



*joules*  
**BRIGHTENING  
LIVES**

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ANNUAL REPORT &  
ACCOUNTS 2019/2020



A decorative border of various flowers and leaves, including yellow, red, and pink blossoms, and green foliage, arranged in a circular pattern around the central text.

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**BRIGHTENING  
LIVES**

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ANNUAL REPORT &  
ACCOUNTS 2019/2020

**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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## HIGHLIGHTS

### Business well positioned to navigate existing and potential COVID-19 challenges:

- Trading performance ahead of management's expectations<sup>1</sup> after the first nine weeks of FY21
  - E-commerce demand<sup>2</sup> up more than 70% on the comparable period in prior year
  - All stores now re-opened with overall performance ahead of expectations
  - Wholesale performing in line with expectations
- Strong financial position with net cash<sup>7</sup> of £5.4 million and liquidity headroom of £54 million at 2 August 2020, significantly ahead of management's expectations<sup>1</sup>
- Continued progress on strategic initiatives:
  - 'Friends of Joules' digital marketplace providing increased range and choice to Joules' customers
  - UK and US distribution centre transformation initiatives complete, providing improved capacity, service levels and productivity
  - New store point of sale platform implemented, further integrating the store experience with our digital channels under our flexible 'Total Retail' model
- Joules brand health<sup>3</sup> and engagement scores at record highs with Joules ranked 12th out of 278 consumer brands in KPMG Nunwood's 2020 Consumer Experience Excellence report

### FY20 performance:

- Group revenue decreased by 12.5% to £190.8 million (FY19: £218.0m) adversely impacted by COVID-19 and the previously reported e-commerce stock availability issue over the Christmas trading period
  - Revenue impact of COVID-19 in the final quarter is estimated at c.£31 million<sup>4</sup>
  - E-commerce performed well with Joules' own e-commerce channel revenue up c.11% for the year
  - E-commerce represented nearly 57% of retail sales (FY19: 49.5%). For the first nine months, pre-COVID-19, it represented nearly 51% of retail sales
  - Store revenue declined 21.4% for the year. Over the first 9 months, pre-COVID-19, store sales declined c.8%, reflecting structural industry trends and reduced promotional activity
  - Wholesale revenue declined 25.3%, with the final quarter experiencing a reduction of c.75% as wholesale customers globally closed their operations in response to COVID-19
- Loss before tax (pre-IFRS16 and exceptional items)<sup>5</sup> of £2.0 million (FY19: £12.9m profit)
- Statutory loss before tax of £25.3 million (FY19: £12.9m profit)
  - IFRS16 (Leases) net impact £(1.8) million (FY19: na)
  - Exceptional costs £(21.5) million (FY19: nil) including £21.0 million non-cash impairment charge
- Group gross margin 50.7%, down 4.1%pts, impacted by sales channel mix and increased promotional activity in the final quarter
- Basic earnings per share loss 22.07 pence (FY19: 11.6 pence)
- 1.43 million active customers<sup>6</sup> and record brand awareness and brand health<sup>3</sup> metrics achieved during the final quarter of the year
- Net cash<sup>7</sup> of £4.5 million (FY19: £5.8m) and liquidity headroom of £53 million at 31 May 2020

### Reconciliation to statutory profit/loss before tax:

£MILLION	FY20	FY19
<b>PBT pre-IFRS16 and exceptional costs<sup>5</sup></b>	<b>(2.1)</b>	<b>12.9</b>
IFRS16 (net PBT impact)	(1.8)	na
<b>PBT - before exceptional costs</b>	<b>(3.9)</b>	<b>12.9</b>
Exceptional costs	(21.5)	-
<b>Statutory (loss)/profit before tax</b>	<b>(25.3)</b>	<b>12.9</b>

<sup>1</sup> Expectations is stated with reference to management's most recent forecast being the 'base case' used for the Directors' assessment of going concern and as the basis for the Group's FY21 financial year budget

<sup>2</sup> Demand is a non-GAAP measure. It states the total sales value (inclusive of sales tax) of customer orders received in the relevant period, excluding any returns received or provision for potential returns

<sup>3</sup> Brand Awareness and Brand Health are measured as part of an independent YouGov consumer survey

<sup>4</sup> COVID-19 revenue impact is estimated based on management's revenue forecast for the final quarter prepared just prior to the start of Q4 with consideration to sales run rates, prior year sales, wholesale order book and planned promotional activity

<sup>5</sup> LBT/PBT - pre-IFRS16 and exceptional costs is a non-GAAP measure provided to facilitate comparison across periods, it is stated prior to the impact of IFRS16 (Leases) adopted for the first time in FY20, and prior to exceptional costs that are primarily related to non-cash asset impairments in the Period

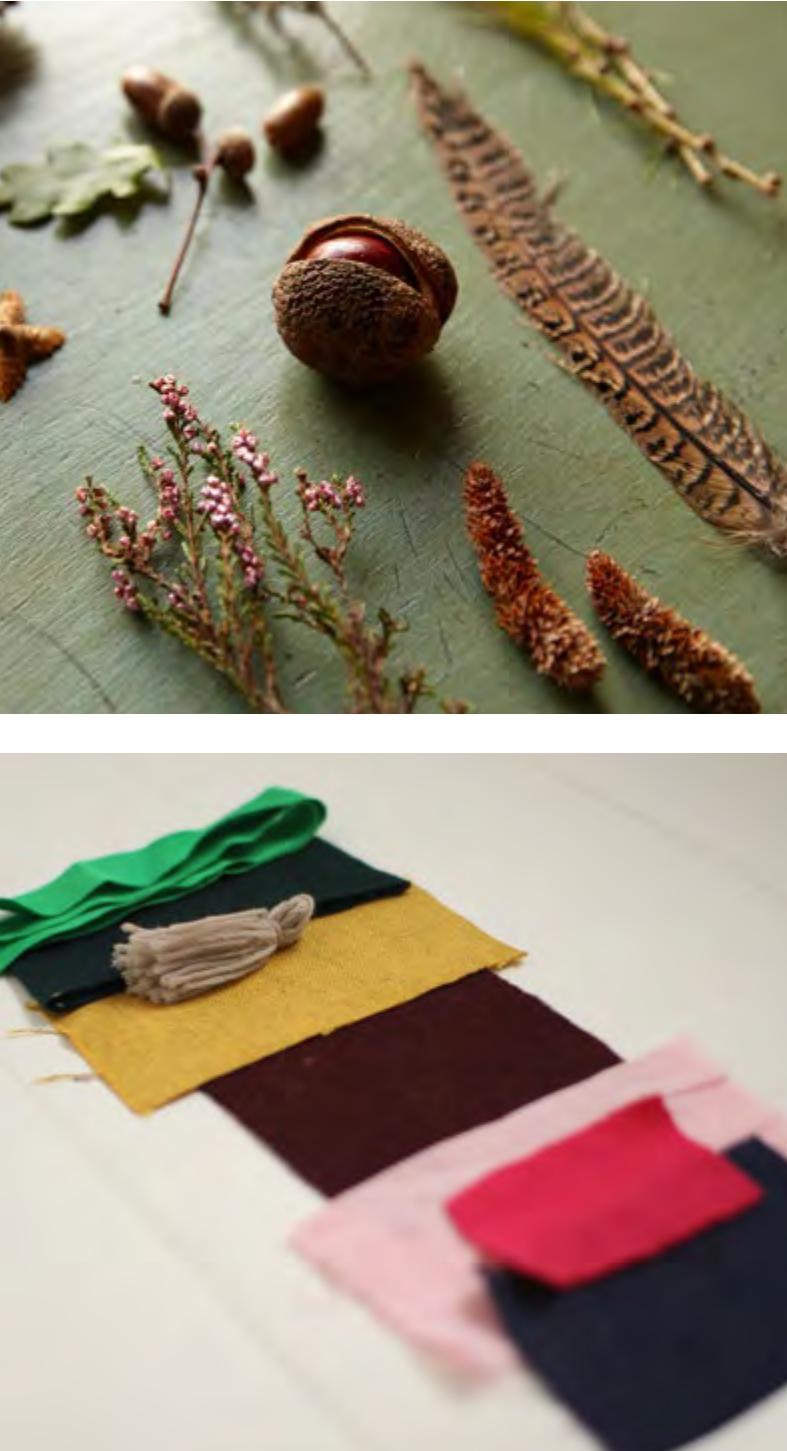
<sup>6</sup> Customer registered on our database who has transacted in the last 12 months. Prior years restated to reflect improved database matching (FY19: 1.39 million active customers)

<sup>7</sup> 'Net cash' represents gross cash & cash equivalents less total borrowings.

## 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

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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

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Putting it in print



# CHAIRMAN'S STATEMENT

## JOULES GROUP PLC

### INTRODUCTION

The Group is publishing its Annual Report for the year ended 31 May 2020 ("FY20" or the "Period") at a time when people, communities and economies around the world continue to face exceptional challenges as a result of the ongoing COVID-19 pandemic. Since the outbreak of the virus at the beginning of 2020, our foremost priority has been the safety and wellbeing of the entire Joules community. In this Strategic Report, Nick Jones, the Group's CEO, explains in detail the actions taken and flexibility demonstrated by the Group in response to the pandemic, however I would like to take this opportunity to express the Board's gratitude to our resilient employees, supportive customers and flexible business partners for their commitment throughout this incredibly challenging period.

Whilst the outbreak of COVID-19 only impacted the final months of the Group's FY20 performance, like many other retailers the pandemic has had a material effect on our business. From 23 March until after the Period end, the entire Joules store portfolio was closed alongside the stores of our UK wholesale partners in accordance with UK Government guidance. Trading conditions in the brand's key international markets, Germany and the US, experienced similarly high levels of disruption.

I am incredibly proud of the decisive actions taken by our leadership team in order to manage the significant pressures on the Group's operations and liquidity as a result of COVID-19-related disruption. With the cooperation of some of the Group's key stakeholders including stock suppliers, non-stock suppliers, landlords and our people, we were quickly able to introduce several mitigating actions to conserve cash throughout this period of significant uncertainty. In order to further bolster the Group's financial flexibility, in April the Group announced a Placing of 18,750,000 new ordinary shares at a price of 80 pence per share, raising £15 million gross proceeds. The Board was delighted with the levels of support shown by our shareholders during this process. This support was echoed by Barclays Bank PLC who in April provided a £15 million increase to the Group's existing Revolving Credit Facility. The additional liquidity has given the Group important headroom to manage near-term pressures resulting from the pandemic as well as providing the resources for Joules to emerge relatively stronger from this unprecedented situation.

### FY20 RESULTS OVERVIEW

The Group's strategic progress in FY20 was delivered against a backdrop of sustained difficult trading conditions in the brand's core UK market as well as the impact of COVID-19 during the final months of the Period. Despite these headwinds, Joules continued to increase its customer base, expand its presence internationally and deliver several important strategic initiatives - including the exciting launch of the 'Friends of Joules' digital marketplace - that will support the brand's future growth.

In addition to the external headwinds that the Group faced during the Period, as previously indicated our financial performance was also impacted by a stock availability issue through the important end of autumn/winter season promotional period. Whilst the cause of this issue was quickly identified and addressed, we were disappointed with our inability to fully satisfy our

customers' demand through our e-commerce channel during the important Christmas sale period. Despite this short term and one-off set-back, the Board remains incredibly encouraged by increasing customer awareness of and demand for the Joules brand.

Group revenue in the Period of £190.8 million was down 12.5% on the prior year (FY19: £218.0m). Retail sales were £145.9 million with store sales down 21.4% and e-commerce sales up 5.0% driven by strong sales through the Group's owned e-commerce channels (which increased 10.8%). Wholesale sales, which were significantly impacted by COVID-19 in the final quarter, were £42.7 million, a reduction of 25.3% in the Period.

The Group recorded a loss before tax, pre-IFRS 16 - leases and exceptional costs, of £2.0 million (FY19: £12.9m profit). The statutory loss before tax for the Period, including the impact of IFRS 16 of £1.4 million and exceptional costs of £21.5 million, was a loss of £25.3 million (FY19: £12.9m profit).

As announced in March 2020, the Board took the decision to cancel its proposed interim dividend considering the ongoing impact of the COVID-19 pandemic and subsequent macro-economic uncertainty. The Board believes it is prudent and in the long-term interests of shareholders to preserve its available cash resources during these unprecedented times and, consequently, is not declaring a full year dividend for FY20. The Board does not anticipate declaring a dividend in the FY21 year but will keep it under review with the intention to return to the previous progressive dividend policy as soon as it is financially possible and prudent to do so.

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

### BOARD UPDATE

Nick Jones was appointed to the Board as Chief Executive Officer on 30 September 2019, having joined the business on 2 September 2019. Nick brings a wealth of highly relevant experience to Joules and the Board is very pleased with the positive impact he has already made on the Group since joining.

Reflecting Joules' significant growth into the international lifestyle brand it is today, the role of Tom Joule, the Group's Founder and Chief Brand Officer, has continued to evolve over recent years. Following Nick's appointment and as the business moves into its next phase of long-term development, Tom and the Board have agreed updated terms of reference. These changes, in effect, formalise the evolution of Tom's role in the business and, effective from June 2020, Tom has moved to a more flexible, but reduced, working pattern anticipated to be a time commitment of approximately 50%. Going forward, in addition to his ongoing responsibilities as a Director of the company, which includes supporting in the development of the business strategy, these changes will enable Tom to increase his focus on providing guidance to our outstanding creative team in the product development process and driving new growth initiatives, such as 'Friends of Joules' and international expansion.

## CHAIRMAN'S STATEMENT

JOULES GROUP PLC

### OUTLOOK

The Group demonstrated its resilience and flexibility in managing the initial impact of the COVID-19 pandemic. We are pleased to report that we have performed ahead of the Board's COVID-19 downside scenario since the UK entered lockdown in terms of both trading and the Group's liquidity position. As consumers and businesses begin to emerge from the initial shock of the pandemic and into the 'new normal', we are under no illusions that the impact of the pandemic on businesses, communities and consumer confidence will be felt for some time to come.

Despite this, we remain as confident as ever in Joules' long-term prospects and potential. The investments we have made over recent years in our infrastructure to support the flexibility of our operating model means that we are well positioned to adapt and evolve to meet changing consumer behaviours, whether these are short-term adjustments or more fundamental and long-term trends. Since its foundation, Joules has been built as a truly integrated, multi-channel business with a focus on reaching and serving its customer base wherever they choose to shop. The Group's e-commerce channels already represented half of total retail sales prior to the impacts of COVID-19, and we anticipate that this will continue to increase in the years ahead. We have continued to invest in our e-commerce platform to support this anticipated growth with the addition of new payment methods, improved search functionality and enhanced product merchandising as well as the seamless integration of third-party products onto the platform as part of our 'Friends of Joules' digital marketplace.

On 15 June we were pleased to commence a phased re-opening of stores after a near three-month period of closure. Whilst it is still early in the process to fully predict to what extent store footfall and sales will recover, we remain confident that the Group's flexible and agile 'Total Retail' model puts Joules in a strong position to be able to adapt to the way customers choose to interact with our brand going forward. Across our portfolio of 128 stores, a large proportion are in 'lifestyle locations' and more than a third of our portfolio has a lease event within the next 18 months, with an average lease length of less than three years. We will continue to review the appropriate shape of our store portfolio and lease agreements.

Macro-economic uncertainty looks set to continue across the Group's key markets over the coming months and this will have an inevitable impact on consumer confidence and spending. Against this backdrop, the Group intends to continue to tightly manage its cost base until there is better visibility of sustained demand recovery across the Group's channels.

Joules is a very strong, differentiated and highly relevant brand that is well-positioned to meet consumers' evolving priorities. In addition, the Group has a solid financial position, well-invested operations and a clear strategy to continue to expand both in the UK and internationally, where we will focus on driving growth through our capital-light wholesale and digital channels. The Board remains confident in the Group's ability to adapt and react swiftly to a range of economic recovery scenarios and capture what the Board continues to believe are exciting, long-term growth opportunities.

**IAN FILBY**

**Chairman**

# CHIEF EXECUTIVE'S REPORT

## INTRODUCTION & COVID-19 RESPONSE

### INTRODUCTION

I am pleased to provide my first report to Joules' stakeholders since joining Joules in September 2019. I have been incredibly impressed by the strength of the brand, the flexibility of our multiple routes to market and the skill and commitment of our teams. I am very excited to have the opportunity to lead this fantastic brand through the next chapters of its growth.

Before expanding on the Group's progress in FY20 in more detail it is appropriate to first address the impact of COVID-19 on the business and outline the actions we have taken in response to the pandemic.

### COVID-19 – RESPONSE, MITIGATION AND MOVING FORWARD

First and foremost, it is right to acknowledge the tragic impact that COVID-19 has had on individuals and families across the world, and I would like to extend my deepest sympathy to those members of the wider Joules community who have been affected.

The disruption to the retail industry caused by the pandemic has been unlike anything we have seen before. Against this backdrop, I am incredibly proud with the decisiveness and speed with which the Joules team has responded and adapted. This has been made possible by the investments made over recent years in our infrastructure and IT systems, combined with a culture of agility which enabled a seamless transition to remote working across the business in March 2020 and the continuation of operations without disruption.

Since early March 2020, Joules has been focused on managing both the immediate and longer-term impact of COVID-19 on the business. As a result, management has taken a series of actions in order to deliver the following five key COVID-19 priorities:

#### Keeping our colleagues, customers and communities safe

Our top priority throughout the pandemic has been the health, safety and wellbeing of our colleagues, customers, business partners and communities:

- During March we temporarily transitioned to remote working and, between 20-23 March, we closed all our stores ahead of government guidance in order to protect our colleagues, customers and communities
- With our outsourced logistics partner Clipper Logistics we introduced additional hygiene measures in our warehouse and temporarily reduced capacity in order to better protect our teams and ensure strict compliance with physical distancing requirements
- We introduced a range of new safeguarding measures as we began a phased re-opening of stores from 15 June in line with UK Government regulations. These included managing staffing levels to allow for physical distancing in our stores, limiting the number of customers in store at any one time, introducing new signage for customers and employees to remind them of physical distancing, introducing Perspex screens at points of sale, providing personal protective equipment for our employees, and enhancing hygiene including the provision of hand sanitiser for customers upon entry to stores.

#### Continuing to serve our customers to the best of our ability

Throughout this period of unprecedented disruption in the UK and our targeted international markets, we have strived to continue to be available to our loyal customers and satisfy their demand for Joules:

- We kept our UK e-commerce website open to customers throughout the lockdown period, albeit with constrained warehouse capacity

- We prioritised serving the brand's existing customers and making sure that Joules remained available to them
- As a result, we were pleased that e-commerce demand (order value including sales tax, excluding returns) during the final quarter of the year was significantly ahead of the Board's expectations and was more than 40% higher year on year.

#### Managing liquidity

Given the pandemic's significant disruption to trading, we took swift action to strengthen the financial position of the business. These actions - several of which have involved the valued support of our suppliers, landlords, and employees – have included:

- Postponing non-critical capital expenditure
- Voluntary salary reductions taken by all of the Board of Directors as well as other members of the Group's senior management and all non-furloughed colleagues
- Working collaboratively with product suppliers to reduce Autumn/Winter 2020 inventory commitments and add greater flexibility to Spring/Summer 2021 inventory commitments
- Utilising several of the UK Government's support initiatives including rates relief for stores, the Job Retention Scheme for furloughed employees, and deferring some payments due to HMRC
- Cancelling the Group's proposed Interim Dividend to shareholders, saving £0.7m of cash
- Announcing an equity placing on 3 April, from which the Group raised gross proceeds of £15 million
- Agreeing a £15 million increase to the Group's Revolving Credit Facility ('RCF') with Barclays Bank PLC, announced on 21 April
- As a result, the Group ended FY20 with net cash of £4.5 million and headroom of £53 million against committed borrowing facilities, which was ahead of the Board's COVID-19-related downside scenario at the beginning of Q4 2020.

## CHIEF EXECUTIVE'S REPORT

### COVID-19 RESPONSE

#### Supporting our local communities and partners

The pandemic provided a strong reminder of the responsibilities we have as a business to continue our commitment to positively contribute to the communities around us. We identified several ways through which we could support the fight against the virus by utilising our relationships and resources:

- We leveraged our supplier partnerships to source and donate vital personal protective equipment to key workers. We delivered 50,000 civilian-grade face masks to key workers in urgent need across the University of Leicester Hospitals Trust, Hospice UK, and various other regional key worker end user groups. In addition, we partnered with the University of Leicester Hospitals Trust to source urgently needed hospital gowns
- In March we launched a specially curated 'Rainbow Edit' collection comprising a range of products featuring colourful splashes of bright rainbows and rainbow colours. All profits from sales of products included within the edit have been donated to the NHS Charities Together Urgent COVID-19 Appeal to fund a wide range of initiatives including wellbeing packs for staff and vital accommodation for frontline workers. To date, the edit has raised nearly £80,000

- In order to provide support for our valued partners selling through our 'Friends of Joules' digital marketplace, we waived platform fees for a period of time to alleviate financial pressure and actively used our social media channels to promote our partners and support their businesses.

#### Keeping sight of the bigger picture

Whilst the effects of the pandemic are still being felt and long-term impact on consumer behaviour and the economy remains uncertain, it has been vital over recent months that we do not lose sight of the bigger picture and the significant, long-term opportunities for Joules.

We have a distinctive brand and unique products much loved by our customers; a flexible and integrated 'Total Retail' model to adapt to evolving customer behaviours; and a strong platform for continued international growth and product extension. We are confident that the actions taken over recent months to drive digital sales and manage liquidity in combination with the investments made over recent years in our infrastructure mean that the long-term future for Joules remains as bright as ever.

# CHIEF EXECUTIVE'S REPORT

## STRATEGY & BUSINESS MODEL

### GROWTH STRATEGY

We have a consistent and established strategy for the long-term development of Joules as a premium lifestyle brand, both in the UK and internationally. I have confidence in the continued relevance of our four proven strategic growth drivers for the brand, namely: increasing customer value; driving total UK brand sales; expanding internationally; and carefully extending the brand into a greater range of product categories.

#### 1. INCREASE 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. We do this by providing standout products and enjoyable experiences for consumers across all channels as well as communicating with our customers through relevant, authentic and targeted campaigns and engaging content.

We believe we have significant capacity to further grow the brand's active customer base in both our core UK market, where we still have significant headroom to grow, as well as our target international markets, the US and Germany.

#### 2. DRIVE TOTAL UK BRAND SALES – 'TOTAL RETAIL'

Our flexible 'Total Retail' model enables Joules to continually adapt to meet evolving customer expectations and shopping behaviours. Our goal is to provide a great experience for our customers however they wish to engage with our brand:

**E-commerce** - We expect to continue to increase the mix of e-commerce sales as a proportion of our total retail sales through ongoing enhancements to our digital platforms

**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

**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 'capital light' capability that facilitates our international growth strategy

**Country shows and events** - Over the past 30 years, Joules has developed a strong brand presence at a wide range of country shows and events across the UK. The channel remains an important part of the Joules brand's heritage and provides real customer connectivity

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

#### 3. INTERNATIONAL EXPANSION

The Joules brand and products have demonstrated their appeal in our primary international markets, the US and Germany. We develop our brand presence in these markets via a proven wholesale model supported by e-commerce. We leverage the investments made in our central creative and design functions,

supply chain and infrastructure with support from local teams, sales agents and product showrooms.

#### 4. PRODUCT & BRAND EXTENSION

The strength of the Joules brand means that we can extend into new product categories that meet our customers' lifestyle needs. We continue to work with carefully selected licence partners to create new Joules-branded products and categories that are complementary to our core ranges.

During FY20 we were proud to launch an exciting brand extension for Joules in the form of our new digital marketplace, 'Friends of Joules', that offers everything that our customers need for a contemporary country lifestyle. Through 'Friends of Joules' we are bringing together and integrating into our existing e-commerce platform thousands of complementary lifestyle products from a wide range of carefully curated creative businesses in one easy-to-shop online marketplace.

#### UNIQUE BRAND & MULTI-CHANNEL BUSINESS MODEL

Our ability to progress against each of the pillars of this growth strategy is underpinned by the Group's flexible, multi-channel business model and our strong, differentiated brand.

#### The Joules brand - brightening our customers' lives with the joy of the countryside.

The Joules brand takes inspiration from nature and the changing British seasons. We design and create unique design-led clothing and accessories that reflect our customers' lifestyles, come rain or shine. The brand stands out with its signature uses of colour and distinctive prints that are hand drawn by our in-house team in Market Harborough.

What has been most striking to me since joining the Group is the relevance of the Joules brand to our customers' lifestyles. I believe that this relevance will only grow stronger over the coming years as we expect a continuing trend for consumers to feel increasingly loyal and connected to brands that share their personal values. It is for this reason that our *Responsibly Joules* ethos is more important than ever. From the day Joules started with nothing more than a table in a field, to the brand our customers know and love today, we have always been conscious of our impact on the environment, the wildlife within it, the people we work with, and the communities where we operate. We work hard to make sure that what we do is right and are committed to fighting for the environment that inspires us. Further details on our *Responsibly Joules* strategy and activity during the year can be found on page 34 of this Annual Report.

The strength of the brand was again recognised by being named winner in the Mainstream Brand of the Year category at the 2019 edition of the prestigious Drapers awards. Joules picked up the accolade for the third time in four years with the judges commending the exceptional strength and relevance of the brand.

#### Multi-channel business model

Joules has been developed as a truly multi-channel business. 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. Our flexible and integrated approach balances the Group's exposure to any single route to market in what is set to become an even more dynamic, competitive and increasingly digital-led retail landscape. We continue to believe the flexibility of our 'Total Retail' approach will remain critical to Joules' ongoing expansion and future success.



# CHIEF EXECUTIVE'S REPORT

## FY20 BUSINESS REVIEW

### FY20 BUSINESS REVIEW

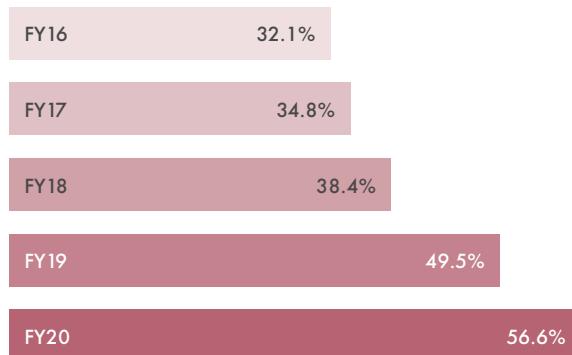
Joules delivered a resilient performance in the year to 31 May 2020 ("FY20" or the "Period") despite facing challenging external trading conditions in the UK throughout the year, which resulted in high levels of promotional activity across the sector, as well as additional COVID-19-related disruption during the final months of the Period. We made further pleasing progress against our strategic goals including investing to strengthen our flexible 'Total Retail' model; enhancing our UK and US supply chain operations to support our growth plans; and launching an exciting new digital marketplace called 'Friends of Joules' to deepen our customer relationships.

### FY20 STRATEGIC PROGRESS

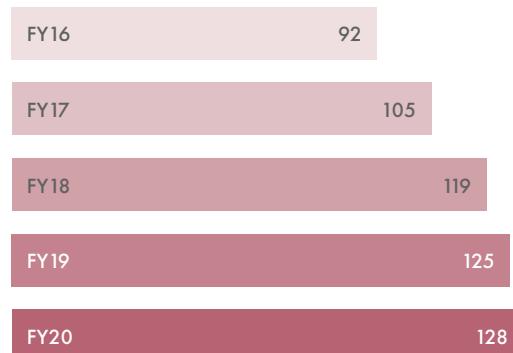
The Group's Strategic KPIs have been selected based on their link to the successful delivery of our strategy. They are monitored by the Board on a regular basis. The Group's financial KPIs are covered in the Financial Review of this Annual Report.

#### STRATEGIC KPIs

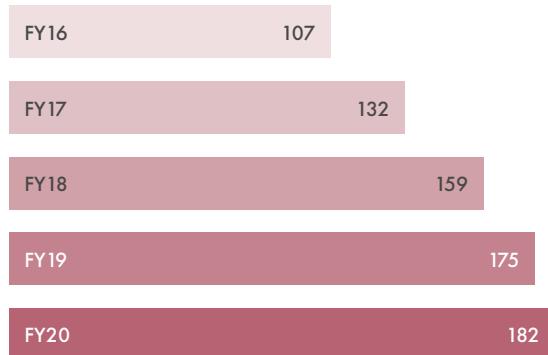
##### Online % of Retail



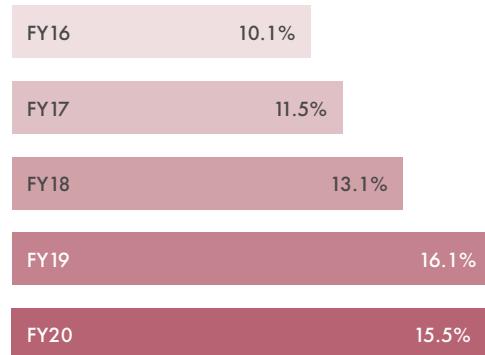
##### Number of stores<sup>1</sup>



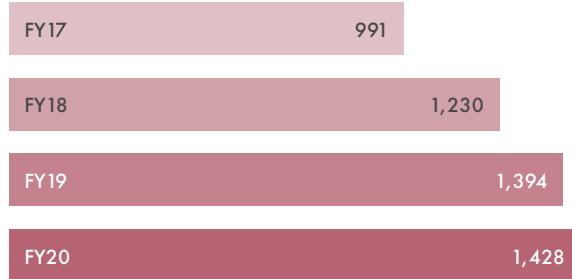
##### Total selling space<sup>1</sup> ('000 Sq. ft.)



