

# MOSS BROS GROUP PLC

## Preliminary results for the year ended 28 January 2006

### HIGHLIGHTS

#### **Financial**

- Pre-tax profit of £6.2m (Ly: £5.7m)
- Pre-tax profit before one-off restructuring costs (£0.5m) of £6.7m (Ly: £5.7m restated) up 16%
- Like for like sales up 2.5%
- Gross profit percentage increased to 52.9% (Ly: 52.4%)
- Average cash balance for the year up 7% with year-end cash balance of £17.7m (Ly: £16.8m)
- Final dividend proposed of 1.30p (1.80p for the year up 20%)
- Current trading: like for like sales in the first ten weeks of the new financial year which excludes the Easter trading period, up 2%.

#### **Business Overview**

- A focussed business delivering sales growth in both Mainstream and Fashion
- Opening of ten new Moss stores increasing retail space by 5%
- Margin growth achieved from better sourcing and product selection
- Product and own brand development driving sales and margin growth
- Mail order and internet shopping launched
- New store concepts developed for both Moss and Cecil Gee

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

“The Company continued to make good progress during the last financial year with like for like sales growth up again for the third year in succession at 2.5% against the background of a challenging retail environment. The fourth quarter was particularly encouraging with like for like sales up 4%.

"The opening of ten new Moss stores during 2005 demonstrates the opportunity there is to grow the business and with five new Moss stores already open this year, Moss is leading the growth in the business. The introductions of mail order and on-line

shopping during 2005 were an important development on which we intend to build for the future.

"Product and brand development across both Mainstream and Fashion is one of the main contributors to our continued success. This development has attracted new customers into the stores and a clearer understanding of our core customers has helped ensure the product matches the customers' expectations. The recent launch of our fifth Cecil Gee concept store in Bluewater has been well received and demonstrates how the Company has developed and emphasises the need to continually review and enhance the offer to customers in both terms of product and store experience. The planned roll out of the Ventuno 21 brand, for fashion conscious 21-25 year olds, into a shop-in-shop concept is a further example of the importance of brand development.

"The Company's investment in and support of the Hugo Boss brand continues; the range selection supported by the quality environment supports high customer retention. Our fourteenth Boss store opened in Trafford Park last month.

"During the first ten weeks of the new financial year, like for like sales are up 2.0% (estimated at 2.5% adjusting for the timing of Easter) and margins have been held. Our planning assumes we will need to continue to over see significant increases in property costs, including utility expenses and property taxes.

"There remains substantial opportunity to realise our potential from both existing and new stores as well as from the advancements in the product offer. The business remains focussed on producing profitable growth and on establishing the Company as the best men's retailer in the UK."

For further information please contact:

Moss Bros Group Plc  
Philip Mountford, Chief Executive  
Andrew Barclay, Head of Marketing

Telephone: 020 7447 7394  
07870 593405

## **REVIEW**

### **Results Overview**

Pre-tax profit for the year for Moss Bros Group Plc was £6.7m before one-off restructuring costs of £0.5m, against £5.7m last year.

The trading performance of the Company continued to improve with sales and gross profit up 2.5% like for like and gross margin percentage up half a percentage point from 52.4% to 52.9%.

<b>Trading results (like for like)*</b>	<b>2005/06</b>		
	<b>1<sup>st</sup> Half</b>	<b>2<sup>nd</sup> Half</b>	<b>Full Year</b>
Sales v last year	+2.8%	+2.3%	+2.5%
% gross profit	53.1%	52.8%	52.9%
% gross profit v last year	+1.0%	+0.4%	+0.5%
Profit before tax	£1.7m	£4.5m	£6.2m

\*Like for like represents financial information for stores open during both the current and prior financial years

### **Business Overview**

#### **Financial Performance**

The results have improved significantly during the last four years, moving from a £7m operating loss in 2002 (under UK GAAP) to an operating profit of £5.9m this year – a swing of £13m.

