

# MOSS BROS GROUP PLC

## INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JULY 2005

### **HIGHLIGHTS**

#### **Financial**

- Pre-tax profit of £1.7m (£0.8m profit last year)
- Like for like sales up 3% and like for like gross profit up 4%
- Gross profit percentage increased from 52.1% to 53.1%
- Operating costs tightly controlled (+1.8% up on last year like for like)
- Interim dividend maintained at 0.5p (0.5p last year)
- Current trading: like for like sales in the first 10 weeks of the new financial year + 1.5% with margin growth ahead of sales.

#### **Operational**

- Improved sales performance across Moss and Hugo Boss with the refitted Cecil Gee stores achieving sales growth of 10%
- Improved gross margin benefiting from performance of owned brands and more effective product sourcing
- Moss strategy of branded merchandise at good prices delivering increased market share
- Cecil Gee stores re-branded; 4 new concept stores delivering positive customer reaction
- Improved operating efficiency being achieved throughout the Company

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

"The Company made further progress in the first half despite the challenging trading conditions. Profits more than doubled to £1.7m against £0.8m last year.

It is encouraging that we maintained steady growth in sales and gross margin whilst maintaining a tight control on costs.

The Moss fascia is showing particularly good growth and continues to build market share. The product led strategy of branded merchandise at good prices is attracting new customers to the stores.

The Board expects market conditions to remain challenging but is optimistic that the Company can outperform the menswear market and is targeting profitable sales growth in the second half."

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# MOSS BROS GROUP PLC

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JULY 2005

The Company has made further progress in the first half of the financial year, profit before tax was £1.7m against £0.8m as adjusted under International Financial Reporting Standards (as described in note 2) in the equivalent period last year.

Underlying trading continued to improve with like for like sales up 3%, and gross margin up 4%, gross profit percentage increased by a further 1 percentage point from 52.1% to 53.1%.

### Trading Results

	<b>2005/06</b>	<b>2004/05</b>	
	<b>1<sup>st</sup> Half</b>	1 <sup>st</sup> Half	2 <sup>nd</sup> Half
Sales v last year (like for like)	<b>+3%</b>	+8%	+10%
Gross profit v last year (like for like)	<b>+4%</b>	+11%	+13%
% Gross profit	<b>53.1%</b>	52.1%	52.4%
% Gross profit v last year	<b>+1.0%</b>	+2.1%	+2.0%
Operating profit £m	<b>1.5</b>	0.6	4.8
v last year £m	<b>+0.9</b>	+2.5	+2.0

Trading conditions were more challenging than expected with the Moss fascia driving the progress made in the first half.

The Moss (106 stores) offer builds from strength in quality branded suits at good prices, complemented by shirts, ties and casualwear as well as the sale and hire of dresswear and formalwear. The Moss fascia is performing well in a highly competitive market with like for like sales up 4% and gross margin improving by a further 2 percentage points. The sales growth in Moss is driven by suits, formal shirts, casualwear and dresswear.

The trading stance for the Moss fascia is promotion driven and offers product at a broad range of prices which appeal to a wide range of customers.

As awareness of the Moss offer improves more new customers are being attracted to Moss stores and the fascia is growing market share and profitability.

Hugo Boss (11 stores) sales were up 3% like for like whilst Cecil Gee (22 stores) sales flat were against the first half of last year. The four refitted Cecil Gee stores, trading under the new concept, achieved sales growth of 10%.

The Company's like for like increase in gross margin of 4% builds on the 11% growth achieved in the first half of last year. The improvement in gross margin reflects: improved product ranges, better buying terms, better sourcing, more effective promotions and a higher mix of own brand sales.

Total operating costs were up 1.3% on last year; after adjusting for the impact of new stores and closed stores, like for like operating costs were up 1.8%. Costs are being tightly controlled and further improvements made in operational efficiency that partly offset a 4% increase in rent and a 7% increase in rates. Marketing expenditure has been increased by 11% with more investment in effective local marketing to build awareness and attract new customers.

For the first time, financial results have been reported under International Financial Reporting Standards (IFRS). Comparative figures have been restated with reconciliations to UK GAAP provided in the Appendices to these results. The impact of applying IFRS on first half profit before tax, this year and last year, is less than £0.1m.