##### International as % of total revenue



##### Active customer numbers<sup>2</sup> ('000)



<sup>1</sup> Joules retail stores only, excludes concessions and franchise stores; 33 concessions operated at May 2020 (33 at May 2019; 5 at May 2018 and previous years) and 3 franchises.

<sup>2</sup> Customer registered on our database who has transacted in the last 12 months. Prior years restated to reflect enhanced customer database matching processes.

## CHIEF EXECUTIVE'S REPORT

### FY20 BUSINESS REVIEW

Despite the external challenges we faced during FY20, and particularly those encountered during the final months of the year as a result of COVID-19 and the internal, previously reported, stock availability issue that impacted our e-commerce sales over the Christmas trading period, I am pleased with the significant progress made by Joules across each pillar of our growth strategy:

#### INCREASING CUSTOMER VALUE

The Joules brand continued to expand during FY20, with brand awareness\* increasing by 3.1%pt and brand health\* achieving its highest ever levels. The Group's customer base also continued to increase, with 1.43 million active customers at the end of the Period (FY19: 1.39 million). At the end of the year we had more than 560,000 Facebook followers (FY19: 530,000) and more than 300,000 Instagram followers (FY19: 240,000), with these communities continuing to demonstrate high levels of monthly engagement. These encouraging metrics continue to underpin our excitement and confidence in the significant future growth opportunities for the business.

We have continued to invest in marketing the brand in our own unique way, with emphasis on digital channels. Before Christmas 2019 we launched our first ever digital Christmas ad in collaboration with the much-loved duo Wallace and Gromit who, similarly to Joules, also celebrated their milestone 30th year in 2019. The campaign, titled 'Christmas at the Click of a Button', was incredibly well received by customers.

We continue to innovate new ways to drive customer value and, towards the end of 2019, we were delighted to launch a significant new customer initiative in the form of our new digital marketplace, 'Friends of Joules'. Through 'Friends of Joules' we have partnered with hundreds of like-minded creative people and businesses in order to offer our customers everything they could ever need for a contemporary country lifestyle. Our digital marketplace aims to replicate and make accessible to customers the experience of walking around and exploring a bustling market town from the comfort of their own home. Customers have responded very positively to the curated ranges that are now integrated into our online platform and sales have been ahead of our initial expectations. Moving forward, we will continue to add new sellers to the platform and anticipate seeing a positive impact on customer acquisition, retention and value.

#### DRIVING TOTAL UK BRAND SALES – 'TOTAL RETAIL'

E-commerce sales, including sales through third party retail concession models, now represent more than half of all retail sales. E-commerce sales increased by 5.0% with e-commerce sales through the Group's own channels increasing by 10.8%. The growth in our customer base helped to drive traffic to Joules' e-commerce websites of more than 20% above the prior year.

We made further improvements to our digital customer proposition during the year including the launch of 'Friends of Joules', extending order cut-off times for next day delivery, and enhancing our web front end user experience with improved check-out experience, enhanced search functionality and new payment methods including ApplePay and Klarna's 'buy now, pay later' service to provide more options and flexibility to our customers.

Whilst the Group's overall online sales performance for the year was impacted by a one-off stock availability issue through the important end of Autumn/Winter season sales period, the underlying cause of which has been addressed, as well as restricted capacity in the final quarter of the year as we managed the impact of the COVID-19 pandemic, we have been incredibly encouraged by the strong customer demand through our e-commerce channel and plan to continue to invest in further driving digital sales in the year ahead.

\*Brand Awareness and Brand Health are measured as part of an independent YouGov consumer survey.

Joules' stores are in desirable locations and we continue to believe that they play an important role in the ongoing expansion of the Joules brand in the UK, as well as in our customers' digital purchase journeys, with digital transactions such as click & collect, order-in-store and online returns representing over 20% of all store transactions in the Period.

We ended the Period with 128 stores, three more than at the start of the Period. We opened stores on a very selective and targeted basis - considering the role they play in new customer acquisition and brand awareness alongside flexible rent arrangements that are better suited to the current retail environment.

We continue to actively manage our store portfolio and successfully completed several lease renewals on attractive, flexible terms during the Period. Across the Group's portfolio of 128 stores, a large proportion are in 'lifestyle locations' and over a third of the portfolio has a lease event within the next 18 months. In the context of our store portfolio management, and rebased store sales forecasts following the impact of COVID-19, we have booked an impairment charge of £15.8 million in relation to those stores where their cash flows through to the next lease break does not support the carrying value of the store asset. Two-thirds of this impairment relates to 15 of the Group's stores. If we cannot achieve suitable rent terms for these stores at the next lease event, we will relocate or close in these locations.

We will continue to carefully appraise new openings in attractive locations that are appropriate for our brand and product range and where flexible and attractive leases can be secured.

Whilst wholesale remains an important distribution channel for the brand, particularly in our international markets, in FY20 the Group operated a smaller base of wholesale accounts in the UK reflecting the transition of some of our larger accounts to the retail concession model in the prior year. Sales through our UK wholesale partners during the Period were also impacted by sector-wide trading pressures as a result of lower footfall and subdued consumer confidence which impacted our smaller, typically high-street located 'field' accounts. In addition, our wholesale partners were heavily impacted by disruption resulting from the COVID-19 pandemic during the final months of the year. As a result of these factors, wholesale sales in the Period were approximately £42.7 million, a reduction of 25.3%.

#### INTERNATIONAL EXPANSION

The Group's international expansion is focused on establishing and growing the Joules brand in selected international markets, primarily the US and Germany, through wholesale partnerships and local currency e-commerce channels. During the Period, international revenue was £29.5 million (FY19: £35.1m) and represented 15.5% of Group revenue (FY19: 16.1%).

Our international e-commerce sales were up by 25% in the first three quarters of the year reflecting our growing customer base and continued positive responses to our brand and products in the US, Germany and across other international markets. With the final quarter being heavily impacted by international distribution restrictions due to COVID-19, the full year increased by a more modest 11%.

## CHIEF EXECUTIVE'S REPORT

### FY20 BUSINESS REVIEW

We also continued to increase our social media and digital marketing activity in the US resulting in encouraging levels of customer engagement.

International wholesale faced challenging trading conditions through the year and was heavily impacted by the closure of most of our wholesale partners retail outlets through the final quarter.

Overall, we remain highly confident in the resonance of our brand in our target markets of the US and Germany and believe we are well positioned to resume growth in these markets as the trading environment normalises.

#### PRODUCT & BRAND EXTENSION

We continue to extend the brand into new product categories that are complementary to our core clothing ranges and relevant to our customers' lifestyles. We do this by partnering, typically on a licence basis, with carefully selected businesses that align to Joules' values. We continue to take a very disciplined approach to establishing partnerships with a focus on home and gifting categories which complement our clothing ranges.

Our existing partnerships performed well during the year. The Joules sofa range in partnership with DFS has continued to perform particularly well, supported by the addition of the new Patterdale sofa to positive customer response. During the year we also launched a men's formalwear range in partnership with Next plc, a collection comprising suits, jackets, shirts, ties, pocket squares and shoes. Each item in the collection features Joules' distinctive designs, attention to detail and tailoring, and uses quality British fabrics which reflect the British countryside roots on which our brand is built. We have been pleased with the customer reaction so far.

During the year we were delighted to win in two award categories at the Brand & Lifestyle Licensing Awards (B&LLA), which celebrate the best performers in product licensing. We were honoured to win in the Best Licensed Gifting Product category for our stationery and gifting collection created in partnership with Portico. We were also pleased to have the continued development of our licensing category recognised when we were named Best Licensed Fashion or Talent Brand.

Our new 'Friends of Joules' digital marketplace has given us an additional channel to extend Joules' reach and customer offering into new product categories that are relevant to our customers' lifestyles. In the years ahead we are aiming to continue to expand the sellers and options available to customers through 'Friends of Joules' to offer an increasingly broad range of curated and relevant products to our customer base.

#### INVESTING IN INFRASTRUCTURE TO SUPPORT LONG TERM GROWTH

To support the Group's long-term growth plans, we have made further investments in our e-commerce proposition, stores, infrastructure, systems and colleagues.

During the second half of the year we began a supply chain modernisation programme across both our UK and US operations aimed at building future capacity for growth, enhancing efficiencies and improving customer service levels. In the UK, we extended the lease for our Corby Joules Distribution Centre ("JDC") and completed the outsourcing of our JDC operations to Clipper Logistics plc. We also commenced an investment programme at the JDC, which will continue for the remainder of 2020, that will expand capacity and modernise the facilities to support Joules in its aim to continue to meet customer demand into the future. In the US, during the second half of the year we transferred to a new third-party logistics provider in order to add additional capacity for our future growth and deliver operational efficiencies. These supply chain initiatives incurred incremental and non-recurring costs during the transition phase but are expected to deliver significant benefits from FY22 onwards.

In addition, during FY20 we completed the roll-out of our new point-of-sale system to the entire store estate which will deliver even greater integration between channels in our 'Total Retail' approach, including enabling much simpler order-in-store capability and visibility of customer activity across channels.

We continue to make progress on the development of our new Head Office in Market Harborough which, following COVID-19-related disruption, we expect to move in from early 2021. This new environment, which will bring all Head Office business functions together under one roof, will be an important driver of our culture, creativity and efficiencies moving forward. Our team's amazing response - seamlessly adapting to new ways of working - through the lockdown period demonstrates the benefits of more flexible and remote working. The new Head Office development layout has been reviewed and adapted to enable us to continue to maximise the benefits of this including more touch-down spaces and open collaboration and meeting areas. Our trade showrooms will also be incorporated into the office with advanced 'digital showroooming' capability.

#### OUR TEAM & THE JOULES COMMUNITY

Throughout my time with the Group so far, I have been struck by the talent and commitment of our colleagues, from our store and international teams to our Head Office. These attributes have been highlighted during the recent period of COVID-19-related disruption. Our teams have shown fantastic flexibility during this very challenging period and I would like to thank them for their continued hard work and dedication.

Throughout recent months, and in order to support the COVID-19 response discussed above, we have also received fantastic support from our suppliers, landlords, business partners, financial stakeholders and customers. I would like to take this opportunity to thank everyone across the Joules community for their ongoing support for our business and brand.

## CHIEF EXECUTIVE'S REPORT

### FY20 BUSINESS REVIEW

#### LOOKING AHEAD

I remain highly confident in the significant long-term opportunities for Joules. We have a fantastic brand, a flexible business model and a relevant growth strategy. Our strategic focus over the coming years will be to build on our strong foundations for continued growth by delivering the following priorities:

#### Growing brand presence

We have a loyal customer base and strong customer relationships. Our priority will be to continue to attract more new customers to the brand and grow customer numbers both in the UK, where we still have significant room to increase brand awareness, as well as across our targeted international markets.

#### Developing one strong team

We have an incredibly talented and committed team of colleagues across our business. Our priority is to continue to attract, develop, reward and retain this talent. We are committed to building on our, already strong, colleague engagement and firmly believe that committed and highly engaged colleagues are central to the successful delivery of our growth strategy. The Black Lives Matter movement has, rightly, shone a light on diversity and inclusion. As a business, we need to work harder to ensure that diversity is better represented across many areas of our business including our teams. The Joules leadership team with support from colleagues across the business is actively working on a range of activities so that we can listen, understand, learn and do better.

#### Being increasingly digitally led

To further build our customer base, we will need to be increasingly digitally led in our marketing and sales focus. The investments made in recent years into our digital channels have driven e-commerce sales to represent half of our retail sales and I strongly believe that we now have a great opportunity to build on this platform and ramp-up our e-commerce market penetration. We will continue to consider the appropriate shape and size of our retail store estate, including renegotiating leases where appropriate to ensure that our store estate remains highly relevant to our customers and contributes to our 'Total Retail' model.

#### Taking international to the next level

We know that the brand resonates well with customers in the US and Germany. We believe that we have a fantastic opportunity to leverage our differentiated core rainwear and outerwear products as a real point of difference in these international markets so that we can extend our wholesale reach and build customer awareness. This will be supported by investment in a digital, direct-to-consumer approach to driving sales.

#### Delivering product with purpose

Joules is loved by its customers for its unique prints, use of colour and product quality. We must build on this by ensuring that our products and collections always have a clear purpose. This means being design and not fashion led, being innovative in our market so that our core products stand-out with our trademark details that surprise and delight customers and ensuring that our products are responsibly sourced.

#### Protecting our financial position

As detailed above, we have taken several actions to preserve cash resources over recent months in response to the severely disrupted trading patterns seen across our global markets. Going forward we will maintain our firm focus on liquidity and reducing net debt, including those payments that have been deferred.

#### Driving fit and focussed business operations

I have been incredibly proud of the efficiency and flexibility shown by the Group during the COVID-19 related lockdown. We have a great team and culture, but there are ways that we can work smarter and more efficiently through streamlined decision making, removing complexity and enhancing our communications across teams. The transition to increased remote working and the move to our new, more collaborative Head Office environment gives us a great opportunity and catalyst to be an even more efficient, nimble organisation.

In addition, we will focus on investing and deploying our resources into areas of the business that will drive our long-term development.

At the core of the above is our *Responsibly Joules* approach to sustainability and social responsibility. *Responsibly Joules* sets out the framework and principles that underpin 'how we do things' and 'what we do'. These principles, that have been central to the Joules brand since we started in the fields of Great Britain over 30 years ago, have never been more important that they are now and, in the years, ahead.

#### NICK JONES

Chief Executive Officer



## FINANCIAL REVIEW

### JOULES GROUP PLC

The challenges faced in the final quarter of the Period, as the impact of the COVID-19 global pandemic fully and rapidly materialised are unprecedented in modern times and certainly not experienced since Joules started trading more than thirty years ago. Despite a material impact upon revenue and profitability in the Period, the Group's response, as we entered the crisis, and positioning, as we emerged out of the UK lockdown, highlight many of Joules' strengths and its ability to navigate potential further disruption and volatility as well as capitalise on the growth opportunities.

These include:

- Brand strength and momentum, with increasingly relevant products and a loyal customer base
- Flexible and agile business model with over half of revenue from digital platforms prior to COVID-19
- Well invested infrastructure to support the business model, with further enhancements to the Group's logistics capabilities completed in the second half of the year
- Supportive shareholders, lenders and suppliers
- Experienced, capable and decisive leadership team

Following a robust first half trading performance across the business, the second half of the year started with a stock availability issue that impacted our e-commerce performance over the important Christmas trading period and closed with the COVID-19 pandemic materially impacting our final quarter (March to May).

#### COVID-19 - IMPACT ON THE GROUP'S FINANCIAL POSITION AND RESULTS FOR THE PERIOD

The CEO's Report provides detail on the impact of COVID-19 on the Group's sales channels and operations together with the actions taken to reduce costs, preserve cash and strengthen the Group's financial position. The financial impact in the Period is summarised below, with more detail, where appropriate included in the relevant section of this Financial Review.

##### Impact on business operations and sales channels

- The Group's stores experienced materially lower footfall and sales from early March, and were all closed from the weekend of 21/22 March through the rest of the Period with phased re-openings commencing from 15 June
- No country shows or events were attended since mid-March onwards
- Wholesale despatches slowed to effectively nil through the final quarter as our wholesale partners across the world closed their own retail locations
- The Group's UK e-commerce channel remained open through the lockdown period, initially operating at a reduced capacity due to warehouse constraints, but quickly recovering to deliver very strong growth across the last seven weeks of the Period
- Group revenue for the final two months of the year, although materially down on the comparable prior year period, was significantly ahead of management's COVID-19 base forecast that was prepared in March 2020, driven by UK e-commerce performance.

##### Actions taken to reduce costs

- Variable costs: including turnover rents, merchant fees, distribution costs and, to a lesser extent, utilities and travel & expenses that naturally reduced with declining sales activity
- Payroll costs: The Government's Coronavirus Job Retention Scheme ('CJRS') subsidised a large proportion of payroll costs for store colleagues, all furloughed from 23 March, and for approximately a third of Head Office colleagues furloughed from 1 April. In addition, from 1 April all non-furloughed colleagues agreed to a voluntary pay reduction for a four-month period.

##### Actions taken to preserve cash and enhance the Group's financial position and liquidity

- Inventory purchase commitments were reduced and rephased – in collaboration with our suppliers
- Capital expenditure projects, including the Head Office development, were paused
- Rent deferral arrangements were agreed with the majority of the Group's landlords
- Agreements were reached with HMRC to defer VAT and PAYE
- In April the Group raised gross proceeds of £15.0 million from an equity placing and agreed a £15.0 million increase to its Revolving Credit Facility.

##### Financial position, liquidity and going concern

At 31 May 2020, the Group had net cash of £4.5 million, comprising cash of £26.2 million and total borrowings of £21.7 million. The Group had £52.5 million total liquidity headroom at 31 May 2020, comprising cash of £26.2 million and £26.3 million of undrawn committed financing facilities. The cash and liquidity headroom position were both significantly ahead of management's COVID-19 base case and downside case projections prepared in late March.

The Directors' have concluded that it is appropriate to prepare the financial statements on the going concern basis. Further detail on financial position, liquidity and going concern assessment is provided later within this Financial Review, the Directors Report and note 1 of the Consolidated Financial Statements.

## FINANCIAL REVIEW

## JOULES GROUP PLC

## SUMMARY INCOME STATEMENT

PERIOD ENDED	MAY 2020			MAY 2019
	PRE-IFRS 16	IFRS 16	REPORTED IFRS 16	
£MILLION				
Revenue	190.8	-	190.8	218.0
Gross profit	96.8	-	96.8	119.4
Operating expenses	(92.0)	12.2	(79.8)	(95.9)
Share-based compensation	0.4	-	0.4	(2.6)
<b>EBITDA - before exceptional cost</b>	<b>5.1</b>	<b>12.2</b>	<b>17.4</b>	<b>20.9</b>
Depreciation & amortisation	(6.8)	(12.6)	(19.5)	(7.8)
<b>Operating profit – before exceptional costs</b>	<b>(1.7)</b>	<b>(0.4)</b>	<b>(2.1)</b>	<b>13.1</b>
Net finance costs	(0.4)	(1.4)	(1.8)	(0.3)
<b>PBT - before exceptional costs</b>	<b>(2.0)</b>	<b>(1.8)</b>	<b>(3.9)</b>	<b>12.9</b>
<hr/>				
Reconciliation to reported result:				
<b>Operating profit – before exceptional costs</b>			<b>(2.1)</b>	<b>13.1</b>
Exceptional costs			(21.5)	-
<b>Operating profit</b>			<b>(23.6)</b>	<b>13.1</b>
Net finance costs			(1.8)	(0.3)
<b>Statutory PBT</b>			<b>(25.3)</b>	<b>12.9</b>

## PROFIT/(LOSS) BEFORE TAX ('PBT')

PBT before exceptional costs and the impact of IFRS16 - Leases was a loss of £2.0 million (FY19: £12.9m profit). The transition to IFRS16 had a net impact on PBT – before exceptional costs of £1.8 million (FY19: nil), resulting in a £3.9 million loss before tax and exceptional cost for the Period. This result reflects the impact of COVID-19 on the final quarter of the Period - that is estimated to have negatively impacted PBT by £12.5 million in the Period\*, the previously reported stock availability issue over the Christmas trading period and includes non-recurring costs of £2.4 million as detailed further below.

In prior Periods, Underlying PBT was reported as the Group's primary non-GAAP metric. Underlying PBT is stated before share-based compensation, the impact of IFRS 16 (Leases) and exceptional costs. From FY20 onwards, share-based compensation charges are reported 'above the line' so an Underlying PBT measure is no longer considered relevant. For comparison with last year Underlying PBT would be a loss of £2.4m (FY19: £15.5m profit).

Statutory PBT, which includes an exceptional impairment charge of £21.5 million in the Period, was a loss of £25.3 million (FY19: £12.9m profit). The non-cash exceptional impairment charge is detailed further on the next page.

\*COVID-19 PBT impact estimated with reference to the revenue impact over the impacted period at the channel average gross margin rate, adjusting for variable cost savings, government support (rates relief, CJRS), management's cost actions and the impact of wholesale customer returns, discounts or receivables write-off.

## FINANCIAL REVIEW

### JOULES GROUP PLC

#### FACTORS IMPACTING GROUP RESULTS

Our reported results for the period were impacted by the following:

##### IFRS16 - LEASES

The Group adopted IFRS16 – Leases from the start of the Period, applying the modified retrospective approach with no restatement of the prior year. On transition at the end of FY19, qualifying lease commitments have been brought onto the balance sheet, as both a 'Right-of-use' asset and a corresponding lease liability. On adoption, the Group recognised a 'Right-of-use' asset of £58.7 million and a lease liability of £56.4 million. The 'Right-of-use' asset at the end of the Period was £32.0 million, the movement in the year comprising: net additions, disposals and modifications of £2.7 million; impairment of £(16.7) million; and depreciation of £(12.6) million. The net impact on PBT before exceptional costs for the Period was £(1.8) million, comprising £12.2 million add back of rent expense, £(12.6) million depreciation of the right of use asset and, £(1.4) million interest expense on the lease liability.

Further detail on the impact of IFRS16 is provided in the Consolidated Financial Statements.

##### SHARE-BASED COMPENSATION

Share-based compensation reflects the IFRS2 accounting standard treatment for the non-cash expense in relation to employee share plans. These include long-term incentive plans, deferred bonus awards and, Save-as-you-Earn ("SAYE") plans as detailed in the Consolidated Financial Statements and the Directors' Remuneration Report. In the Period an income of £0.4 million was recognised (FY19: £(2.6)m expense) following a revision to the projected achievement of the current share plans' performance targets.

##### NON-RECURRING COSTS

During the Period the Group incurred non-recurring costs of £2.4 million (FY19: £nil). These relate to:

- Distribution centre (DC) transformation programme costs of £1.7 million. This programme commenced and completed in the Period and included the outsourcing of the UK DC to Clipper Logistics plc and the transition of our US DC to a new third-party partner. £1.3 million of the cost was in operating costs and £0.4 million in cost of goods sold
- COVID-19 impacts on our wholesale sales channel has resulted in a non-cash write-down of £0.7 million in relation to certain wholesale customer receivable balances. The write-down reflects management's assessment, based on historic trading patterns, of the incremental expense relative to normal trading.

The UK Financial Reporting Council (FRC) issued guidance on 20 May 2020 on reporting for the treatment of incremental costs in relation to COVID-19. In accordance with this guidance, the non-recurring costs of £0.7 million in relation to wholesale receivables has not been treated as exceptional costs or adjusted for in a non-GAAP measure.

##### EXCEPTIONAL COSTS

The Group regularly conducts a review of its assets to identify if there is any impairment to the carrying value of the assets. This review incorporates the impact of IFRS16 - Leases, where property leases are now capitalised as a 'Right-of-use' asset on the balance sheet.

An exceptional impairment charge of £21.5 million (FY19: £nil) has been made in the Period. £21.0 million of the charge is non-cash in nature, as detailed below, and £0.5 million is restructuring costs incurred in the Period.

**Stores impairment £15.8 million:** An impairment assessment has been undertaken for each individual store on assumptions consistent with management's COVID-19 base case as used for the Group's going concern assessment. For stores where the value-in-use (discounted future cash flows to the lease break) was below the carrying value (IFRS16 'Right-of-use' asset and net book value of store fixed assets) an impairment charge has been made. Five stores make up one third of the impairment charge, with a further ten stores making up another third. We anticipate that we will relocate or close these stores at the lease break if we are not able to agree economically viable lease renewal terms.

**Head Office & showroom lease impairment £3.8 million:** As previously communicated, we are relocating our Head Office to a newly developed freehold site in Market Harborough that also enables consolidation of existing rented showroom space. A non-cash exceptional impairment charge has been made against the 'Right-of-use' asset for the current rented offices and showrooms, assuming a 30-month period of vacancy until the leases expire or are assigned. Fixed assets that will not be moved to the new location have also been impaired.

**Other assets impairment £1.4 million:** mainly includes the impairment of certain fixed assets no longer in use following our distribution centre transformation programme.

## FINANCIAL REVIEW

### JOULES GROUP PLC

#### GROUP PERFORMANCE IN THE PERIOD

##### REVENUE

Group revenue decreased by 12.5% to £190.8 million (FY19: £218.0m). Revenue for each of our reporting segments is summarised below.

£million	FY20	FY19	Variance
<b>RETAIL</b>	<b>145.9</b>	<b>159.1</b>	<b>-8.3%</b>
E-commerce	82.7	78.7	5.0%
Stores	59.6	75.9	-21.4%
<b>WHOLESALE</b>	<b>42.7</b>	<b>57.1</b>	<b>-25.3%</b>
<b>OTHER</b>	<b>2.2</b>	<b>1.8</b>	<b>24.1%</b>
<b>GROUP</b>	<b>190.8</b>	<b>218.0</b>	<b>-12.5%</b>

The impact of COVID-19 on the final quarter of the Period is an approximate £31 million reduction in revenue. With an £18 million adverse impact on Retail sales and a £13 million adverse impact on Wholesale sales. This estimate is based on management's forecast for the period, sales run rates just prior to the final quarter and sales in the comparable period last year.

##### RETAIL

Retail revenue decreased by 8.3% to £145.9 million. For the first half, the Group reported retail revenue growth of 3.1% (adjusted for Black Friday timing<sup>1</sup>). On the same basis, the second half of the year, impacted by COVID-19 and the stock availability issue over the Christmas period, saw a year-on-year reduction of 22.4%.

The adverse impact of COVID-19 was partly mitigated by the Group's flexible 'Total Retail' model. This enabled us to continue to trade our e-commerce channel effectively through the period of COVID-19.

##### E-commerce

E-commerce performed well, with growth of 5.0% in the Period, building on very strong growth in recent years. Our owned e-commerce channels performed particularly well, with growth of nearly 11% in the Period, supported by increased website traffic, driven by effective digital marketing activities and improved conversion, driven by ongoing enhancements to the customer experience and digital platforms that make it easier for our customer to shop.

During the period of the UK lockdown, from 23 March 2020, e-commerce sales via the Group's own UK website were particularly strong, with demand sales (sales including sales tax, excluding returns) growth of more than 50%

versus the comparable period. Traffic growth was up by more than 40% in the same period, with improved conversion rates also experienced. Overall e-commerce revenue growth was held back by the closure of our international and 3rd Party e-commerce channels for a large part of the period.

E-commerce now represents 56.6% of all retail sales (FY19: 49.5%). For the first nine months of the Period, prior to stores being closed, e-commerce represented 50.9% of retail sales.

##### Stores

Stores declined by 21.4% in the Period. For the first three-quarters of the year, store sales declined by approximately 8%, reflecting structural industry trends and reduced promotional stance in the first half of the year. Notwithstanding their temporary closure through most of the final quarter, stores are an important part of our flexible 'Total Retail' model. At the end of the Period, the Group operated 128 owned stores, in addition to 33 concessions and three franchises.

##### WHOLESALE

Wholesale revenue decreased by 25.3% to £42.7 million, compared to underlying growth of 22% in the prior year (adjusting for the conversion of two large wholesale accounts to retail concessions in FY18). In the first half of the year, wholesale revenue declined by 5.1% reflecting the timing of wholesale despatches and a softer EU wholesale market. In the second half, wholesale revenues declined by approximately 50% as nearly all wholesale partners globally closed or contracted their operations in response to COVID-19.

International wholesale now represents half of total wholesale sales (FY19: 48%).

##### OTHER

Other revenue increased by 24.1% to £2.2 million (FY19: £1.8m). Other revenue includes royalties, from the sale of Joules branded products produced and sold under licence with a partner, including toiletries & gifting in partnership with Boots and the Joules sofa collections in partnership with DFS. Commission from the sale of third-party products on the new 'Friends of Joules' digital marketplace are also included in Other revenue.

<sup>1</sup> Revenue growth for a comparable 27-week period to include the important Black Friday retail sales period into both the current period and prior periods.