#### **Quality and service**

The Company aims to deliver its customers value for money and understands there must be no compromise on quality or service. The ability to build on an understanding of customer requirements in terms of the buying environment has been a major contributor to improving the results, together with ongoing investment in the selection, training and motivation of quality staff.

#### *Meeting aspirations*

The trading strategy for each of the Company's two trading streams - *Mainstream* which includes Moss, Factory Outlets and Moss Hire, and *Fashion* comprising Cecil Gee, Hugo Boss and Canali – is designed to meet the needs and aspirations of the customers.

#### **Finding the source**

Sourcing cost-effective quality materials and identifying a quality workforce are key parts of the Company's strategy. But finding the right product at the right price is only part of the challenge; bringing it to the market place in time to achieve business deadlines is also an essential part of the strategy and critical to its success.

#### *New sources*

In the past twelve months, the Company has continued to work on sourcing products from areas which can offer the right mix of 'Just-in-Time' delivery and competitive pricing, without

compromising on quality. There has been a significant move towards sourcing from the expanding European Union, and specifically from Eastern Europe, while Asia remains a major part of the Company's sourcing strategy where appropriate.

### *Sourcing and pricing*

More efficient sourcing has an effect on pricing, ultimately benefiting the customer. In the past twelve months, unit volumes have grown by 10.1% whilst the average price has reduced by 6.8%.

### Availability

Availability of product is a major factor in profitability and customer satisfaction. In the past three years, availability of stock has improved from 73% to 92%. The next objective is to increase this to 95% in core product lines. This will be achieved by better merchandising placement, the introduction of new systems and the ongoing analysis of the lifespan of products.

### Improving margins

Driving down the cost price of garments, using the resources and talents of an incentivised and targeted buying team, has seen gross margins improve from 44% in 2002 to a level of nearly 53% this year. The objective is to achieve a further one point margin increase in each of the next two years.

### *Customer confidence*

The Company's philosophy is focused around consumers who are confident, and aware of what 'Good' means whilst providing them with the right product at the right price: quality will not be compromised. We will maintain our insistence on the very highest standards of product, workmanship and service, while continuing to source new products and services. Customers are getting better product than ever before, and can buy with confidence secure in the knowledge that they are more likely to be able to buy what they want where they want.

### Product and range development

There was an aggressive push throughout the year on range development in three key brands - Blazer, Dehavilland and Ventuno 21. Each brand has its own identity, targeted at a specific market sector. Customers believe in the brand credibility, and the brands provide each part of the Company with a different style or identity.

#### *Blazer*

Blazer is a brand synonymous with traditional European styling and is targeted at the sophisticated, cosmopolitan European consumer.

#### *Dehavilland*

Dehavilland is an entry price point brand, offering quality casual and formal wear at a mid-range price. It offers consumers a great deal for their money.

#### *Ventuno 21*

Of the three brands, Ventuno 21 represents the largest area of potential growth. It is aimed at fashion-conscious 21-to-25 year-olds, and offers fashion products at high street prices. Its

identity is best summed up by a great fashion suit which has all the elements of the latest catwalk fashion but is available at a commercial price.

### Mail Order and Internet Shopping

Mail Order and Internet shopping are significant areas for growth. The website has had over 53,000 hits since it was launched in September 2005. The website has recently been revamped, and the second edition of the brochure is due to be published, in April 2006. Both will now be updated biannually.

### Outlook

The management team has traded the business through a tough, competitive and challenging period, and is well positioned to take the Company further forward by means of a targeted expansion strategy.

Mainstream currently has 116 stores, and it is believed, based on market research, that there is an opportunity to achieve a significant level of further growth, perhaps to a level of 200 stores within the next three-to-five years.

To support this growth and to minimise any potential disruption to the business, the Company has signed a new lease on a new purpose built warehouse, ahead of the Compulsory Purchase Order which will be served on the Company's existing warehouse facility as part of the London 2012 Olympic bid. The Company will transfer its warehouse operation into the new facilities over the coming year during a period which will cause least disruption to the business. Negotiations with the London Development Agency have been ongoing for some time to facilitate a smooth move.

