyal, growing and engaged customer base. Active customers (those on our database who have transacted in the last 12 months) increased to 1.5 million, up 8% on last year, with this increase being driven by both new customers to the brand and retention of existing customers.

New customers discover and engage with the Joules brand through our digital and social media marketing activity which typically drives a customer's first purchase through our website. Our stores also play an important role, being in great locations for attracting 'new to brand' customers. The average marketing cost of customer acquisition was maintained at the same level as the prior year.

Customer retention is first and foremost the result of providing customers with distinctive, high quality products and a great experience, however they choose to engage with the brand. This is supported by effective targeted marketing campaigns.

At the end of the Period we went live with a new Customer Data Platform that provides our teams with enhanced customer insight capability that in time will allow even more targeted, relevant and personalised communication with our customers.

Our current and future customers are increasingly using social media platforms as their reference for inspiration, to engage with brands and to initiate a purchase. The Joules brand, with its unique colours and prints, surprising details on products and sense of fun, is well positioned for social media channels. During the year we increased our investment in this area, across our in-house team and our photography and digital media content creation capability. This investment, which we anticipate will increase in the coming years, has already delivered promising results with brand followers increasing across the main social media platforms and, importantly, strong growth in engagement with our content.

At the end of the year we have over 530,000 Facebook and over 240,000 Instagram followers, with these communities demonstrating high levels of monthly engagement.

Partnerships with brands that have similar values to Joules and that resonate with our customers are an important part of our marketing activity. During the year we partnered with the Woodland Trust for the 'Let's Explore' initiative, the aim of which was to raise awareness of the importance of creating and protecting the great British woodland. With the Woodland Trust we created a children's activity booklet which contained fun facts, a checklist and fun recipes for little woodland explorers to keep busy during half term.

We also partnered with Holiday Cottages, leveraging our growing range of lifestyle products to furnish twenty staycation properties across the UK with Joules distinctive homeware products – this initiative highlights the strength and scope of Joules as a lifestyle brand.

To celebrate our 30th birthday we've partnered with Lunar Caravans to bring our customers an incredible opportunity to win a Joules Campervan, worth over £50,000. With a high-profile launch of the competition in Joules' heartland, Badminton Horse Trials, we have seen one of the fastest rate of entries ever – further demonstrating our understanding of the Joules customer and the broad appeal of our brand.

As Joules entered its 30th year, the business has celebrated each month with social media and in-store campaigns that engage both loyal customers and potential new customers. Whether it is sharing photos of themselves in some of Joules' earliest products that have stood the test of time or taking part in our #JoulesMakingMemories year-long user-generated content campaign, the response from our highly engaged customers has been fantastic, with over 12,000 image submissions to date. The birthday festivities are set to continue throughout the year, as we celebrate Joules' heritage and bright future and highlight our continuous commitment to getting families outdoors to enjoy the great British countryside.

### INVESTING IN LONG TERM GROWTH

To support the Group's long-term growth plans, we continue to invest in our e-commerce proposition, stores, infrastructure, systems and people.

During the year we migrated our e-commerce platform to a cloud hosted platform to increase site performance and reduce downtime. We also upgraded our payment service provider solution and implemented several enhancements to the customer proposition that make our websites easier for browsing, searching and transacting. We continued to invest selectively in our logistics and supply chain function in support of our growing e-commerce business and to meet customer expectations.

FY19 was the first full year of operating our new group-wide ERP system, Microsoft Dynamics AX, which was implemented to streamline and simplify business processes and facilitate the international growth of the business across multiple sales channels. We have seen the early benefits from the migration to the new system and expect these to increase in future years.

As part of our 'Total Retail' model we started the development of a new integrated point-of-sale platform, that we expect to be deployed to stores during FY20. This new platform enables seamless integration between the online and in-store experience as well as providing many operational benefits for our store-based colleagues.

We migrated to a new Customer Data Platform just prior to the year end, providing our teams with an increased level of customer insight and ability to plan more targeted, relevant and personalised communications in the future.

In January 2019, we commenced the development of our new head office in Market Harborough following the acquisition of the freehold site in FY18. We anticipate moving in during Summer 2020 and are excited at the opportunities that will flourish for our head office teams from a more flexible, modern working environment that better reflects our brand and our values.

### PEOPLE

The skill, passion and creativity of the Joules team remain critical to the brand's continued growth and success. I would like to take this opportunity to thank all my colleagues around the world for their dedication and hard work during the year.

We remain committed to investing in the skills and development of our people across the business, with the aim of making our customers' experiences with Joules the very best they can be.

This is my final report to shareholders in my role as Chief Executive Officer of Joules, prior to my retirement. Since joining Joules in 2010 the company has grown significantly, and the brand has gone from strength to strength. Above all else, this progress reflects the talent and commitment of the entire team across the business. It has been, and continues to be, a tremendous pleasure to work as part of a Joules team that is so passionate about serving our amazing community of customers.

In Nick Jones, the Board has found an outstanding candidate to lead Joules through the next exciting stages of its growth and development. I am looking forward to working closely with Nick to ensure a smooth transition.

Joules has come a long way in the past 30 years since Tom started selling clothing in the fields of Great Britain to develop into an outstanding international lifestyle brand. Whilst the Joules journey so far has been exceptional, I am extremely confident that the best is still to come.

**COLIN PORTER**
**Chief Executive Officer**

# FINANCIAL REVIEW
## JOULES GROUP PLC

### PROFIT BEFORE TAX – UNDERLYING AND STATUTORY

Underlying profit before tax ('PBT') increased by 19.4% to £15.5 million (FY18: £13.0m). Statutory profit before tax increased by 14.9% to £12.9 million (FY18: £11.2m).

### UNDERLYING AND STATUTORY RESULTS

Certain items have been excluded from the underlying results reported in the front section of this Annual Report. In the Period and prior period these solely relate to the cost of share-based compensation. These adjustments are intended to provide the reader with a more meaningful year-on-year comparison.

Executive and employee share-based compensation plans were established at the time of the IPO, in May 2016. In accordance with IFRS 2, the non-cash expense related to awards under the share plans is accounted for within administrative expenses over the Period until the shares are exercised, typically assumed as three years. Awards under these plans were made in FY17, FY18 and FY19. As the share plan award cycle matures over the first three years, the related expense is anticipated to increase each year. The associated income statement expense of £2.6 million in the Period (FY18: £1.8m) is treated as "non-underlying" as it is non-comparable across periods whilst the share plan award cycle is in its initial three years, prior to reaching maturity. Therefore, from FY20 share-based payments will no longer be treated as 'non-underlying'.

Further detail on the share plans is contained within the Directors' Remuneration Report and the Consolidated Financial Statements. A reconciliation between underlying and statutory (IFRS) results is provided below:

| | 52 WEEKS ENDED 26 MAY 2019 | | | 52 WEEKS ENDED 27 MAY 2018 | | |
|---|---|---|---|---|---|---|
| **£MILLION** | **Underlying** | **Share-based compensation** | **Statutory** | **Underlying** | **Share-based compensation** | **Statutory** |
| Revenue | 218.0 | | 218.0 | 185.9 | | 185.9 |
| Gross profit | 119.4 | | 119.4 | 103.5 | | 103.5 |
| Admin expenses | (103.7) | (2.6) | (106.3) | (90.2) | (1.8) | (92.0) |
| **Operating profit** | **15.7** | **(2.6)** | **13.1** | **13.3** | **(1.8)** | **11.5** |
| Net Finance costs | (0.3) | | (0.3) | (0.3) | | (0.3) |
| **Profit before tax** | **15.5** | **(2.6)** | **12.9** | **13.0** | **(1.8)** | **11.2** |
| | | | | | | |
| Operating profit | 15.7 | | | 13.3 | | |
| Depreciation & amortisation | 7.8 | | | 7.8 | | |
| **EBITDA** | **23.5** | | | **21.1** | | |



# FINANCIAL REVIEW
## JOULES GROUP PLC

### REVENUE

Group revenue increased by 17.2% to £218.0 million from £185.9 million in FY18 (up 16.8% on a constant currency basis).

Retail and Wholesale revenue figures in the Period were impacted by the transition of two large UK wholesale accounts to the retail concession model - a move that provides Joules greater future trading flexibility. For comparable purposes the approximate revenue growth excluding the impact of this transition is disclosed in the table below:

| 52 WEEKS ENDED 26 MAY 2019 | | | |
|---|---|---|---|
| **Revenue** | **£million** | **Reported growth %** | **Approx. comparative growth[1] %** |
| Retail | 159.1 | 22.7% | 10% |
| Wholesale | 57.1 | 2.8% | 22% |
| Other (Licensing) | 1.8 | 147.3% | N/a |
| **Group** | **218.0** | **17.2%** | **13%** |

[1] Comparative growth percentages show the approximate growth for Retail and Wholesale on the basis of the prior period being restated to reflect the impact of the retail concession model. Note, the prior period restatement is unaudited and approximate.

### RETAIL

Retail revenue increased by 22.7% to £159.1 million, which represents growth of approximately 10% when adjusted for the transition of two large wholesale accounts to the retail concession model in the Period. Revenue growth benefitted from the Group's flexible and integrated 'Total Retail' model as well as our steadfast focus on delivering a seamless and enjoyable experience to customers, irrespective of how, when and where they choose to shop the Joules brand.

#### E-commerce

E-commerce performed particularly well this year and now represents 49.5% of all retail sales (FY18: 38.4%), benefitting from the transition to a retail concession model in the Period. The strong performance of our owned e-commerce channels was attributable to a 15% increase in traffic. In addition, ongoing investment in both the customer experience and infrastructure of our digital platforms continues to make them easier to shop and drive improved conversion trends. This growth was complemented by good performance on our concession partner retailer websites.

#### Stores

During the year we opened seven new stores and closed one store. At the end of the Period, the Group operated 125 owned stores, in addition to 34 concessions and three franchises. Our stores are in desirable locations with a reason to visit, they operate on relatively short lease terms and continue to play an important role in the expansion of the Joules brand in the UK. As part of our flexible and integrated 'Total Retail' model our stores portfolio plays an increasingly important role in a customer's digital purchase journey, with increased utilisation of our click & collect, order in store and in-store return services, with digital transactions now representing approximately 20% of store transactions.

### WHOLESALE

Wholesale revenue increased by 2.8% to £57.1 million, which represents growth of approximately 22% when adjusted for the transition of two large wholesale accounts to the retail concession model in the Period. This strong growth reflects continued momentum in the Group's target international markets, the US and Germany, as well as growth in the UK. Within Wholesale, international now represents approximately half of all sales, reflecting the continued expansion of the Joules brand overseas.

### LICENSING

Revenue from licensing activity increased by 147% to £1.8 million. This increase is the result of improved performance within existing licensing partnerships, as we increased distribution and grew the product range, and the launch of new brand licence partnerships in new product categories including Joules watches and Joules DAB radios.

### INTERNATIONAL REVENUE

Total international revenue increased by 43.5% and now represents 16.1% of total Group revenue (FY18: 13.1%). This very strong performance demonstrates the appeal of the Joules brand in our target international markets. International wholesale grew by 42.3% in constant currency, with growth in existing accounts and the addition of several new accounts. International e-commerce in the US and Germany continued to perform very well, with strong and encouraging growth albeit from a relatively low base.

| 52 WEEKS ENDED | 26 MAY 2019 | 27 MAY 2018 | INCREASE | SHARE OF GROUP REVENUE FY19 | SHARE OF GROUP REVENUE FY18 |
|---|---|---|---|---|---|
| UK | £182.9m | £161.5 | 13.3% | 83.9% | 86.9% |
| International | £35.1m | £24.4 | 43.5% | 16.1% | 13.1% |
| **TOTAL** | **£218.0m** | **£185.9** | **17.2%** | **100.0%** | **100.0%** |

# FINANCIAL REVIEW
## JOULES GROUP PLC

### GROSS MARGIN
Gross margin at 54.8% was 90 basis points ('bps') lower than the prior year.

Retail gross margin of 60.6% was 190 bps lower than the prior year, impacted by the increasing mix of e-commerce sales, which have a lower gross margin than store sales, as well as the transition of two large wholesale accounts to the retail concession model. We also saw an increased level of customer participation in our core annual promotional events.

Wholesale gross margin of 37.1% was 210 bps lower than the prior year, as a result of higher sales growth in the US wholesale channel, which has relatively lower gross margins. However, the US wholesale channel margin has significantly improved year on year.

### ADMINISTRATIVE EXPENSES - UNDERLYING
Underlying administrative expenses increased by 14.9% to £103.7 million from £90.2 million and now represent 47.6% of revenue (FY18: 48.5%).

Excluding the impact of the retail concession transition and the resulting increase in sales commissions, administration expenses grew by less than 8%, well below comparable revenue growth at 13%, reflecting leverage from previous investments in central capabilities and infrastructure.

Sales costs increased by 174.4% in the year to £13.3 million, with the increase being mainly due to the first year of commission payments for transitioned retail concessions.

Marketing costs increased by 7.7% in the year to £9.5 million. During the year we increased marketing investment to support the growth of our US wholesale business. We also increased investment in customer retention, brand partnerships, social media and digital marketing in the UK and our target international markets, the results of which are reflected in the strong e-commerce channel performance.

Store costs grew by 3.8% in the year to £31.6 million. This reflects the increase in National Living Wage, pension contributions and the impact of the new store openings in the current and prior periods.

Distribution costs increased by 21.2% in the year to £8.4 million, driven by growth in the US wholesale and e-commerce channels.

Head office costs increased by 5.1% in the year to £33.1 million. We continue to invest in support of the areas of strategic growth including creative, design, IT, digital and e-commerce. During the year we saw the benefit from historic investments in head office functions and teams.

Depreciation and amortisation remained at £7.8 million (FY18: £7.8m), with increases following the go-live of our new ERP platform in the prior period offset by older stores being fully depreciated and lower levels of capital expenditure compared to the prior period, most notably from fewer store openings. The new head office development started in the Period is expected to complete and begin depreciating in approximately 18 months.

The total rental expense, including service charges, for the Period was £14.8 million (FY18: £13.4m), with the increase due to US wholesale growth and associated supply chain costs and the impact of new stores opened in the Period and prior period. Business rates expense increased from £4.8 million to £4.9 million in the year, reflecting the annualisation of rates increases and new store openings.

### NET FINANCE COSTS
Net finance costs of £0.3 million (FY18: £0.3m) related to interest and facility charges on the Group's revolving credit facility with Barclays Bank Plc.

### TAXATION
The tax charge for the Period was £2.7 million (FY18: £2.6m). The effective tax rate for the Period was 21.0% (FY18: 22.9%).

The effective tax rate was higher than the applicable UK corporation tax rate of 19% for the Period, due to the impact of non-deductible expenses including certain professional fees and expenses incurred in the fit-out and refurbishment of new and relocated stores, offset by the benefit of deferred tax relating to share-based payments. We anticipate that our effective tax rate will remain broadly consistent in FY20.

### EARNINGS PER SHARE
Statutory basic earnings per share for the Period were 11.6 pence per share (FY18: 9.9 pence per share). Statutory diluted earnings per share for the Period were 11.3 pence per share (FY18: 9.7 pence per share).

On an underlying, pro forma basis, the FY19 basic earnings per share were 14.1 pence (FY18: 11.8 pence).

To facilitate meaningful comparison of earnings per share, earnings are adjusted for the non-underlying items detailed above and to reflect a consistent tax rate across the Periods.

| UNDERLYING PRO FORMA EPS | FY19 | FY18 |
|---|---|---|
| **PBT – Underlying £m** | **15.5** | **13.0** |
| Tax rate | 20% | 20% |
| Tax – underlying £m | (3.1) | (2.6) |
| **Earnings – Underlying £m** | **12.4** | **10.4** |
| | | |
| Shares (million) | 87.8 | 87.8 |
| Underlying Basic EPS - Pence | 14.1 | 11.8 |
| | | |
| Shares – diluted (million) | 89.1 | 89.1 |
| Underlying diluted EPS - Pence | 13.9 | 11.6 |

### DIVIDEND
The Board is recommending a final dividend of 1.35 pence per share in respect of FY19 (FY18: 1.30 pence per share). This brings the total dividend for FY19 to 2.1 pence per share (FY18: 2.0 pence per share). Following approval by shareholders at the AGM on 25 September 2019, the dividend is expected to be paid on 14 November 2019 to shareholders on the register at 25 October 2019.




# FINANCIAL REVIEW
## JOULES GROUP PLC


### CASH FLOW AND CAPITAL EXPENDITURE
Free cash flow, excluding expenditure on our new head office development, was £8.7 million in the Period (FY18: £0.1 million). This improvement reflects higher EBITDA, lower working capital outflow and a lower level of core capital expenditure, primarily due to fewer store openings, as well as the expenditure on the now live company-wide Microsoft Dynamics AX ERP implementation in the prior period.

Core capital expenditure was £10.5 million (FY18: £12.5 million). Major areas of capital expenditure included investment in our 'Total Retail' platform, being enhancements to online and in-store customer experience capabilities, and new stores. The development of our new head office incurred spend of £1.0 million in the Period (FY18: £4.7 million, being largely the acquisition of the site). Having obtained planning permission in November 2018, work has now commenced, and we anticipate further expenditure of around £14 million on the development over the next 18 months.

| £MILLION | FY19 | FY18 |
|---|---|---|
| **EBITDA** | **23.5** | **21.1** |
| Net working capital cash flow | (1.2) | (5.9) |
| **Operating cash flow** | **22.3** | **15.1** |
| Interest - net | (0.3) | (0.3) |
| Tax paid | (2.9) | (2.2) |
| Capital expenditure – core | (10.5) | (12.5) |
| **Free cash flow (core capex)** | **8.7** | **0.1** |
| Capital expenditure – new Head Office | (1.0) | (4.7) |
| **Cash flow before financing** | **7.6** | **(4.6)** |
| | | |
| **Net cash** | **5.8** | **0.0** |

### INVENTORY
Inventory at year end, including inbound goods-in-transit and the right of return asset in line with IFRS15, was £35.9 million (FY18: £33.2m). The increase in inventory reflects the growth of the business in the US and the impact of the transition of two large wholesale accounts to the retail concessions model.

### NET CASH AND BORROWINGS
Net cash at the end of the Period was £5.8 million (FY18: £0.0m).

Gross cash was £16.0 million at the end of the Period (FY18: £8.6m) and Group borrowings were £10.2 million (FY18: £8.5m).

The Group has a £25 million revolving credit facility ('RCF') provided by Barclays Bank Plc to fund seasonal working capital requirements. This facility has been extended in the Period to mature in July 2022.

The development of the new head office is being funded, in part, through a new £9.5 million term loan facility ('Term Loan'), arranged with Barclays Bank Plc during the Period. This new term loan incorporates the previous £3.5 million term loan that was used to part fund the acquisition of the head office site. The Term Loan will be drawn down over the next 18 months and is repayable by December 2023.

At the year end the total Group borrowings comprised of the RCF £6.2 million (FY18: £5.0m); the Term Loan £4.0 million (FY18: £3.2m), and legacy asset finance loans £0.1 million (FY18: £0.3m).

### IFRS 16 - LEASES
A new lease accounting standard, IFRS16, will be applicable to the Group's financial statements for the period ending 31 May 2020 ('FY20'). The Group intends to adopt the modified retrospective approach, which will result in the restatement of the prior year ('FY19') comparatives.

