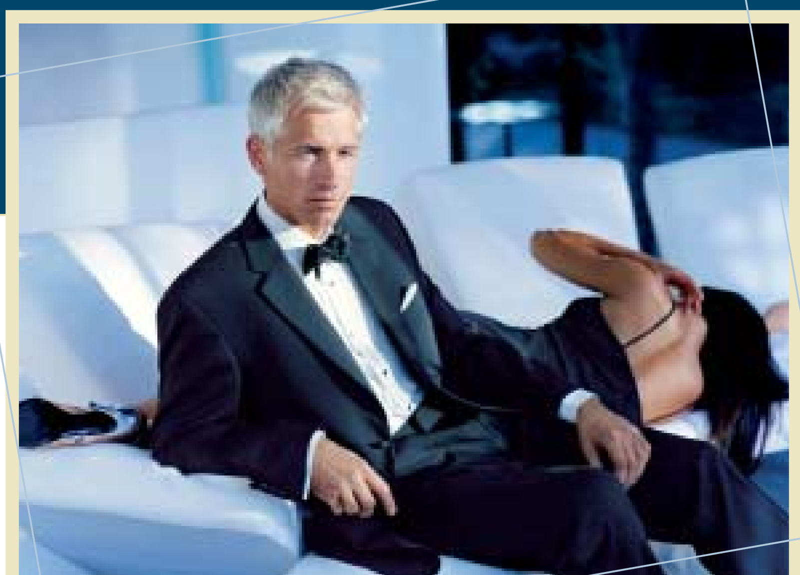
Moss Bros Group PLC

NEVER UNDERESTIMATE THE POWER OF A GOOD SUIT

Annual Report & Accounts 2004/05



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Directors and Advisers

President

Monty Moss

Chairman

Keith Hamill

Executive Directors

Philip Mountford *Chief Executive*

Roddy Murray *Finance Director*

Julie Cook *Business Development Director*

Non-Executive Directors

Andrew Allner*

Mark Bernstein

Michael Gee

Rowland Gee

Peter Moss

Bernie Myers* *Senior Non-Executive Director*

Secretary

Julia Stephens

Registered Number

134995

**Independent Non-Executive Directors*

Registered Office

8 St John's Hill

London SW11 1SA

Registrars

Capita IRG plc

Bourne House

34 Beckenham Road

Beckenham

Kent BR3 4TU

Auditors

KPMG Audit Plc

8 Salisbury Square

London EC4Y 8BB

Moss suitroom at Covent Garden

Chairman's Statement

The year to the end of January reflected good progress by the management team in continuing the Company's recovery programme. Sales at £130 million were achieved with a comparable sales growth of 9%. The profit before tax reaches £5.52 million compared with £1.00 million in the previous year. Earnings per share was affected by accounting for a favourable, if rather theoretical, exceptional tax credit relating to deferred tax – which does not effect the Company's cash tax position. Excluding this, normalised earnings per share amounted to 4.19 pence (1.11 pence in the previous year).

The closing cash balance was £16.8 million compared with £16.3 million the year before – after increased investments in stock and capital expenditure.

Current trading is going reasonably well with comparable sales growth of 6% during the first ten weeks of the current year. The Board is proposing a final dividend of 1.00 pence per share, giving total dividends for the year of 1.50 pence – an increase of 50% on the previous year.

The attached Operational Review gives details of the Company's financial position and explains the actions management has been taking to improve the Company's performance. These particularly focus on understanding the customer, improving the product ranges, improving operational efficiency and developing the Company's people.

These actions are being successfully implemented with a great deal of hard work, determination and commitment, together with a very positive attitude throughout the Company. On behalf of my colleagues on the Board, I would like to thank all those who have contributed. There is a clear plan to develop and improve the business and the management is focused on executing this plan.

It has been particularly encouraging that the profit growth last year was led by the Moss brand – which is the largest division of the Company and has been developed over the last three years. This brand still requires significant further work to realise its full potential and has substantial opportunities for further growth, as the brands traditional strengths in suits and dresswear are supplemented by a broadening of the product range which is relevant to contemporary markets.

Actions are also being taken to revive the Cecil Gee brand, which when successful, will also generate significant opportunities for additional returns. The reaction of customers to the new Cecil Gee concept store at Lakeside has been encouraging.

In almost every aspect of the Company's affairs, we are a long way from optimising performance or achieving best practice within our sector. There is a great deal of upside left in the business and, provided we can maintain the rate of progress management has achieved in recent years, the Company will do a great deal better.

The progress made last year was against a background of weakening consumer demand. The management has also experienced the challenges of coping with increasing costs due to government actions on property taxes, non-performance related labour costs and regulatory requirements – burdens which are being imposed on a sector which has experienced a prolonged period of price deflation. We expect this general environment to continue and the business plans recognise that the Company will have to continue to out perform in order to overcome these issues.

We remain optimistic about the opportunities for the business and are determined to continue to progress in realising its potential.

Keith Hamill
Chairman

Cecil Gee – Lakeside Concept Store

Operational Review

Financial Results Overview

Pre-tax profit for the year for Moss Bros Group Plc was £5.5m against a £1.0m profit last year.

Operating profit for the year of £5.3m is against £0.8m last year. Trading performance of the Company has improved significantly: sales have increased by 9% like for like; gross profit has increased by 12% like for like and the gross margin percentage has increased by 2 percentage points from 50.2% to 52.2%.

		2004/05	
Trading Results (like for like)	1st half	2nd half	Full Year
Sales v last year	+8%	+10%	+9%
Gross profit v last year	+11%	+13%	+12%
% gross profit	52.1%	52.4%	52.2%
% gross profit v last year	+2.1%	+2.0%	+2.0%
Profit before tax £m	0.7	4.8	5.5
Profit before tax v last year £m	+2.5	+2.0	+4.5

Each of the Company's three fascia made good progress: Moss sales increased by 9% like for like, Cecil Gee sales increased by 6% (2% in the first half and 10% in the second half) and Boss sales increased by 14%.

Gross margin percentage continued to strengthen reflecting the improvements made in product ranges, supply chain efficiencies, better buying terms and more effective sales promotions.

Understanding of our customer and the market has improved within the Company and the sales growth achieved reflects improved product ranges and offers which have stronger customer appeal.

Total operating costs in the year increased by 2% but, after stripping out closed stores, like for like operating costs increased by 6%. More staff were recruited in the year, with store staff levels increased by 5%, improving customer service during peak trading hours which helped build sales growth. Rent and rates, year on year, increased by 6% and more investment was made in marketing, up 18%, and visual merchandising, up 16%.

Operating costs remain tightly controlled and the Company continues to seek ways to improve operational efficiency which can help fund investment in marketing and improved presentation in stores.

Cash Flow

The underlying cash position of the Company continues to improve: the average cash balance throughout the financial year was 30% up on last year. Interest received increased by more than 50% reflecting improved liquidity and higher interest rates for cash on deposit.

The year end cash balance of £16.8m was £0.5m up on last year following renegotiations with suppliers, full advantage has been made of improved settlement terms which represents a more efficient utilisation of capital.

Additional investment in fixtures and fittings has increased the selling space within existing stores which supported the increase in stock of 9% year on year.

Capital expenditure in the year was £4.9m against a depreciation charge of £4.2m.

A two year payback is targeted for investment in Moss stores and a three year payback applied in evaluating investment in Cecil Gee and Boss stores.

£2.3m has been invested in refitting 40 Moss stores. This relatively low cost investment combined with range selection tailored to meet local market needs has been well received by our customers and the investment criteria set are on target to be achieved. A further 40 Moss stores are being refitted in 2005.

The new Cecil Gee concept store was launched at the Lakeside shopping centre in October and has performed ahead of expectations. Three Cecil Gee stores, in major shopping centres, will be refitted to the new concept in 2005.

Design work on re-branding Cecil Gee has been completed and a roll out programme has commenced which, combined with range improvements, will lead to revitalising the Cecil Gee fascia and brand.

A new Boss store was opened in February 2004 in Covent Garden, London and has exceeded sales expectations.

Working capital (stock, debtors not including the deferred tax asset less creditors) increased by £2.6m in the year, of which stock accounted for £1.8m of the increase. Investment in stock was made to improve product availability and this helped underpin the sales growth achieved. Trade creditors have been reduced as benefit has been taken from revised supply terms agreed during the year. Creditors were £1.5m lower at year end.

