

# 6 Risk

## Principal risks and uncertainties

In accordance with the Combined Code (2008) (the 'Code'), the Board understands the need for a robust system of internal control and risk management. Following a review of risks to the Group, a further assessment of the key risks and uncertainties facing the Group has been undertaken. This is reviewed on a regular basis at Executive Committee and Board level.

The Directors consider the following matters to be the principal risks and uncertainties to the Group. These may not be exhaustive and there might be additional unknown risks that could have an adverse effect on the Group:

### External

#### Changing fashion trends

Risk description	Potential impact	Mitigation
The Group may fail to respond in a timely fashion to changes in consumer preferences or additionally, fail to anticipate increased consumer demand for its products.	The Group may experience inventory shortages or excesses that could result in lost revenue and customer goodwill.	<p>The Group will continue to design new and innovative products, and will ensure a high level of market awareness and understanding of fashion and consumer trends by carrying out market research, visits to trade fairs and product research.</p> <p>The Group is constantly refreshing and updating its product range and this assists in differentiating the product to meet evolving consumer needs.</p>

#### The Group bears a risk of unfavourable changes in currency exchanges despite its forward foreign exchange contracts

Risk description	Potential impact	Mitigation
The Group is potentially vulnerable to adverse movements in exchange rates. It pays for a large proportion of its goods and receives a proportion of its revenues in foreign currency.	The Group's operating results become unpredictable due to changes in exchange rates that are outside our control.	The Group has a documented foreign exchange policy and maintains constant management oversight, including monthly Board review of foreign exchange exposure and opportunities. The Group's policy is to hedge these risks by using forward foreign exchange contracts.