The adoption of IFRS16 results in a change of accounting policy that impacts the Statement of Financial Position, reclassifies certain Income Statement items and changes the timing of profit recognition across periods as follows:

- Statement of Financial Position: Operating leases capitalised, at a relevant discount rate, to create a 'right of use asset' and a corresponding 'lease liability'
- Income Statement: Administrative expenses reduce as rent costs are removed. Depreciation increases to reflect the straight-line amortisation of the 'right of use asset' over the life of the lease. Finance costs increase with an interest charge on the 'lease liability' - this finance cost reduces over the life of the lease as the 'lease liability' balance decreases
- Profit before tax ('PBT'): Will reduce at the start of a lease and increase at the end of the lease due to the straight-line depreciation of the 'right of use asset' and reducing interest charge on the 'lease liability'
- Cash / cash flow: No impact

For illustrative purposes, the impact of IFRS16 on the Group's FY19 Statement of Financial Position and Income Statement has been assessed and its adoption would result in an increase in 'right of use asset' by £59.9 million with an equal 'lease liability' and nil impact on net assets. A reduction in PBT of £0.6 million results from the net impact of removing rent expense £12.7 million (reducing administrative expenses), offset by increasing the depreciation charge by £11.8 million and the interest expense by £1.5 million.

# PRINCIPLE 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 regularly 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**<br>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.<br>Brexit has increased the likelihood and potential impact of this risk. | As a premium lifestyle brand with a strong e-commerce channel, a geographically disperse retail store portfolio 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.<br>In addition, the property portfolio has short lease terms, providing relative flexibility to close or relocate stores should this become necessary. |
| **Competitor actions**<br>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**<br>The Group purchases the majority of its product inventory from overseas and is therefore exposed to foreign currency risk, primarily the US Dollar.<br>Without mitigation, input costs may fluctuate in the short term, creating uncertainty as to profits and cash flows.<br>Brexit has increased volatility in this area that 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 12-24 months ahead using forward contracts.<br>The Group's US wholesale business generates US Dollar cash flows which provide a degree of natural hedging. |
| **Regulatory and Political**<br>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.<br>Recent and on-going US/China trade negotiations with the threat of additional US tariffs on China manufactured products, as well as the continuing uncertainty surrounding Brexit, have increased the risk and 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.<br>The Group is carefully monitoring the development of US/China trade negotiations and plans for alternative sourcing strategies are being reviewed to mitigate against increases in US tariffs on China manufactured products. |



# PRINCIPLE RISKS AND UNCERTAINTIES
## JOULES GROUP PLC

| RISK AND IMPACT | MITIGATING FACTORS |
|---|---|
| **Brexit**<br>The on-going potential exit of the UK from the EU adds complexity and uncertainty across many areas of the Group's operations that could impact on our ability to get products to customers in a timely manner and on product profit margins.<br>A so-called "no deal" Brexit, whereby there is no free trade agreement between the UK and the EU, is likely to exacerbate potential impacts on the Group. | The continuing lack of clarity on the nature and timing of the post-Brexit arrangements make it challenging to plan mitigation strategies effectively. A Brexit 'task force' has been established to monitor and evaluate the potential impacts of different scenarios and to implement mitigations. Contingency planning by the task force has been focussed on preparing for a "no deal" Brexit with input from external advisors as appropriate. |
| Specific risk areas that could be impacted by Brexit are as follows: | Mitigating steps taken: |
| • Political uncertainty: The level of economic and consumer uncertainty has increased due to the lack of clarity around the UK's exit from the EU. | • Political uncertainty: A detailed review of the business has highlighted areas that would most likely be impacted by Brexit. |
| • Changes in customs duty and VAT regimes: It is likely that goods being imported to and exported from the EU will be subject to a different duty and VAT regime, which may result in increased costs to the Group.<br>Additional paperwork and administration are likely to be required in order to move product in to and out of both the UK and the EU. | • Changes in customs duty and VAT regimes: An assessment of the Group's operations has been undertaken to identify additional costs.<br>An EU based distribution arrangement has been established to mitigate potential adverse duty impacts and service wholesale customers.<br>Paperwork (e.g. commercial invoices) has been automated to improve efficiency where possible. |
| • Supply chain delays: Additional customs procedures may result in delays to both inbound and outbound movements of goods, particularly if the UK withdraws from the EU with no free trade agreement. This could adversely affect our supply chain and our ability to supply our wholesale customer base. | • Supply chain delays: In the short term, we are seeking to expedite delivery of products into the EU ahead of the UK's withdrawal. In addition to the EU based distribution arrangement above, the business has achieved Authorised Economic Operator status and is well progressed with plans to implement Customs bonded status for the Group's main UK distribution centre which would further mitigate adverse duty impacts and supply chain delays. |
| • Employment of EU nationals: EU nationals living in the UK may no longer have automatic rights to remain working in the UK. This could restrict the Group's ability to retain and recruit appropriate talent. | • Employment of EU nationals: All EU nationals working for the Group have been consulted on the implications of Brexit and support with applying for settled status has been provided. |
| • Foreign exchange fluctuations: The Group's exposure to fluctuations in foreign exchange rates, in particular the strength of Sterling relative to the US Dollar, is increased as a result of the impact of Brexit. | • Foreign exchange fluctuations: As noted above the Group seeks to hedge a material proportion of forecasted US Dollar requirement 12-24 months ahead using forward contracts. |
| • Regulation and compliance: The regulatory regime applicable to the manufacture and sale of products may increase in complexity if the UK adopts a different framework from the current EU based legislation. | • Regulation and compliance: On-going legal advice is being taken in this area to ensure continued compliance with relevant UK and EU regulations. |
| • Contractual and procurement arrangements: Commercial terms and contractual arrangements may be adversely impacted by Brexit. | • Contractual and procurement arrangements: A detailed review of all relevant key contracts and service agreements has been undertaken to ensure the Group's commercial exposure is mitigated. Where appropriate new contracts are incorporating Brexit clauses. |




# PRINCIPLE RISKS AND UNCERTAINTIES

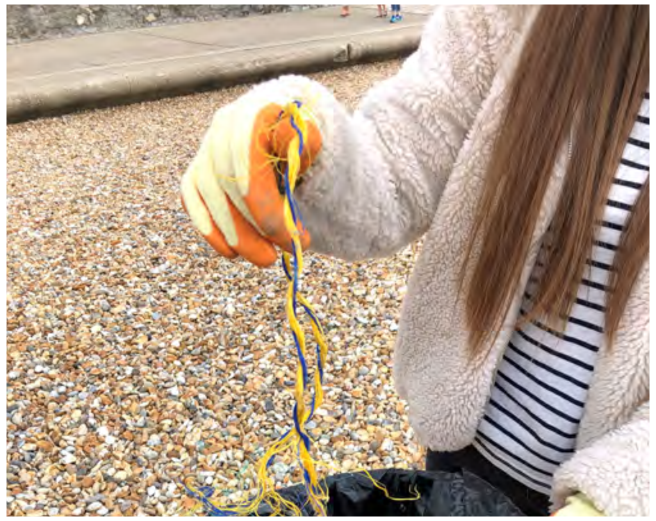
JOULES GROUP PLC

## INTERNAL RISKS

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

| RISK AND IMPACT | MITIGATING FACTORS |
|---|---|
| **Brand and reputation**<br>The strength of our brand and its reputation are very important to the success of the Group.<br>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 partners or through infringement of our intellectual property ('IP'). | 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.<br>We carefully consider each new trade customer with whom we do business and monitor on an ongoing basis.<br>We actively monitor for potential IP infringements and have a process to determine the appropriate course of action to protect our brand and IP vigorously. |
| **Product sourcing**<br>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. | 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 the Joules code of conduct.<br>The Group operates a programme of ethical audits across the product supply base supported by a third-party agency. |
| **Design**<br>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. | 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.<br>Early feedback from our trade customers can allow us to further refine our product range ahead of significant purchase commitments. |
| **Key management**<br>Our business performance is linked to the performance of our people and to the leadership of key individuals. The loss of a key individual whether 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. | 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 programmes to increase the opportunities for internal succession.<br>The Board's approach to the recruitment of Nick Jones as Chief Executive Officer and transition in the run up to Colin Porter's retirement illustrates the procedures the Board has in place for ensuring continuity of key personnel. |
| **IT security and systems availability**<br>Non-availability of the Group's IT systems, including the e-commerce websites, for a prolonged period could result in business disruption, loss of sales and reputational damage.<br>Malicious attacks, data breaches or viruses could lead to business interruption and reputational damage. | 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.<br>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. |
| **Supply chain**<br>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 consumers, stores and wholesale customers. | 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. |





# SOCIAL RESPONSIBILITY

## RESPONSIBLY JOULES

### OUR STRATEGY

Joules was born in the great British Countryside, so supporting the communities within it, and protecting the beauty that surrounds them, is a fundamental part of our DNA.

Our **Responsibly Joules Charter** sets out our approach to corporate social responsibility, reflecting how we want our business to operate: fairly, responsibly and sustainably. Our dedicated Responsibly Joules team is focused on embedding the principles of our Responsibly Joules Charter into everything we do and working towards some ambitious goals for driving positive change. We are committed to being open, honest and transparent on environmental and sustainability matters, recognising that it is a very broad and complex area and that often there are not straightforward or easy solutions. We also recognise that despite our focus, progress and continued efforts we still have a long way to go. You can view our Responsibly Joules Charter in full at www.joules.com/responsibly-joules

We plan, manage and report our Responsibly Joules progress under four pillars:

**RESPONSIBLY JOULES**

| SOURCING WITH INTEGRITY | RESPECTING OUR ENVIRONMENT | CHARITABLY JOULES | OUR JOULES FAMILY |
|---|---|---|---|
| Partnering with our suppliers to create distinctive products made with care, consideration and respect | Respecting the environment from the shire to shore | Inspiring and generating positive change | Creating and nurturing a vibrant and supportive team which our direct and indirect employees are proud to belong to |

"DOING THE RIGHT THING"    "GIVING SOMETHING BACK"

### INSPIRED BY NATURE ... DESIGNED TO LAST

"With growth comes responsibility.
As Joules has grown, so has our brand's love for the countryside.
We look to its farmland, rivers, woods and meadows
for inspiration - and we also recognise that the countryside
is where our customers love to spend their time.
We've always taken pride in looking after the world around us, but with our business growth we need to place even more focus on doing the right thing for the future. Our teams are working hard behind the scenes to ensure that we're making the shift to more sustainable materials and solutions throughout our business." - **Tom Joule, Founder.**

The nature around us is a constant source of inspiration for our in-house artists who create our timeless ranges. From botanical beauty to a quintessential cottage, our talented team of designers find beauty and inspiration in the humblest of sources, which are then translated into our iconic prints here at Joules.

Of course we look at the world of fashion, but you are much more likely to find our designers in the great outdoors, armed with a camera and sketchbooks gathering inspiration and a true understanding of our customers and their lifestyles. It is this approach and understanding that makes Joules unique and ensures we are creating collections to be loved for many seasons to come.

As one of the major polluting industries in the world, we are acutely aware of the impact the fashion industry has on the environment we so treasure; fashion is responsible for more than 300,000 tonnes of landfill each year*, with so-called 'fast fashion' a core contributor. We are proud to focus on quality and timeless styles that are designed to last and be handed down for years to come. Extending the life of our clothing items helps us all to reduce the end-to-end environmental impact of the fashion industry.

More information on our Responsibly Joules strategy can be found online at **www.joules.com/responsibly-joules.**

*British landfills. Environmental Audit Committee Report, Feb 2019

### GOVERNANCE

Our Responsibly Joules strategy is driven by our Steering Group, comprising:

- Our dedicated Responsibly Joules team;
- Directors and stakeholders from across the business; and
- Chaired by our Chief Financial Officer.

The Steering Group reports directly into the Operating Board and Board of Directors. This clear structure ensures that working ethically and acting responsibly is at the heart of everything we do.

# SOCIAL RESPONSIBILITY
## RESPONSIBLY JOULES

### HIGHLIGHTS OVER THE LAST YEAR
This year, we have made some exciting progress on our Responsibly Joules journey.

- We have taken significant steps to reduce our use of plastics and increase the sustainability of our packaging materials
- We have formalised our ethical and sustainable sourcing credentials by becoming members of:
  - The Better Cotton Initiative
  - Leather Working Group
  - Ethical Trade Initiative
- We have established an ambitious target to achieve 100% sustainable cotton by 2022
- We have invested to expand our in-house team who ensure sustainability and environmental impacts are considered in everything we do
- We raised over £125,000 for our Charitably Joules charities, including over £40,000 in our second 'Charity Week' event.

### SOURCING WITH INTEGRITY
We place great importance on our approach to sourcing materials ethically. We work with suppliers who live and breathe our own values in relation to working practices and environmental behaviours, and who contribute positively to the community and wider world around them. All our suppliers must understand and adhere to our supplier policies and be likeminded in their approach to driving continuous improvements.

**Achievements this year include:**

- We have formalised our memberships of several leading industry bodies to be a part of driving collaborative change in industry;
  - The Better Cotton Initiative
  - Leather Working Group
  - Ethical Trade Initiative
- We have achieved 90% of the leather we use in our bags and shoes coming from Leather Working Group approved tanneries
- 100% of our Tier 1 suppliers - including all of those making our end products - were audited by an independent compliance third party in the year, using the SMETA (Sedex Members Ethical Trade Audit) or BSCI (Business Social Compliance Initiative) format. This ensures suppliers meet our standards in relation to work and labour practices, health and safety, quality and responsible practices
- We ran a supplier training programme in the year to support suppliers in improving their performance. This included workshops with the Ethical Trade Initiative and Better Cotton Initiative.

**Focus areas for the year ahead:**

- We will continue to set ourselves ambitious targets for raw material usage, working closely with suppliers and partners to deliver against our 100% sustainable cotton targets and increase our use of more sustainable and innovative materials
- We will further strengthen our partnership with industry bodies, becoming an active member and collaborating with others in the industry to drive positive change.

### SUSTAINABLE MATERIALS
This year has seen some exciting progress in our journey to working with more sustainable materials. Look out for our Organic Cotton babywear collection launching in November 2019 and our men's and boys' swim shorts made from recycled plastic bottles, launching in March 2020. Whilst we are thrilled to have worked on these and be delivering them to market soon, we recognise that there is still plenty more we can be doing. From our in-house design team to our buyers, we are constantly challenging our teams to investigate new innovative materials and sources and look forward to bringing our customers more exciting and sustainable 'by-design' products in the coming seasons.

### BETTER COTTON INITIATIVE
Joules are proud members of 'The Better Cotton Initiative' ('BCI'), which exists to make global cotton production better for the people who produce it, better for the environment it grows in, and better for the sector's future.

BCI trains farmers to use water efficiently, care for the health of the soil and natural habitats, reduce the use of harmful chemicals and respect the rights and well-being of workers.

Our ambition at Joules is to be using 100% Sustainable Cotton by 2022, which means sourcing cotton through either certified organic routes, or cotton grown in accordance with the BCI's standards.

### COMPLIANCE / SUPPLIER AUDITS
All of our manufacturing suppliers follow strict procedures to ensure that they are compliant with, and meet or exceed, our standards. Our 'Code of Conduct' supplier manual sets out the procedures with which all our suppliers must comply. These include standards in relation to work and labour practices; environmental performance; raw materials; restricted substances; and animal welfare practices.

Joules also engages an independent compliance organisation to audit our suppliers annually using the SMETA audit process. New suppliers are thoroughly assessed and evaluated as part of our onboarding process.

During the year every one of our Tier 1 suppliers – those who produce product directly for Joules – were independently audited using the SMETA or BSCI audit process, to ensure they comply with our Ethical and Social standards, which cover the following key areas:

1. Prison / forced labour
2. Freedom of Association
3. Health and Safety
4. Child labour
5. Wages and benefits
6. Working hours
7. Discrimination
8. Regular employment
9. Disciplinary practices
10. Environment

New suppliers are thoroughly assessed and evaluated as part of an onboarding process, and all of our suppliers are actively engaged in supporting our Responsibly Joules journey.



# SOCIAL RESPONSIBILITY
## RESPONSIBLY JOULES

### JOULES SUPPLIER CONFERENCE
In October 2018 we held our third annual supplier conference in Shanghai. 76 attendees representing over 50 different suppliers from China, India and the UK took part in the conference, which had the objectives of sharing business updates, reiterating the importance of sustainability across the supply chain and strengthening our working relationships.

The agenda and presentations for the day centred around four key themes:

- The importance of Responsibly Joules
- Collaborative working
- Joules' business strategy and development initiatives
- Supply chain excellence.

### RESPECTING OUR ENVIRONMENT
With our roots firmly planted in the British countryside, 'Respecting our Environment' is core to our brand. From the way we run our head office, distribution centre and stores, to the way we source our products, managing and minimising our environmental impacts is important to us. We recognise that there is always more that can be done; we are proud of our achievements so far and are continuously striving to do more.

**Achievements this year include:**

- We have removed all plastic carrier bags from our stores and in their place have introduced a fully recyclable, FSC certified paper twist bag. This now provides our customers with a three-tier choice of carrier bag:
  - Recycle me – our paper twist bag
  - Re-use me – our re-usable high-quality gift bags, also made from FSC certified paper
  - Keep me – our brand new 'bag for life' in partnership with the Woodland Trust
- All online customer orders are now dispatched to them in our innovative and environmentally friendly Green PE mailbags, made from 100% sustainable sugarcane crop
- All our product care labels are now made from recycled polyester; we are committed to extending this to all woven labels
- We have launched several new initiatives across our head office in the year, including the installation of a Green Wall to showcase our Responsibly Joules journey and successes, and to foster continuous inspiration among our colleagues
- Our store colleagues and customers enjoyed and supported six beach cleans this year, collecting 6,300 pieces of rubbish.

We passionately believe that small things can add up to make a big difference. With this mindset, and the can-do attitude of our teams across the business, during the year we:

- Switched to re-usable glass milk bottles at our head office, saving thousands of plastic milk bottles
- Modified our printer set-up and printing process for Joules colleagues, halving our paper usage across the head office
- Introduced a new, local recycling partner for our head office, providing a greater level of visibility and transparency of our waste recycling – allowing waste reduction initiatives to be developed
- Placed a greater emphasis on Responsibly Joules through internal communications, with a commitment to regular focused updates to the business to inspire and engage employees.

**Focus areas for the year ahead:**

- Making further improvements to our product packaging and labelling and reviewing our end-to-end processes
- Ensuring sustainability is front of mind throughout the development of our new head office
- Continuing to engage and inspire our colleagues to drive forward our recycling programmes
- Enhancing our environmental and sustainability reporting to track progress and identify focus areas for improvement.

### PACKAGING
This year, we have placed a particular focus on reviewing and refining our packaging. This is a particularly challenging area as packaging must serve many purposes, in particular protecting our customers' purchases as they travel from manufacturer to warehouse, store and eventually our customers' homes. Finding packaging options that adequately protect, in addition to being environmentally responsible, is a challenging but important priority for us.

We were delighted to introduce our new, environmentally friendly, Green PE 'Hello Sugar' mailbags for dispatching our customers' online purchases. Created from 100% sustainable sugar cane, these bags are fully recyclable, carbon negative and made in the UK. By using this Green PE material, Joules is supporting 'closed-loop' recycling systems as well as reducing our reliance on oil-derived plastics.

# SOCIAL RESPONSIBILITY
## RESPONSIBLY JOULES

### BEACH CLEAN
From shire to shore, we constantly take inspiration from beautiful Britain, so ensuring the great British coastline is there for everyone to enjoy for years to come is naturally important to us. For the eleventh year running, we joined forces with Coast Magazine and the Marine Conservation Society to support their annual Coast Beach Clean and, leading by example, organising some of our own. In May 2019, more than 200 Joules customers, employees and Coast Magazine readers came together to tackle six beach cleans across the country, clearing a staggering 6,300 pieces of litter weighing over 44 KG.