No corporation tax was paid during the year as the Company has losses brought forward which are now being utilised. The exceptional deferred tax credit of £3.3m represents recognition of cumulative prior year tax losses and the expectation that these will be utilised in future profitable years.

Earnings Per Share and Dividend

Earnings per share (adjusted for the exceptional tax credit) is 4.19 pence per share compared to 1.11 pence per share last year.

Basic earnings per share of 7.89 pence includes 3.70 pence relating to recognition of the deferred tax asset.

The Board is recommending a final dividend of 1.00 pence per share which in addition to the interim dividend of 0.50 pence per share paid in November, represents a 50% increase on last year. This will be paid on 14 June 2005 to shareholders on the register at the close of business on 13 May 2005.

Operational Overview

The operational capability of the Company has improved during the year but there remains considerable unrealised potential and much work still to do.

The growth strategy focuses on four objectives:

- Understanding customer requirements;
- Improving product ranges;
- Improving operational efficiency; and
- Developing people.

The Company is organised to focus on the three fascia: Moss, Cecil Gee and Boss. By presenting and selling relevant product effectively we believe the Company can profitably grow sales and we look to the future with confidence.

Cecil Gee Casualwear Brands

Understanding Customer Requirements

The **Moss** offering (102 stores) is branded merchandise at good prices. The product offering extends beyond strength in suits and dresswear with contemporary and classic collections of shirts and casualwear both growing in terms of sales and display space in existing stores.

The objective remains to make Moss a destination store as a menswear retailer. Customers are attracted by strong promotional offers and new customers are being attracted by stronger window displays and comprehensive ranges that meet the needs of the local market.

Moss Bros Hire focuses on dresswear and the wedding market. The Company has made a significant investment in new hire stock over the last three years to ensure that its offer to customers represents quality product which meets their aspiration of dressing up for key social events. Moss Bros Hire sales increased by 9% in 2004.

Cecil Gee (26 stores) casualwear targets a younger, fashion conscious customer who understands brands. Cecil Gee formalwear offers fashion suits with strong design and style influence. Core brands within the Cecil Gee offering are: Cecil Gee, Hugo Boss, Armani, D&G and Burberry.

The new Lakeside concept store presents aspirational product in an exciting store environment, which is attracting new customers. The roll out and re-branding of Cecil Gee offers the opportunity to maximise the full potential from existing stores in high density shopping locations.

Hugo Boss (11 stores) is an established international brand. Boss ranges have been segmented into Black, Orange and Green label plus Hugo, to appeal to a broad range of customers.

The 14% growth in Boss like for like sales benefited from successful investment in Regent Street and Bluewater at the end of 2003 and the conversion of the Covent Garden store in early 2004. Boss womenswear ranges are offered in four stores.

This investment, plus improved range planning and selection together with stronger operational performance underpinned the sales gain achieved.

Cecil Gee Concept Store at Lakeside Shopping Centre

Improving Product Ranges

The Moss suit offering has been segmented to match the needs of a broad range of target customers. The Ventuno 21 brand has been positioned and styled to appeal to a younger fashion conscious suit customer. The 50% increase in Ventuno 21 sales reflects growing share of this important segment of the market. Brands such as Dehavilland, Pierre Cardin, Baumler, Ted Baker and YSL have contributed to the 12% growth in suit sales achieved in the year.

The extension of the Dehavilland brand into casualwear has been successfully launched; positioned to provide a contemporary range of fashionable casualwear for the mid-market. The Blazer casualwear range is being extended to additional stores to provide more stylish ranges for the upper end of the market.

Cecil Gee has re-established itself as an authority in fashion suits with new ranges which have contributed to the 20% increase in Cecil Gee suit sales.

The re-branding of Cecil Gee casualwear is reflected in the Spring 2005 range and initial customer reaction to the new product has been encouraging.

Improving Operational Efficiency

A key element of re-vitalising the Company is to change our customers' perception of the stores, making them more attractive and appealing to a broader range of customers.

The Company has invested in improving window displays and visual presentation of product. Stronger images have been used which attract customers to the merchandise.

There remains considerable room for improvement in presentational standards and further investment is being made to take the Company on to a new level during 2005.

Customer service in the stores improved with the additional staffing helping to raise standards. Sales effectiveness is a key store priority and store training programmes are focusing on developing selling skills and product knowledge to improve awareness of the product offering.

Sales during the year outperformed plan and the flexibility built into the supply chain has been key to supporting the higher sales achieved. This included suppliers holding fabric and stocks of finished goods which could be called on at relatively short lead times. The Company is grateful for all the support its suppliers have given during the year and the Company continues to work with them to source stock from production centres, including the Far East, which offer best value to customers.

Developing People

The Senior Management Team in the Company has now worked together for more than two and a half years and has developed a good understanding of the customer and trade across all three fascia.

The culture of the Company is hands on and direct, ambition is encouraged. Store managers form a key part of the people development strategy and are incentivised to take responsibility and achieve good performance.

It is encouraging to see the positive impact that managers and their teams are having in improving store performance.

Outlook

The UK menswear market remains highly competitive but the Company sees considerable opportunity to grow its share of the market.

Five new Moss stores will be opened in the first half of the new financial year and a further five new stores are planned for the second half.

The Company is operationally stronger and has an experienced management team which understands the business. The new year has started positively with like for like sales up 6% in the first 10 weeks at improved margin on last year.

The Board is targeting profitable sales growth in the current financial year and is focused on developing the Company further.

Cecil Gee Concept Store at Lakeside Shopping Centre

Board of Directors

Directors

Keith Hamill (52) Independent Non-Executive Chairman. Joined the Board as a Non-Executive Director on 11 December 2000 and became Chairman on 31 May 2001. He is Chairman of Luminar Plc, Collins Stewart Plc and Travelodge as well as a Non-Executive Director of Electrocomponents Plc and pro Chancellor of Nottingham University. He was previously Finance Director at WH Smith Plc, Forte Plc and United Distillers, Director of Financial Control for Guinness Plc and a partner in PricewaterhouseCoopers LLP.

Philip Mountford (40) Chief Executive. Joined the Board on 29 April 2002 as Trading Director and became Chief Executive on 6 February 2004. He was previously Managing Director of Versace UK and Scandinavia. Prior to this he held directorships at Nautica and the Daks Simpson Group.

Roddy Murray (44) Finance Director. Joined the Board on 25 June 2002 and was previously Finance Director of Mackays Stores. Before joining Mackays Stores, he held senior finance positions at United Distillers, Guinness Plc and British Airways Plc.

Julie Cook (41) Business Development Director. Joined the Board on 2 September 2002. She was previously Brand Director at Viyella ladieswear and before that Retail Operations Director of Jaeger and Viyella.

Andrew Allner (51) Independent Non-Executive Director. Joined the Board as a Non-Executive Director on 13 August 2001. He is Group Finance Director of RHM Limited. He was previously Chief Executive of Enodis Plc, Financial Director of Dalgety Plc and Chief Finance Officer and Senior Vice President of PIC International Group Plc based in the United States of America. He is a Non-Executive Director of Marshalls plc.

Mark Bernstein (45) Non-Executive Director. Joined the Board as a Non-Executive Director on 19 December 2001. He sits on the board of a number of private technology companies.

Michael Gee (65) Non-Executive Director. Became a Non-Executive Director in 1991, having been Managing Director of Cecil Gee Plc until 1988.

Rowland Gee (59) Non-Executive Director. Became a Non-Executive Director on 1 February 2002 having been Managing Director since 1989. He was previously a Director of Cecil Gee Plc which he joined in 1968 holding various positions in the buying and merchandising department. He is a Director of Humbie Bridge Investment Company Limited, Kids C & C Limited and LF Homme UK Limited. He is also a Non-Executive Director of De Keyser Fashion Limited.

Peter Moss (59) Non-Executive Director. Became a Non-Executive Director on 31 March 2001 having previously been Property Director and Company Secretary.

Bernard Myers (61) Senior Independent Non-Executive Director. Joined the Board as a Non-Executive Director on 13 August 2001. He is Chairman of the Industrial Dwellings Society (1885) Limited and a Director of Rothschild Bank AG, Rothschilds Continuation Limited and Rothschild Trust Limited. He was formerly a Managing Director of NM Rothschild & Sons Limited.

Audit Committee of the Board
A J Allner (Chairman)
K Hamill
B I Myers

Remuneration Committee of the Board
B I Myers (Chairman)
A J Allner
K Hamill

Nomination Committee of the Board
K Hamill (Chairman)
A J Allner
M J Bernstein
M J Gee
R J Gee
P J Moss
B I Myers

Directors' Report

The Directors of Moss Bros Group Plc present their Annual Report and audited financial statements for the year ended 29 January 2005.

