MOSS BROS GROUP PLC

ANNUAL REPORT & ACCOUNTS 2007/08

CONTENTS

CHAIRMAN'S STATEMENT

The results for the year to the end of January 2008 are set out in the attached accounts. The trading performance was not satisfactory. The Company achieved revenue of £130.2m, with a flat like for like sales performance after adjusting for stores opened and closed. The financial result was a loss before tax of £1.4m – compared with a profit before tax of £5.1m in the previous year. However, the result for this year was after non-cash write-downs and non-recurring items of £1.6m and the adjusted profit before tax excluding these items was £0.2m. Adjusted EBITDA was £6.5m.

After a number of years of improving results, this is the second year in which the Company's performance has declined. The predominant cause of this problem is the increasingly challenging retail environment and in line with previous experience menswear has been one of the first sectors of the retail market to suffer adverse consumer trends. These developments have particularly affected the Company's mid market business activities where competition has become increasingly intense. In comparison the Company's up market and fashion stores have performed more satisfactorily. At the same time fixed property and utility related costs have continued to accelerate at rates well ahead of general inflation.

During the year controllable costs were well managed. In addition, management has taken action in early 2008 to restructure head office and support operations in order to reduce costs and simplify the organisational structure.

Management has also taken action to protect the Company's cash position. As a result of a strong performance in reducing working capital by £3.4m, the operating free cash flow remained positive, after an investment of £9.0m in capital expenditure. Control over inventory has been improved and the inventory is reasonably current. At the year end the Company had a cash balance of £15.5m, compared with £16.6m at the start of the year. The average cash balance was £7.6m, in line with the previous year.

Capital expenditure in the current year will be constrained in order to maintain the cash position.

On 25 February 2008, the Company announced that it had received a financed indicative offer to acquire the Company's shares at 42 pence per share in cash from a new company to be formed by Baugur Group hf and certain investment partners (Newco). Baugur is an investor in Unity Investments ehf ("Unity"). The Company granted the new company due diligence. Mr. Mark Bernstein, who is a Director of the Company, dissented from this decision. The Board will update the shareholders on this matter as soon as possible and anticipates doing so no later than early May.

In view of the possible offer for the Company, the Board is not proposing a final dividend this year – total dividends for the year, following declaration and payment of the interim dividend are 0.5 pence per share (Ly: 1.80 pence per share for the year), the cost of which is £0.5m. It is the intention of the Board to declare a special dividend of 1.30 pence per Share if Newco does not announce a firm intention to make a takeover offer for the Company or any such offer is withdrawn or lapses without becoming or being declared unconditional in all respects. The declaration of a special dividend by the Board will be subject to considerations relevant at the time.

CHAIRMAN'S STATEMENT
CONTINUED

The attached Business Review sets out developments within the business. The implementation of the new store computerised systems has been completed and the new Distribution Centre in Barking has now had a full year of operations in which it has progressively improved its efficiency. There are now also plans to open a further three stores under the successful franchise arrangements with Hugo Boss. In addition, the Board has approved an investment of £1.8m to strengthen its systems for the important Moss Bros Hire business.

During the year the Board was also restructured, with a reduction in the number of Directors from the founding Moss and Gee families and the appointment of two Directors, associated with Unity, which is the beneficial owner of 28.5% of the Company's issued share capital. As a result Tony Bogod and Don McCarthy joined the Board. It was intended that this development would create a stable and consensual basis to enable management to make necessary strategic changes in the business with the support of the main shareholders. However, we have not achieved the benefits we had hoped from this development.

On 13 November 2007, the Board announced that I intended to retire from the Board on 9 April 2008. At the request of the Board I have deferred my retirement until the due diligence period referred to above has been completed.

This will be the last statement I will have the opportunity to make to the Company's shareholders. The Company has a number of potentially good businesses with significant assets and has retained a reasonably good current cash position. However, it is faced with a difficult and highly competitive market and high and accelerating fixed costs. It is also experiencing the effects of rapidly changing consumer trends. The future of the Company will depend upon its ability to react to these challenges with innovation and pace. I would like to thank my colleagues on the Board and in management over my period as Chairman for their support and consideration and wish the Company good fortune in the future.

KEITH HAMILL CHAIRMAN
3 April 2008

DIRECTORS AND ADVISORS

CHAIRMAN
Keith Hamill

EXECUTIVE DIRECTORS
Philip Mountford Chief Executive
Michael Hitchcock Finance Director

NON-EXECUTIVE DIRECTORS
Mark Bernstein
Anthony Bogod
Rowland Gee
Bob Marsh Independent Non-Executive Director
Don McCarthy
Bernie Myers Senior Independent Non-Executive Director

SECRETARY
Julia Stephens

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CHIEF EXECUTIVE'S BUSINESS REVIEW

OVERVIEW

The results for the year are in line with expectations and reflect the effect of deteriorating retail markets, particularly in menswear and continuing increases in property and utility costs. Management has already taken action to react to the market conditions and prepare for what will be a challenging year. The internal structure within the business is being aligned to the ongoing economic climate whilst at the same time reducing the complexities and processes, which operate within the business.

Action has been taken to ensure that the inventory position is satisfactory. The Company has benefited from a stable IT infrastructure during the year following its introduction in the previous two years, which has facilitated the reduction in the overall inventory balance and reduced the ageing of the inventory considerably. At the same time, the business has had a full year of operations in the new Distribution Centre and as a result the strategic direction for this facility has become clearer. Increasingly efficient and professional supply chain practices are being introduced to limit the length of time new inventory takes to pass through the Distribution Centre.

The Company has also maintained its strong cash position while continuing its new store rollout program along with its plan to refit all mainstream stores across the portfolio. New stores in aggregate are meeting the investment criteria set during the approval process and the refits are justified when comparing the refitted store performance to the non-refitted store performance. These strategies will continue where it makes good commercial sense throughout the coming year.

The continuing diligent control of cash within the business from working capital management to cost awareness will allow the business to take advantage of opportunities which may present themselves in the current environment.

BUSINESS REVIEW

STORES

BUSINESS KEY PERFORMANCE INDICATORS

Following on from the extensive customer research conducted into the Moss fascia in 2006, the business continues to use stores, products and suppliers as its key performance drivers. Within each of these there are measures, UPT (units per transaction – the number of units purchased on average per transaction), ATV (average transaction value – the average price paid per transaction), sales per square foot, gross margins, and contribution being the most prominent. For the coming year, the business is undertaking a commercial audit of all its stores to identify the best practices, which can be mirrored across all other stores. This audit will be operational and financial based and address both product and process across all stores by fascia.

MAINSTREAM

The mainstream Moss stores bore the brunt of the consumer fall out during the latter part of the year, as their focus has tended to be in the mid priced market segment. Whilst like for like sales recorded a decline of 3.2% retail gross margin recorded an increase of 50 basis points. The business is moving Moss away from the highly competitive lower priced end of the menswear market, which is increasingly being eroded by greater competitive pressures, including supermarkets. This is reflected in an increasing average selling price and decreasing units sold. The margin gains have been achieved through a careful choice of suppliers across all product categories and the consolidation of volume into fewer suppliers. This gain was partially offset by promotional strategies to generate footfall, particularly in the final quarter of the year.

Expansion

Two new stores were opened in the year and three were relocated into more prime retail sites. During 2008, at least three more sites will be opened and two stores will be re-sited to more prime retail locations in the same town or city.

Refits

All non-refitted stores across the Moss fascia will undergo a store refit over the next three years. Twenty five stores were refitted in 2007 ranging from a refresh to a full refit. The consistent focus across all refits is not only to provide an improved shopping environment but also to optimise trading space and increase linear footage. This refit program will continue throughout 2008.

Factory Outlets

Like the Moss fascia, the outlets saw a last quarter fall in footfall in the centres in which they are located which curtailed like for like sales and left them down 4.4%. Despite the need for investment of margin gains into promoting and encouraging footfall, the retail gross margin increased 10 basis points through better sourcing.

Management is committed to the focused rollout of the factory outlet concept and this was borne out in the year with three new outlets. One of these stores was in Kildare in Ireland, which has proved a great success. Further openings were in Bridgewater Park in Northern Ireland and Gunwharf Quay in Portsmouth. Our fascia is now represented in all the major outlet locations and as new sites are opened we will consider each new site on our strict commercial criteria.

FASHION

Fashion recorded a credible like for like sales increase of 3.8% at the marginal cost of a reduction in retail gross margin of 40 basis points. The fashion conscious customers, whom our fashion fascias attract, have been less affected by the macro economic adversities in the UK economy. Management continues to ensure that the best and most fashionable brands are represented in its stores so as to remain the destination of choice for fashion led customers.

The gross margin decline is a direct result of a strategy to reduce the inventory cycle within the business.

Hugo Boss

The Company now operates 15 Hugo Boss stores in the UK with a further two to open in 2008. In addition our Meadowhall Cecil Gee store will close to allow for the expansion of the Hugo Boss store on the existing site. The Hugo Boss brand continues to grow internationally and the Company works closely with the brand sharing ideas and initiatives that continue to drive impressive sales figures from this fascia. Two stores have been refurbished in early 2008.

Canali

The continuing success of the only stand alone Canali retail franchise in the UK has led to a further site being identified and is scheduled to open in the middle of 2008, subject to contract finalisation. There is further opportunity to expand this brand in the UK and potential new locations have been identified which it is hoped will lead to further openings in 2009. The Company is working with this icon brand to introduce and make more individuals aware of luxury fashionable tailoring.

CHIEF EXECUTIVE'S BUSINESS REVIEW

CONTINUED

Simon Carter

Our continuing success with retail franchises has provided the Company the opportunity to work with the fashion brand, Simon Carter, which has considerable potential in the UK. The first Simon Carter retail store opened in Covent Garden during 2007 and a second store opened in Manchester in March 2008.

Cecil Gee

Cecil Gee performed better in a very competitive retail fashion environment. The fascia has reduced the number of brands it offers to concentrate on key selling lines, and to help reduce the complexities across the business of supplying such a large number of SKUs (stock-keeping units).

HIRE

Moss Bros Hire remains the number one recognised brand name in the UK hire market. The market itself remains stable with a slight decline in wedding numbers offset by the continuing growth in university related events and in events styled on the US school prom model. The latter segment of the market has come under pressure from the retailing of cheap black tie garments in supermarkets, a product which, although lacking a certain quality, does appeal to the value orientated customer.

The business is committed to retaining its market leader position by providing first class customer service fulfillment, greater product awareness through its on-line presence and its superior product offering. To this end it is investing £1.8m introducing a new Hire supply chain infrastructure, which will be ready in early 2009.

INTERNET SHOPPING

A new Moss.co.uk website was 'soft-launched' in November 2007 to trial the site and test run the in-house product fulfillment. A full launch took place in March 2008. The new site includes well over 700 products and replicates the specialist customer service that has come to be expected from the largest retailer of branded suits in the UK, including style guides and help in deciding what to wear to certain specialist events.

SUPPLY CHAIN

The business has strategically shifted the mix in its supply chain from mainland Europe to China and as a result has achieved a greater buying gross margin. The buying team regularly visits China to inspect factories and find the lowest cost base where our product can be produced whilst retaining the quality our customers have come to expect.

DISTRIBUTION CENTRE

The distribution centre has had its first full year of operations in its new location in Barking. Throughout this first year procedures have been put in place for managing key trading events, peak periods of product handling and more efficient methods of inventory handling. This learning has helped to develop a distribution centre strategy to allow for supply chain enhancements, Moss Bros Hire growth, new product introduction and the removal of complexity from our supply chain. The key objective going forward will be to reduce the number of times product is handled across its supply chain, and the business is working with its suppliers to make this a reality.

IMPROVING OPERATIONAL EFFICIENCY

Having new and fashionable product with enviable value for money and quality is a prerequisite for our customers, but any business needs quality staff to sell this product, particularly as a specialist product retailer.

It remains a key part of the Company's strategy to develop people within the business. This runs from the people bringing the product into the business through to the people selling the product onto our customers. It also includes the back office functions, which support the business.

The interface between the buyer, merchandiser and seller is key and the business places huge emphasis on this to ensure the end-to-end customer experience is satisfactory. As the business achieves these objectives its ability to sell quality branded merchandise in ever increasing volumes and at higher selling prices becomes self-evident. UPT achieved was 1.89 and the ASP (average selling price – the average price paid per item across all product categories) rose 3.5%, testament to a collaborative strategy across the business.