"It was great to see Joules staff, volunteers and customers all coming together, empowering people, informing them to make that change and again improving their environments.' - **Matt Barnes from the Marine Conservation Society.**

### CHARITABLY JOULES
Our Charitably Joules strategy aims to support charities which play crucial roles in the lives of children, young adults, families and communities across the country.

Throughout this year, we have proudly continued to support our four Charitably Joules charities: The Prince's Trust, Hospice UK, Farms for City Children and Nuzzlets.

Prince's Trust

**The Prince's Trust** supports young people across the country, who are unemployed or struggling at school to transform their lives. We help to fund their Enterprise programme in Leicester and Kettering which enables 18 - 30 year olds to re-focus their lives through exploring the opportunity of setting up their own business, thereby creating a long-term sustainable future for themselves.

**Hospice UK** is the national voice of hospice care in the UK. Their philosophy is that everyone matters all the way through their life and they want to make sure that everyone with a life-limiting or terminal condition gets the very best care. We help them support hospices all around the country to deliver the very best service possible for local communities.

**Farms for City Children** is a charity that offers city children the opportunity to experience life on a working farm in the heart of the countryside. Through its amazing work, it supports children's learning, raises self-esteem and enriches young lives, providing a safe and welcoming setting where children and their teachers get involved for a whole week in the working life of a real farm with real farmers.

**Nuzzlets** is a fantastic grassroots charity that not only offers a loving home for unwanted animals, but also provides free access for young people with disabilities, special needs and life-threatening illnesses to visit the centre for animal assisted therapy and education.

In addition to this, we were incredibly proud to launch a new charitable partnership with the Woodland Trust. Through the sales of a new 'Bag for Life' we will be contributing to the creation and conservation of woodlands across the UK, so they can be enjoyed by families and friends for years to come.

**Achievements this year include;**
- We raised a total of over £125,000 for our Charitably Joules charities, with £40,000 of this being raised in one week through our 'Charity Week'
- We were awarded the Prince's Trust 'People Power' Award, recognising our employees' engagement and enthusiasm in fundraising for the charity
- We were awarded the Leicestershire Cares 'Outstanding Contribution to Community Development' award for our volunteering work
- 81 teams across Joules took part in The Prince's Trust Future Steps challenge, walking over 130 million steps throughout February and raising over £12,000 – more than any other retail business taking part.

### CHARITY WEEK
September saw us hold our second annual Charity Week event, with employees and customers raising money for our four Charitably Joules charities. From a 750-mile virtual bike ride to climbing the Three Peaks and of course the Joules favourite – a fancy dress competition – we raised an amazing £40,000 in just one week.

"We love our partnership with Joules – from working together to support young people to start their own businesses, to seeing and hearing the fantastic fundraising efforts of colleagues across Joules, it's always a delight to come together and help more young people to live, learn and earn.

At The Prince's Trust, we want to give young people a stake in their own futures, and transform the lives of young people who are unemployed and struggling at school, and we know that everyone at Joules feels the same. Thank you so much for all your support, fundraising, and the unique passion and enthusiasm you bring to everything you do - we're so excited to see what great ideas happen next!" - **Cath Taylor, Partnerships Manager, The Prince's Trust.**

### WOODLAND TRUST 'JUCO' BAGS
We were thrilled to launch our first 'bags for life' this year, in partnership with the Woodland Trust. The 'juco' bags, which are a mixture of cotton and jute, have a life of between three to four years, replacing the need for approximately 600 plastic bags over this time. £1 from every bag sold goes to the Woodland Trust to support their conservation work.

"We are delighted to work in partnership with Joules. As a brand that was born in the countryside, it's a perfect fit. Working together, we are not only reducing plastic bag use, but celebrating the importance of trees and woods and the fantastic benefits they offer." - **Pip Borrill, Head of Partnerships, Woodland Trust.**



# SOCIAL RESPONSIBILITY
## RESPONSIBLY JOULES

### OUR JOULES FAMILY
Our Joules family continues to grow and, with it, so does our focus on recruiting, retaining and developing the best possible people, as well as maintaining and enhancing the working environment and culture which we are so proud of at Joules.

We continue to develop our employee offering, expanding existing areas as well as launching several new programmes. During the year we:
- Introduced a new benefits platform 'My Joules' to support financial, physical and mental wellbeing and facilitate peer to peer recognition
- Partnered with Salary Finance to provide our employees with access to a range of savings and responsible borrowing financial products
- Created further opportunities for flexible working with increased options around job sharing, flexible hours and part-time roles
- Continued to offer a holiday purchase scheme to contribute towards creating a family friendly culture and positive work-life balance
- Conducted a colleague engagement survey with Best Companies to understand how our colleagues feel about working for Joules
- Maintained above National Living Wage pay rates across the business, regardless of age
- Enhanced our colleague discount offer to all employees
- Introduced a new benchmarking and job grading system to ensure that we pay market competitive rates of pay
- Said "thank you" to our colleagues with a wide range of financial and non-financial rewards throughout the year including cream teas for everyone, Christmas gift vouchers and Easter treats amongst other surprises throughout the year
- Started our second retail apprenticeships programme and offered the opportunity for apprenticeships across our head office and distribution centre
- Rolled out 'My catchups' – which supports employees and their managers to have brilliant conversations about performance and development
- Continued the Management Development and Leadership Development programmes for the third year
- Offered the third Save as You Earn ('SAYE') share scheme to all employees with strong uptake of over a third of eligible employees.

Volunteering is encouraged across all our employees as it plays an important role in supporting our charity partners and local communities and is valuable experience for the individual or teams that volunteer. We continued to work with Leicestershire Cares on a range of local volunteering initiatives during the year.

Employee engagement and communications are achieved through regular 'Directors' briefings' to all head office and distribution centre 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. These communications aim to keep employees up to date on Group initiatives and performance. We encourage employee feedback through formal and informal channels. During the year we launched our "Yammer" internal social media platform to support communication and information sharing across the Group.

We are an equal opportunities employer and give full and fair consideration to employment applications regardless of race, gender or disability, instead regarding 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 arranging appropriate training. We proudly support the Retail Trust who provide a great support network for colleagues across the industry.

We continue to operate a confidential, third party administered, whistle-blowing helpline and all colleagues are encouraged to voice any concerns or challenges that they may face either inside or outside of their working environment.

Here at Joules we have a family of highly valued colleagues. We are committed to ensuring that all our team members, regardless of gender, receive the same support and opportunities to progress, develop and enjoy a rewarding career with us. We recently published our gender pay gap information, reporting on the difference between our male and female mean and median salaries across the whole organisation, for the second year. We are pleased to update that the median pay gap has reduced to 11%, down from 15% in the prior year. The fact that a gender pay gap exists at Joules is, we believe, due to the structure of our business rather than any inequality in how we pay men and women for doing the same role. We are proud that 54% of our Operating Board, 68% of our Senior Management Team and 71% of our upper quartile employees are female.

## BEHIND THE DESIGN

When designing a garment, we constantly think about our customers - where will the item be worn, when and with what? After shapes and colours, we will consider what functional features and details will add practicality whilst not compromising the style.

CHAPTER

# 2

# CORPORATE GOVERNANCE

leaps and bounds

# BOARD OF DIRECTORS
## JOULES GROUP PLC

### IAN FILBY
**Non-Executive Chairman**

Ian joined Joules in 2018 following almost eight years as Chief Executive Officer at DFS Furniture plc. He is also the Chairman of Sofology, a member of the British Retail Consortium Board and Chairman of the British Retail Consortium Policy Board, Trustee of Pennies charity and Director of IFF Life and Business Solutions Ltd. Ian has more than 37 years retail experience, largely at Alliance Boots, where his most recent roles were Retail Brand Development Director and Trading Director. He has also held the roles of Interim Chief Executive Officer of Nectar and Non-Executive Chairman of Shoe Zone plc.

### 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' colourful and uplifting outlook, has been central to the brand's 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. Since 2010, Tom has featured regularly 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. Colin was also appointed Chairman of Moss Bros in May 2019.

### 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. Marc is also a Trustee of the Drinkaware Trust.

### DAVID STEAD
**Senior Independent Non-Executive Director**

David joined the Board in April 2016. David is currently on the board of Card Factory plc and Majestic Wine plc as an Independent Non-Executive Director. 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 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 the National Trust Commercial Advisory Group and a Non-Executive Director of Loungers Plc. Jill continues to sit on 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 fourth since our admittance to trading on AIM on 26 May 2016. The Board is committed to supporting high standards of corporate governance and during the Period the Board took the decision to adopt the QCA 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').

The Board is committed to a strong ethical corporate culture and ensuring the culture within the business is consistent with Joules' strategic objectives and business model. The board achieves this by:

- Encouraging equal opportunities for all employees, as outlined in the Responsibly Joules section of this report
- Investment in training and development
- Regular communication with employees e.g. weekly internal communications emails, regular updates from the Board and an annual conference for store managers and the wider business
- Appropriate induction for new employees
- Ongoing investment in a new head office, which will provide a vibrant and creative environment consistent with the Group's values.

The Board monitors and assesses the culture in the business through an externally-managed employee engagement survey that was introduced during the Period. The results of this survey are reviewed by the Board and senior management to identify areas of focus – either to maintain and improve on strengths or to develop actions and initiatives to address any areas of concern. Employee engagement has, for the first time, been incorporated in the proposed 2019 LTIP grants.

**IAN FILBY**
**Non-Executive Chairman**

### BOARD SIZE AND COMPOSITION

For the financial year ended 26 May 2019, 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 reviews 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 (for the Executive Directors)
- 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 eleven 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 basis, the Board receives presentations from management on key areas of the Group's operations.

# GOVERNANCE FRAMEWORK
## JOULES GROUP PLC

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

| | BOARD | AUDIT | REMUNERATION | NOMINATION |
|---|---|---|---|---|
| Neil McCausland* | 2/11 | 1/3 | 1/3 | - |
| Ian Filby* | 10/11 | 2/3 | 2/3 | 4/4 |
| Tom Joule | 10/11 | - | - | - |
| Colin Porter | 11/11 | - | - | - |
| Marc Dench | 11/11 | - | - | - |
| David Stead | 11/11 | 3/3 | 3/3 | 4/4 |
| Jill Little | 11/11 | 3/3 | 3/3 | 4/4 |

* Neil McCausland resigned as Non-Executive Chairman on 31 July 2018. Ian Filby was appointed as Non-Executive Chairman commencing on 1 August 2018.

### BOARD DECISIONS AND ACTIVITY DURING THE YEAR

The Board has a schedule of regular business, financial and operational matters, and each Board Committee 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 38. 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. Ian Filby, 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

Ian Filby joined the Board as Chairman on 1 August 2018. There were no other new Directors appointed during the year and there were no other resignations. On joining the Board, new directors undergo an induction programme which is 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 is responsible for this process, supported by the Company Secretary.

### 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.




# GOVERNANCE FRAMEWORK
## JOULES GROUP PLC


### EVALUATION

The Board conducted a thorough and formal Board review during the financial year. This was led by the Chairman and consisted of interviews; the completion of a questionnaire; 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 were used 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 and the Senior Independent Non-Executive Director will also meet with his fellow Non-Executive Director, at least annually, and also on such other occasions as deemed appropriate, to appraise the Chairman's performance.

### 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 Annual General Meeting ('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
- Preparation of a detailed annual budget 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 AGM 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 Non-Executive Director is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or other Executive Directors fails to resolve or for which such contact is inappropriate.

### ANNUAL GENERAL MEETING

The Company's AGM will take place on 25 September 2019. 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 26 May 2019.

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 external 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 stakeholders 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), Ian Filby and Jill Little. The external Auditor (Deloitte LLP), the Chief Executive Officer, Founder & Chief Brand Officer and Chief Financial Officer also attend Committee meetings by invitation. The Committee has met three times since 24 July 2018 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 consolidated 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, and of the Company's risk register
- Review of the need for an internal audit function
- Review of Taxation matters of the Group
- Establishment of an Employee Benefit Trust
- 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 external 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 financial statements. The non-audit fees related to Remuneration Committee advice and other advisory services. The Committee also assesses the external auditor's performance. Having reviewed the external auditor's independence and performance, the Audit Committee recommends that Deloitte LLP be re-appointed as the Company's external auditor at the next AGM.

### AUDIT PROCESS

The external 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 external 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 a whistleblowing policy in place 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 26 May 2019 (FY19).

### MEMBERS OF THE NOMINATION COMMITTEE

The Nomination Committee consists of three Non-Executive Directors; Ian Filby (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 four times during the year, the additional meetings being convened to support the successful recruitment of a replacement Chief Executive Officer for the Group. The search was led by Ian Filby, the Group's Chairman, supported by the other members of the committee together with the Group's HR Director, and involved an extensive selection process. An appropriate external recruitment agency was engaged to assist with the process and a pool of suitably qualified and experienced candidates was prepared as an initial step. A multi stage assessment and interview process was then undertaken with input from all Directors as appropriate to ensure that the correct candidate was identified. The outcome of the process was the announcement on 8 May 2019 that Nick Jones will become the Group's next Chief Executive Officer from September 2019.

In addition to this recruitment activity, during the year the Committee has continued to focus its work on the following:

- 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.

**IAN FILBY**
**Nomination Committee Chairman**



# DIRECTORS' REMUNERATION REPORT
## STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholders

On behalf of the Board I am pleased to present the Directors' Remuneration Report for the 52 weeks ended 26 May 2019 (FY19). 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 FY19 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 FY19 and how we intend to apply the policy for FY20.

This Directors' Remuneration Report will be put to an advisory shareholder vote at the forthcoming annual general meeting on 25 September 2019.

### OUR APPROACH TO REMUNERATION – KEY PRINCIPLES

Our policy on executive remuneration 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, which is further enhanced through shareholding guidelines and the deferral of a proportion of the annual bonus as shares.

### FY19 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. Good growth was delivered across 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 FY19 underlying profit before tax ('PBT') of £15.47 million the Executive Directors will receive 55.6% 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 herein.

The Company's first long-term incentive awards were granted under the LTIP in July 2016 ('LTIP 2016') and vested by reference to performance assessed over the period of three financial years ended on 26 May 2019. The awards vested at 98.8% of the maximum, reflecting exceptional performance over the three year performance period with earnings per share ('EPS') growth of 104% from FY16 to FY19, a compound annual growth rate of 26.7%. The awards were earned over a three year period, but in line with the reporting regulation for fully listed companies we have included the full value in the single figure of remuneration table herein.

### EXECUTIVE DIRECTOR SALARIES AND NON-EXECUTIVE DIRECTOR FEES

Executive Directors' base salaries were reviewed in April 2019, in line with the salary review timetable for other head office employees. The base salaries for Tom Joule, Colin Porter and Marc Dench were all increased by 2.0% in line with the standard base salary increase across the Group.

Tom Joule's base salary increased from £335,000 to £341,700, Colin Porter's from £345,000 to £351,900, and Marc Dench's from £265,000 to £270,300.

### REMUNERATION FOR THE YEAR COMMENCING 27 MAY 2019

A summary of the proposed application of our remuneration policy for FY20 is set out below:

- It is intended that Executive Directors' base salaries will be reviewed annually in April, at the same time as the pay review for the wider head office workforce
- The maximum annual bonus opportunity for FY20 will be 100% of salary for Tom Joule and Marc Dench. The annual bonus is subject to the achievement of stretching underlying PBT performance targets
- The fourth awards under the LTIP ('LTIP 2019') will be granted following the announcement of the FY19 full year results. The maximum LTIP opportunity is 100% of salary for Tom Joule and 125% of salary for Marc Dench. These awards are subject to stretching targets with 60% of the award linked to an EPS target and 40% of the award linked to the strategic targets: US revenue growth (15% of award); UK digital sales growth (15% of award); and the Joules employee engagement score (10% of award). Reflecting best practice, the vesting of the awards will also be subject to a further underpin, that the vesting reflects the underlying financial performance of the Group over the performance period.

The bonus and LTIP arrangements for Colin Porter and Nick Jones are described below.

### BOARD CHANGES

As announced on 1 April 2019, Colin Porter intends to retire before the end of the FY20 financial year. It is currently anticipated that Colin will leave the business on 31 October 2019. Colin has made a truly outstanding contribution to the Group since joining in 2010 and during his tenure, the Group has achieved fantastic growth in the UK and internationally. The remuneration arrangements in respect of Colin's departure, which are in line with the Company's Directors' Remuneration Policy, are summarised below:

- **FY20 bonus:** Recognising that Colin will remain with the business for five months of FY20, he will be eligible to earn a bonus in respect of FY20, subject to the satisfaction of the same PBT targets which apply to the other executive directors. Any bonus earned will be paid in cash and reduced pro-rata to reflect his period of service and paid at the same time as for other directors
- **LTIP 2019:** Colin will not receive an LTIP award in 2019



# DIRECTORS' REMUNERATION REPORT

## STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

- **Existing LTIP awards:** Colin was in service for the whole of the performance period for his 2016 LTIP award, which will vest at 98.8% of the maximum as with other 2016 LTIP awards. Colin's 2017 LTIP award and 2018 LTIP award will continue, and vest subject to the satisfaction of the performance conditions assessed at the ordinary time. To the extent either award vests, a reduction will be made to reflect the proportion of the performance period for which Colin was in service
- **Existing deferred bonus awards:** Colin will retain his existing deferred share awards. In recognition of the fact that Colin was in service for the whole of the applicable bonus years, and that the deferred awards are not subject to further performance conditions, no reduction to the awards will be made as a result of Colin leaving before the end of the deferral period, which will vest in accordance with the originally anticipated timelines.

As announced on 8 May 2019, Nick Jones will succeed Colin Porter as Chief Executive Officer during 2019. The remuneration arrangements for Nick are in line with the Group's Directors' Remuneration Policy. Nick's base salary will be set at £420,000, the level required to secure him in role taking into account his previous employment, and his salary will be kept under review to take account of his development in role. Nick will be entitled to an annual bonus and LTIP opportunity for FY20 of 150% of base salary. The annual bonus opportunity will be pro-rated for the period of time served during the year and the Company intends to grant the LTIP award as soon as reasonably practicable after Nick joins. Nick will be entitled to pension contributions of 3% of salary, in line with the contributions provided to the wider workforce.

We have agreed to compensate Nick for some (but not all) of the awards he forfeited as a result of his resignation from his former employer, as follows:

- Nick will receive a cash payment in December 2019 of £120,559 in respect of part of a cash bonus which would have been payable to him, in the same timeframe, if he had remained with his former employer
- We will grant Nick an award over Joules' shares with a value of £170,599 as part compensation for share awards which would have vested if he had remained with his former employer. The shares will be granted on or before 31 March 2020 and the award will be subject to a three-year holding period.

Each of these awards will be subject to clawback if Nick leaves Joules (or notice is served) within the period of three years starting with the date on which he joins, with the proportion that may be clawed back reducing from 100% to 0% over that three-year period.

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

In determining remuneration packages and arrangements the Remuneration Committee adopts the principles set out in the QCA Corporate Governance Code and evolving best practice. Notwithstanding this, and whilst the UK Corporate Governance Code (the "UK Code") does not apply to the Group, the Remuneration Committee recognises the changes to the UK Code and during FY20 will reflect on how these changes may be applied to the Group's approach to remuneration.

