

# MOSS BROS.

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GROUP PLC

**Moss Bros Group Plc (the "Company" or the "Group")**

**Annual Financial Report - DTR 6.3.5 Disclosure**

**16 April 2018**

Following the release on 27 March 2018 of the Company's preliminary results announcement for the 52 week period ended 27 January 2018 (the "**Preliminary Announcement**"), the Company announces that its annual report and accounts for the 52 week period ended 27 January 2018, notice of Annual General Meeting for 2018 and form of proxy for use at the Annual General Meeting of the Company are being issued to shareholders today.

The Annual General Meeting of the Company is to be held on 16 May 2018 at 12 noon at the Company's registered office, 8 St John's Hill, Clapham, London, SW11 1SA. Copies of the Annual Report and Accounts, the Notice of Annual General Meeting and form of proxy are available on the Investor Relations page of the Company's website <http://corp.moss.co.uk/>

Copies of the Annual Report and Accounts, the Notice of AGM and the Proxy Form will shortly be available for inspection at the UK National Storage Mechanism at <http://www.morningstar.co.uk/uk/NSM>

Tony Bennett

Company Secretary

COMPLIANCE WITH DISCLOSURE AND TRANSPARENCY RULE 6.3.5

EXTRACTS FROM THE ANNUAL REPORT AND ACCOUNTS

The information below, which is extracted from the 2018 Annual Report and Accounts, is included solely for the purpose of complying with DTR 6.3.5 and the requirements it imposes on issuers as to how to make public annual financial reports. It should be read in conjunction with the Company's Preliminary Announcement issued on 27 March 2018. Together these constitute the material required by DTR 6.3.5 to be communicated to the media in unedited full text through a Regulatory Information Service. This material is not a substitute for reading the full 2018 Annual Report and Accounts. Page numbers and cross-references in the extracted information below refer to page numbers and cross-references in the 2018 Annual Report and Accounts.

The information contained in this announcement and in the Preliminary Announcement does not constitute the Group's statutory accounts as defined in the Companies Act 2006 but is derived from those accounts. The statutory accounts for the 52 week period ended 27 January 2018 have been approved by the Board and will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 16 May 2018. On 27 March 2018, the Group announced its draft financial statements for the 52 week period ending 27 January 2018. The auditors have subsequently reported on those accounts, which were unchanged, their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) Companies Act 2006 or equivalent preceding legislation.

## DIRECTORS' RESPONSIBILITY STATEMENT

The following statement is extracted from page 34 of the 2018 Annual Report and Accounts and is repeated here for the purposes of complying with Disclosure and Transparency Rule 6.3.5. This statement relates solely to the 2018 Annual Report and Accounts and is not connected to the extracted information set out in this announcement or the Preliminary Announcement.

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration 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 chosen to prepare the parent Company financial statements under IFRSs as adopted by the EU. 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 these 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 to 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.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board monitors principal risks and uncertainties and implement measures to mitigate their risk on the business. An assessment of these is shown below.

BUSINESS AREA	RISK TO COMPANY	MITIGATION OF RISK	ASSESSMENT OF CHANGE IN RISK YEAR ON YEAR
Hire	<p>The Hire business demands the highest level of customer service.</p> <p>This is delivered through a highly developed and efficient infrastructure which enables consistent ‘delivery to promise’.</p> <p>Any disruption to this infrastructure would affect our ability to maintain customer service levels.</p>	<p>We have a dedicated operational team which actively seek to resolve any potential fulfilment issues ahead of delivery date.</p> <p>We are continually refreshing and replenishing our stock of hire garments to ensure that we are able to fulfil all orders as they become due.</p> <p>We continue to strengthen our back-end technology, systems and processes to ensure a robust platform for our operations.</p> <p>We are completing a full Hire related training programme for in-store teams before the 2018 peak to ensure the best in-store experience.</p>	<p>=</p> <p>The risk is ongoing; we have made additional improvements to our Hire operations during late 2017 and early 2018 and implemented further procedural changes to ensure that we operate in the most effective manner possible to deliver on customer promise.</p>