Principal Activities

The principal activities of the Group are the retail sale and hire of quality clothing and ancillary goods.

A summary of the results for the year ended 29 January 2005 together with comparatives is shown below. A detailed review of the Group's activities and the results are included in the Chairman's Statement and the Operational Review.

	2005	2004
	£'000	£'000
Turnover	**130,203**	124,071
Operating profit	**5,252**	837
Net interest receivable	**263**	166
Profit on ordinary activities before taxation	**5,515**	1,003
Taxation (including exceptional taxation credit)	**1,709**	–
Profit after taxation	**7,224**	1,003

Dividends

The Directors propose a final dividend of 1.00 pence per share (£920,000) be paid for the year. An interim dividend of 0.50 pence per share was paid on 26 November 2004. The total dividend for the year ended 29 January 2005 is 1.50 pence per share (£1,373,000) (2004 – £915,000). Subject to Shareholders' approval, the final dividend will be paid on 14 June 2005.

Share Capital

The authorised and issued share capital of the Company together with the details of the shares issued during the period are shown in note 15 to the accounts.

International Financial Reporting Standards (IFRS)

The Company is in the process of reviewing its accounting policies and disclosures under IFRS and a full explanation of the impact will be provided in the announcement of the results for the half year ending 30 July 2005.

Major Shareholdings

At 12 April 2005, the Company's share register of substantial shareholdings showed the following interests of 3% or more of the Company's shares:

Cantor Fitzgerald Europe	20,746,932	22.54%
George Pitt & David Davies	7,232,965	7.86%
Kevin Stanford	6,150,000	6.68%
Schroder Investment Management Limited	4,061,975	4.41%
Michael J Gee	3,251,130	3.53%
Fidelity International Limited	2,973,800	3.23%

Annual General Meeting

The Resolutions to be proposed at the Annual General Meeting to be held on 26 May 2005, together with explanatory notes, appear in the Notice of Meeting sent to all Shareholders with a Form of Proxy.

General Authority to Allot Shares

A Resolution to renew the Directors' general authority to allot securities in the Company, without having the prior approval of the Shareholders at a general meeting of the Company prior to each individual allotment, is proposed under Resolution 8 which is contained within the notice convening the Annual General Meeting. The authority will be in respect of the nominal amount of authorised but unissued share capital which at the date of this Report is £1,397,191, representing 23.29% of the authorised share capital of the Company. This figure will reduce before the Annual General Meeting if there are any allotments between the date of this Report and the date of the Annual General Meeting.

Disapplication of Pre-emption Rights
Pursuant to Resolution 8, the Directors will seek to renew in Resolution 9 the power to disapply the pre-emption rights of Section 89(1) of the Companies Act 1985. Shareholders should note the Listing Rules do not require the consent of the Shareholders to each specific issue by the Company of equity capital for cash, made otherwise than to existing equity Shareholders in proportion to their shareholding.

Authority to Buy in Shares
A Resolution to renew the Directors' authority to make market purchases of the Company's shares is contained in Resolution 10. The maximum number of shares which may be acquired pursuant to this authority is 9,205,617 which is 10% of the issued share capital of the Company. This authority will expire at the conclusion of the Annual General Meeting in 2006 or 18 months after the passing of this Resolution, whichever is the earlier.

Directors
The names of the current Directors together with brief biographical details are shown on page 14 of this Annual Report. Particulars of the Directors' remuneration and interests in shares of the Company are given in the Directors' Remuneration Report on pages 20 to 22.

Messrs K Hamill, B I Myers and M J Bernstein retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. The re-election of K Hamill, B I Myers and M J Bernstein has been carefully considered by the Board which believes it is in the best interests of the Company to re-elect them as Directors because of the contribution they make and the experience they bring to the Company. Since the date of the last Annual General Meeting, no individuals have been appointed Directors.

Directors' interests
The beneficial interests and share options of the Directors, who held office at 29 January 2005, in the Company's shares are shown in the table below. Details of share options are also shown in the Directors' Remuneration Report on page 21.

Directors' Interests	At 29 January 2005		At 31 January 2004	
	Ordinary shares	Options over ordinary shares	Ordinary shares	Options over ordinary shares
Executive Directors				
J R Murray	150,000	1,292,645	150,000	992,645
P F Mountford	100,623	1,265,492	53,123	915,492
J M Cook	85,200	919,115	85,200	919,115
Non-Executive Directors				
K Hamill	193,363	–	193,363	–
A J Allner	33,770	–	33,750	–
M J Bernstein	–	–	–	–
M J Gee	3,251,130	–	3,751,130	–
R J Gee	2,730,264	–	3,457,692	–
P J Moss	1,846,745	–	1,846,745	–
B I Myers	100,000	–	100,000	–

Options include interests under both the Save as You Earn Scheme and the Executive Share Option Schemes.

J R Murray is a Director of Moss Bros Group Qualifying Share Ownership Trustee Limited, the trustee of 483,556 shares.

No Director has a beneficial interest in the shares of any subsidiary undertaking.

Employees
The Company recognises the benefits of keeping employees informed of the progress of the business and of involving them in the Company's performance. During the year, employees were provided with information about the Company's performance and on other matters of concern to them as employees through regular newsletters, reports, meetings and conference telephone communications.

Employees continued

It remains the Company's policy to give full and sympathetic consideration to the employment, training, career development and promotion of disabled employees. Special consideration is given to the continuity of employment of any employee becoming disabled after their employment has commenced and, where practicable, to the provision of alternative employment.

Payment to Suppliers

The Company has a formal code which it follows with regard to payment to suppliers. It is the Company's policy to pay its suppliers in accordance with the terms of trade agreed at the time of order with each supplier or to ensure that the supplier is made aware of the standard payment terms.

The Company's and the Group's average credit payment period at 29 January 2005 was 35 days.

Charitable Donations

During the year £3,583 (2004 – £5,100) was donated to charities. No political donations were made during the year (2004 – nil).

Corporate Governance

The Principles of Good Governance and Code of Best Practice (the "Combined Code"), published in June 1998, were incorporated into the Listing Rules in January 1999. The Combined Code was revised in July 2003 to apply to accounting periods commencing after 1 November 2003. Set out below is a statement of how the Company has applied the principles laid down by the Combined Code.

The Board

The Board of Directors supervises the management of the business of the Company. Details of the Directors are given on page 14. An Executive Committee consisting of the Executive Directors and the Company Secretary is responsible for the day to day running of the Company and operates within a set of specific guidelines laid down by the Board. Senior management reports to the Executive Directors on a daily basis and more formally once a month. The Executive Committee reports to the Board of Directors at each Board Meeting.

The effectiveness of the Board of Directors is maintained in a number of ways:

- The Board includes seven Non-Executive Directors. The Board regards K Hamill as being independent for the purposes of the Combined Code as his only involvement with the Company is as Chairman and he has had no previous involvement with the business.

  The Board considers B I Myers and A J Allner to be independent in view of their relative independence in relation to the Company's affairs. Furthermore, they have not previously held an executive position within the Company and have no direct business links with business suppliers.
- The Board is headed by K Hamill, the Non-Executive Chairman, and the Board has identified B I Myers as the Senior Independent Non-Executive Director.
- The Directors met eight times during the year. There is a schedule of matters reserved for decision by the Board, which includes reviewing the Company's long-term strategy.
- The Board receives appropriate and timely information; Board papers are sent out several days before meetings take place.

All Directors are subject to retirement by rotation and re-election by the Shareholders in accordance with the Articles of Association, whereby one third of the Directors retire by rotation each year. All Directors are subject to election by the Shareholders at the first Annual General Meeting following their appointment.

The Executive Directors' contracts are in line with the notice period recommended by the Combined Code, except that, in accordance with normal market practice, the Company may offer newly recruited Executive Directors an initial two year notice period which reduces thereafter to one year. Non-Executive Directors are appointed for a maximum initial period of three years and thereafter their continued service is subject to review by the Board.

On joining the Board, Directors are briefed on the Company and its activities and appropriate training is made available. All Directors have access to the advice and services of the Company Secretary and may take independent professional advice at the Company's expense in the furtherance of their duties.

Board Committees

The Board has delegated certain of its responsibilities to Board Committees which operate within clearly defined terms of reference. The performance of the Board is evaluated through discussions with Directors and actions resulting from these discussions are considered by the Board.