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 REPORT

## EXECUTIVE DIRECTORS' REMUNERATION - AT A GLANCE

We take a rigorous and disciplined approach to ensure that the remuneration package for Executive Directors rewards the delivery of both short and long-term financial and strategic business goals, that are consistent with creation of shareholder value. The table below provides a summary of the key elements of the policy and its application for FY19 and FY20.

| | |
|---|---|
| BASE SALARY | Base salary and benefits are set at a level that is competitive with reference to the market and companies of a similar size and level of complexity. |
| PENSION | Pension contribution rate of 5% for Executive Directors other than Nick Jones, who is entitled to contributions of 3%.<br>The company contribution rate for the all-employee defined contribution pension scheme is 3%. |
| ANNUAL BONUS | Maximum opportunity of 100% of salary for Executive Directors other than Nick Jones, whose annual bonus opportunity will be 150% of salary.<br>Underlying profit before tax (PBT) target selected to best represent alignment with shareholders.<br>Underlying PBT targets for the FY19 award were: Threshold (25% pay-out) £14.54m; Target (50% pay- out); £15.30m; Maximum (100% pay-out) £16.83m. The maximum payout target represented a year-on-year underlying PBT growth rate of 29.5%. |
| ANNUAL BONUS DEFERRAL | Executive Directors will receive 55.6% of their maximum annual bonus opportunity for 2019, based on FY19 underlying PBT of £15.47m.<br>Half of the annual bonus award is paid in the form of shares, deferred over three years. Deferral provides alignment with shareholder value creation objectives. |
| LTIP | The LTIP is designed to encourage sustainable development of the Group and creation of significant shareholder value.<br>The maximum LTIP opportunity is 100% of salary for Tom Joule, 125% of salary for Marc Dench and 150% of salary for Nick Jones vesting over a three-year period.<br>FY20 LTIP targets are: 1) FY22 EPS (60% weighting), and 2) FY22 Strategic targets (40% weighting): US revenue growth; UK digital sales growth; Employee engagement score.<br>• EPS target: Threshold 18.0p to Maximum 22.0p. Achievement of the Maximum would represent an annualised EPS growth rate of 17.0% from FY19 (assuming constant fully diluted shares)<br>• Strategic targets:<br>  • US revenue (15% of award weighting): Threshold at 30% compound annual growth rate from FY19 to FY22 ('CAGR') to Maximum at 43% CAGR;<br>  • UK digital sales (15% of award weighting): Threshold at 12% CAGR to Maximum at 20% CAGR; and<br>  • Employee engagement (10% of award weighting): Threshold at a mid-1 star level (Best companies BCI score of 678) to Maximum at mid-2 star level (BCI score 717)<br>• Pay-out levels: below Threshold no pay-out; at Threshold 25% pay-out; at Maximum 100% pay-out, with straight line vesting in between<br>• The vesting of the awards will also be subject to a further underpin, that the vesting reflects the underlying financial performance of the Group over the performance period |
| SHAREHOLDER ALIGNMENT AND RISK | A shareholding requirement of 200% of salary.<br>Malus and claw-back provisions. |
| MODIFICATIONS OR CHANGES TO REMUNERATION OR POLICY | No other changes to the policy as set-out in the FY17 Annual Report have been made or are proposed to be made in the forthcoming FY20 period. |

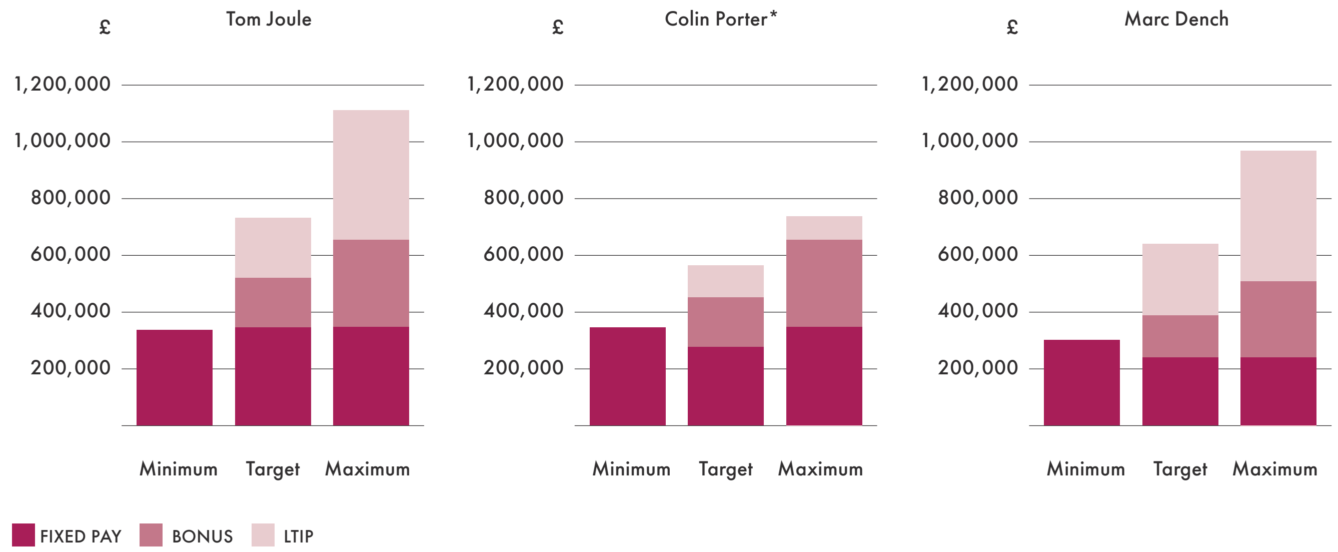


# DIRECTORS' REMUNERATION REPORT

## EXECUTIVE DIRECTORS' REMUNERATION - AT A GLANCE

### ILLUSTRATION OF POTENTIAL REMUNERATION OPPORTUNITIES FOR THE EXECUTIVE DIRECTORS

The charts below show the potential remuneration opportunities for the Executive Directors during FY20.




*As disclosed above, Colin Porter will not be granted an LTIP award in 2019 due to his retirement as Chief Executive Officer. For the illustration, Colin's fixed pay and bonus is shown for a full year.

Assumptions:

- Fixed pay includes salary, benefits and pension contributions
- Salaries are based on the Executive Directors' salaries as at 1 April 2019
- Benefits are as paid for the year ended 26 May 2019
- Bonus opportunity is based on nil payout for minimum scenario, 50% payout for on target and 100% for maximum
- LTIP opportunity is based on nil payout for minimum scenario, 25% for threshold performance and 100% for maximum
- The Target LTIP figure in the tables above is for achieving 50% of the maximum
- The charts do not show the impact of any share price fluctuation on the level of remuneration opportunity.

# DIRECTORS' REMUNERATION REPORT
## 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 AND STRATEGIC LINK | OPERATION | MAXIMUM OPPORTUNITY |
|---|---|---|
| **BASIC SALARY**<br>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:<br>• Group performance<br>• Role, experience and individual performance<br>• Competitive salary levels and market forces<br>• 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:<br>• Promotion<br>• Change in scope or increase in responsibilities<br>• An individual's development or performance in role<br>• Alignment with the market over time<br>• A change in the size or complexity of the business |
| **BENEFITS**<br>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, considering market practice and individual circumstances. |
| **RETIREMENT BENEFITS**<br>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 contributions. | The contribution level for FY20 is set at 5% of salary (there is an overall limit of up to 10% of salary) for Executive Directors other than Nick Jones, who will receive 3% of salary. |




# DIRECTORS' REMUNERATION REPORT
## DIRECTORS' REMUNERATION POLICY REPORT


### VARIABLE REMUNERATION

| ELEMENT, PURPOSE AND STRATEGIC LINK | OPERATION | MAXIMUM OPPORTUNITY AND PERFORMANCE METRICS |
|---|---|---|
| **ANNUAL BONUS**<br>Rewards performance against targets which support the strategic direction of the Group.<br><br>Deferral provides a retention element through share ownership and direct alignment to shareholders' interests. | Awards are based on performance (typically measured over one year) against targets determined by the Committee at the start of the period.<br><br>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.<br><br>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. Awards may include dividend equivalents earned between the grant and vesting date. | Overall maximum is up to 150% of base salary under the Policy. However, the maximum FY20 bonus opportunity for Executive Directors other than Nick Jones is capped at 100% of salary. Nick Jones' annual bonus opportunity will be 150% of salary.<br><br><u>Performance measure:</u><br>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.<br><br>The FY20 bonus is based on a PBT target. |
| **LONG-TERM INCENTIVE ('LTIP')**<br>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.<br><br>Awards may include dividend equivalents earned between grant and vesting date.<br><br>Awards may be structured as Qualifying LTIP awards comprising of an 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. | Overall maximum is up to 150% of base salary under the Policy. However, the maximum LTIP 2019 award for Tom Joule will be 100% of salary, for Marc Dench it will be 125% of salary and Nick Jones will be entitled to an LTIP opportunity of 150% of salary.<br><br>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.<br><br><u>Performance measure:</u><br>Set to reflect longer term strategy and business performance. Performance measures and their weighting are reviewed annually to maintain appropriateness and relevance.<br><br>For threshold levels of performance 25% of the award will vest rising to 100% for maximum performance. Below threshold the award will not vest.<br><br>The LTIP 2019 awards are subject to stretching targets with 60% of award based on EPS and 40% based on strategic targets, with an additional underpin applying to the whole award. |

# DIRECTORS' REMUNERATION REPORT

## DIRECTORS' REMUNERATION POLICY REPORT

### INFORMATION SUPPORTING THE POLICY TABLE

### EXPLANATION OF PERFORMANCE MEASURES CHOSEN

Performance measures are selected for the annual bonus and long-term incentive to reflect the Group's strategy. Stretching performance targets are set each year by the Committee, considering several different factors.

For FY20, 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 2019 grant is underlying diluted Earnings Per Share (EPS) (60% of award weighting) and strategic targets, being: US revenue growth (15% of award weighting); UK digital sales growth (15% of award weighting); and the Joules employee engagement score (10% 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 vesting of the awards will also be subject to a further underpin, that the vesting reflects the underlying financial performance of the Group over the performance period.

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.

### 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 | • 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<br>• 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 | • Non-Executive Directors are paid a basic fee for membership of the Board with additional fees being paid for chairmanship of Board Committees<br>• Additional fees may also be paid for other Board responsibilities or roles<br>• Fees are normally paid in cash |
| OTHER | • Non-Executive Directors may be eligible to receive benefits such as travel, the use of secretarial support and other expenses relevant to the performance of their roles<br>• Neither the Chairman nor any of the Non-Executive Directors are eligible to participate in any of the Group's incentive arrangements |



# DIRECTORS' REMUNERATION REPORT

## DIRECTORS' REMUNERATION POLICY REPORT

### 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 Group 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 has a service contract 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 |
|---|---|---|
| Tom Joule | 20 May 2016 | 12 months |
| Colin Porter | 20 May 2016 | 12 months |
| Marc Dench | 20 May 2016 | 6 months |
| Ian Filby | 1 August 2018 | 3 months |
| Jill Little | 20 May 2016 | 1 month |
| David Stead | 20 May 2016 | 1 month |

### PAYMENTS FOR LOSS OF OFFICE

Payments for loss of office will be in line with the provisions of the Executive Directors' service contracts and the rules of the share plans (as set out in the IPO Admission document). Where a buy-out award is made then the leaver provisions would be determined at the time of the award.

In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement, legal fees and under the terms of the SAYE plan. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of the Director's office or employment.

Where the Committee retains discretion, it will be used to provide flexibility in certain situations, considering the circumstances of the Director's departure and performance. There is no entitlement to any compensation in the event of Non-Executive Directors' contracts not being renewed or the agreement terminating earlier.

### 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.

# DIRECTORS' REMUNERATION REPORT

## ANNUAL REPORT ON REMUNERATION

### SINGLE TOTAL FIGURE OF REMUNERATION

The information provided in this table of the Directors' Remuneration Report is audited.

The tables below detail the total remuneration earned by each Director in respect of FY19 and FY18.

| FY19 | SALARIES/FEES £000 | TAXABLE BENEFITS £000 | PENSION £000 | ANNUAL BONUS (INCLUDING DEFERRED BONUS) £000 | LTIP £000 | TOTAL REMUNERATION £000 |
|---|---|---|---|---|---|---|
| **EXECUTIVE DIRECTORS** | | | | | | |
| Tom Joule | 338.3 | 22.9 | 15.8 | 188.1 | 507.2 | 1,072.3 |
| Colin Porter | 348.0 | 22.2 | 17.4 | 193.8 | 522.4 | 1,103.8 |
| Marc Dench | 267.7 | 16.4 | 13.4 | 148.9 | 499.7 | 946.1 |
| **NON-EXECUTIVE DIRECTORS** | | | | | | |
| Ian Filby* | 100.0 | - | - | - | - | 100.0 |
| Neil McCausland* | 13.3 | - | - | - | - | 13.3 |
| Jill Little | 50.0 | - | - | - | - | 50.0 |
| David Stead | 55.0 | - | - | - | - | 55.0 |
| TOTAL | 1,172.3 | 61.5 | 46.6 | 530.8 | 1,529.3 | 3,340.5 |

* Neil McCausland resigned as Non-Executive Chairman on 31 July 2018. Ian Filby was appointed as Non-Executive Chairman commencing on 1 August 2018.

| FY18 | SALARIES/FEES £000 | TAXABLE BENEFITS £000 | PENSION £000 | ANNUAL BONUS (INCLUDING DEFERRED BONUS) £000 | TOTAL REMUNERATION £000 |
|---|---|---|---|---|---|
| **EXECUTIVE DIRECTORS** | | | | | |
| Tom Joule | 335.0 | 21.1 | 16.8 | 333.4 | 706.2 |
| Colin Porter | 345.0 | 22.6 | 17.3 | 343.2 | 728.1 |
| Marc Dench | 257.5 | 14.7 | 16.2 | 384.3 | 672.7 |
| **NON-EXECUTIVE DIRECTORS** | | | | | |
| Neil McCausland | 85.0 | - | - | - | 85.0 |
| Jill Little | 50.0 | - | - | - | 50.0 |
| David Stead | 55.0 | - | - | - | 55.0 |
| TOTAL | 1,127.5 | 58.4 | 50.2 | 1,060.9 | 2,297.0 |



# DIRECTORS' REMUNERATION REPORT

## ANNUAL REPORT ON REMUNERATION

### EXPLANATORY NOTES TO THE SINGLE TOTAL FIGURE OF REMUNERATION TABLE

#### BASE SALARIES

From FY20 the base salaries for the Executive Directors will normally be reviewed with effect from April. Prior to FY20, base salaries were reviewed in December.

| EXECUTIVE DIRECTOR | BASE SALARY AT 1 APRIL 2019 | BASE SALARY AT 1 DECEMBER 2017 |
|---|---|---|
| Tom Joule | £341,700 | £335,000 |
| Colin Porter | £351,900 | £345,000 |
| Marc Dench | £270,300 | £265,000 |

The base salary for Tom Joule, Colin Porter and Marc Dench were all increased by 2.0%, in line with the standard base salary increase for employees across the Group. Tom Joule's base salary increased from £335,000 to £341,700, Colin Porter's from £345,000 to £351,900, and Marc Dench's from £265,000 to £270,300. To reflect the change in base salary review date, and in accordance with the approach applied to all eligible employees, a one-off payment was made to each Executive Director to compensate for the equivalent base salary increase for the four month period, December 2018 to March 2019.

#### TAXABLE BENEFITS

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

#### ANNUAL BONUS

For FY19 the maximum annual bonus opportunity for the Executive Directors was 100% of subject to the achievement of stretching underlying PBT performance targets.

The structure and targets for the FY19 annual bonus, that were established at the start of the year, are set out in the following table. Below the Threshold level no annual bonus is payable, between each level the annual bonus award percentage increases on a linear basis.

| LEVEL | THRESHOLD | TARGET | MAXIMUM |
|---|---|---|---|
| % of maximum award | 25% | 50% | 100% |
| Underlying PBT | £14.54 million | 15.30 million | £16.83 million |

Based on FY19 underlying PBT of £15.47 million the Executive Directors will receive 55.6% of their maximum annual bonus opportunity. The values of each Executive Director's annual bonus paid in cash and paid in deferred into shares (for three years) were as follows:

| | CASH PAYMENT | DEFERRED INTO SHARES | TOTAL ANNUAL BONUS SHOWN IN SINGLE FIGURE TABLE FOR FY19 |
|---|---|---|---|
| Tom Joule* | £94,061 | £94,061 | £188,122 |
| Colin Porter | £96,869 | £96,869 | £193,738 |
| Marc Dench | £74,407 | £74,407 | £148,813 |

*Because Tom Joule's existing shareholding in the business is greater than 30%, the deferred share award to be granted to Tom Joule will be conditional on approval of a separate resolution at the AGM in relation to Rule 9 of the Takeover Code.

For FY20 the annual bonus opportunity will be up to a maximum of 100% of salary for Tom Joule, Colin Porter and Marc Dench and up to 150% of salary for Nick Jones (with Colin Porter's and Nick Jones' bonus pro-rated to reflect their respective periods of service). The annual bonus is subject to the achievement of stretching PBT performance targets, with payment made half in cash and half deferred into shares (vesting after a further three years).

The Committee considers PBT to be the key short term financial measure. The actual FY20 annual bonus 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 FY20 Directors' Remuneration Report.

#### LONG-TERM INCENTIVES

**Long-term incentives vesting in respect of performance in FY19:**

Each Executive Director was granted an award under the Joules 2016 Long Term Incentive Plan on 6 July 2016. Each award was subject to a performance condition based on the Company's earnings per share (EPS) in the financial year ended 26 May 2019, being the final financial year of a three-year performance period in accordance with the following table.

| EARNINGS PER SHARE FOR FY19 | PERCENTAGE OF THE AWARD THAT WILL VEST | PERFORMANCE OUTCOME (EPS FOR FY19) | VESTING OUTCOME |
|---|---|---|---|
| 11.5 pence | 25% | | |
| Greater than 11.5 pence but less than 14.0 pence | Determined on a straight line basis between 25% and 100% | 13.96 pence | 98.8% |
| 14.0 pence or greater | 100% | | |

In the single figure table above, the value of the LTIP is calculated by multiplying the number of shares in respect of which each award vested (being 192,429, 198,174 and 189,557 for Tom Joule, Colin Porter and Marc Dench, respectively) by £2.635 (being the three month volume weighted average share price up to 18 July 2019), less the exercise price of £0.01 per share.

# DIRECTORS' REMUNERATION REPORT
## ANNUAL REPORT ON REMUNERATION

The awards granted to Colin Porter and Marc Dench were granted in the form of tax qualifying LTIP awards and consisted of an LTIP award over 200,581 and 191,860 shares, respectively, and a separate tax advantaged option granted under the Joules Executive Share Option Plan over 17,441 shares with an exercise price of £1.72 per share. Each tax advantaged option was subject to the same performance condition as applied to the LTIP award. On the exercise of the LTIP award and tax advantaged option, the extent to which the LTIP award is capable of exercise shall be reduced to take account of the gain made on the exercise of the tax advantaged option, to ensure that the pre-tax value delivered to the participant is not increased by the grant of the tax advantaged option. Taking into account this reduction, the tax advantaged option is ignored for the purposes of determining the single figure table values.