### **Cash Flow**

The cash position of the Company continues to improve: the average cash balance in the first half of £7.4m was 6% up on the first half of last year. The cash balance at the end of the half increased by £0.7m to £10.3m.

Capital expenditure in the half was £2.5m against a depreciation charge of £2.1m.

The Moss refit programme continued with a further 11 stores refitted in the first half at a cost of £0.4m. This relatively low cost investment, combined with a stock offer to match the local market, achieved strong incremental growth in sales and is on target to achieve a two year payback.

Four new Moss stores were opened in the first half at Banbury, Ipswich, York and Leicester. The reaction of customers in these locations is very encouraging, with Moss Bros Hire in particular showing strong brand recognition. A further six new stores are planned to be opened in the second half.

Following the successful launch of the new Cecil Gee concept store in Lakeside in October last year, £0.4m has been invested in refitting new concept stores at Brent Cross, Gateshead and Edinburgh. The results of this investment have been encouraging with a sales gain of 10% post refit.

Four Cecil Gee stores were closed in and around London; these stores were in locations with limited trading potential and did not fit with the strategy of focusing on the major shopping centre locations. These stores were exited at nil net cost to the Company.

Stock at the half year was up 3% on July 2004 with total net selling space up 1% year on year.

Availability of stock continues to improve and the investment in fixturing and display equipment is focused on better and more efficient presentation of merchandise. Suppliers continue to hold buffer stock on short lead times to support the drive to increase sales density.

Working capital in the first half (stock plus debtors less creditors excluding deferred tax) increased by £7.0m from the season low at the end of January. This will reverse in the second half, with cash flow expected to be strongly positive.

## **Earnings per share and Dividend**

Basic earnings per share was 1.29p against 0.54p last year (as restated).

The Board is recommending an interim dividend of 0.50p per share (2004/05 interim 0.50p). This will be paid on 25 November 2005 to shareholders on the register at the close of business on 28 October 2005.

## **Operational Review**

The Company's strategy over the last two years has remained consistent. The aim is to realise fully the potential of the Moss and Cecil Gee fascia and to develop the Hugo Boss chain on a selective basis. This will be achieved through investment in existing stores, where there remains considerable unrealised potential, and selective acquisition of new stores.

This growth strategy is underpinned by four key objectives:

- understanding customer requirements;
- improving product ranges;
- improving operational efficiency; and
- developing people.

By consistently re-focusing and organising activity on these objectives and adapting plans to meet changing market circumstances the Company has been able to grow sales profitably and maintain momentum despite more challenging market conditions.

## **Understanding Customer Requirements**

The Moss customer seeks branded merchandise at good prices. The brands and styles are selected to provide ranges which appeal to a broad customer base. Key to the success of Moss is ensuring that the mix of brands and ranges within each store are relevant to that market and that the prices offered are competitive.

Effective promotional offers are key to the success of Moss and lead offers are set to provide a proposition that attracts customers to the stores on a regular basis.

The Moss refit programme aims to raise standards in store, both in terms of the environment and the presentation of product. Improved store standards, relevant product mix and focused promotions result in increased sales. 58 Moss stores have been refitted since the programme commenced in 2003.

The Cecil Gee customer wants exciting brands in an aspirational environment. Refitted stores have performed well; the image of these stores has been transformed and branded offers have been enhanced.

Sales of fashion suits and formal shirts continue to grow, with the Cecil Gee brand growing sales by 11%.

The Hugo Boss stores provide ranges which have been segmented into Black, Orange and Green labels as well as the Hugo sub-brand. Through careful range selection and space planning, the mix of offer is varied to match customer requirements. The Hugo Boss brand continues to hold a premium rating and appeal to a broad range of customers.

### **Improving Product Range**

Branded suit sales continue to grow and achieved margin has been enhanced with strong sales performance from own brands, including Ventuno 21, styled to appeal to the fashion conscious customer. Younger fashion brands, including Ventuno 21, YSL, Ben Sherman and Ted Baker performed exceptionally well and it is clear that the Moss fascia is now attracting more customers aged 18 to 30.