## **BUSINESS DEVELOPMENT REVIEW**

### Developing people

It has been a key part of our strategy for the past two years to develop people within the business. To this end, an in-house selling academy has been created to develop both the technical understanding of product and the selling skills of sales consultants and managers.

### *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 customer service, resulting in improved customer satisfaction and optimum capitalisation 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. In this way, staff are made aware of the importance of knowing their product, which also has clear benefits for the discerning consumer.

The Company does not encourage a hard-sell approach, but recognises that customers like to be served by staff who 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 strategies.

## *Scholarships*

Staff are also encouraged to enrol for special scholarship schemes, which involve attending an external management course at an Oxford-based summer school over a five-day period. This is a scheme which provides clear benefits for both the Company and staff, who are able to assess their progress and measure it against that of their peers.

## Improving operational efficiency

The Company strives to improve operational efficiencies. It continues to review the flow of customers into its stores, and to analyse store-specific staff requirements, as a means of effectively serving customers during key trading periods. Business models are developed, and internal procedures, ranging from payroll structures to full-to-part-time ratios, are analysed. The overall objective is to provide customer satisfaction while improving profits through increased sales and higher levels of units-per-transaction.

## *Fleet review*

The Company is currently reviewing the use of its own fleet of vehicles for deliveries to its stores. This year, significant efficiency savings have been achieved by reorganising deliveries to areas such as the North-East of England and Scotland, in some cases replacing courier services with more efficient, overnight transportation alternatives.

## Mainstream

### Moss

This year, Moss has recorded a like for like sales growth of 4.7%, with 1.1% point margin increase on last year. This has been achieved through better sourcing as well as through better full-price sell-throughs, 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. Ten new Moss stores have been opened this year, and the strategy for 2006 envisages up to 15 further new store openings, of which five have already opened.

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 data. This includes continuing analysis of what drives customer-spending patterns, and takes into account regional variations and preferences.

## *Concept stores*

During 2006, the new concept store will be rolled out and used to open stores in major cities and during the ongoing refurbishment programmes. 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 key priority is to attract new customers without alienating core consumers.

## *Factory Outlets*

The factory outlets enjoyed an extremely successful year, with a like-for-like growth of 5.1%, and a 10.2% increase in gross profit. This has been achieved through a clear *in situ* 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.

As part of the factory outlet strategy a new outlet at Castleford was opened in the fourth quarter with Street opening in the first quarter of the new financial year. The new factory outlet concept produces 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. We plan further openings in 2006.

## Hire

As the market leader in the UK hire market, with an approximate market share of 25%, Moss Hire facilitated hire garments last year for in excess of 28,000 weddings and fitted in excess of 180,000 customers for black-tie events. The growth in the junior hire market continues to represent a significant opportunity.

The wedding market continues to be stable. Although there has been a 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 the growth of 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 on the recruitment of larger teams of experienced managers.

### *Investing in stock*

To ensure that supply meets demand, there has been a substantial investment in stock. Last year alone, investment reached £1.5m, and is expected to exceed £7m over four years. There is now a wide range of accoutrements, including white suits, Nehru collars, velvet tailoring, and highland dress. Moss 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 Hire to provide the ultimate one-stop shop for hire wear.

### *Instant hire*

In addition, Moss Hire remains the only national chain which can offer instant dress wear hire.

## Fashion

### Cecil Gee

The new concept store roll out programme has now reached five stores. These stores have achieved a like for like sales growth of 10%. This concept will now be rolled out in Meadowhall in the second half.

### Hugo Boss

There are currently 13 Hugo Boss stores in the UK, with plans to open at Meadowhall following the successful launch at Trafford Park in March 2006. Management believes that there are opportunities within key areas such as Hugo Boss shoes, sportswear and accessories, as part of the 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.

### Canali

The Company owns the only franchise for Canali within the UK and, due to its success over the last five years is currently expanding the retail space by 40% to build on this success. The additional space will enable us to grow the casual wear, shoes and accessory ranges, as well as create a clearly defined luxury suiting room.

