

MOSS BROS GROUP PLC

Preliminary results for the year ended 27 January 2007

HEADLINES

Financial

- Pre-tax profit of £5.1m (Ly: £6.2m)
- Like for like sales down 1.3% - after 5 years of growth
- Gross profit percentage increased to 53.1% (Ly: 52.9%)
- Proceeds and compensation from property disposals of £3.8m. Net property related gains of £1.7m
- Average cash balance for the year up 15% with year-end cash balance of £16.6m (Ly: £17.7m)
- Final dividend proposed of 1.30p (1.80p for the year, in line with last year)
- Current trading: like for like retail sales in the first ten weeks of the new financial year down 1.0%

Business Overview – strengthening the business

- New distribution centre fully operational
- New stock management and store point of sale IT system implemented
- Eleven new stores opened during year
- Eleven stores refitted and three stores relocated
- Six loss making or non-core stores disposed of

Unity Investments ehf

- Unity Investments (beneficial owner of 28.5% of the Company's issued share capital) has reconfirmed its position as a long term investor supporting the Company's development
- The Board welcomes the reconfirmation of this long term support and has decided to appoint two non-executive directors associated with Unity Investments

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

“The results are in line with previous guidance. The menswear market remains highly competitive, and after five years of growth, the underlying revenue and operating profit figures reflect a difficult year. A number of the steps have been taken during the year to strengthen the business, which also negatively affected performance in the period, although they will be positive in the longer term. This was also a demanding year for our markets with the World Cup period in the summer reducing profits by approximately £0.5m and the mild weather in the second half affecting outerwear sales and reducing profits by approximately £0.8m.

The Board welcomes the reconfirmation by Unity Investments of its long-term support for the business. The Board has decided to appoint two non-executive directors associated with Unity Investments to the Company's Board. This will help us accelerate the long term growth of the business both organically and through strategic development and thereby increase value for all Shareholders.”

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OVERVIEW

Management is taking steps to respond to the increasingly competitive market place in which the Company is operating.

During the year the Company has relocated its distribution centre to an up to date facility and has introduced a new IT system for both stock management and the stores point of sale activity. The investment in both IT and supply chain will allow improved stock control which should lead to a reduction in unplanned markdowns and subsequent improvement in gross margins. The new supply chain infrastructure will give faster lead times on product which will allow the business to trade more effectively.

A programme has been undertaken to improve the store portfolio in order to make the assets work harder for the Company. The performance of each store is being evaluated and where necessary exited, relocated, rebranded or refitted to meet this objective. During the year the business exited from six stores, which generated significant cash inflow and established a much improved future trading platform. This generated cash has been reinvested into relocating stores to better pitches and rebranding stores from one fascia to another so as to maximise the return from these sites. In particular the Moss stores have been the subject of a significant refit programme. As a result of encouraging sales gains post refit this programme will now be rolled out across the Moss store portfolio. The target will be to undertake between 20-30 refits per year with each store benefiting from modernisation, increased linear footage and generally better customer presentation.

Beyond our existing store portfolio there are opportunities to continue the rollout of both the Moss fascia as well as the Boss and Canali fascia. In total this year management envisages five further new stores openings, of which four have been identified.

BUSINESS REVIEW

STORES

Mainstream

This year, Moss has recorded a like for like sales decline of 3.3% but has seen a 1.3% point retail gross margin increase on last year. These margin gains have been achieved through better sourcing as well as better full-price sell-through, providing the customer with the right branded goods at the right price.

Expansion Plans

Management believes that there are a further 80 locations within the UK where Moss can trade profitably. Eight new Moss stores were opened during the year and the strategy for 2007 plans for five further new store openings, of which four have been identified.

The expansion strategy is to create 2,000 to 4,000 sq ft stores in suburban towns, cities and other locations where the market place can support a Moss store. Selection of these sites is determined by specific experience and research data. This includes continuing analysis of what drives customer-spending patterns, and takes into account regional variations and preferences.