The formal shirt market offers considerable growth potential. The shirt range has been extended with the launch of the Savoy Taylors Guild business shirt. This prestigious brand was successfully re-launched in six London stores in the first half and is being rolled out to 26 Moss stores in Autumn 2005 and forms part of the Moss Direct Shirt Catalogue, an exciting collection of exclusive shirts on the website: [WWW.mossdirect.co.uk](http://WWW.mossdirect.co.uk).

### **Improving Operational Efficiency**

Selling skills in the Company are improving. Customers want to be well informed and value the product knowledge and advice a good salesperson can bring. This relationship builds trust and confidence and encourages repeat visits to the stores. Sales and product knowledge training 'schools' have been successfully run across all three fascia and have raised staff skill levels and awareness of product.

Visual merchandising standards in the Company continue to improve. The image of stores and presentation of product is being enhanced through investment in fixturing, display equipment and product visuals that make the stores a more exciting shopping experience. Work remains to be done but the customer's perception is improving and more customers are visiting the stores.

### **Developing People**

Energy and ambition from employees throughout the Company is encouraged. The Company looks for staff who are 'passionate about clothing', one of the six core values. Store Managers are incentivised to play a full part in shaping the product range on offer and to feed back what their customers want.

It is encouraging the degree of ownership which has built up in the Company and the pride staff take in presenting their stores. In the first half, 12 Assistant Managers were promoted to Manager level and their enthusiasm and drive has been of great encouragement.

## **Outlook**

The UK retail market is subdued and the menswear sector remains highly competitive. Sales in the first ten weeks of the second half are 1.5% up on last year like for like with margin growth ahead of sales.

The Board remains optimistic that the Company can outperform the menswear market and is targeting profitable sales growth in the second half.

## CONSOLIDATED INCOME STATEMENT

for the six months to 30 July 2005

	<b>6 months to 30 July 2005</b>	<b>Year to 29 January 2005 (Restated) (note 2)</b>	<b>6 months to 31 July 2004 (Restated) (note 2)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	<b>62,377</b>	130,203	61,006
Cost of Sales	<b>(29,280)</b>	(62,244)	(29,214)
<b>Gross Profit</b>	<b>33,097</b>	67,959	31,792
Administration Expenses	<b>(2,404)</b>	(5,257)	(2,577)
Distribution Expenses	<b>(29,147)</b>	(57,221)	(28,578)
<b>Operating Profit before financing costs</b>	<b>1,546</b>	5,481	637
Financial Income	<b>158</b>	265	136
Financial Expenses	-	(2)	-
<b>Profit before taxation</b>	<b>1,704</b>	5,744	773
Taxation	<b>(526)</b>	(2,097)	(276)
<b>Profit after taxation</b>	<b>1,178</b>	3,647	497
Basic earnings per share	<b>1.29 p</b>	3.98 p	0.54 p
Diluted earnings per share	<b>1.25 p</b>	3.90 p	0.53 p

## CONSOLIDATED BALANCE SHEET

as at 30 July 2005

	As at 30 July 2005 £'000	As at 29 January 2005 (Restated) (note 2) £'000	As at 31 July 2004 (Restated) (note 2) £'000
<b>Assets</b>			
Property, plant and equipment	21,122	20,207	19,758
Lease prepayments	2,386	2,913	2,513
Deferred tax asset	-	-	1,394
<b>Total non-current assets</b>	<b>23,508</b>	23,120	23,665
Inventories	22,449	21,357	21,767
Trade and other receivables	5,163	6,040	4,861
Cash and cash equivalents	10,250	16,815	9,614
<b>Total current assets</b>	<b>37,862</b>	44,212	36,242
<b>Total Assets</b>	<b>61,370</b>	67,332	59,907
<b>Equity</b>			
Issued capital	4,603	4,603	4,603
Share premium account	8,028	8,028	8,028
Share option reserve	134	86	29
Retained earnings	35,406	35,143	32,442
<b>Total equity</b>	<b>48,171</b>	47,860	45,102
<b>Liabilities</b>			
Trade and other payables	971	845	824
Deferred tax liabilities	952	427	-
<b>Total non-current liabilities</b>	<b>1,923</b>	1,272	824
Trade and other payables	11,276	18,200	13,981
<b>Total current liabilities</b>	<b>11,276</b>	18,200	13,981
<b>Total liabilities</b>	<b>13,199</b>	19,472	14,805
<b>Total equity and liabilities</b>	<b>61,370</b>	67,332	59,907

