

# MOSS BROS GROUP PLC

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 29 JULY 2006

### HIGHLIGHTS

#### Financial

- Pre-tax profit of £0.8m (last year £1.7m).
- Revenue of £63.3m (last year £62.4m): like for like revenue down 0.72%.
- Gross profit percentage increased from 53.1% to 53.5%.
- Operating costs +3.2% (controllable costs – 0.1%) like for like.
- Average cash balance £8.4m (last year £6.8m).
- Nine new Moss stores opened in the first half.
- Two new Hugo Boss stores at Manchester (Trafford Park) and Sheffield (Meadowhall).
- Current trading: revenue in the first 10 weeks of the second half +2.9%, like for like flat. Margin growth of 0.7 percentage points.
- Michael Hitchcock appointed Finance Director.
- Interim dividend 0.5p (last year 0.5p).

#### **Commenting on the results, Philip Mountford, Chief Executive, said:**

“The results for the first six months were in line with expectations following our pre close statement made on 8th August. The menswear retail sector experienced a generally challenging environment during this period. The fall in like for like revenues followed seven consecutive half year periods of like for like growth. These results have also been affected by a significant increase in property and utility costs, which disproportionately affect the first half, which has lower sales than the second half.

“Trading in the first ten weeks of the second half has not shown the growth in revenues we anticipated. There have however been improvements in gross margin and Fashion in particular has achieved good growth. The inventory and cash positions have continued to be satisfactory and during the first six months we have moved to our new distribution centre, and operations have now stabilised.

“Nevertheless the performance of Moss has not been satisfactory and to address this I have taken direct responsibility for its operations, merchandising and buying activities until Moss is back on plan. In the current tough competitive environment the vigorous actions necessary to improve the Moss performance are now being taken. It takes time to recover from problems in retailing but the balance of the year of 16 weeks normally represents 40% of our total sales and provides an opportunity to regain momentum.

“We have appointed Michael Hitchcock as our new Group Finance Director. Michael has a strong record working in the retail sector most recently at Ottakars and we are looking forward to benefiting from his experience in the future.”

For further information please contact:

Moss Bros Group Plc  
Philip Mountford, Chief Executive  
Diana Whitehead, Group PR Manager

Telephone: 0207 447 7239

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# MOSS BROS GROUP PLC

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 29 JULY 2006

In line with general retail sales trends, the Company experienced a challenging first six months of the year. Trading conditions were tougher than had been previously expected and this was reflected in the fall in like for like revenues, which follows seven consecutive half-year periods of like for like growth.

Revenues for the 26 weeks increased by 1.4% on last year but like for like sales were down 0.72%. Gross profit for the half was up 2.2% and margin increased to 53.5%.

### Trading Results

	2006/07	2005/06	
	1st Half	1st Half	2nd Half
Sales v last year (like for like)	-0.7%	+2.8%	+2.3%
% Gross profit	53.5%	53.1%	52.8%
% Gross profit v last year (% points)	+0.4%	+1.0%	+0.4%
Operating profit £m	0.6	1.5	4.4

**Moss** (118 stores) traded broadly in line with general trends in the menswear sector, and has seen like for like revenue slip 1.6% whilst achieving margin percentage growth ahead of last year up 0.5%.

The improvement in margin came from the improved intake margin generated by the new supply chain initiatives as well as lower markdowns on the back of improved sell-through of the Spring/Summer ranges. Margin was helped by the development of own brands including Ventuno 21, Blazer and Dehavilland - which now represent 48.6% of the Moss business.

Suit sales continue to show good growth up 7.7% and dresswear is up 9.2% showing a continuing strong return to formal dressing.

Casualwear for the first time in seven seasons has seen a dip in sales. The Spring/Summer collection did not appeal to the customer and we have aggressively cleared the product. The reaction to the Autumn/Winter collection is significantly stronger and casualwear remains a key element to the business.

The Moss brand remains committed to offering customers good quality branded product at competitive prices. The brand has seen strong growth over the last four years and the commitment to product and the strategy to grow the brand continues.