<p>Retail and Tailor Me</p>	<p>Factors outside our control, such as an economic downturn affecting the UK or any wider economic downturn as a result of the vote to leave the EU, may have a material adverse effect on results.</p> <p>As a retail business based and operating predominantly in the UK, we are particularly exposed to any economic downturn in the UK which could affect consumer confidence and therefore spending.</p>	<p>We continually focus on maintaining our product quality, customer service and supplier relationships, whilst retaining our competitive position, including value and pricing.</p> <p>Foreign currency exposure, principally the US Dollar, is hedged for 6 to 9 months in advance.</p>	<p>+</p> <p>This risk has increased as the economic outlook has toughened since the Brexit vote in the UK manifesting itself in weaker consumer demand and therefore reducing footfall within stores.</p>
<p>E-Commerce</p>	<p>Customer satisfaction is as important online as offline.</p> <p>Difficulty navigating/transacting quickly on our website or failure to ensure a secure online market place presents a risk to our online sales generation and growth.</p> <p>Maintaining a competitive edge through customers being able to interact with the product online, offering product choice and availability, and allowing multiple payment and delivery options are important in growing our online presence.</p>	<p>We are continually developing our website offering in order to become fully multi-channel.</p> <p>We have developed our understanding of our customer base during the year and will seek to provide better personalisation of site visit and relevant communication, all within privacy regulations.</p> <p>We have security policies, rules and technical measures in place to protect customer data.</p>	<p>+</p> <p>With the continuous increase in trade through e-commerce and the market trend on moving to a fully multi-channel operation, the risk has increased during the year.</p>

Supply chain	<p>A disruption to supplier continuity may adversely affect our operation.</p> <p>Suppliers going out of business or unable to supply goods could have a significant impact on our ability to meet demand in store and online.</p> <p>As we increase the volume of garments sourced directly from supplier factories we must ensure that the supply chain critical path is closely monitored and proactively managed</p>	<p>We are continually reviewing and refreshing our supplier list. The diversification of product buying across a range of suppliers limits the Group's over reliance upon any individual supplier.</p> <p>We have implemented controls which enable us to identify early any potential deviations from product and supply chain critical paths</p>	<p>+</p> <p>The risk is increasing as we source more product directly from factories. We have introduced additional controls and enhanced reporting effective 2018.</p> <p>Supply chain risks are closely monitored and addressed.</p>
Costs	<p>Supply chain cost price increases and currency fluctuation could have a materially adverse effect on results</p> <p>A fluctuation in currency rates could materially affect the Group's cost base and margins.</p> <p>A re-emergence of general price inflation could affect profitability</p> <p>We continue to face significant cost headwinds including; the impact of the 2017 business rates revaluation and the second stage increase following the introduction of the National Living Wage, Apprenticeship Levy and Pension auto-enrolment costs</p>	<p>Management has in part mitigated the cost price risk as a significant proportion of inventory is direct sourced and prices have been agreed as a result of competitive tendering.</p> <p>In addition, the Group operates a treasury policy which hedges a significant proportion of the foreign exchange risk from such direct sourcing arrangements. Management closely monitor the effectiveness of these arrangements.</p> <p>If general price inflation returns this may allow an increase in retail selling prices albeit subject to market conditions.</p> <p>Ongoing review of store profitability, combined with shorter</p>	<p>+</p> <p>The risk has increased during the year as the cost headwinds which we face continue unabated.</p> <p>Additionally, uncertainty around the Brexit process means that we have a lack of clarity on import duties and VAT.</p> <p>We continually monitor the potential impacts and address these via the actions noted here.</p>

		<p>lease durations ensures that we proactively manage the fixed overhead of our store estate.</p> <p>Remuneration policies are under review to ensure we remain competitive in the marketplace.</p>	
Brand image	<p>Maintaining our store presentation is important for attracting customers and growing our brand</p> <p>The historical underinvestment in the store estate in previous years has meant that some of our stores lack the level of presentation that we require to grow the business and the brand.</p>	<p>We continue with our store redevelopment programme to both modernise the look and feel of the stores and to meet more routine maintenance that has been deferred for many years.</p> <p>The development and launch of a new sub brand line up, under the master brand 'Moss Bros', in Autumn 2014 has strengthened the brand identity.</p>	<p>-</p> <p>The risk has been reduced during the year with the progression of the store redevelopment programme and the strengthening of the positioning of sub brands. We have also seen brand awareness improve, evidenced by an independent external survey.</p>
Distribution centre (DC)	<p>Operating our distribution centre from one location leaves the Group exposed to business catastrophes occurring at that location</p> <p>Any business catastrophe affecting our distribution centre could severely affect the Group's ability to supply to stores and customers.</p>	<p>We continually review and monitor our disaster recovery plan to ensure that all business risks are adequately covered.</p> <p>Our financial risk of operating from one location is mitigated through our comprehensive insurance cover.</p>	<p>+</p> <p>With new and increased operating pressures on the DC through our multi-channel approach, the reliance and consequent exposure to risk of the DC failing has again increased during the year.</p>