RISKS AND UNCERTAINTIES

CASH

One of the Company's key objectives in the current challenging retail environment is to maintain cash flow, credit and strong cash balances. This has been achieved by managing cash on a daily basis and committing funds only on projects that meet appropriate financial hurdles. The average daily cash balance has been maintained year on year at £7.6m.

INVENTORY AND CONTINUITY OF SUPPLY

Too much inventory can lead to a terminal inventory issue and too little inventory can result in lost sales. The business spends a lot of time working with existing and new suppliers to ensure the continued flow of fashionable and leading inventory through the business. The business has a demand-forecasting tool to predict the levels of inventory required to meet the expected demand for each and every stock-keeping unit. This business tool has resulted in 38% less Autumn/Winter 2007 and older inventory at the year-end compared to last year (Autumn/Winter 2006 and older inventory).

PROPERTY

The business operates from a portfolio of high street, shopping centre and factory outlet stores all held under operating leases. Each store is evaluated on a year-to-year basis to assess its ongoing commercial viability. There are a number of locations in the UK and Ireland, which would suit one of the businesses' fascias, and the Company engages property agents to identify opportunities for the development of its store portfolio. The Company is having increasing success negotiating attractive retail arrangements on new stores.

STAFF HIRING AND RETENTION

The Company has the reputation for attracting some of the brightest young talent in fashion and it tries to ensure that it not only maintains this attraction but also retains this talent. Training, support and remuneration are all recognised as playing their role in helping to achieve this retention.

RETAIL MARKET DOWNTURN

Management expects the coming year to be challenging and has already taken action to react to the market conditions and prepare for further adverse market movements. The internal structure within the business is being aligned to the ongoing economic climate whilst at the same time reducing the complexities and processes, which operate within the business. The business has also strategically lowered its overall average inventory holding, significantly reducing the level of inventory older than one year.

CHIEF EXECUTIVE'S BUSINESS REVIEW

CONTINUED

FINANCIAL REVIEW

		2007/08	
TRADING RESULTS	1st half	2nd half	Full year
Retail sales v last year (like for like)*	+3.0%	-2.8%	-0.2%
% Gross profit	55.6%	53.1%	54.3%
% Gross profit v last year	+0.4%	–	+0.2%
(Loss)/profit before taxation and non-recurring items	£(0.8)m	£1.0m	£0.2m

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

The year was a tough period for retail generally, particularly the final quarter, which combined with continuing increases in fixed operational costs took profits lower.

SALES

The higher end priced product continued to see increases despite the challenging retail sector. This is borne out by the performance of both Hugo Boss and Canali, which saw like for like sales increases of 6.4% and 5.6% respectively for the year ended 26 January 2008. Cecil Gee achieved a flat like for like sales performance.

Moss and the Outlets bore the brunt of the consumer slow down with menswear normally seeing the first effects of any slowing of economic growth. Looking behind the performance, however, shows resilience in the branded higher end priced product, which helps to explain the increase in ASP by 3.5%.

OPERATING COSTS

Administrative expenses, shops' selling and marketing costs ('operating costs') increased by 7.1% in the year, 2.2% after adjusting for non-recurring items. After adjusting for new and closed stores, like for like operating costs in the year increased by 3.5%, despite like for like occupancy costs including rent, rates, service charges and utilities increasing 4.5%. Cost responsibility is operated across the business and this has helped to control payroll costs with like for like labour costs up only 1.5% and total like for like controllable costs down 10.6%.

During the year the Company chose to exit from a number of stores, which, alongside some property asset impairments, produced a net property related loss of £1.3m.

In the face of what has been and what continues to be a challenging retail sector the business is seeking to reduce duplication and complexity across certain support functions within the business. This will ultimately lead to some redundancies which management hopes to keep to a minimum by keeping existing vacant roles unfilled. A provision of £0.3m has been made in the accounts to allow for these redundancy costs.

TAXATION

An adjustment to prior year's deferred tax has resulted in a one off catch up charge of £0.5m, which adjusts prior year figures.

(LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share (1.44) pence per share compared to 3.44 pence per share (restated) last year.

DIVIDEND

In view of the possible offer for the Company, the Board is not proposing a final dividend this year – total dividends for the year, following declaration and payment of the interim dividend are 0.5 pence per share (2007 – 1.80 pence per share for the year), the cost of which is £0.5m. It is the intention of the Board to declare a special dividend of 1.30 pence per share if Newco does not announce a firm intention to make a takeover offer for the Company or any such offer is withdrawn or lapses without becoming or being declared unconditional in all respects. The declaration of a special dividend by the Board will be subject to considerations relevant at the time.

INVESTMENT

Capital expenditure in the year included the purchase of property, plant and equipment for £8.5m (2007 – £9.3m); this included £1.4m (2007 – £1.9m) for new hire inventory. Capital expenditure also included the purchase of intangible assets (IT software) for £0.5m (2007 – £1.9m); this included £0.2m for a new transactional website www.moss.co.uk. Depreciation of property, plant and equipment is £7.0m (2007 – 6.0m), of which £1.7m (2007 – £1.3m) relates to hire inventory. Amortisation of intangible assets is £0.3m (2007 – £0.2m). Reclassifications are discussed in the Notes to the Financial Statements.

CASH

Despite a lower trading performance, the year-end cash balance is still a healthy £15.5m compared to £16.6m last year. Effective working capital management has maintained an average daily cash balance in line with last year at £7.6m.

INVENTORY

Inventory has been very diligently monitored throughout the year resulting in a lower inventory balance and an inventory ageing mix very close to industry-recognised standards. The business continues to operate its buying and selling practices to ensure the right inventory is in the right place at the right time; the level of terminal inventory in the business is kept to a minimum by promotionally selling it through as we come to the end of each season.

TRADE AND OTHER PAYABLES

The renegotiated terms and conditions with our suppliers had a full effect during the year and this helped maximise the average cash balance whilst improving the product gross margin.

P F MOUNTFORD CHIEF EXECUTIVE
3 April 2008

BOARD OF DIRECTORS

DIRECTORS

Keith Hamill (55) 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 Tullet Prebon plc, Alteman plc and Travelodge Limited. He is Deputy Chairman of Collins Stewart plc as well as being Deputy 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. He has signified his intention to retire as Non-Executive Chairman in the near future, by which time he will have been Non-Executive Chairman for seven years.

Philip Mountford (43) 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.

Michael Hitchcock (43) Finance Director. Joined the Board on 11 October 2006 as Finance Director. He was previously Finance Director of Ottakars Plc and held senior financial roles at Rank Group Plc and Diageo Plc.

Mark Bernstein (48) Non-Executive Director. Joined the Board as a Non-Executive Director on 19 December 2001. He chairs a number of private technology companies.

Rowland Gee (62) 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.

Robert Marsh (56) Independent Non-Executive Director. Joined the Board as a Non-Executive Director on 25 May 2006. He is also a Non-Executive Director of Noteframe Limited (Ethel Austin) and Managing Director of MRSBC GmbH (Wehmeyer-Germany). He was previously Managing Director of SB Capital Europe.

Bernard Myers (64) 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 Private Trust Holding AG. He was formerly a Managing Director of NM Rothschild & Sons Limited.

Don McCarthy (52) Non-Executive Director. Joined the Board as a Non-Executive Director on 25 May 2007. He is Executive Chairman of House of Fraser and Chairman of Aurum Holdings (Goldsmiths, Mappin & Webb and Watches of Switzerland) as well as being a Non-Executive Director of the Illum and Magasin department stores in Denmark. He is also a member of the Baugur Group Board and previously was the Chairman and majority stakeholder of Rubicon Retail Limited prior to its sale in 2006.

Anthony Bogod (48) Non-Executive Director. Joined the Board as a Non-Executive Director on 25 May 2007. He is a director of Unity Investments ehf and was previously a partner at BDO Stoy Hayward LLP, with whom he worked for 25 years.

AUDIT COMMITTEE OF THE BOARD

B I Myers (Chairman)
K Hamill
R K Marsh

REMUNERATION COMMITTEE OF THE BOARD

B I Myers (Chairman)
K Hamill
R K Marsh

NOMINATION COMMITTEE OF THE BOARD

K Hamill (Chairman)
M J Bernstein
R J Gee
R K Marsh
B I Myers
D McCarthy (Appointed 25 May 2007)
A Bogod (Appointed 25 May 2007)

DIRECTORS' REPORT

The Directors of Moss Bros Group Plc present their Annual Report and audited financial statements for the year ended 26 January 2008.

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 26 January 2008 together with comparatives is shown below. A detailed review of the Group's activities and the results are included in the Chief Executive's Business Review.

	2008 **£'000**	2007 (restated) £'000
Revenue	**130,171**	133,876
Operating (loss)/profit	**(1,767)**	4,754
Financial income	**387**	354
(Loss)/profit before taxation	**(1,380)**	5,108
Taxation	**28**	(1,912)
(Loss)/profit after taxation	**(1,352)**	3,196

DIVIDENDS

In view of the possible offer for the Company, the Board is not proposing a final dividend this year – total dividends for the year, following declaration and payment of the interim dividend are 0.5 pence per share (2007 – 1.80 pence per share for the year), the cost of which is £0.5m. It is the intention of the Board to declare a special dividend of 1.30 pence per share if Newco does not announce a firm intention to make a takeover offer for the Company or any such offer is withdrawn or lapses without becoming or being declared unconditional in all respects. The declaration of a special dividend by the Board will be subject to considerations relevant at the time.

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 18 to the accounts. Each share carries the right to one vote at general meetings of the Company.

Section 992 of the Companies Act 2006, which implements the EU Takeovers Directive, requires the Company to disclose certain information. These requirements are dealt with elsewhere in the Annual Report and Accounts, however, the following additional disclosures are required:

The Company's Articles of Association ("Articles") give power to the Board to appoint Directors, but require Directors to submit themselves for election at the first Annual General Meeting following their appointment and for one third of the Board to retire by rotation at each Annual General Meeting. The Articles may be amended by special resolution of the shareholders.

The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the relevant statutes, the Company's Memorandum of Association and the Articles. The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating to the issuing and buying back of shares are also included in the Articles and such authorities are renewed by shareholders each year at the Annual General Meeting.

DIRECTORS' REPORT
CONTINUED

MAJOR SHAREHOLDINGS
At 3 April 2008, the Company's share register of substantial shareholdings showed the following interests of 3% or more of the Company's shares:

	Number of shares	% of issued share capital
Cantor Fitzgerald Europe*	26,896,932	28.45%
Credit Agricole Cheuvreux International	7,812,613	8.26%
G S Pitt and P J Moss	6,737,965	7.13%
Laura Ashley Holdings Plc	5,870,494	6.21%

* The Company has been advised that Unity Investment ehf and Kaupthing Bank hf have an interest in these shares. Kaupthing Bank hf also had an interest in 2,500 of the Company's shares as of 3 April 2008.

ANNUAL GENERAL MEETING
The Resolutions to be proposed at the Annual General Meeting to be held on 25 June 2008, together with explanatory notes, appear in the Notice of Meeting sent to all Shareholders with a Form of Proxy.

The Directors are of the opinion that the Resolutions to be proposed at the Annual General Meeting are in the best interests of the Company's Shareholders as a whole and they recommend Shareholders to vote in favour of the Resolutions to be proposed at the Annual General Meeting, as they intend to do in respect of their own shareholdings, amounting in aggregate to 2,796,771 ordinary shares (representing approximately 3% of the issued ordinary share capital of the Company).

GENERAL AUTHORITY TO ALLOT SHARES
A Resolution to renew the Directors' general authority to allot relevant securities in the Company, without having to obtain the prior approval of the Shareholders at a general meeting of the Company prior to each individual allotment, is proposed under Resolution 9 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 £1,273,462 representing 21% of the authorised share capital of the Company and this authority will remain in force until the earlier of the next Annual General Meeting of the Company and 24 September 2009. As at 3 April 2008, the Company did not hold any shares in the Company as treasury shares. At present, the Directors' have no intention to exercise this authority.

DISAPPLICATION OF PRE-EMPTION RIGHTS
Resolution 10, which will be proposed as a special resolution, seeks to renew the authority conferred on the Directors at last year's Annual General Meeting to issue equity securities of the Company for cash without first offering them to existing Shareholders in proportion to their existing shareholdings. Other than in connection with a rights or other similar issue (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) the authority contained in this Resolution will be limited to an aggregate nominal value of £236,326 which represents less than 5% of the Company's issued ordinary share capital as at 3 April 2008. The renewed authority will remain in force until the date of the next Annual General Meeting or 24 September 2009, whichever is the earlier. It is a standard resolution for most UK listed companies each year.