The refit programme is continuing with increasing focus being given to the new store format, which is being developed to provide a bright and inviting environment with clear brand zoning. The first Ventuno 21 shop-in-shop will be opened in the new Cardiff concept shop, which opens later this year.

Sales in factory outlets continue to grow delivering positive profit contributions in the first half. The growth in margin being achieved further establishes the outlets as an extension to the high street. During the first half, Street was opened and further opportunities are being explored.

Philip Mountford has taken direct control of Moss, overseeing operations and buying; David Pidgeon has left the business.

**Fashion** sales were up 0.7% like for like on last year and margin improved 1.0%. The focus now given specifically to this part of the business is providing renewed enthusiasm for the brands.

Cecil Gee (18 stores) rolled out its new concept to a further two stores in the half year. A total of five Cecil Gee stores have now been refitted within the last 18 months.

A number of new power brands have been recruited by the Cecil Gee fascia, such as Diesel and Replay. These will help drive sales in the second half.

Hugo Boss (13 stores) revenues were up 2.5%; the Company opened one new store in Trafford Park, Manchester that is trading ahead of expectation. Since the end of the first half a new store has also been opened at Meadowhall, Sheffield.

Canali has had a strong finish to the half in spite of being partly closed for 11 weeks during a major shop refit. Revenues post refit have increased +41%.

Total operating costs were up 5.3% on last year; after adjusting for the impact of new and closed stores, like for like operating costs were up 3.2%. Controllable costs were down 0.1% like for like, however, the significant increases in property and utility costs were reflected in the increase in fixed costs up £1.1m (6.6%) like for like. This increase in fixed costs has had a disproportionate impact on the profits for the first half of the year, which has lower sales than the second half.

## **Cash Flow**

The Company's cash position continues to improve: the average cash balance in the first half of £8.4m was £1.6m up on the first half of last year. The cash balance at the end of the first half increased by £0.4m to £10.7m.

Capital expenditure in the half was £4.8m, an increase of £2.3m on last year. Of this, £1.4m was spent on opening nine new Moss stores and the Hugo Boss store in Trafford Park Manchester. These stores are forecast to achieve positive contribution this year: Hugo Boss in Trafford Park has already seen significant contribution since it opened in March. £1.8m has been spent in the first half on the relocation of the distribution centre from Stratford to Barking which is largely covered by compensation payments received. The majority of the remaining capital expenditure was spent on refitting several stores, which have seen, on average, a 12% sales lift post refit.

The Canali store benefited from a £0.5m refit. Sales post refit have exceeded expectations with sales gains of 41%.

Following the successful launch of the Cecil Gee concept stores in Brent Cross, Gateshead, Lakeside and Edinburgh, a further £0.4m has been invested in refitting the Bluewater store.

Further expenditure is planned on refitting two major Hugo Boss stores, two outlets and at least six Moss stores during the second half.

The Distribution Centre at Stratford has been vacated to make way for development work on the London 2012 Olympic site and the business has moved to a new purpose built facility at Barking.

Inventory at the half year was up 5% on July 2005 on retail space up 8% and terminal inventory has continued to be successfully cleared throughout the period.

### **Earnings Per Share and Dividend**

Basic earnings per share were 0.61p against 1.29p last year.

The Board is recommending an interim dividend of 0.50p per share (2005/06 interim 0.50p). This will be paid on 22 November 2006 to shareholders on the register at the close of business on 20 October 2006.

### **Outlook**

The UK menswear sector remains challenging and highly competitive. Sales growth in the first 10 weeks of the second half have improved relative to the first 26 weeks with like for like retail revenues flat but margin has improved by 0.7 percentage point.

The cash and inventory positions remain satisfactory. The management team remains focused on driving like for like sales growth in the last quarter of the year and has taken the necessary actions to regain momentum.