Concept Stores and Refits

During 2006 the new concept store was piloted and rolled out to stores in major towns. Going into 2007, the lessons learned last year will be applied to the ongoing refurbishment programme. This concept will also be used to refurbish the existing city store portfolio. The concept takes the business forward in terms of visual and stock presentation, creating a bright, light, clean environment with the emphasis on lines and brands, enabling the consumer to shop in a friendly environment, with ease of product selection. The focus of the concept is not only to provide an improved shopping environment but also to optimise trading space and increase linear footage. This has enabled the business to offer customers a wider choice of product mix and sizing architecture which has seen sales per square foot increase by 7% within these stores and an increase in both units per transaction of 12% and in average transaction value of 16%.

The key priority is to attract new customers without alienating core consumers. The early indications from the performance of the seven refit stores which were undertaken in 2006 are promising with, on

average, a +10% uplift in sales against the average like for like sales movement over the same period.

Moss will now roll out its new store concept to eleven stores this year. As well as the main concept programme, the Company is also rolling out a refresh programme, which picks key elements of the new concept, ie: floor, fascia, freestanding fixtures, and introduce these into as many as 13 further stores.

Factory Outlets

The factory outlets enjoyed another strong year, with a like for like growth of 1.0%, and a 1.4% point retail gross margin increase against last year. This has been achieved through a clear strategy across the Moss fascia, which has allowed margin-rich products to be brought in from suppliers. This has to date proved successful and instrumental in current plans to expand the factory outlet portfolio further.

The new factory outlet concept has provided a 20% increase in linear footage, allowing increased product ranges to be held in the same space and to present the products in a much more attractive and customer-friendly environment. Further openings in 2007 are planned; three potential outlets have already been identified.

Fashion

Fashion has recorded a like for like sales increase of 1.7% and a 0.3% point retail gross margin decrease against last year. The retail gross margin reduction is due to the sell-off of stock in the Beale and Inman store ahead of its anticipated closure at the end of January. Excluding this, the fashion retail gross margin was in line with last year reflecting the gains achieved through better sourcing offset by price action needed to compete in a highly price competitive market.

Cecil Gee

The new concept store rollout programme has now reached six stores. These stores have achieved a like for like sales growth of 4%. One benefit of being a multi fascia retailer is the ability to re-brand one fascia with another. A strategic review of the Gee store portfolio means that so far in 2007 one Gee store has been re-branded Hugo Boss.

Hugo Boss

There are currently 13 Hugo Boss stores in the UK with Trafford Park opening in March 2006 and Meadowhall in September 2006. Management believes there are opportunities to expand the product range within shoes, sportswear and accessories, forming part of the Hugo Boss strategy to create three clearly defined brands – black, orange and green – which are targeted at different segments of the market and which attract fashion-focused customers as well as the traditional branded consumer into the stores.

Hugo Boss is one of the leading brands in the fashion world and the Company continues to refurbish and redesign the Hugo Boss stores to maintain this image. Two stores were refurbished in 2006 and a further two stores will be refurbished in 2007. The Cecil Gee store in Brighton has been re-branded into a Hugo Boss store since the year-end, as this will generate the best return for this retail site.

Canali

The Company has the only franchise for Canali within the UK and, due to its success over the last five years, has expanded the retail space of its Canali store by 40% during the year to build on this success. The additional space has enabled the business to grow the casual wear, shoes and accessory ranges, as well as create a clearly defined luxury suiting room. The success of this franchise has led to the search for more sites in 2007.

Hire

As the market leader in the UK hire market, with an approximate market share of 20%, Moss Bros Hire facilitated hire garments last year for in excess of 25,000 weddings and fitted in excess of 130,000 customers for black-tie events. The wedding market continues to be stable; although there has been a reported decrease in the number of weddings, there has been an increase in the number

of people wearing morning suits and in the size of wedding parties. There has also been an increase in the number of university-related events, and in student events styled on the US school prom model.

The Company has been focusing on maintaining its No 1 position in the hire market and still remains the only national chain to offer instant dress wear hire.

To ensure supply meets demand, there has been a substantial investment in stock. Last year alone, investment reached £1.8m, and this is expected to exceed £6.0m over the next four years. There is now a wide range of accoutrements, including white suits, Nehru collars, velvet tailoring, and highland dress. The Moss Bros Hire philosophy is to invest in the best and newest products, while maintaining its leading position in the more traditional lines. Expansion into more flamboyant and colourful lines, in pursuit of the so-called 'celebrity' image, sits alongside fashionable black-tie thinking at Moss Bros Hire to provide a one-stop shop for hire wear. This year sees the introduction of the brown morning suit, which clearly sets Moss Bros Hire out as the leaders in fashion in the hire market.