## **FINANCIAL REVIEW**

### Costs

Total costs increased by 2.5% in the year. After stripping out new and closed stores, like for like operating costs in the year increased by 2.3%; despite like for like occupancy costs including rent, rates, service charge and utilities increasing 4.6% in the year. Improved management within stores has enabled the Company to control payroll costs with like for like labour costs up only 2.2% including the effect of the increase in minimum wage.

Customer facing costs, such as marketing, which has focussed on initiatives such as the city store concept and the new store expansion plan, have increased by 14%.

During the year the Company incurred one-off restructuring costs amounting to £0.5m. Of the £0.5m, £0.4m related to the re-organisation of the Company and £0.1m to the impairment in value of a non-profit making store.

### Investment

Capital expenditure in the year was £5.2m, against depreciation of £4.2m. This included the opening of ten new Moss stores, the refitting of four stores in line with the new Cecil Gee concept, and the development of the factory outlet concept. There has also been further investment in the Company's fleet of vehicles.

### Cash

The underlying cash position continued to improve: the average cash balance throughout the year was 7% up on last year, with the year-end cash balance standing at £17.7m, £ 0.8m up on last year.

### Inventory

Terminal inventory continued to be successfully cleared during the year with the total closing inventory position up only 1.6% compared with an increase in retail space of 5%.

### Trade and Other Payables

Trade and other payables reduced by £2.0m, which is largely attributable to reductions in trade payables, due to the utilisation of cash to maximise discounts and the timing of inventory intake.

## Corporation Tax

The Company has losses brought forward which are now almost fully utilised

## Earnings per share and dividend

Earnings per share: 4.62 pence per share compared to 3.98 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 2005 represent a 20% increase on last year. The final dividend will be paid on 15 June 2006 to shareholders on the register at the close of business on 12 May 2006.

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 year ended 28 January 2006

	Year to 28 January 2006 Audited £'000	Year to 29 January 2005 Audited £'000
<b>Revenue</b>	<b>132,813</b>	130,203
Cost of sales	<b>(62,552)</b>	(61,911)
<b>Gross Profit</b>	<b>70,261</b>	68,292
Administrative expenses	<b>(5,189)</b>	(5,257)
Shops selling and marketing costs	<b>(59,170)</b>	(57,554)
<b>Operating Profit</b> (see note 7)	<b>5,902</b>	5,481
Financial income	<b>305</b>	265
Financial expenses	-	(2)
<b>Profit before Taxation</b>	<b>6,207</b>	5,744
Taxation	<b>(1,958)</b>	(2,097)
<b>Profit after Taxation Attributable to Equity Holders of the Parent</b>	<b>4,249</b>	3,647
Basic earnings per share	<b>4.62p</b>	3.98p
Diluted earnings per share	<b>4.54p</b>	3.90p

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year to 28 January 2006 Audited £'000	Year to 29 January 2005 Audited £'000
<b>Profit for the Year Attributable to Equity Holders of the Parent</b>	<b>4,249</b>	3,647

# MOSS BROS GROUP PLC

Consolidated Balance Sheet  
As at 28 January 2006

	As at 28 January 2006 Audited £'000	As at 29 January 2005 Audited £'000
<b>Assets</b>		
Property, plant and equipment	21,059	20,207
Lease prepayments	2,919	2,913
<b>Total Non-Current Assets</b>	<b>23,978</b>	23,120
Inventories	21,704	21,357
Trade and other receivables	7,310	6,040
Cash and cash equivalents	17,655	16,815
<b>Total Current Assets</b>	<b>46,669</b>	44,212
<b>Total Assets</b>	<b>70,647</b>	67,332
<b>Equity</b>		
Issued capital	4,652	4,603
Share premium account	8,316	8,028
Retained earnings	38,320	35,229
<b>Total Equity</b>	<b>51,288</b>	47,860
<b>Liabilities</b>		
Other payables	1,249	845
Deferred tax liabilities	2,385	427
<b>Total Non-Current Liabilities</b>	<b>3,634</b>	1,272
Trade and other payables	15,725	18,200
<b>Total Current Liabilities</b>	<b>15,725</b>	18,200
<b>Total Liabilities</b>	<b>19,359</b>	19,472
<b>Total Equity and Liabilities</b>	<b>70,647</b>	67,332