## FINANCIAL REVIEW

### JOULES GROUP PLC

#### INTERNATIONAL REVENUE

Total international revenue decreased by 15.8% and now represents 15.5% of total Group revenue (FY19: 16.1%), with disappointing performance in the second half of the year reversing the growth delivered in the first half.

The appeal of the Joules brand in our target international markets remains strong. E-commerce sales in the US and Germany continued to deliver encouraging growth despite our websites being closed to customer orders in these markets for a large part of the final quarter, due to COVID-19 restricting operations of our fulfilment partners. Following the easing of these restrictions international e-commerce sales have returned to the growth levels experienced in the first nine months of the year. International wholesale decreased by 21.3% (22.8% in constant currency), with many of our international wholesale partners closing stores in response to COVID-19 earlier than in the UK and adjusting their purchasing accordingly.

£MILLION	PERIOD ENDED		SHARE OF GROUP REVENUE		
	31 MAY 2020	26 MAY 2019	INCREASE/ (DECREASE)	FY20	FY19
UK	£161.3	£182.9	(11.7)%	84.5%	83.9%
International	£29.5	£35.1	(15.8)%	15.5%	16.1%
<b>TOTAL</b>	<b>£190.8</b>	<b>£218.0</b>	<b>(12.5)%</b>	<b>100.0%</b>	<b>100.0%</b>

#### GROSS MARGIN

Gross margin at 50.7% was 4.1% points lower than the prior year, impacted by an increased mix of e-commerce and US wholesale sales and a higher than usual level of Q4 promotional activity and wholesale discounts.

Retail gross margin of 56.9% was 3.7% points lower than the prior year, impacted by the increased mix of e-commerce sales (with stores closed for most of Q4), which have a lower gross margin than store sales. There was a higher level of promotional activity to drive customer demand in the final quarter and, as reported at the half year, we also saw an increased level of customer participation in core annual promotional events.

Wholesale gross margin of 27.1% was 10.0% points lower than the prior year, resulting from an increased mix of US wholesale as a proportion of total wholesale sales and the provision for a higher than usual level of returns and customer discounts in the final quarter of the year.

#### ADMINISTRATIVE EXPENSES

Total administrative expenses before exceptional costs decreased by 6.9% to £98.9 million (FY19: £106.3m).

Prior to the impact of IFRS16 – Leases, operating expenses (being administrative expenses excluding share-based compensation and depreciation & amortisation) decreased by 4.0% to £92.0 million (FY19: £95.9m).

The final quarter of the Period benefitted from lower costs related to COVID-19, including: management's cost reduction actions; lower variable costs linked to reduced sales activity; and, UK Government support initiatives, including business rates relief and the Coronavirus Job Retention Scheme (CJRS). These government support initiatives improved Q4 costs by approximately £3.0 million.

As referenced above, the Group incurred non-recurring costs of £2.4 million in relation to the UK and US distribution centre transformation programmes and the write-off of wholesale receivables due to COVID-19. Of the total non-recurring cost £2.0 million is within operating costs and £0.4 million in Cost of Sales.

# FINANCIAL REVIEW

## JOULES GROUP PLC

£MILLION	FY20			FY19
	PRE-IFRS16	IFRS16 IMPACT	REPORTED	REPORTED
<b>Operating expenses</b>	<b>92.0</b>	<b>(12.2)</b>	<b>79.8</b>	<b>95.9</b>
Share-based compensation	(0.4)	-	(0.4)	2.6
Depreciation & amortisation	6.8	12.6	19.5	7.8
<b>Administrative expenses (before exceptional costs)</b>	<b>98.5</b>	<b>0.4</b>	<b>98.9</b>	<b>106.3</b>
Exceptional costs			21.5	-
<b>Administrative expenses</b>			<b>120.4</b>	<b>106.3</b>

**Sales costs** decreased by 8.2% to £12.2 million (FY19: £13.3m). Sales costs reflect commissions due to third-party retail concession partners and wholesale sales agents. The decline in the year is a result of lower third-party retail sales in the final quarter.

**Marketing costs** decreased by 2.7% to £9.3 million (FY19: £9.5m). For the first three-quarters of the year, we increased digital marketing investment by nearly 30%, focused on new customer acquisition, customer retention and social media in the UK and target international markets, the results of which are reflected in the strong e-commerce performance and customer and brand metrics. In the final quarter, we reduced all channel marketing and new customer acquisition spend.

**Store costs** decreased by 11.7% in the year to £27.9 million (FY19: £31.6m). For the first three quarters of the year store costs were broadly level with the prior year, reflecting strong cost control and the initial benefit of reduced store rents realised through our ongoing store portfolio management programme. In the final two months of the Period, a large proportion of store costs were offset by the CJRS and business rates relief.

**Distribution costs** increased by 19.1 % in the year to £9.9 million (FY19: £8.4m). Excluding non-recurring costs, distribution costs were level with the prior year, with the growth in UK e-commerce being offset by the reduction in activity to support other sales channels through the final quarter of the year.

In the second half of the Period we completed the outsourcing of our UK distribution centre to Clipper Logistics plc and, in the US, we moved our wholesale distribution centre from a third-party in New Jersey, to a new provider based in Georgia. These initiatives incurred non-recurring costs of £1.3 million in the Period. The completion of the distribution centre transformation initiatives in the UK and the US will provide the Group with a robust, well invested and efficient logistics platform that is anticipated to support future growth over, at least the next five years, with both improved service levels and unit cost economics.

**Head Office costs** decreased by 1.1% in the year to £32.7 million (FY19: £33.1m). In the first three quarters of the year, costs increased by 4.1% against the comparable period, a slower rate of growth relative to prior years as we realised benefits from historic investments in Head Office functions and teams whilst continuing to invest in areas of strategic growth including creative, design, digital and e-commerce. The final two months of the year saw a significant temporary reduction in Head Office costs following management's COVID-19 actions and the benefit from the UK Government CJRS.

**Depreciation and amortisation** (excluding IFRS16) decreased to £6.8 million (FY19: £7.8m), with higher amortisation charge due to the ERP platform completed in the prior period and a new store point-of-sale solution completed in the Period being more than offset by several stores being fully depreciated and lower levels of capital expenditure. Depreciation of IFRS16 right-of-use asset was £12.6 million in the period.

**IFRS16 – Leases** net impact on administrative expenses of £0.4 million (FY19: na) comprising of the right of use asset depreciation charge of £12.6 million partly offset by the exclusion of rent expense of £12.2 million in the Period.

### NET FINANCE COSTS

Net finance costs were £1.8 million (FY19: £0.3m). Net finance costs comprise interest on lease liabilities £1.4 million (FY19: £nil) following the Group's adoption of IFRS16 - Leases, and interest and facility charges of £0.4 million (FY19: £0.3m) on the Group's Revolving Credit Facility and term loan with Barclays Bank PLC.

### TAXATION

The Group recognised a tax credit of £4.6 million in the Period (FY19: £2.7m charge) reflecting the Group's loss in the Period. The effective tax rate for the Period was 17.8% (FY19: 21.0%), which was lower than the applicable UK corporation tax rate largely due to the net deduction in respect of share-based compensation and the impact of recalculating deferred tax balances (following the UK tax rate being maintained at 19%, reversing the previously enacted change from 19% to 17% from April 2020) net of non-deductible expenditure and fixed asset timing differences.

### EARNINGS PER SHARE

Statutory basic earnings per share for the Period, were (22.07) pence (FY19: 11.6 pence).

The weighted number of shares in the Period were 93.8 million (FY19: 87.7 million). The increase in the Period resulting from shares issued to employees of the Group as share plans vested and the equity placing completed in the final quarter of the Period.

## FINANCIAL REVIEW

## JOULES GROUP PLC

## EQUITY PLACING

On 3 April 2020 the Company announced the completion of an equity placing, conducted by way of an accelerated bookbuild, to provide the Company with additional liquidity in response to the impact of COVID-19.

A total of 18,750,000 new ordinary shares of 1 pence each were placed at a price of 80 pence per share, raising £15.0 million gross proceeds. Following admission of the placing shares, the Company's issued and fully paid share capital consisted of 108,135,920 ordinary shares.

## CASH FLOW

Free cash flow, excluding expenditure on the new Head Office development, was £5.0 million inflow in the period (FY19: £8.6m inflow).

£MILLION	FY20	FY19
<b>EBITDA pre-exceptional costs*</b>	<b>17.4</b>	<b>20.9</b>
Share-based compensation	(0.4)	2.6
Net working capital - change	(2.4)	(1.2)
Cash exceptional costs	(0.5)	-
	<b>14.1</b>	<b>22.3</b>
Bank interest paid	(0.4)	(0.3)
Lease interest paid (IFRS16)	(1.4)	-
Tax paid	(0.9)	(2.9)
<b>Cash from operating activities</b>	<b>11.4</b>	<b>19.1</b>
Capital expenditure - core	(6.4)	(10.5)
<b>Free cash flow (core capex)</b>	<b>5.0</b>	<b>8.6</b>
Capital expenditure - new Head Office	(7.3)	(1.0)
<b>Free cash flow</b>	<b>(2.3)</b>	<b>7.6</b>
Net cash from financing	12.4	(0.4)
<b>Net cash flow</b>	<b>10.1</b>	<b>7.2</b>
 <b>Memo: Total Capital Expenditure</b>	 <b>(13.7)</b>	 <b>(11.5)</b>

\*See summary Income Statement above for reconciliation of the non-GAAP measure

## CAPITAL EXPENDITURE

Core capital expenditure in the Period was £6.4 million (FY19: £10.5m). Major areas of capital expenditure included the new store point-of-sale system, the development and launch of the 'Friends of Joules' digital marketplace and developments to our e-commerce platform.

The Group's new Head Office development incurred spend of £7.3 million in the Period (FY19: £1.0m) with cumulative spend to date of £13.8 million, including £4.4 million for the purchase of the land. The timing for completion has been extended to early 2021 and the total investment reduced following actions undertaken to respond to COVID-19. The new building will enable

a collaborative working environment and facilitate remote working to a significantly greater degree than our current offices. On completion the Group will vacate all leased Head Office space in Market Harborough and consolidate its separately leased showroom space.

## INVENTORY

Inventory at the end of the Period was £35.3 million (FY19: £35.9m).

In response to COVID-19, the Group, working collaboratively with its suppliers, took actions to reduce and rephase stock purchase commitments for the current season (Spring/Summer 20) and the subsequent season (Autumn/Winter 20). These actions, combined with better than anticipated trading in the final quarter of the year, relative to management's COVID-19 downside scenario, enabled the Group to end the Period with a lower than anticipated inventory balance.

## DIVIDEND

Following the actions taken to preserve cash in the light of COVID-19, that included the deferral of payments due to HMRC and landlords, and with continued uncertainty on the speed of recovery for many of the Group's sales channels, the Board is not proposing a dividend for FY20 (FY19: 2.1 pence per share). The Board will keep the position under review.

## FINANCING FACILITIES AND LIQUIDITY

At the end of the Period the Group had total available facilities of £48.0 million of which £21.7 million was drawn.

FACILITY (£MILLION)	AVAILABLE FACILITY 31 MAY 2020	DRAWN FACILITY 31 MAY 2020	MATURITY
Revolving Credit Facility (RCF1)	£25.0	£12.7	July 2022
Duty bond (linked to RCF1)	£(1.0)	-	
Revolving Credit Facility (RCF2)	£15.0	-	April 2021
Term Loan	£9.0	£9.0	December 2023
<b>Total facilities / borrowings</b>	<b>£48.0</b>	<b>£21.7</b>	

The Group has a £25 million Revolving Credit Facility (RCF1) provided by Barclays Bank PLC ('Barclays') to fund seasonal working capital requirements. This facility matures in July 2022. In April 2020, the Group established another Revolving Credit Facility (RCF2), also with Barclays, to provide additional financial headroom through to April 2021.

The development of the Group's new Head Office is being funded, in part, by way of a £9.5 million loan from Barclays. The loan is repayable by way of quarterly payments of £264,000 and a final bullet payment in December 2023. In April 2020, the Group agreed the deferral of the subsequent four quarterly repayments, with the deferred amounts added to the final bullet payment.

## FINANCIAL REVIEW

### JOULES GROUP PLC

#### NET CASH/(DEBT) AND LIQUIDITY

Net cash at the end of the Period was £4.5 million (FY19: £5.8m). Cash balances were £26.2 million (FY19: £16.0m) and Group borrowings were £21.7 million (FY19: £10.2m).

The Group's total liquidity headroom at 31 May 2020 was £52.5 million, comprising of £26.2 million cash balances and £26.3 million undrawn committed financing facilities.

To preserve cash and improve the short-term liquidity position in response to COVID-19, the Group agreed the deferral of certain liabilities falling due in the final quarter of the financial year with HMRC and with landlords. At 31 May 2020 the total amount deferred under these arrangements was £6.7 million (FY19: £nil). The Directors anticipate that these amounts will be repaid over the period to May 2021.

#### BREXIT

The Group is preparing for a 'hard Brexit' scenario as the UK leaves the European Union's single market and customs union at the end of 2020. The Group's Brexit task force has been established and several steps have been taken to mitigate the potential for adverse impact on the Group including AEO certification and establishing the primary UK logistics facility as a bonded warehouse. Notwithstanding these mitigating actions, the Group's wholesale and e-commerce sales into the European Union could face a period of operational disruption and potentially increased costs as a consequence of a hard Brexit.

#### GOING CONCERN

As for many businesses in the retail sector, the Group has been significantly impacted by COVID-19. The impact and management's initial response is set out in detail within the CEO's Report and this Financial Review. Considering the significant uncertainties faced by the retail sector, the Directors have undertaken a comprehensive assessment to consider the Group's ability to trade as a going concern over the following 12 months.

The Directors have considered the Group's financial position, it's committed borrowing facilities as well as alternative sources of financing (including sale & leaseback of freehold property and asset financing) that might reasonably be assumed to be available, as well as the Group's financial commitments, noting the relatively short lease commitments, of less than three years on average, for the store portfolio together with recent progress on renewing leases on favourable terms.

More broadly, the Directors have considered the strength of the Joules brand, demonstrated in active customer growth, brand awareness and brand health metrics, and the flexibility and agility of the Group's business model, noting

that over half of the Group's retail sales are via e-commerce, that e-commerce sales have performed strongly during the lockdown period, and that the Group has diversity in its revenue streams, operating in both owned and third-party channels across several channels and geographic markets, plus newer income streams of brand licensing and the Group's digital marketplace.

Finally, the Directors have noted the support from the Group's shareholders and bank, evidenced in the successful equity placing and financing facility extension completed during the early stages of the UK lockdown plus the extent and willingness of the UK Government to support good businesses through this challenging period with support initiatives including business rates relief and the Coronavirus Job Retention Scheme (CJRS).

In making their assessment the Directors have reviewed management's forecasts based on the following trading scenarios:

- **Base plan** - gradual sales recovery post-COVID-19, reflecting management estimates for the speed and extent of recovery across different sales channels and markets. It reflects phased store re-openings from mid-June 2020 with stores initially trading significantly below prior years and improving to circa 75-80% of prior year sales by the end of FY21, with modest growth thereafter. Third-party wholesale channels are assumed to follow a similar trajectory.
- **Downside scenario** - the 'Base plan' adjusted to reflect a slower recovery of the Group's stores channel and a further deterioration in the total wholesale channel receipts.

The Base plan and Downside scenario indicate that the Group will remain within its available committed borrowing facilities and in compliance with covenants throughout the forthcoming 12-month period. Under the Downside scenario, the Group has more than £25 million available liquidity headroom through-out the period under consideration and has EBITDA headroom of £2.9 million against its first covenant test arising in the period with headroom increasing further for the second covenant test arising in the period. Further detail on the going concern review can be found in the Director's Report and note 1 of the Consolidated Financial Statements.

Taking the above considerations into account, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence throughout the forthcoming 12-month period. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

# PRINCIPAL RISKS AND UNCERTAINTIES

## JOULES GROUP PLC

Set out below are the principal risks and uncertainties that the Directors consider could impact the business. The Board 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
<b>Global / Regional Pandemic (i.e. COVID-19)</b> As the current global pandemic COVID-19 has shown, the implications of such an event are extreme, sudden and are challenging to mitigate. The impacts of a global (or regional) pandemic include: <ul style="list-style-type: none"> <li>Supply chain disruption – supplier factory closures and freight disruption</li> <li>Customer demand reduction - general consumer mobility restrictions exacerbated by enforced store closures and/or in-store restrictions</li> <li>Supplier impact – increased risks of failure of key suppliers</li> <li>Employee – health and wellbeing implications plus restrictions on ability to undertake day to day operations</li> <li>Management decision making – potential to be impacted if several members of the senior leadership team were to become incapacitated.</li> </ul>	Our response to mitigate the immediate and longer-term impacts of COVID-19 are detailed within the CEO's Report and Financial Review. As evidenced by COVID-19, mitigation of the impacts of a global pandemic is very challenging. To navigate the challenges and mitigate the potential adverse impacts on the Group, we have the following established: <ul style="list-style-type: none"> <li>Business Continuity task force, with delegated decision-making authority, established to rapidly respond to crisis situations</li> <li>Well invested, modern IT infrastructure to support remote and agile working</li> <li>Short lease terms across store portfolio mitigating adverse financial impact of customer demand reduction</li> <li>Outsourced UK distribution centre operations to Clipper Logistics plc providing access to their disaster recovery capability and capacity</li> </ul> <p>The following elements are in progress or under evaluation to provide potential further mitigation:</p> <ul style="list-style-type: none"> <li>Geographic diversification of product supplier base.</li> </ul>
<b>Economy</b> 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. Two current factors, COVID-19 and Brexit, are increasing the likelihood and 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. In addition, the property portfolio has short lease terms, providing relative flexibility to close or relocate stores should this become necessary.
<b>Competitor actions</b> 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.
<b>Foreign Exchange</b> The Group purchases the majority of its product inventory from overseas and is therefore exposed to foreign currency risk, primarily the US Dollar. Without mitigation, input costs may fluctuate in the short term, creating uncertainty as to profits and cash flows. 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. The Group's US wholesale business generates US Dollar cash flows which provide a degree of natural hedging.

## PRINCIPAL RISKS AND UNCERTAINTIES

### JOULES GROUP PLC

RISK AND IMPACT	MITIGATING FACTORS
<p><b>Regulatory and Political</b></p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
<p><b>Brexit</b></p> <p>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.</p> <p>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.</p> <p>Specific risk areas that could be impacted by Brexit are as follows:</p> <ul style="list-style-type: none"> <li>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</li> <li>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. 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</li> <li>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</li> <li>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</li> <li>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</li> <li>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</li> <li>Contractual and procurement arrangements: Commercial terms and contractual arrangements may be adversely impacted by Brexit.</li> </ul>	<p>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.</p> <p>Mitigating steps taken:</p> <ul style="list-style-type: none"> <li>Political uncertainty: A detailed review of the business has highlighted areas that would most likely be impacted by Brexit</li> <li>Changes in customs duty and VAT regimes: An assessment of the Group's operations has been undertaken to identify additional costs. Paperwork (e.g. commercial invoices) has been automated to improve efficiency where possible</li> <li>Supply chain delays: In the short term, we are seeking to expedite delivery of products into the EU ahead of the UK's withdrawal. The business has achieved Authorised Economic Operator status and implemented Customs bonded status for the Group's main UK distribution centre which would further mitigate adverse duty impacts and supply chain delays</li> <li>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</li> <li>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</li> <li>Regulation and compliance: On-going legal advice is being taken in this area to ensure continued compliance with relevant UK and EU regulations</li> <li>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.</li> </ul>



# PRINCIPAL 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
<b>Brand and reputation</b> The strength of our brand and its reputation are very important to the success of the Group. Failure to protect and manage this could reduce the confidence and trust that customers place in the business, which could have a detrimental impact on sales, profits and business prospects. Our brand may be undermined or damaged by our actions or those of our 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. We carefully consider each new trade customer with whom we do business and monitor on an ongoing basis. 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.
<b>Product sourcing</b> 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. The Group operates a programme of ethical audits across the product supply base supported by a third-party agency.
<b>Design</b> 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. Early feedback from our trade customers can allow us to further refine our product range ahead of significant purchase commitments.
<b>Key management</b> 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. 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.
<b>IT security and systems availability</b> 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. 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. 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.
<b>Supply chain</b> The disruption to any material element of the Group's supply chain, in particular the UK central distribution centre (DC), could impact sales and impact on our ability to supply our consumers, stores and wholesale customers.	The Group outsourced its UK DC operations to Clipper Logistics plc (Clipper) in the Period, this provide access to Clipper's business continuity arrangements 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

From the day we started with nothing more than a table in a field, to the Joules you know and love today, we've always been conscious of our impact on the environment, the wildlife within it and the people we work with. That's why we're committed to protecting, respecting and giving back — because we wouldn't be us without them.

### YOURS RESPONSIBLY



### OUR APPROACH

Our Responsibly Joules strategy sets out our approach to Corporate Social Responsibility (CSR), defining how we want our business to operate; fairly, responsibly, and sustainably. We work hard to make sure that what we do is right – not just for us, but also for the people we work with, the communities we're based in, and the world around us.

We manage and report our progress under four pillars that align with our business operations and key stakeholder groups;



Partnering with our suppliers to create distinctive products made with care, consideration and respect



Managing and reducing our impact on the environment and protecting it for future generations



Championing the causes close to our heart by inspiring and generating positive change to make a real difference



Creating a vibrant and supportive team that live and breathe our values every day

During the year, we have reviewed each of the United Nation's Sustainable Development Goals (SDGs) and aligned our Responsibly Joules strategy against nine of the SDGs that we believe have the most relevance to our business model and operations. The nine SDGs are listed below, with more information available on the Responsibly Joules section of our Group website.



### GOVERNANCE

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

- Our dedicated Responsibly Joules team
- Directors and stakeholders from across the business.

It is chaired by our Chief Financial Officer and reports directly into our senior leadership team and the Group PLC Board. This structure ensures that our Responsibly Joules strategy aligns with our broader corporate strategy and is disseminated through the business so that it is at the heart of everything that we do.

# SOCIAL RESPONSIBILITY

## RESPONSIBLY JOULES

### HIGHLIGHTS OVER THE LAST YEAR

#### Key highlights from the last year include:

- We are on track to meet our commitment of sourcing 100% of our cotton as more sustainable cotton by 2022
- Our Green PE mailbags have achieved a cumulative carbon saving in excess of 350 metric tons of CO2eq\* in calendar year 2019
- We are on our way to achieving our commitment of planting 250,000 trees with the Woodland Trust by 2022
- Proud to have supported the NHS Charities Together Urgent Covid-19 Appeal, raising nearly £80,000 to date
- Joined the fight against COVID-19, leveraging supplier partnerships to source and donate vital personal protective equipment to key workers in Leicester Hospitals Trust and Hospice UK
- Annual sales of our Woodland Trust Jute bags have saved over 2.4 million plastic bags going to landfill
- Introduced in-store recycling in partnership with Oxfam into every store
- Raised a total of £120,000 for charity in the year.

### SUSTAINABLE SOURCING

As our business grows, we recognise the importance of developing our sourcing strategy to use more sustainable approaches to source materials and work with our supply base. With growth comes increased challenges to overcome, we know we have a lot still to do, but we are committed to proactively identifying ways to reduce our environmental and social impacts, through improving the sustainability of the materials we use in our products and packaging and the transportation of products through the supply chain.

#### Achievements this Year include:

- We are on track to meet our goal of sourcing 100% of our cotton as more sustainable cotton by 2022, including Better Cotton Initiative (BCI) and certified organic
- 100% of our Tier 1 suppliers were independently audited by a third party using SMETA or BSCI standards
- Launched mens and boys recycled swim shorts diverting 106,000 plastic bottles (approx. 2.4 tonnes) from landfill or contributing plastics in our waterways and oceans.

#### Focus areas for the year ahead:

- Increase the level of sustainable cotton across our product ranges as we work towards our target of sourcing 100% of our cotton as more sustainable cotton by 2022
- Continuing to work towards our goal of sourcing 100% of our leather accessories and footwear from Leather Working Group certified tanneries by the end of 2020
- Launch of recycled wadding in selected padded outerwear styles across our womens, mens and childrenswear ranges, from autumn 2020
- We will continue to investigate opportunities to bring more sustainable and innovative new materials into our product range
- We will continue to strengthen our relationships with industry bodies and be an active and pro-active member, collaborating with others in the industry to drive positive change.

### OUR PROMISE – 100% SUSTAINABLE COTTON BY 2022

Our goal is to source 100% of our cotton as more sustainable cotton by 2022, which means sourcing cotton through either certified organic routes or cotton through the Better Cotton Initiative. Joules are proud members of the Better Cotton Initiative (BCI) which is a non-profit organisation 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.

We have already made big steps in sourcing more sustainable cotton across our womens, mens, kids and babywear ranges. In the first year we have hit our target of sourcing 20% of our cotton as more sustainable cotton and are on track to meet our target of 100% by 2022.

### SUPPLIER RELATIONSHIPS

We believe that developing and maintaining strong relationships with trusted suppliers that share our values and principles are essential to our success.

All our factories go through strict procedures to ensure that they are compliant and meet, or exceed our standards. Our 'Code of Conduct' supplier manual sets out the procedures that all our suppliers must comply with. These include standards in relation to work and labour practices, environmental performance, raw materials and restricted substances, and animal welfare practices.

During the year all of our Tier 1 suppliers – those who produce product directly for Joules – were independently audited using SMETA (Sedex Members Ethical Trade Audit) or BSCI (Business Social Compliance Initiative) audit process, to ensure they comply with our ethical and social standards, covering the following key areas:

- Prison / forced labour / Modern slavery
- Freedom of association
- Health and safety
- Child labour
- Wages & benefits
- Working hours
- Discrimination
- Regular employment
- Disciplinary practices
- Environmental behaviour.

## SOCIAL RESPONSIBILITY

### RESPONSIBLY JOULES

We also run a supplier training programme, to support our suppliers in the delivery of ongoing improvements. This includes our third-party compliance partner providing a training session on some of the more challenging areas of compliance and showing our suppliers how to achieve them.

We are members of the Ethical Trading Initiative (ETI) an alliance of companies and voluntary organisations working to improve the lives of workers in the supply chain. Ethical trade means that along with our suppliers we take responsibility for improving the working conditions of the people who make the products we sell. Through the ETI we regularly participate in discussions and projects to help support our supply base. Like many businesses, we have been significantly impacted by the global pandemic, COVID-19. Facing into a period of operational disruption and lower sales, we implemented cost saving and cash preservation measures across the Group. Through this period, we worked collaboratively with our product supplier base to reduce and rephase our seasonal product supply requirements balancing the Group's need to preserve cash and reduce orders for the current spring/summer and following autumn/winter season with our suppliers' financial position and commitments. Maintaining our long term 'partnership' approach with our product supplier base.

In April, we were proud to become signatories to the International Labour Organization's (ILO) COVID-19: Action in the Global Garment Industry. This call to action commits the signatories to take action to protect garment workers' income, health and employment and support employers to survive during the COVID-19 crisis, and to work together to establish sustainable systems of social protection for a more just and resilient garment industry.

#### MATERIAL INNOVATION

From SS20 our mens and boys swim shorts were made from 'Global Recycling Standard' certified recycled material, produced from post-consumer, plastic bottle waste. It takes on average six plastic bottles to produce each pair, which means we saved approximately 106,000 plastic bottles from heading to landfill or ending up in the ocean.

Going forward from SS21 we are working towards all of our own brand swimwear being made using recycled materials.

#### FIGHTING FOR OUR ENVIRONMENT

A love of the countryside is, and always has been, at the heart of the Joules brand and respecting, considering and fighting for the environment that we constantly draw inspiration from is fundamental to our business.

We are proud that Joules clothes are known for their high durability and quality, providing many years of use and often being passed-on or handed-down. This is particularly relevant when some reports suggest that nearly two-thirds of clothing created by the industry overall end up in incinerators or landfill within a year of purchase.

We invest time to identify our environmental impact across our business operations and work to identify potential actions to reduce them. It is a challenging journey and we know that we have far to go, but we are proud of our progress so far and are committed to continuing to drive positive change.

Our charity and community partnerships, as discussed in more detail below, are increasingly aligned with our purpose – fighting for the environment that inspires us.

#### Achievements this year include:

- We launched our Woodland Trust 'Buy a Pair, plant a Tree' campaign with an aim of planting 250,000 trees in the UK by 2022
- For over 10 years, Joules have pioneered 'Beach Cleans' up and down the country. In May 2019, Joules hosted six beach cleans, resulting in the collection of over 6,300 pieces of rubbish
- We launched our 'Don't Let Good Taste go to Waste' campaign in partnership with Oxfam, supporting customers to recycle their unwanted clothing in our stores
- From 2019 we began consolidating our large and eclectic suite of packaging and labelling, enabling us to be more efficient and invest in innovative plant-based and recycled plastics along with sustainable FSC certified paper and recycled yarn
- Our 'Jute Bag for Life' is a combination of jute and cotton with £1 from the sale of every bag donated to The Woodland Trust. Over the last year it's prevented over 2.4 million plastic bags from going to landfill
- Our Green PE mailbags have achieved an accumulative carbon savings in excess of 350 metric tonnes of CO2eq\* in 2019.