### LONG-TERM INCENTIVE AWARDS GRANTED DURING FY19

In FY19, the Committee granted LTIP awards as set out in the table below. The share price used to calculate the awards was £3.415, being the closing share price on the day immediately preceding the awards.

| LTIP 2018 | DATE OF GRANT | % OF SALARY | NUMBER OF SHARES |
|---|---|---|---|
| Tom Joule | 26 July 2018 | 100% | 98,097 |
| Colin Porter | 26 July 2018 | 100% | 101,025 |
| Marc Dench | 26 July 2018 | 100% | 77,599 |

Vesting of the awards will be based upon achievement against two targets. 80% of the awards will be subject to underlying diluted Earnings Per Share (EPS) delivered in the final year of the performance period (FY21) and 20% subject to international revenue delivered in the final year of the performance period FY21. Vesting is determined on a straight-line basis between the target ranges. The target ranges are summarised below.

| TARGET ELEMENTS | % OF AWARD | THRESHOLD 25% vesting of award | MAXIMUM 100% vesting of award |
|---|---|---|---|
| EPS | 80% | 16. 5 pence | 21.5 pence |
| International revenue | 20% | £46.0 million | £66.0 million |

### LONG-TERM INCENTIVE AWARDS FY20

For FY20, the Committee intends to grant LTIP awards as set out in the table below.

| LTIP 2019 | % OF SALARY |
|---|---|
| Tom Joule* | 100% |
| Colin Porter** | n/a |
| Marc Dench | 125% |
| Nick Jones*** | 150% |

*Because Tom Joule's existing shareholding in the business is greater than 30%, the LTIP to be granted to Tom Joule will be conditional on approval of a separate resolution at the AGM in relation to Rule 9 of the Takeover Code.

**As disclosed above, Colin Porter will not be granted an LTIP award in 2019 due to his retirement as Chief Executive Officer.

*** As disclosed above, the Company has agreed to compensate Nick Jones for some of the awards he forfeited as a result of leaving his previous employer.

Vesting of the awards will be based upon the amount of the adjusted diluted EPS and the performance against certain strategic targets delivered in the final Financial Year of the three-year performance period (FY22).

- EPS target (60% of award weighting): Below the threshold vesting target of 18.0 pence, none of the award will vest. 25% of the award will vest if underlying diluted EPS is 18.0 pence, with 100% vesting at 22.0 pence and vesting determined on a straight-line basis between these figures
- Strategic targets (40% of the award weighting): US revenue growth; UK digital sales growth; and the Joules employee engagement score. The performance levels required to achieve the threshold vesting target and the maximum vesting target are shown in the table below. Vesting is determined on a straight-line basis between threshold and maximum.

| TARGET ELEMENTS | % OF AWARD | THRESHOLD 25% vesting of award | MAXIMUM 100% vesting of award |
|---|---|---|---|
| EPS | 60% | 18.0 pence | 22.0 pence |
| **Strategic targets:** | | | |
| US revenue | 15% | 30% compound annual growth rate vs FY19 | 43% compound annual growth rate vs FY19 |
| UK digital sales | 15% | 12% compound annual growth rate vs FY19 | 20% compound annual growth rate vs FY19 |
| Employee engagement | 10% | Mid-1 Star level (Best Companies BCI score of 678) or equivalent | Mid-2 Star level (Best Companies BCI score of 717) or equivalent |

The vesting of the awards will also be subject to a further underpin, that the vesting reflects the underlying financial performance of the Group over the performance period.

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.

The strategic targets have been selected by the Remuneration Committee to reflect certain elements of the Group's strategic growth priorities, including international growth and driving the UK 'Total Retail' model, that the Committee believes will deliver shareholder value creation over the long term.



# DIRECTORS' REMUNERATION REPORT
## ANNUAL REPORT ON REMUNERATION

### NON-EXECUTIVE DIRECTOR FEES

Details of Non-executive Directors' fees for FY20 are set out below:

- Chairman's fee: £120,000
- Non-executive director fee: £45,000
- Additional fee for chair of a Board Committee: £5,000
- Additional fee for Senior Independent Non-Executive Director role: £5,000

With effect from 1 July 2019 the Chairman's PA will be employed by the Company on a one day a week basis to provide executive assistant and secretarial support related to the Chairman's duties for the Company.

### 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 26 May 2019 were as follows.

| | BENEFICIALLY OWNED AT 27 MAY 2018 NO. OF SHARES | BENEFICIALLY OWNED AT 26 MAY 2019 NO. OF SHARES | SHAREHOLDING GUIDELINES MET | UNVESTED OUTSTANDING SHARE AWARDS AS AT 26 MAY 2019* | VESTED, UNEXERCISED SHARE AWARDS AS AT 26 MAY 2019 |
|---|---|---|---|---|---|
| **EXECUTIVE DIRECTORS** | | | | | |
| Tom Joule | 28,147,210 | 28,147,210 | Yes | 534,782 | nil |
| Colin Porter | 1,519,822 | 1,519,822 | Yes | 550,756 | nil |
| Marc Dench | 53,263 | 138,016 | No | 677,944 | nil |
| **NON-EXECUTIVE DIRECTORS** | | | | | |
| Ian Filby | - | - | n/a | | |
| Jill Little | 25,625 | 25,625 | n/a | | |
| David Stead | 31,250 | 31,250 | n/a | | |

*Includes: ESOS, LTIP, Deferred share awards and SAYE

The interests of the Directors and their immediate families in the Group's ordinary shares did not change between 26 May 2019 and the date these accounts were signed on 22 July 2019.

# DIRECTORS' REMUNERATION REPORT

## ANNUAL REPORT ON REMUNERATION

### OUTSTANDING DIRECTORS' SHARE AWARDS

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

| DIRECTOR | SHARE PLAN | DATE OF GRANT | SHARE PRICE AT GRANT | EXERCISE PRICE | NUMBER OF SHARES / OPTIONS AWARDED | PERFORMANCE PERIOD | VESTING DATE |
|---|---|---|---|---|---|---|---|
| Tom Joule | LTIP 2018 | 26 July 2018 | £3.415 | £0.01 | 98,097 | Three years to end of FY21 | Following announcement of the Group's FY20 results |
| | DBP FY18 | 26 July 2018 | £3.415 | £0.01 | 48,803 | - | Following announcement of the Group's FY20 results |
| | LTIP 2017 | 17 August 2017 | £3.14 | £0.01 | 106,858 | Three years to end of FY20 | 24 July 2020 |
| | DBP FY17 | 17 August 2017 | £3.14 | £0.01 | 51,455 | - | 24 July 2020 |
| | LTIP 2016[2] | 18 October 2017 | £2.88 | £0.01 | 194,767 | Three years to end of FY19 | 6 July 2019 |
| Colin Porter | LTIP 2018 | 26 July 2018 | £3.415 | £0.01 | 101,025 | Three years to end of FY21 | Following announcement of the Group's FY20 result |
| | DBP FY18 | 26 July 2018 | £3.415 | £0.01 | 50,260 | - | Following announcement of the Group's FY20 result |
| | LTIP 2017 | 17 August 2017 | £3.14 | £0.01 | 110,048 | Three years to end of FY20 | 24 July 2020 |
| | DBP FY17 | 17 August 2017 | £3.14 | £0.01 | 52,990 | - | 24 July 2020 |
| | LTIP 2016[1,2] | 6 July 2016 | £1.72 | £0.01 | 200,581 | Three years to end of FY19 | 6 July 2019 |
| Marc Dench | LTIP 2018 | 26 July 2018 | £3.415 | £0.01 | 77,599 | Three years to end of FY21 | Following announcement of the Group's FY20 result |
| | DBP FY18 | 26 July 2018 | £3.415 | £0.01 | 75,063 | - | Following announcement of the Group's FY20 result |
| | LTIP 2017 | 17 August 2017 | £3.14 | £0.01 | 119,617 | Three years to end of FY20 | 24 July 2020 |
| | DBP FY17 | 17 August 2017 | £3.14 | £0.01 | 54,142 | - | 24 July 2020 |
| | LTIP 2016[1,2] | 6 July 2016 | £1.72 | £0.01 | 191,860 | Three years to end of FY19 | 6 July 2019 |
| | DBP FY16 | 14 July 2016 | £1.66 | £0.01 | 132,132 | - | 14 July 2019 |

[1] Colin Porter and Marc 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.

[2] As detailed above LTIP 2016 will vest at 98.8% of the maximum potential award.




# DIRECTORS' REMUNERATION REPORT

## ANNUAL REPORT ON REMUNERATION


### SHAREHOLDER APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

At the 2018 AGM, the votes in respect of the FY18 Directors' Remuneration Report were as follows.

| FY18 DIRECTORS' REMUNERATION REPORT | NUMBER | % |
|---|---|---|
| For | 69,992,764 | 98.13 |
| Against | 1,335,275 | 1.87 |
| Withheld | 0 | N/A |

### REMUNERATION COMMITTEE

The members of the Committee are Jill Little (Chair), Ian Filby and David 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 his 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 22 July 2019 and signed on its behalf by:

**JILL LITTLE**

**Remuneration Committee Chairman**

# 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 26 May 2019. The Governance Framework Section on pages 39 to 41 also forms part of this Directors' Report.

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

Neil McCausland (resigned 31 July 2018)
Ian Filby (appointed 1 August 2018)
Tom Joule
Colin Porter
Marc Dench
David Stead
Jill Little

### RESULTS AND DIVIDENDS
Results for the 52 weeks ended 26 May 2019 are set out in the Consolidated Income Statement on page 72. The Directors are recommending a final dividend of 1.35 pence per share which, if approved at the AGM, will result in a full year dividend of 2.1 pence per share for FY19.

### 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 26 May 2019 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 | 32.06% |
| Octopus Investments | 9.66% |
| Standard Life | 8.07% |
| Blackrock | 7.15% |
| Canaccord Genuity | 7.12% |
| Columbia Threadneedle Investments | 3.28% |
| Janus Henderson | 3.13% |
| NFU Mutual Investment | 3.11% |

There have been no significant changes to substantial shareholders since the year end.

### ACQUISITION OF THE COMPANY'S OWN SHARES
At the AGM held on 27 September 2018, the Company was authorised in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of up to 8,750,114 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 45 to 59.

### 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 and Uncertainties section of this Annual Report. 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 Directors have prepared a detailed forecast with a supporting business plan for the year ending 31 May 2020. 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. The forecasts have also been stress tested through scenario analysis and the Directors remain confident in the validity of the going concern assumption. As a result, they continue to prepare the financial statements on the basis of going concern.



# DIRECTORS' REPORT
## JOULES GROUP PLC

### VIABILITY STATEMENT
The Directors have also assessed the Group's prospects and viability over the three-year period to 29 May 2022. This three-year assessment period was selected as it corresponds with the Board's strategic planning horizon.

In making this assessment, the Directors have taken account of the Group's current financial position, annual budget for the year ending 31 May 2020, three-year plan forecasts and sensitivity analysis and testing. The Board also considered a number of other factors, including the Group business model and strategy, risks and uncertainties and risk management and internal control effectiveness. While the principal risks and uncertainties could impact future performance, none of them is considered likely, individually or collectively, to affect the viability of the business during the three-year assessment period. The Group is operationally strong with a robust balance sheet and has a track record of delivering profitable and sustainable growth. The Group has borrowing facilities in place which cover the time period of this viability statement.

Based on this assessment, the Directors have a reasonable expectation that the Group will continue in operation and meet all its liabilities as they fall during the period up to 29 May 2022.

### POST BALANCE SHEET EVENTS
There have been no material post balance sheet events.

### ANNUAL GENERAL MEETING
The Company's AGM will be held on 25 September 2019.

### FUTURE DEVELOPMENTS IN THE BUSINESS OF THE COMPANY
The Strategic Report on pages 12 to 21 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
In addition to subsidiary companies in USA, China and Hong Kong, the Group has branches in France 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 Responsibly Joules section of this report on page 35.

### DISABLED EMPLOYEES
Details of the Group's policy in relation to disabled employees is set out in the Responsibly Joules section of this report on page 35.

### 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, have indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the AGM.

JONATHAN DARGIE
**Company Secretary**



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## JOULES GROUP PLC

The Directors are responsible for preparing the Annual Report and 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 22 July 2019 and is signed on its behalf by:

MARC DENCH
**Chief Financial Officer**
22 July 2019

## RUNNING WILD IN STYLE

As a family lifestyle brand with an authentic heritage, we're proud to say that we live the life our customers lead. We love to embrace the great outdoors – come rain or shine – we love long walks, picnics on the beach and gathering together with family and friends.

CHAPTER

# 3

# CONSOLIDATED FINANCIAL STATEMENTS

*let's explore*



# AUDITOR'S REPORT

## JOULES GROUP PLC

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

**In our opinion:**

- **the financial statements of Joules Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 26 May 2019 and of the group's profit for the period then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and 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 applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Summary of our audit approach**

| | |
|---|---|
| **Key audit matters** | The key audit matter that we identified in the current year is the accuracy and completeness of the returns provision.<br>Within this report, any key audit matters which are the same as the prior year are identified with ✪ |
| **Materiality** | The materiality that we used for the group financial statements was £633,400 (2018: £559,000) which was determined on the basis of 5% of profit before tax (2018: 5% of profit before tax). |
| **Scoping** | Our full scope audit procedures covered the main UK entity which accounted for 91% of the total revenue for the group and 97% of the group's profit. We have undertaken specific procedures on certain balances in the group's overseas subsidiaries to address specific risks to the group. |
| **Significant changes in our approach** | There have been no significant changes in our audit approach.<br>The completeness of the stock in transit is no longer considered a key audit matter. |

### CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

# AUDITOR'S REPORT
JOULES GROUP PLC

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior year the completeness of inventory and goods in transit was included as a key audit matter. This is not included as a key audit matter in the current year as a result of no issues being noted in the prior year's audit and due to enhanced controls being implemented to reduce the risk of transactions for goods in transit being recorded inappropriately.

| ACCURACY AND COMPLETENESS OF THE RETURNS PROVISION | |
|---|---|
| **Key audit matter description** | As described in note 1 to the financial statements, the group has different revenue streams that have separate characteristics. Customers are entitled to return products after purchase for a defined period. The directors apply estimates in both the retail (stores and e-commerce) and wholesale business streams in determining the level of provision that is required.<br><br>However, the returns from the e-commerce business are typically at a higher level than traditional store retailing which therefore makes the judgements involved more significant in determining the level of provision, the total returns provision is £1,548,000 as outlined in note 14, £1,102,000 of this relates to e-commerce sales.<br><br>As outlined in note 1 of the financial statements, the presentation of the returns provision has been restated to reflect the adoption of IFRS 15. The provision is now shown at the gross sales value of expected returns with a corresponding right of return asset being recognised within current assets for the related value of inventory.<br><br>The group uses an expected value method based on historical analysis of returns across the different revenue streams to model the potential reversal to revenue. The nature of the provision is judgemental in nature. Further information is given to this in note 1 within key sources of estimation.<br><br>Given the significant level of judgement involved, we have also identified this as a potential fraud risk area. |
| **How the scope of our audit responded to the key audit matter** | We have evaluated the design and implementation of controls over the returns provision.<br><br>We recalculated the provision for returns and tested the integrity of the data that has been used by management by agreeing through to underlying supporting evidence.<br><br>In addition to testing details on a sample basis, we performed an analytical review of the returns provision based on gross levels of sales as well as comparing with historical levels of accuracy and levels of returns.<br><br>We have performed a retrospective review of returns received post year end to assess whether any contradictory evidence existed.<br><br>We have assessed the impact and presentation of IFRS 15, which involved comparing to industry practice and assessing performance obligations within contracts. |
| **Key observations** | We are satisfied that the key assumptions applied in the returns provision are appropriate. |



# AUDITOR'S REPORT
JOULES GROUP PLC

## OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | GROUP FINANCIAL STATEMENTS | PARENT COMPANY FINANCIAL STATEMENTS |
|---|---|---|
| **Materiality** | £633,400 (2018: £559,000) | £627,000 (2018: £550,000) |
| **Basis for determining materiality** | 5% of statutory profit before tax (2018: 5% of statutory profit before tax). | 3% of net assets (2018:3% of net assets), but adjusted to be limited to an appropriate percentage of group materiality in both years. |
| **Rationale for the benchmark applied** | We have assessed that the use of profit before tax is the most appropriate measure upon which to base materiality as this continues to be a key driver of the business's value, is a critical component of the financial statements and a key metric that management use to monitor the performance of the business and communicate this to shareholders. | We have assessed the use of the net asset balance to be appropriate as the parent company acts as a holding company for the group's operations and as such, the value of its net assets is the key financial metric. |

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £31,670 (2018: £27,950), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The group consists of operations in the UK, US, Hong Kong and China. There are no significant sub-consolidations and the group structure is consistent with the prior year with no acquisitions or disposals arising in the period. Our full scope audit procedures covered the main UK entity and the parent company. As the overseas subsidiaries act as distribution channels for the UK entity these were not deemed significant components. The main UK trading entity, Joules Limited contributes 91% of the group's total revenue and generates 97% of the group's profit and 92% of the group's net assets before consolidation eliminations.

As a result of the growth in the US component, this component has been subject to specific audit procedures on certain balances in the current year. This is an increase in scope from the prior year. The US component contributes 8% of the group's total revenue and generates 7% of the group's profit from profit-making entities, before consolidation eliminations.

The range of component materialities used were between £253,400 and £627,000 of group materiality.

All the audit work was undertaken directly by the group engagement team and no component auditors were used.

At the group level we also tested all consolidation adjustments and carried out analytical procedures to confirm our conclusion that there was no significant risk of misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified balances.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.