Board Committees continued

The principal committees are:

The Executive Committee meets on a monthly basis and is chaired by the Chief Executive. The Finance Director, Business Development Director and the Company Secretary are the other members of the Committee. The Executive Committee operates with terms of reference which set out guidelines within which the Executive Committee should operate and which are approved by the Board.

The Audit Committee meets at least twice a year. During the year under review the Audit Committee met twice. The Audit Committee is chaired by A J Allner. The Finance Director and the Company's external Auditors are invited to attend the meeting as required. The terms of reference governing the Audit Committee state that the Committee quorum must consist of two Non-Executive Directors to include the Chairman of the Audit Committee and at least one Independent Non-Executive Director. The Audit Committee overviews the monitoring of the adequacy of the Company's internal controls, accounting policies and financial reporting. It provides a forum through which the Company's external Auditors report to the Board.

The Remuneration Committee is comprised entirely of Non-Executive Directors and is chaired by B I Myers. It meets at least twice a year. During the year under review the Remuneration Committee met five times. The terms of reference governing the Remuneration Committee state that the Committee quorum must consist of two Non-Executive Directors to include the Chairman of the Remuneration Committee and at least one Independent Non-Executive Director. It determines the terms and conditions of employment of the Executive Directors including the level of remuneration and other benefits within terms of reference agreed by the Board. The remuneration of the Non-Executive Directors is fixed by the Board as a whole. More information is set out in the Directors' Remuneration Report on pages 20 to 22.

The Nomination Committee is comprised entirely of Non-Executive Directors and is chaired by K Hamill; it meets periodically as required. During the year under review, the Nomination Committee met once. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations with regard to any changes; giving full consideration to succession planning, evaluating the balance of skills, knowledge and experience of the Board. The Nomination Committee assesses and recommends for approval by the Board candidates to fill Board vacancies as they arise.

The following table shows the number of Board and Committee Meetings held during the year ended 29 January 2005 and the attendance record of individual Directors:

	Board Meetings	Committee Meetings		
		Audit	Nomination	Remuneration
Number of meetings	**8**	**2**	**1**	**5**
K Hamill	8	2	1	5
P F Mountford	8			
J R Murray	8			
J M Cook	6			
A J Allner	5	2		4
M J Bernstein	7			
M J Gee	7			
R J Gee	7			
P J Moss	6			
B I Myers	7	2	1	5

Communications with Shareholders

The formal channels of communication through which the Board accounts to the Shareholders for the overall performance of the Company are the Annual Report and Accounts and the half yearly and yearly announcements made via the London Stock Exchange.

Senior Executives of the Company meet representatives of Institutional Shareholders to discuss their views and to ensure the strategies and objectives of the Company are understood on a regular basis or as requested.

It is the Company's intention that the Chairmen of the Audit, Remuneration and Nomination Committees should attend the Annual General Meeting and that Shareholders will have the opportunity to ask questions.

Accountability and Audit

Statement of Directors' Responsibilities

Company Law requires the Directors to prepare financial statements for each period which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing the financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and statements that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going Concern

The Directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal Control

The Directors acknowledge their responsibilities for the Company's system of internal controls and for reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance against losses arising from mismanagement and that the Company's systems must be designed to manage rather than eliminate risk. Internal control and risk management is a defined ongoing process. It is designed to identify, evaluate and manage the significant risks faced by the Company. The system of internal control includes internal financial controls, operational procedures, risk management and compliance matters. The system has been in place throughout the year ended 29 January 2005 and up to the date of this Report. The Company has in place a system whereby employees can raise concerns about possible improprieties in confidence.

The Executive Directors review the risks to the business and through the Executive Committee reports to the Board and works within a risk management framework for the Company. The risk management framework is agreed and approved by the Board. This identifies business risk and is used to prioritise the actions to be taken by the management to address and manage the risks identified. During the year the Board has reviewed the need for an internal audit department in accordance with the Combined Code. In view of the size and scale of the Company, the Board decided it was not appropriate to expand the current scope of the internal audit function which focuses on stock movement throughout the business and the procedures for the movement of stock.

The Board is solely responsible for decisions in certain critical areas of the business that include the approval of capital expenditure projects, business plans and forecasts, acquisition and disposal of companies and business development strategies.

The Board has put in place an organisational structure with defined lines of responsibility and authority. Risks are assessed during the annual business planning process. The Company has a system of financial reporting which provides management and the Board with information, including monthly reporting of results, cash flows and capital expenditure and regular forecasting of the annual results.

Statement of Compliance with the Combined Code

The Board confirms that it has reviewed the effectiveness of the system of internal controls and that it has complied with Section 1 of the Combined Code throughout the period to the date of approval of the financial statements.

Auditors

The Company's Auditors, KPMG Audit Plc, have signified their willingness to continue in office. The Company's Auditors currently provide the Company with audit and audit related services which are directly linked to their audit work. The Audit Committee will consider, as the situation arises, any recommendation for the Auditors to undertake other services, in particular considering the issue of auditor independence. In accordance with Section 384 of Companies Act 1985, a Resolution to re-appoint them as Auditors will be proposed at the Annual General Meeting.

By order of the Board
J Stephens, Secretary
12 April 2005

Directors' Remuneration Report

The Remuneration Committee is comprised wholly of Non-Executive Directors. The Committee is chaired by B I Myers, and its full membership is detailed on page 14. It meets at least twice a year.

The Remuneration policy is set by the Board. However the Remuneration Committee determines the remuneration of the Executive Directors. The terms of reference of the Committee, as set by the Board, are to review and agree the terms and conditions of employment of the Executive Directors including the level of remuneration and other benefits. The remuneration policy aims to align the interests of the Executive Directors and Shareholders. This is achieved by providing a remuneration package comprising of salary and benefits, an annual performance bonus, incentives and pension provision. Salary, benefits and pension provisions are not subject to performance criteria. Any payments made to Executive Directors other than salary are not pensionable. In determining the level of remuneration for Executive Directors, the Remuneration Committee takes into consideration the need to encourage the enhancement of the Company's performance in the long and short term. It also looks to offer remuneration which will attract and retain Directors of the right calibre and experience and compares the levels of remuneration with the salaries of comparable UK based retailers.

The remuneration policy also covers the level of remuneration within the Company as a whole, particularly annual increases and the need to set targets which give Executive Directors and senior management an incentive to perform at the highest levels.

Details of the Directors' remuneration for the period under review are detailed in the audited table below. These include basic salary, fees and benefits in kind and pension contributions.

	Salary and fees £'000	Bonus £'000	Benefits £'000	**2005 Total £'000**	2004 Total £'000	Pension Contributions **2005 £'000**	Pension Contributions 2004 £'000
Executive Directors							
J R Murray	191	95	–	**286**	176	**30**	–
P F Mountford	201	99	2	**302**	176	**49**	–
J M Cook	125	52	15	**192**	146	**14**	–
*A J Wright	245	–	–	**245**	246	**–**	45
Non-Executive Directors							
**K Hamill	75	–	–	**75**	61	**–**	–
A J Allner	20	–	–	**20**	20	**–**	–
M J Bernstein	20	–	–	**20**	20	**–**	–
M J Gee	20	–	2	**22**	22	**–**	–
R J Gee	20	–	1	**21**	26	**–**	–
P J Moss	20	–	–	**20**	20	**–**	–
B I Myers	20	–	–	**20**	20	**–**	–
	957	246	20	**1,223**	933	**93**	45

*A J Wright resigned from the Board on 6 February 2004. £125,000 was paid to A J Wright for the cessation of contractual arrangements in February 2004 with further six monthly payments of £20,000 being made between August 2004 and January 2005.

**K Hamill received a fee of £65,000 during the year and was paid £10,000 for additional work.

Annual Performance Bonus

The Remuneration Committee undertook a review of the Annual Bonus Scheme during the year. As a result, each Executive Director has the opportunity to receive an annual bonus, if performance criteria are met. These criteria are re-set each financial year. The performance criteria for the year under review were based on the Company's profit before tax and cashflow. Each Executive Director had the opportunity to receive a bonus of up to 50% of salary depending on demanding profit and cashflow targets. The achievement of these targets triggers bonuses as a percentage of basic salary up to the capped maximum. There is no intention to change the bonus policy during the current financial year, although performance criteria are re-set each financial year.

