

# CORPORATE GOVERNANCE REPORT

## CHAIRMAN'S INTRODUCTION

The Board has a wide range of responsibilities and my overall objective is to ensure that the Board has the right mix of skills and experience to leverage the opportunities and overcome the challenges that the Company faces and that it works effectively as a team to identify, prioritise, communicate and review the delivery of the goals of the Company. We ensure that there is the right mix of enquiry and support to the Executive Directors from the Non-Executives.

The Non-Executive Directors discuss and agree the strategy with the Executive Directors and hold the Executives accountable for its execution; we ensure that we have the most talented team to execute this strategy; and we set the tone for governance.

The Board is committed to maintaining the highest standards of corporate governance, specifically ensuring that we send out consistent messages on the core values of the Company and acceptable behaviours. We have made good progress in achieving best practice and we regularly review the context, progress and maintenance of these standards, for the benefit of all of our stakeholders.

DEBBIE HEWITT  
CHAIRMAN

## STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2014 ("THE CODE")

The Group is committed to the principles of corporate governance contained in the UK Corporate Governance Code that was issued in 2012 by the Financial Reporting Council ('the Code') for which the Board is accountable to shareholders. The Board regularly reviews the effectiveness of the Group's risk management and internal control systems, which is further discussed on page 28.

Compliance with the Code reviewed regularly and throughout the year ended 30 January 2016, the Board confirms that it has fully complied with the provisions set out in the code.

The Company has applied the principles set out in the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles have been applied is set out below and in the Directors' Remuneration Report and Audit Committee Report.

## LEADERSHIP

### THE ROLE OF THE BOARD

At 7 April 2016, the Board consisted of the Chairman, three Non-Executive Directors and two Executive Directors. The Chairman of the Board is Debbie Hewitt who joined the Board as an Independent Non-Executive Director on 1 June 2009 and was appointed acting Chairman from 25 March 2010 and Chairman from 27 April 2010. Maurice Helfgott is the Senior Independent Non-Executive Director. The Group considers Maurice Helfgott, Bryan Portman, Zoe Morgan and the Chairman, Debbie Hewitt, to continue to display all of the qualities of independence as set out in the Code.

Board papers containing relevant commercial and financial information are normally provided to all Board members in the week prior to a Board meeting to enable the Directors to consider the issues for discussion. The Board regularly reviews the type and amount of information provided. The Board plans to meet at least six times a year including two meetings to review and discuss the strategic issues facing the Company. The Board also holds meetings as appropriate, to fulfil the ongoing requirements of the business during the year.

### BOARD COMMITTEES

In accordance with the Code and corporate governance best practice, the Board has established a number of committees. All of the committees have written terms of reference, approved by the Board.

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## AUDIT COMMITTEE

The Audit Committee is chaired by Bryan Portman (MBA, FCCA, FCIS), and also comprises Zoe Morgan and Maurice Helfgott (MBA). The terms of reference for the Audit Committee provide that the Chief Executive Officer and Finance Director are invited to attend the meetings as appropriate.

There is an opportunity for any employee, in confidence, to raise any concerns with management about possible impropriety in financial or other matters. The Company has established an internal confidential helpline which is independent of line management.

The Board has delegated to the Audit Committee responsibility for ensuring the financial statements, when taken as a whole, are fair, balanced and understandable. The Audit Committee has considered all matters brought to its attention during the year. The Audit Committee has also considered whether there were any areas where they required more information in order to decide if the annual report is fair, balanced and reasonable and made arrangements for this information to be reported to them. The Committee met three times during the year and reported to the Board on all matters relating to the regulatory and accounting requirements affecting the Group, together with the financial reporting and internal control procedures including the annual and interim financial statements.

In addition, the Audit Committee ensures that an objective and professional relationship is maintained with the external auditor. The external auditor may attend all meetings of the Audit Committee and have direct access to the Audit Committee and its Chairman.

The Audit Committee also reviews the possible risks facing the Group, the risk management function and internal controls. The Committee's review of the interim and full year financial statements focused on the following key areas affecting the Group's financial reporting:

### *Valuation of property plant and equipment*

The estimated useful lives of non-current assets is considered to be a key area of judgement, particularly given the nature of the business.

### *Valuation of inventory and related provisions*

Inventory is a significant value on the Group's statement of financial position and there is an element of judgement relating to the inventory provision.

### *Measurement and accounting for share-based payments*

The assumptions behind the Group's estimate of equity instruments that will eventually vest is considered a key area of judgement.

### *Revenue recognition on hire and bespoke deposits*

Revenue is deferred until collection of goods arises. The movement and amount deferred is significant to the financial statements.

Other areas of focus considered by the Committee were:

### *Onerous leases*

The assumptions underlying these calculations are highly sensitive to small changes.

### *Deferred taxation*

The carrying amount of deferred tax assets are reviewed at each balance sheet date and a judgement made over the probability of there being sufficient taxable profits arising in the future to allow all or part of the asset to be recovered.