<p>Cyber crime</p>	<p>A cyber crime attack could disable the Group's key IT systems and compromise data security</p>	<p>Customer bank or payment card details are not processed or stored in the Group's IT systems.</p> <p>Comprehensive security measures are in place with regular tests carried out.</p> <p>We have deployed additional security products to further strengthen our protection and have invested during 2017 in technology infrastructure to afford us better protection.</p> <p>Development in cybercrime and preventative strategies are constantly reviewed.</p>	<p>+</p> <p>Whilst we have invested in increased levels of protection during 2017, the frequency and severity of cybercrime attacks against companies continue to increase.</p>
<p>People</p>	<p>The Group's reliance on key management and other personnel could put pressure on the business if they were to leave</p> <p>Attracting and retaining high calibre people is a key priority and a central focus in striving for excellent customer service across the Group's business channels.</p>	<p>Effective recruitment policies and people development means the Group can take full advantage of the recovery in its performance. Long term incentive share awards were granted to senior employees during the year to more closely align their interests to those of the Group and a SAYE scheme is in operation.</p>	<p>+</p> <p>Whilst we continue to invest in our people we are mindful of an increased risk within the senior leadership team as a result of no incentives being paid in the year. We continue to manage Board succession closely, given the similar tenure of the Chairman and CEO. The risk is continually monitored and addressed through a Management Talent Review and Board evaluation.</p>

GDPR	<p>The General Data Protection Regulations come into force in May 2018</p> <p>This legislation significantly extends requirements of companies to ensure that all personal data is handled in accordance with the new regulations.</p> <p>The penalties for non-compliance are potentially severe.</p>	<p>The company has a good understanding of GDPR and has a detailed plan in place to address the resulting requirements.</p> <p>We already have a good understanding of where personal data is held within our business.</p> <p>We have engaged a third party consultancy to assist us on our path to compliance.</p>	<p>N</p> <p>The risk is new this year.</p>
<p style="text-align: center;">Key to change in Risk:</p> <p style="text-align: center;">+ Risk has increased</p> <p style="text-align: center;">- Risk has decreased</p> <p style="text-align: center;">= No change</p> <p style="text-align: center;">N New Risk</p>			

## RELATED PARTY TRANSACTIONS

The Group had no material related party transactions which might reasonably be expected to influence decisions made by users of these Financial Statements. Directors' remuneration is disclosed in the Annual Report on Remuneration on pages 47 to 58. Other related parties are key management (employees below Director level who have authority and responsibility for planning, directing and controlling the Company) and major Shareholders. The key management personnel compensation is as follows:

	2017/18	2016/17
	£'000	£'000
Short-term employee benefits	1,488	1,389
Termination payments	123	66
Contributions to defined contribution plans	68	79
Share based payments expense	54	240
	1,733	1,774

Total remuneration is included in administrative expenses and relates to 10 employees in the period ended 27 January 2018 (2016/17: 11).

## TRADING TRANSACTIONS

The Group entered into the following transactions with related parties who are not members of the Group:

Berkeley Burke Trustee Company Limited is considered a related party of the Group because Brian Brick, Chief Executive Officer of Moss Bros Group plc is a beneficiary of the pension fund. On 8 December 2011, Moss Bros Group plc agreed a long - term lease with Berkeley Burke Trustee Company Limited, a pension fund and the superior landlord, for a store in Hounslow, on an arm's length basis.

AAK Limited is considered a related party of the Group because Maurice Helfgott, Senior Independent Non- Executive Director of Moss Bros Group plc, has a close relative holding a key management position with significant influence and who is a significant shareholder at AAK Limited. All transactions with AAK Limited have been on an arm's length basis. At 27 January 2018, total purchase from AAK Limited was £2.5m, including VAT, (28 January 2017: £4.3m, including VAT), of which £14,000 (28 January 2017: £177,000) was outstanding at year end.

Moss Bros agreed a sublet of a store lease to White Stuff Ltd. Debbie Hewitt, Chairman of Moss Bros Group plc, is also Chairman and director of White Stuff. The transaction was on arm's length commercial terms and Debbie Hewitt took no part in determining the commercial terms offered by Moss Bros or in the decision to accept them taken by White Stuff. The sublet is from June 2014 until December 2021 at a rent of £50,000 per year. A capital contribution of £50,000 was paid to White Stuff on completion of the agreement. At 27 January 2018 the balance due from White Stuff was £nil (28 January 2017: £212) in respect of service charges payable in arrears.

For further information please contact:

Moss Bros Group plc

Tony Bennett, Finance Director and Company Secretary

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