Share Options and Medium-term Schemes

Information on the share options held by each Director is shown below. The options granted under the Executive Share Option Scheme may be exercised between three and ten years after the date of grant, subject to the performance criteria being achieved. The performance criteria is based on the basic earnings per share of the Company which varies from 4 pence per share in the year ended 29 January 2005 for those Executive Share options granted in 2001 to 5 pence per share in the year ending 27 January 2007 for those Executive Share options granted during the year under review. Conditions apply equally to all participating Directors. The Scheme is not approved by the Inland Revenue. Under the terms of the Scheme all options will vest on change of control.

The Remuneration Committee continually reviews the Share Option Schemes and Incentive Schemes to ensure they are in line with institutional guidelines and market practice.

Options were granted during the year under the Unapproved and Approved Executive Share Option Scheme. No options were granted under the Save as You Earn Scheme operated by the Company during the year.

The audited table below details options granted to Directors which were outstanding as at 29 January 2005.

	At 31 January 2004	Grant	Exercise	Lapsed	At 29 January 2005	Exercise Price (p)	Earliest Date of Exercise	Expiry Date
Unapproved Executive Share Option Scheme								
J R Murray	992,645	–	–	–	992,645	34.00	17.10.2005	16.10.2012
	–	300,000	–	–	300,000	61.75	11.05.2007	10.05.2014
	992,645	300,000	–	–	1,292,645			
P F Mountford	915,492	–	–	–	915,492	35.50	22.05.2005	21.05.2012
	–	350,000	–	–	350,000	61.75	11.05.2007	10.05.2014
	915,492	350,000	–	–	1,265,492			
J M Cook	919,115	–	–	–	919,115	34.00	17.10.2005	16.10.2012
	919,115	–	–	–	919,115			

The market price of the Company's shares during the year ranged from 54p to 124p; at 29 January 2005, the mid market price was 123.5p. No Director exercised options during the year (2004 – nil). Details of options which were granted and lapsed during the year are shown in the table above.

Pensions

The Moss Bros Group Plc Retirement and Life Assurance Plan is a defined contribution plan open to all eligible employees to which Executive Directors may belong. Due to the nature of the plan no pension entitlements are guaranteed. Alternatively, the Company will contribute at an agreed contribution rate to a Director's personal pension arrangement. The Company contribution for Directors is calculated on basic salary at various rates up to a maximum of 22.5%.

Service Contracts

It is the Company's policy that Executive Directors should have contracts of service with a one year notice period, except in order to attract high calibre executives, where, in accordance with normal market practice, the Company may offer newly recruited Executive Directors an initial two year notice period which reduces thereafter to one year. Provision for compensation for loss of office is included in the contracts.

Directors' Remuneration Report continued

Service Contracts continued

Details of the contracts currently in place for Executive Directors who have served during the year are as follows:

	Date of Contract	Unexpired Term and Notice Period	Provision for Compensation
J R Murray	06.08.2004	12 months	The Company is entitled to terminate the Executive Directors' employment on no notice or less than full notice and to pay basic salary in lieu of any period of notice
P F Mountford	06.08.2004	12 months	
J M Cook	15.10.2002	12 months	

In the event of a change of control of the Company (or equivalent circumstance), there are provisions, subject to certain terms and conditions, providing certain Executive Directors with a payment of liquidated damages to reflect the loss which would otherwise be suffered as a result of a change of control. In addition there is provision for certain Executive Directors to be compensated for any loss arising in the event of a change of control which could prevent the exercise of share options granted under the Company's Executive Share Option Scheme.

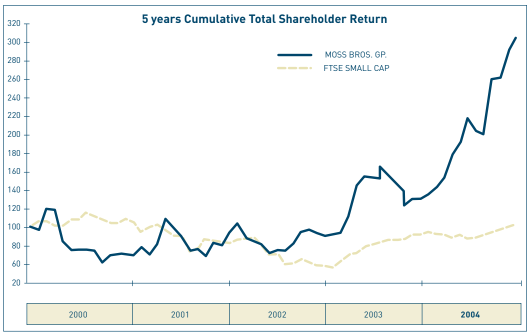
The Non-Executive Directors do not have contracts of service, but have letters of appointment which are subject to review varying from 12 months to three years.

External Appointments

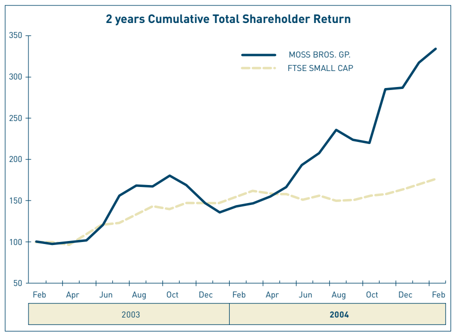
The Company believes there are benefits to the individual and the Company from Executive Directors accepting non-executive directorships in other organisations. Each Executive Director may accept a non-executive directorship provided that it does not conflict with the Company's interests. The Executive Directors may retain the fees from their external directorships.

Total Shareholder Return

Graph 1 below shows the total cumulative shareholder return of the Company since 1 February 2000. The index selected was the FTSE Small Capitalisation as this is the sector in which the Company is a constituent. Graph 2 shows the total cumulative shareholder return of the Company since February 2003.



Graph 1



Graph 2

Data provided by Thomson Financial Datastream.

By order of the Board
J Stephens
Secretary
12 April 2005

Report of the Independent Auditors to the Members of Moss Bros Group Plc

We have audited the financial statements on pages 24 to 35. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 19 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on page 19 reflects the Company's compliance with the nine provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement and the unaudited part of the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 29 January 2005 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
12 April 2005

8 Salisbury Square
London
EC4Y 8BB

Consolidated Profit and Loss Account

for the year ended 29 January 2005

	Notes	2005 £'000	2004 £'000
Turnover	2	**130,203**	124,071
Cost of sales		**(62,244)**	(61,760)
Gross profit		**67,959**	62,311
Operating costs			
Administration expenses		**(5,171)**	(4,950)
Shops selling and marketing costs		**(57,536)**	(56,524)
		(62,707)	(61,474)
Operating profit		**5,252**	837
Net interest receivable	3	**263**	166
Profit on ordinary activities before taxation	4	**5,515**	1,003
Exceptional tax credit	6	**3,388**	–
Tax charge		**(1,679)**	–
Total tax credit		**1,709**	–
Profit on ordinary activities after taxation		**7,224**	1,003
Dividend	7	**(1,373)**	(915)
Retained profit for the financial year	18	**5,851**	88
Earnings per share			
Basic	8	**7.89p**	1.11p
Adjusted basic (excluding exceptional tax credit)	8	**4.19p**	1.11p
Diluted	8	**7.63p**	1.09p
Adjusted diluted (excluding exceptional tax credit)	8	**4.05p**	1.09p
Dividend per share	7	**1.50p**	1.00p

There are no recognised gains or losses other than the results for each year shown above.

The above results arise from continuing operations.

Balance Sheet
as at 29 January 2005

	Notes	Group 2005 £'000	Group 2004 £'000 As Restated note 1	Company 2005 £'000	Company 2004 £'000 As Restated note 1
Fixed assets					
Tangible assets	9	**24,142**	23,500	**24,142**	23,500
Investments	10	**–**	48	**13,089**	13,137
		24,142	23,548	**37,231**	36,637
Current assets					
Stocks	11	**21,357**	19,571	**21,357**	19,571
Debtors	12	**6,040**	6,694	**7,440**	8,104
Deferred tax asset	12	**1,709**	–	**1,709**	–
Total debtors	12	**7,749**	6,694	**9,149**	8,104
Cash	22	**16,815**	16,313	**16,815**	16,313
		45,921	42,578	**47,321**	43,988
Creditors:					
amounts falling due within one year	13	**(18,986)**	(20,437)	**(34,302)**	(35,763)
Net current assets		**26,935**	22,141	**13,019**	8,225
Total assets less current liabilities		**51,077**	45,689	**50,250**	44,862
Provisions for liabilities and charges	14	**(17)**	(515)	**(17)**	(515)
Net assets		**51,060**	45,174	**50,233**	44,347
Capital reserves					
Called up share capital	15	**4,603**	4,598	**4,603**	4,598
Share premium account	16	**8,028**	8,014	**8,028**	8,014
Acquisition reserves	17	**353**	353	**4,370**	4,370
Profit and loss account	18	**38,076**	32,209	**33,232**	27,365
Shareholders' funds – Equity	19	**51,060**	45,174	**50,233**	44,347

The financial statements on pages 24 to 35 were approved by the Board of Directors on 12 April 2005 and were signed on its behalf by:

J R Murray

Director

Consolidated Cash Flow Statement

for the year ended 29 January 2005

	Notes	**2005 £'000**	**2005 £'000**	2004 £'000	2004 £'000
Net cash inflow from operating activities	22		**6,015**		4,599
Returns on investment and servicing of finance					
Interest received		**265**		168	
Interest paid		**(2)**		(2)	
Net returns on investments and servicing of finance			**263**		166
Taxation					
Corporation tax paid			**–**		(9)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		**(4,891)**		(2,664)	
Proceeds relating to the disposal of tangible fixed assets		**453**		1,909	
Investments		**16**		18	
Net capital expenditure and financial investment			**(4,422)**		(737)
Dividends paid			**(1,373)**		(678)
Net cash inflow before financing			**483**		3,341
Financing					
Issue of ordinary shares			**19**		172
Increase in cash in the year	22		**502**		3,513

1. Principal accounting policies
The following accounting policies, which are in accordance with applicable accounting standards, have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements. The balance sheets as at 31 January 2004 have been restated in accordance with UITF 38 as discussed in note 10 – there was no impact on the profit and loss account.