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the Treasury Shares Regulations) came into force on 1 December 2003, with the result that the requirements of section 89 of the Companies Act 1985 also apply to a sale by the Company of any ordinary shares it holds as treasury shares under the Treasury Shares Regulations, except to the extent these are disapplied. If Resolution 10 is passed then the authority sought and the limits set by this

Resolution will disapply the application of section 89 of the Companies Act 1985 from a sale of treasury shares to the extent specified in this Resolution.

In accordance with the Statement of Principles on disapplying pre-emption rights issued in 2006 by the Pre-Emption Group (which is supported by the Association of British Insurers, the National Association of Pension Funds Limited and the Investment Managers Association), the Board confirms its intention that no more than 7.5% of the issued share capital will be issued for cash on a non pre-emptive basis during any rolling three year period. The Directors have no present intention of exercising this authority.

AUTHORITY TO BUY IN SHARES

A Resolution, which will be proposed as a special resolution, to renew the Directors' authority to make market purchases of the Company's shares is contained in Resolution 11. The maximum number of shares which may be acquired pursuant to this authority is 9,453,075 which is 10% of the issued share capital of the Company as at 3 April 2008. This authority will expire at the conclusion of the Annual General Meeting in 2009 or 24 September 2009, whichever is the earlier.

The Directors currently have no intention of using their authority to make market purchases. Should this change, and the Directors decide to make market purchases, they will only do so if such market purchases are expected to result in an increase in the Company's earnings per share and are in the best interests of the Company's Shareholders. The Directors must ensure that, any market purchases made, are made at a minimum price of 5 pence per ordinary share or a maximum price equal to either (i) 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, or (ii) the higher of the price of the last independent trade and the highest current independent bid on The London Stock Exchange. If the Directors use their full authority to make market purchases, the Company's shares under option (currently totalling 8,483,702 representing approximately 8.97% of the issued share capital of the Company) will represent an increased percentage of the issued share capital being approximately 9.97% of the issued share capital of the Company.

The Treasury Shares Regulations, which came into force on 1 December 2003, permit the Company to purchase and hold as treasury shares, ordinary shares with an aggregate nominal value not exceeding 10% of the nominal value of the issued ordinary shares of the Company at the relevant time. Shares held in treasury in this manner can be cancelled, sold for cash or, in appropriate circumstances, used to meet obligations under employee share schemes. Any ordinary shares held in treasury would not be eligible to vote nor would any dividend be paid on any such ordinary shares. If any ordinary shares purchased pursuant to the authority in Resolution 11 are not held by the Company as treasury shares then such shares would be immediately cancelled in which event the number of ordinary shares in issue would be reduced.

The Directors believe that it is desirable for the Company to have this choice. Holding repurchased shares as treasury shares gives the Company the ability to re-issue them quickly and cost effectively and provides the Company with additional flexibility in the management of its capital base. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

ARTICLES OF ASSOCIATION

Resolution 12, which is proposed as a special resolution, proposes that the provisions in the Company's Articles of Association dealing with the convening of general meetings and the length of notice required be amended to conform to the new provisions in the Companies Act 2006. In particular, a general meeting (other than an Annual General Meeting) to consider a special resolution can be convened with 14 day's notice whereas previously 21 day's notice was required.

A copy of the current Articles of Association marked to show the change being proposed by this resolution will be available for inspection.

DIRECTORS' REPORT
CONTINUED

DIRECTORS

The names of the current Directors together with brief biographical details are shown on page 10 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 23. On 25 May 2007 D McCarthy and A Bogod were appointed Non-Executive Directors of the Company. These Directors were appointed to the Board, both of whom are associated with the beneficial owner of 28.5% of the Company's Share Capital. As a result, neither an external search agency was engaged, nor open advertising undertaken in respect of their appointments.

K Hamill has signified his intention to retire as Non-Executive Chairman of the Company in the near future.

Messrs K Hamill, P F Mountford, M P Hitchcock, M J Bernstein, R J Gee, B I Myers and R K Marsh served as Directors throughout the year.

Throughout the year, the Company held a Directors' and Officers' insurance policy.

Mr B I Myers retires as a Director of the Company by rotation and, being eligible, offers himself for re-election at the Annual General Meeting. Mr R J Gee retires as a Director of the Company as he has served as a Director of the Company for a continuous period of more than nine years. Being eligible, he offers himself for re-election at the Annual General Meeting. The re-election of Messrs R J Gee and B I Myers has been carefully considered and evaluated 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, Messrs D McCarthy and A Bogod have been appointed Directors and, therefore, offer themselves for election as Directors of the Company at the Annual General Meeting.

DIRECTORS' INTERESTS

The beneficial interests and share options of the Directors, who held office at 26 January 2008, 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.

	At 26 January 2008		At 27 January 2007*	
	Ordinary shares	Options over ordinary shares	Ordinary shares	Options over ordinary shares
EXECUTIVE DIRECTORS				
P F Mountford	125,623	3,115,586	125,623	2,202,428
M P Hitchcock	–	1,444,169	–	686,274
NON-EXECUTIVE DIRECTORS				
K Hamill	193,363	–	193,363	–
M J Bernstein	–	–	–	–
R J Gee	2,453,385	–	2,455,264	–
B I Myers	200,000	–	200,000	–
R K Marsh	–	–	–	–
D McCarthy	–	–	–	–
A Bogod	–	–	–	–

* Or date of appointment, if later.

D McCarthy and A Bogod have an interest in the shares held by Cantor Fitzgerald Europe through Unity Investments ehf.

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

P F Mountford is a Director of Moss Bros Group Qualifying Share Ownership Trustee Limited, which as at 26 January 2008, held 121,355 shares in the Company. Since the year-end Moss Bros Group Qualifying Share Ownership Trustee Limited has transferred all these shares following the exercise of all remaining shares held under option through the Save as You Earn Scheme.

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

EMPLOYEES

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

It remains the Group'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 Group has a formal code which it follows with regard to payment to suppliers. It is the Group'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 26 January 2008 was 59 days (2007 – 45 days).

CHARITABLE DONATIONS

During the year £2,680 (2007 – £2,500) was donated to charities. No political donations were made during the year (2007 – Nil).

CORPORATE GOVERNANCE STATEMENT

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 June 2006. 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 Group. Details of the Directors are given on page 10. An Executive Committee consisting of the Executive Directors, the Company Secretary and key senior management is responsible for the day to day running of the Group and operates within a set of specific guidelines laid down by the Board. Senior management report 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. There is no formal procedure for the evaluation of the performance of the Board. The Board adheres to the accountability and audit principles set out in the Combined Code.

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

- The Board includes six Non-Executive Directors plus the Chairman. Under the Combined Code, Chairmen are not generally considered independent for the purposes of considering the make up of the Audit Committee membership. For these purposes, however, the Board considers its Chairman, K Hamill, as having many of the attributes of an independent director because of the nature of his responsibilities, his experience and his financial interests. This judgement has been made in the context of the size of the Company.

CORPORATE GOVERNANCE STATEMENT CONTINUED

- The Board considers Messrs B I Myers and R K Marsh to be independent in view of their relative independence in relation to the Group's affairs. Furthermore, they have not previously held executive positions within the Group and have no direct business links with current business suppliers.
- The Board is headed by K Hamill, the Chairman, and the Board has identified B I Myers as the Senior Independent Non-Executive Director.
- The Directors met thirteen times during the year. There is a schedule of matters reserved for decision by the Board, which includes reviewing the Group'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. B I Myers retires by rotation this year. Further, any Director having served as a Director of the Company for a continuous period of nine years or more is subject to retirement and re-election by the Shareholders in accordance with the Articles of Association. R J Gee is subject to re-election by Shareholders having been a Director of the Company for a continuous period of nine years or more. In addition, all Directors are subject to election by the Shareholders at the first Annual General Meeting following their appointment. Messrs D McCarthy and A Bogod will be subject to election by Shareholders at the AGM on 25 June 2008.

The Executive Directors' contracts are in line with the notice periods recommended by the Combined Code, except that, in accordance with normal market practice, the Group reserves the right to 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 Group 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 Group'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.

The principal committees are:

The Executive Committee meets on a monthly basis and is chaired by the Chief Executive. All Executive Directors together with the Company Secretary and key senior management are members of the Committee. The Executive Committee operates within 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 B I Myers; Messrs R K Marsh and K Hamill are also members of the Audit Committee. The Chief Executive and other Directors are invited to attend. The Company's external Auditors are also 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 Group's internal controls, accounting policies and financial reporting. It provides a forum through which the Group's external Auditors report to the Board. As the Combined Code states that the Chairman should not be a member of the Audit Committee, the Group recognises this is an area of non-compliance with the Code.

The Remuneration Committee is comprised entirely of Non-Executive Directors and is chaired by B I Myers. Messrs R K Marsh and K Hamill are also members of the Remuneration Committee. It meets at least twice a year. During the year under review the Remuneration Committee met four 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. The Remuneration Committee 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 23.

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. Two Non-Executive Directors were appointed to the Board on 25 May 2007, both of whom are associated with Unity Investments ehf, who have an interest in the shares held through Cantor Fitzgerald Europe. As a result, neither an external search agency was engaged nor was open advertising undertaken in respect of their appointment.

The Combined Code recommends that Chairmen do not serve as members of a Board's Audit Committee, although they are generally invited to attend the meetings of that Committee. Given the size of the Company, the make up of its Board, the nature of the Chairman's role in the Company and his previous experience, the Board believes it is in the best interests of the Company for the Chairman to be a member of the Audit Committee. Both the Audit and Remuneration Committees are chaired by B I Myers, who is the Senior Independent Non-Executive Director and R K Marsh also sits on the Audit and Remuneration Committees resulting in both Committees having a majority of Independent Non-Executive Directors.

The following table shows the number of Board and Committee Meetings held during the year ended 26 January 2008 and the attendance record of individual Directors:

	BOARD MEETINGS	COMMITTEE MEETINGS		
		Audit	Nomination	Remuneration
NUMBER OF MEETINGS	**13**	**2**	**1**	**4**
K Hamill	13	2	1	4
P F Mountford	13			
M P Hitchcock	13			
M J Bernstein	12			
R J Gee	13		1	
B I Myers	12	2	1	4
R K Marsh	13	2	1	4
D McCarthy*	6			
A Bogod*	7			

* Messrs D McCarthy and A Bogod became Directors during the year and did not attend Board Meetings where it was considered they were conflicted.

DIRECTORS' REPORT
CONTINUED

CORPORATE GOVERNANCE STATEMENT CONTINUED

COMMUNICATIONS WITH SHAREHOLDERS
The formal channels of communication through which the Board accounts to the Shareholders for the overall performance of the Group are the Annual Report and Accounts and the quarterly announcements made via the London Stock Exchange.

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

It is the Group'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
DISCLOSURE OF INFORMATION TO AUDITORS
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 Group'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 Group's systems must be designed to manage rather than eliminate risk. Internal control and risk management is a defined on-going process. It is designed to identify, evaluate and manage the significant risks faced by the Group. 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 26 January 2008 and up to the date of this Report. The Group has in place a system whereby employees can raise concerns in confidence about possible improprieties.

The Executive Directors review the risks to the business and through the Executive Committee report to the Board and work within a risk management framework for the Group. 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 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 Group, the Board decided it was not appropriate to expand the current scope of the internal audit function, which focuses on inventory movement and the procedures for moving inventory throughout the business.

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 Group 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 in accordance with the Turnbull guidance. The Board confirms that it has been in compliance with Section 1 of the Combined Code throughout the period to the date of approval of the financial statements except the Board has determined that it is in the best interests of the Company for the Chairman to serve as a member of the Audit Committee.

AUDITORS

The Group's Auditors, KPMG Audit Plc, have signified their willingness to continue in office. The Group's Auditors currently provide the Group 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
3 April 2008

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

We confirm that to the best of our knowledge:

- the Group and financial statements, prepared in accordance with the applicable United Kingdom law and in conformity with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole.
- the Parent Company financial statements, prepared in accordance with the applicable United Kingdom law and in conformity with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the Directors' Report and Chief Executive's Business Review includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

PHILIP MOUNTFORD CHIEF EXECUTIVE

MICHAEL HITCHCOCK FINANCE DIRECTOR
3 April 2008

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 10. It meets at least twice a year. During the year under review it met four times.

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 Group'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 Group 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, bonuses, fees and benefits in kind and pension contributions.