# AUDITOR'S REPORT
## JOULES GROUP PLC

### RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### OPINIONS ON OTHER MATTERS 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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

**Adequacy of explanations received and accounting records**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

**Directors' remuneration**

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

### USE OF OUR REPORT

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

**ANDREW HALLS FCA**
**(Senior statutory auditor)**

For and on behalf of Deloitte LLP
Statutory Auditor
Nottingham, United Kingdom

22 July 2019

# CONSOLIDATED INCOME STATEMENT

## JOULES GROUP PLC

| | NOTE | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|---|
| REVENUE | 2 | 217,970 | 185,933 |
| Cost of sales | 5 | (98,583) | (82,403) |
| GROSS PROFIT | | 119,387 | 103,530 |
| Administrative expenses | 5 | (103,665) | (90,226) |
| Share-based payments | 27 | (2,616) | (1,766) |
| Total administrative expenses | | (106,281) | (91,992) |
| OPERATING PROFIT | | 13,106 | 11,538 |
| Finance costs | 6 | (251) | (348) |
| PROFIT BEFORE TAX | | 12,855 | 11,190 |
| Income tax expense | 7 | (2,701) | (2,564) |
| PROFIT FOR THE PERIOD | | 10,154 | 8,626 |
| Basic earnings per share (pence) | 26 | 11.57 | 9.86 |
| Diluted earnings per share (pence) | 26 | 11.32 | 9.74 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## JOULES GROUP PLC

| | NOTE | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|---|
| PROFIT FOR THE PERIOD | | 10,154 | 8,626 |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Net gain/(loss) arising on changes in fair value of hedging instruments entered into for cash flow hedges | 20 | 3,378 | (308) |
| Gains arising during the period on deferred tax on cash flow hedges | 20 | (689) | 31 |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD | | 2,689 | (277) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference on translation of foreign operations | 20 | 157 | 422 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 13,000 | 8,771 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## JOULES GROUP PLC

| | NOTE | 26 MAY 2019 £'000 | 27 MAY 2018 RESTATED £'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 8 | 17,245 | 18,049 |
| Intangibles | 9 | 16,862 | 12,614 |
| Deferred tax | 17 | 958 | 1,148 |
| Derivative financial instruments | 11 | - | 428 |
| TOTAL NON-CURRENT ASSETS | | 35,065 | 32,239 |
| CURRENT ASSETS | | | |
| Inventories | 10 | 35,311 | 32,795 |
| Trade and other receivables | 12 | 18,053 | 16,456 |
| Right of return asset | 10 | 615 | 429 |
| Cash and cash equivalents | 22 | 16,013 | 8,571 |
| Derivative financial instruments | 11 | 3,320 | 910 |
| TOTAL CURRENT ASSETS | | 73,312 | 59,161 |
| TOTAL ASSETS | | 108,377 | 91,400 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 42,613 | 40,008 |
| Current corporation tax payable | | 1,612 | 1,355 |
| Borrowings | 15 | 6,769 | 5,559 |
| Provisions | 14 | 247 | 264 |
| Right of return provision | 14 | 1,548 | 1,196 |
| Derivative financial instruments | 11 | - | 1,680 |
| TOTAL CURRENT LIABILITIES | | 52,789 | 50,062 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 15 | 3,447 | 2,972 |
| TOTAL NON-CURRENT LIABILITIES | | 3,447 | 2,972 |
| TOTAL LIABILITIES | | 56,236 | 53,034 |
| NET ASSETS | | 52,141 | 38,366 |
| EQUITIES | | | |
| Share capital | 18 | 878 | 875 |
| Hedging reserve | 20 | 2,631 | (277) |
| Translation reserve | 20 | 518 | 361 |
| EBT reserve | 21 | (322) | - |
| Merger reserve | 19 | (125,807) | (125,807) |
| Retained earnings | 19 | 162,833 | 151,804 |
| Share premium | 19 | 11,410 | 11,410 |
| TOTAL EQUITY | | 52,141 | 38,366 |

These financial statements of Joules Group plc (Company Registration Number 10164829) were approved by the Board of Directors and authorised for issue on 22 July 2019 and were signed on behalf of the Board of Directors by:

**MARC DENCH**
**Chief Financial Officer**

22 July 2019

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## JOULES GROUP PLC

| | MERGER RESERVE £'000 | HEDGING RESERVE £'000 | TRANSLATION RESERVE £'000 | EBT RESERVE £'000 | SHARE CAPITAL £'000 | SHARE PREMIUM £'000 | EARNINGS £'000 | TOTAL EQUITY £'000 |
|---|---|---|---|---|---|---|---|---|
| **BALANCE AT 28 MAY 2017** | **(125,807)** | **(139)** | **(61)** | **-** | **875** | **11,410** | **142,956** | **29,234** |
| Profit for the period | - | - | - | - | - | - | 8,626 | **8,626** |
| Other comprehensive income for the period | - | (277) | 422 | - | - | - | - | **145** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **-** | **(277)** | **422** | **-** | **-** | **-** | **8,626** | **8,771** |
| Basis adjustment to hedged inventory | - | 139 | - | - | - | - | - | **139** |
| Shares Issued (note 18) | - | - | - | - | - | - | - | - |
| Dividends Issued (note 28) | - | - | - | - | - | - | (1,663) | **(1,663)** |
| Credit to equity for equity-settled share-based payments excl. NI (note 27) | - | - | - | - | - | - | 1,595 | **1,595** |
| Gains arising during the period on deferred tax on share-based payments | - | - | - | - | - | - | 290 | 290 |
| **BALANCE AT 27 MAY 2018** | **(125,807)** | **(277)** | **361** | **-** | **875** | **11,410** | **151,804** | **38,366** |
| Profit for the period | - | - | - | - | - | - | 10,154 | **10,154** |
| Other comprehensive income for the period | - | 2,689 | 157 | - | - | - | - | **2,846** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **-** | **2,689** | **157** | **-** | **-** | **-** | **10,154** | **13,000** |
| Basis adjustment to hedged inventory | - | 219 | - | - | - | - | - | 219 |
| EBT share purchases and commitments | - | - | - | (322) | - | - | - | **(322)** |
| Shares Issued (note 18) | - | - | - | - | 3 | - | (3) | **-** |
| Dividends Issued (note 28) | - | - | - | - | - | - | (1,800) | **(1,800)** |
| Credit to equity for equity-settled share-based payments excl. NI (note 27) | - | - | - | - | - | - | 2,678 | **2,678** |
| Gains arising during the period on deferred tax on share-based payments | - | - | - | - | - | - | - | - |
| **BALANCE AT 26 MAY 2019** | **(125,807)** | **2,631** | **518** | **(322)** | **878** | **11,410** | **162,833** | **52,141** |



# CONSOLIDATED CASH FLOW STATEMENT

## JOULES GROUP PLC

| | NOTE | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|---|
| **Cash generated from operations** | | | |
| **PROFIT FOR THE PERIOD** | | **10,154** | 8,626 |
| **Adjustments for:** | | | |
| Depreciation | 8 | 5,126 | 6,360 |
| Amortisation | 9 | 2,672 | 1,453 |
| Share-based payments | 27 | 2,616 | 1,766 |
| Finance expense | | 251 | 348 |
| Tax expense | | 2,701 | 2,564 |
| **OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL** | | **23,520** | 21,117 |
| Increase in inventory and right of return asset | | (2,702) | (11,601) |
| Increase in receivables | | (1,597) | (2,443) |
| Increase in payables and right of return provision | | 3,125 | 8,105 |
| **CASH GENERATED BY OPERATIONS** | | **22,346** | 15,178 |
| Interest paid | | (270) | (308) |
| Tax paid | | (2,936) | (2,227) |
| **NET CASH FROM OPERATING ACTIVITIES** | | **19,140** | 12,643 |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | 8/9 | (11,502) | (17,228) |
| **NET CASH FROM INVESTING ACTIVITIES** | | **(11,502)** | (17,228) |
| **Cash flow from financing activities** | | | |
| Purchase of shares in EBT | | (322) | - |
| Repayment of borrowings | 23 | (449) | (596) |
| Proceeds from borrowings | 23 | 2,134 | 8,500 |
| Dividend paid | 28 | (1,800) | (1,663) |
| **NET CASH FROM FINANCING ACTIVITIES** | | **(437)** | 6,241 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 23 | **7,201** | 1,656 |
| Cash and cash equivalents at beginning of period | | 8,571 | 6,964 |
| Effect of foreign exchange rate changes | | 241 | (49) |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 22 | **16,013** | 8,571 |

# 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.

Joules Group plc is a public company limited by shares whose principal activities are the design and sale of lifestyle clothing, related accessories and a homeware range, through the multi-channel business structure including retail stores, e-commerce, county shows and events and wholesale. The company's registered office is Joules Building, The Point, Rockingham Road, Market Harborough, Leicestershire, LE16 7QU.

For the year ended 26 May 2019 (the 'Period') the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies.

| SUBSIDIARY NAME | COMPANIES HOUSE REGISTRATION NUMBER |
|---|---|
| Joules Investments Holdings Limited | 08752970 |
| Joules Limited | 02934327 |
| Joules Developments Limited | 11250107 |
| Joules Property Limited | 11250113 |

#### APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

**Adoption of new and revised standards**

With the exception of IFRS 9 and IFRS 15 which have been incorporated in to these financial statements, there have been no new IFRSs adopted in the current year which have materially impacted the Group's financial statements.

#### IFRS 9 – FINANCIAL INSTRUMENTS

#### OVERVIEW

IFRS 9, which replaces IAS 39 "Financial instruments: recognition and measurement" for annual periods beginning on or after 1 January 2018 covers the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group applied IFRS 9 using the modified retrospective method, except for the hedge accounting requirements which were applied prospectively. The impact of the application of IFRS 9 was not material to the net assets or profit of the Group for the Period or prior period. As a result, prior year balances have not been restated for IFRS 9.

There were no changes to the carrying amounts of assets and liabilities on transition to IFRS 9.

#### IMPAIRMENT

The adoption of IFRS 9 in the period ended 26 May 2019 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking Expected Credit Loss ('ECL') approach. Further detail on the transition from IAS 39 can found in note 12 "Trade and other receivables". The new methodology adopted by the Group has not had a material impact on the level of provision held for impairment losses.

#### HEDGE ACCOUNTING

The Group has applied the IFRS 9 hedge accounting model prospectively for the first time in the period ended 26 May 2019. IFRS 9 requires that hedge accounting relationships are aligned with the risk management objectives and strategy of the Group and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. At the date of initial application of IFRS 9, all of the Group's existing hedging relationships were eligible to be treated as continuing hedge relationships. Consistent with prior periods, the Group has continued to classify all hedging relationships as "derivatives designated as hedging instruments". The change in fair value of the entire forward contract is accounted for in the Group's cash flow hedge relationship and, as such, the adoption of the hedge accounting requirements of IFRS 9 did not have a significant impact on the Group's financial statements.

#### IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

#### OVERVIEW

IFRS 15 supersedes IAS 11 "Construction contracts", IAS 18 "Revenue" and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer. The Group has adopted IFRS 15 using the fully retrospective method of adoption, thereby restating comparatives as summarised in the table below and did not apply any optional practical expedients. There was no impact on profit after tax or retained earnings.

#### VARIABLE CONSIDERATION

Product sales are accounted for on a net basis excluding taxes, expected returns and wholesale volume discounts. Customers have a right of return within a specified period and therefore it is deemed that product sales include a variable element under IFRS 15. The Group uses the expected value method to estimate the value of goods that will be returned as this method best predicts the amounts of variable consideration to which the Group will be entitled. Under the old standard, IAS 18, expected returns were estimated using a similar approach and therefore no adjustment to the value of variable consideration was required on transition to IFRS 15.

Under IFRS 15 a right of return is not a separate performance obligation and the Group is required to recognise revenue net of estimated returns. There is no change to the Group's revenue recognition under IFRS 15, however the returns provision was previously recorded on a net basis (the amount of revenue relating to expected returns less the corresponding adjustment to cost of sales) within current liabilities. As a result, on adoption of IFRS 15 the Group was required to recognise a right of return asset on the balance sheet and a corresponding right of return liability. Prior year comparatives have been adjusted accordingly.



In summary, the adjustments to the Balance Sheet were as follows:

| | 27 MAY 2018 AS PREVIOUSLY REPORTED £'000 | ADJUSTMENTS £'000 | 27 MAY 2018 RESTATED £'000 |
|---|---|---|---|
| **Current assets** | | | |
| Right of return asset | - | 429 | 429 |
| **Current liabilities** | | | |
| Provisions | (1,031) | 767 | (264) |
| Right of return liability | - | (1,196) | (1,196) |
| **Net position** | **(1,031)** | **-** | **(1,031)** |

The adoption of IFRS 15 in the period ended 26 May 2019 resulted in the recognition of a right of return asset of £615,000 (2018: £429,000) and a right of return liability of £1,548,000 (2018: £1,196,000).

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 3 (amendments) | Business combinations |
| IFRS 11 (amendments) | Joint arrangements |
| IFRS 16 | Leases |
| IFRS 17 | Insurance contracts |
| IAS 1 (amendments) | Definition of materiality |
| IAS 12 (amendments) | Annual improvements |
| IAS 19 (amendments) | Plan Amendment, Curtailment or Settlement |
| IAS 23 (amendments) | Annual improvements |
| IAS 28 (amendments) | Long-term interests in associates and joint ventures |

#### IFRS 16 LEASES

The Directors have considered the impact of the adoption of the Standards and Interpretations listed above and have concluded that only IFRS 16 will have a material impact on the reported assets, liabilities and income statement for the Group. The standard will be applied for accounting periods starting after 1 January 2019, therefore the Group's first financial year that is impacted will be the year ending 31 May 2020. IFRS 16 requires operating leases to be capitalised on the Statement of Financial Position. The Group has decided to adopt the modified retrospective approach. The Directors have performed a review of the effect of IFRS 16 on the Group and the impact is to create a 'right of use asset' of approximately £59.9 million at 26 May 2019, being the present value of future lease obligations and with a corresponding 'lease liability'. Profit before tax in the year ended 26 May 2019 would have a marginal reduction of approximately £0.6 million as the result of the imputed finance charge on the 'lease liability' of £59.9 million, this impact reverses as the average lease lengths mature. The cash flow impact is nil.

#### BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

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.

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.

### SALE OF GOODS AND REVENUE RECOGNITION
The Group's contracts with customers for the sale of products generally include one performance obligation being the delivery of the goods. The Group has concluded that revenue from the sale of product should be recognised at the point in time when control of the asset is transferred to the customer i.e. on the delivery of the product.

This does not represent a change to the Group's accounting policy and therefore, the adoption of IFRS 15 does not have an impact on the timing of revenue recognition.

Revenue is measured at the fair value of the consideration received or expected to be receivable. Revenue is recorded excluding Value Added Tax and is reduced for actual and estimated customer returns, discounts, rebates and other similar allowances.

### RETURNS PROVISION
Present obligations for the actual and estimated customer 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.

### PROPERTY, PLANT AND EQUIPMENT
Land and buildings held for use in the production or supply of goods or for administrative purposes, are stated in the Statement of Financial Position at their fair value, being the deemed cost at the date of acquisition, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Assets in the course of construction for production, supply or administrative purposes, are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

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.

| | |
|---|---|
| Land and Buildings | - Buildings straight line over 25 years, Land non-depreciating |
| 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 |

Useful lives are reviewed annually and carrying values adjusted in line with third party valuations where appropriate.

## INTANGIBLE ASSETS
### TRADE AND OTHER INTANGIBLES
Trademarks and other intangibles are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful life.

### IT SYSTEMS
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. The new ERP system is being depreciated over 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.

### 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;
- 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.

### 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 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.

### INVENTORIES
Inventory is carried in the financial statements at the lower of cost and net realisable value. Cost includes product purchase price and associated inward transportation costs. Net realisable value is based on estimated selling price less further costs incurred to disposal.

### 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.

### 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, 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. The assets and liabilities of overseas subsidiaries denominated in a foreign currency, including fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of overseas subsidiaries are translated into sterling using average foreign exchange rates ruling at the date of transaction. Foreign exchange differences arising on retranslation are recognised in the retranslation reserve in equity.

### 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. 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. Certain rental expenses are determined on the basis of revenue achieved in specific retail locations and accrued for on that basis.

### 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, net of any third-party recoveries that can be measured reliably.

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.

### 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 in the next financial year.

### 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

## 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 using the Expected Credit Loss model, as detailed in note 12 "Trade and other receivables".

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. They 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.

### 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.

### 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 relationships 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 income statement.
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 in 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.

### 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.

### SHARES HELD BY EBT

During the year Joules Group plc set up an Employee Benefit Trust ("EBT") to provide for the issue of shares to Group employees, principally under share option schemes. Shares in the Company held by the EBT are included in the Statement of Financial Position at cost, including any directly attributable incremental costs, as a deduction from equity.

### 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 the next financial year.

In accordance with IAS 1 the Group is required to disclose critical accounting judgements and key source of estimation uncertainty. The Directors have assessed that there are no critical accounting judgements. In preparing the financial statements the Directors have made estimates with regard to the variable consideration element within product sales as a result of returns. The Directors use their accumulated historical knowledge of returns to model the level of provision required as outlined in note 14.

## 2. REVENUE

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

| | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|
| Sale of goods | 217,970 | 185,933 |
| | 217,970 | 185,933 |

## 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 the segments 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 non-recurring costs, being underlying earnings before interest, taxation, share-based payments, depreciation and amortisation, 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 26 MAY 2019 | RETAIL £'000 | WHOLESALE £'000 | OTHER £'000 | TOTAL £'000 |
|---|---|---|---|---|
| REVENUE | 159,088 | 57,088 | 1,794 | 217,970 |
| Cost of sales | (62,682) | (35,901) | - | (98,583) |
| GROSS PROFIT | 96,406 | 21,187 | 1,794 | 119,387 |
| Administration expenses | (56,350) | (11,963) | (27,554) | (95,867) |
| SEGMENT RESULT | 40,056 | 9,224 | (25,760) | 23,520 |
| **Reconciliation of segment result to profit before tax** | | | | |
| SEGMENT RESULT | 40,056 | 9,224 | (25,760) | 23,520 |
| Depreciation and amortisation | (4,390) | (663) | (2,745) | (7,798) |
| Share-based payments (incl. NI) | | | | (2,616) |
| Finance costs | | | | (251) |
| PROFIT BEFORE TAX | | | | 12,855 |

| 52 WEEKS ENDED 27 MAY 2018 | | | | |
|---|---|---|---|---|
| REVENUE | 129,680 | 55,528 | 725 | 185,933 |
| Cost of sales | (48,636) | (33,767) | - | (82,403) |
| GROSS PROFIT | 81,044 | 21,761 | 725 | 103,530 |
| Administration expenses | (46,586) | (10,334) | (25,493) | (82,413) |
| SEGMENT RESULT | 34,458 | 11,427 | (24,768) | 21,117 |
| **Reconciliation of segment result to profit before tax** | | | | |
| SEGMENT RESULT | 34,458 | 11,427 | (24,768) | 21,117 |
| Depreciation and amortisation | (4,656) | (410) | (2,747) | (7,813) |
| Share-based payments (incl. NI) | | | | (1,766) |
| Finance costs | | | | (348) |
| PROFIT BEFORE TAX | | | | 11,190 |

GEOGRAPHICAL INFORMATION

The Group's revenue from external customers and non-current assets by geographical location are detailed below.

| | UK £'000 | INTERNATIONAL £'000 | TOTAL £'000 |
|---|---|---|---|
| **52 weeks ended 26 May 2019** | | | |
| Revenue | 182,917 | 35,053 | 217,970 |
| Non-current assets | 33,845 | 1,220 | 35,065 |
| **52 weeks ended 27 May 2018** | | | |
| Revenue | 161,499 | 24,434 | 185,933 |
| Non-current assets | 31,361 | 878 | 32,239 |

## 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|
| **Staff costs during the period** | | |
| Wages and salaries | 32,846 | 30,260 |
| Social security costs | 3,903 | 2,731 |
| Other pension costs | 793 | 351 |
| Equity-settled share-based payment charges (excl. NI) | 2,677 | 1,595 |
| | 40,219 | 34,937 |
| **The average number of employees (including executive directors) was:** | | |
| Head office | 539 | 452 |
| Stores and Shows | 1,152 | 1,169 |
| Warehousing | 132 | 144 |
| | 1,823 | 1,765 |

DIRECTORS' REMUNERATION

The tables below detail the total remuneration earned by each Executive Director:

| 52 WEEKS ENDED 26 MAY 2019 | SALARIES/ FEES £'000 | TAXABLE BENEFITS £'000 | PENSION £'000 | ANNUAL BONUS (including deferred bonus) £'000 | LTIP £'000 | TOTAL REMUNERATION £'000 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| T S L Joule | 338.3 | 22.9 | 15.8 | 188.1 | 507.2 | **1,072.3** |
| C N Porter | 348.0 | 22.2 | 17.4 | 193.8 | 522.4 | **1,103.8** |
| M S Dench | 267.7 | 16.4 | 13.4 | 148.9 | 499.7 | **946.1** |
| **Non-Executive Directors** | | | | | | |
| I F Filby* | 100.0 | - | - | - | - | **100.00** |
| N W McCausland** | 13.3 | - | - | - | - | **13.3** |
| J C Little | 50.0 | - | - | - | - | **50.0** |
| D A Stead | 55.0 | - | - | - | - | **55.0** |
| TOTAL | 1,172.3 | 61.5 | 46.6 | 530.8 | 1,529.3 | 3,340.5 |



| 52 WEEKS ENDED 27 MAY 2018 | SALARIES/FEES £'000 | TAXABLE BENEFITS £'000 | PENSION £'000 | ANNUAL BONUS (INCLUDING DEFERRED BONUS) £'000 | TOTAL REMUNERATION £'000 |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| T S L Joule | 335.0 | 21.1 | 16.7 | 533.4 | **706.2** |
| C N Porter | 345.0 | 22.6 | 17.3 | 343.2 | **728.1** |
| M S Dench | 257.5 | 14.7 | 16.2 | 384.3 | **672.7** |
| **Non-Executive Directors** | | | | | |
| N W McCausland** | 85.0 | - | - | - | **85.0** |
| J C Little | 50.0 | - | - | - | **50.0** |
| D A Stead | 55.0 | - | - | - | **55.0** |
| TOTAL | 1,127.5 | 58.4 | 50.2 | 1,060.9 | 2,297.0 |

*Appointed 1 August 2018

**Resigned 31 July 2018

The number of Directors to whom retirement benefits have accrued during the Period was 3 (2018: 3).