#### Focus areas for the year ahead:

- Through our partnership with the Woodland Trust we'll continue to combat the effects of climate change and protect the flora and fauna that inspires us
- Launch of our new fully recyclable welly boxes, made from FSC certified card and cotton tape handles. Design and size rationalisation will reduce unnecessary waste
- We will continue to innovate, working towards our commitment for 100% of our packaging being sustainable, recyclable, compostable or re-usable materials
- Our new Head Office, due for completion in 2020, provides both a significantly more energy efficient building with many energy saving measures and facilities for modern ways of remote working that generate less travel and the related emissions. The facility also provides an opportunity for teams to share knowledge and lessons on the activities and initiatives to support our commitment of fighting for the environment that inspires us.

#### INNOVATING IN PACKAGING - GREEN PE MAILBAGS

In partnership with Duo UK, we introduced GreenPE mailbags for our e-commerce customer orders. These bags are made from sugarcane, using no virgin plastic in their production and are recyclable.

What started as a small trial in 2018 has led to us making our colourful and distinctive "Hello Sugar" GreenPE sugar-cane mail bags our primary packaging for all consumer e-commerce orders. This achieved a cumulative carbon saving in excess of 374MT CO2eq\* in 2019.

\*Based on volume of GreenPE packaging products delivered by Duo UK to Joules in calendar year 2019.



# SOCIAL RESPONSIBILITY

## RESPONSIBLY JOULES

### GREENHOUSE GAS EMISSIONS

The Group reports on all the Greenhouse Gas (GHG) emission sources as required under the Streamlined Energy and Carbon Reporting (SECR) legislation.

The methodology used to calculate our emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), based on the operational control approach i.e. where the Group operates the facility or asset. Data has been calculated using BEIS 2019 emission factors for all carbon streams. All emission and energy usage reported is UK based which comply with the requirements for large unquoted companies.

UK GHG EMISSIONS DATA <sup>1</sup>	FY20
<b>Scope 1 (tonnes CO<sub>2</sub>e)<sup>2</sup></b>	
Combustion of fuel and operation of facilities, refrigeration	200
<b>Scope 2 (tonnes CO<sub>2</sub>e)<sup>3</sup></b>	
Electricity, heat, steam and cooling purchased for own use	1,061
<b>Total Scope 1 and Scope 2 emissions</b>	<b>1,261</b>
<b>Intensity metric (tonnes of CO<sub>2</sub>e per £million of retail revenue)</b>	
	8.6

<sup>1</sup> Figures represent a 12-month period ending at or around the financial year end. FY20 is the first year that the Group has reported under SECR legislation therefore no comparative information is presented.

<sup>2</sup> Scope 1: Emissions associated with our direct activities, such as heating our stores, offices, warehouses and company cars.

<sup>3</sup> Scope 2: Emissions from the electricity we purchase.

During the year, our reported UK GHG emissions were impacted by the following:

- COVID-19 – with our stores closed for most of the final quarter and most colleagues working from home, our direct business operations were materially reduced resulting in a significant reduction in our Green House Gas emission across this period
- UK distribution centre outsourcing - In the final quarter of FY20, we transferred the operational management of our UK distribution centre to Clipper Logistics plc. From the date of transfer going forwards the related GHG emissions will be reported by Clipper
- New stores – during the year we opened five new stores and closed two.

## SOCIAL RESPONSIBILITY

### RESPONSIBLY JOULES

#### CHARITABLY JOULES

Our Joules stores sit at the heart of many communities and as such, we believe that we have an important role to play in supporting them. Through our Charitably Joules programme, we support charities which play crucial roles in the lives of children, young adults and families across the country, as well as charities that share our purpose of fighting for the environment.

This year we also saw the urgent need to support our customers and communities in the fight against COVID-19 - raising vital funds to support front line workers and donating much needed personal protection equipment.

Through our Charitably Joules work, we are proud to have long-term partnerships with the following five charities:

- The Prince's Trust
- Hospice UK
- Farms for City Children
- Nuzzlets
- The Woodland Trust.

#### Achievements this year include:

- We've raised £120,000 throughout the year ... including £35,000 during Joules Charity Week
- Nearly £80,000 raised to date for the NHS Charities Together Urgent COVID-19 Appeal
- 350 colleagues took part in the Prince's Trust annual 'Future Steps Challenge' - walking over 107 million steps to raise awareness and fund for our charity partner
- 30 Joules colleagues volunteered their time for a Woodland Trust tree planting day, with 1,000 trees planted.

#### Focus areas for the year ahead:

- Plant over 80,000 trees through our partnership with the Woodland Trust, to reach our target of 250,000 trees by 2022
- Further align Charitably Joules activities and partnerships with our purpose of 'brightening lives with the joy of the countryside and fighting for the environment that inspires us'
- Supporting our customers, colleagues, communities and charity partners as we emerge from the COVID-19 global pandemic
- Launch a charitable donation option for our customers to donate to a Joules partner charity alongside their purchases
- Challenging ourselves to think bolder and bigger about the positive and impactful role we can play as a business and collective of committed and passionate individuals.

#### PLANTING ROOTS WITH THE WOODLAND TRUST

Our partnership with the Woodland Trust continues to grow, and in March we launched our new commitment to plant 250,000 trees in three years, to support vital conservation efforts.

We know that trees are one of the best ways to fight climate change, and by planting more we're helping to secure the future of the woodlands that inspire us, and the future of our planet.

To launch our commitment the Joules team took to the fields with the Woodland Trust, planting 1,000 trees towards our tree pledge. We also provided the opportunity for customers to be a part of the commitment, and for every pair of wellies sold in March and April we will plant a tree.

#### SUPPORTING THE NHS

COVID-19 has had an impact on all our lives as we found ourselves in a situation that none of us imagined. Our Joules community is at the heart of everything we do – this includes our customers, colleagues and the communities around us all – and we knew we needed to support them however we could during this challenging time.

We wanted to show our gratitude to the thousands of dedicated, caring and compassionate healthcare staff and volunteers working around the clock to keep us all safe.



Across the UK, people were sharing pictures of rainbows to show their support and solidarity with the NHS and key workers. At Joules we love a pop of colour, and lots of our clothes and accessories were already splashed with all the colours of the rainbow. We thought it would be nice for these rainbows to do some good, taking the decision to bring these products together to create the 'Rainbow Edit' with all profits being donated to the NHS Charities Together Covid-19 Urgent Appeal.

With nearly £80,000 raised so far, this money will contribute towards funding much needed items, from well-being packs for staff to vital accommodation for front line workers.

# SOCIAL RESPONSIBILITY

## RESPONSIBLY JOULES

### OUR JOULES FAMILY

As our Joules family expands further, we have been working hard to build on the progress we made last year in focusing on recruiting, retaining and developing the best people. Our plans to enhance the working environment are well underway and our culture continues to strengthen supported by the introduction of a new learning platform and enhanced internal communications.

From a pay perspective we continue to pay our all colleagues above National Living Wage and are pleased to report that our Gender Pay Gap has again improved year on year.

Focus has been given to supporting our colleagues both financially, practically and emotionally during the COVID-19 lockdown period.

We were proactive in our decision making both in terms of moving to remote working and closing our stores before the government-imposed lockdown. We topped up all furloughed colleagues pay to 90%, increased the frequency of our business-wide communications both using video conferencing; team cascade meetings and regular email updates as well as providing guidance for team leaders to help them support and keep in touch with their teams, including furloughed employees. We increased our support resources on our learning platform, and we made sure we still celebrated long service awards and new births with cards, flowers and in some cases an on-line celebration.

#### Achievements this year include:

##### Learning support

- We launched a company-wide learning platform creating more opportunities for learning, sharing, career development and collaboration
- We launched apprenticeships programmes (L3 and L5)
- We created digital onboarding and induction learning plans to support newcomers to our business during the lockdown period
- As part of our desire to help young people transition into the workplace we have been reaching out to local schools and colleges to improve students' business knowledge and support to develop a range of skills including presentation and interviewing skills. This provides development for both our colleagues and the students.

##### Wellbeing

- We ran mental health first-aid training sessions with 60 colleagues
- During the first month of lockdown we had nearly 1600 views of our Mental Health & Wellbeing content
- We had 350 colleagues team up for the Princes Trust Future Steps challenge and collectively they notched up 107million steps. The Joules Team came 3rd out of 102 organisations who took part
- We provided access to the Retail Trust wellbeing portal to all colleagues.

##### Communication and Engagement

- We followed up last year's employee engagement survey with a pulse survey conducted during the lockdown period
- We have monthly company updates from our CEO and members of the senior leadership team to all colleagues around the world, increased to twice a month during lock down
- We are in the process of setting up a Colleague Forum
- We run regular engagement activities on our digital learning platform ranging from a Friday pub quiz to 'knit & natter' sessions.

##### Focus areas for the year ahead:

- Build on the new flexible ways of working which we have achieved during lockdown and maximising the use of our technology and collaboration tools to support remote working
- Transitioning to our newly developed head office in early 2021, ensuring it facilitates and supports the new flexible ways of working
- Automation of our internal recruitment process and enabling online candidate interviewing
- Further enhancing our digital onboarding, induction and on-going learning plans
- Extending our early careers support
- Fully embedding our new Colleague Forum
- Formalising our 'Inclusively Joules' charter and taking any required actions and measures to ensure that ensure that Joules is inclusive for all, across every aspect of our business and, were appropriate establish appropriate targets and measures to ensure we demonstrate it.



## SECTION 172 STATEMENT

### JOULES GROUP PLC

#### INTRODUCTION

The Board is mindful of all stakeholders when making decisions of strategic importance. Stakeholder engagement is central to the formulation and execution of our strategy and is critical in achieving long-term sustainable success. The needs of our different stakeholders as well as the consequences of any decision on the long term are well considered by the Board. It is not always possible to provide positive outcomes for all stakeholders and the Board sometimes has to make decisions based on the competing priorities of stakeholders. Our stakeholder engagement processes enable our Board to understand what matters to stakeholders and carefully consider all the relevant factors and select the course of action that best leads to the high standards of business conduct and success of Joules in the long term.

#### KEY STAKEHOLDERS

The Board considers its key stakeholders to be its employees, customers, suppliers, the communities in which it operates, the environment, Governments and industry bodies and its shareholders.

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#### **S172 (1) Statement:**

In accordance with Section 172(1) of the Companies Act 2006, a Director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard, amongst other matters, to:

- a. the likely consequences of any decision in the long-term
- b. the interests of the Company's employees
- c. the need to foster the Company's business relationships with customers
- d. the impact of the Company's operations on the community and the environment
- e. the desirability of the Company maintaining a reputation for high standards of business conduct
- f. the need to act fairly between members of the Company.

The following disclosure describes how the Directors of the Group have taken account of the matters set out in section 172(1) (a) to (f) and forms the Directors' statement required under section 172 of the Companies Act 2006.

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## SECTION 172 STATEMENT

### JOULES GROUP PLC

#### How the Group engages with its key stakeholders:

STAKEHOLDER	ENGAGEMENT EXAMPLES AND FURTHER REFERENCES WITHIN THIS ANNUAL REPORT
<b>Employees</b>	<ul style="list-style-type: none"> <li>Comprehensive digital onboarding and induction plans for new joiners</li> <li>Companywide digital learning &amp; development platform for learning, sharing, career development and collaboration</li> <li>Annual company-wide and independently analysed employee engagement survey</li> <li>Regular company-wide colleague updates (currently twice a month)</li> <li>Annual retail store manager conference to enhance communication and share best practice</li> <li>A colleague forum is being established to cover areas including inclusivity, feedback and improvement suggestions.</li> </ul> <p>See also: Our Joules Family within the Responsibly Joules section of this annual report.</p>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Regular customer feedback forums and focus groups are conducted to provide customer insight</li> <li>Product feedback requests for online purchases</li> <li>Interaction with customers in stores on a daily basis and through targeted in-store customer engagement events</li> <li>Relevant targeted marketing campaigns, engaging social media content and a Joules customer facing blog</li> <li>Customer service support function assists with all customer queries with follow up on customer satisfaction on the resolution of their query.</li> </ul> <p>See also: CEO's Report section of this annual report.</p>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>Individual meetings with institutional shareholders throughout the year and particularly following interim and full year results</li> <li>Shareholders are invited to submit questions to the Board at the Group's Annual General Meeting</li> <li>Investor information and company financial reports and updates published via the Group's corporate website.</li> <li>With Tom Joule as a founder shareholder committed to the future of the business, we maintain a relationship with all of our shareholders to allow us to take a long-term view in the management of the business. This involvement is central to ensuring we act fairly in considering the needs of all shareholders, along with other stakeholders.</li> </ul> <p>See also: Governance Framework section of this annual report.</p>
<b>Communities &amp; Environment</b>	<ul style="list-style-type: none"> <li>Charitably Joules programme in place supporting the local communities where our stores are based and the surrounding environment</li> <li>The following charitable partnerships are in place: <ul style="list-style-type: none"> <li>The Princes Trust</li> <li>Hospice UK</li> <li>Farms for City Children</li> <li>Nuzzlets</li> <li>The Woodland Trust</li> </ul> </li> <li>Various environmental initiatives including beach cleans, tree planting projects, Green packaging alternatives and sustainable product sourcing</li> <li>Curation of a Joules "Rainbow Edit" of products which included a selection of rainbow themed products, the profits from sales of which were donated to NHS COVID-19 support charities with nearly £80,000 raised to date.</li> </ul> <p>See also: Responsibly Joules section of this annual report.</p>
<b>Partners &amp; Suppliers</b>	<ul style="list-style-type: none"> <li>Comprehensive assessment and onboarding process for all new Joules product suppliers</li> <li>On-going supplier training programme including more challenging compliance areas, delivered by our third-party supplier audit partner</li> <li>Annual independent compliance audits for product suppliers using the SMETA or BSCI audit process</li> <li>Regular account management meetings are held with senior representatives from our larger non-product suppliers</li> <li>Periodic supplier surveys covering topical matters, for example Brexit readiness, COVID-19 impacts.</li> </ul> <p>See also: Sustainable Sourcing section within the Responsibly Joules section of this annual report.</p>
<b>Governments (and tax authorities) &amp; Industry bodies</b>	<ul style="list-style-type: none"> <li>The Group has processes in place to monitor new regulations and compliance requirements that may impact the business – including for example product regulations, financial accounting and reporting updates and tax accounting and reporting compliance</li> <li>Group management engage regularly with industry bodies including the British Retail Consortium, The Retail Trust, Better Cotton Initiatives, Ethical Trade Initiatives.</li> </ul> <p>See also: Principal Risks &amp; Uncertainties section of this annual report.</p>

## SECTION 172 STATEMENT

### JOULES GROUP PLC

#### Key Board decisions in FY20:

BOARD DECISION	CONSIDERATIONS
<p>The Board reviewed the Group's financing facilities in light of the impact of COVID-19 on the business' operations and cash flow and agreed:</p> <ol style="list-style-type: none"> <li>1. a £15 million equity raise that was successfully completed in the year</li> <li>2. a £15 million increase in the existing Revolving Credit Facility with Barclays Bank PLC.</li> </ol>	<p>The requirement for additional funding due to the impact of COVID-19 on the Group's trading and cash flow as a result of lockdown and the closure of stores from March onwards and the requirement to protect the future viability of the business.</p>
<p>The Board took the decision to cancel the FY20 interim dividend in light of the impact of COVID-19 on the Group's operations.</p>	<p>The requirement to preserve short term cash flow in light of the impact of COVID-19 on the Group's operations and therefore ensure long term viability of the business.</p>
<p>The Board reviewed the response of the business to the impact of COVID-19 on key stakeholders and approved the following actions:</p> <ul style="list-style-type: none"> <li>• Colleague welfare: closure of stores and offices in advance of the UK Government lock down, top up of the Government's 80% furlough pay to 90% for the duration of furlough status, comprehensive support for colleagues whilst working remotely from home including financial support, enhanced and extended flexible working arrangements for all colleagues, access to IT equipment and work station set-up advice and tools and support to assist with mental health challenges</li> <li>• Customers: increased engagement via website and social media platforms, extended product returns policy up to 365 days and comprehensive risk assessments and social distancing operations in re-opened stores</li> <li>• Suppliers/Partners: collaborative and fair rescheduling of stock purchases and payment terms, which included the waiving of platform fees for our 'Friends of Joules' partner sales during the period of lockdown.</li> <li>• The agreement of fair and appropriate settlements with store landlords.</li> </ul>	<p>The requirement to prioritise the welfare and health &amp; safety of all colleagues and customers, whilst taking in to account the impact of lockdown on childcare arrangements, work / life balance and mental health.</p> <p>The requirement to support suppliers and partners, in particular small and local businesses, through lockdown and the financial impact on trading, whilst taking in to account the need to have strong and stable suppliers to support the long-term viability of the business.</p>
<p>The Board reviewed the results of the recent employee engagement pulse survey and agreed a number of initiatives to be carried out by the senior leadership team.</p>	<p>Consideration of the feedback provided by employees who completed the survey. Taking appropriate actions is critical for employees to engage in the process and for positive changes to be implemented.</p>
<p>Outsourcing of the UK distribution centre to Clipper Logistics plc.</p>	<p>Consideration of the long-term growth plans of the business and the need to have increased and cost-efficient distribution capacity, in particular to support the on-going growth of on-line sales. The decision supports the long-term strategy of the business to drive total UK brand sales.</p>
<p>Lease extension for the UK distribution centre premises in Corby.</p>	<p>Consideration of the impact on existing Corby based colleagues of a potential re-location of the distribution centre to an alternative location in the UK balanced with the requirement to effectively support the Group's various sales channels.</p>
<p>The Board confirmed the appointment of a new Chief Executive Officer.</p>	<p>The need to recruit an appropriately experienced and talented individual who was the right fit for the culture of the business and understood the values of the Joules Brand, as well as the strategic growth aspirations of the Board and the requirements of shareholders and the market. The need to also consider long-term succession planning in terms of future Board development.</p>

This statement was reviewed and approved by the Board on 5 August 2020.



## BEHIND THE DESIGN

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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

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let's have a look

## 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 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 38

years of 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 Chairman of Sofology, 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 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.



#### NICK JONES

##### Chief Executive Officer

Nick was appointed CEO of Joules in 2019. Prior to joining the business, he was SVP Commercial at Asda and a member of the Executive Board, having previously held roles as Managing Director of George, and as Commercial Director.

During his time at Asda, Nick was responsible for the performance of the grocer's trading divisions across food, general merchandise and clothing, and helped drive significant innovation and digital transformation across the business. Nick has over 25 years' experience in developing retail brands and strategy, and also previously held a number of senior and director roles at leading British retailer Marks & Spencer. Nick is an alumnus of Harvard University, having recently completed a Personal Leadership and Development course at Harvard Business School.



#### 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 Naked Wines 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 was previously the Non-Executive Director of Shaftesbury plc and chaired their remuneration committee, and was on the board of Nobia AB as a Non-Executive Director. 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.

# GOVERNANCE FRAMEWORK

## JOULES GROUP PLC

### CHAIRMAN'S INTRODUCTION

I have pleasure in introducing the Joules Group plc Corporate Governance Statement. The Board is committed to supporting high standards of corporate governance and during the Period the Board continued 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 diversity, inclusion and 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
- 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 prior 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.

### IAN FILBY

Non-Executive Chairman

### BOARD SIZE AND COMPOSITION

For the financial year ended 31 May 2020, 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 the 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 thirteen times in the reporting period. For all Board meetings an agenda is established and a Board pack is circulated at least 48 hours ahead of the meeting. As a minimum, the items covered include:

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

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

# GOVERNANCE FRAMEWORK

## JOULES GROUP PLC

Group's operations.

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

	BOARD	AUDIT	REMUNERATION	NOMINATION**
Ian Filby	13/13	3/3	4/4	-
Tom Joule	13/13	-	-	-
Colin Porter*	4/4	-	-	-
Nick Jones*	9/9	-	-	-
Marc Dench	13/13	-	-	-
David Stead	13/13	3/3	4/4	-
Jill Little	13/13	3/3	4/4	-

\* Colin Porter retired as CEO, and Nick Jones was appointed as CEO, on 30 September 2019.

\*\* The recruitment of Nick Jones was concluded in the year ended 26 May 2019.

### 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 are 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](http://www.joulesgroup.com)) or upon 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 in the Board of Directors section of this Annual Report. 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. Nick Jones, the Chief Executive Officer is responsible for the day-to-day management of Joules' operations and the recommendation of strategy to the Board. Nick 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

Nick Jones joined Joules on 2 September 2019, and was appointed as Chief Executive Officer on 30 September 2019. There were no other new Directors appointed during the year. 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

Following the changes to the composition of the Board in the year and the Board's focus on supporting the company through the challenges of COVID-19 in the final quarter of the Period, a formal board review has not been completed in the Period. A board review will be completed in the coming year.

A thorough and formal Board review, which was led by the Chairman, was conducted in the prior period. No major changes to the function and focus of the Board arose from this evaluation.

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 are 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 advising the Board on corporate governance matters.

### 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. In normal years, all shareholders are invited to attend the Annual General Meeting at which the Group's activities will be considered and questions answered. In 2020, due to the COVID-19 situation, the AGM will be held as a closed meeting and shareholders will be unable to attend the AGM as usual but will be invited to submit questions to the Executive Directors in advance of the AGM. Answers to questions submitted will be published on the Group's website ([www.joulesgroup.com](http://www.joulesgroup.com)) as soon as practicable after the AGM.

The Senior Independent 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 23 September 2020. 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 period ended 31 May 2020.

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 22 July 2019 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](http://www.joulesgroup.com)) and are also available on request from the Company Secretary.

The Committee meets a minimum of twice per year.

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

- Review of the impact of COVID-19 on the business
- Review of the key areas of judgment and estimations which have been used by management in preparing the financial statements, in conjunction with input from the external auditors
- Review of the Consolidated Financial Statements and the Annual Report
- Consideration of the external audit report and management representation letter
- Review of the risk management and internal control systems, and the Company's risk register
- Review of the need for an internal audit function
- Review of Taxation matters for the Group
- Consideration of whistle-blowing reports, the results of which are reviewed by the Committee and formally reported to the Board via Committee minutes, a minimum of twice a year
- 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 6 of the Group's financial statements. The non-audit fees related to Remuneration Committee advice and other advisory services. The Committee concluded in the Period that the external auditors will not be permitted to perform any non-audit services for the Company for the year ending May 2021. 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. The Committee noted that the Deloitte audit partner will be rotating for the year ending May 2021 and that appropriate transition arrangements are in place.

### 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.

Key areas assessed during the Period via the risk management framework include:

- Risk around potential data breaches, including IT and cyber security and GDPR requirements
- Ethical sourcing arrangements
- Potential disruption to supply chain and distribution network
- Health and safety arrangements.

The Committee is also satisfied that the risk management systems and internal control procedures are sufficiently robust to be able to adapt to the impact of COVID-19.

## AUDIT COMMITTEE REPORT

### JOULES GROUP PLC

#### **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. Further detail on the going concern review is provided in the Directors' Report section of this Annual Report. 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 period ended 31 May 2020 (FY20).

#### **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](http://www.joulesgroup.com)).

#### **ACTIVITY DURING THE YEAR**

The recruitment of Nick Jones as CEO of the Group was concluded prior to the start of FY20 and therefore, as there was no necessity for changes to Board composition during the year, there were no formal meetings of the Committee. However, the members of the Committee spoke informally on a number of occasions, primarily with regard to two matters.

- The planned evolution in Tom Joule's role as Chief Brand Officer, as detailed in the Chairman's Statement, to formalise that, in addition to his role as a Director, his principle focus will be on providing guidance to the product development process and supporting new growth initiatives and international expansion. As a result, Tom will move to a reduced working pattern, anticipated to be approximately half that of prior periods
- Contingency planning. With the outbreak of COVID-19 and the shift to working from home for all head office teams, the Committee was concerned to ensure that contingency plans were in place in the event that any member of the leadership team, including the CEO and CFO, should become indisposed. Thankfully, such plans have proved unnecessary to date.

Looking ahead, the Committee intends to focus its work in the forthcoming year on the following areas:

- Reviewing the structure and composition of the Board and its Committees
- Succession planning for the Board and the Joules senior leadership team.

#### **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 53 weeks ended 31 May 2020 (FY20). 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 FY20 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 FY20 and how we intend to apply the policy for FY21.

During the course of FY20 the Committee reviewed the Directors' Remuneration Policy in light of the Company's strategy and developments in corporate governance. While the Committee's view was that the Policy remained fit for purpose and supported the delivery of the Company's strategy, a small number of amendments have been proposed and are included in the Policy in this report, as follows.

- **Reduction in maximum pension:** In our previous Policy (which has applied during FY20), the maximum pension contribution was 10% of salary, although in practice contributions had not exceeded 5% of salary. Furthermore, Nick Jones' contribution was set at 3% of salary on appointment. In the new Policy, the maximum pension contribution is capped at 5% of salary for Tom Joule and Marc Dench and 3% of salary for Nick Jones and any Executive Director appointed in the future, a level aligned with that available to the wider workforce (currently 3% of salary)
- **Exceptional LTIP opportunity:** We have introduced the ability to grant LTIP awards of up to 300% of salary for Executive Directors in exceptional circumstances, providing the Committee with greater flexibility to attract, retain and motivate Executive Directors. The Remuneration Committee is considering utilising this increased exceptional maximum for FY21 awards, and plans to engage with major shareholders as part of this process. However, the normal Policy maximum grant level will remain at 150% of salary. See section entitled "Remuneration for the year commencing 1 June 2020", on page 57 for further details.
- **Varying formulaic LTIP outturns:** Although the UK Corporate Governance Code does not apply to the Company, in line with its terms the Committee will have discretion to vary the formulaic vesting output applying to LTIP awards granted in respect of FY21 and future years.
- **Enhancing recovery provisions:** In line with the UK Corporate Governance Code, we have also enhanced the malus and clawback provisions with effect from FY21, which will be capable of operation in the event of reputational damage
- **Enhancing shareholder alignment:** In the new Policy we have confirmed that Executive Directors' share awards will be settled in cash only in exceptional circumstances.

This Directors' Remuneration Report will be put to an advisory shareholder vote at the forthcoming annual general meeting on 23 September 2020.

### 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.

### FY20 PERFORMANCE AND ANNUAL BONUS AND LTIP OUTCOME

Based on FY20 Underlying PBT of £(2.4)m (pre-IFRS16 and excluding share-based compensation and exceptional costs), the Executive Directors will not receive a bonus in respect of FY20. Further details are set out herein.

The Company's second long-term incentive awards were granted under the LTIP in August 2017 ('FY18 LTIP') with vesting based on performance assessed over the period of three financial years ended on 31 May 2020. As the threshold targets were not met, the FY18 LTIP did not vest.

### EXECUTIVE DIRECTOR SALARIES

Given the current economic uncertainty as a result of COVID-19, the decision was taken not to review Executive Directors' base salaries in April 2020. The next salary review for all employees (including the Executive Directors) will take place in April 2021. Therefore the base salaries for Nick Jones and Marc Dench remain at £420,000 and £270,300 respectively.

Tom Joule's full time equivalent base salary remains at £341,700, however, as detailed in the Chairman's Statement, Tom and the Board have agreed updated terms of reference and, with effect from the start of FY21, Tom has moved to a more flexible, but reduced, working pattern anticipated to be a time commitment of approximately 50%. The calculation of all of Tom's pay and benefits will be prorated accordingly. Tom's base salary for FY21 is therefore £170,850.

As part of the measures taken by the Group to preserve cash during the COVID-19 crisis, Tom Joule agreed to forgo his salary for the months of April and May 2020. Marc Dench and Nick Jones agreed to take a salary reduction of 30% from April – July 2020 (inclusive), with a corresponding reduction in pension contributions. To reflect the salary reductions, Nick Jones and Marc Dench were granted options over ordinary shares in Joules, and similar arrangements were entered into by all other members of the senior management team. Details of the options granted are included on page 68, and their value is included in the single total figure of remuneration for FY20 on page 64.