Basis of accounting
Freehold land and building and long and short leaseholds are stated at cost under the historical cost accounting rules.

Consolidation
The consolidated accounts incorporate the accounts of Moss Bros Group Plc and its subsidiary undertakings, all of which have made up their accounts to 29 January 2005. In accordance with the exemption made available in s230(4) of the Companies Act 1985, a separate profit and loss account, dealing with the results of the Company only, has not been presented.

Goodwill
Goodwill on acquistions, which took place prior to January 1998, has been written off against the profit and loss reserve. No acquisitions have taken place after 31 January 1998.

Turnover
Turnover comprises sales to third parties (excluding VAT) and is derived from the retail sale and hire of clothing and ancillary goods.

Fixed assets
Depreciation is calculated so as to write down on a straight line basis the cost or valuation of fixed assets over their estimated useful lives to their estimated residual values. Freehold properties are not depreciated as it is the Group's practice to maintain them to a standard whereby the estimated residual values based upon prices prevailing at the time of acquisition together with the lives of the assets are such that any depreciation would not be significant. The Directors undertake an annual impairment review and any impairment in the value of fixed assets is charged to the profit and loss account.

Leasehold location premiums relating to prime sites are written off at the rate of 2% per annum. Other location premiums together with leasehold improvements are written off over the period of the lease. The rates used for the other major classes of assets vary from 10% to 25% per annum.

Foreign exchange
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or where applicable at contracted rates. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the profit and loss account.

Pensions
Contributions payable to defined contribution schemes in respect of pension costs and other post retirement benefits are charged to the profit and loss account in the period to which they relate. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Stocks
Retail stock is valued at the lower of cost and estimated net realisable value. Hire stock is written down to nil over its estimated useful economic life, which is estimated by category of garment. Volume discounts received and receivable are deducted from the cost of stock. Settlement discounts are taken directly to the profit and loss account as they are deemed to be financing in nature.

Financial assets and liabilities
Short term debtors and creditors, as defined in financial reporting standard FRS13: Derivatives and other Financial Instruments: disclosures, have been excluded from the information contained in note 21, save those relating to currency risk.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

1. Principal accounting policies continued

Deferred tax continued

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not discounted.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

2. Turnover

All of the Group's turnover arose in the United Kingdom.

3. Net interest receivable	**2005 £'000**	2004 £'000
Interest receivable	**265**	168
Less: interest payable on bank overdraft	**(2)**	(2)
	263	166

4. Profit on ordinary activities before taxation		**2005 £'000**	2004 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting) the following:			
Current directors' emoluments including pension contributions (pages 20 to 22)		**1,071**	978
Former directors' emoluments (pages 20 to 22)		**245**	–
Auditor's remuneration: Audit	– Group/Company	**70**	70
Other fees paid to the auditor and its associates		**5**	5
Depreciation of tangible fixed assets		**4,198**	4,124
Operating lease charges	– Land and buildings	**22,077**	22,021
	– Other	**68**	96
Loss/(profit) on disposal of fixed assets		**95**	(68)
Exchange losses		**6**	18

Other fees paid to the auditors and their associates relate to audit related services.

5. Staff numbers and costs	**2005 Number**	2004 Number
Including Executive Directors, the average number of full-time equivalent staff employed by the Group during the year was as follows:		
Distribution	**99**	109
Selling and marketing	**920**	903
Administration	**56**	58
	1,075	1,070

	2005 £'000	2004 £'000
The aggregate payroll costs of these people were as follows:		
Wages and salaries	**21,059**	20,223
Social security costs	**1,877**	1,779
Other pension costs	**415**	329
	23,351	22,331

Directors' emoluments are disclosed within the Directors' Remuneration Report on pages 20 to 22.

6. Taxation

(a) Analysis of credit for the year

	2005 £'000	2004 £'000
Deferred tax asset recognised	**3,388**	–
Corporation tax charge at 30% (2004 – 30%)	**(1,679)**	–
	1,709	–

(b) Factors affecting the current tax charge for the year

The tax charge for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	**5,515**	1,003
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2004 – 30%)	**1,654**	301
Depreciation in excess of capital allowances	**196**	239
Expenses not deductible for tax purposes	**(73)**	153
Accounting loss/(profit) on disposal less than/(in excess of) taxable gain	**33**	(20)
Other	**(131)**	(46)
Prior year losses utilised	**–**	(627)
Current tax charge for the year	**1,679**	–

(c) Analysis of deferred tax asset

The deferred tax asset comprises:

	2005 £'000	2004 £'000
Group losses	**2,222**	3,545
Other short-term timing differences	**30**	189
Differences between accumulated depreciation and capital allowances	**(543)**	(749)
Deferred tax asset	**1,709**	2,985

The deferred tax asset as at 29 January 2005 is recognised and is included within debtors in note 12. The deferred tax asset as at 31 January 2004 was not recognised.

(d) Movement in deferred tax asset

	£'000
Balance at 1 February 2004	–
Recognised during year	3,388
Utilised during year	(1,679)
Balance at 29 January 2005	1,709

7. Dividend

	2005 £'000	2004 £'000
Half year dividend at 0.5 pence per share (2004 – nil)	**460**	–
Dividend for the year at 1.00 pence per share (2004 – 1.00 pence per share)	**920**	920
Write-back of waived dividends on shares held by QUEST (note 10) from prior years	**(7)**	(5)
	1,373	915

8. Earnings per share

Basic earnings per ordinary share are based on the weighted average of 91,545,602 (2004 – 90,585,412) ordinary shares in issue during the period and are calculated by reference to the profit on ordinary activities after taxation of £7,224,000 (2004 – £1,003,000). The calculation of weighted average shares excludes the 492,097 (2004 – 518,946) shares held by Moss Bros Group Qualifying Employee Share Ownership Trustee Limited (QUEST) which are under option to employees.

Diluted earnings per ordinary share are based upon the weighted average of 94,709,086 (2004 – 92,280,105) ordinary shares which takes into account share options outstanding and are calculated by reference to the profit on ordinary activities after taxation.

In order to provide a trend measure of underlying performance, Group profit on ordinary activities after taxation has been adjusted to exclude the exceptional taxation credit of £3,388,000 (2004 – £nil).

9. Tangible fixed assets

(a) Group and Company

	Freehold land and buildings £'000	Short leaseholds £'000	Equipment fixtures and vehicles £'000	Total £'000
Cost or valuation				
At 1 February 2004	859	6,706	51,483	59,048
Additions	–	25	4,866	4,891
Disposals	–	(16)	(251)	(267)
At 29 January 2005	**859**	**6,715**	**56,098**	**63,672**
Depreciation				
At 1 February 2004	–	3,464	32,084	35,548
Charged in year	–	238	3,960	4,198
Disposals	–	(15)	(201)	(216)
At 29 January 2005	**–**	**3,687**	**35,843**	**39,530**
Net book value				
At 29 January 2005	**859**	**3,028**	**20,255**	**24,142**
At 31 January 2004	859	3,242	19,399	23,500

(b) Commitments

Capital commitments for which no provision has been made in the financial statements were as follows:

	Group and Company **2005** **£'000**	2004 £'000
Contracted	**1,606**	1,578

Annual commitments under non-cancellable operating leases are as follows:

	2005 Land and buildings £'000	**2005** Other £'000	2004 Land and buildings £'000	2004 Other £'000
Annual commitments in respect of operating leases which expire:				
– within one year	**994**	**43**	975	20
– in the second to fifth year inclusive	**4,875**	**35**	3,576	61
– over five years	**15,579**	**–**	16,420	–
	21,448	**78**	20,971	81

The majority of these leases are subject to rent review.