### *Dilapidations*

The estimation of costs arising from dilapidations is considered a key area of judgement given the nature of the business.

A memorandum was prepared by the Board at the interim and year end which was reviewed by the Audit Committee which sets out these key risks and judgements and how they have been addressed by the Board in their preparation of the financial statements. These areas of focus were also addressed at the planning stage of the external audit and the external auditor's conclusions were closely monitored by the Committee.

The terms of reference for the Audit Committee are available from the Company Secretary and at [www.mossbros.co.uk](http://www.mossbros.co.uk).

#### REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Zoe Morgan from 21 September 2015 and during the financial year also comprised Debbie Hewitt, Bryan Portman and Maurice Helfgott. The Annual Statement on Directors' Remuneration is set out on page 32.

The terms of reference for the Remuneration Committee are available from the Company Secretary and at [www.mossbros.co.uk](http://www.mossbros.co.uk).

#### NOMINATION COMMITTEE

The Nomination Committee is chaired by Debbie Hewitt and all the Non-Executive Directors are members. It monitors and reviews the membership of the succession to the Board of Directors. It identifies and recommends potential Executive and Non-Executive Directors to the Board.

The terms of reference for the Nomination Committee are available from the Company Secretary and at [www.mossbros.co.uk](http://www.mossbros.co.uk).

#### EXECUTIVE TRADING COMMITTEE

The Executive Management team of the Group consists of the two Executive Directors, and senior members of the management team.

The Executive Management team, as well as monitoring and controlling the day-to-day management of the business, regularly reviews the strategic aims of the Group and capital and revenue expenditure.

#### DIVISION OF RESPONSIBILITIES

Brian Brick is the Chief Executive Officer and together with the Executive Management team is responsible for co-ordination of the Group's business activities. The structure of the Board provides a balance whereby no individual or group can dominate the Board's decision making. Brief details of each Director's other directorships are disclosed on page 19.

The Board is responsible for setting the Group's strategic direction, the establishment of Group policies and internal controls and the monitoring of operational performance. It meets regularly throughout the year and in addition to the routine reporting of financial and operational issues, reviews each of the trading areas and key functions.

The Board has a schedule of matters specifically reserved to it for decision and delegates certain issues and powers to the Board Committees. The schedule of reserved matters is reviewed by the Board.

### **EFFECTIVENESS**

#### THE COMPOSITION OF THE BOARD

The Articles provide that one-third of the Directors shall retire from office by rotation. Furthermore, Article 92 of the existing Articles requires a Director to stand for re-election if they were not appointed or re-appointed at either of the last two Annual General Meetings and article 90 requires Directors to stand for re-election if they have served as a Director for a continuous period of more than nine years.

Notwithstanding the provisions of the Articles, in compliance with best practice, all directors offer themselves for re-election annually.

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Evaluation of the Board's performance has been conducted through individual questionnaires, followed by a review of the output by the Board and an action plan of improvements. This includes a review of progress on the actions agreed in the previous year's review, a review of the individual contribution of Non-Executives and a review of the Chairman.

## APPOINTMENTS TO THE BOARD

Board members are appointed by the Board on the recommendation of the Nomination Committee, which is chaired by the Chairman and consists of the Non-Executive Directors, although the Chief Executive Officer is invited to meetings as appropriate.

Copies of the Executive Directors' service contracts with the Company and copies of the Non-Executive Directors' letters of appointment with the Company are available from the Company Secretary.

## TRAINING AND DEVELOPMENT

On appointment to the Board and to any Board Committee, every Director is provided with appropriate induction and training to enable them to discharge their duties as a Director. Additional training may be sought as necessary.

The Board has conducted a review of its effectiveness and the effectiveness of each individual Director. The conclusions of the review have been presented to and discussed by the Board as a whole and actions resulting from this review will be kept under review during the forthcoming year. The Senior Independent Director separately reviews the performance of the Chairman, with input from Executive and Non-Executive Directors.

## RE-ELECTION

Subject to re-election at the first AGM after which they were appointed, Non-Executive Directors are appointed initially for a three year term. The Group will take into account the balance of skills and experience on the Board, their contribution and level of independence when considering whether to extend their appointment beyond the initial term. The Board may ask a Non-Executive Director to remain for a further term. The Non-Executive Directors' contracts are terminable on three months' notice and the Chairman's on six months' notice.

## MEETINGS AND ATTENDANCE

The Board held six meetings during the year. The attendance of each of the Directors at these meetings and committee meetings where appropriate is detailed below:

	Board meetings	Audit	Committee meetings Remuneration	Nomination
Number of meetings	6	3	3	1
Debbie Hewitt	6	–	3	1
Maurice Helfgott	6	3	3	1
Brian Brick	6	–	–	–
Robin Piggott	6	–	–	–
Bryan Portman	6	3	3	1
Zoe Morgan	6	3	3	1

## INFORMATION AND SUPPORT

All Directors have access to the advice of the Company Secretary, who is responsible to the Board for ensuring that procedures are followed. In addition the Directors are able to seek appropriate independent professional advice at the Group's expense.