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months to 30 July 2005

	6 months to 30 July 2005 £'000	12 months to 29 January 2005 (Restated) (note 2) £'000	6 months to 31 July 2004 (Restated) (note 2) £'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax for the period	1,704	5,744	773
Adjustments for:			
(Profit)/loss on sale of fixed assets	(86)	45	(2)
Interest received	(158)	(265)	(136)
Depreciation	2,101	3,945	2,007
Equity settled share-based payment expenses	48	86	29
Decrease in trade and other receivables	877	204	1,432
Increase in inventories	(1,092)	(1,786)	(2,196)
Decrease in trade and other payables	(6,814)	(1,960)	(6,201)
<b>Net cash from operating activities</b>	<b>(3,420)</b>	6,013	(4,294)
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment	100	453	452
Proceeds from sale of investments	-	16	7
Interest received	158	265	136
Acquisition of property, plant and equipment	(2,488)	(4,891)	(2,104)
<b>Net cash from investing activities</b>	<b>(2,230)</b>	(4,157)	(1,509)
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issue of share capital	-	19	19
Dividends paid	(915)	(1,373)	(915)
<b>Net cash from financing activities</b>	<b>(915)</b>	(1,354)	(896)
Net (decrease)/increase in cash and cash equivalents	<b>(6,565)</b>	<b>502</b>	<b>(6,699)</b>
Cash and cash equivalents at beginning of period	<b>16,815</b>	<b>16,313</b>	<b>16,313</b>
Cash and cash equivalents at end of period	<b>10,250</b>	<b>16,815</b>	<b>9,614</b>

## Consolidated Statement of Changes in Shareholders' Equity

For the six months to 30 July 2005

	Share Capital	Share Premium	Share Option Reserve	Retained Earnings	Total
<b>At 1 February 2004</b>	4,598	8,014	-	32,853	45,465
Shares issued	5	14			19
Contribution to QUEST				7	7
Employee share based payments			29		29
Profit after taxation				497	497
Dividends				(915)	(915)
<b>At 31 July 2004</b>	4,603	8,028	29	32,442	45,102
Contribution to QUEST				9	9
Employee share based payments			57		57
Profit after taxation				3,150	3,150
Dividends				(458)	(458)
<b>At 29 January 2005</b>	4,603	8,028	86	35,143	47,860
Employee share based payments			48		48
Profit after taxation				1,178	1,178
Dividends				(915)	(915)
<b>At 30 July 2005</b>	<b>4,603</b>	<b>8,028</b>	<b>134</b>	<b>35,406</b>	<b>48,171</b>

## **Notes to the Interim Results** for the six months to 30 July 2005

### **1. Basis of preparation**

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of Moss Bros Group Plc ("the Group"), for the year ending 28 January 2006, be prepared in accordance with International Financial Reporting Standards adopted for use in the EU ("IFRSs").

The Group adopted IFRSs with effect from 30 January 2005. The transition date was 1 February 2004 being the start date of the earliest period for which the Group presents full comparative information in its 2006 Annual Report and Accounts.

These condensed consolidated interim financial statements have been prepared on the basis of the recognition and measurement requirements of IFRSs for interim financial statements. These are the Group's first IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied. The condensed consolidated interim financial statements do not include all of the information required for full financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 2. Appendix I includes reconciliation of equity and profit for comparative periods reported under UK GAAP to those periods reported under IFRS.

The adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 28 January 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 28 January 2006.

The comparative figures for the year ended 29 January 2005 are not the Group's statutory accounts for that financial year. Those accounts, which were prepared under UK GAAP, have been reported on by the Group's auditors and delivered to the Registrar of Companies. This 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 6 months ended 30 July 2005 and 31 July 2004 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 and explanation of impact of transition to IFRSs**

Accounting policies adopted have been applied consistently and are consistent with those set out in the annual financial statements For the year ended 29 January 2005 except as detailed below.