10. Fixed asset investments (As restated)

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
At 29 January 2005 and 31 January 2004				
(i) Associated company	**–**	48	**–**	48
(ii) Subsidiary undertakings	**–**	–	**13,089**	13,089
Total	**–**	48	**13,089**	13,137

(i) The investment in associated company representing a 50% shareholding in the ordinary share capital of Delbanco Meyer (Textiles) Limited, a dormant company registered in England and Wales, was written off during the year.
(ii) A full list of subsidiaries, none of which are currently trading, will be submitted with the Company's annual return.
(iii) The prior year-end balance sheet has been restated to reflect the treatment of shares of the Company held under trust by Moss Bros Group Qualifying Employee Share Ownership Trustee Limited (QUEST) in accordance with UITF 38. The restatement has resulted in the deduction from Shareholders' funds of £107,000 reflecting the investment as at 25 January 2003. There has been no impact on the profit and loss account. The market value of the 492,097 shares held by the QUEST as at 29 January 2005 was £608,000 (2004 – £310,000).

11. Stocks

	Group and Company	
	2005	2004
	£'000	£'000
Retail stock	**16,899**	15,059
Hire stock	**4,128**	3,897
Cloth	**330**	615
	21,357	19,571

12. Debtors

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Amounts due within one year:				
Trade debtors	**128**	583	**128**	583
Amounts owed by Group undertakings	**–**	–	**1,412**	1,412
Other debtors	**29**	522	**17**	520
Prepayments and accrued income	**5,883**	5,589	**5,883**	5,589
	6,040	6,694	**7,440**	8,104
Amounts due after more than one year:				
Deferred tax asset (note 6)	**1,709**	–	**1,709**	–
	7,749	6,694	**9,149**	8,104

13. Creditors

Amounts falling due within one year	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Trade creditors	**9,140**	12,483	**9,135**	12,478
Amounts owed to Group undertakings	**–**	–	**15,341**	15,341
Amounts owed to associated undertakings	**–**	60	**–**	60
Other creditors including taxation and social security	**5,724**	4,250	**5,709**	4,235
Accruals and deferred income	**3,202**	2,729	**3,197**	2,734
Proposed dividend	**920**	915	**920**	915
	18,986	20,437	**34,302**	35,763
Other creditors including taxation and social security comprise:				
Other taxes	**3,581**	3,075	**3,581**	3,075
Social security	**527**	989	**527**	989
	4,108	4,064	**4,108**	4,064
Other creditors	**1,616**	186	**1,601**	171
	5,724	4,250	**5,709**	4,235

14. Provisions for liabilities and charges

	Group and Company Rationalisation costs £'000
Balance at 1 February 2004	515
Cash payments	(380)
Offset against debtors	(118)
Balance at 29 January 2005	**17**

Provisions were utilised during the year for head office restructuring and for store closures. The balance of the provisions is required for further rationalisation costs.

15. Share capital

	Group and Company £'000
Authorised:	
120,000,000 ordinary shares of 5p each	6,000
Allotted, called up and fully paid:	
At 31 January 2004	
91,965,305 ordinary shares of 5p each	4,598
90,866 ordinary shares of 5p each issued during the year pursuant to exercise of share options	5
At 29 January 2005	
92,056,171 ordinary shares of 5p each	**4,603**

15. Share capital continued

Savings related share option scheme:

Options are outstanding in respect of the following ordinary shares at 29 January 2005:

Number of ordinary shares	Exercisable option price per share	Exercisable option dates
31,894	88.5p	2005
644,176	20.0p	2006/2008

Executive share option scheme:

Options are outstanding in respect of the following ordinary shares at 29 January 2005:

Number of ordinary shares	Exercisable option price per share	Exercisable option dates
90,000	232.6p	2005/2006
95,000	241.0p	2005/2007
109,000	110.5p	2005/2008
20,000	111.5p	2005/2009
915,492	35.5p	2005/2012
1,911,760	34.0p	2005/2012
40,000	39.25p	2006/2013
2,170,000	61.75p	2007/2014

The Directors' Remuneration Report gives details of options granted over ordinary shares of 5 pence each during the year ended 29 January 2005.

16. Share premium account

	Group and Company £'000
Balance at 31 January 2004	8,014
Ordinary shares issued during the year	14
Balance at 29 January 2005	**8,028**

17. Acquisition reserves

	Group £'000	Company £'000
At 29 January 2005 and 31 January 2004	**353**	**4,370**

Cumulative goodwill written off directly to reserves for the Group is £10,498,000 (2004 – £10,498,000) and includes £6,311,000 (2004 – £6,311,000) relating to the acquisition of subsidiary companies.

18. Statement of retained earnings

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Profit and loss account brought forward as originally stated	**32,209**	32,228	**27,365**	27,384
Restatement – note 10	**–**	(107)	**–**	(107)
Contribution to QUEST	**16**	–	**16**	–
Retained profit for the year	**5,851**	88	**5,851**	88
Profit and loss account carried forward	**38,076**	32,209	**33,232**	27,365

19. Reconciliation of movements in Shareholders' funds

	Group		Company	
	2005	2004	**2005**	2004
	£'000	£'000	**£'000**	£'000
Profit for the year	**7,224**	1,003	**7,224**	1,003
Dividend	**(1,373)**	(915)	**(1,373)**	(915)
Retained profit for the year	**5,851**	88	**5,851**	88
Ordinary shares issued	**19**	172	**19**	172
Contribution to QUEST	**16**	–	**16**	–
Net movements to Shareholders' funds	**5,886**	260	**5,886**	260
Opening Shareholders' funds – As originally stated	**45,174**	45,021	**44,347**	44,194
– Restatement – note 10	**–**	(107)	**–**	(107)
Closing Shareholders' funds	**51,060**	45,174	**50,233**	44,347

20. Pensions

During the year ended 29 January 2005, the Group continued to operate a money purchase pension scheme for Directors and employees. The scheme's funds are administered by trustees and are independent of the Group finances. The scheme is funded by contributions from employees and from the Group at predetermined rates. There were no outstanding contributions at 29 January 2005 (2004 – nil).

21. Analysis of financial assets and liabilities

(a) Management of financial assets and liabilities

The Group's financial instruments comprise cash and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to manage the Group's liquidity.

The Group has not entered into any derivative transactions during the year and it is the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks.

Liquidity risk

The Group finances its operations primarily through retained profits and has an overdraft facility to finance its seasonal working capital requirement, if required. The Group's cash position is monitored daily by management and funds are only invested in investments approved by the Board.

Foreign currency risk

The Group's policy is to eliminate all currency exposures on purchases by buying the amount of currency required at the time the obligation is known and holding it in a designated bank account until it is needed. The direct foreign currency risk that the Group is exposed to is negligible.

Interest rate risk

Interest rate risk arises from the variable interest rate on the Company's overdraft facility to finance seasonal working capital requirement and on the variable interest rate on short term deposits. The Group is not exposed to any other interest rate risk.

21. Analysis of financial assets and liabilities continued

(b) Financial assets

	Floating rate financial assets 2005 £'000	Floating rate financial assets 2004 £'000
Currency:		
Sterling	**16,761**	16,300
Other	**54**	13
Total	**16,815**	16,313

Financial assets comprise cash and generate interest income related to Base Rate. The Group has no fixed rate financial instruments.

(c) Financial liabilities

There were no financial liabilities after excluding short term creditors as at 29 January 2005 (2004 – nil).

(d) Foreign currency

The functional currency of the Group is Sterling. As at 29 January 2005, the Group had nil foreign currency monetary liabilities in Euros (2004 – monetary liabilities of £129,000).

(e) Fair values of financial assets and liabilities

As at 29 January 2005, there was no material difference between the fair values and book values of the Group's financial instruments (2004 – nil).