# MOSS BROS GROUP PLC

## CONSOLIDATED INCOME STATEMENT

	6 months to 29 July 06 £'000	6 months to 30 July 05 £'000	Year to 28 January 06 £'000
Revenue	63,272	62,377	132,813
Cost of sales	(29,441)	(29,280)	(62,552)
<b>Gross profit</b>	<b>33,831</b>	<b>33,097</b>	<b>70,261</b>
Administrative expenses	(2,199)	(2,404)	(5,189)
Shops' selling and marketing costs	(31,013)	(29,147)	(59,170)
<b>Operating profit before financing income</b>	<b>619</b>	<b>1,546</b>	<b>5,902</b>
Financial income	186	158	305
<b>Profit before taxation</b>	<b>805</b>	<b>1,704</b>	<b>6,207</b>
Taxation	(241)	(526)	(1,958)
<b>Profit after taxation</b>	<b>564</b>	<b>1,178</b>	<b>4,249</b>
Basic earnings per share	0.61 p	1.29 p	4.62 p
Diluted earnings per share	0.60 p	1.25 p	4.54 p

# MOSS BROS GROUP PLC

## CONSOLIDATED BALANCE SHEET

	As at 29 July 2006 £'000	As at 30 July 2005 £'000	As at 28 January 2006 £'000
<b>Assets</b>			
Property, plant and equipment	22,076	21,122	21,059
Lease prepayments	3,115	2,386	2,919
<b>Total non-current assets</b>	<b>25,191</b>	<b>23,508</b>	<b>23,978</b>
Inventories	23,666	22,449	21,704
Trade and other receivables	6,233	5,163	7,310
Cash and cash equivalents	10,662	10,250	17,655
<b>Total current assets</b>	<b>40,561</b>	<b>37,862</b>	<b>46,669</b>
<b>Total assets</b>	<b>65,752</b>	<b>61,370</b>	<b>70,647</b>
<b>Equity</b>			
Issued capital	4,678	4,603	4,652
Share premium account	8,400	8,028	8,316
Retained earnings	37,672	35,540	38,320
<b>Total equity</b>	<b>50,750</b>	<b>48,171</b>	<b>51,288</b>
<b>Liabilities</b>			
Other payables	1,400	971	1,249
Deferred tax liabilities	2,626	952	2,385
<b>Total non-current liabilities</b>	<b>4,026</b>	<b>1,923</b>	<b>3,634</b>
Trade and other payables	10,976	11,276	15,725
<b>Total current liabilities</b>	<b>10,976</b>	<b>11,276</b>	<b>15,725</b>
<b>Total liabilities</b>	<b>15,002</b>	<b>13,199</b>	<b>19,359</b>
<b>Total equity and liabilities</b>	<b>65,752</b>	<b>61,370</b>	<b>70,647</b>

# MOSS BROS GROUP PLC

## CONSOLIDATED STATEMENT OF CASHFLOWS

	6 months to 29 July 2006 £'000	6 months to 30 July 2005 £'000	Year to 28 January 2006 £'000
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation	805	1,704	6,207
Adjustments for:			
Profit on sale of non-current assets	(443)	(86)	(31)
Interest received	(186)	(158)	(305)
Depreciation	2,368	2,101	4,233
Equity settled share-based payment expenses	87	48	125
Decrease/(increase) in trade and other receivables	1,077	877	(1,270)
Increase in inventories	(1,962)	(1,092)	(347)
Decrease in trade and other payables	(4,624)	(6,814)	(2,046)
Tax refunded/(paid)	25	-	(25)
<b>Net cash from operating activities</b>	<b>(2,853)</b>	<b>(3,420)</b>	<b>6,541</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current assets	600	100	100
Proceeds from sale of investments	-	-	90
Interest received	186	158	305
Compensation for acquisition of non-current assets	1,071	-	-
Acquisition of non-current assets	(4,808)	(2,488)	(5,160)
<b>Net cash from investing activities</b>	<b>(2,951)</b>	<b>(2,230)</b>	<b>(4,665)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issue of share capital	20	-	337
Dividends paid	(1,209)	(915)	(1,373)
<b>Net cash from financing activities</b>	<b>(1,189)</b>	<b>(915)</b>	<b>(1,036)</b>
Net (decrease)/increase in cash and cash equivalents	(6,993)	(6,565)	840
Cash and cash equivalents at beginning of period	17,655	16,815	16,815
<b>Cash and cash equivalents at end of period</b>	<b>10,662</b>	<b>10,250</b>	<b>17,655</b>