The accounting policies have been applied in preparing the condensed consolidated interim financial statements for the six months ended 30 July 2005, the comparative information for the six months to 31 July 2004, the financial information for the year ended 29 January 2005 and the preparation of an opening IFRS balance sheet at 31 January 2004.

The impact on deferred tax of the adjustments described below is set out in note (e).

### **(a) Impairment**

#### ***Policy***

The carrying amounts of the Group's assets are reviewed on a store by store basis at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit.

The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows generated by the asset are discounted to their present value.

#### ***Rationale and impact***

Under IAS 36, individual assets should be reviewed for impairment when there are any indicators of impairment. The IASB indicates that retailers should consider individual stores as 'Cash-Generating Units' for impairment purposes; under UK GAAP, retailers considered stores on a brand basis.

Following impairment reviews at the opening balance sheet date 31 January 2004, a small number of stores were identified which required a provision for impairment of £1,325,000, reducing both retained earnings and non-current assets by this amount. The effect of this impairment was to reduce distribution expenses (depreciation plus losses on disposal) and increase profit by £366,000 for the year ended 29 January 2005. Trade and other payables have been reduced by £63,000 as at 29 January 2005 as an accrual for disposal costs no longer needs to be recognised at that date due to the earlier impairment charge.

A similar review was performed at 29 January 2005 but no further stores required an impairment provision.

### **(b) Share-based payment transactions**

#### ***Policy***

The share option plan allows employees to acquire shares in the Group. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest. Details of the assumptions used are set out in note 6.

#### ***Rationale and impact***

In accordance with IFRS 2, a charge to the income statement has been recognised representing the fair value of

share based payments granted to employees after 7 November 2002.

The effect of accounting for equity-settled share-based payment transactions at fair value is to increase administrative expenses by £29,000 for the six months to 31 July 2004 and by £86,000 for the year to 29 January 2005.

### **(c) Operating lease payments**

#### ***Policy***

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### ***Rationale and impact***

Under UK GAAP, rent free periods and premiums received were spread to the first market rent review date. Under IFRS SIC 15 "Operating leases - incentives", the requirement is for such incentives to be spread over the length of the lease.

As a result, the adjustment required for incentives as at 31 January 2004 was to increase deferred income within trade and other payables and reduce retained earnings by £969,000.

The impact on the year to 29 January 2005 financial statements was a further increase in deferred income and a reduction in retained earnings of £51,000.

### **(d) Dividends**

#### ***Policy***

Dividends are recognised as a liability in the period in which they are declared.

#### ***Rationale and impact***

Dividends declared after the balance sheet date will not be recognised as a liability as at that balance sheet date.

The final dividend of £915,000 declared in May 2004 relating to the 2003/04 financial year has been reversed in the January 2004 balance sheet and charged to retained profit for the six months to 31 July 2004. Similarly the July 2004 and January 2005 balance sheets have been adjusted to reverse the dividends declared in October 2004 and April 2005 respectively.

### **(e) Taxation**

#### ***Policy***

Income tax on the profit for the periods presented comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided uses tax rates that are expected to apply to the period when the asset is realised or liability settled based on tax rates that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit

will be realised.

### **Rationale and impact**

Under IFRS, a deferred tax liability has been recognised in relation to chargeable gains that have been previously rolled over into qualifying capital asset additions. The adjustment required to the opening balance sheet as at 31 January 2004 is to recognise a deferred tax liability of £2,145,000. No further gains have been rolled over since 31 January 2004.

A deferred tax asset of £1,594,000 has been recognised as at 31 January 2004 representing trading losses offsettable against the capital gains deferred tax liability rolled over as the losses and capital gains arose in the same periods. A further deferred tax asset of £1,823,000 representing further trading losses, net of deferred tax temporary differences, has been recognised at 31 January 2004 as it was anticipated that there would be sufficient future profits to offset these losses.

In addition, deferred tax has been provided in respect of certain of the above IFRS transitional adjustments where the requirements of IAS 12 require so. The impact was to increase the deferred tax asset by £398,000 as at 31 January 2004. As at 31 July 2004, the net adjustment is a debit to the income statement due to the trading losses having been recognised under UK GAAP at that date.