22. Notes to the cash flow statement

	2005 £'000	2004 £'000
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**5,252**	837
Loss/(profit) on sale of fixed assets	**95**	(68)
Depreciation	**4,198**	4,124
(Increase)/decrease in stocks	**(1,786)**	2,244
Decrease in debtors	**204**	475
Decrease in creditors	**(1,568)**	(2,889)
Utilisation of provisions	**(380)**	(124)
Net cash inflow from operating activities	**6,015**	4,599
(b) Analysis of changes in cash and liquid resources during the year		
Balance at beginning of year	**16,313**	12,800
Net cash inflow	**502**	3,513
Balance at end of year	**16,815**	16,313

(c) Analysis of net funds – Group and Company

	Cash £'000
Balance at 25 January 2003	12,800
Movement in the year	3,513
Balance at 31 January 2004	16,313
Movement in the year	502
Balance at 29 January 2005	**16,815**

Five Year Record

	2001 £'000	2002 £'000	2003 £'000	2004 £'000	**2005 £'000**
Turnover	155,229	141,340	128,179	124,071	**130,203**
Cost of sales	(84,560)	(79,465)	(68,875)	(61,760)	**(62,244)**
Gross profit	70,669	61,875	59,304	62,311	**67,959**
Operating costs	(74,093)	(68,842)	(61,822)	(61,474)	**(62,707)**
	(3,424)	(6,967)	(2,518)	837	**5,252**
Provision for rationalisation costs	(12,000)	–	–	–	**–**
Impairment of intangible fixed assets	(2,220)	–	–	–	**–**
Writedown of fixed asset investment	(588)	–	–	–	**–**
Operating (loss)/profit	(18,232)	(6,967)	(2,518)	837	**5,252**
Profit on disposal of fixed assets	701	2,068	–	–	**–**
Net interest receivable/(payable)	22	(14)	(24)	166	**263**
(Loss)/profit before taxation	(17,509)	(4,913)	(2,542)	1,003	**5,515**
Taxation credit	1,529	2,065	364	–	**1,709**
(Loss)/profit after taxation	(15,980)	(2,848)	(2,178)	1,003	**7,224**
Dividends	–	–	(683)	(915)	**(1,373)**
Retained (loss)/profit	(15,980)	(2,848)	(2,861)	88	**5,851**
(Loss)/earnings per share: Basic	(17.67p)	(3.15p)	(2.41p)	1.11p	**7.89p**
Diluted	(17.67p)	(3.15p)	(2.41p)	1.09p	**7.63p**
Dividends per share	–	–	0.75p	1.00p	**1.50p**

Notice of Annual General Meeting

Notice is hereby given that the ninety-second Annual General Meeting of the Company will be held at 8 St John's Hill, London SW11 1SA on 26 May 2005 at 12 noon for the following purposes:

Ordinary Business

1 To receive the Directors' Report and Accounts for the year ended 29 January 2005.
2 To receive the Directors' Remuneration Report for the year ended 29 January 2005.
3 To declare a final dividend of 1.00 pence per Share.
4 To re-elect K Hamill a Director of the Company.
5 To re-elect B I Myers a Director of the Company.
6 To re-elect M J Bernstein a Director of the Company.
7 To re-appoint KPMG Audit Plc as Auditors and to authorise the Directors to fix its remuneration.

Special Business

8 (a) To resolve as an ordinary resolution that the Directors shall have unconditional authority to allot (within the meaning of section 80 of the Companies Act 1985) relevant securities of the Company to such persons, at such times and generally on such terms and conditions as the Directors may determine. The authority hereby conferred shall, subject to Section 80(7) of the Companies Act 1985, be for a period expiring on the date of the next Annual General Meeting of the Company unless renewed, varied or revoked by the Company in general meeting and the maximum nominal amount of relevant securities which may be allotted pursuant to such authority shall be £1,397,191.

(b) The Directors shall be entitled under the authority conferred by paragraph (a) above of this resolution or under any renewal thereof to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities of the Company to be allotted after the expiry of such authority.

9 (a) To resolve as a special resolution that the Directors shall be empowered for a period expiring at the date of the next Annual General Meeting of the Company to allot equity securities (within the meaning of section 94 of the Companies Act 1985) of the Company pursuant to the authority conferred by resolution 8 as if Section 89(1) of the Companies Act 1985 did not apply to such allotment and the Directors shall be entitled to make at any time prior to the expiry of the power thereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry of such power; provided that such power shall, subject as aforesaid, cease to have effect when the said authority is revoked or would, if not renewed, expire, but if that authority is renewed, it shall be by a special resolution of the Company passed in general meeting.

(b) The power contained in paragraph (a) above of this resolution shall be limited:

(i) to the allotment (other than pursuant to sub-paragraph (ii) below) of equity securities up to an aggregate nominal amount of £230,140 for the duration of the aforementioned power; and

(ii) to the allotment of equity securities in connection with rights issues in favour of ordinary Shareholders where the equity securities respectively attributable to the interests of all ordinary Shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them. The Directors may deal as they see fit with fractional entitlements and with legal or practical problems or the requirements of any regulatory body or stock exchange.

Notice of Annual General Meeting continued

10 To resolve as a special resolution that the Directors shall be authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of and to the extent permitted and to the extent the Directors' so decide to hold in treasury its own ordinary shares of 5p each on such terms and in such manner as the Directors shall determine, provided that:

(i) the maximum number of ordinary shares hereby authorised to be acquired shall be 9,205,617 ordinary shares;

(ii) the minimum price which may be paid for each ordinary share shall be 5p and the maximum price shall be an amount equal to 105% of the average of the middle market quotations for the ordinary shares of the Company (derived from The Stock Exchange Daily Official List) for the five business days prior to the date of purchase; and

(iii) the authority hereby given shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may make a purchase of ordinary shares under such authority after such date if the contract of purchase for the same was entered into before such date.

By order of the Board
J Stephens
Company Secretary
12 April 2005

Registered Office:
8 St Johns Hill
London
SW11 1SA

Notes:

Copies of the Directors' service contracts with the Company will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public bank holidays excepted) from the date of this notice until 26 May 2005 and also at the place of the meeting for at least 15 minutes prior to and throughout the meeting.

A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him or her; a proxy need not be a member of the Company.

A form of proxy is enclosed for the use of the member. If you do not intend to be present at the meeting place, complete the proxy card, sign it and return it so as to reach Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU at least 48 hours before the time fixed for the meeting. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.

Form of Proxy

For use by Ordinary Shareholders at the ninety-second Annual General Meeting of the Company to be held 26 May 2005.

I/We (name in full) ____________________
(IN BLOCK CAPITALS PLEASE)

of ____________________

being holder(s) of ordinary shares of 5p each of the Company, hereby appoint the Chairman, or failing him the Senior Non-Executive Director or ____________________
to act as my/our proxy at the Annual General Meeting of the Company to be held on 26 May 2005 and at any adjournment thereof, and to vote on my/our behalf as directed below and on any other resolutions in such manner as my/our proxy thinks fit.

Please indicate with an X in the spaces provided how you wish your votes to be cast on a poll. Should this form be returned duly signed, but without specific direction, the proxy will vote or abstain at his discretion.

RESOLUTIONS	FOR	AGAINST
1. To receive the Directors' Report and Accounts for the year ended 29 January 2005.		
2. To receive the Directors' Remuneration Report for the year ended 29 January 2005.		
3. To declare a final dividend of 1.00 pence per Share.		
4. To re-elect Mr K Hamill a Director of the Company.		
5. To re-elect Mr B I Myers a Director of the Company.		
6. To re-elect Mr M J Bernstein a Director of the Company.		
7. To re-appoint KPMG Audit Plc as auditors and to authorise the Directors to fix its remuneration.		
8. To renew the Directors' general authority to allot shares.		
9. To approve the terms under which the Directors' may issue shares.		
10. To renew the Directors' authority to purchase shares in the Company.		

Signature ____________________

Dated this: __________ day of ____________________ 2005

To facilitate arrangements for the meeting, please tick here (without commitment on your part) if you propose to attend the meeting. ☐

Notes:
1. A proxy need not be a member of the Company.
2. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.
3. In the case of a corporation this proxy must be given either under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. To be effective this proxy must be lodged at the address overleaf not later than 48 hours before the time of the meeting, or any adjournment thereof, together if appropriate, with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of authority.
5. Any alterations made in this form should be initialled.
6. If it is desired to appoint as proxy any person other than the named proxies, his/her name and address should be inserted in the relevant place, reference to the named proxies deleted and the alteration initialled.
7. Full details of the resolutions to be proposed at the AGM are set out in the Notice of Meeting.

FIRST FOLD

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB122

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Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent BR3 4BR

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