	Salary, bonuses and fees £'000	Benefits £'000	**Total 2008 £'000**	Total 2007 £'000	Pension Contributions **2008 £'000**	Pension Contributions 2007 £'000
EXECUTIVE DIRECTORS						
P F Mountford	[a] 332	3	**335**	309	**67**	59
M P Hitchcock	192	2	**194**	92	**26**	9
D Pidgeon[b]	–	–	**–**	126	**–**	12
J M Cook[c]	–	–	**–**	169	**–**	42
NON-EXECUTIVE DIRECTORS						
K Hamill (Chairman)	[d] 80	2	**82**	67	**–**	–
M J Bernstein	25	–	**25**	23	**–**	–
M J Gee[c]	–	–	**–**	28	**–**	–
R J Gee	25	2	**27**	27	**–**	–
R K Marsh	25	–	**25**	19	**–**	–
P J Moss[c]	–	–	**–**	25	**–**	–
B I Myers	31	–	**31**	33	**–**	–
D McCarthy[e]	17	–	**17**	–	**–**	–
A Bogod[e]	17	–	**17**	–	**–**	–
	744	9	**753**	918	**93**	122

(a) Includes a one-off payment of £35,000.

(b) D Pidgeon ceased to be a Director of the Company on 5 October 2006, although he remained an employee of the Company through to the end of the period.

(c) Messrs Moss and Gee retired as Directors on 27 January 2007 and Ms J Cook ceased to be a Director in the previous financial period.

(d) Includes a one-off payment of £15,000.

(e) Messrs D McCarthy and A Bogod became Directors of the Company during the year.

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 Group's profit on ordinary activities before taxation, excluding unbudgeted exceptional non-operating items. Each Executive Director had the opportunity to receive a bonus of up to a maximum of between 50% and 100% of salary depending on demanding 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. During the year under review, no bonus was awarded to the Directors under the arrangement.

SHARE OPTIONS AND RETENTION PLAN

Information on the share options held by each Director is shown on page 14. 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 are based either on growth in the basic earnings per share of the Group which varies from 4 pence per share in the year ended 29 January 2005 for those Executive Share options granted in 2001 to 6.1 pence per share in the year ending January 2009 for those Executive Share options granted in 2006 or on compound growth in basic earnings per share of the Group which varies from 10% compound growth for those Executive Share Options granted in 2006 to 20% compound growth for those Executive Share options granted in 2007. Conditions apply equally to all participating Directors.

All Executive Share Option Scheme grants made during the year were granted under the 2006 Approved or the Unapproved Executive Share Option schemes, which were approved by Shareholders at an Extraordinary General Meeting on 29 March 2006. Under the rules of these two schemes, challenging performance conditions are applied based on annual growth in earnings per share. Options will vest on a change of control under these two schemes. Details of the options granted to Directors during the year are shown on page 22.

No options were granted during the year under the Save as You Earn Scheme operated by the Group.

The Remuneration Committee reviews the Share Option Schemes and incentive schemes to ensure they reward employees and motivate the Executive Directors to the benefit of Shareholders, Directors and employees alike.

A retention plan, which was approved by Shareholders at an Extraordinary General Meeting on 29 March 2006, is in place for P F Mountford. Under this plan P F Mountford, can, subject to the achievement of challenging performance criteria, receive up to 1,000,000 Ordinary Shares of 5 pence each. The retention plan will pay out after the publication of the Company's Annual Report and Accounts for the year ending January 2009. The performance criteria attached to this retention plan are a minimum 5% compound annual growth in diluted earnings per share at, and below which no Ordinary Shares of 5 pence each will be issued to a maximum 15% compound annual growth in diluted earnings per share whereupon 100% of the 1,000,000 Ordinary Shares of 5 pence each will be issued. To date the Company has purchased 300,000 Ordinary Shares of 5 pence each, which are held in a Trust, to meet its commitment to P F Mountford. The retention plan vests in full on a change of control.

DIRECTORS' REMUNERATION REPORT

CONTINUED

SHARE OPTIONS AND RETENTION PLAN CONTINUED

The audited table below details movements in the options granted to Directors who held office at 26 January 2008.

	At 27 January 2007	Granted	Lapsed	At 26 January 2008	Exercise price (pence)	Earliest date of exercise	Expiry date
P F Mountford							
UNAPPROVED EXECUTIVE SHARE OPTION SCHEME							
	915,492	–	–	915,492	35.50	22.05.2005	21.05.2012
	350,000	–	(350,000)	–	61.75	–	–
	936,936	–	–	936,936	83.25	01.06.2009	31.05.2016
	–	1,200,158	–	1,200,158	47.50	07.11.2010	06.11.2017
APPROVED EXECUTIVE SHARE OPTION SCHEME							
	–	63,000	–	63,000	47.50	07.11.2010	06.11.2017
	2,202,428	1,263,158	(350,000)	3,115,586			
M P Hitchcock							
UNAPPROVED EXECUTIVE SHARE OPTION SCHEME							
	686,274	–	–	686,274	76.50	16.10.2009	15.10.2016
	–	694,895	–	694,895	47.50	07.11.2010	06.11.2017
APPROVED EXECUTIVE SHARE OPTION SCHEME							
	–	63,000	–	63,000	47.50	07.11.2010	06.11.2017
	686,274	757,895	–	1,444,169			

The market price of the Company's shares during the year ranged from 36.50 pence to 74.75 pence; at 26 January 2008, the mid market price was 41.75 pence.

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 Group will contribute at an agreed contribution rate to a Director's personal pension arrangement. The Group's contribution for Directors is calculated on basic salary at various rates up to a maximum of 22.5%.

Since the year-end the Company has introduced a Group Personal Pension Plan which is open to all eligible employees. Once the Plan is established, no further pension contributions will be accepted into the Moss Bros Group Plc Retirement and Life Assurance Plan.

SERVICE CONTRACTS

The Executive Director's contracts are in line with the notice periods recommended by the Combined Code, except that in accordance with normal market practice, the Group reserves the right to 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.

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 and notice period	Provision for compensation
P F Mountford	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.
M P Hitchcock	03.10.2006	6 months	

In the event of a change of control of the Group (or equivalent circumstance), there are provisions, within the service contract with P F Mountford, subject to certain terms and conditions, providing him 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 P F Mountford 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 Group's Executive Share Option Schemes.

The Chairman and the Non-Executive Directors do not have service contracts. They are appointed for an initial period of between one year and three years which may be extended for a further term by mutual consent. The initial appointments and any subsequent re-appointment are subject to election or re-election by Shareholders. The appointment of Non-Executive Directors may be terminated on six months' notice from either side.

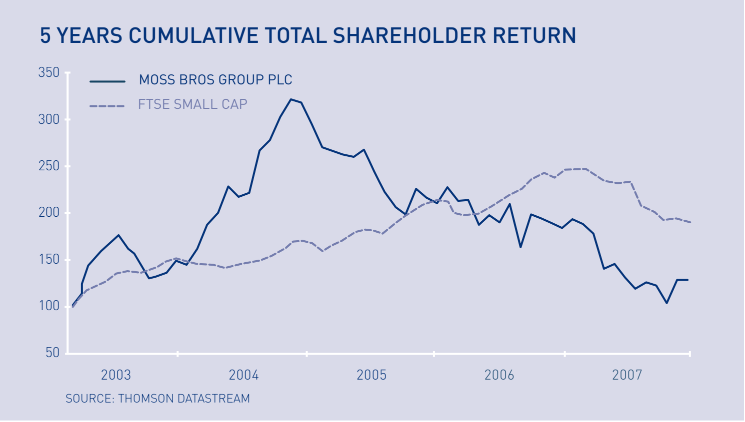
	Date of letter of appointment
K Hamill	11.05.2004
B I Myers	15.11.2004
R K Marsh	22.05.2006
R J Gee	29.06.2006
M J Bernstein	29.06.2006
D McCarthy	25.05.2007
A Bogod	25.05.2007

EXTERNAL APPOINTMENTS

The Group believes there are benefits to the individual and the Group 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 Group's interests. The Executive Directors may retain the fees from their external directorships.

TOTAL SHAREHOLDER RETURN

The graph below shows the total cumulative shareholder return of the Group since 1 February 2003. The index selected was the FTSE Small Capitalisation as this was the index of which the Company was a constituent for most of the period shown.



By order of the Board
J STEPHENS SECRETARY
3 April 2008

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Parent Company.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with relevant company legislation and regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MOSS BROS GROUP PLC

We have audited the Group and Parent company financial statements (the ''financial statements'') of Moss Bros Group Plc for the 52 weeks ended 26 January 2008 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. 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' responsibilities for preparing the Annual Report and Accounts in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the Parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 24.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive's Business Review that is cross referred from the Principal Activities section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 and Accounts 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. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MOSS BROS GROUP PLC
CONTINUED

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company'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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 26 January 2008 and of its loss for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent company's affairs as at 26 January 2008;
- the Parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc
CHARTERED ACCOUNTANTS AND REGISTERED AUDITOR

8 Salisbury Square
London EC4Y 8BB

3 April 2008

CONSOLIDATED INCOME STATEMENT

FOR THE 52 WEEKS ENDED 26 JANUARY 2008

	Note	**52 weeks to 26 January 2008 Audited £'000**	52 weeks to 27 January 2007 (restated) Audited £'000
REVENUE	3	**130,171**	133,876
Cost of sales		**(59,467)**	(61,469)
GROSS PROFIT		**70,704**	72,407
Administrative expenses		**(4,853)**	(4,518)
Shops' selling and marketing costs		**(67,618)**	(63,135)
OPERATING (LOSS)/PROFIT		**(1,767)**	4,754
Financial income	4	**387**	354
(LOSS)/PROFIT BEFORE TAXATION	5	**(1,380)**	5,108
Taxation	8	**28**	(1,912)
(LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	20	**(1,352)**	3,196
Basic (loss)/earnings per share	10	**(1.44)p**	3.44p
Diluted (loss)/earnings per share	10	**(1.44)p**	3.40p

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE 52 WEEKS ENDED 26 JANUARY 2008

	52 weeks to 26 January 2008 Audited £'000	52 weeks to 27 January 2007 (restated) Audited £'000
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(1,352)**	3,196

CONSOLIDATED BALANCE SHEET

AS AT 26 JANUARY 2008

	Note	**26 January 2008 Audited £'000**	27 January 2007 (restated) Audited £'000
ASSETS			
Intangible assets	11	**1,904**	1,707
Property, plant and equipment	12	**28,192**	26,699
Lease prepayments	12	**2,787**	2,812
TOTAL NON-CURRENT ASSETS		**32,883**	31,218
Inventories	13	**19,179**	19,964
Trade and other receivables	14	**7,752**	7,491
Cash and cash equivalents	22	**15,541**	16,590
Current tax asset		**73**	149
TOTAL CURRENT ASSETS		**42,545**	44,194
TOTAL ASSETS		**75,428**	75,412
EQUITY			
Issued capital	18	**4,724**	4,678
Share premium account	20	**8,666**	8,400
Retained earnings	20	**36,177**	39,219
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT		**49,567**	52,297
LIABILITIES			
Other payables	17	**1,290**	1,337
Deferred tax liabilities	8	**3,897**	4,001
TOTAL NON-CURRENT LIABILITIES		**5,187**	5,338
Trade and other payables	15	**20,374**	17,777
Provisions	16	**300**	–
TOTAL CURRENT LIABILITIES		**20,674**	17,777
TOTAL LIABILITIES		**25,861**	23,115
TOTAL EQUITY AND LIABILITIES		**75,428**	75,412

The financial statements on pages 27 to 44 were approved by the Board of Directors on 3 April 2008 and were signed on its behalf by:

P F MOUNTFORD CHIEF EXECUTIVE
3 April 2008

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 26 JANUARY 2008

	52 weeks to 26 January 2008 Audited £'000	52 weeks to 27 January 2007 (restated) Audited £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	**(1,380)**	5,108
Adjustments for:		
Finance income	**(387)**	(354)
Depreciation of property, plant and equipment	**7,032**	6,006
Amortisation of intangible assets	**350**	155
Equity settled share-based payment write-back	**–**	(211)
Profit on sale of property, plant and equipment	**–**	(2,189)
(Increase)/decrease in inventories	**785**	(2,128)
Increase in receivables	**(261)**	(181)
Increase in payables	**2,850**	2,179
Taxation paid	**–**	(587)
NET CASH FROM OPERATING ACTIVITIES	**8,989**	7,798
CASH FLOWS FROM INVESTING ACTIVITIES		
Finance income	**387**	354
Grant for the purchase of non-current assets	**–**	1,027
Purchase of property, plant and equipment	**(8,500)**	(9,267)
Purchase of intangible assets	**(547)**	(1,862)
Proceeds from sale of property, plant and equipment	**–**	2,758
NET CASH FROM INVESTING ACTIVITIES	**(8,660)**	(6,990)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(1,690)**	(1,675)
Proceeds from the issue of shares	**312**	20
Purchase of own shares	**–**	(218)
NET CASH FROM FINANCING ACTIVITIES	**(1,378)**	(1,873)
Cash and cash equivalents at beginning of year	**16,590**	17,655
Decrease in cash and cash equivalents	**(1,049)**	(1,065)
Cash and cash equivalents at end of year	**15,541**	16,590

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 26 JANUARY 2008

Moss Bros Group Plc ('the Company') is a public limited company incorporated and domiciled in the United Kingdom. The consolidated financial statements of the Company for the 52 weeks ended 26 January 2008 comprise the Company and its subsidiaries (together 'the Group').

BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

EU law (IAS Regulation EC 1606/2002) requires that the consolidated financial statements of Moss Bros Group Plc, for the 52 weeks ended 26 January 2008, be prepared in accordance with International Financial Reporting Standards adopted for use in the EU ('IFRSs'). The Company has elected to prepare its parent company accounts under UK Generally Accepted Accounting Practices ('UK GAAP'); these are presented on pages 45 to 54.

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

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

The financial statements have been prepared on the historical cost basis except where IFRSs require an alternative treatment. The principal variation from the historical cost basis relates to share-based payments (IFRS 2) – see the accounting policy note.

The Group's significant accounting policies are set out in note 1, together with the judgements made by management in applying these policies, which have the most significant effect on the amounts recognised in the financial statements, apart from those involving estimations, which are dealt with separately in note 2. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements. The estimates and underlying assumptions are reviewed on an on-going basis.

The Group and Company financial statements are presented in sterling and all values in tables are rounded to the nearest thousand pounds except when otherwise indicated.

Accounting policies adopted are consistent with those adopted in the financial statements for the 52 weeks ended 27 January 2007. These can be seen via www.moss.co.uk.

During the 52 weeks to 26 January 2008 hire inventory (NBV £4.1m at 26 January 2008; £4.4m at 27 January 2007) was reclassified from inventories to property, plant and equipment. Intangible assets included within total non-current assets were reclassified and relate to expenditure by the Company on IT software. Prior year comparatives have been adjusted to reflect these reclassifications.

Deferred tax has been amended in the prior period for an adjustment to additions eligible for capital allowances. The deferred tax liability has been increased by £0.5m. Note 19 further describes the adjustment.

1. PRINCIPAL ACCOUNTING POLICIES

CONSOLIDATION

The consolidated accounts incorporate the accounts of Moss Bros Group Plc and its subsidiaries, all of which have made up their accounts to 26 January 2008. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

INTANGIBLE ASSETS

Computer software that is not an integral part of the related hardware is classified as an intangible asset and is stated at cost less accummulated amortisation. Amortisation is charged on a straight line basis over 3 years.

REVENUE

Revenue comprises sales to third parties (excluding VAT) and is derived from the retail sale and hire of clothing and ancillary goods. Revenue is recognised on exchange of goods; for the hire of clothing, the exchange of goods is the date of hire. At this point it is deemed that all risks and rewards have been transferred.

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

NON-CURRENT ASSETS

Depreciation is calculated so as to write down on a straight-line basis the cost of non-current assets over their estimated useful lives to their estimated residual values. The Group's freehold property is not depreciated as it is the Group's practice to maintain it to a standard whereby the estimated residual value based upon prices prevailing at the time of acquisition together with the life of the asset are such that any depreciation would not be significant. The rates used for the other major classes of assets vary from 10% to 25% per annum on a straight-line basis. Hire inventory is written down to nil over its estimated useful economic life (60 months; 2007 – 60 months).

Leasehold prepayments are written off over the shorter of the period of the lease or the useful economic life on a straight-line basis.

The Directors undertake an annual impairment review and any impairment in the value of non-current assets is charged to the income statement. The carrying amounts of the Group's assets are reviewed on a store by store basis at each balance sheet date to determine whether there is any indication of impairment. The method of determining any impairment is discussed in note 2.

FOREIGN EXCHANGE

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. 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 income statement.

PENSIONS

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

INVENTORIES

Retail inventory is valued at the lower of cost (weighted average by season) and estimated net realisable value. Net realisable value is estimated as discussed in note 2. Volume discounts received and receivable are deducted from the cost of inventories.

LEASES

Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in payables. As at 26 January 2008, the Group had no finance leases. All other leases are defined as operating leases.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Premiums paid to acquire short leasehold properties and inducements to enter into a lease are recognised over the lease term. Amounts payable in respect of contingent rents are recognised in the period to which the sales relate.

SHARE-BASED PAYMENT TRANSACTIONS

The share option plan allows employees to acquire shares in Moss Bros Group Plc, the parent company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, as discussed in note 2, and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of options that are expected to vest based on historical data on staff turnover and any non-market conditions.

PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate which reflects current market assessments of the time value of money and where appropriate the risks specific to the liability.

DIVIDENDS

Dividends are not accrued until approved by Shareholders.

TAXATION

Tax on the (loss)/profit for the periods presented comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted during the course of the year, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

TAXATION CONTINUED

Deferred tax is provided on all temporary differences that arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits.

GOVERNMENT GRANTS

Grants/compensation received in respect of expenses incurred are credited to the income statement to match the related expense. Grants/compensation received in respect of capital expenditure incurred are credited to property, plant and equipment and amortised to the income statement over the lives of the related assets.

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. To achieve this the Board of Directors monitors the balance sheet, working capital, the cash flows and the level of dividends paid to shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. At present, key management, including the Chairman, hold 2,796,771 ordinary shares. Share options have been issued amounting to just under 9% of the issued share capital on the assumption that they all vest and are exercised.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

IFRSs NOT YET APPLIED

At the date of preparation of the financial statements, the following standard, which has not been applied in the financial statements, was in issue but not yet effective; IFRS 8 Operating Segments. The Group is currently reviewing the impact of the adoption of IFRS 8 on its financial statements.

2. KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the above accounting policies, management has made appropriate estimates in many areas and the actual outcome may differ from those calculated. The key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

FORECASTS AND DISCOUNT RATES

The carrying values of a non-current assets on the balance sheet are dependent on the estimates of future profits and cash flows arising from the Group's operations.

An impairment loss is recognised whenever the carrying amount of an asset (typically the non-current assets related to a store: carrying value at 26 January 2008 – £26,886,000) exceeds its recoverable amount. Impairment losses (the excess of the pre-impairment carrying amount over the recoverable amount) are recognised in the income statement. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows generated by each individual store are considered. Typically, net selling price is the greater.

SHARE-BASED PAYMENT TRANSACTIONS

The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Details of the assumptions used are set out in note 7. The cumulative amount recorded in the income statement at 26 January 2008 in respect of share-based payment transactions is £nil (2007 – £nil).

2. KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

INVENTORY PROVISIONS

Net realisable value is the selling price of inventory in the ordinary course of business less estimated selling costs. Provision is made for the estimated obsolescence of old seasons' lines based on historical margin trends and for the estimated loss of inventory from shop theft based on historical data. Provisions totalled £402,000 at 26 January 2008 (2007 – £663,000).

3. REVENUE AND SEGMENTAL REPORTING

The majority of the Group's turnover arose in the United Kingdom, with the balance from one store in Eire.

Management considers that all revenue derives from the same business segment, being the sale and hire of menswear.

4. FINANCIAL INCOME

	2008 £'000	2007 £'000
Interest receivable on bank deposits	**387**	354

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging/(crediting) the following:		**2008 £'000**	2007 (restated) £'000
Current directors' emoluments including pension contributions (page 20)		**846**	691
Former directors' emoluments (page 20)	– pre resignation	**–**	166
	– upon resignation	**–**	183
Other restructuring costs		**300**	–
Auditor's remuneration: Audit – Group/Company		**92**	84
Other fees paid to the auditor and its associates		**8**	16
Depreciation of non-current assets		**5,072**	4,449
Depreciation of leasehold prepayments		**230**	225
Amortisation of intangibles		**350**	155
Hire inventory depreciation		**1,730**	1,331
Operating lease charges	– land and buildings	**22,981**	24,712
	– other	**122**	79
Profit on disposal of property, plant and equipment		**–**	(2,189)
Other property related losses	– accelerated depreciation re former distribution centre	**–**	290
	– receivable write-off re store move costs	**–**	135
	– impairment charge (included in depreciation above)	**670**	61
	– cost of exit of leasehold property	**580**	–
Net property related losses/(gains)		**1,250**	(1,703)

As the Company is the only trading entity, the Group audit fee disclosed above is the Company audit fee. Other fees paid to the auditor and its associates relate to audit related services (£8,000; 2007 – £5,000) and overruns from the prior year audit of £nil (2007 – £11,000).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

6. STAFF NUMBERS AND COSTS

Including Executive Directors, the average number of full-time equivalent staff employed by the Group during the period was as follows:

	2008 Number	2007 Number
Distribution	**118**	115
Selling and marketing	**1,003**	1,014
Administration	**52**	53
	1,173	1,182

The aggregate staff costs recognised in the income statement were as follows:	**2008 £'000**	2007 £'000
Wages and salaries	**22,980**	22,823
Social security costs	**2,087**	1,981
Contributions to defined contribution plans	**406**	394
Equity-settled transactions (note 7)	**–**	(211)
	25,473	24,987

Directors' emoluments are disclosed within the Directors' Remuneration Report on pages 20 to 23.

7. SHARE BASED PAYMENTS

Two equity settled share option grants made prior to 7 November 2002 are outstanding. In accordance with the transitional provisions in IFRS 1 and IFRS 2, the recognition and measurement principles in IFRS 2 have not been applied to these grants. Details about these share options are given in note 18.

On 1 June 2006 and 30 October 2006, share options were granted to Directors to purchase shares in Moss Bross Group Plc under the Executive Share Option Scheme. During the year to 26 January 2008, a grant was made on similar terms to two Directors and senior employees. In accordance with these plans, options are exercisable at the market price of the shares at the date of grant. These grants are subject to IFRS 2 as set out in note 1. Prior year expenses in respect of grants outstanding at 28 January 2006 were written back during that period and no current period expense has been recognised for the 7 November 2007 options.

Grant date/employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to two Directors on 1 June 2006	1,495,494	Three years of service. Earnings per Share must increase by 10% CAGR* by the vesting date	10 years (7 years after end of vesting period)
Option grant to one Director on 30 October 2006	686,274	Two years of service. Earnings per Share must increase by 10% CAGR* by the vesting date	9 years (7 years after end of vesting period)
Option grant to two Directors and senior employees on 7 November 2007	5,480,000	Three years of service. Earnings per Share must increase by 20% CAGR* by the vesting date	10 years (7 years after end of vesting period)

*CAGR is compound annual growth rate.