Deferred tax assets of £20,000 and £100,000 have been recognised in the six months to 31 July 2004 and the year to 29 January 2005 in relation to share based payments under IFRS 2. These amounts are calculated by reference to the difference between the option exercise price and the share market price at each balance sheet date. The part of the deferred tax credit in respect of this asset in excess of the share based payment charge (£14,000) has been taken to equity as required By IAS 12

### **3. Seasonality**

The Group'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.

### **4. Earnings per share**

Basic earnings per ordinary share are based on the weighted average of 91,572,615 (January 2005 : 91,545,602; July 2004 : 91,500,279) ordinary shares in issue during the period and are calculated by reference to the profit attributable to shareholders of £1,178,000 (January 2005 : £3,647,000; July 2004 : £497,000). Diluted earnings per ordinary share are based upon the weighted average of 94,215,981 (January 2005 : 93,552,349; July 2004 : 93,334,197) ordinary shares which takes into account share options outstanding and are calculated by reference to the profit attributable to shareholders as stated above.

### **5. Dividends**

The following dividends were paid in the period:

	Six months to 30 July 2005	Year to 29 January 2005	Six months to 31 July 2004
	£'000	£'000	£'000
Final dividend 1.00 pence per share (2004 : 1.00 pence per share)	920	920	920
Interim dividend (2004 : 0.50 pence per share)	-	458	-
Write back of waived dividends on shares held by QUEST	(5)	(5)	(5)
	915	1,373	915

The directors have declared a dividend of 0.50 pence per share, totalling £458,000, payable on 25 November 2005.

## 6. Share based payments

Four equity settled share option grants made prior to 7 November 2002 are outstanding. In accordance with the transitional provisions in IFRS 1 and IFRS 2, the recognition and measurement principles in IFRS 2 have not been applied to these grants.

On 11 May 2004, share options were granted to key management personnel and senior employees to purchase shares in the Group under the Executive Share Option Scheme. The terms and conditions of the share option scheme are disclosed in the annual financial statements for the year ended 29 January 2005. On 26 May 2005, a further grant on similar terms was made to senior employees. In accordance with the schemes, options are exercisable at the market price of the shares at the date of grant. Both these grants are subject to IFRS 2 as set out in note 2.

The terms and conditions of the grants made during the prior year and for the six months ended 30 July 2005 are as follows; all option exercises are settled by physical delivery of shares:

<b>Grant date/employees entitled</b>	<b>No of instruments</b>	<b>Vesting conditions</b>	<b>Contractual life of options</b>
Option grant to senior employees at 11 May 2004	2,550,000	3 years of service Earnings per Share must reach at least 5 pence per Ordinary Share	10 years (7 years after end of vesting period)
Option grant to senior employees at 26 May 2005	520,000	3 years of service 12.5% plus RPI per annum compounded over 3 years	10 years (7 years after end of vesting period)

The fair values of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual life of the options (10 years) is used as an input into this model. Expectations of early exercise are input into the model.

<b>Fair value of share options and assumptions</b>	<b>2005 grant</b>	<b>2004 grant</b>
Fair value at measurement date (pence per share)	<b>31.30</b>	18.90
Share price (pence per share)	<b>104.00</b>	61.75
Exercise price (pence per share)	<b>104.00</b>	61.75
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes model)	<b>29.7%</b>	29.8%
Option life (years)	<b>4</b>	4
Expected dividend yield	<b>1.70%</b>	1.70%
Risk-free interest rate (based on national government bonds)	<b>4.00%</b>	4.00%

The expected volatility is based on the historic volatility adjusted for any expected change to future volatility.