The Board takes significant measures to ensure that all Board members are kept aware of both the views of the major shareholders and changes in the major shareholdings of the Group.

The Board ensures two-way communication with major shareholders, through Broker briefings and feedback from the Executive Directors following meetings with major shareholders. The Chairman also meets with major shareholders on a regular basis.

#### AUDIT COMMITTEE AND AUDITOR

During the period ended 30 January 2016, the Group's external auditor, Deloitte LLP, provided advice to the Group. The fees paid to Deloitte for non-audit services were £7,000 (2014/15: £7,000). The use of Deloitte LLP for non-audit work was carefully evaluated by the Audit Committee and the Board.

The Audit Committee views the independence and objectivity of the Group's auditor as essential and ensures that Deloitte is not instructed on any issues which would prejudice this. The Audit Committee obtains written confirmation on at least an annual basis of the independence of the external auditor.

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee also reviewed:

- the external auditor's plan for the current year, noting the role of the senior statutory audit partner, and any changes in the key audit staff;
- the arrangements for day-to-day management of the audit relationship;
- the overall extent of non-audit services provided by the external auditor; and
- the past service of the auditor that was first appointed for the year ended 31 January 2009.

It is also the Committee's policy to consider every year whether there should be an audit tender process.

To assess the effectiveness of the external auditor, the Audit Committee reviewed:

- the arrangements for ensuring the external auditor's independence and objectivity;
- the external auditor's fulfilment of the agreed audit plan and any variations from the plan;
- the robustness and perceptiveness of the external auditor in their handling of the key accounting and audit judgements; and
- the content of the external auditor's reporting on internal control; and
- the senior statutory audit partner, having held office for five years will be replaced in accordance with rotation requirements following the 2016 AGM.

#### ACCOUNTABILITY

Each person 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 auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Act.

Deloitte LLP have expressed their willingness to continue in office as auditor and a Resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

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## GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Chief Executive's Business Review. The latter describes the financial position of the Group, its cash flows, liquidity position, together with the Group's objectives, key risks and uncertainties. The Group's financial risk management objectives and its exposures to credit risk and liquidity risk are described in note 25.

As also highlighted in note 25 to the financial statements, the Group meets its day-to-day working capital requirements through surplus cash balances.

The Board of Directors has undertaken a recent thorough review of the Group's budgets and forecasts and has produced detailed cash flow projections, which take account of reasonably possible changes in trading performance, showing that the Group is expected to operate within the level of its current surplus cash balances.

After making enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts for the 52 weeks ended 30 January 2016.

## LONGER TERM VIABILITY STATEMENT

The Directors have assessed the Group's viability over the three year period to January 2019. This is based on the Group's strategic planning time horizon and reflects the period over which long term operational decisions are assessed.

In making their assessment the Directors have taken into account the Group's current financial and operational position, plans for future development and the principal risks and uncertainties that face the Group, as set out on pages 14 to 16. The most relevant of these risks and uncertainties in terms of potential financial and operational impact viability were included in the scenario analysis. Sensitivity analysis was also performed which modelled the impact of the risks occurring individually or in unison in order to stress-test the resilience of the Group.

Based on their assessment of the results of this analysis, the directors have a reasonable expectation that the Group will be able to meet their liabilities, as they fall due, until January 2019.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has applied principle C.2 of the UK Corporate Governance Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces and for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance). The Board is also responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In compliance with provision C.2.1 of the UK Corporate Governance Code, the Board regularly reviews the effectiveness of the Group's risk management and internal control systems. The Board's monitoring covers all material controls, including financial, operational and compliance controls. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Board has also performed a specific assessment for the purpose of this annual report. This assessment considers all significant aspects of risk management and internal

control arising during the period covered by the report including the work of internal audit. The audit committee assists the Board in discharging its review responsibilities.

During the course of its review of the risk management and internal control systems, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore a confirmation in respect of necessary actions has not been considered appropriate.

The Board recognises that no system of internal control can provide absolute assurance against losses arising from mismanagement and that the Group's systems must be designed to manage rather than eliminate risk. Internal control and risk management is an ongoing process designed to identify, evaluate and manage the significant risks faced by the Group. The system of internal control includes internal financial controls, operational procedures, risk management and compliance matters. The system has been in place throughout the period ended 30 January 2016 and up to the date of this Report.

The significant risks the Board has identified are detailed in the Chief Executive's Business Review.

During the period the Board has reviewed the adequacy of the current internal audit department in accordance with the Code. In view of the size and scale of the Group, the Board decided it was not appropriate to expand the current scope of the internal audit function which focuses on inventory and cash control.

The Group's work to review the risk management structure and ensure a robust mechanism is in place for logging and monitoring risks continues.

By order of the Board



BRIAN BRICK  
CHIEF EXECUTIVE OFFICER  
7 April 2016



ROBIN PIGGOTT  
FINANCE DIRECTOR AND COMPANY SECRETARY  
7 April 2016