7. SHARE BASED PAYMENTS CONTINUED

Fair value of share options and assumptions	June 2006 grant	Oct 2006 grant	Nov 2007 grant
Fair value at grant date (pence per share)	14.72	13.89	11.75
Share price (pence per share)	83.25	76.50	47.50
Exercise price (pence per share)	83.25	76.50	47.50
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes model)	13.08%	13.08%	29%
Option life (years)	4	4	4
Expected dividend yield	1.70%	1.70%	1.70%
Risk-free interest rate (based on national government bonds)	4.50%	4.75%	4.00%

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

8. TAXATION

(A) TAXATION RECOGNISED IN THE INCOME STATEMENT IS AS FOLLOWS:	**2008 £'000**	2007 (restated) £'000
CURRENT TAX EXPENSE		
Current year	**76**	829
Adjustment for prior periods	**–**	(76)
	76	753
Deferred tax (credit)/charge	**(104)**	1,159
Total taxation (credit)/charge in the income statement	**(28)**	1,912

(B) FACTORS AFFECTING THE TAX CHARGE FOR THE PERIOD

	2008 £'000	2007 (restated) £'000
(Loss)/profit on ordinary activities before tax	**(1,380)**	5,108
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 30% (2007 – 30%)	**(414)**	1,532
Items not deductible for tax purposes	**393**	10
Accounting loss on disposal less than taxable gain	**9**	151
Depreciation on assets not qualifying for capital allowances	**272**	351
Share-based payment taxation	**–**	82
Previously unrecognised deferred tax asset	**–**	(126)
Prior year provision adjustment	**–**	(76)
Change in enacted UK tax rate	**(278)**	–
Other	**(10)**	(12)
Tax (credit)/charge for the period	**(28)**	1,912

The United Kingdom Company tax rate will reduce to 28% as of 6 April 2008.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

8. TAXATION CONTINUED

(C) ANALYSIS OF DEFERRED TAX LIABILITY	**2008 £'000**	2007 (restated) £'000
The deferred tax liability comprises:		
Deferred capital gains	**(2,657)**	(2,846)
Accelerated capital allowances	**(1,357)**	(1,183)
Other short-term timing differences	**117**	28
Deferred tax liability	**(3,897)**	(4,001)

(D) MOVEMENT IN DEFERRED TAX LIABILITY	£'000
Liability at 28 January 2006 as previously stated	(2,385)
Adjustment in respect of accelerated capital allowances in the period to 28 January 2006	(104)
Liability at 28 January 2006 as restated	(2,489)
Charge for the period	((12))
Liability for capital gains tax rolled over	((702)
Utilisation of deferred tax asset in respect of Group tax losses	((354)
Adjustment in respect of accelerated capital allowances in the period to 27 January 2007	(444)
Liability at 27 January 2007 as restated	(4,001)
Change in enacted UK tax rate	278
Charge for the period	(174)
Liability at 26 January 2008	(3,897))

9. DIVIDEND

	2008 £'000	2007 £'000
Current Half year dividend at 0.5 pence per share for the current period (2007 – 0.5 pence per share)	**472**	466
Final dividend for the prior period at 1.3 pence per share (2007 – 1.3 pence per share)	**1,218**	1,209
	1,690	1,675

10. EARNINGS PER SHARE

Basic earnings per ordinary share are based on the weighted average of 94,254,586 (2007 – 92,895,454) ordinary shares in issue during the year (which excludes the shares held by the QUEST and the shares held by a third party on behalf of the Company, as disclosed in note 19) and are calculated by reference to the loss attributable to shareholders of £1,352,000 (2007 – restated profit of £3,196,000). Diluted earnings per ordinary share are based upon the weighted average of 94,254,586 (2007 – 93,939,019) ordinary shares which takes into account share options outstanding and are calculated by reference to the loss/profit attributable to shareholders as stated above.

The restatements (as described in note 19) altered basic and diluted EPS as previously reported from 3.92 pence and 3.87 pence to 3.44 pence and 3.40 pence respectively.

11. INTANGIBLE NON-CURRENT ASSETS

(A) MOVEMENTS IN YEAR

	IT Software £'000
COST OR VALUATION:	
At 28 January 2006	–
Additions/transfers from property, plant and equipment	1,862
Disposals	–
At 27 January 2007	1,862
Additions	547
Disposals	–
AT 26 JANUARY 2008	**2,409**
DEPRECIATION:	
At 28 January 2006	–
Charged in year	155
Disposals	–
At 27 January 2007	155
Charged in year	350
Disposals	–
AT 26 JANUARY 2008	**505**
NET BOOK VALUE:	
AT 26 JANUARY 2008	**1,904**
At 27 January 2007	1,707
At 28 January 2006	–

IT software has been restated in the prior year from property, plant and equipment.

Amortisation charges are recorded within shops' selling and marketing costs.

12. PROPERTY, PLANT AND EQUIPMENT

(A) MOVEMENTS IN PERIOD

	Freehold land and buildings £'000	Fixtures, vehicles and equipment £'000	Hire inventory £'000	Property, plant and equipment total £'000	Leasehold prepayments £'000
COST OR VALUATION:					
At 28 January 2006	859	61,476	6,733	69,068	6,231
Additions	–	8,881	1,879	10,760	367
Transfers to intangible assets	–	(1,862)	–	(1,862)	–
Grant for purchase of non-current assets (note 11)	–	(1,027)	–	(1,027)	–
Disposals	–	(4,131)	(53)	(4,184)	(479)
At 27 January 2007	859	63,337	8,559	72,755	6,119
Additions	–	6,889	1,406	8,295	205
Disposals	–	–	(53)	(53)	–
AT 26 JANUARY 2008	**859**	**70,226**	**9,912**	**80,997**	**6,324**
DEPRECIATION:					
At 28 January 2006	–	41,276	2,864	44,140	3,312
Charged in year	–	4,449	1,331	5,780	225
Disposals	–	(3,811)	(53)	(3,864)	(230)
At 27 January 2007	–	41,914	4,142	46,056	3,307
Charged in year	–	5,072	1,730	6,802	230
Disposals	–	–	(53)	(53)	–
AT 26 JANUARY 2008	**–**	**46,986**	**5,819**	**52,805**	**3,537**
NET BOOK VALUE:					
AT 26 JANUARY 2008	**859**	**23,240**	**4,093**	**28,192**	**2,787**
At 27 January 2007	859	21,423	4,417	26,699	2,812
At 28 January 2006	859	20,200	3,869	24,928	2,919

Leasehold prepayments relate to leasehold buildings as the element of land contained in these leases is minimal. Depreciation in the year ended at 26 January 2008 includes £670,000 (2007 – £61,000) in respect of impairments of individual stores, which is included within shops' selling and marketing costs and relates to fixtures, vehicles and equipment (£670,000: 2007 – £39,000) and leasehold prepayments (£nil: 2007 – £22,000).

The grant for purchase of non-current assets in 2007 relates to the compulsory purchase order in respect of the Group's former distribution centre following the successful London Olympics bid. During 2007 £1,627,000 was received from the London Development Agency in respect of expenditure incurred for the new distribution centre. Of this amount £1,027,000 relates to capital expenditure and £600,000 to expenses recognised in the income statement. The total amount received was not conditional on the occurrence of the compulsory purchase order.

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

(B) COMMITMENTS

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

	2008 **£'000**	2007 £'000
Contracted	**1,491**	3,321

(C) OPERATING LEASES

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

	2008		2007	
	Land and buildings **£'000**	**Other** **£'000**	Land and buildings £'000	Other £'000
Payments falling due:				
– within one year	**20,947**	**115**	20,281	109
– in the second to fifth year	**74,083**	**161**	71,983	106
– over five years	**64,755**	**–**	70,934	–
	159,785	**276**	163,198	215

The majority of these leases are subject to rent review and an insignificant number have contingent rentals payable based on revenue exceeding a minimum amount in the relevant store.

13. INVENTORIES

	2008 **£'000**	2007 (restated) £'000
Retail inventory	**19,581**	20,602
Retail inventory provisions	**(402)**	(663)
Cloth	**–**	25
	19,179	19,964

During the year, £57,840,000 (2007 – £58,458,000) of cost of sales related to inventory, including £1,121,000 (2007 – £2,063,000) of inventory write-downs that were expensed within cost of sales.

14. TRADE AND OTHER RECEIVABLES

	2008 **£'000**	2007 (restated) £'000
Trade receivables	**347**	101
Other receivables	**255**	263
Prepayments and accrued income	**7,150**	7,127
	7,752	7,491

No receivables are due in more than one year. Included within trade receivables is a bad debt provision of £nil (2007 – £nil). During the year £nil (2007 – £nil) of bad debt write-offs were incurred.

The Group's exposure to credit risks and impairment losses related to trade receivables is disclosed in note 22.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

15. TRADE AND OTHER PAYABLES DUE WITHIN ONE YEAR

	2008 £'000	2007 (restated) £'000
Trade payables (principally sterling denominated)	**13,157**	10,479
Other payables including taxation and social security	**5,485**	5,349
Accruals and deferred income	**1,732**	1,949
	20,374	17,777
Other payables including taxation and social security comprise:		
Other taxes	**3,347**	3,061
Social security	**573**	608
	3,920	3,669
Other payables	**1,565**	1,680
	5,485	5,349

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

16. PROVISIONS – CURRENT

	£'000
At 27 January 2007	–
Charged in period to the income statement	300
AT 26 JANUARY 2008	**300**

The provisions are for redundancies following the restructuring of central functional services. These are expected to be utilised during the course of the coming year.

17. OTHER PAYABLES DUE AFTER ONE YEAR

	2008 £'000	2007 £'000
Accruals and deferred income	**1,290**	1,337

18. SHARE CAPITAL

AUTHORISED:
120,000,000 ordinary shares of 5 pence each (2007 – 120,000,000)

ALLOTTED, CALLED UP AND FULLY PAID	2008 £'000	2007 £'000
Balance at beginning of the period: 93,560,636 ordinary shares of 5 pence each (2007 – 93,048,816)	**4,678**	4,652
919,115 ordinary shares of 5 pence each issued during the period pursuant to exercise of share options (2007 – 511,820)	**46**	26
Balance at end of the period: 94,479,751 ordinary shares of 5 pence each (2007 – 93,560,636)	**4,724**	4,678

The average share price of the ordinary shares as at the date of exercise of the above options was 71.15 pence (2007 – 83.0 pence).

18. SHARE CAPITAL CONTINUED

	2008 Number	2008 Weighted average exercise price (pence)	2007 Number	2007 Weighted average exercise price (pence)
Options outstanding at the beginning of the period	**4,468,173**	**67.94**	5,409,283	59.59
Granted in the period	**5,480,000**	**47.50**	2,181,768	81.13
Exercised in the period	**(919,115)**	**34.00**	(511,820)	21.52
Forfeited in the period	**–**	**–**	(953,558)	78.59
Lapsed in the period	**(373,000)**	**103.77**	(1,657,500)	72.54
Options outstanding at the end of the period	**8,656,058**	**57.06**	4,468,173	67.94
Fully exercisable at the end of the period	**1,097,848**	**33.76**	2,089,963	38.06

The weighted average contractual life of options outstanding is 8.0 years (2007 – 6.7 years).

Savings related share option scheme:
Options are outstanding in respect of the following ordinary shares at 26 January 2008:

Number of ordinary shares	Exercisable option price per share (pence)	Exercisable option dates (calendar year)
172,356	20.00	2006/2008

Executive share option scheme:
Options are outstanding in respect of the following ordinary shares at 26 January 2008:

Number of ordinary shares	Exercisable option price per share (pence)	Exercisable option dates (calendar year)
10,000	111.50	2005/2009
915,492	35.50	2005/2012
240,000	104.00	2008/2015
215,000	74.00	2008/2015
936,936	83.25	2009/2016
686,274	76.50	2009/2016
5,480,000	47.50	2010/2017

The Directors' Remuneration Report gives details of options granted to Directors over ordinary shares of 5 pence each during the period ended 26 January 2008.

19. STATEMENT OF CHANGES IN EQUITY

	2008 £'000	2007 £'000	2006 £'000
Total equity at beginning of period as restated/previously stated	**52,741**	51,288	47,860
Prior year restatement	**(444)**	(103)	–
Total equity at beginning of period as restated	**52,297**	51,185	47,860
(Loss)/profit for the period	**(1,352)**	3,640	4,249
Dividends paid	**(1,690)**	(1,675)	(1,373)
Issue of shares	**312**	20	337
Proceeds from QUEST	**–**	–	90
Share based payments	**–**	(211)	125
Purchase of own shares	**–**	(218)	–
Net movement in equity during the period	**(2,730)**	1,556	3,428
Total equity at end of period	**49,567**	52,741	51,288

As at 26 January 2008, 121,355 (2007 – 483,556) of the Company's Ordinary shares were held by the Company's Employee Share Trust (QUEST). During the year ended 26 January 2008 shares were issued for nil proceeds from the Company's Employee Share Trust ('QUEST') to employees in respect of services received.

The prior year restatement has been described in the Basis of Preparation and Statement of Compliance Section of the Annual Report and Accounts. 2007 profit for the period was adjusted from £3,640,000 to £3,196,000 as a result of the £444,000 prior year restatement, whilst the impact on 2007 retained earnings was an adjustment of £103,000 from £51,288,000 to £51,185,000.