**7. Interim report**

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

## Consolidated Income Statement IFRS Restatement

### Appendix 1

	<b>6 months to 31 July 2004 (Reported under UK GAAP)</b>	IAS 17 Leasing (note 2c)	IFRS 2 Share based payments (note 2b)	IAS 36 Impairment of FA (note 2a)	IAS 12 Deferred tax (note 2e)	<b>6 months to 31 July 2004 (Restated)</b>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	<b>61,006</b>					<b>61,006</b>
Cost of Sales	(29,214)					(29,214)
<b>Gross Profit</b>	<b>31,792</b>					<b>31,792</b>
Administration Expenses	(2,548)		(29)			(2,577)
Distribution Expenses	(28,677)	(27)		126		(28,578)
<b>Operating Profit before financing costs</b>	<b>567</b>	(27)	(29)	126		<b>637</b>
Financial Income	136					136
Financial Expenses	-					-
<b>Profit before taxation</b>	<b>703</b>	(27)	(29)	126		<b>773</b>
Taxation	2,499		20		(2,795)	(276)
<b>Profit after taxation</b>	<b>3,202</b>	<b>(27)</b>	<b>(9)</b>	<b>126</b>	<b>(2,795)</b>	<b>497</b>

	<b>Year to 29 January 2005 (Reported under UK GAAP)</b>	IAS 17 Leasing (note 2c)	IFRS 2 Share based payments (note 2b)	IAS 36 Impairment of FA (note 2a)	IAS 12 Deferred tax (note 2e)	<b>Year to 29 January 2005 (Restated)</b>
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Revenue</b>	<b>130,203</b>					<b>130,203</b>
Cost of Sales	(62,244)					(62,244)
<b>Gross Profit</b>	<b>67,959</b>					<b>67,959</b>
Administration Expenses	(5,171)		(86)			(5,257)
Distribution Expenses	(57,536)	(51)		366		(57,221)
<b>Operating Profit before financing costs</b>	<b>5,252</b>	(51)	(86)	366		<b>5,481</b>
Financial Income	265					265
Financial Expenses	(2)					(2)
<b>Profit before taxation</b>	<b>5,515</b>	(51)	(86)	366		<b>5,744</b>
Taxation	1,709		86		(3,892)	(2,097)
<b>Profit after taxation</b>	<b>7,224</b>	<b>(51)</b>	<b>-</b>	<b>366</b>	<b>(3,892)</b>	<b>3,647</b>

## IFRS Restatement

### Appendix 1

	<b>As at 31 January 2004 (Reported under UK GAAP)</b>	IAS 17 Leasing (note 2c)	IFRS 2 Share based payments (note 2b)	IAS 10 Dividends (note 2d)	IAS 36 Impairment (note 2a)	IAS 12 Deferred tax (note 2e)	<b>As at 31 January 2004 (Restated)</b>
	£'000	£'000	£'000	£'000	£'000	£,000	£'000
<b>Assets</b>							
Property, plant and equipment	20,258				(1,125)		19,133
Lease prepayments	3,242				(200)		3,042
Deferred tax asset	-					1,670	1,670
<b>Total non-current assets</b>	<b>23,500</b>				<b>(1,325)</b>	<b>1,670</b>	<b>23,845</b>
Inventories	19,571						19,571
Trade and other receivables	6,742						6,742
Cash and cash equivalents	16,313						16,313
<b>Total current assets</b>	<b>42,626</b>						<b>42,626</b>
<b>Total assets</b>	<b>66,126</b>	-	-	-	(1,325)	1,670	<b>66,471</b>
<b>Equity</b>							
Issued capital	4,598						4,598
Share premium account	8,014						8,014
Retained earnings	32,562	(969)		915	(1,325)	1,670	32,853
<b>Total equity</b>	<b>45,174</b>	(969)	-	915	(1,325)	1,670	<b>45,465</b>
<b>Liabilities</b>							
Trade and other payables	-	849					849
<b>Total non-current liabilities</b>	-	849					849
Trade and other payables	20,952	120		(915)			20,157
<b>Total current liabilities</b>	<b>20,952</b>	120		(915)			<b>20,157</b>
<b>Total liabilities</b>	<b>20,952</b>	969		(915)			<b>21,006</b>
<b>Total equity and liabilities</b>	<b>66,126</b>	-	-	-	(1,325)	1,670	<b>66,471</b>