INTERNET SHOPPING AND MAIL ORDER

Internet Shopping and Mail Order are significant areas of growth for all retail generally. The website and catalogue offer is the subject of extensive work and is being revamped to offer customers another option when buying quality, fashionable branded menswear at value for money prices.

DISTRIBUTION CENTRE

Having moved the distribution centre to its new location, the business has put into place better working practices and is driving efficiencies. This presents an opportunity for the future as the growth of the business brings increased product flow through the operation, improves productivity and reduces unit costs in the distribution centre.

IMPROVING OPERATIONAL EFFICIENCY

Developing People

It has been a key part of the Company's strategy for the past two years to develop people within the business. To this end, an in-house selling academy has been running for two years to develop both the technical understanding of product and the selling skills of sales consultants and managers. Buyers and merchandisers from the business are spending time in stores helping sales staff to understand the product attributes so that they in turn can provide the best total customer buying experience.

Units per Transaction

This philosophy has allowed the business to train over 75% of its sales consultants and managers over the past two years, and has resulted in an increase of 6% in units-per-transaction. This increase is one of the biggest key drivers in in-store services, resulting in improved customer satisfaction and better ability to capitalise on individual sales and is recognised as a key opportunity to grow sales. It further benefits staff, who are incentivised on the basis of numbers of units sold, as well as on the level of sales.

The Company does not encourage a hard-sell approach, but recognises that customers appreciate staff that are able to explain both the technical and commercial aspects of products and to make suggestions, where appropriate, concerning complementary purchases.

Senior Management Training and Development

The Company continues to develop key people through a course of structured away-days where senior managers are encouraged to participate in training, which familiarises them with business unit and overall Company strategies.

RISKS & UNCERTAINTIES

Cash

With pressure on operating costs, particularly occupancy costs and buying risk the need to monitor the on-going cash position of the business is significant. The cash balance is monitored daily and this has succeeded in increasing the monthly average cash balance by £1.0m to £7.5m. The year-end cash balance is a healthy £16.6m.

Staff Hiring and Retention

In a fast moving sector such as retail there is a need to ensure the best personnel are attracted to the business and, having attracted them, they are retained. Management is conscious of the need to offer the right training, work environment and remuneration package to achieve this aim. There is on-going communication at senior management level to present the right balance of staff rewards to ensure that the business has the best talent available.

Continuity of Supply

Sales growth is dependent on the continued supply of fashionable product at regular intervals. The business invests considerable time in identifying and conducting continual due diligence into its new and existing suppliers to ensure this continued supply chain. Demand forecasting allows the right product to be in the stores at the right time in the right quantity. The new distribution centre is introducing working practices that provide a greater degree of efficiency both from a cost and process point of view.

Property

The business has a portfolio of property operating leases, which needs to be carefully and proactively managed to minimise any long-term risk to the business.

FINANCIAL REVIEW

TRADING RESULTS	2006/2007		
	1 st half	2 nd half	Full year
Sales v last year (like for like)*	-0.7%	-1.9%	-1.3%
% gross profit	53.5%	52.7%	53.1%
% gross profit v last year	+0.4%	-0.1%	+0.2%
Profit before taxation	£0.8m	£4.3m	£5.1m

*Like for like represents sales for stores open during the current and prior financial years

This is the first year in five years that the profit has fallen back from the previous year and reflects both the unusual year for menswear retailing and a number of significant internal events, which, whilst being important for the future, were disruptive to the business.

Pre-tax profit for the year ended 27 January 2007 for Moss Bros Group Plc was £5.1m including net property related gains of £1.7m, against £6.2m last year.

Like for like sales fell back 1.3%, although the gross margin percentage continued to increase, up 0.2 percentage points from 52.9% to 53.1%.

The Company has a healthy balance sheet with no debt and a strong cash balance. This has been achieved through strict working capital management and rigorous cash control.

SALES

Sales within fashion increased by 1.6% on last year; this was supported by a sales growth of 12.3% in Boss and 11.4% in Canali. The disappointing sales in Gee for the same period attributed to poor product selection resulted in stock needing to be cleared at reduced prices. The move this year back to smart casual and a much-improved stock package will help to reverse the decline in sales experienced last year.