20. RESERVES

	Share capital	Share premium	Retained earnings	Total
At 28 January 2006 as previously stated	4,652	8,316	38,320	51,288
Prior year restatement	–	–	(103)	(103)
At 28 January 2006 as restated	4,652	8,316	38,217	51,185
Shares issued	4	16	–	20
Share issues previously reported as from QUEST	22	68	(90)	–
Employee share based payments	–	–	(211)	(211)
Purchase of own shares	–	–	(218)	(218)
Profit after taxation	–	–	3,640	3,640
Prior year restatement	–	–	(444)	(444)
Dividends paid	–	–	(1,675)	(1,675)
At 27 January 2007 as restated	4,678	8,400	39,219	52,297
Shares issued	46	266	–	312
Profit after taxation	–	–	(1,352)	(1,352)
Dividends paid	–	–	(1,690)	(1,690)
AT 26 JANUARY 2008	**4,724**	**8,666**	**36,177**	**49,567**

21. PENSIONS

During the year ended 26 January 2008, 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's finances. The scheme is funded by contributions from employees and from the Group at predetermined rates. There were no outstanding contributions at 26 January 2008 (2007 – Nil).

22. 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 receivables and payables 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 credit risk, liquidity risk, foreign currency risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks.

CREDIT RISK

Management has a credit policy in place and the exposure to credit risk is maintained on an ongoing basis. At the Balance Sheet date, there were no significant concentrations of credit risk.

The carrying amount of each financial asset represents the maximum credit exposure.

LIQUIDITY RISK

The Group finances its operations primarily through retained profits and has an overdraft facility to finance its seasonal working capital requirement, as necessary. 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. The Group does not buy derivatives and therefore there are no outstanding instruments as at 26 January 2008 (2007 – Nil).

INTEREST RATE RISK

Interest rate risk arises from the variable interest rate on the Group'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.

The Group did not utilise the overdraft facility during the year (2007 – not utilised).

(B) FINANCIAL ASSETS

(i) Trade receivables

	Carrying Value	
	2008	2007
	£'000	£'000
Trade receivables	**347**	101

There was no provision for impairment charged to profit in the current period (2007 – £nil) and no individual balance is significant. If the Group believes that a specific balance is irrecoverable, it will be written off. The Group does not require collateral in respect of these financial assets.

(ii) Cash and cash equivalents

	Floating rate financial assets	
	2008	2007
	£'000	£'000
Currency:		
Sterling	**14,958**	16,583
Other	**583**	7
Total	**15,541**	16,590

Cash and cash equivalents generate interest income related to Base Rate plus 10 basis points (2007 – Base Rate plus 10 basis points). The Group has no fixed rate financial instruments. Based on the average daily cash balance, the effective interest rate on financial assets is 5.1% (2007 – 4.7%).

(C) FINANCIAL LIABILITIES

There were no financial liabilities after excluding current trade payables as at 26 January 2008 (2007 – Nil).

(D) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As at 26 January 2008, there was no material difference between the fair values and book values of the Group's financial instruments (2007 – Nil).

23. RELATED PARTY TRANSACTIONS

The Group had no material related party transactions which might reasonably be expected to influence decisions made by users of these Financial Statements. Directors' remuneration is disclosed in the Directors' Remuneration Report on pages 20 to 23. Other related parties are key management (employees below Director level who have authority and responsibility for planning, directing and controlling the Group) and major Shareholders. The key management personnel compensation is as follows:

	2008 **£'000**	2007 £'000
Short-term employee benefits	**1,083**	1,135
Contributions to defined contribution plans	**15**	27
Equity compensation benefits	**–**	(110)
	1,098	1,052

Total remuneration is included in administrative expenses and relates to 15 employees in the period ended 26 January 2008 (2007 – 13).

In addition, a major Shareholder was paid £12,000 in respect of consultancy advice during the period (2007 – £12,000). During the period, the Group traded with entities in which another major Shareholder has a significant financial interest. Rents payable to these parties for the 52 weeks ended 26 January 2008 totalled £135,000 (2007 – £69,000). The balance owed by these parties as at 26 January 2008 totalled £86,000 (2007 – £84,000).

COMPANY BALANCE SHEET

AS AT 26 JANUARY 2008

	Note	26 January 2008 £'000	27 January 2007 (restated)* £'000
FIXED ASSETS			
Tangible assets	26	**33,757**	32,194
Investments	27	**9,502**	9,502
		43,259	41,696
CURRENT ASSETS			
Stocks	28	**19,179**	19,964
Debtors	29	**9,976**	9,779
Cash and liquid resources		**15,541**	16,590
		44,696	46,333
CREDITORS			
Amounts falling due within one year	30	**(32,841)**	(29,036)
NET CURRENT ASSETS		**11,855**	17,297
TOTAL ASSETS LESS CURRENT LIABILITIES		**55,114**	58,993
CREDITORS			
Amounts falling due after one year	30	**(1,230)**	(1,209)
PROVISIONS	30	**(1,756)**	(1,413)
NET ASSETS		**52,128**	56,371
CAPITAL AND RESERVES			
Called up share capital	31	**4,724**	4,678
Share premium account	32	**8,666**	8,400
Acquisition reserve	32	**4,370**	4,370
Profit and loss account	32	**34,368**	38,923
SHAREHOLDERS' FUNDS	33	**52,128**	56,371

*Comparative figures have been amended in the prior period for an adjustment to additions eligible for capital allowances. The deferred tax liability has been increased by £0.9m. Note 32 further describes the adjustment.

The financial statements on pages 45 to 54 were approved by the Board of Directors on 3 April 2008 and were signed on its behalf by:

P F MOUNTFORD CHIEF EXECUTIVE

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

24. PRINCIPAL COMPANY ACCOUNTING POLICIES

The following accounting policies, which are in accordance with applicable United Kingdom law and accounting standards and under the historical cost convention, have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements. 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. The Company is exempt from the requirement to prepare a cashflow statement in accordance with Financial Reporting Standard Number 1.

TURNOVER

Turnover comprises sales to third parties (excluding VAT) and is derived from the retail sale and hire of clothing and ancillary goods. Turnover is recognised on exchange of goods; for the hire of clothing, the exchange of goods is the date of hire. At this point it is deemed that all risks and rewards have been transferred.

TANGIBLE FIXED ASSETS

Freehold land and buildings and long and short leaseholds are stated at cost under the historical cost accounting rules. 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. The Company's freehold property is not depreciated as it is the Company's practice to maintain it to a standard whereby the estimated residual value, based upon prices prevailing at the time of acquisition, together with the life of the asset are such that any depreciation would not be significant.

Leasehold location premiums together with leasehold improvements are written off over the period of the lease on a straight-line basis. The rates used for the other major classes of assets vary from 10% to 25% per annum on a straight-line basis. Hire asset is written down to nil over its estimated useful economic life (60 months; 2007 – 60 months).

The Directors undertake an annual impairment review and any impairment in the value of fixed assets is charged to the profit and loss account. The method for determining impairment is described in note 2.

INVESTMENTS

Investments are stated at cost, less amounts written off for any impairment in value.

FOREIGN EXCHANGE

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. 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 period 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 (weighted average by season) and estimated net realisable value. Hire stock is written down to nil over its estimated useful economic life. Volume discounts received and receivable are deducted from the cost of stock.

TAXATION

Tax on the (loss)/profit for the periods represented comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted during the course of the that year and any adjustment to tax payable in respect of previous years.

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

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.

TRADE DEBTORS

Trade debtors represent amounts due from retailers in respect of concessions from which the Company trades less commissions due.

24. PRINCIPAL COMPANY ACCOUNTING POLICIES CONTINUED

GOVERNMENT GRANTS

Grants/compensation received in respect of expenses incurred are credited to the profit and loss account to match the related expense. Grants/compensation received in respect of capital expenditure incurred are credited to creditors and amortised to the profit and loss account over the lives of the related assets.

PROVISIONS

A provision is recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate, which reflects current market assessments of the time value of money and where appropriate the risk specific to the liabilities.

LEASES

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. As at 26 January 2008, the Company had no finance leases. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

SHARE-BASED PAYMENT TRANSACTIONS

The share option plan allows the Company's employees to acquire shares in Moss Bros Group Plc. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of options that are expected to vest based on historical data on staff turnover and any non-market performance conditions.

DIVIDENDS

Dividends are not accrued until approved by Shareholders.

25. PROFIT AND LOSS ACCOUNT INFORMATION

(A) STAFF NUMBERS

Including Executive Directors, the average number of full-time equivalent staff employed by the Company during the period was as follows:

	2008 Number	2007 Number
Distribution	**118**	115
Selling and marketing	**1,003**	1,014
Administration	**52**	53
	1,173	1,182

(B) DIVIDENDS

	2008 £'000	2007 £'000
Half year dividend at 0.5 pence per share for the current period (2007 – 0.5 pence per share)	**472**	466
Final dividend for the prior period at 1.3 pence per share (2007 – 1.3 pence per share)	**1,218**	1,209
	1,690	1,675

(C) AUDIT FEE

The Company's audit fee is £92,000 (2007 – £84,000).

26. FIXED ASSETS

	Freehold land and buildings £'000	Equipment, short leaseholds £'000	Fixtures and vehicles £'000	Hire Asset £'000	Total £'000
COST OR VALUATION:					
At 27 January 2007	859	6,119	66,226	8,559	81,763
Additions	–	205	7,437	1,406	9,048
Disposals	–	–	–	(53)	(53)
AT 26 JANUARY 2008	**859**	**6,324**	**73,663**	**9,912**	**90,758**
DEPRECIATION:					
At 27 January 2007	–	3,307	42,120	4,142	49,569
Charged in period	–	230	5,525	1,730	7,485
Disposals	–	–	–	(53)	(53)
AT 26 JANUARY 2008	**–**	**3,537**	**47,645**	**5,819**	**57,001**
NET BOOK VALUE:					
AT 26 JANUARY 2008	**859**	**2,787**	**26,018**	**4,093**	**33,757**
At 27 January 2007	859	2,812	24,106	4,417	32,194

Depreciation in the period ended at 26 January 2008 includes £670,000 (2007 – £61,000) in respect of impairments and relates to fixtures and vehicles (2008 – £670,000; 2007 – £39,000) and equipment and short leaseholds (2008 – £nil; 2007 – £22,000).

(B) COMMITMENTS

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

	2008 £'000	2007 £'000
Contracted	**1,491**	3,321

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

	2008		2007	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Annual commitments in respect of operating leases which expire:				
– within one year	**413**	**17**	459	3
– in the second to fifth year	**4,960**	**98**	4,402	75
– over five years	**15,574**	**–**	15,421	–
	20,947	**115**	20,282	78

27. FIXED ASSET INVESTMENTS

	2008 £'000	2007 £'000
Subsidiary undertakings cost at the beginning of the period	**15,351**	15,351
Provision at the beginning of the period	**(5,849)**	(5,841)
Write-down during the period	**–**	(8)
Carrying value at the end of the period	**9,502**	9,502

A full list of subsidiaries, none of which are currently trading, will be submitted with the Company's annual return.

28. STOCK

	2008 £'000	2007 (restated) £'000
Retail stock	**19,179**	19,939
Cloth	**–**	25
	19,179	19,964

29. DEBTORS

	2008 £'000	2007 (restated) £'000
Trade debtors	**347**	101
Amounts owed by Group undertakings	**2,151**	2,151
Other debtors	**255**	251
Tax recoverable	**73**	149
Prepayments and accrued income	**7,150**	7,127
	9,976	9,779

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

30. CREDITORS AND PROVISIONS

(A) CREDITORS Amounts falling due within one year	2008 £'000	2007 (restated) £'000
Trade creditors	**13,157**	10,479
Amounts owed to Group undertakings	**12,182**	12,182
Other creditors including taxation and social security	**5,485**	5,349
Accruals and deferred income	**2,017**	1,026
	32,841	29,036
Other creditors including taxation and social security comprise:		
Other taxes	**3,347**	3,061
Social security	**573**	608
	3,920	3,669
Other creditors	**1,565**	1,680
	5,485	5,349
Amounts falling due after one year		
Accruals and deferred income	**1,230**	1,209

(B) PROVISIONS
(i) ANALYSIS OF DEFERRED TAX LIABILITY

	2008 £'000	2007 (restated) £'000
The deferred tax liability comprises:		
Accelerated capital allowances	**1,573**	1,441
Other short-term timing differences	**(117)**	(28)
Deferred tax liability	**1,456**	1,413

MOVEMENT IN DEFERRED TAX LIABILITY	£'000
Liability at 27 January 2007 as previously stated	532
Adjustment in respect of accelerated capital allowances	881
Liability at 27 January 2007 as restated	1,413
Change in enacted UK tax rate	(104)
Charge for the period	147
LIABILITY AT 26 JANUARY 2008	**1,456**

(ii) OTHER PROVISIONS	£'000
At 27 January 2007	–
Charged in period to the income statement	300
At 26 January 2008	**300**

The provisions are for redundancies following the restructuring of central functional services. These are expected to be utilised during the course of the coming year.