## IFRS Restatement continued

### Appendix 1

	As at 31 July 2004 (Reported under UK GAAP) £'000	IFRS 2		IAS 10	IAS 36	IAS 12 Deferred tax (note 2e) £'000	As at 31 July 2004 (Restated) £'000
		IAS 17 Leasing (note 2c) £'000	Share based payments (note 2b) £'000	Dividends (note 2d) £'000	Impairment (note 2a) £'000		
<b>Assets</b>							
Property, plant and equipment	20,775				(1,017)		19,758
Lease prepayments	2,695				(182)		2,513
Deferred tax asset	2,499		20			(1,125)	1,394
<b>Total non-current assets</b>	<b>25,969</b>		<b>20</b>		<b>(1,199)</b>	<b>(1,125)</b>	<b>23,665</b>
Inventories	21,767						21,767
Trade and other receivables	4,861						4,861
Cash and cash equivalents	9,614						9,614
<b>Total current assets</b>	<b>36,242</b>						<b>36,242</b>
<b>Total assets</b>	<b>62,211</b>	-	20	-	(1,199)	(1,125)	<b>59,907</b>
<b>Equity</b>							
Issued capital	4,603						4,603
Share premium account	8,028						8,028
Share option reserve	-		29				29
Retained earnings	35,313	(996)	(9)	458	(1,199)	(1,125)	32,442
<b>Total equity</b>	<b>47,944</b>	(996)	20	458	(1,199)	(1,125)	<b>45,102</b>
<b>Liabilities</b>							
Trade and other payables	-	824					824
<b>Total non-current liabilities</b>	<b>-</b>	<b>824</b>					<b>824</b>
Trade and other payables	14,267	172		(458)			13,981
<b>Total current liabilities</b>	<b>14,267</b>	172		(458)			<b>13,981</b>
<b>Total liabilities</b>	<b>14,267</b>	996		(458)			<b>14,805</b>
<b>Total equity and liabilities</b>	<b>62,211</b>	-	20	-	(1,199)	(1,125)	<b>59,907</b>

## IFRS Restatement continued

### Appendix 1

	<b>As at</b>		IFRS 2		IAS 12		
	<b>29 January 2005</b>	IAS 17	Share based	IAS 10	IAS 36	Deferred	<b>As at</b>
	<b>(Reported under</b>	Leasing	payments	Dividends	Impairment	tax	<b>29 January 2005</b>
	<b>UK GAAP)</b>	(note 2c)	(note 2b)	(note 2d)	(note 2a)	(note 2e)	<b>(Restated)</b>
	<b>£'000</b>	£'000	£'000	£'000	£'000	£'000	<b>£'000</b>
<b>Assets</b>							
Property, plant and equipment	21,114				(907)		20,207
Lease prepayments	3,028				(115)		2,913
Deferred tax asset	1,709		86			(1,795)	-
<b>Total non-current assets</b>	<b>25,851</b>		<b>86</b>		<b>(1,022)</b>	<b>(1,795)</b>	<b>23,120</b>
Inventories	21,357						21,357
Trade and other receivables	6,040						6,040
Cash and cash equivalents	16,815						16,815
<b>Total current assets</b>	<b>44,212</b>						<b>44,212</b>
<b>Total assets</b>	<b>70,063</b>	-	86	-	(1,022)	(1,795)	<b>67,332</b>
<b>Equity</b>							
Issued capital	4,603						4,603
Share premium account	8,028						8,028
Share option reserve	-		86				86
Retained earnings	38,429	(1,020)		915	(959)	(2,222)	35,143
<b>Total equity</b>	<b>51,060</b>	(1,020)	86	915	(959)	(2,222)	<b>47,860</b>
<b>Liabilities</b>							
Trade and other payables	-	845					845
Deferred tax liabilities	-					427	427
<b>Total non-current liabilities</b>	<b>-</b>	<b>845</b>				<b>427</b>	<b>1,272</b>
Trade and other payables	19,003	175		(915)	(63)		18,200
<b>Total current liabilities</b>	<b>19,003</b>	175		(915)	(63)		<b>18,200</b>
<b>Total liabilities</b>	<b>19,003</b>	1,020		(915)	(63)	427	<b>19,472</b>
<b>Total equity and liabilities</b>	<b>70,063</b>	-	86	-	(1,022)	(1,795)	<b>67,332</b>