# **MOSS BROS GROUP PLC**

## **STATEMENT OF RECOGNISED INCOME AND EXPENDITURE**

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
<b>At 29 January 2005</b>	<b>4,603</b>	<b>8,028</b>	<b>35,229</b>	<b>47,860</b>
Shares issued	49	288		337
Proceeds from QUEST			90	90
Employee share based payments			125	125
Profit after taxation			4,249	4,249
Dividends			(1,373)	(1,373)
<b>At 28 January 2006</b>	<b>4,652</b>	<b>8,316</b>	<b>38,320</b>	<b>51,288</b>
Shares issued	4	16		20
Proceeds for share issues previously reported as from QUEST	22	68	(90)	-
Employee share based payments			87	87
Profit after taxation			564	564
Dividends			(1,209)	(1,209)
<b>At 29 July 2006</b>	<b>4,678</b>	<b>8,400</b>	<b>37,672</b>	<b>50,750</b>

## NOTES TO THE INTERIM RESULTS FOR THE SIX MONTHS TO 29 JULY 2006

### 1. Basis of preparation

These condensed consolidated interim financial statements have been prepared on the basis of the recognition and measurement requirements of IFRSs for interim financial statements. The condensed consolidated interim financial statements do not include all of the information required for full financial statements.

The comparative figures for the 52 weeks ended 28 January 2006 are the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. That report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

The interim information for the 26 weeks ended 29 July 2006 and 30 July 2005 has not been audited or reviewed by the auditors.

The preparation of financial information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting policies are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

### 2. Significant accounting policies

Accounting policies adopted have been applied consistently and are consistent with those set out in the accounts for the year ended 28 January 2006.

### 3. Property transactions

Shops selling and marketing costs include £443,000 of gains on disposal of non-current assets during the period (2005: £86,000). In addition, the Company received an interim payment of £1,626,000 for the compulsory relocation of the Company's distribution centre. After matching a portion of the £1,626,000 against directly attributable costs incurred in the relocation and recognised in the income statement (so that the net impact on the profit for the period is nil), £1,071,000 is allocated to the property, plant and equipment additions for the new distribution centre.

### 4. Seasonality

The Company's operations have historically experienced higher revenue during the second half of the financial year. This is primarily due to the Christmas period and post Christmas sale. Accordingly, the results of operations for the interim period are not indicative of the results, which may be expected for the entire financial year.

### 5. Earnings per share

Basic earnings per ordinary share are based on the weighted average of 92,992,399 (July 2005: 91,572,615; January 2006: 91,894,428;) ordinary shares in issue during the period and are calculated by reference to the profit attributable to shareholders of £564,000 (July 2005:

£1,178,000; January 2006: £4,249,000;). Diluted earnings per ordinary share are based upon the weighted average of 94,577,476 (July 2005: 94,215,981; January 2006: 93,555,869;) ordinary shares, which takes into account share options outstanding and are calculated by reference to the profit attributable to shareholders as stated above.

## 6. Dividends

The following dividends were paid in the period:

	<b>6 months to 29 July 2006 £'000</b>	6 months to 30 July 2005 £'000	Year to 28 January 2006 £'000
Final dividend 1.30 pence per share (2005: 1.00 pence per share)	<b>1,209</b>	920	920
Interim dividend 0.50 pence per share	-	-	460
Write back of waived dividends on shares held by Quest	-	(5)	(7)
	<b>1,209</b>	915	1,373

The Directors have declared a dividend of 0.50 pence per share, totalling £468,000, payable on 22 November 2006.

## 7. Interim Report

This interim report is available on application from the Company Secretary, Moss Bros Group Plc, 8 St Johns Hill London SW11 1SA.