## DIRECTORS' REMUNERATION REPORT

### STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

#### REMUNERATION FOR THE YEAR COMMENCING 1 JUNE 2020

A summary of the proposed application of our Remuneration Policy for FY21 is set out below:

- It is intended that Executive Directors' base salaries will be reviewed in April 2021 in line with usual pay reviews
- The maximum annual bonus opportunity for FY21 will be 100% of salary for Tom Joule and Marc Dench, and 150% of salary for Nick Jones. The targets for the FY21 annual bonus have not yet been finalised, but will be disclosed in the FY21 Directors' Remuneration Report.
- The fifth awards under the LTIP ('FY21 LTIP') will be granted in FY21. The Committee is mindful of the unprecedented COVID-19 situation and the uncertainty as to how long the effects will be felt. However, the Committee also recognises that this is a critical time for Joules and there is a need to retain and motivate the Executive Directors and Operating Board to deliver strong performance during this period. Given the ongoing uncertainty, the Committee is currently finalising the details of its plans for the FY21 LTIP. In particular, the Committee is considering utilising the new exceptional LTIP limit by introducing an additional performance condition linked to any grant value above the normal LTIP limit, such as share price. This additional performance condition would only apply if the performance condition(s) on the "normal" award is at the maximum level; below this level, the additional shares granted above the normal LTIP limit would lapse. Details will be included in the regulatory announcement that accompanies the awards and will be fully disclosed in the FY21 Directors' Remuneration Report.

#### BOARD CHANGES DURING THE YEAR

Colin Porter retired as Chief Executive Officer on 30 September 2019 and was succeeded by Nick Jones. Details of both Nick and Colin's remuneration arrangements during FY20 are further detailed in this report.

In determining remuneration packages and arrangements the Remuneration Committee adopts the principles set out in the QCA Corporate Governance Code and evolving best practice.

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 the creation of shareholder value. The table below provides a summary of the key elements of the policy and its application for FY20 and FY21.

<b>BASE SALARY</b>	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.
<b>PENSION</b>	Pension contribution rate of 5% of salary for Executive Directors other than Nick Jones, who is entitled to contributions of 3% of salary. The company contribution rate for the all-employee defined contribution pension scheme is 3% of salary. In the new Policy, we have removed the flexibility to pay a pension contribution for Executive Directors of up to 10% of salary.
<b>ANNUAL BONUS</b>	Maximum opportunity of 100% of salary for Executive Directors other than Nick Jones, whose annual bonus opportunity is 150% of salary. For the FY20 annual bonus, underlying profit before tax (PBT) target selected to best represent alignment with shareholders. Underlying PBT targets for the FY20 award were: Threshold (25% pay-out) £16.7m; Target (50% pay-out) £17.2m; Maximum (100% pay-out) £18.1m. The maximum payout target represented a year-on-year underlying PBT growth rate of 17.0%. The FY21 annual bonus will be made half in cash and half deferred into shares (vesting after a further three years). Due to ongoing uncertainty as a result of COVID-19, the performance targets have not yet been finalised but will be disclosed in the FY21 report. The Committee will have full discretion over the award and, in particular, will consider any payment in the context of overall business performance.
<b>ANNUAL BONUS DEFERRAL</b>	Based on FY20 Underlying PBT of £(2.4)m (pre-IFRS16 and excluding share-based compensation and exceptional costs), Executive Directors will not receive a bonus in respect of FY20. Ordinarily, half of the annual bonus award is paid in the form of shares, deferred over three years.
<b>LTIP</b>	The LTIP is designed to encourage sustainable development of the Group and creation of significant shareholder value. The normal 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. In exceptional circumstances, awards of up to 300% of salary may be granted. The FY18 LTIP award will not vest as the threshold performance conditions were not met. The terms of the FY21 LTIP award have not been finalised, however: <ul style="list-style-type: none"> <li>• Details will be included in the regulatory announcement that accompanies the awards and will be fully disclosed in the FY21 Directors' Remuneration Report.</li> <li>• Pay-out levels: below Threshold no pay-out; at Threshold 25% pay-out; at Maximum 100% pay-out, with straight-line vesting in between</li> <li>• 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. In line with the new Policy, the Committee will have discretion to vary formulaic vesting output applying to the LTIP awards.</li> </ul>
<b>SHAREHOLDER ALIGNMENT AND RISK</b>	A shareholding requirement of 200% of salary. Malus and clawback provisions on awards granted under the deferred bonus and LTIP.



# 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 of the strategy 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 for each element and any applicable performance measures.

#### FIXED REMUNERATION

ELEMENT, PURPOSE AND STRATEGIC LINK	OPERATION	MAXIMUM OPPORTUNITY
<b>BASIC SALARY</b> To provide a competitive base salary for the markets in which the Group operates to attract and retain Executive Directors of a suitable calibre.	Usually reviewed annually taking account of: <ul style="list-style-type: none"> <li>• Group performance</li> <li>• Role, experience and individual performance</li> <li>• Competitive salary levels and market forces</li> <li>• Pay and conditions elsewhere in the Group.</li> </ul>	Increases will normally be in line with the range of salary increases awarded (in percentage terms) to other Group employees. Increases above this level may be awarded to take account of individual circumstances, such as: <ul style="list-style-type: none"> <li>• Promotion</li> <li>• Change in scope or increase in responsibilities</li> <li>• An individual's development or performance in role</li> <li>• Alignment with the market over time</li> <li>• A change in the size or complexity of the business.</li> </ul>
<b>BENEFITS</b> 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.
<b>RETIREMENT BENEFITS</b> 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. Executive Directors may be permitted to take the benefit as cash in lieu of pension contributions.	In the case of any Executive Director appointed before 27 May 2019 (currently Tom Joule and Marc Dench), the Group contributes up to 5% of salary. In the case of any external appointments as Executive Director on or after 27 May 2019 (currently Nick Jones), the Group contributes up to a percentage of salary not exceeding the retirement benefit provision for the wider workforce (currently 3% of salary).

## DIRECTORS' REMUNERATION REPORT

### DIRECTORS' REMUNERATION POLICY REPORT

#### VARIABLE REMUNERATION

ELEMENT, PURPOSE AND STRATEGIC LINK	OPERATION	MAXIMUM OPPORTUNITY AND PERFORMANCE METRICS	
<b>ANNUAL BONUS</b>	<p>Rewards performance against targets which support the strategic direction of the Group.</p> <p>Deferral provides a retention element through share ownership and direct alignment to shareholders' interests.</p>	<p>Awards are based on performance (typically measured over one year) against targets determined by the Committee at the start of the period.</p> <p>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.</p>	<p>Overall maximum is up to 150% of base salary under the Policy.</p> <p><u>Performance measure:</u> 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.</p>
<b>LONG-TERM INCENTIVE PLAN ('LTIP')</b>	<p>To create alignment between the interests of Executive Directors and shareholders through the delivery of performance-based awards in Group shares.</p>	<p>Awards can be made in the form of conditional share awards or nil cost options over shares. Vesting is subject to the achievement of specified performance conditions normally over three years.</p>	<p>Normal maximum is up to 150% of base salary under the Policy. In exceptional circumstances, awards of up to 300% of salary may be granted.</p>
	<p>The Committee has discretion to vary the formulaic vesting output applying to any LTIP award granted from FY20 onwards where it believes the outcome does not reflect the Committee's overall assessment of business performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant. This discretion does not apply to any tax-qualifying options granted as part of a Qualifying LTIP award as described below where such discretion would not be permitted in accordance with the applicable tax legislation.</p>	<p>Awards may include dividend equivalents earned between the grant and vesting date.</p>	<p>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.</p>
	<p>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.</p>	<p><u>Performance measure:</u> Set to reflect longer term strategy and business performance. Performance measures and their weighting are reviewed annually to maintain appropriateness and relevance.</p> <p>For threshold levels of performance, 25% of the award will vest rising to 100% for maximum performance. Below the threshold, the award will not vest.</p>	

# DIRECTORS' REMUNERATION REPORT

## DIRECTORS' REMUNERATION POLICY REPORT

### FURTHER INFORMATION IN RELATION TO THE EXECUTIVE DIRECTORS' REMUNERATION POLICY

#### Explanation of performance measures chosen for elements of remuneration

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.

Due to a review of the Remuneration Policy, and ongoing uncertainty as a result of COVID-19, the Committee has not yet finalised the performance measure(s) for the FY21 annual bonus and FY21 LTIP grant. However, the Committee will disclose details of the targets in full in the FY21 Directors' Remuneration Report and, in the case of the FY21 LTIP, in the regulatory announcement that accompanies the awards. Consistent with previous awards, the vesting of the FY21 LTIP will also be subject to a further underpin (in addition to the applicable performance target(s)), 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 deferred bonus plan (DBP) and LTIP.

#### Application of malus and clawback

The malus and clawback provisions described below relate to awards in respect of FY21 and future years. The malus and clawback provisions which apply to prior years' awards are set out in earlier Directors' Remuneration Reports.

The 'Clawback Period' is: i) in respect of the LTIP: A period of two years after

the vesting of an LTIP Award, and ii) in respect of the Annual Bonus: up to three years following the payment of the cash element, and until the vesting date for any deferred share award. During the Clawback Period, 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, reputational damage, a material failure of risk management 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 same provisions apply for the application of malus.

#### Operation of share plans

The Committee may operate the Company's share plans in accordance with their terms. This includes the ability to amend the terms of awards and options under those plans in accordance with the plan rules in the event of a variation of share capital, and to settle awards, in whole or in part, in cash or grant awards as cash equivalents (although the Committee would only settle or grant an Executive Director's award in cash in exceptional circumstances such as where there was a regulatory restriction on the delivery of shares).

#### Shareholding guidelines

To promote further alignment with 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 coming into effect and in respect of remuneration awarded to individuals prior to becoming an Executive Director (and which was not awarded in anticipation of becoming an Executive Director).

### NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

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

APPROACH TO SETTING FEES	<ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul>
BASIS OF FEES	<ul style="list-style-type: none"> <li>Non-Executive Directors are paid a basic fee for membership of the Board with additional fees being paid for chairmanship of Board Committees</li> <li>Additional fees may also be paid for other Board responsibilities or roles</li> <li>Fees are normally paid in cash.</li> </ul>
OTHER	<ul style="list-style-type: none"> <li>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</li> <li>Neither the Chairman nor any of the Non-Executive Directors are eligible to participate in any of the Group's incentive arrangements.</li> </ul>

## 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 circumstances, 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 fixed term agreements with the Group for no more than three years which may be extended at the Board's discretion and subject to re-election by shareholders at the AGM. Details of the Directors' current service contracts are set out below:

NAME	COMMENCEMENT	NOTICE PERIOD
Tom Joule	20 May 2016	12 months
Nick Jones	2 September 2019	12 months
Marc Dench	20 May 2016	6 months
Ian Filby	1 August 2018	3 months
Jill Little	22 May 2019	1 month
David Stead	11 April 2019	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. In general, "good leaver" provisions will apply in circumstances of death, injury, ill-health, disability, change of control or for any other reason at the Committee's discretion, taking into account performance (in the case of long-term incentive awards) and the proportion of the vesting period served. Where a payment 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. 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 table below details the total remuneration earned by each Director in respect of FY20 and FY19.

£000	SALARIES/ FEES		TAXABLE BENEFITS		PENSION <sup>6</sup>		ANNUAL BONUS (INCLUDING DEFERRED BONUS)		LTIP <sup>3</sup>		ONE-OFF AWARDS <sup>4</sup>		TOTAL REMUNERATION	
	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19	FY20	FY19
<b>EXECUTIVE DIRECTORS</b>														
Tom Joule	<b>284.8</b>	338.3	<b>21.0</b>	22.9	<b>17.1</b>	15.8	-	188.1	-	497.5	-	-	<b>322.9</b>	1,062.6
Colin Porter <sup>1</sup>	<b>146.6</b>	348.0	<b>12.6</b>	22.2	<b>7.3</b>	17.4	-	193.8	-	512.4	-	-	<b>166.5</b>	1,093.8
Nick Jones <sup>1</sup>	<b>294.0</b>	-	<b>12.6</b>	-	<b>9.5</b>	-	-	-	-	-	<b>223.1</b>	-	<b>539.2</b>	-
Marc Dench	<b>256.8</b>	267.7	<b>16.7</b>	16.4	<b>12.8</b>	13.4	-	148.9	-	490.1	<b>33.8</b>	-	<b>320.1</b>	936.5
<b>NON-EXECUTIVE DIRECTORS<sup>5</sup></b>														
Ian Filby <sup>2</sup>	<b>120.0</b>	100.0	-	-	-	-	-	-	-	-	-	-	<b>120.0</b>	100.0
Jill Little	<b>50.0</b>	50.0	-	-	-	-	-	-	-	-	-	-	<b>50.0</b>	50.0
David Stead	<b>45.8</b>	55.0	-	-	-	-	-	-	-	-	-	-	<b>45.8</b>	55.0
Neil McCausland <sup>2</sup>	-	13.3	-	-	-	-	-	-	-	-	-	-	-	13.3
<b>TOTAL</b>	<b>1,198.0</b>	1,172.3	<b>62.9</b>	61.5	<b>46.7</b>	46.6	<b>0</b>	530.8	<b>0</b>	1,500.0	<b>256.9</b>	<b>0</b>	<b>1,564.5</b>	3,311.2

<sup>1</sup>Colin Porter retired as CEO, and Nick Jones was appointed as CEO, with effect from 30 September 2019. Nick Jones' remuneration in the table above reflects his remuneration from 2 September 2019, the date on which he joined the Company. Colin Porter's remuneration in the table above reflects his remuneration to his last day of employment with the Company, which was 31 October 2019.

<sup>2</sup>Neil McCausland retired as Non-Executive Chairman on 31 July 2018. Ian Filby was appointed as Non-Executive Chairman commencing on 1 August 2018.

<sup>3</sup>In the FY19 Directors' Remuneration Report, the LTIP values were determined by reference to a share price of £2.635, being the three-month weighted average share price up to 18 July 2019 - less the exercise price of £0.01. In the table above, these values have been updated to reflect the share price of £2.55 on 22 July 2019, the date on which the awards vested, less the exercise price of £0.01, plus cash value dividend equivalents received by the individuals.

<sup>4</sup>The one-off awards reflect one-off share awards granted in FY20, as further described below. The award to both Nick Jones and Marc Dench, in respect of their waived salary, was based on a share price of £0.80. The joining award for Nick Jones was based on a share price of £1.3264

<sup>5</sup>The Non-Executive Directors deferred or waived the payment of a proportion of their fees for the last 2 months of FY20. The figure above represents the total figure payable in respect of the financial year (including any deferred sums).

<sup>6</sup>Includes sums paid into the Group pension plan and/or pension allowance.

# DIRECTORS' REMUNERATION REPORT

## ANNUAL REPORT ON REMUNERATION

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

#### BASE SALARIES

The base salaries for the Executive Directors are normally reviewed in April each year. However, as a result of the unprecedented COVID-19 situation, no salary review took place in FY20. Accordingly, each Executive Director's rate of salary with effect from 1 April 2020 will remain the same as at 1 April 2019 as set out in the following table.

EXECUTIVE DIRECTOR	BASE SALARY AT 1 APRIL 2020	BASE SALARY AT 1 APRIL 2019
Tom Joule	£341,700	£341,700
Nick Jones	£420,000	£420,000
Marc Dench	£270,300	£270,300

Each of the Executive Directors agreed to take a pay reduction to assist the business with cash flow during the COVID-19 crisis. Tom Joule took a 100% pay reduction for the months of April and May 2020. Nick Jones and Marc Dench each took a 30% pay reduction for the months of April – July 2020 (inclusive). In the single total figure of remuneration table, salaries for FY20 are stated after the effect of these reductions. Further details on the alternative arrangements for this period are set out on page 68.

#### 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 FY20 the maximum annual bonus opportunity for the Executive Directors was 100% of base salary for Tom Joule, Colin Porter and Marc Dench and 150% of base salary for Nick Jones, subject to the achievement of stretching PBT performance targets. Nick Jones' and Colin Porter's bonuses are pro-rated to reflect their respective periods of service during FY20.

The structure and targets for the FY20 annual bonus, 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	£16.7 million	£17.2 million	£18.1 million

Based on FY20 Underlying PBT of £(2.4)m (pre-IFRS 16 and excluding share-based compensation and exceptional costs), the Executive Directors will not receive a bonus in respect of FY20.

# DIRECTORS' REMUNERATION REPORT

## ANNUAL REPORT ON REMUNERATION

### LONG-TERM INCENTIVES

#### Long-term incentives vesting in respect of performance in FY20

Each Executive Director (save for Nick Jones) was granted an award under the Joules 2016 Long Term Incentive Plan on 17 August 2017. Each award was subject to a performance condition based on i) the Company's earnings per share (EPS) and ii) international revenue, in the financial year ended 31 May 2020, being the final financial year of a three-year performance period in accordance with the following table.

MEASURE	WEIGHTING	PERCENTAGE OF THE AWARD THAT WILL VEST	PERFORMANCE OUTCOME	VESTING OUTCOME
EPS for FY20	80%	14.0 pence Greater than 14.0 pence but less than 18.0 pence 18.0 pence or greater	25% Determined on a straight-line basis between 25% and 100% 100%	(22.07) pence 0
International Revenue for FY20	20%	£36m Greater than £36m but less than £46m £46m or greater	25% Determined on a straight-line basis between 25% and 100% 100%	£29.5m 0

Based on the performance outcomes, the awards will lapse in full.



# DIRECTORS' REMUNERATION REPORT

## ANNUAL REPORT ON REMUNERATION

### LONG-TERM INCENTIVE AWARDS GRANTED DURING FY20

In FY20, the Committee granted LTIP awards as set out in the table below. The share price used to calculate the awards was £2.40, being the closing share price on the day immediately preceding the grant of the awards to Tom Joule and Marc Dench. The grant of the LTIP award for Nick Jones was delayed until he had joined the business but, to ensure alignment with the other awards granted to the other Executive Directors, the same share price was used to calculate the awards for Nick Jones.

FY20 LTIP	DATE OF GRANT	% OF SALARY	NUMBER OF SHARES
Tom Joule	25 July 2019	100%	142,375
Marc Dench	25 July 2019	125%	140,781
Nick Jones	6 November 2019	150%	262,500

Vesting of the awards will be based upon achievement against four targets, to be delivered in the final year of the performance period (FY22). 60% of the awards will be subject to underlying diluted EPS, 15% subject to US revenue, 15% subject to UK digital sales and 10% subject to the level of employee engagement (as measured by an industry recognised, third party, anonymous survey e.g. Best Companies ("BCI")). Vesting is determined on a straight-line basis between the target ranges. The target ranges are summarised below.

TARGET ELEMENTS	% OF AWARD	THRESHOLD	MAXIMUM
EPS	60%	18.0 pence	22.0 pence
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
Colleague Engagement Performance	10%	Mid-1 Star level (BCI score of 678) or equivalent	Mid-2 Star level (BCI score of 717) or equivalent

### DEFERRED BONUS AWARDS GRANTED IN FY20

The table below shows the deferred bonus awards granted to Executive Directors on 25 July 2019 in respect of the FY19 annual bonus (as disclosed in the FY19 Directors' Remuneration Report). Awards will vest after three years subject to continued service and were granted in the form of nil cost options.

FY19 DEFERRED BONUS	DATE OF GRANT	FACE VALUE OF AWARDS <sup>1</sup>	NUMBER OF SHARES
Tom Joule	25 July 2019	£94,061	39,192
Marc Dench	25 July 2019	£96,869	40,362
Colin Porter	25 July 2019	£74,405	31,002

<sup>1</sup> Calculated based on the closing share price on the day before grant of £2.40.

### ONE-OFF AWARDS GRANTED DURING FY20

As noted above, as part of measures taken by the Group to preserve cash during the COVID-19 crisis, Tom Joule agreed to forgo his salary for the months of April and May 2020. Marc Dench and Nick Jones agreed to take a pay reduction of 30% from April – July 2020 (inclusive). Nick Jones and Marc Dench were granted options on 6 April 2020 over ordinary shares in Joules as set out below. No such award was granted to Tom Joule.

SHARES SUBJECT TO AWARD	VALUE OF SHARES <sup>1</sup>	VESTING DATE
Marc Dench	£33,787	50% 30 September 2020
Nick Jones	£52,500	50% 30 April 2021

<sup>1</sup> The value of the shares is determined by reference to the share price of £0.80 at which shareholders subscribed for new shares in the Placing at the time at which the awards were granted.

As noted in the FY19 Directors' Remuneration Report, we agreed to grant Nick Jones an award over Joules shares with a value of £170,599 as part compensation for share awards which would have vested had he remained with his former employer. This award was granted on 6 April 2020 over 128,618 shares determined by reference to the share price of £1.3264, being the 60 day volume weighted average share price up to the date of grant in line with the agreement entered into with Nick Jones. The award is subject to a 3 year holding period from Nick's first day of employment with Joules (2 September 2019).

### NON-EXECUTIVE DIRECTOR FEES

The Non-Executive Directors agreed to waive or defer all or part of their fee to assist the business with cash flow during the COVID-19 crisis for the months of April – July 2020 (inclusive). The intention is that any deferred sums will be paid during FY21. The FY20 fees stated in the single total figure of remuneration table, include deferred amounts but exclude any amounts which were waived.

### PAYMENTS MADE TO FORMER DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE DURING THE YEAR

Colin Porter was an Executive Director until 30 September 2019 and his last day of employment with the Company was 31 October 2019. The single total figure of remuneration for FY20 on page 64 includes all remuneration earned by him in respect of FY20.

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

# DIRECTORS' REMUNERATION REPORT

## ANNUAL REPORT ON REMUNERATION

### STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS

The interests of the Directors and their immediate families in the Group's ordinary shares as at 31 May 2020 (or, if earlier, the date of their retirement) were as follows:

BENEFICIALLY OWNED AT 26 MAY 2019 NO. OF SHARES	BENEFICIALLY OWNED AT 31 MAY 2020 <sup>2</sup> NO. OF SHARES	UNVESTED SHARE AWARDS SUBJECT TO PERFORMANCE CONDITIONS AS AT 31 MAY 2020	UNVESTED SHARE AWARDS NOT SUBJECT TO PERFORMANCE CONDITIONS <sup>1</sup> AS AT 31 MAY 2020 <sup>2</sup>	VESTED, UNEXERCISED SHARE AWARDS AS AT 31 MAY 2020 <sup>2</sup>	NUMBER OF AWARDS COUNTING TOWARDS SHAREHOLDING REQUIREMENTS <sup>3</sup> AS AT 31 MAY 2020 <sup>2</sup>	NUMBER OF AWARDS COUNTING TOWARDS SHAREHOLDING REQUIREMENTS <sup>3</sup> AS AT 31 MAY 2020 <sup>2</sup> SHAREHOLDING GUIDELINES MET <sup>4</sup>
<b>EXECUTIVE DIRECTORS</b>						
Tom Joule	28,147,210	29,498,433	347,330	139,450	nil	29,572,342 yes
Nick Jones	n/a	93,750	262,500	194,243	nil	196,699 no
Marc Dench	138,016	281,398	337,997	202,441	nil	388,692 no
<b>NON-EXECUTIVE DIRECTORS</b>						
Ian Filby	nil	50,000	n/a	n/a	n/a	n/a
Jill Little	25,625	38,125	n/a	n/a	n/a	n/a
David Stead	31,250	68,750	n/a	n/a	n/a	n/a
<b>FORMER DIRECTORS</b>						
Colin Porter	1,519,822	1,519,822	211,073	143,612	nil	n/a

<sup>1</sup> Includes: Deferred bonus share awards, in the case of Nick Jones and Marc Dench the awards granted to them in FY20 in respect of their waived salary, and in the case of Nick Jones the "buyout award" granted to him as part compensation for share awards which would have vested had he remained with this former employer.

<sup>2</sup> Or, if earlier, date of retirement.

<sup>3</sup> Equal to the total of beneficially owned shares, unvested share awards not subject to performance conditions (on a net of tax basis) and vested but unexercised share awards (on a net of tax basis).

<sup>4</sup> Calculated based on the shareholding requirement of 200% of salary, a share price of £1.37 on 31 May 2020 and the Executive Director's base salary at 31 May 2020.

The interests of the current Directors and their immediate families in the Group's ordinary shares did not change between 31 May 2020 and the date these accounts were signed on 5 August 2020.

## DIRECTORS' REMUNERATION REPORT

### IMPLEMENTATION OF POLICY FOR FY21

#### BASE SALARY

As noted previously, no salary review for the Executive Directors took place in FY20. As such, their annual base salaries remain unchanged for FY21 (with the exception of the reduced salary for June and July, as outlined on page 65). Tom Joule reduced his working hours by 50% with effect from 1 June 2020, and his effective base salary has therefore reduced proportionately.

EXECUTIVE DIRECTOR	BASE SALARY AT 1 JUNE 2020	BASE SALARY AT 1 APRIL 2020
Tom Joule	£170,850	£341,700
Nick Jones	£420,000	£420,000
Marc Dench	£270,300	£270,300

#### ANNUAL BONUS

For FY21 the annual bonus opportunity will be up to a maximum of 100% of salary for Tom Joule and Marc Dench, and 150% of salary for Nick Jones. The annual bonus will be paid half in cash and half deferred into shares (vesting after a further three years).

Due to the review of the Remuneration Policy, and ongoing uncertainty as a result of COVID-19, the Committee has not yet finalised the FY21 annual bonus targets. However, the Committee will not disclose the finalised FY21 annual bonus targets in advance due to commercial confidentiality reasons. Instead, the finalised targets will be disclosed when we report the performance out-turn in the FY21 Directors' Remuneration Report.

#### LONG-TERM INCENTIVE

As explained in the Chair's statement, the Committee is in the process of finalising the terms of the FY21 LTIP awards, taking into account the unprecedented nature of COVID-19, the ongoing uncertainty this causes for Joules and the need to retain and motivate the Executive Directors. In particular, the Committee is considering utilising (in part or in full) the new exceptional LTIP limit in the Directors' Remuneration Policy by introducing an additional performance condition linked to any grant value above the normal LTIP limit, such as share price. This additional performance condition would only apply if the performance condition(s) on the "normal" award is at the maximum level; below this level, the additional shares granted above the normal LTIP limit would lapse. Details will be included in the regulatory announcement that accompanies the awards and will be fully disclosed in the FY21 Directors' Remuneration Report. The Company will also engage with major shareholders as part of this process.

In addition to the applicable performance target(s), 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. In line with the new Policy, the Committee will have discretion to vary the formulaic vesting output applying to the awards.

#### NON-EXECUTIVE DIRECTOR FEES

Details of Non-Executive Directors' fees for FY21 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 Director: £5,000.

This does not reflect the reduced fee levels until July 2020 outlined on page 68.

## DIRECTORS' REMUNERATION REPORT

### GOVERNANCE

#### SHAREHOLDER APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

At the 2019 AGM, the votes in respect of the FY19 Directors' Remuneration Report were as follows.

FY19 DIRECTORS' REMUNERATION REPORT	NUMBER	%
For	75,173,049	97.75
Against	1,732,252	2.25
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 Executive Directors also attend meetings when required and provide information and support as requested. No 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](http://www.joulesgroup.com)) and are also available on request from the Company Secretary.

This report was approved by the Board on 5 August 2020 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 period ended 31 May 2020. The Governance Framework Section also forms part of this Directors' Report.

#### DIRECTORS

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

Ian Filby

Tom Joule

Nick Jones (appointed 30 September 2019)

Colin Porter (resigned 30 September 2019)

Marc Dench

David Stead

Jill Little

#### RESULTS AND DIVIDENDS

Results for the period ended 31 May 2020 are set out in the Consolidated Income Statement on page 86. The Directors are not recommending a dividend for FY20.

#### 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](http://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 19 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. On 3 April 2020 the Company announced completion of an equity placing of 18,750,000 new ordinary shares of 1p each. These shares were admitted to trading on AIM on 7 April 2020. Following admission the Company's issued share capital was 108,135,920 ordinary shares.

At 31 May 2020 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 (and related Trusts)	27.28%
Blackrock	11.30%
Octopus Investments	8.96%
Standard Life	7.77%
Canaccord Genuity	6.61%
Janus Henderson	4.91%
Columbia Threadneedle Investments	4.34%
AXA	3.59%
NFU Mutual Investment	3.56%

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 25 September 2019, the Company was authorised, in accordance with section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of up to 8,909,110 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 55 to 71.

#### 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 on pages 30 to 33. 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.

#### RESTATEMENT OF PRIOR PERIODS' STATEMENT OF FINANCIAL POSITION

An adjustment has been made to prior periods' Statement of Financial Position to accruals and other debtor balances in relation to a prior period error in the treatment of Employers National Insurance on the Group's share schemes. Management identified that the liability for share-based payments at 1 June 2018 was understated as a result of historical errors in the calculation of the National Insurance liability. In addition, management identified that in the year ended 31 May 2018 the deferred tax calculation on share-based payments had been posted twice in error and credited through both the income statement and equity. This resulted in a debtor balance being recognised in error which has been corrected by management in the period in which it arose. There is no impact on the prior year's Consolidated Income Statement. Further detail can be found in the Consolidated Financial Statements under Note 1 - Significant Accounting Policies.