## 5. PROFIT FOR THE YEAR

Profit before tax is stated after charging/(crediting):

| | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|
| Cost of inventories recognised as expense | 85,948 | 69,794 |
| Staff costs (see note 4) | 40,219 | 34,937 |
| Property rent and service charges | 13,998 | 13,534 |
| Transportation, carriage and packaging | 10,517 | 10,110 |
| Depreciation of property, plant and equipment | 5,126 | 6,360 |
| Amortisation of intangible assets | 2,672 | 1,453 |
| Net foreign exchange gains | 43 | (796) |
| Write down of inventory in the period | 57 | 150 |
| Other expenses | 46,284 | 38,853 |
| | **204,864** | 174,395 |

Amortisation of intangible assets is included within administrative expenses in the income statement.

| AUDITORS' REMUNERATION | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|
| **The analysis of auditor's remuneration is as follows:** | | |
| Audit of these financial statements | 10 | 8 |
| Audit of financial statements of subsidiaries of the Company | 106 | 90 |
| TOTAL AUDIT FEES | 116 | 98 |
| **Other services pursuant to legislation:** | | |
| Tax advice | 7 | 13 |
| Audit related assurance services | 4 | 4 |
| Remuneration and share plan advisory | 16 | 22 |
| Other Services | - | 7 |
| TOTAL NON-AUDIT FEES | 27 | 46 |

## 6. FINANCE COSTS

| | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|
| Credit facility interest | 210 | 254 |
| Term loan interest | 23 | 56 |
| Finance lease interest | 18 | 38 |
| | 251 | 348 |

## 7. INCOME TAX

| a) Analysis of charge in the period | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax based on the profit for the period | 3,029 | 3,090 |
| Adjustment in respect of prior periods | (26) | (39) |
| Overseas tax | 197 | 17 |
| TOTAL CURRENT TAX CHARGE | 3,200 | 3,068 |
| **Deferred taxation (note 17)** | | |
| Adjustment in respect of prior periods | 56 | (148) |
| Deferred tax on share-based payments | (543) | (290) |
| Pension contributions | (64) | - |
| Short lease premiums tax deductions | (8) | - |
| Movement in fixed asset timing differences | 78 | (89) |
| Movement on disallowable provision | (18) | 23 |
| TOTAL DEFERRED TAXATION CHARGE/(CREDIT) | (499) | (504) |
| TAX CHARGE FOR THE PERIOD (NOTE 7B) | 2,701 | 2,564 |



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

| | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|
| **Deferred taxation (note 17)** | | |
| Gain/(loss) arising during the period on deferred tax on cash flow hedges | (689) | 31 |
| TOTAL INCOME TAX GAIN/(LOSS) RECOGNISED IN OTHER COMPREHENSIVE INCOME | (689) | 31 |

| **b) Factors affecting the tax charge for the period**<br>There are reconciling items between the expected tax charge and the actual, which are shown below: | 52 WEEKS ENDED 26 MAY 2019 £'000 | 52 WEEKS ENDED 27 MAY 2018 £'000 |
|---|---|---|
| PROFIT BEFORE TAXATION | 12,855 | 11,190 |
| UK corporation tax at the standard rate | 19.0% | 19.0% |
| Profit multiplied by the standard rate in the UK | 2,442 | 2,126 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes and other permanent differences | 170 | 216 |
| Depreciation and amortisation on non-qualifying assets | 281 | 347 |
| Difference in overseas tax rate | 45 | 17 |
| Effect of adjustment in deferred tax rate | 59 | 45 |
| Adjustment in respect of prior period (current tax) | (26) | (39) |
| Share-based payments | (302) | - |
| R&D expenditure credits | (25) | - |
| Adjustment in respect of prior period (deferred tax) | 56 | (148) |
| TAX EXPENSE FOR THE PERIOD (NOTE 7A) | 2,701 | 2,564 |

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 19.0% (2018: 19.0%).

## 8. PROPERTY, PLANT AND EQUIPMENT

| | LAND & BUILDINGS £'000 | LEASEHOLD IMPROVEMENTS £'000 | FIXTURES AND FITTINGS £'000 | MOTOR VEHICLES £'000 | TOTAL £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| **At 28 May 2017** | - | 100 | 28,195 | 126 | 28,421 |
| Additions | 4,715 | - | 8,437 | - | 13,152 |
| Disposals | - | (100) | (7,233) | (33) | (7,366) |
| Transfers | - | - | (1,318) | - | (1,318) |
| **At 27 May 2018** | **4,715** | **-** | **28,081** | **93** | **32,889** |
| Additions | 2,676 | - | 2,357 | - | 5,033 |
| Disposals | - | - | - | (34) | (34) |
| Transfers | - | - | (988) | - | (988) |
| **At 26 May 2019** | **7,391** | **-** | **29,450** | **59** | **36,900** |
| **Accumulated depreciation** | | | | | |
| **At 28 May 2018** | **-** | **77** | **16,581** | **117** | **16,775** |
| Charge for the period | - | 23 | 6,331 | 6 | 6,360 |
| Disposals | - | (100) | (7,233) | (33) | (7,366) |
| Transfers | | - | (929) | - | (929) |
| **At 27 May 2018** | **-** | **-** | **14,750** | **90** | **14,840** |
| Charge for the period | - | - | 5,123 | 3 | 5,126 |
| Disposals | - | - | - | (34) | (34) |
| Transfers | - | - | (277) | - | (277) |
| **At 26 May 2019** | **-** | **-** | **19,596** | **59** | **19,655** |
| **Net book value** | | | | | |
| At 28 May 2017 | - | 23 | 11,614 | 9 | 11,646 |
| At 27 May 2018 | 4,715 | - | 13,331 | 3 | 18,049 |
| **At 26 May 2019** | **7,391** | **-** | **9,854** | **-** | **17,245** |

### PROPERTY, PLANT AND EQUIPMENT

Disposal of motor vehicles during the period relates to a fully depreciated vehicle that is no longer in use.

Transfers in the current period relate to trademarks and other intangibles which were previously recorded within Plant, Property and Equipment being reclassified to Trademarks and other intangibles.

Transfers in the prior period relate to capital expenditure with regard to the new ERP System which was previously recorded within Plant, Property and Equipment being reclassified to Intangible Assets - IT Systems expenditure.

During the previous financial year the Directors conducted a detailed review of the Group's fixed assets. As a result of this review £7,366,000 of Leasehold improvements, Fixtures and fittings and Motor vehicles of nil book value items which were no longer in existence or in use as at the balance sheet date were identified, these were recorded as a disposal in the period.

Land & buildings comprise of land, buildings and capitalised borrowing costs in relation to the ongoing development of the site intended for use as the Group's new head office.

## 9. INTANGIBLES

| | TRADEMARKS AND OTHER INTANGIBLES £'000 | IT SYSTEMS £'000 | TOTAL £'000 |
|---|---|---|---|
| **Cost** | | | |
| **At 28 May 2017** | **-** | **13,037** | **13,037** |
| Additions | - | 4,179 | 4,179 |
| Disposals | - | (1,111) | (1,111) |
| Transfers | - | 1,318 | 1,318 |
| **At 27 May 2018** | **-** | **17,423** | **17,423** |
| Additions | 179 | 6,030 | 6,209 |
| Disposals | - | - | - |
| Transfers | 999 | (11) | 988 |
| **At 26 May 2019** | **1,178** | **23,442** | **24,620** |
| **Accumulated amortisation** | | | |
| **At 28 May 2017** | **-** | **3,538** | **3,538** |
| Charge for the period | - | 1,453 | 1,453 |
| Disposals | - | (1,111) | (1,111) |
| Transfers | - | 929 | 929 |
| **At 27 May 2018** | **-** | **4,809** | **4,809** |
| Charge for the period | 120 | 2,552 | 2,672 |
| Disposals | - | - | - |
| Transfers | 277 | - | 277 |
| **At 26 May 2019** | **397** | **7,361** | **7,758** |
| **Net book value** | | | |
| At 28 May 2017 | - | 9,499 | 9,499 |
| At 27 May 2018 | - | 12,614 | 12,614 |
| **At 26 May 2019** | 781 | 16,081 | 16,862 |

### INTANGIBLE ASSETS

Transfers in the current period relate to trademarks and other intangibles which were previously recorded within Plant, Property and Equipment being reclassified to Trademarks and other intangibles.

Transfers in the prior period relate to capital expenditure with regard to the new ERP System which was previously recorded within Plant, Property and Equipment being reclassified to Intangible Assets - IT Systems expenditure.

During the previous financial year the Directors conducted a detailed review of the Group's intangible fixed assets. As a result of this review £1,111,000 of nil book value IT System items which were no longer in existence or in use as at the balance sheet date were identified, these were recorded as a disposal in the period.

## 10. INVENTORIES

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| Goods for resale | 26,403 | 22,441 |
| Goods in transit | 8,908 | 10,354 |
| | 35,311 | 32,795 |

The cost of inventories recognised as an expense during the year in respect of continuing operations in the 52 weeks ended 26 May 2019 was £85,948,000 (2018: £69,794,000).

During the period, the cost of inventories recognised as an expense includes £103,000 (2018: £138,000 ) of inventory previously provided for which was sold and the provision was therefore released. The cost of inventories recognised as an expense includes £696,000 for the 52 weeks ended 26 May 2019 (2018: £150,000) in respect of write-downs of inventory to net realisable value.

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

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| Right of return asset | 615 | 429 |
| | 615 | 429 |

The right of return asset represents the Group's right to recover products from customers where customers exercise their right of return. The Group uses its accumulated historical experience to estimate the number of returns using the expected value method.

## 11. DERIVATIVE FINANICAL 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 26 May 2019, the Group had 72 (2018: 135) forward foreign exchange contracts outstanding. Derivative financial instruments are carried at fair value, further detailed on note 24.

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

| | AVERAGE EXCHANGE RATE | | FOREIGN CURRENCY | | NOTIONAL VALUE | | FAIR VALUE | |
|---|---|---|---|---|---|---|---|---|
| OUTSTANDING CONTRACTS | 2019 £/$ | 2018 £/$ | 2019 $'000 | 2018 $'000 | 2019 £'000 | 2018 £'000 | 2019 £'000 | 2018 £'000 |
| **Buy U.S. Dollars** | | | | | | | | |
| Less than 3 months | 1.4158 | 1.2733 | 7,000 | 25,150 | 4,945 | 19,752 | 545 | (894) |
| 3 to 6 months | 1.4306 | 1.3049 | 19,375 | 29,050 | 13,532 | 22,263 | 1,617 | (572) |
| 6 months and above | 1.3317 | 1.3820 | 41,000 | 74,050 | 30,793 | 53,581 | 1,158 | 1,124 |
| | 1.3673 | 1.3416 | 67,375 | 128,250 | 49,270 | 95,596 | 3,320 | (342) |

The Company does not hold Euro to GBP forward options (2018: nil). The US Dollar spot rate at 26 May 2019 was $1.2691 / £1.

The fair value of cash flow hedges of the Group as at 26 May 2019 was an asset of £3,320,000 (2018: £1,338,000) and a liability of £nil (2018: £1,680,000) resulting in a net asset of £3,320,000 (2018: net liability £342,000), further detailed in note 24.

The ineffective component of the cash flow hedge is insignificant and therefore the entire value of the continuing hedges at the year end is recognised within the cash flow hedge reserve.



## 12. TRADE AND OTHER RECEIVABLES

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| Trade receivables – gross | 6,955 | 6,730 |
| Less: allowance for expected credit losses (calculated under IFRS 9) | (325) | (592) |
| Trade receivables – net | 6,630 | 6,138 |
| Other receivables | 1,289 | 582 |
| Prepayments | 10,134 | 9,736 |
| TOTAL TRADE AND OTHER RECEIVABLES | 18,053 | 16,456 |

All of the Other receivables and Prepayment balances above are deemed to be current and do not include impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset.

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.

During the year the Group adopted IFRS 9, which resulted in a change in the accounting for impairment losses, as noted in the significant accounting policies note. The new standard replaced the incurred loss approach under IAS 39 "Financial instruments" with a forward-looking Expected Credit Loss ('ECL') approach.

The standard credit period on sales of goods is 30 days. Interest may be charged on outstanding trade receivables. The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of trading conditions at the reporting date. All trade receivable balances are assessed individually.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The allowance provision for impairment calculated under IAS 39 "Financial instruments: Recognition and measurement" and IFRS 9 "Financial instruments" at 27 May 2018 are not materially different. Accordingly, there are no adjustments on transition.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base:

| 26 MAY 2019 | NOT PAST DUE £'000 | <30 £'000 | 31-60 £'000 | >61 £'000 | TOTAL £'000 |
|---|---|---|---|---|---|
| Expected credit loss | 0% | 2% | 3% | 61% | 5% |
| Gross carrying amount | 4,495 | 1,390 | 632 | 438 | 6,955 |
| Loss allowance | (8) | (32) | (16) | (269) | (325) |
| NET TRADE RECEIVABLES | 4,487 | 1,358 | 616 | 169 | 6,630 |

As at the date of the approval of these financial statements a total of £4,972,000 has been received in relation to the above trade receivables as follows: £2,820,000 not past due, £1,398,000 <30 days past due, £536,000 31-60 days past due, £218,000 and >61 days past due.

| 27 MAY 2018 | NOT PAST DUE £'000 | <30 £'000 | 31-60 £'000 | >61 £'000 | TOTAL £'000 |
|---|---|---|---|---|---|
| Expected credit loss | 0% | 2% | 26% | 59% | 9% |
| Gross carrying amount | 3,606 | 1,847 | 600 | 677 | 6,730 |
| Loss allowance | - | (34) | (156)* | (402) | (592) |
| NET TRADE RECEIVABLES | 3,606 | 1,813 | 444 | 275 | 6,138 |

*This balance includes a provision of £82,000 in relation to a specific trade debtor balance increasing the expected credit loss percentage from 12% to 26%, as stated in the table above.

| MOVEMENT IN EXPECTED CREDIT LOSSES | 2019 £'000 | 2018 £'000 |
|---|---|---|
| **BALANCE AS AT 29 MAY 2017 UNDER IAS 39** | (592) | (405) |
| Adjustments upon application of IFRS 9 | - | - |
| **BALANCE AS AT 27 MAY 2018 UNDER IFRS 9** | **(592)** | **(405)** |
| Movement in loss allowance recognised in profit or loss during the year | (227) | (492) |
| Receivables written off during the year as uncollectable | 172 | 71 |
| Amounts recovered | 322 | 234 |
| **BALANCE AT END OF PERIOD** | **(325)** | **(592)** |

The table above details the movement in the lifetime expected credit losses that have been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

## 13. TRADE AND OTHER PAYABLES

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| Trade payables | 23,130 | 20,267 |
| Other taxation and social security | 3,188 | 1,926 |
| Other payables | 1,568 | 1,980 |
| Accruals | 14,727 | 15,835 |
| | **42,613** | 40,008 |

Trade and other payables 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

| DILAPIDATIONS | £'000 |
|---|---|
| AS AT 27 MAY 2018 | 264 |
| Additional provision during the period | 93 |
| Utilisation of provision | (110) |
| **AS AT 26 MAY 2019** | **247** |

As detailed in the significant accounting policies note, as a result of the adoption of IFRS 15, the Group was required to restate its Statement of Financial Position and recognise a right of return asset and a corresponding right of return liability. As a result, the returns provision is no longer included in the restated provisions balance. There has been no impact on profit and net assets.

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| Right of return provision | 1,548 | 1,196 |
| | **1,548** | 1,196 |

The right of return provision relates to the customer's right to return product following purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the number of returns using the expected value method.



## 15. BORROWINGS

### SUMMARY OF BORROWING ARRANGEMENTS

The Credit facility is a £25 million Revolving Credit Facility in which amounts drawn down are generally repayable within three months. The facility matures in July 2022 following an amendment and extension that was completed in December 2018.

During the period the existing five-year term loan facility with Barclays Bank PLC was increased from £3.5 million to £9.5 million to part fund the development of the Group's new head office premises. The term loan facility is secured against the new head office land and buildings asset and £4.0 million of it was drawn down as at the period end (2018: £3.2m).

The Finance leases are secured against the assets to which they relate. The present value of minimum lease payments is equal to the liability. Interest is paid at varying rates above base rate.

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

| | 52 WEEKS ENDED 26 MAY 2019 % | 52 WEEKS ENDED 27 MAY 2018 % |
|---|---|---|
| Credit facility | 2.3% | 2.0% |
| Term loan | 1.7% | 1.8% |
| Finance leases | 9.0% | 7.3% |

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| Credit facility | 6,157 | 5,000 |
| Term loan | 3,975 | 3,237 |
| Finance leases | 84 | 294 |
| | **10,216** | 8,531 |

| BORROWINGS ARE REPAYABLE AS FOLLOWS: | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| **Credit facility** | | |
| Within one year | 6,157 | 5,000 |
| | | |
| **Term loan** | | |
| Within one year | 528 | 350 |
| Between one and two years | 1,056 | 350 |
| Between two and five years | 2,391 | 2,537 |
| | **3,975** | **3,237** |
| | | |
| **Finance leases** | | |
| Within one year | 84 | 209 |
| Between one and two years | - | 85 |
| Between two and five years | - | - |
| | **84** | **294** |
| | | |
| **Total borrowings** | | |
| Within one year | 6,769 | 5,559 |
| Between one and two years | 1,056 | 435 |
| Between two and five years | 2,391 | 2,537 |
| | **10,216** | **8,531** |



## 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:

| LAND AND BUILDINGS | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| **Lease payments:** | | |
| Not later than 1 year | 12,042 | 11,107 |
| Later than 1 year and not later than 5 years | 36,969 | 34,818 |
| Later than 5 years | 15,367 | 18,929 |
| | **64,378** | **64,854** |

| OTHER | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| **Lease payments:** | | |
| Not later than 1 year | 663 | 742 |
| Later than 1 year and not later than 5 years | 584 | 1,114 |
| Later than 5 years | - | 105 |
| | **1,247** | **1,961** |

## 17. DEFERRED TAXATION

The following is the analysis of deferred tax assets/(liabilities) presented in the Consolidated Statement of Financial Position:

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| **Difference between depreciation and capital allowances** | | |
| Balance brought forward | 616 | 260 |
| Credit/(charge) to income statement | (283) | 356 |
| **BALANCE AT END OF PERIOD** | **333** | **616** |
| **Other short-term timing differences** | | |
| Balance brought forward | 532 | 351 |
| Credit to income statement | 782 | 150 |
| Credit due to cash flow hedges | (689) | 31 |
| **BALANCE AT END OF PERIOD** | **625** | **532** |
| **TOTAL DEFERRED TAX ASSET AT END OF PERIOD** | **958** | **1,148** |
| **Movement** | | |
| Balance brought forward | 1,148 | 613 |
| Credit /(charge) to income statement (note 7) | 499 | 504 |
| Credit to other comprehensive income (note 7) | (689) | 31 |
| **BALANCE AT END OF PERIOD** | **958** | **1,148** |

There is no unprovided deferred tax in the current period for the Group (2018: £nil). The deferred tax asset recognised in the current period is expected to be utilised against future taxable profits.