# MOSS BROS GROUP PLC

Consolidated Statement of Cash Flows  
For the year ended 28 January 2006

	<b>Year to 28 January 2006 Audited £'000</b>	Year to 29 January 2005 Audited £'000
<b>Cashflows from Operating Activities</b>		
Profit before taxation	<b>6,207</b>	5,744
Adjustments for:		
(Profit)/loss on sale of non-current assets	<b>(31)</b>	45
Interest received	<b>(305)</b>	(265)
Depreciation	<b>4,233</b>	3,945
Equity settled share-based payment expenses	<b>125</b>	86
(Increase)/decrease in trade and other receivables	<b>(1,270)</b>	204
Increase in inventories	<b>(347)</b>	(1,786)
Decrease in trade and other payables	<b>(2,046)</b>	(1,960)
Tax paid	<b>(25)</b>	-
<b>Net Cash from Operating Activities</b>	<b>6,541</b>	6,013
<b>Cashflows from Investing Activities</b>		
Proceeds from sale of non-current assets	<b>100</b>	453
Proceeds from sale of investments	<b>90</b>	16
Interest received	<b>305</b>	265
Acquisition of non-current assets	<b>(5,160)</b>	(4,891)
<b>Net Cash from Investing Activities</b>	<b>(4,665)</b>	(4,157)
<b>Cashflows from Financing Activities</b>		
Proceeds from the issue of share capital	<b>337</b>	19
Dividends paid	<b>(1,373)</b>	(1,373)
<b>Net Cash from Financing Activities</b>	<b>(1,036)</b>	(1,354)
Net increase in cash and cash equivalents	<b>840</b>	502
Cash and cash equivalents at beginning of year	<b>16,815</b>	16,313
Cash and cash equivalents at end of year	<b>17,655</b>	16,815

## Notes to the Preliminary Results

For the year ended 28 January 2006

- Accounting policies adopted are consistent with those set out in the interim report for the six months ended 30 July 2005. These can be seen at [www.mossbros.co.uk](http://www.mossbros.co.uk).
- Statement of Changes in Equity

	<b>Year ended 28 January 2006</b>	Year ended 29 January 2005
	<b>£'000</b>	£'000
Total Equity at beginning of year	<b>47,860</b>	45,465
Net profit for the year	<b>4,249</b>	3,647
Dividends	<b>(1,373)</b>	(1,373)
Issue of shares	<b>337</b>	19
Proceeds from QUEST	<b>90</b>	16
Share based payments	<b>125</b>	86
Net movement equity during the year	<b>3,428</b>	2,395
Total equity at end of year	<b>51,288</b>	47,860

- Basic earnings per ordinary share are based on the weighted average of 91,894,428 (2005: 91,545,602) ordinary shares in issue during the year and are calculated by reference to the profit attributable to shareholders of £4,249,000 (2005: £3,647,000). Diluted earnings per ordinary share are based upon the weighted average of 93,555,869 (2005: 93,552,349) ordinary shares which takes into account share options outstanding and are calculated by reference to the profit attributable to shareholders as stated above.
- The figures for the year ended 29 January 2005 and for the year ended 28 January 2006 are extracted from the statutory accounts for the year ended 28 January 2006 which has 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.
- The Board has resolved to declare a year-end dividend of 1.30 pence per share (2005: 1.00 pence per share).
- Like for like comparatives remove the impact of net store openings.
- Restructuring costs comprise:

	<b>Year ended 28 January 2006</b>	Year ended 29 January 2005
	<b>£'000</b>	£'000
Former Director's compensation	<b>186</b>	-
Other restructuring costs	<b>207</b>	-
Impairment of non-current assets	<b>70</b>	-
	<b><u>463</u></b>	<u>-</u>