## DIRECTORS' REPORT

### JOULES GROUP PLC

#### GOING CONCERN AND VIABILITY STATEMENT - IMPACT OF COVID-19

As for many businesses in the retail sector, the Group has been significantly impacted by COVID-19. The impact and management's initial response is set-out in detail within the CEO's Report and the Financial Review.

Considering the significant uncertainties faced by the retail sector including short-term and potentially more fundamental long-term changes in consumer behaviour as well as the potential for ongoing operational disruption, the Directors have undertaken a comprehensive assessment to consider the going concern and longer-term viability of the Group and Company. In making their assessment the Directors have considered the following:

- The Group's financial position, as at the date of this report, and its committed borrowing facilities available for the time period of consideration - as detailed in the Financial Review
- The support from the Group's shareholders and bank, including the successful equity placing and financing facility extension that were completed during the early stages of the UK lockdown
- Alternative sources of financing including sale & leaseback of freehold property and asset financing that might reasonably be assumed to be available to the Group - noting that any financing from these sources has not been included within the forecasts that support the going concern assessment
- Financial commitments: including capital commitments, lease commitments, stock purchases and other non-variable/non-discretionary costs. In respect of property leases, the Directors note the relatively short lease commitments, of less than three years on average, that the Group has across its store portfolio together with recent progress on renewing leases on favourable terms
- The extent of continued Government support initiatives including business rates relief and the Coronavirus Job Retention Scheme (CJRS)
- Strength of brand, reflected in active customer growth, brand awareness and brand health metrics - as detailed more fully in the Strategic Review
- The flexibility and agility of the Group's business model, as described in the Strategic Review, noting that over half of the Group's retail sales are via e-commerce and that the Group has diversified sources of revenue, operating across several channels and geographic markets, with owned and third-party channels including wholesale and marketplaces. Newer income streams of brand licensing and the Group's digital marketplace provide additional comfort on the strength of the brand and diversity of income channels.

The Directors have also considered the trading performance of the Group's stores as they have re-opened on a phased basis following the easing of the UK's lockdown restrictions on 15 June 2020, as well as the performance of the Group's e-commerce channel, which has continued to exceed management's expectations since the start of the UK lockdown.

The Directors have reviewed management's business plan forecasts that cover the period to 28 May 2023, being the Group's strategic planning horizon. The forecasts have been produced on the following basis:

- Base plan – gradual sales recovery post-COVID-19, reflecting management's estimates for the speed and extent of recovery across its different sales channels and markets. It reflects phased store re-openings from mid-June 2020 through to mid-August 2020 with the re-opened stores initially trading significantly below the prior year, improving to

75-80% of the prior year's sales level by the end of FY21, with modest growth thereafter. Third-party wholesale channels are assumed to follow a similar trajectory, with sales in to the European Union also reflecting potential disruption arising ahead of and following the end of the Brexit transition period. The Group's e-commerce sales are forecast to grow at double-digit levels reflecting performance over recent years and experienced since the UK lockdown in late March 2020

- Downside scenario – the 'Base plan' adjusted to reflect a slower recovery of the Group's stores channel with total store revenues only achieving approximately 60% of the pre-COVID-19 levels by the end of FY21, and a deterioration in the wholesale channel receipts with receivable days more than double the level of FY20.

Within each forecast, management have reflected financial commitments and the impact of realised or anticipated cost savings from discretionary and variable costs. No Government support or subsidies, other than those announced and committed at the date of this report, are included.

The Directors have stress tested the forecast to consider situations under which the Company would have insufficient liquidity under its current secured borrowing facilities and/or it would not meet its banking covenant tests. One such 'Stress test scenario' is that of ongoing material disruption to retail store operations from COVID-19 that result in no store channel revenue and lower receipts from the Group's wholesale channels as per the Downside case. The Stress test scenario assumes higher e-commerce revenue growth than the Base case on the basis that loyal customers can no longer access the brand via the store environment - as demonstrated during the period of the UK lockdown, plus ongoing income from brand licensing and digital marketplace activities. The Stress test scenario assumes that the Group will reduce its obligations and financial commitments, such as property leases, in line with existing contractual terms and that there is no additional Government support or subsidies to offset costs or support cash flow. The Directors believe, with reference to the considerations noted above, that, firstly the likelihood of this situation arising in its most extreme form is remote and, secondly, that they anticipate that the Group would be able to adapt and respond to mitigate the impacts and continue to trade and meet its obligations through the period of consideration.

#### GOING CONCERN

The Base plan and Downside scenario forecasts indicate that the Group will remain within its available committed borrowing facilities and in compliance with covenants throughout the forthcoming 12-month period. Under the Downside scenario, the Group has more than £25 million available liquidity headroom through-out the period under consideration and has EBITDA headroom of £2.9 million against its first covenant test arising in the period with headroom increasing further for the second covenant test arising in the period.

The Group would also remain within its borrowing facilities and comply with covenants under the Stress test through this period.

Following consideration of these forecasts and having made appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 12 months after the approval of the Financial Statements. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

## DIRECTORS' REPORT

### JOULES GROUP PLC

#### VIABILITY STATEMENT

The Directors have also considered the Group's prospects and viability over the three-year period to 28 May 2023, being the Group's strategic planning horizon. Under the Base plan and the Downtide scenario the Group will remain within its available committed borrowing facilities and in compliance with covenants throughout the forecast period.

The Directors anticipate that the Group's £25 million revolving credit facility with Barclays Bank PLC, will be extended or refinanced when it falls due in July 2022, which is within the three-year period of the review.

In the remote likelihood that the Group is not able to extend this facility, replacement financing, of an amount that is significantly less than the current revolving credit facility, through a combination of alternative loan arrangements, an equity placing, sale and lease back of its freehold head office or asset finance arrangements will be required.

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 due during the period up to 28 May 2023.

#### POST BALANCE SHEET EVENTS

There have been no material post balance sheet events.

#### ANNUAL GENERAL MEETING

The Company's AGM will be held on 23 September 2020.

#### FUTURE DEVELOPMENTS IN THE BUSINESS OF THE COMPANY

The CEO's Report on pages 13 to 20 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 the US, 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.

#### DISABLED EMPLOYEES

Details of the Group's policy in relation to disabled employees are set out in the Responsibly Joules section of this report.

#### STREAMLINED ENERGY AND CARBON REPORTING

Our streamlined energy and carbon reporting is set out in the Responsibly Joules section of this report.

#### DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the persons who is a director at the date of approval of this Annual Report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; 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 5 August 2020 and is signed on its behalf by:

**MARC DENCH**

**Chief Financial Officer**

5 August 2020



## RUNNING WILD IN STYLE

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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

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we've got grand designs



## AUDITOR'S REPORT

### JOULES GROUP PLC

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JOULES GROUP PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

##### 1. OPINION

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 31 May 2020 and of the group's loss for the year 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 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 37.

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).

##### 2. 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.

# AUDITOR'S REPORT

## JOULES GROUP PLC

### 3. SUMMARY OF OUR AUDIT APPROACH

	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> <li>• Store impairment</li> <li>• Accuracy and completeness of the returns provision</li> </ul>
<b>Key audit matters</b>	Within this report, key audit matters are identified as follows:
	 Newly identified  Increased level of risk
<b>Materiality</b>	The materiality that we used for the group financial statements was £415k. We have revised our materiality benchmark from profit before tax to a blended consideration of financial performance and position, using revenue and net assets.
<b>Scoping</b>	In aggregate, our procedures have covered 99% of total revenue, 98% of total assets and 96% of total liabilities across the group.
	<p>Covid-19 has had a significant effect on the results of the group for the year ended 31 May 2020 and as a consequence, we have amended our audit plan to adapt to the impact the pandemic has on the group and our assessment of audit risk. We have revised our materiality benchmark from profit before tax to a blended consideration of financial performance and position, using revenue and net assets. This has resulted in a 34% reduction in our level of group materiality from the prior year.</p>
<b>Significant changes in our approach</b>	<p>We have included store impairment as a new key audit matter as a consequence of the impairment indicators identified in the year. The declining performance of the retail stores in the first half of the year coupled with the impact of Covid-19 has triggered the requirement for an impairment assessment of the full store portfolio.</p> <p>There has been no significant change in component scoping with the group engagement team completing all work on components where required.</p>

### 4. 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.

### 5. 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.

# AUDITOR'S REPORT

## JOULES GROUP PLC

### 5.1. Store Impairment

Under IAS 36, the group is required to complete an impairment review of its store portfolio where there are indicators of impairment. The group's store portfolio has historically been profitable and there have not been any indicators of impairment or onerous contracts. However, as a consequence of the declining performance of stores at the half year, coupled with the impact of Covid-19 and the related forecast of a significant reduction in the profitability of stores over the next three years, an impairment review was performed over the full store portfolio. The initial impairment calculation performed by management only included loss-making stores, however this was subsequently amended to include the whole store portfolio.

The net book value of the stores right of use asset and associated PPE at 31 May 2020 was £42,942k, prior to recording any impairment charge. As a result of the impairment review an impairment was recognised of £15,820k relating to 72 stores of the 128 stores as described in note 3, 9, 11 and the Strategic Report.

#### Key audit matter description

The store impairment review involves management making several estimates to determine the value in use of each of the stores (being the net present value of the forecast cash flows). This is then compared to the book value of that store's assets, to identify whether any impairment is required. In making this assessment, management determines each store to be a cash generating unit.

The key audit matter relates to the appropriateness of management's estimate of future trading performance of the stores, which is used to derive the value in use. Value in use is calculated from cash flow projections and relies upon management's assumptions and estimates of future trading performance, the recovery of stores from the period of lockdown and the revival of the UK economy, allocation of direct costs and overheads and the associated discount rates.

The revised impairment model utilises the forecasts included in the Board's base plan, which covers the periods up to 28 May 2023. The revised model is highly sensitive to changes in forecast performance and growth rates, most notably sales. The Board's base plan is prepared on a bottom-up basis, building from an individual store level.

The forecast performance within the base plan represents a 12-24 month recovery from Covid-19. The base plan included the phased reopening of stores from 15 June 2020 and expected recovery to pre-Covid levels not until 2022.

Our audit procedures included:

- Obtaining an understanding of relevant controls around the impairment review process. We identified that the management review controls in relation to the review of the value-in-use calculation were not sufficiently precise for us to be able to rely on these controls;
- Assessing the methodology applied in performing the revised impairment review with reference to the requirements of IAS 36 'Impairment of Assets';
- Assessing the reasonableness of management's determination of a cash generating unit in the context of the definition under IAS 36;
- Challenging the key assumptions utilised in the cash flow forecasts (including store sales and costs) with reference to the historical trading performance, market expectations, and our understanding of the group's strategic initiatives;
- Assessing the growth rates and discount rates applied to the store cash flows, comparing the rates used to third party evidence with consideration of recovery from the Covid-19 UK lockdown and benchmarking against our independently estimated discount rates;
- Reviewing management's sensitivity analysis in relation to the key assumptions used in the cash flow forecasts; and
- Reviewing the adequacy of the group's disclosures regarding the store impairment in notes 1 and 3 of the financial statements.

#### How the scope of our audit responded to the key audit matter

#### Key observations

From the work performed, we concluded that the level of impairment charge recognised on the store estate is appropriate.

## AUDITOR'S REPORT

### JOULES GROUP PLC

#### 5.2. Store Impairment

As described in note 1 to the financial statements, the group has different revenue streams that have separate characteristics. The returns provision is a provision relating to sales made pre year end that are expected to be returned post year end. Customers are entitled to return products after purchase for a defined period. Management increased the right to return period to 365 days within the year.

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. The total right of return provision is £5,129k (2019: £1,548k) and a significant proportion of this, at a value of £2,986k (2019: £1,102k), is in relation to the e-commerce business.

**Key audit matter description**

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 the provision.

In regards to the e-commerce business, management calculated the returns provision using historical returns data and identified a risk period for the period of sales for which returns are still expected. Management then applied an expected return rate, based on the historical data, to the gross value of sales made in the risk period.

The key audit matter relates to the appropriateness of management's judgements in relation to the risk period and the expected return rate. We have determined that this is increasingly judgemental in the current year in the light of the impact Covid-19 has had on both of these factors. The returns provision is discussed further within note 1 and 16.

Our audit procedures included:

- Obtaining an understanding of relevant controls over the returns provision;
- Reviewing the group's published returns policy and assessed the impact of this on the calculation;
- Testing the validity of the inputs to management's provision for returns calculation;
- Assessing the returns subsequent to year end in comparison to the provision to assess whether any contradictory evidence exists, including the reduced rate of return as a consequence of Covid-19;
- Challenging the key assumptions utilised in the return provision calculation in line with the historical data; and
- Recalculating the provision for returns based on our judgements taken from the historical data.

**How the scope of our audit responded to the key audit matter**

From the work performed, we concluded that the key assumptions applied in the returns provision are appropriate.

# AUDITOR'S REPORT

## JOULES GROUP PLC

### 6. OUR APPLICATION OF MATERIALITY

#### 6.1 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
<b>Materiality</b>	415k (2019: £633k)	£275k (2019: £627k)
<b>Basis for determining materiality</b>	Materiality was determined on the basis of a professional judgement using a blended consideration of financial performance and position, with reference to revenue and net assets. (2019: 5% of profit before tax).	Parent company materiality equates to 3% of net assets, which is capped at 66% of group materiality (2019: 3% of net assets).
<b>Rationale for the benchmark applied</b>	<p>Materiality is a professional judgement and we consider that the group is a comparable business both before the pandemic and once emerged from lockdown. The benchmarks applied give a representative reflection of the performance and position of the business.</p> <p>There has been a 34% reduction in level of materiality from the prior year to reflect the financial performance in the year and financial position at the year end.</p>	<p>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.</p>

#### 6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

- a. the quality of the control environment;
- b. the number of control deficiencies identified;
- c. the low volume and value of corrected and uncorrected misstatements identified in the previous audit;
- d. low turnover of management or key accounting personnel; and
- e. the market announcement issued in January 2020 which was a consequence of lower than anticipated sales over the Christmas 2019 period.

#### 6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20k (2019: £30k), 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.

### 7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

#### 7.1 Identification and scoping of components

The group's main operations are within the UK, with non-significant components in the 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.

We have concluded that the UK is the only financially significant component within the group. The main UK trading entity, Joules Limited contributes 90% (2019: 92%) of the group's total revenue and represents 87% (2019: 92%) of the group's net assets before consolidation eliminations.

The US component has been subject to specified audit procedures on certain balances such as inventory, trade receivables and revenue in the current year. This is a similar scope to the prior year. The US component contributes 9% (2019: 8%) of the group's total revenue.

In aggregate, our procedures have covered 99% of total revenue, 98% of total assets and 96% of total liabilities across the Group.

The range of component materialities used were between £145k and £275k, representing between 50-95% of group performance 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 were no significant risk of misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified balances.

## AUDITOR'S REPORT

### JOULES GROUP PLC

#### 7.2 Our consideration of the control environment

As part of our control environment understanding, we considered the key IT systems relevant to the audit. We have tested key IT systems including the group's ERP, stock management system and point of sale interface.

We relied on key IT controls for the UK component but have performed a fully substantive audit over all areas of the financial statements as we were unable to rely on controls as we have not been able to obtain detailed evidence of the controls occurring in the period or found that the controls do not fully address our identified risks of material misstatement.

#### 8. 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.

#### 9. 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.

#### 10. 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### Report on other legal and regulatory requirements

#### 11. 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 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.

## AUDITOR'S REPORT

### JOULES GROUP PLC

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

##### 12.1 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.

##### 12.2 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.

#### 13. 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

Birmingham, United Kingdom

5 August 2020

## CONSOLIDATED INCOME STATEMENT

### JOULES GROUP PLC

	NOTE	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
<b>REVENUE</b>	2	<b>190,808</b>	217,970
Cost of sales	6	(93,997)	(98,583)
<b>GROSS PROFIT</b>		<b>96,811</b>	119,387
Other administrative expenses	6	(99,273)	(103,665)
Share-based compensation	28	371	(2,616)
Exceptional administrative expenses	3	(21,480)	-
<b>Total administrative expenses</b>	6	<b>(120,382)</b>	(106,281)
<b>OPERATING (LOSS)/PROFIT</b>		<b>(23,571)</b>	13,106
Finance costs	7	(1,774)	(251)
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>(25,345)</b>	12,855
Income tax credit/(expense)	8	4,640	(2,701)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(20,705)</b>	10,154
Basic earnings per share (pence)	27	(22.07)	11.57
Diluted earnings per share (pence)	27	(22.07)	11.32

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### JOULES GROUP PLC

	NOTE	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(20,705)</b>	10,154
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Net (loss)/gain arising on changes in fair value of hedging instruments entered into for cash flow hedges	21	(2,425)	3,378
Gains/(losses) arising during the period on deferred tax on cash flow hedges	21	472	(689)
(Losses)/gains arising during the period on deferred tax on share options	18	(177)	-
Exchange difference on translation of foreign operations	21	732	157
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(22,103)</b>	13,000

Note on IFRS 16 - Leases:

As previously noted, the modified retrospective transition approach has been adopted by the Group, which is available within the new accounting standard and therefore comparative disclosures have not been restated for the impact of IFRS 16 - Leases, which came into effect for accounting periods commencing after 1 January 2019.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JOULES GROUP PLC

	NOTE	31 MAY 2020 £'000	RESTATED 26 MAY 2019 £'000	RESTATED 28 MAY 2018 £'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	9	20,547	17,245	18,049
Intangibles	10	20,507	16,862	12,614
Right-of-use assets	11	31,993	-	-
Deferred tax	18	3,135	958	1,148
Derivative financial instruments	13	383	-	428
<b>TOTAL NON-CURRENT ASSETS</b>		<b>76,565</b>	<b>35,065</b>	<b>32,239</b>
<b>CURRENT ASSETS</b>				
Inventories	12	32,938	35,311	32,795
Right of return asset	12	2,364	615	429
Trade and other receivables	14	9,226	17,763	16,166
Current corporation tax receivable		2,099	-	-
Cash and cash equivalents	23	26,243	16,013	8,571
Derivative financial instruments	13	928	3,320	910
<b>TOTAL CURRENT ASSETS</b>		<b>73,798</b>	<b>73,022</b>	<b>58,871</b>
<b>TOTAL ASSETS</b>		<b>150,363</b>	<b>108,087</b>	<b>91,110</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	15	31,678	43,241	40,636
Lease liabilities	11	11,047	-	-
Current corporation tax payable		-	1,612	1,355
Borrowings	17	12,924	6,769	5,559
Provisions	16	2,368	247	264
Right of return provision	16	5,129	1,548	1,196
Derivative financial instruments	13	-	-	1,680
<b>TOTAL CURRENT LIABILITIES</b>		<b>63,146</b>	<b>53,417</b>	<b>50,690</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	17	8,780	3,447	2,972
Lease liabilities	11	35,635	-	-
Derivative financial instruments	13	473	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>44,888</b>	<b>3,447</b>	<b>2,972</b>
<b>TOTAL LIABILITIES</b>		<b>108,034</b>	<b>56,864</b>	<b>53,662</b>
<b>NET ASSETS</b>		<b>42,329</b>	<b>51,223</b>	<b>37,448</b>
<b>EQUITIES</b>				
Share capital	19	1,081	878	875
Hedging reserve	21	999	2,631	(277)
Translation reserve	21	1,250	518	361
EBT reserve	22	(769)	(322)	-
Merger reserve	20	(125,807)	(125,807)	(125,807)
Retained earnings	20	139,067	161,915	150,886
Share premium	20	26,508	11,410	11,410
<b>TOTAL EQUITY</b>		<b>42,329</b>	<b>51,223</b>	<b>37,448</b>

**Note on prior year restatement:** For further details on the restatement of prior year balances, refer to Note 1-Significant Accounting Policies.

These financial statements of Joules Group plc (Company Registration Number 10164829) were approved by the Board of Directors and authorised for issue on 5 August 2020 and were signed on behalf of the Board of Directors by -

MARC DENCH - Chief Financial Officer

5 August 2020

## 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	RETAINED EARNINGS £'000	TOTAL EQUITY £'000
<b>BALANCE AT 27 MAY 2018 - RESTATED<sup>1</sup></b>	(125,807)	(277)	361	-	875	11,410	150,886	37,448
Profit for the period	-	-	-	-	-	-	10,154	10,154
Other comprehensive income for the period	-	2,689	157	-	-	-	-	2,846
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	<b>2,689</b>	<b>157</b>	-	-	-	<b>10,154</b>	<b>13,000</b>
Basis adjustment to hedged inventory	-	219	-	-	-	-	-	219
EBT share purchases and commitments	-	-	-	(322)	-	-	-	(322)
Shares issued (note 19)	-	-	-	-	3	-	(3)	-
Dividends issued (note 29)	-	-	-	-	-	-	(1,800)	(1,800)
Credit to equity for equity-settled share- based compensation excl. NI (note 28)	-	-	-	-	-	-	2,678	2,678
<b>BALANCE AT 26 MAY 2019 - RESTATED<sup>1</sup></b>	(125,807)	2,631	518	(322)	878	11,410	161,915	51,223
Effect of initial adoption of IFRS 16	-	-	-	-	-	-	170	170
<b>BALANCE AS AT 26 MAY 2019 - RESTATED</b>	<b>(125,807)</b>	<b>2,631</b>	<b>518</b>	<b>(322)</b>	<b>878</b>	<b>11,410</b>	<b>162,085</b>	<b>51,393</b>
(Loss) for the period	-	-	-	-	-	-	(20,705)	(20,705)
Other comprehensive income for the period	-	(1,953)	732	-	-	-	(177)	(1,398)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	-	<b>(1,953)</b>	<b>732</b>	-	-	-	<b>(20,882)</b>	<b>(22,103)</b>
Basis adjustment to hedged inventory	-	321	-	-	-	-	-	321
Share-based compensation options satisfied through the EBT reserve	-	-	-	724	-	-	(349)	(375)
EBT share purchases and commitments	-	-	-	(1,171)	-	-	-	(1,171)
Shares issued (note 19)	-	-	-	-	203	15,098	-	15,301
Dividends issued (note 29)	-	-	-	-	-	-	(1,202)	(1,202)
Debit to equity for equity-settled share-based compensation excl. NI (note 28)	-	-	-	-	-	-	(267)	(267)
Debit to equity for cash paid on net - settled withheld share-based compensation	-	-	-	-	-	-	(318)	(318)
<b>BALANCE AT 31 MAY 2020</b>	<b>(125,807)</b>	<b>999</b>	<b>1,250</b>	<b>(769)</b>	<b>1,081</b>	<b>26,508</b>	<b>139,067</b>	<b>42,329</b>

<sup>1</sup>For further details on the restatement and prior year balances, refer to Note 1 - Significant Accounting Policies.

## CONSOLIDATED CASH FLOW STATEMENT

JOULES GROUP PLC

	NOTE	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
<b>Cash generated from operations</b>			
(LOSS)/PROFIT FOR THE PERIOD		(20,705)	10,154
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	9	3,018	5,126
Depreciation of right-of use assets	11	12,645	-
Amortisation	10	3,803	2,672
Exceptional administrative expenses	3	20,976	-
Share-based compensation	28	(371)	2,616
Finance cost expense	7	1,774	251
Income tax (credit)/expense	8	(4,640)	2,701
<b>OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL</b>		<b>16,500</b>	<b>23,520</b>
Decrease/(Increase) in inventory and right of return asset		624	(2,702)
Decrease/(Increase) in receivables		8,537	(1,597)
(Decrease)/Increase in payables and right of return provision		(11,573)	3,125
<b>CASH GENERATED BY OPERATIONS</b>		<b>14,088</b>	<b>22,346</b>
Bank interest paid		(366)	(270)
Interest paid on lease liabilities	11	(1,408)	-
Tax paid		(931)	(2,936)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>11,383</b>	<b>19,140</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment and intangible assets	9/10	(13,686)	(11,502)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(13,686)</b>	<b>(11,502)</b>
<b>Cash flow from financing activities</b>			
Purchase of EBT shares		(1,171)	(322)
Issue of shares		15,570	-
Capital element of lease repayments	11	(12,306)	-
Repayment of borrowings	24	(348)	(449)
Proceeds from borrowings	24	11,850	2,134
Dividend paid	29	(1,202)	(1,800)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>12,393</b>	<b>(437)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	24	<b>10,090</b>	<b>7,201</b>
Cash and cash equivalents at beginning of period		16,013	8,571
Effect of foreign exchange rate changes		140	241
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	23	<b>26,243</b>	<b>16,013</b>

# 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 31 May 2020 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 16, which has 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 16 – LEASES

###### OVERVIEW

This is the first set of the Group's financial statements where IFRS 16 - Leases has been applied. The impact of adopting IFRS 16 - Leases is material to the financial statements and is described below, with the financial impact being set out in the table below.

The standard is effective for periods commencing on or after 1 January 2019. Under the new standard, the distinction between operating and finance leases is removed and most leases will be brought onto the Consolidated Statement of Financial Position, as both a right-of-use asset and a corresponding lease liability.

The Group has used the modified retrospective transitional approach on adoption of IFRS 16 - Leases which means that the right-of-use asset and the lease liability are brought onto the Statement of Financial Position at the discounted amount applicable at the transition date, which is 27 May 2019. Operating leases that were active at 27 May 2019 and beyond have been incorporated into the results for the 53 weeks ended 31 May 2020.

The right-of-use asset has been depreciated in accordance with IAS 16 "Property, Plant and Equipment" and in line with the Group's existing policies (straight-line over the lease term), whilst the lease liability has been increased for the accumulation of interest and reduced by lease payments. There will be no impact on cash flow overall, however, classifications within the Consolidated Cash Flow Statement will change to reflect the interest and capital elements of each lease payment.

When applying IFRS 16 - Leases, the Group has applied the following practical expedients, on transition date:

- Reliance on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 27 May 2019 as short-term leases, therefore will continue to be expensed to the Consolidated Income Statement; and
- The use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

A reconciliation between IAS 17 operating lease commitments and IFRS 16 lease liabilities is as follows:

	£'000
<b>Operating lease commitments at 26 May 2019</b>	<b>65,625</b>
Effects of discounting <sup>1</sup>	(8,918)
Short term leases <sup>2</sup>	(330)
<b>Lease liabilities recognised on adoption of IFRS 16</b>	<b>56,377</b>

<sup>1</sup>The previously disclosed lease commitments were undiscounted, whilst the IFRS 16 - Leases obligations have been discounted based on the Group's incremental borrowing rate.

<sup>2</sup>Under IAS 17, short term leases relating to pop-up stores were disclosed within lease commitments, which had lease terms of less than 12 months. The Group's ongoing policy choice under IFRS 16 - Leases is to not recognise these as lease liabilities.

The impact of IFRS 16 on the Statement of Financial Position at the transition date is as follows:

	27 MAY 2019 PRE - IFRS 16 £'000	TRANSITION	27 MAY 2019 POST - IFRS 16 £'000
Non-current assets	35,065	58,666	93,731
Current assets	73,022	(1,316)	71,706
<b>Total assets</b>	<b>108,087</b>	<b>57,350</b>	<b>165,437</b>
Current liabilities	53,417	13,713	67,130
Non-current liabilities	3,447	43,467	46,914
<b>Total liabilities</b>	<b>56,864</b>	<b>57,180</b>	<b>114,044</b>
Net assets	51,223	170	51,393
<b>Total equity</b>	<b>51,223</b>	<b>170</b>	<b>51,393</b>

#### **IFRS 16 – LEASES POLICY**

The Group leases its stores and offices where it operates, with the exception of the new Head Office development of which the Group owns the freehold land and building development. Other lease contracts include office equipment and motor vehicles.

On entering into a contract, the Group assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability on the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability, adjusting for any lease payments made on or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The assets are depreciated over the full lease term using the straight-line method. right-of-use assets are reviewed for indicators of impairment.

The lease liability is initially measured at the present value of the lease payments that are outstanding at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Lease payments included in the measurement of the liability contain fixed payments, break fees where appropriate, less any lease incentives receivable as at the commencement date. Lease modifications result in a remeasurement of the lease liability.

Depreciation is recognised under administrative expenses and the interest expense is recognised under finance costs in the Consolidated Income Statement.

The Group has elected to use the exemption not to recognise the right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The payments associated with these leases are recognised as administrative expenses on a straight-line basis over the lease term, the total amount expensed in the period amounted to £792,000.

#### **New accounting standards, amendments and interpretations in issue but not yet effective**

There are several standards and interpretations issued by the IASB that are effective for financial statements after this reporting period. Of these new standards, amendments and interpretations, there are none which are expected to have a material impact on the Group's consolidated financial statements.

## 92 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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. Intragroup balances are repayable on demand.