## 18. CALLED UP SHARE CAPITAL

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| **Allotted and issued** | | |
| 87,793,809 Ordinary shares of £0.01 each (2018: 87,503,058) | 878 | 875 |
| **Authorised** | | |
| 116,667,736 Ordinary shares of £0.01 each (2018: 116,667,736) | 1,167 | 1,167 |

During the period new ordinary shares were issued to employees that left the business from the following share schemes: SAYE: 13,569 shares (2018: 2,368), ESOP: 271,532 shares (2018:nil) and LTIP: 5,650 shares (2018:nil).

All ordinary shares carry equal rights.

## 19. OTHER RESERVES

### MERGER RESERVE

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. As a result, a merger reserve of £125,807,000 was created upon acquisition and AIM listing of the Group on 26 May 2016.

### 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.

### 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 27 May 2018 | 11,410 |
| Balance at 26 May 2019 | 11,410 |

## 20. HEDGING AND TRANSLATION RESERVE

| GROUP | HEDGING RESERVE £'000 | TRANSLATION RESERVE £'000 |
|---|---|---|
| **BALANCE AS AT 28 MAY 2017** | **(139)** | **(61)** |
| Other comprehensive income for the period | (277) | 422 |
| Basis adjustment to hedged inventory | 139 | - |
| **BALANCE AS AT 27 MAY 2018** | **(277)** | **361** |
| Other comprehensive income for the period | 2,689 | 157 |
| Basis adjustment to hedged inventory | 219 | - |
| **BALANCE AS AT 26 MAY 2019** | **2,631** | **518** |

### 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 assets 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.



## 21. EBT RESERVE

During the year the Group set up an Employee Benefit Trust ('EBT') to partially settle obligations under the various employee share option schemes of the Group.

The EBT has an independent trustee resident in Jersey. During the year no share options have been settled with shares held by the EBT.

At 26 May 2019 the EBT held 118,300 (2018: nil) ordinary shares of 1p each in the Company purchased for a total consideration of £322,000 (2018: £nil). Details of outstanding share options are shown in Note 27.

The consideration paid for the ordinary shares of 1p each in the Company held by the EBT at 26 May 2019 has been shown as an EBT reserve and presented within equity for the Company and the Group. All other assets, liabilities, income and costs of the EBT have been incorporated into the accounts of the Company and the Group.

The table below shows the movements in equity from EBT share purchases during the year:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | SHARES | £'000 | SHARES | £'000 |
| Shares purchased by EBT in the year | 118,300 | 322 | - | - |
| Shares issued on employee option exercises | - | - | - | - |

## 22. CASH AND CASH EQUIVALENTS

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| Cash and cash at bank | 16,013 | 8,571 |

## 23. ANALYSIS OF NET CASH

| | AT 27 MAY 2018 £'000 | NON-CASH CHANGES £000 | CASH CHANGES £'000 | AT 26 MAY 2019 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 8,571 | 241 | 7,201 | 16,013 |
| Credit facility | (5,000) | - | (1,157) | (6,157) |
| Term loan | (3,150) | - | (825) | (3,975) |
| Finance leases | (381) | - | 297 | (84) |
| **Total liabilities from financing activities** | **(8,531)** | **-** | **(1,685)** | **(10,216)** |
| **TOTAL NET CASH** | **40** | **241** | **5,516** | **5,797** |

## 24. FINANCIAL INSTRUMENTS

| CATEGORIES OF FINANCIAL INSTRUMENTS | NOTE | AT 26 MAY 2019 £'000 | AT 27 MAY 2018 £'000 |
|---|---|---|---|
| **Carrying value of financial assets at amortised cost:** | | | |
| Cash and cash equivalents | 22 | 16,013 | 8,571 |
| Trade and other receivables | 12 | 18,053 | 16,456 |
| | | **34,066** | **25,027** |
| Cash flow hedges | 11 | 3,320 | 1,338 |
| TOTAL FINANCIAL ASSETS | | **37,386** | **26,365** |
| **Financial liabilities held at amortised cost:** | | | |
| Trade payables | 13 | (23,130) | (20,267) |
| Other payables | 13 | (19,483) | (19,741) |
| Borrowings | 15 | (10,216) | (8,531) |
| | | **(52,829)** | **(48,539)** |
| Cash flow hedges | 11 | - | (1,680) |
| TOTAL FINANCIAL LIABILITIES | | **(52,829)** | **(50,219)** |

### 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 26 May 2019 would decrease/increase by £95,000 (2018: £70,000). This has been calculated by applying the amended interest rate to the weighted average rate of borrowings for the period to 26 May 2019 for borrowings at the period end, 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 strengthened/weakened by 10 percent and all other variables were held constant, the Group's profit for the period ended 52 weeks to 26 May 2019 would increase/decrease by £919,000 and £482,000 respectively (2018: £194,000 and £27,000). 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.

### EXPECTED CREDIT LOSS SENSITIVITY

Deterioration in the ability of customers to afford their payments will have an impact the Group's Expected Credit Loss ('ECL').

A 2% movement upwards (or downwards) in the expected rate of cash collectable following default reduces (or increases) the allowance for ECL by £7,000.

In the eight weeks following the year end date, £4,972,000 of the £6,955,000 Joules Group plc's customer and other trade receivables balance has been settled.



### LIQUIDITY AND INTEREST RISK TABLES

The following tables detail the Group's remaining contractual maturity for its derivative and non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

| | WEIGHTED AVERAGE EFFECTIVE INTEREST RATE % | LESS THAN 1 MONTH £'000 | 1-3 MONTHS £'000 | 3 MONTHS TO 1 YEAR £'000 | 1-5 YEARS £'000 | TOTAL £'000 |
|---|---|---|---|---|---|---|
| 26 MAY 2019 | | | | | | |
| Credit facility | 2.3 | (12) | (25) | (6,194) | - | (6,231) |
| Term loan | 1.7 | (269) | (10) | (837) | (3,089) | (4,205) |
| Finance leases | 9.0 | (14) | (29) | (43) | - | (86) |
| Trade payables | - | (17,891) | (5,098) | (141) | - | (23,130) |
| Accruals | - | (7,364) | (5,891) | (1,472) | - | (14,727) |
| NON-DERIVATIVE FINANCIAL INSTRUMENTS | - | **(25,550)** | **(11,053)** | **(8,687)** | **(3,089)** | **(48,379)** |
| DERIVATIVE FINANCIAL INSTRUMENTS | - | **(2,949)** | **(14,218)** | **(32,103)** | - | **(49,270)** |
| 27 MAY 2018 | | | | | | |
| Credit facility | 2.0 | (11) | (21) | (5,032) | - | (5,064) |
| Term loan | 1.8 | (92) | (10) | (308) | (3,072) | (3,482) |
| Finance leases | 7.3 | (22) | (44) | (160) | (87) | (313) |
| Trade payables | - | (10,010) | (5,159) | (5,099) | - | (20,268) |
| Accruals | - | (8,004) | (6,403) | (1,428) | - | (15,835) |
| NON-DERIVATIVE FINANCIAL INSTRUMENTS | - | **(18,139)** | **(11,637)** | **(12,027)** | **(3,159)** | **(44,962)** |
| DERIVATIVE FINANCIAL INSTRUMENTS | - | **(4,919)** | **(23,148)** | **(50,829)** | **(16,699)** | **(95,595)** |

The Group has significant financial assets in inventory and trade debtors which are easily convertible to cash. In addition, the above table includes derivative financial instruments where there would be cash inflows on maturity of the forward contract.

### CARRYING VALUE OF FINANCIAL ASSETS

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

### 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 Expected Credit Loss 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. Foreign currency forward contracts and options 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 ASSETS AND LIABILITIES

Included within the Consolidated Statement of Financial Position are £16,483,000 (2018: £13,822,000) of assets and £5,070,000 (2018: £4,072,000) 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 subsidiaries.

Also included within the above table are foreign denominated external trade payables and receivables of £12,508,000 (2018: £2,191,000) and £4,561,000 (2018: £4,129,000) respectively.

## 25. RELATED PARTY TRANSACTIONS

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

The Directors control 29,861,923 shares (2018: 30,112,305 shares) in Joules Group plc, which represents 34.0% (2018: 34.4%) of the issued share capital.

The remuneration of the Directors of the Group is disclosed in note 4 and in the Directors' Remuneration Report. In addition Directors participate in dividend payments and share schemes, further details of which can be found in note 28 and 27 respectively.

## 26. EARNINGS PER SHARE

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

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 26 MAY 2019 | 52 WEEKS ENDED 27 MAY 2018 |
|---|---|---|
| Basic earnings per share (pence) | 11.57 | 9.86 |
| Diluted earnings per share (pence) | 11.32 | 9.74 |
| The calculation of basic and diluted earnings per share is based on the following data: | | |
| **Earnings** | **£'000** | **£'000** |
| Earnings for the purpose of basic and diluted earnings per share | 10,154 | 8,626 |
| **Number of shares** | | |
| Weighted number of ordinary shares for the purpose of basic earnings per share | 87,745,789 | 87,503,058 |
| Potentially dilutive share awards | 1,901,152 | 1,014,761 |
| Weighted number of ordinary shares for the purpose of diluted earnings per share | 89,646,941 | 88,517,819 |

## 27. SHARE-BASED PAYMENTS

### SUMMARY OF MOVEMENT IN AWARDS

| NUMBER OF SHARES | DBP | ESOP | LTIP | SAYE | TOTAL |
|---|---|---|---|---|---|
| **OUTSTANDING AT 27 MAY 2018** | **290,719** | **582,907** | **2,253,094** | **646,444** | **3,773,164** |
| Granted during the year | 174,126 | - | 865,656 | 332,560 | 1,372,342 |
| Lapsed during the year | - | - | (105,287) | (70,266) | (175,553) |
| Exercised during the year | - | (479,108) | (5,650) | (14,494) | (499,252) |
| **OUTSTANDING AT 26 MAY 2019** | **464,845** | **103,799** | **3,007,813** | **894,244** | **4,470,701** |
| **EXERCISABLE AT 26 MAY 2019** | **-** | **103,799** | **-** | **-** | **103,799** |

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 bond with a life in line with the expected life of the options.

The fair value of the total shares issued during the period, and measured as at issue date is £4,430,956.



The inputs into the model were as follows:

| | DBP | ESOP | LTIP | SAYE |
|---|---|---|---|---|
| Weighted average share price | **2.93** | **2.51** | **2.84** | **2.93** |
| Weighted average exercise price | 0.01 | 1.68 | 0.01 | 2.06 |
| No. of employees | 1 | 10 | 86 | 249 |
| Shares under option | 464,845 | 103,799 | 3,007,813 | 894,244 |
| Expected volatility | 28% | 28% | 28% | 28% |
| Expected life (Years) | 3 | 3-10 | 3 | 3 |
| Risk-free rate | 0.08% | 0.08% | 0.08% | 0.08% |
| Possibility of ceasing employment before vesting | 0% | 0% | 0%-10% | 0% |
| Expectations of meeting performance criteria | 100% | 100% | 75% -100% | 100% |
| Expected dividend yields | 1.9% | 1.9% | 1.9% | 1.9% |

The Group recognised a net expense of £2,677,000 during the year (2018: £1,595,000) relating to equity settled share-based payments. Including associated employer's National Insurance contributions which in the year was a credit of £61,000 (2018: £171,000 expense), the Group recognised a total expense of £2,616,000 during the year (2018: £1,766,000).

### DEFERRED BONUS PLAN ('DBP')

The DBP operates in conjunction with the Group's annual bonus plan. The number of ordinary shares subject to a DBP award will be the number of shares that have a market value equal to the value of the annual bonus deferred into a DBP award. DBP awards take the form of nil-cost options, vest on the third anniversary of the date on which the relevant annual bonus was determined and are normally exercisable until the tenth anniversary of the grant date.

### 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 relevant performance period, being the financial years ending May 2019, May 2020 and May 2021 for grants made to date. For the financial years ending May 2020 and May 2021 20% of the target is based on achieving specified international revenue targets. For other senior management awards the target is based on the cumulative PBT over the three years to May 2019, May 2020 and May 2021 for the grants made to date. 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

| | 26 MAY 2019 | | 27 MAY 2018 | |
|---|---|---|---|---|
| | PENCE PER SHARE | £000 | PENCE PER SHARE | £000 |
| Interim dividend paid in the financial year | 0.75 | 658 | 0.7 | 612 |
| Approved dividend paid after the financial year | | | 1.3 | 1,141 |
| Final dividend proposed, not accrued, payable subject to approval at AGM | 1.35 | 1,185 | | |
| TOTAL | 2.1 | **1,843** | 2.0 | 1,753 |

The Directors are proposing a final dividend of 1.35 pence per share with a total value of £1,185,216 (2018: 1.30 pence per share with a total value of £1,141,117). This dividend has not been accrued in the Consolidated Statement of Financial Position and will be put for approval at the AGM on 25 September 2019.




# COMPANY STATEMENT OF FINANCIAL POSITION

## JOULES GROUP PLC

| | NOTE | AT 26 MAY 2019 £'000 | AT 27 MAY 2018 £'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investments | 30 | 139,980 | 139,980 |
| **TOTAL NON-CURRENT ASSETS** | | **139,980** | **139,980** |
| **CURRENT ASSETS** | | | |
| Other debtors | 31 | 41 | 20 |
| Cash at bank and in hand | | | - |
| **TOTAL CURRENT ASSETS** | | **41** | **20** |
| **TOTAL ASSETS** | | **140,021** | **140,000** |
| **CURRENT LIABILITIES** | | | |
| Other payables | 32 | 5,821 | 3,147 |
| **NET CURRENT LIABILITIES** | | **5,780** | **3,127** |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **134,200** | **136,853** |
| **CAPITAL AND RESERVES** | | | |
| Called up share capital | 33 | 878 | 875 |
| Share premium | 34 | 11,410 | 11,410 |
| EBT reserve | 21 | (322) | - |
| Loss for the period | | (532) | (574) |
| Profit and loss account | | 122,766 | 125,142 |
| **SHAREHOLDERS' FUNDS** | | **134,200** | **136,853** |

The parent company loss for the period was £532,000 (2018: loss of £574,000).

These financial statements of Joules Group plc (Company Registration Number 10164829) were approved by the Board of Directors and authorised for issue on 22 July 2019 and were signed on behalf of the Board of Directors by:

MARC DENCH
**Chief Financial Officer**

22 July 2019

# COMPANY STATEMENT OF CHANGES IN EQUITY

JOULES GROUP PLC

| | NOTE | SHARE CAPITAL £'000 | SHARE PREMIUM £'000 | RETAINED EARNINGS £'000 | EBT RESERVE £'000 | TOTAL EQUITY £'000 |
|---|---|---|---|---|---|---|
| **Balance at 28 May 2017** | | **875** | **11,410** | **126,805** | **-** | **139,090** |
| Dividend paid | 28 | - | - | (1,663) | - | (1,663) |
| Loss for the year and total comprehensive income | | - | - | (574) | - | (574) |
| **Balance at 27 May 2018** | | **875** | **11,410** | **124,568** | **-** | **136,853** |
| Shares issued | | 3 | - | (3) | - | - |
| EBT share purchases and commitments | 21 | - | - | - | (322) | (322) |
| Dividend paid | 28 | - | - | (1,800) | - | (1,800) |
| Loss for the year and total comprehensive income | | - | - | (532) | - | (532) |
| **Balance at 26 May 2019** | | **878** | **11,410** | **122,233** | **(322)** | **134,200** |



# NOTES TO THE COMPANY FINANCIAL STATEMENTS

JOULES GROUP PLC

## 29. SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

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.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- share based payments;
- financial instruments,
- capital management,
- presentation of comparative information in respect of certain assets,
- presentation of a cashflow statements;
- standards not year effective and;
- certain related parties transactions;
- business combinations;

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 £532,000, (2018: loss of £574,000).

Director remuneration for the period was £218,300 (2018: £190,000) in relation to Non-Executive Directors, further detailed in note 4.

Auditor remuneration for the period was £10,000 (2018: £8,000), further detailed in note 5.

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.

### SHARES HELD BY EBT

The Joules Group plc Employee Benefit Trust ('EBT') is set up to provide for the issue of shares to Group employees, principally under share option schemes. Shares in the Company held by the EBT are included in the Statement of Financial Position at cost, including any directly attributable incremental costs, as a deduction from equity.

### CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

There were no critical accounting judgements that would have a significant effect on the amounts recognised in the parent company financial statements or key sources of estimation uncertainty at the balance sheet date would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

## 30. INVESTMENTS

| | £'000 |
|---|---|
| **Cost and Net Book Value** | |
| At 27 May 2018 | 139,980 |
| At 26 May 2019 | 139,980 |

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

The Company's 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 Buildings, The Point, Rockingham Road, Market Harborough | 100% | 100% |
| Joules Limited* | Retailer | England and Wales | Joules Buildings, The Point, Rockingham Road, Market Harborough | 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% |
| Joules Developments Limited * | Non trading entity | England and Wales | Joules Buildings, The Point, Rockingham Road, Market Harborough | 100% | 100% |
| Joules Property Limited * | Non trading entity | England and Wales | Joules Buildings, The Point, Rockingham Road, Market Harborough | 100% | 100% |

## 31. OTHER DEBTORS

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| Prepayments | 41 | 20 |
| | 41 | 20 |



## 32. OTHER PAYABLES

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| Trade payables | 9 | 34 |
| Payables due to subsidiary | 5,785 | 3,102 |
| Taxation and social security | 11 | - |
| Accruals | 16 | 11 |
| | 5,821 | 3,147 |

The payables due to subsidiary is in relation to administrative expenses and dividends paid by Joules Limited on behalf of Joules Group plc. The terms of the intercompany payable is at nil interest, payable on demand.

## 33. CALLED UP SHARE CAPITAL

| | 26 MAY 2019 £'000 | 27 MAY 2018 £'000 |
|---|---|---|
| **Allotted and issued** | | |
| 87,793,809 Ordinary shares of £0.01 each (2018: 87,503,058) | 878 | 875 |
| **Authorised** | | |
| 116,667,736 Ordinary shares of £0.01 each (2018: 116,667,736) | 1,167 | 1,167 |

During the period new ordinary shares were issued to employees that left the business from the following share schemes: SAYE: 13,569 shares (2018: 2,368), ESOP: 271,532 shares (2018:nil) and LTIP: 5,650 shares (2018:nil).

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. As a result, a merger reserve of £125,807,000 was created upon acquisition and AIM listing of the Group on 26 May 2016.

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 27 May 2018 | 11,410 |
| Balance at 26 May 2019 | 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

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Registered in England and Wales number: 10164829

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30 YEARS
OF MAKING MEMORIES
1989-2019