Whilst sales from Moss were generally disappointing the business did see growth in the demand for higher end product, which is encouraging for the future. Despite the increasingly competitive market place in which Moss trades there remain opportunities to increase the higher-end product ranges

which will not only give sales growth but increased margin. Sales within Factory Outlets continued to grow during the year reinforcing the continued importance of this route to market.

OPERATING COSTS

Administrative expenses and shop selling and marketing costs ('operating costs') increased by 3.1% in the year. After stripping out new and closed stores, like for like operating costs in the year increased by 2.7%, despite like for like occupancy costs including rent, rates, service charge and utilities increasing 4.4% in the year. Continually improving and monitoring management within stores has enabled the Company to control payroll costs with like for like labour costs up only 0.7% (including the effect of the increase in minimum wage) and total controllable costs are down 0.1%.

During the year, the Company chose to exit strategically from a number of stores, which, alongside some property asset impairments, produced a net property related gain of £1.7m.

TAXATION

The Company has utilised all its tax losses brought forward. The effective tax rate is 28.7%, 32.9% after removing items relating to the prior year.

EARNINGS PER SHARE AND DIVIDEND

Earnings per share: 3.92 pence per share compared to 4.62 pence per share last year.

The Board is recommending a final dividend of 1.30 pence per share which, in addition to the interim dividend of 0.50 pence per share paid in November, maintain the dividend that was paid last year. The final dividend will be paid on 14 June 2007 to shareholders on the register at the close of business on 11 May 2007.

INVESTMENT

Capital expenditure in the year was £9.2m and depreciation was £4.8m. This included the opening of eleven new stores and the refitting of 11 stores across all fascias. It also included £2.2m invested in the new distribution centre. There was an initial net receipt of £1.0m received from the London Development Agency in respect of their impending compulsory purchase order offsetting the investment in the new distribution centre. £1.8m was invested in Hire garment stock.

CASH

The underlying cash position continued to improve despite a lower year-end balance. The average cash balance throughout the year was 15% up on last year, equating to circa £7.5m, with the year-end cash balance standing at £16.6m, £1.1m down on last year.

INVENTORY

Terminal inventory continued to be successfully cleared during the year with the total closing retail inventory position up 11% against an increase in retail space of 6%. This gap represents ensuring the right stock was in the business for the start of the Spring/Summer season and led to earlier deliveries of stock as the year-end approached.

TRADE AND OTHER PAYABLES

Trade and other payables increased by £2.2m. This was largely attributable to trade payables and the early delivery of Spring/Summer stock into the business, partially offset by the utilisation of cash to maximise discounts. Further work is taking place to align the terms and conditions of our suppliers to those of the Company's peers in the retail fashion sector, where it is felt the business has fallen behind.

Print resolution images are available for the media to view and download free of charge from <http://www.vismedia.co.uk>

MOSS BROS GROUP PLC

Consolidated Income Statement
For the 52 weeks ended 27 January 2007

	52 weeks to 27 January 2007 Audited £'000	52 weeks to 28 January 2006 Audited £'000
Revenue	133,876	132,813
Cost of sales	(62,800)	(62,552)
Gross Profit	71,076	70,261
Administrative expenses	(4,518)	(5,189)
Shops selling and marketing costs	(61,804)	(59,170)
Operating Profit	4,754	5,902
Financial income	354	305
Profit before Taxation	5,108	6,207
Taxation	(1,468)	(1,958)
Profit for the Year	3,640	4,249
Basic earnings per share	3.92p	4.62p
Diluted earnings per share	3.87p	4.54p

All revenue and profits relate to the continuing operations of the Group.