### RESTATEMENT OF PRIOR PERIOD STATEMENT OF FINANCIAL POSITION

An adjustment has been made to prior periods' Statement of Financial Positions to accruals and other debtor balances in relation to a prior period error on the treatment of Employer's National Insurance on the Group's share schemes. Management identified that the liability for share-based payments at 1 June 2018 was understated as a result of historical errors in the calculation of the National Insurance liability. In addition, management identified that in the year ended 31 May 2018 the deferred tax calculated on share-based payments had been posted twice in error and credited through both the income statement and equity. This resulted in a debtor balance being recognised in error which has been corrected by management in the period in which it arose. There is no impact on the prior year's Consolidated Income Statement. The effect on specific financial statement line items within the Consolidated Statement of Financial Position is as follows:

	26 MAY 2019 REPORTED £'000	26 MAY 2019 ADJUSTMENT £'000	26 MAY 2019 RESTATED £'000	28 MAY 2018 REPORTED £'000	28 MAY 2018 ADJUSTMENT £'000	28 MAY 2018 RESTATED £'000
Trade and other receivables	18,053	(290)	17,763	16,456	(290)	16,166
Trade and other payables	(42,613)	(628)	(43,241)	(40,008)	(628)	(40,636)
Retained Earnings	(162,833)	918	(161,915)	(151,804)	918	(150,886)



## 94 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### GOING CONCERN

As for many businesses in the retail sector, the Group has been significantly impacted by COVID-19. The impact and management's initial response is set out in detail within the CEO's report and the Financial Review.

Considering the significant uncertainties faced by the retail sector, including short-term and potentially more fundamental long-term changes in consumer behaviour as well as the potential for ongoing operational disruption, the Directors have undertaken a comprehensive assessment to consider the going concern and longer-term viability of the Group and Company. In making their assessment the Directors have considered the following:

- The Group's financial position, as at the date of this report, and its committed borrowing facilities available for the time period under consideration
- The support from the Group's shareholders and bank, including the successful equity placing and financing facility extension that were completed during the early stages of the UK lockdown
- Alternative sources of financing, including sale & leaseback of freehold property and asset financing that might reasonably be assumed to be available to the Group - noting that any financing from these sources has not been included within the forecasts that support the going concern assessment
- Financial commitments, including capital commitments, lease commitments, stock purchases and other non-variable/non-discretionary costs. In respect of property leases, The Directors note the relatively short lease commitments, of less than three years on average, that the Group has across its store portfolio together with recent progress on renewing leases on favourable terms
- The extent of continued Government support initiatives including business rates relief and the Coronavirus Job Retention Scheme (CJRS)
- Strength of brand, reflected in active customer growth, brand awareness and brand health metrics - as detailed more fully in the Strategic Review
- The flexibility and agility of the Group's business model, as described in the Strategic Review, noting that over half of the Group's retail sales are via e-commerce and that the Group has diversified sources of revenue, operating across several channels and geographic markets, with owned and third-party channels including wholesale and marketplaces. Newer income streams of brand licensing and the Group's digital marketplace provide additional comfort on the strength of the brand and diversity of income channels.

The Directors have also considered the trading performance of the Group's stores as they have re-opened on a phased basis following the easing of the UK's lockdown restrictions on 15 June 2020, as well as the performance of the Group's e-commerce channel that has continued to exceed management's expectations since the start of the UK lockdown.

The Directors have reviewed management's business plan forecasts that cover the period to 28 May 2023, being the Group's strategic plan horizon. The forecasts have been produced on the following basis:

- **Base plan** – gradual sales recovery post-COVID-19, reflecting management's estimates for the speed and extent of recovery across its different sales channels and markets. It reflects phased store re-openings from mid-June 2020 through to mid-August 2020 with the re-opened stores initially trading significantly below the prior year, improving to 75-80% of the prior year's sales level by the end of FY21, with modest growth thereafter. Third-party wholesale channels are assumed to follow a similar trajectory. The Group's e-commerce sales are forecast to grow at double-digit levels reflecting performance over recent years and experienced since the UK lockdown in late March 2020

- **Downside scenario** – the 'Base plan' adjusted to reflect a slower recovery of the Group's stores channel with total store revenues only achieving approximately 60% of the pre-COVID-19 levels by the end of FY21, and a deterioration in the wholesale channel receipts with receivable days more than double the level of FY20.

Within each forecast, management have reflected financial commitments and the impact of realised or anticipated cost savings from discretionary and variable costs. No Government support or subsidies, other than those announced and committed at the date of this report, are included.

The Directors have stress tested the forecast to consider situations under which the Company would have insufficient liquidity under its current secured borrowing facilities and/or it would not meet its banking covenant tests. One such 'Stress test scenario' is that of ongoing material disruption to retail store operations from COVID-19 that result in no store channel revenue and lower receipts from the Group's wholesale channels as per the Downside case. The Stress test scenario assumes higher e-commerce revenue growth than the Base case on the basis that loyal customers can no longer access the brand via the store environment - as demonstrated during the period of the UK lockdown, plus ongoing income from brand licensing and digital marketplace activities. The Stress test scenario assumes that the Group will reduce its obligations and financial commitments, such as property leases, in line with existing contractual terms and that there is no additional Government support or subsidies to offset costs or support cash flow. The Directors believe, with reference to the considerations noted above, that, firstly the likelihood of this situation arising in its most extreme form is remote and, secondly, that they anticipate that the Group would be able to adapt and respond to mitigate the impacts and continue to trade and meet its obligations through the period of consideration.

The Base plan and Downside scenario forecasts indicate that the Group will remain within its available committed borrowing facilities and in compliance with covenants throughout the forthcoming 12-month period. Under the Downside scenario, the Group has more than £25 million available liquidity headroom through-out the period under consideration and has EBITDA headroom of £2.9 million against its first covenant test arising in the period with headroom increasing further for the second covenant test arising in the period.

The Group would also remain within its borrowing facilities and comply with covenants under the Stress test through this period.

Following consideration of these forecasts and having made appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 12 months after the approval of the Financial Statements. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

### SALE OF GOODS AND REVENUErecognition

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.

Royalties on licensed products are recognised on a straight-line basis as license income over the period of the invoice, which is typically invoiced quarterly. Any additional royalties due are accrued as earned based on sales statements received from product license partners, to reflect delivery of the product. Commission received from digital marketplace sales is invoiced monthly and recognised in the month that the sale occurred.

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 fitting - 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

#### TRADEMARKS 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 lives.

#### 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.

### INTERNALY-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.

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### 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 credit/expense represents the sum of the tax currently receivable/payable and deferred tax.

### CURRENT TAX

The tax currently receivable/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 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.

### 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. In line with IFRS 16, each lease delapidation provision is capitalised within the right-of-use asset of each lease and depreciated over the life of the lease where any delapidation costs could be reasonably estimated at the commencement date.

### 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

#### LOANS AND 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 14 "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 transaction cost, 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 (reclassified to the balance sheet). 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 COMPENSATION

Equity-settled share-based compensation 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 28.

The fair value determined at the grant date of the equity-settled share-based compensation 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 Statement of Financial Position 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 ended 26 May 2019 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.

#### EXCEPTIONAL ADMINISTRATIVE EXPENSES

Exceptional Administrative Expenses are those that, in management's judgment, should be disclosed by virtue of their nature or amount. Exceptional Administration Expenses will typically include items that are significant in nature, non-recurring and are important to users in understanding the business.

#### 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. However, actual results may differ from these estimates and assessments will bring about an adjustment in the value of the assets and liabilities in the next financial year. The Directors have not considered there to be any critical accounting judgements present.

In accordance with IAS 1 the Group is required to disclose critical accounting judgements and key sources of estimation uncertainty, the Directors have identified the following key estimates:

##### Returns provision – rate of return

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 have used their accumulated historical knowledge of returns to model the level of provision required and have also taken into account the extension of the returns policy to 365 days and the impact for the period that stores were closed.

The rate of returns expected in relation to e-commerce sales is considered to be a source of estimation uncertainty. Sensitivity analysis has been carried out on the rate of return used at the year end using a reasonable change in rate:

- An increase/decrease of 3% in the expected rate of return for e-commerce sales would increase/decrease the returns provision by £533,000

##### Value in use calculations

A key estimate in relation to the impairment charge recognised for right-of-use assets, property plant and equipment and intangible assets, is the calculation of the value in use for each separate cash-generating unit ("CGU"). Each CGU comprises of the right-of use asset for each store, as well as any fixtures

and fittings associated directly to each store. The value in use is calculated from expected future cash flows using suitable discount rates, management assumptions and estimates on future performance. Future cash flows include an apportionment of relevant head office costs, and only includes direct revenues from store sales, in line with the Management's Base Plan which is summarised further under the Going Concern section of Note 1.

The discount rate used for the value in use calculation is considered to be a key source of estimation uncertainty, which has been calculated at 8.5%. Sensitivity analysis has been carried out on the impairment calculations using various reasonably possible scenarios, including discount rates and a change to the sales assumptions in the base financial plan:

- An increase of 2% in the discount rate would increase the impairment charge by £808,000
- A decrease of 2% in the discount rate would decrease the impairment charge by £806,000
- An increase of 2% in sales growth each year would decrease the impairment charge by £872,000
- A decrease of 2% in sales growth each year would increase the impairment charge by £928,000

##### IFRS 16 – Discount rate

Another estimate associated with the adoption of IFRS 16 - Leases is the identification of the discount rate to be used to calculate the present value of the future lease payments on which the reported lease liability and right-of-use asset are based. For any new lease, an interest rate might be determined at the point of entering the lease. However, with no such information available for existing leases, a discount rate of 2.5% has been used to reflect the impact of the transition to IFRS 16 - Leases, derived from existing borrowing rates.

##### Dilapidations provision

A key estimate associated with the transition to IFRS 16 – Leases is the recognition of any dilapidation costs within the right-of use asset for each lease, and a subsequent dilapidation provision. Dilapidation costs are estimated at the commencement date of each lease. For retail stores, the dilapidations provision is calculated using an average cost per store based on the most recent dilapidation costs incurred from stores exited. Estimated dilapidation costs for other non-retail leases are based on management's accumulated historical knowledge of buildings of similar size and purpose. Based on the factors set out above, the Group has recognised a dilapidations provision of £2,368,000 at the end of the period.

The average estimate used for each retail store is considered to be a key source of estimation uncertainty. Sensitivity analysis has been carried out on the average calculations using various average costs per store:

- An increase/decrease of 20% on the average dilapidations provision recognised per retail store would result in an increase/decrease of the provision of £393,000

##### Aged inventory provision

A key estimate associated with recognising inventory at the lower of cost and net realisable value is the calculation of the provision for aged inventory. Management perform an assessment of all inventory, taking into consideration current sales and forecast sell through plans to consider the impact on the period end stock holding. The provision for aged inventory at the period end of £682,000 is calculated by providing for 50% of inventory that is two-seasons old and providing for 90% of inventory that is more than three seasons old.

A percentage point increase of 40% on the provision for inventory that is two-seasons old would result in an increase of the provision of £510,000.

## 98 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. REVENUE

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

	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
Sale of goods	188,566	216,176
Third party sales - licensing royalties and commision	2,242	1,794
	<b>190,808</b>	<b>217,970</b>

### 3. EXCEPTIONAL ADMINISTRATIVE EXPENSES

The exceptional administrative expenses recognised in the period relate to right-of use assets, property plant and equipment, and intangible assets which are impaired, as well as other costs associated with redundancy payments and financing costs. The total charge recognised in the period can be categorised as follows:

	53 WEEKS ENDED 31 MAY 2020			
	STORES £'000	HEAD OFFICE AND SHOWROOMS £'000	OTHER £'000	TOTAL £'000
Impairment of Property, plant and equipment	2,608	216	1,294	4,118
Impairment of Intangible assets	-	141	-	141
Impairment of Right-of-use assets	13,144	3,573	-	16,717
Other exceptional costs	-	333	171	504
<b>Total</b>	<b>15,752</b>	<b>4,263</b>	<b>1,465</b>	<b>21,480</b>

### STORE IMPAIRMENTS

Retail stores are subject to impairment based on whether current or future events and conditions suggest that their recoverable amount may be less than their carrying value. The recoverable amount of each store is based on the higher of the value in use and fair value less costs to dispose. As all of the Group's retail stores are leasehold, only the value in use has been considered in each impairment assessment. Value in use is calculated from expected future cash flows using suitable discount rates, management assumptions and estimates on future performance. The carrying value for each store is considered net of the carrying value of any cash contribution received in relation to that store. For impairment testing purposes, the Group has determined that each store is a separate CGU. Each CGU is tested for impairment if any indicators of impairment have been identified. The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows. Cash flows are discounted using the weighted average cost of capital ("WACC") and are modelled for each store through to their lease expiry or break date. No lease extensions have been assumed when forecasting. As a result of this assessment impairment charges of £13,144,000 and £2,608,000 were recognised in the period against the right-of-use asset and property, plant and equipment respectively for the stores which are impaired.

### OTHER LEASES AND FIXED ASSETS

Management have also assessed whether any other lease arrangements show impairment indicators. The development of the Group's new Head Office which is due to be completed in 2020 has resulted in the current Head Office leasehold buildings undergoing an impairment assessment. An in-depth review of other fixed assets has also been performed to identify any which are intrinsically associated with the current Head Office buildings as well as other locations, and those that have a value in use which is below the carrying value. The calculation of the net present value of future cash flows is based on the same assumptions for growth rates and expected changes to future cash flows as set out above. The cost of exiting leases as set out in the lease agreement, either at the end of the lease or the lease break date (whichever is shorter), have been considered in the calculation. Based on the factors set out above, the Group has recognised £3,573,000 relating to other leases and £4,259,000 relating to fixed assets which are impaired.

### OTHER EXCEPTIONAL COSTS

During the year one-off charges of £504,000 were incurred relating to restructuring costs.

Any amounts which become recoverable for which an amount has been recognised as an exceptional expense will be recognised as a gain through exceptional items in the relevant period.

#### 4. 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, and the 'Friends of Joules' digital marketplace, 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. Operating results, being earnings before exceptional administration expenses, share-based compensation, interest and taxation 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.

	RETAIL £'000	WHOLESALE £'000	OTHER £'000	TOTAL £'000
<b>53 WEEKS ENDED 31 MAY 2020</b>				
<b>REVENUE</b>	<b>145,898</b>	<b>42,668</b>	<b>2,242</b>	<b>190,808</b>
Cost of sales	(62,880)	(31,117)	-	(93,997)
<b>GROSS PROFIT</b>	<b>83,018</b>	<b>11,551</b>	<b>2,242</b>	<b>96,811</b>
Administration expenses	(42,423)	(12,219)	(25,165)	(79,807)
Depreciation and amortisation	(13,964)	(773)	(4,729)	(19,466)
<b>OPERATING RESULT</b>	<b>26,631</b>	<b>(1,441)</b>	<b>(27,652)</b>	<b>(2,462)</b>
<b>Costs unallocated to segments:</b>				
Share-based compensation (incl. NI)				371
Exceptional administrative expenses				(21,480)
Finance costs				(1,774)
<b>LOSS BEFORE TAX</b>				<b>(25,345)</b>
<b>52 WEEKS ENDED 26 MAY 2019</b>	<b>RETAIL £'000</b>	<b>WHOLESALE £'000</b>	<b>OTHER £'000</b>	<b>TOTAL £'000</b>
<b>REVENUE</b>	<b>159,088</b>	<b>57,088</b>	<b>1,794</b>	<b>217,970</b>
Cost of sales	(62,682)	(35,901)	-	(98,583)
<b>GROSS PROFIT</b>	<b>96,406</b>	<b>21,187</b>	<b>1,794</b>	<b>119,387</b>
Administration expenses	(56,350)	(11,963)	(27,554)	(95,867)
Depreciation and amortisation	(4,390)	(663)	(2,745)	(7,798)
<b>OPERATING RESULT</b>	<b>35,666</b>	<b>8,561</b>	<b>(28,505)</b>	<b>15,722</b>
<b>Costs unallocated to segments:</b>				
Share-based compensation (incl. NI)				(2,616)
Finance costs				(251)
<b>PROFIT BEFORE TAX</b>				<b>12,855</b>

# 100 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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
<b>53 weeks ended 31 May 2020</b>			
Revenue	161,307	29,501	<b>190,808</b>
Non-current assets	75,554	1,011	<b>76,565</b>
<b>52 weeks ended 26 May 2019</b>			
Revenue	182,917	35,053	<b>217,970</b>
Non-current assets	33,845	1,220	<b>35,065</b>

## 5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
<b>Staff costs during the period</b>		
Wages and salaries	31,546	32,846
Social security costs	3,002	3,903
Other pension costs	763	793
Equity-settled share-based compensation charges	(371)	2,677
	<b>34,940</b>	<b>40,219</b>
<b>The average number of employees (including executive directors) was:</b>		
Head office	573	539
Stores and Shows	1,235	1,152
Warehousing	128	132
	<b>1,936</b>	<b>1,823</b>

Staff costs are net of government job retention scheme grants totalling £2.4million.

**DIRECTORS' REMUNERATION**

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

53 WEEKS ENDED 31 MAY 2020	SALARIES/ FEES £'000	TAXABLE BENEFITS £'000	PENSION £'000	ANNUAL BONUS (including deferred bonus) £'000	LTIP £'000	ONE-OFF AWARDS £'000**	TOTAL REMUNERATION £'000
<b>Executive Directors</b>							
T S L Joule	284.8	21.0	17.1	-	-	-	322.9
C N Porter*	146.6	12.6	7.3	-	-	-	166.5
N D G Jones*	294.0	12.6	9.5	-	-	223.1	539.2
M S Dench	256.8	16.7	12.8	-	-	33.8	320.1
<b>Non-Executive Directors</b>							
I F Filby	120.0	-	-	-	-	-	120.0
J C Little	50.0	-	-	-	-	-	50.0
D A Stead	45.8	-	-	-	-	-	45.8
<b>TOTAL</b>	<b>1,198.0</b>	<b>62.9</b>	<b>46.7</b>	<b>-</b>	<b>-</b>	<b>256.9</b>	<b>1,564.5</b>

\* Colin Porter retired as CEO, and Nick Jones was appointed as CEO, with effect from 30 September 2019. Nick Jones' remuneration in the table above reflects his remuneration from 2 September 2019, the date on which he joined the Company. Colin Porter's remuneration in the table above reflects his remuneration to his last day of employment with the Company, which was 31 October 2019.

\*\* The one-off awards reflect one-off share awards granted in FY20, as further described in the Directors Remuneration Report. The award to both Nick Jones and Marc Dench, in respect of their waived salary, was based on a share price of £0.80. The joining award for Nick Jones only was based on a share price of £1.3264.

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
<b>Executive Directors</b>						
T S L Joule	338.3	22.9	15.8	188.1	497.5	1,062.6
C N Porter	348.0	22.2	17.4	193.8	512.4	1,093.8
M S Dench	267.7	16.4	13.4	148.9	490.1	936.5
<b>Non-Executive Directors</b>						
I F Filby**	100.0	-	-	-	-	100.0
N W McCausland**	13.3	-	-	-	-	13.3
J C Little	50.0	-	-	-	-	50.0
D A Stead	55.0	-	-	-	-	55.0
<b>TOTAL</b>	<b>1,172.3</b>	<b>61.5</b>	<b>46.6</b>	<b>530.8</b>	<b>1,500.0</b>	<b>3,311.2</b>

\*An estimated market share price at vesting was used and this was calculated as the volume weighted three month average share price to 18 July 2019.

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

The number of Directors to whom retirement benefits have accrued during the Period was 3 (2019: 3).

## 102 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. PROFIT FOR THE YEAR

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

	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
Cost of inventories recognised as expense	79,850	85,303
Write down of inventory in the period	682	696
Transportation, carriage and packaging	11,499	10,517
Property rent and service charges*	792	13,998
Depreciation of property, plant and equipment	3,018	5,126
Depreciation of Right-of-use assets	12,645	-
Amortisation of intangible assets	3,803	2,672
Staff costs (see note 5)	35,311	37,542
Share-based compensation	(371)	2,616
Exceptional administrative expenses (see note 3)	21,480	-

\*The movement in this line compared to the prior period is largely due to the transition to IFRS16. The Group has also benefited from Government business rates relief, which totalled £776,000 during the period.

AUDITOR'S REMUNERATION	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
<b>The analysis of auditor's remuneration is as follows:</b>		
Audit of these financial statements	141	94
Audit of financial statements at subsidiary companies	-	22
<b>TOTAL AUDIT FEES</b>		
Tax advice	8	7
Audit related assurance services	5	4
Remuneration and share plan advisory	20	16
<b>TOTAL NON-AUDIT FEES</b>		
	33	27

### 7. FINANCE COSTS

	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
Credit facility interest	258	210
Term loan interest	108	23
Finance lease interest	-	18
Lease liability interest	1,408	-
<b>TOTAL</b>	<b>1,774</b>	<b>251</b>

**8. INCOME TAX**

a) Analysis of charge in the period	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
<b>Current tax</b>		
UK corporation tax based on the profit for the period	(3,160)	3,029
Adjustment in respect of prior periods	127	(26)
Overseas tax	275	197
<b>TOTAL CURRENT TAX (CREDIT)/CHARGE</b>	<b>(2,758)</b>	<b>3,200</b>
<b>Deferred taxation (note 18)</b>		
Adjustment in respect of prior periods	(251)	56
Deferred tax on share-based compensation	599	(543)
Pension contributions	68	(64)
Short lease premiums tax deduction	9	(8)
Movement in fixed asset timing differences	(109)	78
IFRS 16 transitional adjustment	18	-
Movement on tax losses	(2,019)	-
Movement on disallowable provision	-	(18)
Effect of adjustment in tax rate	(196)	-
<b>TOTAL DEFERRED TAXATION (CREDIT)/CHARGE</b>	<b>(1,882)</b>	<b>(499)</b>
<b>TAX (CREDIT)/CHARGE FOR THE PERIOD (NOTE 8b)</b>	<b>(4,640)</b>	<b>2,701</b>

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

	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
<b>Deferred taxation (note 18)</b>		
Gain/(loss) arising during the period on deferred tax on cash flow hedges	(472)	689
Deferred tax on unexercised share options	177	-
<b>TOTAL INCOME TAX (LOSS)/GAIN RECOGNISED IN OTHER COMPREHENSIVE INCOME</b>	<b>(295)</b>	<b>689</b>

## 104 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### b) Factors affecting the tax charge for the period

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

	53 WEEKS ENDED 31 MAY 2020 £'000	52 WEEKS ENDED 26 MAY 2019 £'000
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	<b>(25,345)</b>	12,855
UK corporation tax at the standard rate	19.0%	19.0%
Profit multiplied by the standard rate in the UK	(4,816)	2,442
<b>Effects of:</b>		
Expenses not deductible for tax purposes and other permanent differences	283	171
Depreciation and amortisation on non-qualifying assets	442	281
Adjustment in respect of prior period (current tax)	126	(26)
Adjustment in respect of prior period (deferred tax)	(251)	56
Difference in overseas tax rate	21	45
Effect of adjustment in deferred tax rate	(196)	59
Share-based compensation	(300)	(302)
R&D expenditure credits	33	(25)
IFRS 16 practical expedient on transition adjustment	18	-
<b>TAX (CREDIT)/EXPENSE FOR THE PERIOD (NOTE 8A)</b>	<b>(4,640)</b>	2,701

The current tax credit in the period includes a reversal of the prior year corporation tax charge for the 52 weeks ended 26 May 2019, following a carry back of tax losses generated for the 53 weeks ended 31 May 2020.

The Finance Acts 2015 and 2016 included provision to reduce the rate of UK corporation tax to 19% with effect from 1 April 2017, with a further reduction to 17% with effect from 1 April 2020. During the 53 weeks ended 31 May 2020, the reduction to 17% from 1 April 2020 was repealed such that 19% was the future corporation tax rate substantively enacted at the Statement of Financial Position date. Deferred taxation is measured by reference to the tax rates/laws that are enacted/substantively enacted at the Statement of Financial position date for the future periods in which the temporary timing differences are expected to reverse. Accordingly, the deferred tax balances at 31 May 2020 are calculated at 19% (2019: 17%).

**9. PROPERTY, PLANT AND EQUIPMENT**

	LAND & BUILDINGS £'000	FIXTURES AND FITTINGS £'000	MOTOR VEHICLES £'000	TOTAL £'000
<b>COST</b>				
<b>At 27 May 2018</b>	<b>4,715</b>	<b>28,081</b>	<b>93</b>	<b>32,889</b>
Additions	2,676	2,357	-	5,033
Disposals	-	-	(34)	(34)
Transfers	-	(988)	-	(988)
<b>At 26 May 2019</b>	<b>7,391</b>	<b>29,450</b>	<b>59</b>	<b>36,900</b>
Additions	7,280	3,095	63	10,438
Disposals	-	-	-	-
<b>At 31 May 2020</b>	<b>14,671</b>	<b>32,545</b>	<b>122</b>	<b>47,338</b>
<b>ACCUMULATED DEPRECIATION</b>				
<b>At 27 May 2018</b>	<b>-</b>	<b>14,750</b>	<b>90</b>	<b>14,840</b>
Charge for the period	-	5,123	3	5,126
Disposals	-	-	(34)	(34)
Transfers	-	(277)	-	(277)
<b>At 26 May 2019</b>	<b>-</b>	<b>19,596</b>	<b>59</b>	<b>19,655</b>
Charge for the period	-	2,980	38	3,018
Disposals	-	-	-	-
Impairment	-	4,118	-	4,118
<b>At 31 May 2020</b>	<b>-</b>	<b>26,694</b>	<b>97</b>	<b>26,791</b>
<b>NET BOOK VALUE</b>				
At 27 May 2018	4,715	13,331	3	18,049
At 26 May 2019	7,391	9,854	-	17,245
<b>At 31 May 2020</b>	<b>14,671</b>	<b>5,851</b>	<b>25</b>	<b>20,547</b>

**PROPERTY, PLANT AND EQUIPMENT**

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

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, which is under construction therefore it is not being depreciated. The amount of borrowing costs capitalised in the year amounted to £112,000, which is also the cumulative amount capitalised.

During the year, the Group carried out a review of the recoverable amount of property, plant and equipment. The review led to the recognition of an impairment loss of £4,118,000, which has been recognised within exceptional administrative expenses in the Consolidated Income Statement.

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### 10. INTANGIBLE ASSETS

	TRADEMARKS AND OTHER INTANGIBLES £'000	IT SYSTEMS £'000	TOTAL £'000
<b>COST</b>			
<b>At 27 May 2018</b>	-	<b>17,423</b>	<b>17,423</b>
Additions	179	6,030	6,209
Disposals	-	-	-
Transfers	999	(11)	988
<b>At 26 May 2019</b>	<b>1,178</b>	<b>23,442</b>	<b>24,620</b>
Additions	81	7,508	7,589
Disposals	-	-	-
<b>At 31 May 2020</b>	<b>1,259</b>	<b>30,950</b>	<b>32,209</b>
<b>ACCUMULATED AMORTISATION</b>			
<b>At 27 May 2018</b>	-	<b>4,809</b>	<b>4,809</b>
Charge for the period	120	2,552	2,672
Disposals	-	-	-
Transfers	277	-	277
<b>At 26 May 2019</b>	<b>397</b>	<b>7,361</b>	<b>7,758</b>
Charge for the period	124	3,679	3,803
Disposals	-	-	-
Impairment	-	141	141
<b>At 31 May 2020</b>	<b>521</b>	<b>11,181</b>	<b>11,702</b>
<b>NET BOOK VALUE</b>			
At 27 May 2018	-	12,614	12,614
At 26 May 2019	781	16,081	16,862
<b>At 31 May 2020</b>	<b>738</b>	<b>19,769</b>	<b>20,507</b>

#### INTANGIBLE ASSETS

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

During the year, the Group carried out a review of the recoverable amount of intangible assets. This review led to the recognition of an impairment loss of £141,000, which has been recognised within exceptional administrative expenses in the Consolidated Income Statement.

**11. LEASES**

RIGHT-OF-USE ASSETS:	LAND & BUILDINGS £'000	FIXTURES AND FITTINGS £'000	MOTOR VEHICLES £'000	IT EQUIPMENT £'000	TOTAL £'000
<b>Balance as at 27 May 2019</b>	<b>57,645</b>	<b>199</b>	<b>356</b>	<b>646</b>	<b>58,666</b>
Additions	1,381	-	131	-	1,512
Disposals	(533)	-	-	-	(533)
Impairment	(16,717)	-	-	-	(16,717)
Modifications	1,710	-	-	-	1,710
Depreciation of Right-of-use assets	(11,976)	(97)	(249)	(323)	(12,645)
<b>Balance as at 31 May 2020</b>	<b>31,330</b>	<b>102</b>	<b>238</b>	<b>323</b>	<b>31,993</b>

LEASE LIABILITIES:	LAND & BUILDINGS £'000	FIXTURES AND FITTINGS £'000	MOTOR VEHICLES £'000	IT EQUIPMENT £'000	TOTAL £'000
<b>Balance as at 27 May 2019</b>	<b>55,176</b>	<b>199</b>	<b>356</b>	<b>646</b>	<b>56,377</b>
Additions	1,292	-	130	-	1,422
Disposals	(521)	-	-	-	(521)
Interest expense related to lease liabilities	1,376	3	16	13	1,408
Modifications	1,710	-	-	-	1,710
Repayment of lease liabilities (including interest)	(13,020)	(94)	(265)	(335)	(13,714)
<b>Balance as at 31 May 2020</b>	<b>46,013</b>	<b>108</b>	<b>237</b>	<b>324</b>	<b>46,682</b>

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## 12. INVENTORIES

	31 MAY 2020 £'000	26 MAY 2019 £'000
Goods for resale	29,475	26,403
Goods in transit	3,463	8,908
	<b>32,938</b>	<b>35,311</b>

The cost of inventories recognised as an expense during the year in respect of continuing operations in the 53 weeks ended 31 May 2020 was £80,948,000 (2019: £85,948,000). The cost of inventories recognised as an expense includes £682,000 for the 53 weeks ended 31 May 2020 (2019: £696,000) in respect of write-downs of inventory to net realisable value. Inventories are stated after provisions for impairment of £941,000.