31. SHARE CAPITAL

(A) AUTHORISED AND ALLOTTED SHARE CAPITAL

Authorised:

	2008	2007
120,000,000 ordinary shares of 5 pence each (2007 – 120,000,000)	**2008**	2007
Allotted, called up and fully paid	**£'000**	£'000
Balance at beginning of the period:		
93,560,636 ordinary shares of 5 pence each (2007 – 93,048,816)	**4,678**	4,652
919,115 ordinary shares of 5 pence each issued during the period pursuant to exercise of share options (2007 – 511,820)	**46**	26
Balance at end of the period:		
94,479,751 ordinary shares of 5 pence each (2007 – 93,560,636)	**4,724**	4,678

(B) SHARE OPTIONS

	2008 Number	2008 Weighted average exercise price (pence)	2007 Number	2007 Weighted average exercise price (pence)
Options outstanding at the beginning of the period	**4,468,173**	**67.94**	5,409,283	59.59
Granted in the period	**5,480,000**	**47.50**	2,181,768	81.13
Exercised in the period	**(919,115)**	**34.00**	(511,820)	21.52
Forfeited in the period	**–**	**–**	(953,558)	78.59
Lapsed in the period	**(373,000)**	**103.77**	(1,657,500)	72.54
Options outstanding at the end of the period	**8,656,058**	**57.06**	4,468,173	67.94
Fully exercisable at the end of the period	**1,097,848**	**33.76**	2,089,963	38.06

Savings related share option scheme:

Options are outstanding in respect of the following ordinary shares at 26 January 2008:

Number of ordinary shares	Exercisable option price per share (pence)	Exercisable option dates (calendar year)
172,356	20.00	2006/2008

31. SHARE CAPITAL CONTINUED

Executive share option scheme:

Options are outstanding in respect of the following ordinary shares at 26 January 2008:

Number of ordinary shares	Exercisable option price per share (pence)	Exercisable option dates (calendar year)
10,000	111.50	2005/2009
915,492	35.50	2005/2012
240,000	104.00	2008/2015
215,000	74.00	2008/2015
936,936	83.25	2009/2016
686,274	76.50	2009/2016
5,480,000	47.50	2010/2017

The Directors' Remuneration Report gives details of options granted to Directors over ordinary shares of 5 pence each during the period ended 26 January 2008.

(C) SHARE BASED PAYMENTS

Two equity settled share option grants made prior to 7 November 2002 are outstanding. In accordance with the transitional provisions in FRS 20, the recognition and measurement principles in FRS 20 have not been applied to these grants. Details about these share options are given in note 31(B).

On 1 June 2006 and 30 October 2006, share options were granted to Directors to purchase shares in Moss Bross Group Plc under the Executive Share Option Scheme. During the year to 26 January 2008, a grant was made on similar terms to two Directors and senior employees. In accordance with these plans, options are exercisable at the market price of the shares at the date of grant. These grants are subject to FRS20 as set out in note 24. Prior year expenses in respect of grants outstanding at 28 January 2006 were written back during that period and no current period expense has been recognised for the 7 November 2007 options.

The terms and conditions of the grants made during the current and prior year are as follows; all option exercises are settled by physical delivery of shares:

Grant date/employees entitled	Number of instruments	Vesting conditions	Contractual life of options
Option grant to two Directors on 1 June 2006	1,495,494	Three years of service. Earnings per Share must increase by 10% CAGR* by the vesting date	10 years (7 years after end of vesting period)
Option grant to one Director on 30 October 2006	686,274	Two years of service. Earnings per Share must increase by 10% CAGR* by the vesting date	9 years (7 years after end of vesting period)
Option grant to two Directors and senior employees on 7 November 2007	5,480,000	Three years of service. Earnings per Share must increase by 20% CAGR* by the vesting date	10 years (7 years after end of vesting period)

*CAGR is compound annual growth rate.

31. SHARE CAPITAL CONTINUED

The fair values of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual life of the options (nine or ten years) is used as an input into this model. Expectations of early exercise result in an average option life of four years which has been input into the model.

Fair value of share options and assumptions	June 2006 grant	Oct 2006 grant	Nov 2007 grant
Fair value at grant date (pence per share)	14.72	13.89	11.75
Share price (pence per share)	83.25	76.50	47.50
Exercise price (pence per share)	83.25	76.50	47.50
Expected volatility (expressed as weighted average volatility used			
in the modelling under the Black-Scholes model)	13.08%	13.08%	29%
Option life (years)	4	4	4
Expected dividend yield	1.70%	1.70%	1.70%
Risk-free interest rate (based on national government bonds)	4.50%	4.75%	4.00%

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

32. RESERVES

	Share capital £'000	Share premium £'000	Acquisition reserve £'000	Retained earnings £'000	Total £'000
At 27 January 2007 as previously stated	4,678	8,400	4,370	39,804	57,252
Prior year restatement	–	–	–	(881)	(881)
At 27 January 2007 as restated	4,678	8,400	4,370	38,923	56,371
Shares issued	46	266	–	–	312
Loss after taxation	–	–	–	(2,865)	(2,865)
Dividends paid	–	–	–	(1,690)	(1,690)
At 26 January 2008	4,724	8,666	4,370	34,368	52,128

As at 26 January 2008, 121,355 (2007 – 483,556) of the Company's Ordinary shares were held by the Company's Employee Share Trust ('QUEST'). During the year ended 26 January 2008 shares were issued for nil proceeds from the Company's Employee Share Trust ('QUEST') to employees in respect of services received.

Deferred tax has been amended in the prior period for an adjustment to additions eligible for capital allowances. The net impact of this adjustment has been to decrease net assets and Shareholders' funds as at 27 January 2007.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

33. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000	2006 £'000
Total equity at beginning of period as restated/previously stated	**57,148**	54,022	50,275
Prior year restatement	**(777)**	(104)	–
Total equity at beginning of period as restated	**56,371**	53,918	50,275
(Loss)/profit for the period	**(2,865)**	5,314	4,568
Dividends paid	**(1,690)**	(1,675)	(1,373)
Issue of shares	**312**	20	337
Proceeds from QUEST	**–**	–	90
Share based payments	**–**	(211)	125
Purchase of own shares	**–**	(218)	–
Net movement in equity during the period	**(4,243)**	3,230	3,747
Closing Shareholders' funds	**52,128**	57,148	54,022

34. RELATED PARTY TRANSACTIONS

The Company has no related party transactions to disclose as it is exempt under paragraph 3(c) of Financial Reporting Standard Number 8, from disclosing transactions with companies in which it holds 90% or more of the share capital, apart from the following. During the year, the Company paid a major Shareholder £12,000 in respect of consultation advice (2007 – £12,000).

	2008 £'000	2007 £'000
Short-term employee benefits	**1,083**	1,135
Contributions to defined contribution plans	**15**	27
Equity compensation benefits	**–**	(110)
	1,098	1,052

Total remuneration is included in administrative expenses and relates to 15 employees in the period ended 26 January 2008 (2007 – 13).

In addition, a major Shareholder was paid £12,000 in respect of consultancy advice during the period (2007 – £12,000). During the period, the Group traded with entities in which another major Shareholder has a significant financial interest. Rents payable to these parties for the 52 weeks ended 26 January 2008 totalled £135,000 (2007 – £69,000). The balance owed by these parties as at 26 January 2008 totalled £86,000 (2007 – £84,000).

NOTICE OF ANNUAL GENERAL MEETING

This notice of Annual General Meeting is important. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from an appropriate independent financial advisor authorised under the Financial Services and Markets Act 2000.

Notice is hereby given that the ninety-fifth Annual General Meeting of Moss Bros Group Plc (the Company) will be held at 8 St. John's Hill, London SW11 1SA on 25 June 2008 at 3 pm for the following purposes:

ORDINARY BUSINESS

1. To receive and consider the Directors' Report and Accounts and the Auditors' Report for the period ended 26 January 2008.
2. To approve the Directors' Remuneration Report for the period ended 26 January 2008.
3. To elect D McCarthy a Director of the Company.
4. To elect A Bogod a Director of the Company.
5. To re-elect R J Gee a Director of the Company.
6. To re-elect B I Myers a Director of the Company.
7. To re-appoint KPMG Audit plc as auditors.
8. To authorise the Directors to fix the auditor's remuneration.

SPECIAL BUSINESS

9. (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 (as defined in section 80(2) of the Companies Act 1985) 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 earlier of the date of the next Annual General Meeting of the Company and 24 September 2009 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 £1,273,462.

   (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, and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.

10. (a) To resolve as a special resolution that the Directors shall be empowered for a period expiring on the earlier of the date of the next Annual General Meeting of the Company and 24 September 2009 to allot equity securities (within the meaning of sections 94 (2) and 94(3) of the Companies Act 1985) of the Company pursuant to the authority conferred by resolution 9 above 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 and the Directors may allot equity securities pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired, 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 £236,326 for the duration of the aforementioned power; and

    (ii) to the allotment of equity securities in connection with rights issues or other 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, but subject to such exclusions or other arrangements as the Directors may deem necessary to deal with any treasury shares, fractional entitlements or with legal or practical problems or the requirements of any regulatory body or stock exchange in any territory by virtue of shares being represented by depository receipts.

11. To resolve as a special resolution that the Directors shall be unconditionally authorised for the purposes of Section 166 of the Companies Act 1985 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 aggregate number of ordinary shares hereby authorised to be acquired shall be 9,453,075 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: a) 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; or b) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange; and

    (iii) the authority hereby given shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company and 24 September 2009 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.

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

12. To resolve as a special resolution that the Articles of Association of the Company be and hereby are amended in accordance with the printed document produced to the meeting marked "A" and intialled by the Chairman for the purposes of identification.

By order of the Board
J Stephens
Company Secretary
3 April 2008

Registered Office:
8 St. John's Hill
London
SW11 1SA

NOTES

A copy of the proposed new articles of association of the Company, and a copy of the existing articles of association marked to show the changes being proposed in resolution 12, copies of the Directors' service contracts with the Company and copies of the letters of appointment of the Non-Executive Directors 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 25 June 2008 and also at the place of the meeting for at least 15 minutes prior to and throughout the meeting.

1. A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote in their place. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed. To be effective, the completed and signed Form of Proxy together with the power of attorney or authority, if any, under which it is signed (or a duly certified copy of any such power or authority) must be lodged with the Company's registrars, Capita Registrars at Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 3TU not less than 48 hours before the time of the meeting. Return of a completed Form of Proxy will not preclude a member from attending and voting personally at the meeting.
3. The Company, pursuant to regulation 41(l) of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered on the register of members at 5 pm on the day two days before the date of the meeting (or any adjourned meeting) shall be entitled to attend or vote there at in respect of the number of shares registered in their name at that time and changes to the register thereafter shall be disregarded in determining rights to attend and vote.
4. If you have sold or transferred all your shares, these documents should be passed to the purchaser or transferee or the person through whom the sale or transfer was made for transmission to the purchaser or transferee.
5. Any person to whom this notice is sent who is currently nominated by a member of the Company to enjoy information rights under section 146 of the Companies Act 2006 (a "nominated person") may have a right under an agreement between him and such member to be appointed, or to have someone else appointed, as a proxy for the meeting. If he has no such right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member concerned as to the exercise of voting rights. The statement in note 1 above of the rights of a member in relation to the appointment of proxies does not apply to a nominated person. Such rights can only be exercised by the member concerned.
6. As at 3 April 2008 (being the latest practicable date prior to the printing of this document) (i) the Company's issued share capital consisted of 94,530,752 ordinary shares, all carrying one vote each and (ii) the total voting rights in the Company were 94,530,752.
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting to be held on 25 June 2008 and any adjournment(s) thereof utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. Arrangements will be put in place at the meeting in order to facilitate voting by representatives of members which are corporations ("corporate representatives" and "corporate shareholders") so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all its other corporate representatives at the meeting, those corporate representatives will be able to give voting directions to the chairman in respect of the poll and the chairman will be able to vote (or withhold a vote) on the poll as corporate representative in accordance with those directions, and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, all of them will be able to nominate one of their number as a "designated" corporate representative to vote on a poll for them all and the others will be able to give voting directions to it accordingly. Further information about this procedure is set out in the Institute of Chartered Secretaries and Administrators' January 2008 guidance note on "Proxies and Corporate Representatives at General Meetings" (accessible at www.icsa.org.uk).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