Consolidated Statement of Recognised Income and Expense
For the 52 weeks ended 27 January 2007

	52 weeks to 27 January 2007 Audited £'000	52 weeks to 28 January 2006 Audited £'000
Profit for the Year Attributable to Equity Holders of the Parent	3,640	4,249

MOSS BROS GROUP PLC

Consolidated Balance Sheet
As at 27 January 2007

	27 January 2007 Audited £'000	28 January 2006 Audited £'000
Assets		
Property, plant and equipment	23,989	21,059
Lease prepayments	2,812	2,919
Total Non-Current Assets	26,801	23,978
Inventories	24,381	21,704
Trade and other receivables	7,491	7,310
Corporation tax recoverable	213	-
Cash and cash equivalents	16,590	17,655
Total Current Assets	48,675	46,669
Total Assets	75,476	70,647
Equity		
Issued capital	4,678	4,652
Share premium account	8,400	8,316
Retained earnings	39,766	38,320
Total Equity	52,844	51,288
Liabilities		
Other payables	1,337	1,249
Deferred tax liabilities	3,454	2,385
Total Non-Current Liabilities	4,791	3,634
Trade and other payables	17,841	15,725
Total Current Liabilities	17,841	15,725
Total Liabilities	22,632	19,359
Total Equity and Liabilities	75,476	70,647

MOSS BROS GROUP PLC

Consolidated Statement of Cash Flows
For the 52 weeks ended 27 January 2007

	52 weeks to 27 January 2007 Audited £'000	52 weeks to 28 January 2006 Audited £'000
Cashflows from Operating Activities		
Profit before taxation	5,108	6,207
Adjustments for:		
Profit on sale of non-current assets	(2,189)	(31)
Finance income	(354)	(305)
Depreciation	4,829	4,233
Equity settled share-based payment (write-back)/expense	(211)	125
Increase in trade and other receivables	(181)	(1,270)
Increase in inventories	(2,677)	(347)
Increase/(decrease) in trade and other payables	2,179	(2,046)
Tax paid	(587)	(25)
Net Cash from Operating Activities	5,917	6,541
Cashflows from Investing Activities		
Proceeds from sale of non-current assets	2,758	100
Proceeds from sale of investments	-	90
Interest received	354	305
Compensation for acquisition of non-current assets	1,027	-
Acquisition of non-current assets	(9,248)	(5,160)
Net Cash from Investing Activities	(5,109)	(4,665)
Cashflows from Financing Activities		
Proceeds from the issue of share capital	20	337
Purchase of own shares	(218)	-
Dividends paid	(1,675)	(1,373)
Net Cash from Financing Activities	(1,873)	(1,036)
Net (decrease)/increase in cash and cash equivalents	(1,065)	840
Cash and cash equivalents at beginning of year	17,655	16,815
Cash and cash equivalents at end of year	16,590	17,655

Notes to the Preliminary Results

For the 52 weeks ended 27 January 2007

1. Accounting policies adopted are consistent with those adopted in the financial statements for the 52 weeks ended 28 January 2006. These can be seen at www.mossbros.co.uk.
2. Statement of Changes in Equity

	Year ended 27 January 2007	Year ended 28 January 2006
	£'000	£'000
Total Equity at beginning of year	51,288	47,860
Profit for the year	3,640	4,249
Dividends paid	(1,675)	(1,373)
Issue of shares	20	337
Purchase of own shares	(218)	-
Proceeds from QUEST	-	90
Share based payments	(211)	125
Net movement equity during the year	1,556	3,428
Total equity at end of year	52,844	51,288

3. Basic earnings per ordinary share are based on the weighted average of 92,895,454 (2006: 91,894,428) ordinary shares in issue during the year (which excludes the shares held by the Quest and the shares held by a third party on behalf of the Company) and are calculated by reference to the profit attributable to shareholders of £3,640,000 (2006: £4,249,000). Diluted earnings per ordinary share are based upon the weighted average of 93,939,019 (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.
4. The figures for the year ended 28 January 2006 and for the year ended 27 January 2007 are extracted from the statutory accounts for the year ended 27 January 2007, which have been reported on by the Company's auditors but not delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985.
5. The Board has resolved to declare a year-end dividend of 1.30 pence per share (2006: 1.30 pence per share).
6. Like for like comparatives remove the impact of net store openings.
7. Net property related gains/(losses) comprise:

	Year ended 27 January 2007	Year ended 28 January 2006
	£'000	£'000
Profit on disposal of property, plant and equipment	2,189	31
Accelerated depreciation - former distribution centre	(290)	-
Write-off of receivable in respect of store move costs	(135)	-
Impairment charge (included within depreciation)	(61)	(70)
Net property related gains/(losses)	1,703	(39)