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

	31 MAY 2020 £'000	26 MAY 2019 £'000
Right of return asset	2,364	615
	<b>2,364</b>	<b>615</b>

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.

## 13. DERIVATIVE FINANCIAL INSTRUMENTS

### FORWARD CONTRACTS AND OPTIONS

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

As at 31 May 2020, the Group had 78 (2019: 72) forward foreign exchange contracts outstanding. Derivative financial instruments are carried at fair value, further detailed on note 25.

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

OUTSTANDING CONTRACTS	AVERAGE EXCHANGE RATE		FOREIGN CURRENCY		NOTIONAL VALUE		FAIR VALUE	
	2020 £/\$	2019 £/\$	2020 \$'000	2019 \$'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<b>Buy U.S. Dollars</b>								
Less than 3 months	1.245	1.4158	21,809	7,000	17,876	4,945	129	545
3 to 6 months	1.229	1.4306	26,309	19,375	21,782	13,532	(129)	1,617
6 months and above	1.282	1.3317	28,809	41,000	22,801	30,793	838	1,158
	<b>1.254</b>	<b>1.3673</b>	<b>76,927</b>	<b>67,375</b>	<b>62,459</b>	<b>49,270</b>	<b>838</b>	<b>3,320</b>

The Company does not hold Euro to GBP forward options (2019: nil). The US Dollar spot rate at 31 May 2020 was \$1.2368 / £1.

The fair value of cash flow hedges of the Group as at 31 May 2020 was an asset of £1,311,000 (2019: £3,320,000) and a liability of £473,000 (2019: £nil) resulting in a net asset of £838,000 (2019: £3,320,000), further detailed in note 25.

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.

**14. TRADE AND OTHER RECEIVABLES**

	31 MAY 2020 £'000	26 MAY 2019 £'000
Trade receivables – gross	5,913	6,955
Less: allowance for expected credit losses (calculated under IFRS 9)	(940)	(325)
Trade receivables – net	<b>4,973</b>	6,630
Other receivables	1,359	999
Prepayments	2,894	10,134
<b>TOTAL TRADE AND OTHER RECEIVABLES</b>	<b>9,226</b>	17,763

All of the Other receivables and Prepayment balances above are deemed to be current and do not include impaired assets. Amounts within prepayments do not include payment made over one year in advance. 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.

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 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:

31 MAY 2020	NOT PAST DUE £'000	<30 £'000	31-60 £'000	>61 £'000	TOTAL £'000
Expected credit loss	0%	12%	16%	51%	15%
Gross carrying amount	2,440	675	1,615	1,183	5,913
Loss allowance	-	(82)	(260)	(598)	(940)
<b>NET TRADE RECEIVABLES</b>	<b>2,440</b>	<b>593</b>	<b>1,355</b>	<b>585</b>	<b>4,973</b>

As at the date of the approval of these financial statements a total of £3,750,000 has been received in relation to the above trade receivables as follows: £1,732,000 not past due, £572,000 <30 days past due, £925,000 31-60 days past due and £521,000 and >61 days past due.

26 MAY 2019	NOT PAST DUE £'000	<30 £'000	31-60 £'000	>61 £'000	TOTAL £'000
Expected credit loss	0%	2%	26%	59%	9%
Gross carrying amount	4,495	1,390	632	438	6,955
Loss allowance	(8)	(32)	(16)	(269)	(325)
<b>NET TRADE RECEIVABLES</b>	<b>4,487</b>	<b>1,358</b>	<b>616</b>	<b>169</b>	<b>6,630</b>

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Movement in expected credit losses	2020 £'000	2019 £'000
<b>BALANCE AT BEGINNING OF PERIOD UNDER IFRS 9</b>	<b>(325)</b>	<b>(592)</b>
Movement in loss allowance recognised in profit or loss during the year	(921)	(227)
Receivables written off during the year as uncollectable	143	172
Amounts recovered	163	322
<b>BALANCE AT END OF PERIOD</b>	<b>(940)</b>	<b>(325)</b>

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.

### 15. TRADE AND OTHER PAYABLES

	31 MAY 2020 £'000	26 MAY 2019 £'000
Trade payables	14,777	23,130
Other taxation and social security	2,989	3,188
Deferred income	1,431	1,108
Other payables	1,353	460
Accruals	11,128	15,355
	<b>31,678</b>	<b>43,241</b>

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.

### 16. PROVISIONS

Dilapidations provision at the period end is as follows:

	31 MAY 2020 £'000	26 MAY 2019 £'000
Balance brought forward	247	264
Additional provision during the period	2,121	93
Utilisation of provision	-	(110)
<b>BALANCE AT END OF PERIOD</b>	<b>2,368</b>	<b>247</b>

Dilapidation costs are estimated at the commencement date of each lease. For retail stores, the dilapidations provision is calculated using an average cost per store based on the most recent dilapidation costs incurred from stores exited, whereas estimated dilapidation costs for other non-retail leases are based on management's accumulated historical knowledge of buildings of similar size and purpose. The provision is expected to be utilised within three years.

The right of return provision at the period end is as follows:

	<b>31 MAY 2020</b> £'000	<b>26 MAY 2019</b> £'000
Balance brought forward	1,548	1,196
Additional provision during the period	5,129	1,548
Utilisation of provision	(1,548)	(1,196)
<b>BALANCE AT END OF PERIOD</b>	<b>5,129</b>	<b>£1,548</b>

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. The provision is expected to be utilised within one year.

## 17. BORROWINGS

### SUMMARY OF BORROWING ARRANGEMENTS

The Credit facility relates to two Revolving Credit Facilities with Barclays Bank PLC that total £40.0 million, in which amounts drawn down are generally repayable within three months. The original facility of £25.0 million matures in July 2022. In April 2020, the Group established a second Revolving Credit Facility of £15.0 million which matures in April 2021.

The five-year term loan facility with Barclays Bank PLC of £9.5 million is being used by the Group 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 £9.0 million of it was drawn down as at the period end (2019: £4.0m). During the year the repayment profile was renegotiated such that four quarterly payments due from March 2020 were deferred and have been added to the final payment due on maturity of the loan in December 2023.

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

	<b>53 WEEKS ENDED</b> <b>31 MAY 2020</b> %	<b>52 WEEKS ENDED</b> <b>26 MAY 2019</b> %
Credit facility	2.4%	2.3%
Term loan	1.9%	1.7%
Finance leases	-	9.0%

	<b>31 MAY 2020</b> £'000	<b>26 MAY 2019</b> £'000
Credit facility	12,660	6,157
Term loan	9,044	3,975
Finance leases	-	84
	<b>21,704</b>	<b>10,216</b>

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BORROWINGS ARE REPAYABLE AS FOLLOWS:	31 MAY 2020 £'000	26 MAY 2019 £'000
<b>Credit facility</b>		
Within one year	12,660	6,157
<b>Term loan</b>		
Within one year	264	528
Between one and two years	1,056	1,056
Between two and five years	7,724	2,391
	<b>9,044</b>	<b>3,975</b>
<b>Finance leases</b>		
Within one year	-	84
Between one and two years	-	-
Between two and five years	-	-
	-	84
<b>Total borrowings</b>		
Within one year	12,924	6,769
Between one and two years	1,056	1,056
Between two and five years	7,724	2,391
	<b>21,704</b>	<b>10,216</b>

## 18. DEFERRED TAXATION

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

DIFFERENCE BETWEEN DEPRECIATION AND CAPITAL ALLOWANCES	31 MAY 2020 £'000	26 MAY 2019 £'000
Balance brought forward	333	616
Credit/(charge) to income statement	429	(283)
<b>Balance at end of period</b>	<b>762</b>	<b>333</b>

OTHER SHORT-TERM TIMING DIFFERENCES	31 MAY 2020 £'000	26 MAY 2019 £'000
Balance brought forward	625	532
(Charge)/credit to income statement	(566)	782
Credit/(charge) due to cash flow hedges	472	(689)
(Charge)/credit due to share options	(177)	-
<b>Balance at end of period</b>	<b>354</b>	<b>625</b>

TAX LOSSES	31 MAY 2020 £'000	26 MAY 2019 £'000
Balance brought forward	-	-
Credit/(charge) to income statement	2,019	-
<b>Balance at end of period</b>	<b>2,019</b>	<b>-</b>
<b>TOTAL DEFERRED TAX ASSET AT END OF PERIOD</b>	<b>3,135</b>	<b>958</b>

MOVEMENT	31 MAY 2020 £'000	26 MAY 2019 £'000
Balance brought forward	958	1,148
Credit/(charge) to income statement (note 8)	1,882	499
Credit/(charge) to other comprehensive income (note 8)	295	(689)
<b>BALANCE AT END OF PERIOD</b>	<b>3,135</b>	<b>958</b>

There is no unprovided deferred tax in the current period for the Group (2019: £nil). The deferred tax asset on tax losses recognised in the current period is expected to be utilised against future taxable profits. The deferred tax asset on fixed asset and other timing differences is expected to reverse in future periods.

## 19. CALLED UP SHARE CAPITAL

	31 MAY 2020 £'000	26 MAY 2019 £'000
<b>Allotted and issued</b>		
108,135,920 Ordinary shares of £0.01 each (2019: 87,793,809)	1,081	875
<b>Authorised</b>		
148,485,165 Ordinary shares of £0.01 each (2019: 116,667,736)	1,485	1,167

During the period new ordinary shares were issued to employees that left the business from the following share schemes: SAYE: 42,387 shares (2019: 11,032), ESOP: 28,718 shares (2019: 62,500) and LTIP: 289,615 shares (2019: 5,650).

All ordinary shares carry equal rights.

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### 20. 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.

During the year Joules Group plc undertook a placing of ordinary shares to certain existing shareholders and institutional and other investors, including Directors of the company. The purpose of the placing was to secure cash proceeds in order to maintain sufficient working capital during the start of the COVID-19 outbreak and be able to emerge relatively stronger from this unprecedeted situation. The placing has resulted in an additional £15,098,000 being recognised in share premium.

	£'000
<b>Balance at 26 May 2019</b>	<b>11,410</b>
<b>Balance at 31 May 2020</b>	<b>26,508</b>

### 21. HEDGING AND TRANSLATION RESERVE

GROUP	HEDGING RESERVE £'000	TRANSLATION RESERVE £'000
<b>BALANCE AS AT 27 MAY 2018</b>	<b>(277)</b>	<b>361</b>
Loss/(gain) arising on changes in fair value on hedging instruments during the period	277	-
Other comprehensive income for the period	3,101	157
Deferred tax related to gains/(losses) recognised in other comprehensive income during the period	(689)	-
Basis adjustment to hedged inventory	219	-
<b>BALANCE AS AT 26 MAY 2019</b>	<b>2,631</b>	<b>518</b>
(Gain)/loss arising on changes in fair value of hedging instruments during the period	(2,631)	-
Other comprehensive income for the period	837	732
Deferred tax related to gains/(losses) recognised in other comprehensive income during the period	(159)	-
Basis adjustment to hedged inventory	321	-
<b>BALANCE AS AT 31 MAY 2020</b>	<b>999</b>	<b>1,250</b>

#### 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.

**22. EBT RESERVE**

During the year ended 26 May 2019 the Group set up an Employee Benefit Trust ("EBT"). The EBT has an independent trustee resident in Jersey.

At 31 May 2020 the EBT held 291,469 (2019: 118,300) ordinary shares of 1p each in the Company purchased for a total consideration of £769,000 (2019: £322,000).

The consideration paid for the ordinary shares of 1p each in the Company held by the EBT at 31 May 2020 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:

	2020		2019	
	SHARES	£'000	SHARES	£'000
Shares purchased by EBT in the year	453,277	1,171	118,300	322
Shares issued on employee option exercises	(280,108)	(724)	-	-

**23. CASH AND CASH EQUIVALENTS**

	31 MAY 2020 £'000	26 MAY 2019 £'000
Cash and cash at bank	26,243	16,013

**24. ANALYSIS OF NET CASH/NET DEBT**

	AT 26 MAY 2019 £'000	IMPACT OF IFRS16 £000	CASH FLOW £'000	NON-CASH CHANGES £'000	AT 31 MAY 2020 £'000
Cash at bank and in hand	16,013	-	10,090	140	26,243
<b>Net cash per statement of cash flows</b>	<b>16,013</b>	<b>-</b>	<b>10,090</b>	<b>140</b>	<b>26,243</b>
Borrowings	(10,216)	-	(11,502)	14	(21,704)
<b>Net cash before lease liabilities</b>	<b>5,797</b>	<b>-</b>	<b>(1,412)</b>	<b>154</b>	<b>4,539</b>
Lease liabilities	-	(56,377)	13,714	(4,019)	(46,682)
<b>NET DEBT AFTER LEASE LIABILITIES</b>	<b>5,797</b>	<b>(56,377)</b>	<b>12,302</b>	<b>(3,865)</b>	<b>(42,143)</b>

Non-cash changes relate to movements in interest on borrowings, the re translation of foreign currency balances at the end of the period and lease acquisitions, disposals and mortifications.

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### 25. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS	NOTE	AT 31 MAY 2020	AT 26 MAY 2019
		£'000	£'000
<b>Carrying value of financial assets at amortised cost:</b>			
Cash and cash equivalents	23	26,243	16,013
Trade receivables	14	4,973	6,630
		<b>31,216</b>	<b>22,643</b>
<b>Carrying value of financial assets at fair value:</b>			
Cash flow hedges	13	1,311	3,320
<b>TOTAL FINANCIAL ASSETS</b>		<b>35,527</b>	<b>25,963</b>
<b>Financial liabilities held at amortised cost:</b>			
Trade payables	15	(14,777)	(23,130)
Accruals	15	(12,481)	(15,815)
Borrowings	17	(21,704)	(10,216)
Lease liabilities	11	(46,682)	(56,377)
		<b>(95,644)</b>	<b>(105,538)</b>
<b>Financial liabilities held at fair value:</b>			
Cash flow hedges	13	(473)	-
<b>TOTAL FINANCIAL LIABILITIES</b>		<b>(96,117)</b>	<b>(105,538)</b>

#### 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 53 weeks to 31 May 2020 would decrease/increase by £106,000 (2019: £95,000). This has been calculated by applying the amended interest rate to the weighted average rate of borrowings for the period to 31 May 2020 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 53 weeks to 31 May 2020 would increase/decrease by £208,000 and £138,000 respectively (2018: £919,000 and £482,000). 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 £19,000.

In the eight weeks following the year end date, £3,750,000 of the £6,290,000 Joules Group plc's customer and other trade receivables 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
<b>31 MAY 2020</b>						
Credit facility	2.4	(25)	(51)	(12,736)	-	(12,812)
Term loan	1.9	-	(49)	(411)	(9,199)	(9,659)
Trade payables	-	(6,379)	(8,398)	-	-	(14,777)
Accruals	-	(5,564)	(4,451)	(1,113)	-	(11,128)
Lease liabilities	2.5	(921)	(1,841)	(8,285)	(35,635)	(46,682)
<b>NON-DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>(12,889)</b>	<b>(14,790)</b>	<b>(22,545)</b>	<b>(44,834)</b>	<b>(95,058)</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>(5,427)</b>	<b>(20,798)</b>	<b>(31,765)</b>	<b>(4,469)</b>	<b>(62,459)</b>
<b>TOTAL CONTRACTUAL CASH FLOWS</b>		<b>(18,316)</b>	<b>(35,588)</b>	<b>(54,310)</b>	<b>(49,303)</b>	<b>(157,517)</b>
<b>26 MAY 2019</b>						
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)
<b>NON-DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>(25,550)</b>	<b>(11,053)</b>	<b>(8,687)</b>	<b>(3,089)</b>	<b>(48,379)</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>(2,949)</b>	<b>(14,218)</b>	<b>(32,103)</b>	-	<b>(49,270)</b>
<b>TOTAL CONTRACTUAL CASH FLOWS</b>		<b>(28,499)</b>	<b>(25,271)</b>	<b>(40,790)</b>	<b>(3,089)</b>	<b>(97,649)</b>

The Group has significant financial assets in 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 provision as disclosed in note 14 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 £11,980,000 (2019: £16,483,000) of assets and £4,105,000 (2019: £5,070,000) 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 £3,714,000 (2019: £12,508,000) and £5,850,000 (2019: £4,561,000) respectively.

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## 26. RELATED PARTY TRANSACTIONS

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

The Directors control 30,420,923 shares (2019: 29,861,923 shares) in Joules Group plc, which represents 28% (2019: 34.0%) of the issued share capital.

The remuneration of the Directors of the Group is disclosed in note 5 and the Directors' Remuneration Report. No other employees are considered to be key management personnel as defined by IAS 24. In addition Directors participate in share schemes and dividend payments, further details of which can be found in note 28 and 29 respectively.

## 27. 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.

During the 53 weeks ended 31 May 2020, diluted loss per share is capped at the basic earnings per share as the impact of dilution cannot result in a reduction in the loss per share.

	53 WEEKS ENDED 31 MAY 2020	52 WEEKS ENDED 26 MAY 2019
Basic (loss)/earnings per share (pence)	(22.07)	11.57
Diluted (loss)/earnings per share (pence)	(22.07)	11.32
The calculation of basic and diluted (loss)/earnings per share is based on the following data:		
<b>Earnings</b>	<b>£'000</b>	<b>£'000</b>
(Loss)/earnings for the purpose of basic and diluted earnings per share	(20,705)	10,154
<b>Number of shares</b>		
Weighted number of ordinary shares for the purpose of basic earnings per share	93,829,041	87,745,789
Potentially dilutive share awards	929,026	1,901,152
Weighted number of ordinary shares for the purpose of diluted earnings per share	94,758,067	89,646,941

## 28. SHARE-BASED COMPENSATION

### SUMMARY OF MOVEMENT IN AWARDS

NUMBER OF SHARES	DBP	ESOP	LTIP	SAYE	TOTAL
<b>OUTSTANDING AT 26 MAY 2019</b>	<b>464,845</b>	<b>235,620</b>	<b>2,901,895</b>	<b>890,657</b>	<b>4,493,017</b>
Granted during the year	239,174	12,500	2,044,598	341,766	2,638,038
Lapsed during the year	-	(1,366)	(181,741)	(303,467)	(486,574)
Exercised during the year	(132,132)	(169,350)	(1,291,251)	(285,186)	(1,877,919)
<b>OUTSTANDING AT 31 MAY 2020</b>	<b>571,887</b>	<b>77,704</b>	<b>3,473,501</b>	<b>643,770</b>	<b>4,766,562</b>
<b>EXERCISABLE AT 31 MAY 2020</b>	<b>-</b>	<b>46,551</b>	<b>-</b>	<b>28,944</b>	<b>75,495</b>

As noted in the Directors' Remuneration Report, an award over 128,618 Joules Group plc shares was granted to Nick Jones on 6 April 2020 as part compensation for share awards which would have vested had he remained with his former employer.

As noted in the Directors' Remuneration Report, as part of measures taken by the Group to preserve cash during the COVID-19 crisis, Marc Dench, Nick Jones and the Group's employees agreed to take a pay reduction and were granted options on 6 April 2020 over 107,859 ordinary shares in Joules Group plc with a value commensurate with the value of the salaries waived.

A total of 1,877,919 share options were exercised in the year of which 5,700 were cash-settled, 280,108 were settled with shares previously purchased by the EBT and the remaining 1,592,111 were from new shares issues as detailed in note 19.

All share options were valued using the Black-Scholes model. Expected volatility was determined by management, using comparator volatility as a basis for share options granted in 2016, 2017 and 2018 and Joules historic volatility data for the share options granted in 2019 and 2020. 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 £3,902,765.

The inputs into the model were as follows:

SUBSIDIARY NAME	DBP	ESOP	LTIP	SAYE
Weighted average share price	2.33	1.7	2.26	2.7
Weighted average exercise price	0.01	1.32	0.01	2.1
No. of employees	4	20	354	54
Shares under option	704,019	788,316	5,584,258	1,426,070
Expected volatility	28% - 68%	28% - 35%	28% - 124%	28% - 34%
Expected life (years)	3	3	0.5 - 3	3
Risk-free rate	0.08% - 0.44%	0.08% - 0.55%	0.08% - 0.55%	0.08% - 0.55%
Possibility of ceasing employment before vesting	0%	0%	0% - 7.5%	10% - 15%
Expectations of meeting performance criteria	100%	100%	0% - 40%	100%
Expected dividend yields	0% - 1.9%	1.90%	0% - 1.9%	0% - 1.9%

The Group recognised a net credit of £246,000 during the year (2019: expense of £2,677,000) relating to cash settled and equity settled share-based compensation. Including associated employer's National Insurance contributions which in the year was a credit of £125,000 (2019: £61,000 credit), the Group recognised a total credit of £371,000 during the year (2019: expense of £2,616,000).

#### 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.

The target of share option awards granted to the Executive directors and members of the operating board in 2017 and 2018 is 80% based on an EPS target in the final year of the relevant performance period, being the financial years ending May 2020 and May 2021 and 20% of the target is based on achieving specified international revenue targets.

The share option awards granted to the Executive Directors, members of the operating board and some senior managers in FY20 are based upon achievement against four targets, to be delivered in the final year of the performance period (FY22). 60% of the awards will be subject to underlying diluted EPS, 15% subject to US revenue, 15% subject to UK digital sales and 10% subject to the level of employee engagement (as measured by an industry recognised, third party, anonymous survey e.g. Best Companies ("BCI")).

For other senior management awards the target is based on the cumulative PBT over the three years to May 2020, May 2021 and May 2022. 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 preceding the date of offer and are exercisable for a period of six months after completion of the SAYE contract.

## 29. DIVIDENDS

	31 MAY 2020	26 MAY 2019		
	PENCE PER SHARE	£'000	PENCE PER SHARE	£'000
Interim dividend paid in the financial year	-	-	0.75	658
Final dividend proposed, not accrued, payable subject to approval at AGM	-	-	1.35	1,185
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>2.1</b>	<b>1,843</b>

The final dividend proposed for the 52 weeks ended 26 May 2019 was paid in the 53 weeks ended 31 May 2020.

The Directors are not proposing a final dividend this year.



# COMPANY STATEMENT OF FINANCIAL POSITION

## JOULES GROUP PLC

	NOTE	31 MAY 2020 £'000	26 MAY 2019 £'000
<b>NON-CURRENT ASSETS</b>			
Investments	31	139,980	139,980
<b>TOTAL NON-CURRENT ASSETS</b>		<b>139,980</b>	<b>139,980</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		95	-
Other debtors	32	14,315	41
<b>TOTAL CURRENT ASSETS</b>		<b>14,410</b>	<b>41</b>
<b>TOTAL ASSETS</b>		<b>154,390</b>	<b>140,021</b>
<b>CURRENT LIABILITIES</b>			
Other payables	33	7,685	5,821
<b>NET CURRENT LIABILITIES</b>		<b>7,685</b>	<b>5,780</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>146,705</b>	<b>134,200</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	34	1,081	878
Share premium	35	26,508	11,410
EBT reserve	22	(769)	(322)
Loss for the period		(797)	(532)
Profit and loss account		120,682	122,766
<b>SHAREHOLDERS' FUNDS</b>		<b>146,705</b>	<b>134,200</b>

The parent company loss for the period was £797,000, (2019: loss of £532,000).

These financial statements of Joules Group plc (Company Registration Number 10164829) were approved by the Board of Directors and authorised for issue on 5 August 2020 and were signed on behalf of the Board of Directors by –

**MARC DENCH**  
Chief Financial Officer

5 August 2020

**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
<b>Balance at 27 May 2018</b>		<b>875</b>	<b>11,410</b>	<b>124,568</b>	<b>-</b>	<b>136,853</b>
Shares issued	3	-	-	(3)	-	-
EBT share purchases and commitments	22	-	-	-	(322)	(322)
Dividend paid	29	-	-	(1,800)	-	(1,800)
Loss for the year and total comprehensive income		-	-	(532)	-	(532)
<b>Balance at 26 May 2019</b>		<b>878</b>	<b>11,410</b>	<b>122,233</b>	<b>(322)</b>	<b>134,200</b>
Shares issued	203	-	15,098	-	-	15,301
Share based compensation options satisfied through the EBT reserve		-	-	(349)	724	375
EBT share purchases and commitments	22	-	-	-	(1,171)	(1,171)
Dividend paid	29	-	-	(1,202)	-	(1,202)
Loss for the year and total comprehensive income		-	-	(797)	-	(797)
<b>Balance at 31 May 2020</b>		<b>1,081</b>	<b>26,508</b>	<b>119,885</b>	<b>(769)</b>	<b>146,705</b>

## 30. 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 compensation;
- 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 £(797,000), (2019: loss of £(532,000)).

Director remuneration for the period was £225,000 (2019: £218,300) in relation to Non-Executive Directors, further detailed in note 5.

Auditor remuneration for the period was £141,000 (2019: £94,000), further detailed in note 6.

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 Balance Sheet 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 that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year. There were also no sources of estimation uncertainty.

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### 31. INVESTMENTS

	£'000
<b>Cost and Net Book Value</b>	
At 26 May 2019	139,980
At 31 May 2020	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 Building, The Point, Rockingham Road, Market Harborough	100%	100%
Joules Limited*	Retailer	England and Wales	Joules Building, 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, DE 19803, USA	100%	100%
Joules Developments Limited *	Non trading entity	England and Wales	Joules Building, The Point, Rockingham Road, Market Harborough	100%	100%
Joules Property Limited *	Non trading entity	England and Wales	Joules Building, The Point, Rockingham Road, Market Harborough	100%	100%

### 32. OTHER DEBTORS

	31 MAY 2020 £'000	26 MAY 2019 £'000
Amounts owed by groups undertakings	14,187	-
Prepayments	63	41
Other receivable	65	-
<b>TOTAL</b>	<b>14,315</b>	<b>41</b>

Amounts owed by group undertakings are in relation to the placing and shares in April 2020. The terms of the intercompany balance receivable is at nil interest, payable on demand.

**33. OTHER PAYABLES**

	<b>31 MAY 2020</b> £'000	<b>26 MAY 2019</b> £'000
Trade payables	180	9
Payables due to subsidiary	7,466	5,785
Taxation and social security	-	11
Accruals	39	16
	<b>7,685</b>	<b>5,821</b>

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 balance receivable is at nil interest, payable on demand.

**34. CALLED UP SHARE CAPITAL**

	<b>31 MAY 2020</b> £'000	<b>26 MAY 2019</b> £'000
<b>Allotted and issued</b>		
108,135,920 Ordinary shares of £0.01 each (2019: 87,793,809)	1,081	875
<b>Authorised</b>		
148,485,165 Ordinary shares of £0.01 each (2019: 116,667,736)	1,485	1,167

During the period new ordinary shares were issued to employees that left the business from the following share schemes: SAYE: 42,387 shares (2019: 11,032), ESOP: 28,718 shares (2019: 62,500) and LTIP: 289,615 shares (2019: 5,650).

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.

**35. 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.

During the year Joules Group plc undertook a placing of Ordinary Shares to certain existing shareholders and institutional and other investors, including Directors of the Company. The purpose of the placing was to secure cash proceeds in order to maintain sufficient working capital during the start of the COVID-19 outbreak and be able to emerge relatively stronger from this unprecedented situation. The placing has resulted in an additional £15,098,000 being recognised within share premium.

	<b>£'000</b>
Balance at 26 May 2019	11,410
Balance at 31 May 2020	26,508

**36. DIVIDEND**

Details of the Dividend paid is shown in note 29 of the Consolidated Financial Statements.

**37. 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 (which are the Directors) are shown in note 26 of the Consolidated Financial Statements.



## COMPANY INFORMATION

### JOULES GROUP PLC

#### **JOULES GROUP PLC**

Registered in England and Wales number: **10164829**

#### **COMPANY SECRETARY**

Jonathan William Dargie

#### **REGISTERED OFFICE**

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